



Investment Consulting Services Proposal

Prepared for:



November 2011

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CALLAN ASSOCIATES^{INC.}



November 15, 2011

SAN FRANCISCO

Keith Overly
Executive Director
Ohio Deferred Compensation Program
257 East Town Street, Suite 400
Columbus, OH 43215-4623

FLORHAM PARK, NJ

CHICAGO

ATLANTA

DENVER

Dear Mr. Overly:

As a shareholder and Vice President of Callan Associates Inc., I am very happy to submit this proposal on behalf of my colleagues. We are delighted to compete for the consulting assignment.

The information presented in this proposal by Mike Joecken is correct to the best of our knowledge and belief as of the date submitted. This individual executing this document on behalf of Callan Associates is authorized to execute documents of this nature under the scope of his employment responsibilities.

Callan's focus on serving the investment consulting needs of sophisticated institutional investors keeps our mission clear: to deliver superior consulting solutions that help our clients achieve their investment and business objectives. We have been providing these services for over 38 years and investment consulting continues to be our primary business. More specifically, we believe that the following characteristics set us apart from the competition:

- Experience and objectivity – more than 38 years of consulting expertise in the services required in this proposal
- Dynamic Team Approach to Client Service – experienced team of consultants
- Valuable, Timely Education and Research – proactive, actionable research
- Original, Adaptable, State-of-the-Art Technology – databases, report delivery
- Renowned Experts in Global Investment Consulting

We are excited about the opportunity to bring Callan's experience and resources to meet the investment needs of the Ohio Deferred Compensation Program. If needed, I am happy to provide clarification of any aspect of Callan's proposal. I can be reached at joecken@callan.com or 312-346-3536.

Best regards,

Michael J. Joecken
Vice President



VII. TECHNICAL PROPOSAL

The technical proposal must contain the following information. Please structure your responses in the same order as this outline.

(1) General Information Regarding your Firm

a. Give a brief history of your firm, including the year the organization was founded.

Callan Associates was founded in 1973 as an independent performance evaluation service supporting the fiduciaries responsible for both defined contribution plans and defined benefit plans. Over the next 20 years, Callan expanded its staff and developed expertise in strategic planning and manager research, as well as formal programs to educate fiduciaries. Since the mid-1990's, Callan has devoted significant resources to consulting on alternative investments and addressing the increasingly complex needs of plan sponsors. Callan has been providing investment consulting services to public pension plans for over 35 years, since shortly after the firm was founded.

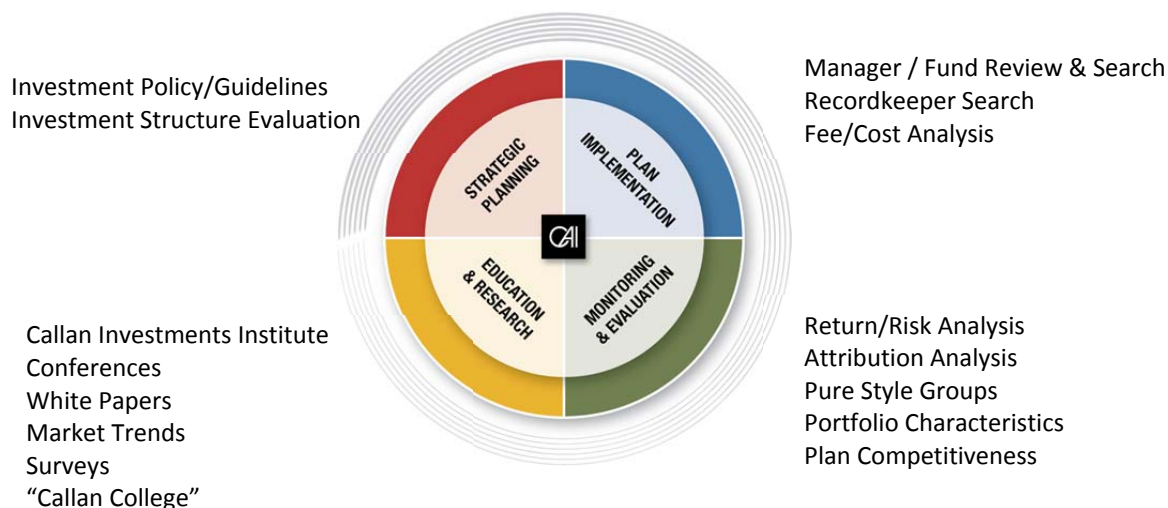
b. Describe the organization of the firm and the range of services it provides, its underlying philosophy or mission statement as investment advisory Consultant, and any organizational aspects that uniquely qualify the firm for this assignment. Describe the broadest range of services you provide to clients.

Callan's mission is to inspire long-term investment decisions and our vision is to empower clients with applied research, deep knowledge, and practical advice.

We believe we are most effective as investment consultants when we work as partners with our clients in developing and implementing investment strategy and evaluating the investment program's progress toward its objectives. We serve both as an objective third party, assisting our clients in following a sound fiduciary process, and as an extension of internal staff, providing information and analysis on investment topics that staff may lack time and experience to pursue. As such, we expect to be in regular contact with our clients, participate in ongoing quarterly meetings to discuss manager and fund performance and other developments, and on a day-to-day basis as questions or issues arise.

Callan Associates specializes in all of the areas that are critical to the long-term success of the Ohio Public Employees Deferred Compensation Program (Ohio DC). The services Callan is able to offer can be illustrated as four distinct phases of investment consulting: Strategic Planning, Plan Implementation, Monitoring and Evaluation, and Continuing Education.

Successful investment programs, regardless of the type, generally have one common theme – the adherence to a well thought-out and clear process. For an institutional defined contribution sponsor, this process is best described in four distinct phases: Strategic Planning, Plan Implementation, Monitoring and Evaluation, and Continuing Education. As the schematic below shows, the four phases are arranged in a circle to illustrate a continual flow from one phase to another:



The types of services provided within each of the four major areas of investment consulting are briefly summarized as follows:

Strategic Planning

- Plan Policy Guideline Development and Review
- Investment Structure Evaluation
- Service Provider Evaluation

Plan Implementation

- Selection of investment managers
- Negotiation of investment manager fees (separate accounts)
- Negotiation of lower fee share classes (mutual funds)
- Recordkeeper Searches
- Transition Cost Management
- Fee/Cost Analysis
- Special projects and consulting assignments

Performance Evaluation and Manager Monitoring

- Computing accurate time-weighted rates of return
- Making relevant benchmark comparisons
- Preparing customized written reports
- Interpreting and evaluating results
- Monitoring of investment management firms (quantitatively & qualitatively)
- Review costs periodically



Continuing Education

- Callan Investments Institute
- Center for Investment Training (the “Callan College”)
- Client-specific training/orientation sessions

Callan has been instrumental in providing clients with defined contribution solutions that offer best in class service and technology while improving fee transparency and total cost structure, as outlined below and discussed throughout this overview.

Fee Analysis - Our fee evaluation process benchmarks and evaluates both investment management and administrative costs and serves as comprehensive documentation for due diligence efforts and efforts to offer investment options with reasonable fees.

Fund Mapping – An evaluation of the appropriate fund mapping strategy will take into account fiduciary implications, plan goals, and participants needs. Mapping strategies often involve mapping to funds with similar risk/return profiles. Depending on the magnitude of the planned changes, a full or partial re-booting of the plan may be advisable. Re-booting is when assets are defaulted to the default fund (such as a target date fund) should participants fail to make an election among the new fund line-up. Callan can walk you through a variety of re-booting approaches.

Mutual Fund Window/Self Direct Brokerage Window – Callan can evaluate the merit of and possible approaches to adding mutual fund windows.

Callan Best Practices Tools include:

Target Date Peer Groups - As a means to better evaluate target date funds, Callan has developed custom target date peer groups to provide additional information to assist with the evaluation of such funds. Callan Target Date Peer Groups have the ability to evaluate both the glidepath of each fund as well as the implementation (including rebalancing and manager performance) of these funds relative to peers. By separating the total return of each fund into two components, the glidepath and the implementation, Callan has the ability to evaluate and select target date funds that is unmatched in the current marketplace.

Glidepath construction methodology - Callan’s custom process and manager knowledge has also been an important part of our continuing work in Target Risk or Target Date Fund evaluation and search. We have done significant work on the selection and/or creation of Target Date options for our clients. This work combines our extensive knowledge in asset/liability studies with our individual manager knowledge to evaluate both the glide path and the underlying managers used. These are independent factors and the glidepaths found in various funds can be very different

Target Date Index - Given the lack of tools, including a generally accepted benchmark to evaluate target date funds, Callan created the Callan Target Date Index to assist plan sponsors in evaluating their target date fund family. The Target Date Index is an equally weighted index of target dates funds available in the market place. The consensus driven Index objectively reflects the average glidepaths actually available for investment for any given period. The Index is highly diversified and is designed to evolve with the industry, adding new asset classes as target date fund managers adopt them.

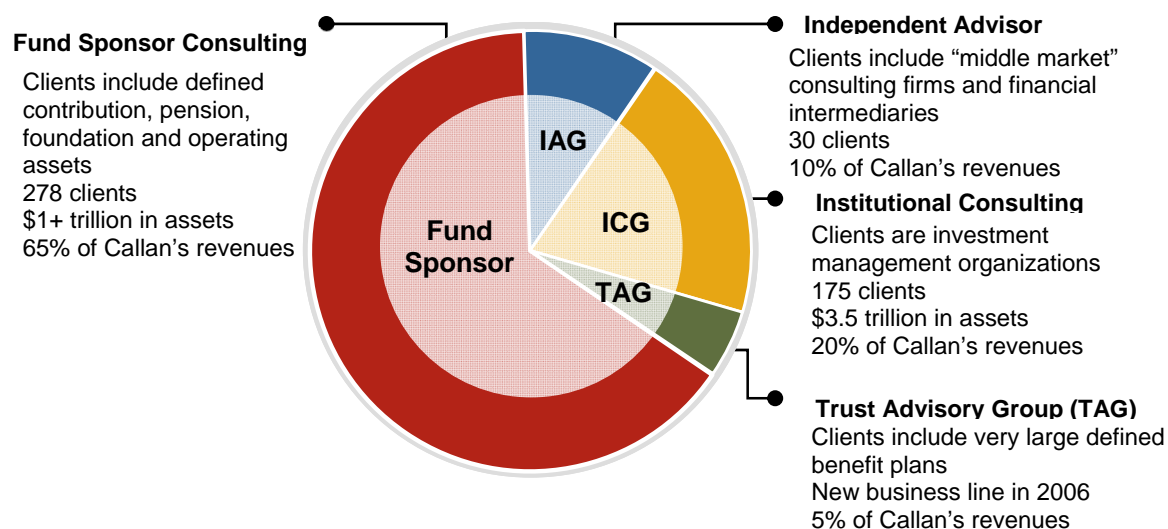


The Callan DC Index – As mentioned previously, this is the first index in the industry that enables you to track, measure, and evaluate how aggregate defined contribution plan decisions impact fund flows, asset allocation, and the investment performance of DC plans.

c. Describe all of your firm's lines of business and the approximate contribution of each business to your organization's total revenue. If your firm is an affiliate or subsidiary of an organization, state what percentage of the parent firm's total revenue your affiliate or subsidiary generates.

Callan serves only the institutional investment community by operating four lines of business. We believe a diversified revenue stream has been critical to our ability to continue to reinvest in our people and our proprietary systems. Our business model is what allows us to deliver superior investment consulting services to our clients at competitive fees.

Callan Associates is privately owned by its professionals, including all of the proposed primary consultants, and does not have any joint ventures, business partners, affiliates, subsidiaries or a parent company.



The Fund Sponsor Consulting Group, which works with institutional asset owners such as Ohio Deferred Compensation, is our primary business. We provide this diverse client base with a full spectrum of consulting services including strategic advice, investment manager research, and performance evaluation, as well as fiduciary education through the Callan Investments Institute and "Callan College". This segment of our client base generates approximately 65% of Callan's annual revenue.

The Independent Adviser Group provides consulting resources to a select group of independent consulting firms and financial intermediaries. Through their unique relationship with Callan Associates, IAG consulting firms provide fiduciaries, trustees, and high net worth individuals in the middle market (less than \$100 million) with objective and professional investment consulting services that have been traditionally available to only the largest of institutions. The IAG represents 10% of Callan's revenue.

The Institutional Consulting Group provides performance measurement services and style reports to investment managers who use these reports primarily for internal monitoring and



marketing. ICG also provides product, organizational structure and process assessments to investment management fiduciaries. The ICG represents 20% of Callan's revenue.

Trust Advisory Group is Callan's asset management division, which specializes in the design, implementation, and on-going management of multi-manager portfolios for institutional investors. Utilizing Callan's scale, experience, and manager research resources, TAG applies a process-driven approach to building efficient, low cost portfolios with clearly articulated goals and objectives. Currently TAG serves as the sponsor and advisor to a multi-manager small cap Trust designed for very large institutional investors, and as a non-discretionary sub-advisor for a series of target maturity collective funds sponsored by AST Capital Trust, a Delaware chartered trust company. The Trust Advisory Group generated 5% of Callan's revenue in 2010.

d. Describe the ownership structure of your organization giving specific details with regard to your parent, any affiliated companies, or any joint ventures, including any ownership the firm or any entity under its control might hold in other investment firms.

Callan Associates Inc., a subchapter S Corporation incorporated in the State of California, is privately owned by its professionals, including all of the proposed primary consultants, and does not have any joint ventures, business partners, affiliates, subsidiaries or a parent company. Beginning in 1989, Ed Callan began the transition of ownership to second and third generation employees. That transition was completed at the end of 2004. Currently, 65 shareholders own the stock of the firm, including Mike Joecken and Kevin Dolsen, the consultant team proposed for this relationship. No shareholder owns a majority interest. Ronald D. Peyton, CEO, is the largest shareholder of the firm. All other shareholders each own less than 5%. Going forward we expect to broaden this already deep employee stock ownership base.

e. Describe any significant developments in your organization within the last three years, such as changes in ownership, personnel reorganization, and staff departures.

There have been no significant developments in our organization within the last three years; however, Callan recently announced the hiring of six individuals from Nuveen Investment Solutions. This move was unique and was the result of a strong fit between cultures and consulting philosophies. Nuveen brings a commitment to strong analytic capabilities which is reinforced in Callan's approach to fund sponsor consulting. The new employees will be part of the Fund Sponsor Consulting group and will take on generalist consultant responsibilities.

At this point in time Callan is not looking to add additional professionals. While Callan is not currently planning acquisitions, we have hired opportunistically in the past and will continue to seek out opportunities in the future.

We have included a list of staff turnover over the last three years in Appendix A.

f. Describe any near-term changes in your organization's basic ownership structure or any other significant changes in your organization that you anticipate.

Callan does anticipate any change to our basic ownership structure or significant organizational changes.



g. State whether your firm, its parent, or any affiliate is a Registered Investment Adviser with the SEC under the Investment Company Act of 1940. If not, state your fiduciary classification.

Callan is a registered investment advisor with the SEC under the Investment Advisers Act of 1940. The effective date of Callan's SEC registration as an investment advisor is April 16, 1973. We have included our most recent Form, ADV Part I and II as Appendix B.

Callan acknowledges that we have a fiduciary obligation as an investment adviser to our clients as defined in Section 3(21)(A)(ii) of ERISA. Callan, in performing its services, shall discharge each of its duties with due care, skill, prudence and diligence under the circumstances that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of any enterprise of like character and with like aims. Callan shall discharge its duties solely in the interest of the participants and beneficiaries of those assets.

h. State whether your organization or an officer or principal has been involved in any business litigation or other legal proceedings relating to your consulting activities within the last five years. If so, provide an explanation and indicate the current status or disposition.

An overview of past litigation and legal proceedings are highlighted below. Please contact us if you have any additional questions.

Patrick Patt vs. Callan Associates

In 2006, Callan Associates was served with a complaint filed by Patrick Patt, a participant in the Illinois Teachers Retirement System (ITRS) defined benefit plan. ITRS did not file this suit and they were not a party to it. In June 2009, the parties reached a settlement, without any admission of liability by Callan, for significantly less than the anticipated litigation cost. In the midst of these proceedings, of which ITRS was aware, ITRS rebid the Real Estate consulting relationship and rehired Callan Associates after a competitive process.

Albert T. Beane vs. Callan Associates

In 2007, Callan Associates was served with a complaint filed by a participant, Albert T. Beane, Jr., in the Federal Mogul Corp. defined benefit plan. Federal-Mogul, a former client, did not file this suit and they were not a party to it. In March 2009, the parties reached a settlement, without any admission of liability by Callan, for significantly less than the anticipated litigation cost.

Yerby, McVeigh and Perdue Cases

In 2009, Callan Associates ("Callan") was served with complaints in three cases filed by Carole M. Perdue, Hayden R. Battles, and Brian McVeigh, who purchased contracts to participate in the Alabama Prepaid Affordable College Tuition ("PACT") program, a Section 529 plan. The similar complaints assert a number of claims against Callan and other parties, including, that Callan breached its duties to each respective beneficiary as funds in the PACT program declined in value to the point that the fund allegedly lacks the assets to meet its future obligations. On January 25, 2010, the Battles case was dismissed without prejudice, leaving only the Perdue and McVeigh cases still pending. In early May, 2010, the Alabama governor signed into law a plan that would allow the state to fund the assets in order to meet PACT's future obligations. Callan believes that there is a reasonable likelihood that the remaining two cases will be dismissed as a result of this new legislation.



i. State whether your firm or an affiliate manages money for clients or provides other services that could be considered a conflict of interest. Include whether your firm or its parent or an affiliate are broker/dealers. State whether you trade client accounts through your own broker/dealer. State whether your firm accepts soft-dollars as a method of payment for services provided.

Through our Trust Advisory Group (TAG), Callan provides a small cap fund-of-fund and Glidepath fund solutions to the institutional marketplace. The Trust Advisory Group, Callan's asset management division, specializes in the design, implementation, and on-going management of multi-manager portfolios for institutional investors. Utilizing Callan's scale, experience, and manager research resources, TAG applies a process-driven approach to building efficient, low cost portfolios with clearly articulated goals and objectives. Currently TAG serves as the sponsor and advisor to a multi-manager small cap Trust designed for very large institutional investors, and as a non-discretionary sub-advisor for a series of target maturity collective funds sponsored by AST Capital Trust, a Delaware chartered trust company.

Callan is not a broker/dealer, nor do we have a broker/dealer affiliate, and only we accept hard dollar payments.

j. Certify that the firm is an independent financial advisor, neither engaged in the sale of services to investment managers, nor sale of investments to fund sponsors.

Callan is a SEC registered investment advisor. Callan does have the following business units which service investment managers and fund sponsors. Callan provides investment consulting services to the investment management community through the Institutional Consulting Group (ICG). It is worth noting that Callan only accepts hard dollar payments.

The Institutional Consulting Group (ICG) of Callan Associates, which was established in 1988, provides performance measurement services and style reports to approximately 160 investment management firms who use these reports primarily for internal monitoring and marketing. ICG also provides marketing and client service consulting, presentation training, product assessment, performance software, education and research to investment managers.

Callan prides itself on setting the standard for openness, transparency and disclosure regarding its diversified business model. Fund sponsor clients can request a complete listing of investment manager clients, as well as detailed fee information for specific managers at any time from Callan's compliance department. We have included a list of Managers We Do Business With as Appendix C.

It is imperative to note that the Institutional Consulting Group (ICG) operates as a separate profit center within the firm, maintaining its own staff, as well as its own profit and loss accounting system. ICG personnel are not involved in any manager search activity or fund sponsor consulting. **Managers who pay Callan for services are never entitled to, nor do they receive, any preferential treatment from our consultants. This statement of fact is communicated to each manager in writing at the outset of any relationship with Callan.**

The Trust Advisory Group (TAG), described in the answer to the previous question, also operates as a separate profit center with a dedicated staff of three. TAG personnel are not involved in plan sponsor manager searches or plan sponsor consulting of any kind. Managers are never charged a fee to participate in Callan's database.



Conflict: A Constant Industry Dynamic

- All consulting firms face the same basic conflict. Limited resources and a complex investment landscape create a constant tension between doing what's right for each client and doing what's possible.
- Firms that claim not to have conflicts either don't understand their business, or are purposefully oversimplifying the problem to avoid talking about how they manage them.
- Having potential conflicts does not equal unethical behavior. Ethical firms take an honest approach to acknowledging potential conflicts, and then managing them aggressively to ensure that they are never realized in advice to clients.
- Managing potential conflicts is a strength, and demonstrates a clear understanding of the business and a respect for the clients. It requires disclosure, strict policies and procedures, and an ongoing monitoring process.

Institutional investing has inherent tensions—conflicts between long-term strategies and reactions to today's market circumstances, divergent opinions between the board and the staff, or in the challenge of evaluating, selecting, and managing a range of services needed to help administer the fund. The consultants that serve these investors balance tensions and conflicts as well—needing to be sure that each solution is truly unbiased and customized to each client, that sensitive materials are not disclosed, and how to ensure adequate resources are available for each client in a cost-effective way.

All of this is just part of doing business. Tensions and conflicts are meant to be managed. The most effective approach is accurate information and analysis, a thorough understanding of the options and implications, complete transparency and disclosure, and a code of ethics.

The willingness and ability to work through challenges and conflicts is strength and should not be purposely misconstrued as representing unethical behavior. Callan has the following protocols in place to protect our firm and our clients (which include other large Ohio public plans) from the potential for conflicts. These protocols have been reviewed by our clients and auditors and we are proud of our over 38-year unblemished record. We encourage you to contact the provided references to discuss this matter.

Preventing potential conflicts of interest from becoming actual conflicts of interest is a critically important issue to us, our clients, and our prospective clients. To ensure our freedom from conflicts, we have had the following practices in place for well over a decade:

- **Code of Ethical Responsibility** – Callan adheres to a firm-wide ethical code, which is discussed in the response to the next question. We also have 35 CFA Charterholders and 10 CFA Candidates who also subscribe to the CFA code of ethics. Callan's Code of Ethical Responsibility is included as Appendix D.
- **Disclosure** – It is Callan's explicitly stated policy to avoid conflicts through disclosure. Callan believes in disclosure of all business activities and relationships. Every year, and upon request, we furnish our fund sponsor clients with a complete list of all investment managers who do business with our Institutional Consulting Group and who are members of the Callan Investments Institute. New clients receive this information at the



outset of our relationship. Additionally, in our manager search and quarterly performance reports prepared for our clients, we indicate whether or not each manager included in the report does any business with Callan. We adhere to the principle that there should never be any question about providing clients with the appropriate information they need in order to assess our firm's objectivity.

- **Oversight Committees** – In services where the potential for conflict of interest is high, such as the manager search process, Callan eliminates bias through a formal, internal oversight system. Callan's Manager Search Committee, composed of fourteen senior consultants, verifies the accuracy, completeness and objectivity of data gathering, due diligence, and evaluation used during the manager screening process. For other services, such as asset allocation or manager structure, the Client Policy Review Committee evaluates all reports before they are submitted to the client. Our oversight system not only ensures objectivity, but also gives our clients the benefits of our firm's collective wisdom and experience.
- **Separation of Profit Centers** – Callan business unit that serves investment managers – the Institutional Consulting Group (ICG) – operates as a separate profit center within the firm, maintaining their own staff, as well as their own profit and loss accounting system. ICG personnel are not involved in any manager search activity or fund sponsor consulting.

k. Describe any circumstances specifically related to your investment consulting activities under which your firm, its officers, or employees receive direct or indirect compensation from investment managers.

Callan Associates provides investment consulting services to the investment management community through the Institutional Consulting Group (ICG). Callan only accepts hard dollar payments.

The Institutional Consulting Group (ICG) provides investment manager clients with research, education, performance measurement, database, and analytical tools to help them better serve the needs of institutional investors.

It is imperative to note that the groups that the Institutional Consulting Group (ICG) operates as separate profit centers within the firm, maintaining its own staff, as well as its own profit and loss accounting system. ICG personnel are not involved in any manager search activity or fund sponsor consulting. **Managers who pay Callan for services are never entitled to, nor do they receive, any preferential treatment from our consultants. This statement of fact is communicated to each manager in writing at the outset of any relationship with Callan.**

l. Provide the number of institutional retainer clients by asset size in each of the following categories:

Please see the table on the next page.



Size (In Millions)	Corporate Funds		Public Pensions		Endowments/ Foundations
	DB	DC	DB	DC	
\$0 - 50	6	4	3	3	8
\$51 - 500	25	21	30	13	23
\$501 - 1,000	9	12	5	3	2
\$1,001 - 5,000	16	23	10	8	4
Over \$5,000	6	3	26	5	0

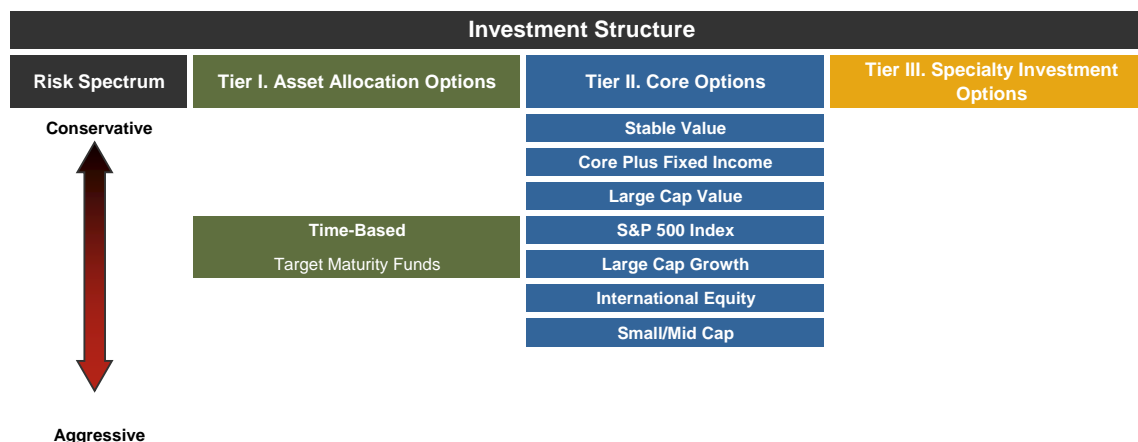
m. Provide a brief description of your experience consulting to defined contribution plans and on the design of their investment options.

Callan has been consulting to defined contribution plan clients throughout our 38-year history and has the depth of knowledge and resources to assist DC plan sponsors with discharging their fiduciary responsibilities. We currently have nearly 80 relationships with DC plan sponsors across public, corporate and Taft-Hartley segments. In recent years, we have invested significantly in deepening our knowledge and understanding of emerging trends affecting this segment of the institutional market.

Our process for analyzing a deferred compensation Program's investment options would begin with a formal investment structure evaluation. The primary purpose of such a study is to ensure that the investment structure offers an array of non-overlapping investment options that enable each participant to construct a diversified portfolio that is appropriate to their individual time horizon and risk tolerance. In our investment structure evaluations, we address the following questions:

- Does the plan have the right number and type of options?
- Is the implementation of each option appropriate given its role in the overall structure?
- What are the considerations in deciding the appropriate default option?
- Are the level of fees paid both by the plan sponsor and the participants reasonable?

When evaluating a deferred compensation plan investment structure, we utilize a three-tiered framework to map out the plan's current investment array. The chart below illustrates what our "ideal" investment structure might look like (without taking into account a given plan's characteristics and participant base) using the three-tiered approach.



When evaluating a deferred compensation plan investment structure, we utilize a three-tiered framework to map out the plan's current investment array.

Tier I - Tier I is the asset allocation tier. Callan believes that asset allocation funds, in general, are good alternatives for all savings plan participants because they are professionally designed, re-balanced periodically, and can keep participants from chasing hot performing funds. They can also be positioned as the easy choice for those participants lacking the knowledge, interest, or time to manage their accounts directly. Most sponsors and providers have discovered that the trick to proper use of these vehicles is extensive and exhaustive participant communication programs.

Tier II - Tier II is the core tier. This tier includes the basic building blocks participants need to create a diversified portfolio. Callan considers a plan's line-up to provide sufficient asset class coverage if it includes funds whose benchmarks generally represent the following asset classes: money market/stable value, core fixed income, large cap equity, small cap equity, and international equity. In large cap equity, we typically see plan sponsors offer a passively managed S&P 500 Index fund and actively managed funds in the large cap value and large cap growth positions.

Tier III - Tier III is the specialty tier. Investment funds not considered core are categorized in this tier. Examples include sector funds, aggressive growth or deep-value domestic equity funds, emerging markets funds, REITs, high yield, etc. Some plan sponsors may also offer participants a mutual fund window or self-directed brokerage option. These options would also be placed in this tier. Callan does not generally recommend the use of specialty options in a qualified plan investment structure because they usually introduce a significantly higher level of risk and require a significantly higher level of investment sophistication on the part of participants. We recognize, however, that there are many reasons why plan sponsors believe it is important to include the specialty category, and we work with our clients to integrate these into a sound investment structure.

We have included a clean sheet version of the Ohio DC's current fund lineup as of September 30, 2011 as Appendix E.

Overall, there are many variations of structures that can be considered sound. A review of how current participants are investing, summary of funds participants are requesting regularly, and a discussion of firm culture should accompany the development of any investment structure.



Finally, there are other current topics in the defined contribution industry on which Callan has conducted significant research and which we would apply to any structure work we would conduct. A few are covered below.

Investments

- Institutional investment vehicles should be considered by larger DC plans. Low-cost structures such as separate accounts and collective trusts should be considered.
- Brand options with the plan sponsor's name or a generic name.
- Plan sponsors should evaluate the ongoing role of the capital preservation vehicle in the plan. Today, money market yields are very low, making them less attractive. However, longer-term, these yields could rise, and along with higher wrap fees, that could impact the attractiveness of stable value funds.
- While keeping a streamlined fund line up is important, consideration should be given to TIPS and other inflation-protection investment funds given the possibility of higher inflation in the future. These may be stand-alone investments, or part of the target date fund and/or core fixed income fund.
- The role of securities lending in the DC plan should be carefully reviewed and documented. Plan sponsors must be comfortable with the asymmetrical fiduciary risk that can accompany securities lending: When securities lending works properly in DC plans, there may be a modest upside. When it fails, there is considerable potential downside in terms of negative tracking error and/or liquidity.

Fees and Communication

- DC plan fees should be monitored and evaluated on an annual basis. In addition, an RFI or blind mini-survey should be issued every three years, or when features of the plan dramatically change. Thorough documentation should accompany all fee analysis.
- Upcoming Department of Labor regulations and/or legislation may require greater disclosure to participants of embedded fees such as revenue sharing. As such, plan sponsors should understand and be comfortable with the way that administrative fees are paid across the plan, and the extent to which some funds may pay greater administrative fees than others when revenue sharing is used.

Plan Features

- Roth contributions can be an attractive feature for DC plans, especially for higher-paid employees who may be unable to invest in Roth IRAs due to income limits. A recently signed law allows 457(b) government plans to add a Roth contribution feature starting this year. For plan sponsors who are concerned about communicating Roth contributions to participants, one simple approach is to talk about "tax diversification" or the notion that, because it is impossible to predict future tax levels, diversification between pre-tax and Roth contributions can be a useful strategy.



n. Provide a current list of five (5) comparable clients, including name, contact, telephone number, asset values, number of years the client has retained your firm, and the products or services the client uses. The Program may choose to contact any of these clients as references.

Alaska Retirement Management Board (457 Plan)

Gary Bader
Chief Investment Officer
333 Willoughby Avenue
11th Floor
Juneau, AK 99801
(907) 465-4399

Municipality of Anchorage (457 Plan)

Daniel Moore
Treasurer
632 West 6th Avenue
Suite 330
Anchorage, AK 99501
(907) 343-4092

Mississippi Public Employees' Retirement System (457 Plan)

Lorrie Tingle
Chief Investment Officer
429 Mississippi Street
Jackson, MS 39201
(601) 359-2256

Utah Retirement Systems (457 Plan)

Craige Stone
Director of Defined Contribution Plans
540 East 200 South
Salt Lake City, UT 84102
(801) 366-7412

State Teachers Retirement System of Ohio

Michael Nehf
Executive Director
275 E. Broad Street
5th Floor
Columbus, OH 43215
(888) 227-7877

o. List all significant public fund clients and what percentage of your business those contracts represent.

The following list of public fund clients totals \$1.3 trillion in assets which represents 83% of assets under advisement.



Alabama Trust Fund	Milwaukee Employees' Retirement System
Alaska Permanent Fund Corporation	Mississippi Public Employees' Retirement System
Alaska Retirement Management Board	Nevada Public Employees' Retirement System
Anchorage Police and Fire Retirement System (The)	New York City Employees' Retirement System
Anchorage, Municipality of	New York State Deferred Compensation Board
Arizona State Retirement System	New York State Teachers' Retirement System
Arkansas Judicial Retirement System	New York State United Teachers Employees' Retirement Plan
Arkansas Public Employees' Retirement System	North Dakota Public Employees' Retirement System
Aurora (City of) General Employees' Retirement Plan	North Dakota State Investment Board
California Department of Personnel Administration	Ohio, State Teachers Retirement System of
California State Teachers' Retirement System	Prepaid Tuition Programs for the State of Nevada
Charlotte Firefighters' Retirement System	Public School Teachers' Pension and Retirement Fund of Chicago
Cook County	Saint Paul Teachers' Retirement Fund Association
Federal Reserve Employee Benefits System	South Carolina Retirement Systems
Firemen's Annuity and Benefit Fund of Chicago	State of Idaho College Savings Program Board
Idaho State Board of Education	State of Wisconsin Investment Board
Idaho, Public Employee Retirement System of	State Universities Retirement System of Illinois
Illinois Municipal Retirement Fund	Tulsa (City of) Municipal Employees' Retirement Plan
Illinois, Teachers' Retirement System of the State of	Washington State Investment Board
Indiana Public Employees; Retirement Fund	Wichita Employees' Retirement Board
Indiana State Teachers' Retirement Fund	Wichita Police & Fire Retirement Board
Kentucky Higher Education Assistance Authority	Wisconsin State Treasurer's Office
MARTA (Metropolitan Area Rapid Transit Authority)	Wyoming (City of) Employees' Retirement System (MI)

p. List the number of your firm's professional and support employees involved in:

1. Performance Evaluation 28
2. Marketing 8*
3. Client Consultation 60
4. Research (by area) 26
5. Computer Programming 9
6. Support Services 9
7. Manager Search (by asset class) 15

*Callan does not have a formal marketing department and therefore the number above consists of members of our Callan College, Callan Investment Institute, Corporate Communications and Published Research Group.



q. Provide the resumes of all principals, other professionals, and support personnel expected to be assigned to this account. Include their length and type of experience in pension consulting/advising services, length of employment with current firm, and any specialty expertise they possess.

Callan clients are supported by integrated consulting teams, consisting of senior consultants working from one of the regional offices, and appropriate asset class research specialists, most of whom work from Callan's San Francisco headquarters. All major projects related to policy development; investment manager selection or evaluation; and Alternatives selection and evaluation are reviewed by the Client Policy Review, Manager Search Committee and Defined Contribution Committee, respectively, which consist of senior consultants from each of Callan's five offices. The graphic below illustrates how Callan is organized to bring the firm's best thinking to the service of the Program.

Mike Joecken, the proposed lead consultant would have ultimate responsibility for the coordination and delivery of all services to the Plan and would always be available to Board members and staff, and would attend all Committee meetings. Mike would be supported by Kevin Dolsen, manager of Callan's Chicago office and Brianne Weymouth, Vice President. Lori Lucas, Defined Contribution Practice Leader, would also play an active role in servicing the Ohio Deferred Compensation Program. All three consultants are located in Callan's Chicago office. Callan's consultants would work in tandem with the Program's Board and Staff to articulate, implement and monitor the appropriate strategies for your program through the application of a disciplined process, which utilizes the appropriate specialists groups highlighted above. The proposed consulting team is highlighted below:



Michael J. Joecken is a Vice President in Callan's Chicago Fund Sponsor Consulting Office. Mike works with a variety of plan sponsor clients across the Midwest region, including corporate and public defined benefit plans, corporate defined contribution plans, and foundations. His client responsibilities include strategic planning and implementation, investment manager review, continuing education and the coordination of special projects. Mike is a shareholder of the firm, and also a member of Callan's Defined Contribution Committee.

Mike joined Callan in 2000 as a member of Callan's Institutional Consulting Group, and was responsible for supporting investment manager clients in the East, Southeast, and Midwest.

Mike received his MBA in Finance and Management from Northwestern University's Kellogg School of Management. He earned a B.S. in Finance from the University of Dayton. His prior work experience also includes positions at Morgan Stanley Dean Witter and Ameritech.



Kevin M. Dolsen, CFA, Senior Vice President. Kevin is Manager of Callan's Chicago Consulting office. He is a member of Callan's Management Committee and is a shareholder of the firm.

In addition to managing the Chicago fund sponsor office, Kevin works with foundation, defined benefit and defined contribution clients in the public and corporate sectors. He advises them on the development of strategic investment solutions in the areas of asset allocation and policy statements, manager research and selection and performance evaluation. Kevin sits on Callan's Manager Search and Alternatives Committees.

Kevin spent two years in Callan's Global Manager Research Group, where he was responsible for research and analysis of domestic equity investment managers and manager searches. Prior to that, he spent five years in Callan's Chicago Plan Sponsor Consulting Group, working with a wide variety of clients. He joined Callan Associates in 1999.

Kevin earned a B.A. in History with a minor in Finance from The University of Dayton. He received his MBA in Finance and Strategy at Northwestern's Kellogg School of Management in 2004. Kevin earned the right to use the Chartered Financial Analyst designation.



Brianne R. Weymouth, Vice President. Brianne is a consultant in Callan's Chicago Consulting Office. She works with a variety of fund sponsor clients, including corporate defined benefit and defined contribution plans, public plans, endowments and foundations. Her client responsibilities include strategic planning and implementation, investment manager reviews, performance evaluation, continuing education and the coordination of special projects.

Prior to joining Callan Associates, Brianne worked in the Consultant Relations group at PNC Capital Advisors. Prior to PNC, she worked at Richards & Tierney where she assisted with a variety of plan sponsor clients and was responsible for performance analysis, and performing manager searches and due-diligence. She began her career as a Research Analyst at Marquette Associates.

Brianne received her MBA at the University of Chicago Booth School Of Business with concentrations in Finance, Economics, and Strategic Management. She attended Ohio University where she earned a Bachelor of Arts degree in Economics.



Lori Lucas, CFA, Executive Vice President. Lori is the Defined Contribution Practice Leader for Callan's Fund Sponsor Consulting Group. Lori is responsible for setting the direction of Callan's DC business, providing DC support both internally to Callan's consultants and externally to Callan's clients, and developing research and insights into DC trends for the benefit of clients and the industry. Lori is a member of Callan's Management Committee and is a shareholder of the firm.

Formerly, Lori was Director of Retirement Research at Hewitt Associates. Lori has also served as a vice president at Ibbotson Associates, a pension fund consultant at J.H. Ellwood & Associates, and an analyst and product development leader at Morningstar, Inc.

Lori received a Bachelor of Arts from Indiana University and earned a Masters from the University of Illinois. Additionally, she earned the right to use the Chartered Financial Analyst®



designation. Lori is a columnist for Workforce Management online magazine and her views have been featured in numerous publications. She is Executive Vice Chair of the Employee Benefit Research Institute's Retirement Research Committee, and Executive Chair of the Defined Contribution Institutional Investment Association's Research Committee. Lori is also a frequent speaker at pension industry conferences.

ADDITIONAL TEAM SUPPORT – in addition, various specialty consultants from the following groups would be a part of the team in their area of expertise. Our specialty consulting groups are located in our San Francisco headquarters. Biographies of the head of each group can be found in Appendix F of our proposal.

<i>Quantitative consulting</i>	<i>Asset Allocation, Asset/Liability Modeling, Manager Structure Analysis, And Investment Policy Determination</i>
<i>Global Manager Research.....</i>	<i>Research and staff support in manager selection.</i>
<i>Private Markets Group.....</i>	<i>Real Estate and Alternative Investments</i>
<i>Global Trust/Custody Group...</i>	<i>Master Trust, Custody, Securities Lending, and Transition Management</i>
<i>Client Report Services.....</i>	<i>Investment measurement and transaction cost analysis reports.</i>
<i>Defined Contribution consulting..</i>	<i>Defined Contribution Research and Consulting</i>

We also ensure that all strategic investment solutions presented to our clients are subject to full due diligence review by senior members of Callan's nationwide consulting practice through oversight groups. Callan's *Client Policy Review Committee* reviews all strategic reports and projects, including asset allocation and manager structure studies. Our *Manager Search Committee* verifies the accuracy, completeness, and objectivity of all data gathering, due diligence, and evaluation used in our manager research process. Callan's *Alternatives Review committee* evaluates each and every alternative investment search, project and study undertaken by our clients. Callan's *Management Committee*, which provides general oversight of all consulting projects, is also responsible for firm-wide strategy and the development of Callan's services. Our *Defined Contribution Committee* reviews all defined contribution projects that we undertake for our clients. These review committees oversee all work performed for our clients to insure that the solutions implemented meet Callan's fiduciary standards and our client's overall investment policy.

r. Describe the typical client load for your Consultants. Estimate the proportion of available time that the Primary Consultant assigned will spend on this account and the number of other clients for whom they are/will be primary.

In order to ensure superior service to all clients, we closely review the client loads of all consultants. Our current client to fund sponsor consultant ratio is 9 to 1. Additionally, our client to consultant ratio, including all general and specialty consultants, is 4 to 1, and with 156 total employees and 28 general consultants, our support to general consultant ratio is approximately 5 to 1. Because each relationship differs in the nature and level of service required, we do not establish a specific maximum number of clients per consultant. Generally speaking, consultants that work with clients who have large and complex investment programs typically do not have more than 8 to 10 client relationships. Consultants with smaller clients or clients that use us for



a limited range of services may have 12 to 15 clients. The experiences, preferences and skills of consultants also play a part in determining the best fit between a consultant and prospective client. Most importantly, we decide which consultant to assign based on our understanding of the prospect's needs and preferences. Our consultants will spend the necessary time to deliver superior service to Ohio DC.

s. Provide a copy of your firm's ethics policy.

We have provided a copy of the firm's Code of Ethics in Appendix D.

t. Describe the insurance coverage for your firm, including coverage amount, deductible, and A.M. Best rating of insurance carrier. Include the amounts of general errors and omission liability insurance coverage and fiduciary liability insurance coverage against acts of fraud and dishonesty.

Callan's firm-wide insurance coverage, including fiduciary liability coverage is listed below.

General Liability

Travelers Property Casualty Co. of America, 255 Lennon Lane, Walnut Creek, CA
AM Best Rating A+XV
Term: 10/01/2011 to 10/01/2012 Policy Number: 660-816C442-TIL-11
Limits: \$1,000,000 per Occurrence; \$2,000,000 General Aggregate
Deductible: None

Excess Liability

Travelers Property Casualty Co. of America, 255 Lennon Lane, Walnut Creek, CA
AM Best Rating A+XV
Term: 10/01/2011 to 10/01/2012 Policy Number: CUP-3359T295-TIL-11
Limits \$4,000,000 per Occurrence; \$4,000,000 General Aggregate

Workers' Compensation

Travelers Group, 255 Lennon Lane, Walnut Creek, CA
AM Best Rating AIX
Term: 04/01/2011 to 04/01/2012 Policy Number: UB-8389P537
Covered States: CA, CO, GA, IL, NJ, NM, NV, WI
Limits: \$1,000,000 Employer Liability

Fidelity Bond

Travelers Casualty & Surety Company, 255 Lennon Lane, Walnut Creek, CA
AM Best Rating A+XV
Term: 07/01/2009 to 07/01/2012 Bond Number: 105314199
Limits: \$1,000,000 Employee Theft

ERISA Bond

Travelers Casualty & Surety Company, 255 Lennon Lane, Walnut Creek, CA
AM Best Rating A+XV
Term: 09/16/2011 to 09/16/2014 Bond Number: 104612930
Limits: \$1,000,000 Any One Occurrence

Directors & Officers Liability



Scottsdale Insurance Company, AM Best Rating A+XV
Term: 10/01/2011 to 10/01/2012 Policy Number: EKS3048546
Limits: \$3,000,000 Aggregate for All Loss

Professional Liability-Errors & Omissions

Axis Surplus Insurance Company, 725 South Figueroa Street, Los Angeles, CA
Term: 8/15/2011 to 8/15/2012 Policy Number: ELN762250/01/2011
\$5,000,000 Aggregate Limit AM Best Rating A XV

A copy of our Certificate of Insurance will be provided upon request.



(2) Investment Policy Services

a. Please outline your process for each of the following:

1. Development of client overall investment management policy as well as investment policy for any specific asset classes.

Callan approaches the development of an investment policy with the conviction that the policy is the cornerstone from which all-subsequent investment strategies are formed. We believe that the purpose of an investment policy is to provide sound guidance to the portfolio managers, and that a soundly conceived, persistently followed long-term investment policy is the most important element in achieving long-term fund objectives. To that end, we would recommend the Program, in conjunction with Callan, review the investment policy statement at least annually and more frequently when a change to the plan takes place.

We do not use a template when creating investment policies, but we adhere to a set of basic principles in working with all of our clients. We believe that in order to fulfill their fiduciary responsibilities, fund sponsors must adopt well-defined processes and procedures for developing and implementing investment policy and for monitoring the progress of the investment program. Development or review of an investment policy for investor-directed savings programs involves:

- An outline of the program's investment structure, including a description of the Plan's rationale for offering the number and types of investment options to investors.
- A description of the key criteria used by the Plan for 1) determining the allocation mixes for the risk-based and time-based portfolios and 2) selecting and monitoring the underlying funds or managers that comprise the allocation portfolios.
- An outline of the process the Plan uses to evaluate the ongoing appropriateness of the investment offerings, including naming the specific funds, index benchmarks, peer universes, and time periods for evaluating performance and other factors.

Below we have outlined some of the key issues we focus on:

- Plan Purpose;
- Legal Restrictions;
- Risk Tolerance of the Participant Base;
- Appropriate Asset Classes and Tiers;
- Definition and Specifications of Brokerage Window, if applicable;
- Manager Search and Due Diligence Process;
- Manager Discretion and Fiduciary Status;
- Manager Performance Measurement and Evaluation Standards;
- Manager Investment Limitations and Restrictions;
- Manager Reporting Requirements;
- Recordkeeper and Trustee Responsibilities;
- Retirement Committee and Staff Responsibilities; and Consultant Responsibilities.

Once the above issues are addressed, the development or revision of the written investment policy statement can be accomplished in four phases:



Phase One – Callan will work with the Program to establish or confirm specific standards against which performance for the total Plan, each asset class and each individual manager will be measured.

Phase Two – Callan will draft or redraft a policy document, which will be reviewed by all interested parties, including the Plan’s investment managers, for concurrence.

Phase Three – Mike and Kevin will meet with the Program to discuss comments, additions, deletions, and will create revised document for consideration by the Committee.

Phase Four – The Program will adopt the new or revised policy. Callan or the Program will arrange for signatures from all appropriate parties, which may include investment managers employed by the Plan.

We would advocate conducting a thorough review of the current investment policy statement at the outset of a relationship and then an annual review thereafter unless circumstances warrant a review or update in the interim. It is generally easiest to have it as an agenda item at the beginning of each year, ensuring an appropriate review. Additionally, items often come up on an ad hoc basis. We would be responsible for understanding your guidelines, in intention and letter, and would advise you accordingly when changes should be considered.

2. Development of client risk management policies (i.e., policy regarding use of derivatives, securities lending, etc.).

Callan Associates was the first in the investment consulting industry to dedicate resources in the area of trust, custody, securities lending and transition management consulting services. Due to overwhelming client requests, a formal division for Master Trust, Custody and Securities Lending was developed and introduced in 1991. Callan’s Master Trust, Custody and Securities Lending Group, headed by Bo Abesamis, is based in our corporate headquarters in San Francisco, California. Since inception, this highly specialized group completed project assignments for clients with aggregate assets above \$1 trillion.

Callan Associates believes that our dedicated expertise, depth of experience and due diligence process sets us apart from the industry. Our working knowledge of the major custodian banks was not built overnight but is based on the collective wisdom of our clients. While others treat custody and securities lending as a commodity with fees as the sole decision variable, Callan sees “black and white” differences. Clients are a good source of information to constantly evaluate the products and services of custodian banks. Through this collaborative approach, we are able to build a working knowledge of custody banks’ core competencies, best in class capabilities and value proposition. Our knowledge base is very apparent in our ability to evaluate value-added services, such as securities lending programs, performance measurement and analytics. We believe that our clients and the challenges they entrust upon us are the soul behind our process.

Clients have engaged us in projects ranging from best practice and fee reviews to searches involving multinational “Super Master Trust” arrangements and the safekeeping of central bank reserves. We have also been engaged by a number of prominent corporations to help them during the consolidation of pension plans, specifically trust and custody, including DB/DC Unitizations. We have assisted numerous public funds in their back-office support requirements, including in-house investment management staff’s’ T+1 and Straight Through Processing (STP)



initiatives; and securities lending program structures (agent only – custody or non-custody, principal or hybrid programs).

Callan's has developed a distinct and thorough methodology and process for evaluating custody bank providers. The due diligence approach is tailored to meet each client's goals, requirements and timeframe. Criteria that we look at closely during the selection process are as follows:

Over the past three years, over 60 clients have engaged Callan's Trust, Custody and Securities Lending Group for wide variety of projects including.

b. Outline your process for maintaining and providing a continuous review of your clients' investment policy, investment strategy, and investment options.

Please see our responses to questions 1m. and 2a1.

c. Describe your view on active management versus indexing.

Although we inherently believe in active management, indexing or passive management can play a viable role in an investment program. Callan generally believes in a blend of active and passive portfolio management. We endorse active management in market sectors that exhibit market inefficiencies and with investment managers who have demonstrated consistent performance.

In general, the degree of success in passive management depends on the asset class. In general, the level of passive management should depend upon the following:

- Cost differentials between active and passive management
- Efficiency and liquidity of the market
- Evaluation of passive techniques used in tracking the index
- An understanding of the performance characteristics displayed by the index.
- Historical relative performance of active and passive management

Passive management is a reasonable way to access the more efficient areas of the market, such as large cap US equity. Within large cap US equity, we think active and passive are different styles or approaches, much like growth and value. Therefore, passive allocations in domestic equity can be considered as a stand-alone approach or it can be complemented by active managers, which is generally our preferred approach. For example, we typically plan sponsors offer a passive large cap core option, usually an S&P 500 index fund, and then offer active large cap growth and large cap value options as complements.

One trend that we have been seeing with defined contribution plans is the splitting of their core options, or tier two, into an active sleeve and a passive sleeve. We support this move as it offers participants access to the same asset classes to build a diversified portfolio, but does so at a lower cost to the participants.

d. Describe your firm's experience with stable value investments and how you have assisted clients, given the current stable value environment.

Over 90% of the clients we advise utilize stable value. We maintain a detailed database (including characteristics and wrap information) on every relevant stable value provider. We



have conducted a number of reviews and searches in this space and have been tapped on a project basis by many non-retainer clients because of our specialized expertise in this area.

We recently completed a stable value project for a large plan sponsor. The client was faced with a number of issues regarding their proprietary stable value fund. The fund's assets (managed by two investment managers) were insured for loss of principal through three insurance wrap providers. The financial crisis of 2008-2009 had significantly impacted the "wrap" provider market. Consequently, one of the investment managers had been approached by one of the wrap providers with new terms that appeared to be out of line with the marketplace. Before agreeing to comply with the new terms proposed, the client engaged Callan to advise them regarding the fund.

In October 2010 Callan presented a review of the stable value Fund and its viability in the defined contribution plan. Recognizing that the Stable Value market is currently in flux, Callan confirmed that the client's fund had a strong asset pool and desirable "characteristics" relative to the marketplace. The client discussed possible options which included completely unwrapping the fund, allowing one of the investment managers to continue managing a portion of the assets unwrapped, and moving the entire fund (or a portion) to a new manager. Callan was then engaged to perform a RFI exploring all possible options under the second and third scenarios. Callan sent this RFI to qualified candidates and the existing manager.

Callan's fixed income research team queried the top 15 providers of stable value products to gauge interest and capacity. Based on these responses, the field was narrowed to 10 possible candidates who received the RFI document and subsequently provided responses. Each provider's response, along with additional information, was compiled by Callan. Thereafter, Callan's research group utilized its experience and knowledge to vet the responses and to narrow the list of potential candidates to five firms which best met the qualitative and quantitative characteristics outlined by Callan and the client. Finally, Callan provided the client with detailed information on each candidate firm's performance and investment process, including the pros and cons of each firm's solutions for the client. The client is currently evaluating our analyses, and we expect a decision by the first quarter of 2011.



(3) Investment Management Structure

- a. Discuss in detail your performance attribution analysis as it relates to individual portfolios and to each individual asset class (domestic equity, fixed income, international equity, etc.).

Callan's performance attribution analysis capabilities were developed internally and are available to evaluate any fund through our Investment Measurement Service. Attribution analysis is perhaps the most crucial element in explaining investment performance and can be provided at the total fund level, at the individual asset class level, and at the individual fund level. Attribution analysis reviews total portfolio industry or sector concentration and stock selection. Both of these components are then further evaluated in detail, industry by industry. Our methodologies for each level of analysis are provided below.

Domestic Common Stock Attribution – Callan's equity attribution performance analysis can perform both a "buy and hold" approximation assumption or account for daily trading in the process. Therefore, we are able to precisely attribute the rate of return to a market proxy, stock selection and industry concentration without any unexplained residual effects.

- ✓ The *Sector Concentration Effect* of Callan's attribution analysis measures the additional return produced by the difference between the portfolio's industry sector weightings and those of the market index. These daily industry concentration figures are accumulated to obtain a total effect by industry sector each quarter.
- ✓ The *Security Selection Effect* measures the added return produced by the manager's security selection within each industry sector. Security selection is computed daily by multiplying the portfolio's daily weighting in the industry sector by the difference between the portfolio sector return and the market sector return. These daily security selection figures are accumulated to obtain a total effect by industry sector each quarter.
- ✓ The *Asset Allocation Effect* measures the difference between the actual equity return of the portfolio and its actual total return. This effect captures the marginal portfolio performance due to any non-equity exposure during the period.

Attribution at the security level can only be provided for separate accounts. Unless we receive data on the entire fund, commingled funds cannot be analyzed from a detailed attribution standpoint.

International Security Attribution Analysis - We routinely provide clients with international equity and fixed-income performance attribution analysis. Our typical international performance attribution analysis explicitly considers the following factors: country, security, currency and hedging. These four active management effects contribute positively or negatively to a manager's total international return relative to an index return and are described below:

Domestic Fixed Income Attribution Analysis - The bond market is not as transparent as the equity market. This is one of the major issues in analyzing bonds. Most bond data is proprietary and generally difficult to get. Differences in computational methodologies add another layer of complexity. This lack of consistent data and coverage makes it difficult to analyze bond manager performance at the portfolio holdings level. As a result, Callan does not provide fixed income attribution.



Attribution using Derivatives

Callan Associates can provide attribution with respect to futures and options by calculating the performance of the portfolio without the derivatives, the performance of the derivatives and their underlying collateral, and the total portfolio performance. Performance is analyzed to determine the impact of the derivatives and, specifically, evaluate whether the use of derivatives improved or detracted from performance.

b. Describe your process of reviewing investment manager compliance with investment objectives and guidelines.

In our quarterly review of a client's managers' performance, Callan regularly reviews investment manager achievement of performance objectives. We report on manager's progress toward meeting or exceeding the return of their index and peer group over designated time periods.

The following are some of the areas we regularly evaluate for clients:

- Investment in Appropriate Asset Classes
- Asset Allocation and Tolerance Ranges for Assets
- Consistently Applied Investment Philosophy (Possible Style Drift?)
- Performance Measurement and Evaluation Standards
- Organizational Stability
- Portfolio Manager Turnover

Additionally, we regularly meet with clients' investment managers, track their organizations, professionals, performance, ownership, and maintain up-to-date files. As your consultant, we would continue to closely evaluate your investment managers and share any pertinent information on a timely basis.

It is important to note that Callan will not assume the responsibility of monitoring contract compliance, account restrictions, activities creating potential conflicts of interest, or reporting requirements. We believe that it is the responsibility of a consultant to evaluate and comment on quarterly performance, but that the responsibility lies with each investment manager to ensure compliance with the investment policy statement. Callan does not have the ability to monitor individual investment manager compliance with specific investment guidelines. However, we do require investment managers to state their understanding of and compliance with investment policies and guidelines.



(4) Manager Supervision Services

a. Describe your firm's methodology and sources of data for analyzing and evaluating a potential manager's performance. Discuss benchmarks and comparisons with other managers. Describe how risk is factored into this analysis. Discuss any quantitative attribution analysis that is performed.

Our manager research process is that it is a multi-faceted process that requires looking at both quantitative and qualitative factors. Importantly, we also believe manager selection should be a customized process which is catered to the unique needs and specific requirements of each client. We believe “rankings” and “buy” lists, while often conceptually easy to understand and maintain, do not ultimately serve the client's needs in the best way, and therefore, we do not maintain any “approved” manager lists.

In reviewing investment managers, we follow a disciplined process based on procedural due diligence and solid research. Historical performance is always a key issue in manager due diligence. Rather than looking at cumulative returns alone, we take into consideration numerous quantitative factors that include volatility, risk-adjusted performance, correlation with the existing managers, assets under management, and investment style. Absolute performance, risk, and risk-adjusted performance are evaluated over multiple time periods and market cycles in order to demonstrate return consistency.

Performance screening is only a part of our manager due diligence process. Qualitative factors are equally, if not more, important than historical performance. We focus on four primary qualitative categories of criteria when evaluating managers:

People

- What are their qualifications? How long have they been involved in managing institutional assets?
- Are the individuals motivated? How are they compensated?
- What are each person's responsibilities? How do they interact with one another?

Philosophy

- What is the firm's Investment Philosophy? Has this basic philosophy been consistently applied?
- What is the firm's Business Philosophy? Do they have a clear picture of how they want to grow?

Process

- What is the Investment Process? Has this process been consistently implemented over time?
- How is research conducted and incorporated into the investment process? How are new ideas generated?
- How are portfolios constructed, and what are the parameters?
- Does the firm have a well-defined sell discipline?

Performance

- Comparisons of rates of return in relation to the agreed upon market index
- Comparisons of rates of return in relation to the agreed upon investment manager style group



- Rolling Three-Year Return Data- Consistency
- Rising and Falling Market-Cycle Returns
- Risk-Adjusted Returns (e.g. Sharpe Ratios)
- Other Risk Measures (e.g., Information Ratio)
- Analysis of Portfolio Characteristics to ensure consistency

Clearly, performance is the aspect of investment managers which often gets the most attention and headlines. Performance is often the first screen to narrow down the investment manager universe. However, we believe that the other three criteria above are just as important. In an institutional setting, it is crucial that client and consultant understand the philosophy and process behind a particular investment product and importantly, the risk taken in constructing a performance record. Understanding these factors, as well as ensuring that a manager's investment team is stable, gives us more confidence that an excellent performance record in the past can be repeated in the future.

Beyond these four foremost factors, assets under management, fees and client service are additional criteria we look at. While picking the very best manager for a particular role in an investment program is clearly more important than any slight difference there might be in fee levels, it is important to ensure that a manager's fees are competitive with others in the marketplace. This is especially important when evaluating commingled vehicles and mutual funds due to the myriad pricing structures.

Ensuring the appropriate level of client service is equally important. The proper level of client service from a manager enables the client to get comfortable with the process and philosophy of the team, product and investment management firm. We find this is especially important during periods of underperformance. The ability of an investment manager to explain short-term periods of underperformance enables the client to remain comfortable with a longer-term focus that is key to ensuring a successful investment program.

Over 300 on-site visits and 1,000 in-house meetings are conducted annually by Callan consulting and manager research staff. Callan professionals travel to investment management firms to meet with the investment professionals and tour manager offices. Callan believes an on-site visit offers the most valuable observations in evaluating and getting to know an organization from top to bottom. These meetings allow us to systematically and consistently verify that the information we have gathered is accurate.

Further, Our Global Manager Research professionals survey investment firms and ask them to respond to an annual questionnaire. This questionnaire covers performance history, GIPS compliance, professional turnover, portfolio manager biographies, investment philosophy, etc. Each firm responds to a questionnaire for each investment product offered. Callan manager research professionals review the annual questionnaire of each firm. They verify the manager's quantitative and qualitative data and request updated information on any recent organization or investment philosophy changes. Our consultants also assist in the verification of managers' performance records by crosschecking manager's returns from client to client. This helps verify any return dispersion from one client to the next.

b. Comment on your firm's computer and analytical capabilities. Describe the databases and analytical tools that you have developed to support your efforts.

We maintain an in-house programming and development team and spend over \$4 million annually maintaining and enhancing the technology we use in our consulting practice. Our staff



of full time programmers is dedicated to software development and maintenance. In addition, we have systems specialists who maintain our computer network and provide systems support; analysts who maintain and update our databases; and data encoders who enter information into our systems.

We maintain a large proprietary relational database (Sybase running on Open VMS) as well as proprietary data processing and analysis tools. We collect, analyze and maintain data on virtually every institutional investment product, ranging from historical holdings and portfolio characteristics to returns to qualitative descriptions of the firm and its philosophy. We maintain a rate of return calculation engine that allows us to process thousands of portfolios and calculate daily time-weighted rates of return. In the past two years, we have developed a proprietary Windows-based file format that allows us to distribute our reports quickly and easily through e-mail or over the Web to any Windows-based machine. Using this file format as a platform, we are rapidly transitioning what has traditionally been a paper-based business to one where electronic presentation is the standard.

The Ohio Deferred Compensation Program investment staff can have access to fund information and analytical tools using a variety of media. The primary media for your fund information and Callan database information is through our quarterly performance measurement reports, received in hard copy and/or electronically. This information can also be provided on a quarterly basis through PEP (performance evaluation program), Callan's proprietary PC software package. This program would allow your staff to receive quarterly return data and portfolio characteristics on the Callan databases and market indicators by CD ROM. The program itself would allow your staff to produce custom ad hoc performance reports to supplement the Callan hard copy reports.

Asset allocation, investment structure models, and analytical tools are also typically delivered to you via a written report prepared by our Capital Markets Research Group. If you, however, wish to have the capability to conduct this type of research internally, we have an additional PC software package to help. The program, *AssetMax*, is a robust full featured mean variance optimization program complete with capital market projections for most major asset classes updated on an annual basis. This program is made available to those clients who are interested in it, along with consulting time with the Capital Markets Research Group on how to use the program effectively.

[c. Provide a sample performance report.](#)

We have provided a sample defined contribution performance report under separate bound cover.



(5) Performance Evaluation Services and Reports

a. Detail the data sources you utilize for analyzing and evaluating your client's portfolio(s) performance.

Callan's performance measurement auditing process begins with the gathering of data from the client's custodian or investment managers. The data is entered into our system either by hand or, more commonly, electronically via tape or direct file download. Summary data level returns are calculated using market values and cash flows provided by the custodian or manager.

The audit process uses daily security prices (supplied by Interactive Data Corporation) and the calculation of dividends receivable to determine the daily value of the portfolio. The ending asset positions provided by the custodian/manager are then reconciled to our calculations based on the beginning positions and all subsequent monthly transactions. Since the Audit Report verifies all activity that occurred in the month, it becomes the foundation for the validation of accurate performance measurement reports. Any discrepancies are investigated and resolved.

Callan uses many steps to verify accuracy of returns. The first is a simple reality test performed by an analyst based on knowledge of the asset class, style, or benchmark. The final portfolio return is compared to its appropriate benchmark to see if the return is reasonable. In the second step, Callan crosschecks our calculated returns of client portfolios against composite returns submitted by managers that are in our database. This ongoing process not only provides us with confidence in the validity of the composite performance numbers being reported by the managers, but also allows us to verify that our clients' performance is consistent with the manager's composite performance. We check calculated mutual fund returns against returns in Callan's Mutual Fund Database (supplied by Lipper), based on market values. The third step is discrepancy notification from the manager once returns are published. If a discrepancy is identified, Callan reviews our data and return calculation with the custodian to determine the cause. If a custodian valuation error occurred, we revise our calculations and generate revised returns.

b. Describe the process and types of reporting and analysis you can provide on investment performance. Provide the normal number of business days required to complete quarter-end reports.

Callan's proprietary performance measurement system offers both defined benefit and defined contribution plan sponsors comprehensive and customized quarterly performance reports that serve as important decision making tools. Callan was a pioneer in developing meaningful investment style peer groups that maintain consistent characteristics and avoid survivor bias. These peer groups were initially developed to compare separately managed accounts gross of fees. In recognition of the needs of the defined contribution plan sponsors who employ mutual funds, Callan also develop mutual fund peer groups that allow plan sponsors to make meaningful comparisons between mutual funds that, by definition, report returns net of fees and have cash flow patterns different from separately managed accounts.

Our performance evaluation process is a combination of qualitative and quantitative factors, and, most importantly, is uniquely tailored to the Program's needs. Callan's broad experience in dealing with many different clients and situations enables us to thoroughly evaluate each manager's overall capabilities and performance including how they have met your specific needs.



The evaluation of an investment advisor's performance entails the analysis of quantitative and qualitative factors that go far beyond investment returns. Callan Associates is well equipped to provide the Board with meaningful and insightful evaluations of your investment advisors. The strength of our performance evaluation capabilities is two-fold.

- **Performance Measurement System** - Callan Associates performance measurement system provides quantitative analysis that goes well beyond the question of "what happened." Our clear, concise, relevant reports assist clients in determining why performance results were achieved, and what should be done to make sure those results continue, or are altered so that the client achieves maximum benefit from their investment managers.
- **Global Manager Research** - We have unparalleled depth, experience and resources to provide qualitative analysis on total manager performance. We maintain a database of qualitative data compiled by our Global Manager Research Group. The sole responsibility of the Global Manager Research Department is to research investment management organizations and investment products. Additionally, our general consultants are exceptionally knowledgeable on the subject of investment managers

The following paragraphs outline in more detail how we assess an investment advisor's total performance.

Quantitative Evaluation

In evaluating manager performance, Callan aims to answer the following four questions, which are central to our quantitative analysis process:

1. Does a manager's **return** performance display an ability to outperform the relevant benchmark on a consistent basis? How does it compare to its peers?
2. Is a manager's **risk** level commensurate to its level of return?
3. What **characteristics** enable a manager to achieve its return? Are the manager's characteristics consistent with peer managers of the same style?
4. Is a manager's **style** consistent? Is that manager doing what it was hired to do?

To answer these questions, we evaluate a manager's performance, risk/reward structure, portfolio characteristics and style consistency. We compare performance relative to an appropriate market index (such as S&P 500) and, more significantly, relative to the performance of other managers who use similar investment strategies (commonly referred to as a style group). We use enough multiple rolling periods to cover several non-overlapping sub-periods, minimizing time period bias while giving a good measure of performance correlation across many types of capital market scenarios and investment style cycles.

Return Analysis

Return analysis can show whether or not a manager's performance history displays an ability to outperform the relevant benchmark on a consistent basis. In analyzing performance statistics, we pay particular attention to cumulative performance, consistency of returns over time, and correlation with appropriate manager style groups and market indices. We avoid performance bias by considering a number of periods with different beginning and ending dates. We also consider performance during different market environments, such as rising, declining and full-cycle markets.



Risk Analysis

Callan evaluates the volatility level of an investment manager vis-à-vis its respective style group. This analysis also measures the degree to which a certain level of risk is commensurate to its level of return. The risk measure used in this analysis is standard deviation. Risk adjusted return measures and risk statistics are also calculated and provided for the appropriate market indices.

Portfolio Characteristics and Attribution Analysis

Portfolio characteristics are compared to the characteristics of the relevant index and peer group to assist in performance attribution. The objective is to determine which portfolio characteristics contribute to (or detract from) performance. This analysis also illustrates whether the manager's current holdings are consistent with other managers employing the same style. Most importantly, it shows whether an investment manager is doing what they were hired to do and whether your fund is receiving the style diversification you should be getting.

Style Analysis

We monitor consistency of style through the use of Sharpe's return-based style analysis in conjunction with analysis portfolio holding characteristics. Manager style analysis is conducted quarterly and is utilized to monitor consistency of investment approaches. Historical performance numbers are analyzed over various time periods. In addition, Callan utilizes sophisticated techniques to evaluate a manager's style drift and style consistency. Again, the goal is to assess whether the manager is providing the product you thought you were getting.

Target Date Fund Evaluations

Given the lack of industry tools, including a generally accepted benchmark to evaluate target date funds, Callan created the Callan Target Date Index to assist plan sponsors in evaluating their target date fund family. The Target Date Index is an equally weighted index of target date funds available in the market place. The consensus driven Index objectively reflects the average glidepaths actually available for investment for any given period. The Index is highly diversified and is designed to evolve with the industry, adding new asset classes as target date fund managers adopt them. This Index allows plan sponsors to compare actual provider returns (or custom target date returns) to industry average glidepaths and to quantify and differentiate key drivers of fund return and risk. Our Target Date peer groups are arranged in five year increments to allow for more insightful peer group analysis on total return, glidepath return and implementation return. In addition to the Target Date Index, Callan can evaluate a glidepath's ability to meet the long-term goal of funding retirement. Our analysis incorporates a number of simulations to provide the range of possible outcome and associated probabilities for a number of factors including returns (defined as expected income replacement), risk (measured as the worst one-year decline) and longevity risk (the risk of having insufficient income during retirement).

In late 2009, Callan Associates introduced **TDVantage™**, a set of sophisticated target date fund (TDF) analytics that gives defined contribution plan sponsors the ability to comprehensively understand how their TDFs are performing individually and as a complete TDF family. Over the past few years, the use of TDFs has flourished — presenting considerable performance evaluation challenges to plan sponsors as funds vary widely in asset allocation, quantity and style of asset classes, equity exposure and glidepath aggressiveness. Factor in recent market volatility that has impacted many retirement plans, and it is clear that objective performance measurement tools for TDFs are vitally important to plan sponsors. Unfortunately, many plan



sponsors rely on the custom benchmark provided by their glidepath provider which offers limited insight into fund performance. TDVantage key features are:

- Evaluates TDF performance using Callan's Target Date Index Series, which combines index returns with TDF industry-average asset class weights from the Callan TDF Consensus Glidepath;
- Performance attribution that separates glidepath return (asset allocation) from implementation return (fund selection, fees, etc.) and compares results to industry TDF peers;
- Breaks TDF asset allocations into 17 asset classes and provides a comparison to the asset allocation of the full target date universe and indices;
- Provides a return, risk, and fee analysis of the entire TDF family in one snapshot that is customized to the way a plan's participants actually use the TDFs;
- Gives sponsors a vantage point to determine if their funds are competitively priced relative to peers.

Qualitative Evaluation

Just as important as a quantitative assessment of investment managers is a qualitative evaluation to ensure that a particular manager's attributes are still consistent with the client's investment objectives. The types of qualitative factors we look at include turnover of key personnel, depth and experience of portfolio managers and analysts, investment style characteristics, organizational considerations, back-office resource allocation, client-servicing capabilities, and recent and material developments at the firms. It is during this step of the evaluation process that we incorporate the knowledge and insights that we have developed about investment managers as a result of our ongoing manager research efforts.

Performance Measurement Report

Callan's performance measurement reporting is an area in which we take particular pride. We have been providing performance measurement services for our clients since our inception in 1973. In many ways, we consider performance measurement to be a cornerstone of our business. Our quarterly performance reports are the catalyst for Plan investment change and enhancements. The reports also serve as the quantitative basis for the qualitative analysis our consultants offer at client meetings.

Callan computes all performance reports in house. Callan's entire quantitative and qualitative manager database, including our peer universes is proprietary, and is constructed, enhanced and refined in-house by our Database, Performance Measurement, Global Manager Research, Programming, Systems and Data Entry Groups.

In general, Callan's Performance Measurement Service report is designed to answer three questions:

- 1) How have the assets in aggregate performed?
- 2) What drove performance?
- 3) What must be done to assure optimal future results?

Callan's challenge is to effectively communicate this information to clients via measurement reports and presentations. They are designed to show what happened and why.

Below we list the type of information our reports provide and the types of issues they address.



Market Environment

The goal of the performance report is to thoroughly analyze the investment managers in all areas to ensure that the client's assets are being prudently managed. The performance evaluation report is the necessary foundation to maintain the strategic plan and establish any required action steps. Our performance evaluation reports begin with an overview of the capital markets. This provides the client with a summarized version of the economic factors affecting the capital markets and asset class performance and brings the Plan's overall performance into perspective.

Investment Managers

- Performance Statistics: How does the manager perform relative to an appropriate market index and their style group (group of investment managers who invest similarly, a peer group)?
- Risk Characteristics: How does the manager's risk stack up in comparison to the peer group and the market index? Is there any inherent risk in the underlying securities that the manager purchases? Are index managers producing expected tracking error results?
- Portfolio Characteristics: Is the manager investing the way he says he is? Are the characteristics of the securities changing over time or are they stable? Are there any problems?
- Organizational Issues: Has there been personnel turnover? Is the philosophy of investing consistent? Who are the key people in the investment process? How much are quantitative models relied upon? Are there any strategy changes? Are there any management changes? Has the manager been losing/gaining assets at an unusual pace?

In addition to the information in the performance report, Callan will assist the Program in tracking any organizational or investment-related issues taking place with your investment funds by addressing the following questions: Has there been personnel turnover? Is the philosophy of investing consistent? Who are the key people in the investment process? How much are quantitative models relied upon? Are there any strategy changes? Are there any management changes? Has the manager been losing/gaining assets at an unusual pace? Is the organization stable?

The goal of the performance report is to thoroughly analyze the Program's portfolios in all areas to ensure that your participants' assets are being prudently managed. The performance evaluation report is the necessary foundation to maintain the strategic plan and establish any required action steps.

Callan Defined Contribution Index

Callan's Defined Contribution consulting group also maintains The Callan DC Index™, which tracks the asset flows and performance of approximately 70 participant-directed plans comprised of more than 800,000 participants and \$70 billion in retirement assets. By mapping individual plan options to 12 distinct asset classes or styles, the Callan DC Index™ is the only index to measure and evaluate performance in aggregate and at the asset class level, while tracking the evolving asset allocation of plans in the Index. Using Callan's detailed performance analytics, the Index quantifies the performance impact of investment option quality offered by plan sponsors and the timing/rebalancing choices of plan participants.



The Callan DC Index™ is uniquely positioned to reflect the vast changes expected in defined contribution plans as a result of the 2006 Pension Protection Act (PPA). The PPA contains features that encourage flows into defined contribution plans and promote increased diversification. The Index tracks the impact of the PPA over time by examining:

- Participant activities (asset class utilization, contributions, withdrawals and transfers)
- Plan sponsor activities (changes in asset class and fund offerings)
- Market activity (investment gains or losses)

For plan sponsors, the Index examines participant and plan sponsor behavior and choices, as well as the resulting performance. Importantly, the Index allows plan sponsors to benchmark the asset allocations of their plans.

The Index allows plan sponsors to understand the evolving asset allocation of defined contribution plans, track defined contribution fund flows by asset class, and measure and evaluate the performance of defined contribution plans in aggregate and by asset class.

We officially launched the Index with second quarter 2007 data, but it includes results dating back to its inception in January 2006. The Index is updated quarterly.

Customization

One of the strengths of the Callan performance measurement report is its flexibility. Quarterly reports are designed to meet each client's specific needs. At the inception of each relationship, we will discuss with the Program your needs and preferences, design a proposed report format, review it with you, and then modify as appropriate. Our clients choose the level of detail in our reporting. We can also create different versions of the report for Staff and for the Committee, and any other interested parties, depending on the level of detail each group wishes to see. For example, as a supplement to our full quarterly performance reports, we also provide an overview called the "stoplight" pages. These pages are meant to provide a snapshot of the managers' performance versus their respective indices and peer groups, over various cumulative time periods. This report is also customizable in terms of the time periods shown, risk metrics shown, and several other comparative metrics. Some clients prefer to have their Callan consulting team speak to the stoplight pages, and others prefer to have us speak to the full report. The choice is up to our clients. We have the capacity to include customized analysis within the framework of our quarterly reports. For many of our clients, we have designed unique features to evaluate performance and investment objectives.

Further, if your reporting needs are not fulfilled by our standard reporting format, we can create ad hoc reports for the Program using other applications. Allowing our clients' needs to form the foundation for our reporting process and possessing the technological capabilities to produce flexible, custom reports gives Callan a strong advantage in the pursuit of providing clients with problem solving information.

The timing of Callan's monthly and quarterly performance reports is determined by two factors: the availability of data from the custodian bank and the "freezing" of our peer groups. We generally receive final monthly data about three weeks into the following month. Therefore, we expect to be able to provide monthly performance by the end of the third week. Quarterly performance reports, which require peer group information, will be produced five to six weeks after the end of each quarter.



c. Describe your process for recommending manager termination.

Callan typically conducts quarterly performance measurement but monitors organizational issues on an on-going basis. Unfortunately, there is no single best indicator of when to hire or fire an investment manager. A combination of quantitative and qualitative analysis, combined with realistic questions, however, should provide a solid gauge to make decisions that are informed and reasonable. Callan's investment measurement report, teamed up with our specialty resources and experienced consultants can provide the necessary foundation to help guide these decisions. All of these analytics are available in Callan's quarterly performance measurement report.

Quantitative Factors Resulting in Watch List Addition and Recommended Actions

A number of factors may contribute to a manager's over- or under-performance at any given time - market dynamics, investment skill, and/or pure chance. Given this uncertainty, it is unwise to mandate termination purely for lagging performance at any specific point. However, managers who lag performance expectations should be placed on a watch list. The following is one reasonable watch list criteria:

- If the manager's rolling, three-year return (gross of fees) plots below the rolling, three-year benchmark return for two (2) consecutive quarters;

Additional quantitative criteria, such as information ratio and Sharpe ratio, relative to peers over a three and five year time horizon may also be used in conjunction or on a stand-alone basis to place managers on a watch list. Callan typically recommends using several quantitative factors as opposed to a single factor when evaluating managers.

Qualitative Factors Resulting in Watch List Addition and Recommended Actions

In-depth qualitative analysis is conducted on potential investment managers during a manager search process. This analysis covers areas such as style, philosophy, process, personnel, and organizational structure. Similar analysis should be employed on an ongoing basis with each manager. If a significant and potentially adverse event related, but not limited, to any of the following qualitative issues or events could be considered a reason to add the manager to the Watch List.

- significant changes in firm ownership and/or structure,
- loss of one or more key personnel,
- significant loss of clients and/or assets under management,
- shifts in the firm's philosophy or process,
- significant and persistent lack of responsiveness to client requests,

If a manager is placed on the watch list for performance or organizational reasons, any number of additional actions could be considered. Possible responses include, but are not limited to:

- no action,
- initiation of a comprehensive analytical review, or
- immediate consultant interview with the manager,
- formal re-interview of the manager by the client,
- termination.



A manager retention decision is very important to the continued success of a retirement plan's investment strategy. As such, it should not be taken lightly nor should it be made with blind reliance on quantitative or qualitative guidelines. The ultimate decision rests in the informed judgment of the plan sponsor in consultation with the investment consultant. Managers are often removed from the watchlist when they have met the stated qualitative and quantitative guidelines described above.



(6) Investment Management Selection Services

a. Describe your firm's process for the evaluation and selection of investment managers. Include how your firm evaluates an investment manager's personnel and organization; investment philosophy; investment styles and products; research and/or quantitative modeling capabilities; financial condition; assets under management; type of client service; and responsibility.

Callan's process for evaluating investment managers is discussed in our response to Question 4a. Our search process is outlined below.

Callan has been conducting investment manager searches on behalf of fund sponsors for more than 38 years, since the founding of our organization in 1973. On average, we have conducted over 150 manager searches a year for many years. In general, we distinguish our manager search process in the following ways:

- We do not develop lists of preferred managers that are offered to every client. Clients have a wide variety of needs that may be met by a wide variety of firms and products. We start each search from scratch with a broad universe of managers.
- While we employ a variety of quantitative tools to select search candidates, we are always aware of the limitations of historical data in gauging the probability of good future performance. We devote a great deal of time and energy to qualitative research on investment management organizations and portfolio management teams. We want to identify products that are in the best position to perform well going forward.
- Callan's research specialists and senior consultants review every search, thereby contributing their experience and insight to the evaluation process. Hence, all of our clients receive the best thinking of the entire Callan organization.

Our search process includes the steps described below and illustrated by the graphic below, and our investment manager database is outlined in our response to the following question.

Establish Criteria - All searches begin with a detailed review of the search requirements. We review the current fund structure, discuss the rationale for the search, and identify the specific objectives to be achieved. This analysis explicitly considers how the manager is expected to fit into the existing manager line-up. In collaboration with our client, we prepare a written "Candidate Profile" which delineates the search criteria. It is in this first step of the process where we will determine if there are any managers recommended by the Plan's Investment Committee, and we would be sure to explicitly include them in our manager search process.



Screen Universe of Managers and Develop List of Initial Candidates - Once we have agreed on search criteria, we screen our database to identify all products in the appropriate asset class and investment style. Then, we rank that starting universe by performance consistency relative to meaningful indexes and peer groups. Next, beginning with the highest ranking products, we eliminate firms that do not fit the criteria. For example, products that have insufficient assets under management, inappropriate management styles or recent organizational problems would be eliminated at this point. When we have identified the highest ranking 15-20 products that meet all the basic search criteria, we contact the managers to update our information, confirm their interest in being considered or to confirm if the fund remains open to new accounts, and address questions that may arise. As a result of the update calls, we typically gather information that will lead to the elimination of one or more of the initial candidates and we will send the remaining candidates (typically 12-15) to our Manager Search Committee for further consideration.

For private equity and real estate searches, the process of identifying candidates to send to the Manager Search Committee is more qualitative. There are fewer products available and many of the more “value added” products may be offered as limited partnerships which are available only at certain times. Our specialists develop a list of initial candidates that match the criteria and that will have open products available within the client’s desired investment timeframe.

Analysis of the initial universe of candidates considers performance but focuses heavily on the quality and stability of the investment staff and the probability they will be able to execute their strategy effectively going forward.

Select semi-finalists through Callan Manager Search Committee Review - A hallmark of Callan’s manager search approach is our peer review procedure. Peer review entails the presentation and defense of a search project before a thirteen-member Manager Search Committee composed of senior consultants. The members meet by conference call to discuss



the search and each candidate. They bring their personal experience and knowledge of the managers to the discussion and agree on a group of candidates to be presented to the client. The Manager Search Committee selects four or five candidates that appear to be the best fit for the client (in real estate or private equity, three or four semi-finalist candidates are more typical). Then, the specialists prepare a detailed comparative report on the semi-finalist candidates.

Select and Interview Finalists - Typically, the consulting team will meet with the client to review this report and assist in selecting finalists to interview. The consulting team will help in arranging interviews and will participate in the interview process to assist the client in making an informed hiring decision. Once the hiring decision is made, the consulting team works with the client to facilitate contract negotiations and implementation.

Documentation and Fiduciary Standards

Finally, we believe that in order for the Program and Callan to fulfill its fiduciary responsibility in conducting a search, it is vital to follow a rigorous, consistent process like the one outlined above. However, just as important from a fiduciary standpoint as the process, is the documentation of the process. That is why Callan's search process is documented from beginning to end including full description of the exact criteria for the search, the decisions made and the rationale behind them. A full report would be presented to the Board containing all of this pertinent information.

Callan frequently works interactively with client staffs throughout the manager search process and will be happy to do so with the Program. In addition to face-to-face meetings at the outset to define objectives and deliverables, Callan manager research professionals will include the Program's staff in the screening and evaluation staff to the extent that the Program deems preferable.

b. Describe your firm's databases for investment manager searches. Describe, by style subgroups, how many managers are in each database. Describe the level of detail in your databases for potential managers. Describe how often the databases are updated; the sources of information; and how clients become aware of changes to the database. Describe how you verify the data collected from external sources and how often your staff visits each manager in the database.

Callan maintains a proprietary, comparative investment manager database that is one of the largest in the industry, containing data on over 6,300 products managed by nearly 2,000 firms, detailed by asset class as follows (on the next page):



	No. of Products	No. of Managers
Domestic Funds:		
Equity	2,715	685
Fixed Income	1,164	284
Balanced	306	98
International Funds:		
Equity	1,288	497
Fixed Income	233	128
Balanced	87	56
Real Estate	469	163
Alternative	74	47
Total	6,336	1,958*

**Firms will have products in multiple asset classes.*

We also maintain a database of mutual fund products that includes approximately 10,000 funds managed by more than 1,200 firms which is detailed later in this section.

There are absolutely no fees of any kind for investment managers to be included in our database. Any manager that fills in our questionnaire and regularly updates the provided data will be included.

Mutual Fund Style Groups

Another important feature of Callan's database is our ability to provide meaningful performance comparisons for mutual funds through our mutual fund style groups. Callan's Mutual Fund Style Groups contain data on more than 1,200 organizations and approximately 10,000 mutual funds. Our mutual fund style classifications satisfy the same rigorous criteria employed in creating our widely used, separate account institutional style groups. Fiduciaries who monitor mutual funds for their retirement and benefit plans can be assured that the Callan Mutual Fund Styles consist only of mutual funds with similar investment objectives and performance history. When constructed properly, style groups provide useful benchmarks for evaluating the ongoing performance of your mutual funds relative to funds with similar investment objectives, philosophies and risk/reward profiles.

Since our database is organized by investment product, we are able to conduct investment option searches starting with best-in-breed products and then confirm there is an appropriate vehicle available. In addition to the performance results, we also collect holdings that allow us to analyze the characteristics of a portfolio and give us greater insight into whether an investment manager is remaining loyal to their specific style.

Our database is updated on a daily basis. All investment managers in our database are reviewed and monitored constantly by our global manager research department and plan sponsor consultants through our online questionnaire, on-site manager visit reports, in-house manager visit reports, and industry publications. In addition, our database group enters any information they have received on a daily basis. The following list describes the various components of the database and their general frequency of updates:

- *Quarterly Performance Updates* - Investment managers report performance returns to us on a quarterly basis. Historical performance and the calculation methodology are verified once a year through a Performance Summary questionnaire that is sent to managers



annually. Quarterly rates of return are stored in a database. Correlations and other relevant statistical information can also be provided for various time periods.

- *Annual Investment Manager Questionnaire* - Each January our annual Investment Manager Questionnaire is mailed to all types of investment management firms (both domestic and international). This questionnaire, which is updated periodically throughout the year, contains information utilized in the screening process of analyzing managers.
- *On-Site Manager Visit Reports* – Contains qualitative impressions of the manager's philosophy, style, investment process, and overall verification of factual information. Callan's consulting and manager research staffs make more than 300 visits to the investment manager's principal offices a year.
- *In-House Manager Visit Reports* – Contains qualitative impressions of the manager's philosophy, style, investment process, and overall verification of factual information. Approximately 1,000 investment manager visits to the various Callan offices are recorded each year.
- *Product Characteristic Information* – In addition to the performance results we collect on almost 10,000 investment funds, we also collect holdings of many of these products. Access to holdings data allows us to analyze the characteristics of the portfolio and gives us greater insight into whether an investment manager is remaining loyal to his/her specific style.
- *Interaction through our client relationships* - Callan actively evaluates many different management firms in the normal process of its performance measurement work with clients. In many cases we have access to clients' managers on a quarterly basis to review actual results and discuss strategy.

We believe the following are unique aspects of our database:

- *Freezing historical performance.* Callan eliminates survivorship bias in its databases by "freezing" historical performance results. Inactive accounts are not excluded from comparisons for historical periods. Percentile rankings and comparisons are designed to represent the actual universe of managers during any specific period.
- *Extensive crosschecking of manager data.* Callan crosschecks composite returns submitted by managers in our database against returns calculated for client portfolios. When auditing a client portfolio, a statistical confidence analysis test is done for that manager's calculated return against the manager's database composite return, if available
- *Multi-factor construction for style groups.* Callan uses a multi-factor process to identify and construct style groups. This includes cluster analysis, closeness-of-fit tests, return and risk statistics, portfolio characteristics, descriptive style information from the managers themselves and style evaluations by Callan consultants, as well as other relevant sources of information. Past experience indicates that Callan style groups are consistent and remain stable over time.



- *A team of professional and committed programmers and analysts.* Callan has its own in-house programmers and systems analysts who create and maintain all applications used in our consulting work; this allows us a great degree of control over the delivery of services. All of the reports generated by Callan Associates are dynamic and are tailored to meet the varied individual needs of our clients.

Please see our response to Question 6g, for a discussion on how we regularly communicate changes regarding investment managers in our database.

c. Please provide quantitative information, preferably for each major asset class, demonstrating the value added by your firm's investment manager recommendations compared to a broad universe of comparable investment managers.

As is the case with most consulting firms, Callan serves clients on a non-discretionary basis. Clients make the decisions. If Callan had full responsibility for a client portfolio, as does a money manager, we would have a measurable track record.

There are firms who claim to have "a superior performance record" for their clients. That claim is only valid if:

- They have full discretion for all management decisions, and
- CFA Institute Global Investment Performance Standards (GIPS) methodology is used to calculate the results.

The Program should look critically at such claims. Truth in reporting is an important facet of fiduciary responsibility.

So, how does one "measure" a consulting firm's performance?

- Has the firm developed a work plan with the client's committee and has that plan been executed?
- Have reports and deadlines been consistently delivered?
- Does the consulting firm have clients with long tenure? Does the fund have access to these clients through regular gatherings?

Callan measures up well:

- Tactical plans were initiated by Callan.
- Top management monitors timeliness.
- Callan's average client has been with the firm for 9.5 years. Each year clients have an opportunity to interact through the Callan Investment Institute.

In addition, Callan measures itself and its primary consultants in the same manner that we evaluate money managers. Managers are judged on philosophy, process, people, and performance; and we believe a consultant can be evaluated in the same way. We have taken this tact internally and below address each of the individual areas.

Philosophy

By frequently revisiting our mission statement at manager committee meetings and internal educational seminars, we ensure our colleagues are on the same track and working towards a common goal in a similar manner. It is also necessary to look at our clients and make sure we are serving as partners with them in their businesses.



Process

We look at the search documentation and analyze the reason we were hired. What was the starting universe, who was involved, how were we selected, and who were the other finalists. It is also necessary in the process to understand how our performance will be evaluated by our clients and meet those requirements.

People

We ask ourselves the following questions about our people and strive to keep them educated: Are we a strong, proactive backup for our client? Do we know the managers? Do we have an intimate understanding of our client's plan? Do we bring timely, valuable research? Do we practice disclosure? Do we provide unbiased recommendations? Can we serve our client base?

Performance

Our final evaluation lies in the performance area. Not only do we obtain informal feedback from our clients, but we also conduct client surveys. Using an independent third party, we survey our clients on all aspects of our service offerings and the performance satisfaction of each. An in-depth analysis is done on the results, and shared with employees. We also believe that the depth of our client list and the length of many client relationships is the best type of performance metric that we can use as an example of our superb performance as an investment consultant.

Furthermore, since we focus on investment consulting, we have no other business to fall back on in the event of failure. Callan's success, therefore, relies solely on our clients' satisfaction with our consulting services.

d. State whether managers are required to pay your firm either hard dollar or soft dollar fees to be included in your database. If so, describe how you control conflicts of interest. In addition to performance information, describe the other types of data available in your database. Describe whether you charge investment managers any direct or indirect fees when they are successful in manager searches that you conduct on behalf of your clients. If so, describe these fees.

We welcome all investment management organizations to participate in our database. **There are no costs or charges to the investment management firms to be included in Callan's database.** To participate, a firm simply needs to complete an annual questionnaire and provide composite returns and a list of holdings for each product they wish to include quarterly.

Callan does not charge investment managers to participate in manager searches on behalf of our clients, nor do we charge them for getting hired by our clients.

In addition to performance data, other quantitative and qualitative data included in our database is discussed in our response to Question 6b above.

e. If your firm also provides portfolio management or brokerage services, describe how conflicts of interest between the research and the portfolio management and/or brokerage functions are prevented.

Please see our response to Question 1j.

f. Describe how your firm provides value beyond the provision of raw data. Describe any proprietary quantitative models that address style considerations. Describe whether your staff



possesses the direct experience in working with investment managers that enables them to provide a broad institutional perspective.

Our research capabilities are characterized by the quality and depth of resources, proven due diligence processes, state of the art systems and information technology, as well as extensive proprietary databases that collectively provide quality support and innovation to our clients in all areas of investments. At the core of our research capabilities are the following areas.

Global Manager Research

Callan's Global Manager Research Group is one of the largest and most experienced investment manager research departments in the industry. Callan employs 25 professionals with sole responsibility for researching investment management organizations and their products. This group provides technical support to plan sponsor consultants and is responsible for conducting all research and analysis for every manager search we conduct—separate account, commingled and mutual fund. In addition, they are responsible for producing all due diligence documentation in support of our search efforts for clients use. This group includes specialists in international investments, real estate, and alternative investments, as well as domestic equities and bonds.

The group formulates views on investment management organizations and products based on a well-reasoned approach that relies on depth, breadth and continuity of coverage. While we are an open-door firm and conduct research on managers and products regardless of client relationships, our most extensive efforts are concentrated on investment management firms and products currently employed or actively considered by our clients.

The following table is a representative list of the members of our Global Manager Research Group and the asset classes they specialize in.



GMR Professional	Title	Years with Callan	Years in Industry	Education
Kelly Cliff, CFA	Senior Vice President & Co-Head of GMR	19	19	BS
Inga Sweet	Senior Vice President & Co-Head of GMR	20	20	BA
Domestic Equity				
Lauren Etcheverry, CFA	Vice President	7	7	BS
Mark Stahl, CFA	Senior Vice President	16	16	BA
Domestic/International/Global Fixed Income				
Steven Center	Vice President	1	13	MBA
Brett Cornwell, CFA	Vice President	1	13	MBA
Intl & Global Equity				
Andy Iseri, CFA	Vice President	3	6	BS
Matt Schmelzer, CFA	Vice President	6	6	BA
Hedge Funds				
Sherwood Yuen	Vice President	New Hire	10	MBA
Jim McKee	Senior Vice President	22	29	MBA
Private Equity				
Michael Bise	Vice President	9	9	BA
Gary Robertson	Senior Vice President	20	27	BA
Real Estate				
Sarah Angus	Vice President	7	8	BA
Jay Nayak	Assistant Vice President	3	4	BA
Avery Robinson	Vice President	3	5	MBA
Jamie Shen	Senior Vice President	11	17	BS
Lauren Talbot	Assistant Vice President	3	4	BA
Sally Haskins	Senior Vice President	1	21	MS

As evidenced by the experience, tenure, and credentials of the above Global Manager Research specialists, these positions are highly valued, high-profile, career positions at Callan. This cultural differentiator enables us to hire and retain highly skilled, credentialed, and focused specialists in this area.

Style Considerations

There are three main analytical steps or "screens" that an investment product goes through to categorize an equity manager. These three steps are outlined below.

1) Portfolio Characteristics – Equity Style Analysis is a three-dimensional time-series evaluation of a portfolio's holdings relative to other portfolios in the same asset class, relevant benchmarks and existing style groups.

The first dimension is capitalization, as defined by a portfolio's Weighted Average Market Cap, Weighted Median Market Cap and a portfolio's allocation to large, medium and small cap stocks.



The second dimension is a portfolio's tendency to be "growth", "value" or "core." Callan has adopted the growth/value Z-score philosophy¹ to evaluate this dimension. Portfolio level growth and value Z-scores are derived from the underlying holdings and the individual stock level Z-scores. By considering both the growth and value Z-scores of a portfolio, one can evaluate whether the portfolio is truly growth, truly value, neither growth nor value, along with its relative style extremity.

The third dimension is a portfolio's allocation to relevant country / region; this is particularly useful when the researcher is evaluating international/global styles.

2) Stated Investment Strategy Evaluation – The manager's stated investment strategies / processes are a good way to verify that the observed characteristics are the result of a conscious decision on the manager's part to employ investment strategies normally associated with that management style. Verifying this intent maximizes the likelihood that managers placed in a style will maintain it in the future, thereby benefiting from the consistency and "purity" of the Callan Style Group going forward, and minimizing group membership turnover due to style-drift.

This step in the process — along with portfolio characteristics analysis — aids the researcher in distinguishing between styles that may behave similarly with regard to performance, over some but not all time periods. By combining both holdings and strategy screens we avoid "false positives" due to temporarily similar style behaviors, or unintended correlation as a temporary by-product of an intuitively unrelated investment strategy. In addition to evaluating the qualitative information provided by the manager, Callan adds additional value through its institutional knowledge of investment firms and their products obtained through years of meeting with the firms and evaluating their products for our clients. A seasoned asset-class search specialist reviews the short list of candidates for potential "false-positives."

3) Back testing – Managers are then grouped into their relevant style buckets. Distributions of returns, risk, and tracking error are looked at over multiple time periods to test for the "consistency" and "purity" of a portfolio's investment style. Theoretically, style analysis based upon the first two steps should lead to selecting portfolios whose risk-return profiles are "pure" and "consistent." Back testing provides the necessary confirmation of this theory.

Over the past several years, Callan has invested considerable resources to enhance its data warehousing and analytical capabilities. The result has been the ability to gather more data in a timely manner, and the ability to evaluate the quality of data using both algorithmic and procedural processes. Enhancements to our analytic engine have made retrieval of "relevant," "scrubbed" and "multi-dimensional" information faster and better. Both these enhancements allow Callan to monitor managers for potential style-drift and erroneous data-related issues at the end of every quarter. This step ensures that manager classifications remain true to their objective of "purity" and "consistency."

g. Describe your firm's process for monitoring managers in the database with respect to administrative conditions such as staff turnover, mergers, and financial soundness. Describe how your clients are informed of new information of this type, and whether clients have

¹ The growth/value Z-score methodology was pioneered by MSCI. It uses three value factors – Book Value / Price, 12-month forward Earnings / Price, Dividend Yield, to determine a value Z-score for individual stocks and five growth factors – Long Term Forward EPS Growth Rate, Short Term Forward EPS Growth Rate, Current Internal Growth Rate, Long Term Historical EPS Growth Rate, and Long Term Historical Sales/Share Growth Rate to determine a growth Z-score for individual stocks.



continuing access to databases for updates/changes in status of their currently retained managers.

Please see our response to Question 6b, for a discussion on how we regularly update our databases.

Communicating these updates and findings from meetings with investment managers can take on many forms:

- If the meeting is driven by a manager search, our process and output is very formal to meet our due diligence requirements, to provide a comprehensive package of information to our clients for decision making, as well as to provide a detailed audit trail of the process.
- If the meeting is driven by a significant event occurring at the manager (organizational change, stock pick blow up, performance decline, etc...) then a formal review will be conducted. These type reviews can be the result of a client request, a consultant request, or viewed as necessary by our Global Manager Research group and typically result in a formal document that can be disseminated to all interested parties.
- If the meeting is driven by interest in finding out some particular aspect of their capabilities, then the output will be more informal in nature and the result could be an email, phone call, or memo to the interested party.
- If the meeting is driven by a scheduled review by our GMR consultant as part of their ongoing duties, then the formality would be determined by the extent of the review/update needed for our database.

Members of our Global Manager Research team are constantly receiving both qualitative and quantitative information on investment managers. In addition to updating our internal database on qualitative characteristics, the Global Manager Research consultants send out updates through *Callan Insights* on any personnel or significant changes occurring at investment management firms. In addition to manager updates, our Defined Contribution team sends *DC Insights* to communicate legal and regulatory changes within the defined contribution space. These emails are sent as often as necessary to keep clients apprised of changes within the institutional investment industry.



(7) Research and Education

- a. List the areas in which you provide research/advice, indicating those in which you feel especially qualified. Provide titles of all research reports published within the past 24 months. Briefly describe your current/ongoing activities in each area and the resources devoted to them.

Callan's Specialty Consulting Services departments (described below) are primarily responsible for conducting research and support out consultants and clients, but do not have direct client responsibilities. General fund sponsor consultants who have particular expertise on certain subject matter also conduct research on behalf of Callan.

- Capital Markets Research Consulting specializes in asset allocation and liability modeling, as well as strategic planning, capital market projection, manager structure optimization, securities lending, performance-based vs. asset-based fees, custody services, derivatives and active vs. passive management analysis. There are six individuals in this group.
- Global Manager Research covers domestic investments and monitors activity and issues in equity, fixed income, emerging/minority-owned, women-owned managers, international equity and fixed-income. This group also covers a broad array of alternative investments including private equity, natural resource investments, hedge funds and managed futures, and real estate investments and trends. Callan's Global Manager Research Group has twenty-four individuals.
- Global Trust/Custody/Securities Lending covers issues such as global custody, fees, benefit administration, on-line systems and technology, back-office applications, cash management, client servicing, risk and guideline compliance, multinational trusts, contract and securities lending. There is one dedicated professional in this group.
- Defined Contribution Services focuses on researching the fiduciary requirements of managing defined contribution plans. Callan has three dedicated professionals in this group.

Every client also has direct access to these specialty groups to pursue these research topics in further depth and/or to request custom research be conducted on their behalf. The formal research that we publish is provided to all clients through the Callan Investments Institute as part of their relationship with us.

Annual Conferences and Workshops

- Callan's Annual National Conference
- Callan's Defined Contribution Teleconferences (ongoing)
- Regional Breakfast Workshops (Twice per Year)

Research Papers

Callan's specialty consulting groups conduct research on a broad range of domestic and international issues affecting the institutional investor. Research papers are disseminated to Callan clients through the Institute. The list below provides a list of research papers written in the last 24 months:



- Non-Core Real Estate Investment Series – Part 2: Commercial Debt Strategies
- Charticle – Road Map to EBSA's Final Rule
- An Introduction to Absolute Return Fixed Income Strategies
- Exchange-Traded Funds: A Look at the Shifting Landscape
- Non-Core Real Estate Investment Series – Part 1: Opportunistic Strategies
- Why Plan Sponsors Invest in Private Equity
- Domestic Equity Benchmark Review: Year-End 2010
- Charticle – Real Estate Indicators: Too Hot to Touch or Cool Enough to Handle?
- Charticle – Real Return Strategies: A Closer Look
- Private Equity: The Strategy Comes of Age
- The Future of Stable Value
- Beyond U.S. Timberland
- Lifetime Retirement Income Solutions
- Fixed Income Benchmark Review: Year Ended March 31, 2010
- The Next DC Frontier: An Outcomes-Based Approach to DC Plan Design
- The Recovery Across All Asset Classes
- Investment Return Assumptions for Public Funds – The Historical Record
- Endowment Spending Policies Since the Passage of UPMIFA
- Domestic Equity Benchmark Review: Year-End 2009
- Responsible Investing: A Primer
- The Risk Parity Approach to Asset Allocation
- Is it Time to Add TIPS to Your DC Plan?
- The Odyssey of Risk
- Callan Target Date Glidepath Index

Appropriate staff and committee members would receive updates about our current research and anything of interest would be sent to you on request.

We have included several recent publications which we thought would be of interest to the Program as Appendix G.

Regular Publications

These publications are sent periodically to clients as members of the Callan Investments Institute:

- *DC Observer* - A quarterly newsletter that offers Callan's observations and opinions on a variety of topics pertaining to the defined contribution industry, investment trends among the plans our clients oversee, and enhancements and developments of products that investment managers and plan providers bring to sponsors and participants. The DC Observer also includes a quarterly update of the Callan DC Index.
- *Capital Market Review* – This quarterly review reports on macroeconomic indicators, and provides performance reports on the equity, fixed income, international and real estate markets, including many of Callan's databases.
- *Monthly Market Performance* – Inflation versus the monthly and cumulative performance of all major capital markets adjusted for dividends and income.



- *Annual Capital Markets Update* – Callan annually develops five-year capital market expectations. The update includes expected performance, risk, and correlation and is well-supported through a detailed written review.
- *Alternative Investment Trends* – A quarterly publication providing updates and insights on private equity.

Periodic Surveys

The Callan Investment Institute's research programs are designed to meet the information needs of its members. Our surveys are also available to clients upon request. Periodic surveys conducted by the Institute cover the following areas:

- Plan Sponsor Compensation Survey;
- Investment Management Compensation Survey;
- Defined Contribution Survey
- Investment Management Fee Survey; and
- Brokerage Commissions.

b. In your view, describe the top challenges facing public defined contribution plans today and briefly frame those issues.

Public defined contribution plans across the country face a difficult set of problems and risks. Below, we discuss those issues that we believe are most significant.

Evolving Regulatory Environment

The current regulatory environment for plan sponsor has lately come under much scrutiny. Governing bodies such as the CTFC and SEC have added to the litigious environment defined contribution are currently facing. In addition, added pressure from the Dodd-Frank Act creates uncertainty of how plan options, such as stable value, is going to be regulated. Lori Lucas, Callan's DC Practice Leader is also Executive Chair of the Defined Contribution Institutional Investment Association's Research Committee. Her and her fellow committee members recently testified in front of Congress on several pertinent DC issues, one of which is fee disclosure. In terms of regulatory factors, Callan is dedicated to helping its client stay ahead of curve by avoiding any negative legal repercussions.

Competitive Fees and Overall Investment Structure

Defined contribution plan fees are increasingly coming under the microscope. Fund expenses directly impact employees' investment returns. Truly understanding and benchmarking the appropriateness of defined contribution plan costs can be a daunting task. That is why, according to a survey of plan sponsors of large DC plans, while 71% of plan sponsors report that they are either somewhat or very concerned about total plan cost, only five in ten have attempted to calculate the total plan cost of their 401(k) plans. Concrete steps that plan sponsors can take to address concerns around DC plan costs are:

1. Conduct a comprehensive cost structure analysis of the DC plan.
2. Revisit the way fees are paid.
3. Review approaches to fee disclosure.

Plan sponsors should consider engaging in a comprehensive analysis of plan fees every few years, with basic fee updates occurring more frequently (e.g., annually). Typical recordkeeper



transparency analyses are often incomplete and do not provide a complete picture of the costs to plan sponsors and participants. For this reason it is crucial to conduct a thorough detailed examination of plan fees.

In addition to benchmarking fees, plan sponsors should additionally look at the overall structure their defined contribution investment options. Generally, investment structures should be free of over-lapping, redundant options that inhibit participants' ability to construct a well-diversified investment portfolio. A suitable plan should offer participants best in class options across various capitalizations and styles. Callan has the dedicated staff and resources to continuously monitor industry best practices and present its public DC clients best-in-class fee and investment structure solutions.



(8) List any exceptions or proposed modifications to the General Conditions and Contract Requirements section of this RFP. If all of the Miscellaneous Provisions are acceptable, please confirm in your proposal that your firm accepts all these provisions.

Callan takes no exception with the General Conditions and Contract Requirements, and finds the Miscellaneous Provisions acceptable.

VIII. COST PROPOSAL

A cost proposal must be prepared and submitted with your firm's service proposal under separate sealed cover. Your cost proposal must include total projected fees charged to the Program, for each of the year of the anticipated contract, based on the projected services you have proposed. The cost proposal should be detailed and complete in all respects and provide all the information the Program would need to calculate the fees that would be paid to your firm based on the variables contained within the proposed fee structure.

If the Program decides to significantly change the level of service from those proposed, the cost proposal must provide a sufficient itemized breakdown, so that the Program can determine the effect on the total proposed cost. Compensation to the Consultant will be paid quarterly in arrears. Once the Consultant is selected, the fees may be further negotiated, but in no case will the fees be higher than contained in the proposal for the Scope of Services defined in Section V. Any fees for additional services must be by mutual written agreement.

- (1) Describe in detail your proposed fee arrangement for the services proposed including a definition of all elements that make up your proposed compensation arrangement.

For the Ohio Public Employees' Deferred Compensation Program relationship, Callan proposes a five-year retainer of \$248,600 per year.

The retainer fee proposal includes the following services:

- Annual review of your investment policy statement
- Quarterly performance measurement for plan investment portfolios, plus written executive summary
- Continuous ongoing qualitative evaluation of your investment managers
- Recordkeeper Fee Review
- Investment Structure Evaluation
- All public market managers searches over the term of the agreement.
- Attendance at quarterly and other investment meetings
- Consulting on investment trends in the marketplace
- Full membership in the Callan Investments Institute

Fees associated with additional projects outside of what is included in a retainer are typically billed on an as needed basis at the rates specified in the fee schedule below.

- Recordkeeper Search, including the facilitation of an RFP process (\$85,000)
- Construction of custom glidepath for lifecycle funds (\$75,000);

- (2) Describe the separate costs to perform manager searches, and whether that cost is built into your base fee arrangement or will be billed as those services are needed.

The cost to perform manager searches is built into the base fee arrangement.

- (3) Include in your cost proposal the type and amount of extraordinary one-time start-up costs your firm will incur to transition service responsibility from the current Consultant and to begin your servicing of the Program.

There will be no extraordinary one-time start-up costs.

(4) Describe in your cost proposal the cost to present the results and findings to the staff and Program as required in this proposal including any travel, printing, postage, or other miscellaneous costs.

All travel, printing, postage, and other miscellaneous costs are included in the proposed fee.

Consultants must submit their proposed fees in the format prescribed below for a single five year contract term and a three-year contract term with the potential for two one-year extensions. Please clearly detail any additional or optional fees that would be payable, along with the services they cover.

Five-Year Contract Annual Fees

Five-Year Contract	Annual Fees
Year 1	\$248,600
Year 2	\$248,600
Year 3	\$248,600
Year 4	\$248,600
Year 5	\$248,600
Total	\$1,243,000

Three-Year Contract	Annual Fees
Year 1	\$275,000
Year 2	\$275,000
Year 3	\$275,000
Total	\$825,000
Year 4 – Extension	\$209,000
Year 5 – Extension	\$209,000
Grand Total	\$1,243,000

APPENDIX A

Personnel Turnover

Callan

Employees Gained (9/30/06 - 9/30/11)

Employee	Title	Department	Date of Hire
Michael Swinney, CFA	Vice President	Atlanta Consulting Office	08/01/2011
Matthew Lai	Analyst	Global Manager Research	08/01/2011
Jamie McAllister	Vice President	Defined Contribution Consulting Services	07/25/2011
Dennis Donohue	Senior Analyst	Human Resources	07/21/2011
Brianne Weymouth	Vice President	Chicago Consulting Office	07/18/2011
Deepi Sidhu	Analyst	Client Report Services	07/11/2011
Munir B. Iman	Analyst	Client Report Services	07/11/2011
Sherwood Yuen	Vice President	Alternatives Consulting Group	06/27/2011
Tamara Day	Executive Assistant	Denver Consulting Office	05/23/2011
Kyle Fekete	Analyst	New Jersey Consulting Office	04/25/2011
Nona Phillips	Assistant Vice President	Institutional Consulting Group	04/18/2011
Trevor Boulton	Analyst	Client Report Services	04/04/2011
Andrew Oswald	Analyst	Client Report Services	04/04/2011
Helen A. Padua	Administrative Assistant	Finance & Administration	03/10/2011
Karen McKechnie, FFA	Vice President	New Jersey Consulting Office	02/14/2011
Clayton Jameson	Analyst	Client Report Services	01/03/2011
Christine N. Mehnert	Analyst	Client Report Services	01/03/2011
Kristin Bradbury, CFA	Vice President	Independent Adviser Group	01/01/2011
Eugene Podkaminer, CFA	Vice President	Capital Markets Research	11/15/2010
Elizabeth B. Hood, CFA	Vice President	San Francisco Consulting Office	09/13/2010
Stephanie H. Meade	Senior Analyst	Published Research Group	08/16/2010
Brett A. Cornwell, CFA	Vice President	Global Manager Research	08/04/2010
Cody Chapman	Assistant Vice President	Atlanta Consulting Office	07/18/2010
James C. O'Connor	Assistant Vice President	Chicago Consulting Office	07/15/2010
Harrison J. Richardson	Analyst	Client Report Services	06/28/2010
Jonathan G. Gould	Analyst	Client Report Services	06/28/2010
Thomas H. Shingler	Assistant Vice President	New Jersey Consulting Office	06/28/2010
Sally Haskins	Senior Vice President	Real Estate Consulting Services	05/01/2010
Gwelda Swilley-Burke	Senior Vice President	Atlanta Consulting Office	05/01/2010
Steven J. Center, CFA	Vice President	Global Manager Research	05/01/2010
JJ Milder	Senior Vice President	Trust Advisory Group	02/01/2010
Kevin W. Dunne, CFA	Vice President	San Francisco Consulting Office	02/01/2010
Amy K. Clifford-Jones	Senior Vice President	Independent Adviser Group	02/01/2010
Bryan Summers	Assistant Vice President	Denver Consulting Office	12/01/2009
Jacki P. Hoagland	Analyst	Published Research Group	08/01/2009
Ryan Ball, CFA	Vice President	Chicago Consulting Office	03/23/2009
Lisa Peterson	Executive Assistant	San Francisco Consulting Office	03/23/2009
Dennis Low	Analyst	Client Report Services	02/17/2009
Virginia Howard	Administrative Assistant	Finance & Administration	01/05/2009
Uvan Tseng, CFA	Vice President	San Francisco Consulting Office	11/10/2008
Claire Telleen	Assistant Vice President	San Francisco Consulting Office	10/14/2008
Lauren Talbot Sertich	Assistant Vice President	Real Estate Consulting Services	10/14/2008
Lewis Krell	Analyst	Global Manager Research	10/06/2008
Raman Watson	Senior Analyst	Finance & Administration	09/11/2008
Jay Nayak	Assistant Vice President	Real Estate Consulting Services	09/02/2008
Jessica L. Ransdall	Assistant Vice President	Global Manager Research	08/27/2008

Weston Lewis, CFA	Vice President	Atlanta Consulting Office	08/18/2008
James Danforth, CFA	Assistant Vice President	Global Manager Research	08/11/2008
Matthew Routh	Assistant Vice President	Global Manager Research	08/11/2008
Minho Hyun	Vice President	Trust Advisory Group	05/06/2008
Avery Robinson	Vice President	Real Estate Consulting Services	04/07/2008
Aleksey Yefremov	Analyst	Client Report Services	01/17/2008
Alina Vartanyan	Senior Analyst	Client Report Services	01/17/2008
Anne C. Maloney	Senior Vice President	Institutional Consulting Group	07/16/2007
Haichi Chen	Senior Analyst	Client Report Services	07/16/2007
Connie Lee, CFA	Assistant Vice President	San Francisco Consulting Office	07/10/2007
Matthew Shirilla	Vice President	Chicago Consulting Office	06/25/2007
James Veneruso	Vice President	Defined Contribution Consulting Services	05/21/2007
Dante Cirimele	Senior Analyst	Client Report Services	12/18/2006
Andy Iseri, CFA	Vice President	Global Manager Research	10/30/2006

Callan

Employees Lost (9/30/06 - 9/30/11)

Employee	Title	Department	Date of Termination
Peter Hatcher	Analyst	Published Research Group	08/29/2011
Michael Andeberhan	Vice President	San Francisco Consulting Office	08/26/2011
Hua Ling Zhao	Intern	Callan Investments Institute	08/18/2011
Brian Clifford	Summer Intern	Independent Adviser Group	07/29/2011
James J. Mass	Assistant Vice President	Information Technology Group	07/29/2011
Brent Considine, CFA	Senior Vice President	Independent Adviser Group	07/15/2011
John M. Carr	Senior Vice President	Atlanta Consulting Office	06/24/2011
Matthew W. Costello, CFA	Vice President	Hedge Fund Research	06/17/2011
Judith E. Jenkins	Executive Assistant	Denver Consulting Office	05/31/2011
Antonio Duarte	Vice President	Defined Contribution Consulting Services	05/05/2011
Christine A. Moore	Assistant Vice President	Institutional Consulting Group	04/27/2011
Shirley A. Kranz	Senior Analyst	Human Resources	04/15/2011
Aditi Chadha	Analyst	Client Report Services	04/04/2011
Megan Brinkman	Vice President	Institutional Consulting Group	04/01/2011
Tatjana R. Eisenhardt	Senior Analyst	Published Research Group	03/01/2011
Tonya Shepherd	Administrative Assistant/Receptionist	Finance & Administration	01/11/2011
Ruthann C. Moomy, Ph.D., CFA	Senior Vice President	Denver Consulting Office	01/01/2011
Jerone J. Thompson	Office Clerical/Purchasing Manager	Finance & Administration	12/15/2010
Todd W. Mathias	Investment Analyst	Global Manager Research	12/07/2010
Scott Blasingame	Investment Analyst	Global Manager Research	11/02/2010
Jo Ann Battles	Receptionist	Chicago Consulting Office	11/02/2010
Kimberly Baker	Receptionist	Finance & Administration	10/20/2010
Katy E. Lewis	Associate Consultant	San Francisco Consulting Office	10/15/2010
Maria R. Bautista, CIPM	Vice President	Global Manager Research	06/25/2010
Rick H. Rosenbaum	Senior Research Analyst	Published Research Group	06/18/2010
Jon Salstrom, CFA	Investment Consultant	Global Manager Research	06/01/2010
Kudzai Sihlangu	Associate Consultant	New Jersey Consulting Office	05/28/2010
Kiira Chernik	Associate Consultant	Independent Adviser Group	05/27/2010
Christopher Shen	Junior Analyst	Client Report Services	05/14/2010
Grant Wells	Junior Analyst	Client Report Services	05/07/2010
Marie J. Berndt	Vice President	Information Technology Group	04/20/2010
David Bonnette	Executive Vice President	Executive	03/31/2010
Mary Schaefer	Vice President & Managing Editor	Published Research Group	03/24/2010
Brett J. Meyer, CFA	Senior Vice President	Independent Adviser Group	01/29/2010

Lin Fitzenhagen, CFA	Consultant	San Francisco Consulting Office	01/29/2010
Bradley E. Baker	Intern	Real Estate Consulting Services	01/26/2010
John R. Krimmel, CPA, CFA	Senior Vice President and Senior Consultant	Atlanta Consulting Office	12/31/2009
Gregory Bauer, CFA	Vice President	Atlanta Consulting Office	12/31/2009
Brian Fu	Data Entry Specialist	Client Report Services	11/13/2009
Patrick Lytle	Analyst	Client Report Services	09/21/2009
Jeannette Miller	Receptionist	New Jersey Consulting Office	09/03/2009
Ted Chovanes	Mailroom Assistant	Finance & Administration	08/12/2009
Eileen Kwei, CFA	Vice President and Consultant	San Francisco Consulting Office	08/10/2009
Michael H. Tadlock, CFA	Vice President	San Francisco Consulting Office	08/10/2009
Diana R. Greenstone	Vice President and Consultant	San Francisco Consulting Office	08/10/2009
Toni L. Brown, CFA	Executive Vice President and Manager	San Francisco Consulting Office	08/10/2009
Ezra D. Berman	Assistant Vice President	Client Report Services	08/07/2009
Eleanor Waraksa	Receptionist	New Jersey Consulting Office	07/31/2009
Chad Myhre	Investment Analyst	Denver Consulting Office	07/17/2009
Kristin L. Stellingwerf	Consulting Associate	New Jersey Consulting Office	07/06/2009
Sheila B. Warner	Senior Vice President	Institutional Consulting Group	06/30/2009
Vicente A. Pacis	Systems Operations Manager	IT Systems	06/16/2009
Salmon S. Jacob	Programmer	Applications Programming	06/16/2009
Georgina L. Yuen	Manager	Custodial Data Services	06/16/2009
Madelyn K. Joe	Assistant Manager	Custodial Data Services	06/16/2009
David A. Cacciabeve	Client Service Associate	Institutional Consulting Group	06/16/2009
Vivian L. Yu	Analyst	Client Report Services	06/16/2009
Robert J. Vasquez	Systems Analyst	IT Systems	06/16/2009
Maria H. Fortuno	Executive Assistant	Finance & Administration	06/15/2009
Edwin C. Callan	Chairman Emeritus	Executive	03/28/2009
Clifford G. Axelson, Jr., CFA	Senior Vice President and Manager	New Jersey Consulting Office	02/18/2009
Charles A. Lytle	Associate Consultant	Chicago Consulting Office	01/15/2009
John D. Armstrong	Accounting Manager	Finance & Administration	12/31/2008
Jason S. Rotter	Associate Consultant	Institutional Consulting Group	09/29/2008
Barry J. Pierce	Senior Analyst	Client Report Services	09/26/2008
Tony Dunleavy	Administrative Assistant	San Francisco Consulting Office	09/18/2008
Robert L. Shaw, CFA, CPA	Investment Consultant	Global Manager Research	09/17/2008
Matthew A. Beck, CFA	Senior Vice President and Senior Consultant	San Francisco Consulting Office	09/12/2008
Jeanne Valcik, CPA, CFA	Administrator, "Callan College"	Finance & Administration	07/31/2008
Michael Kwong	Senior Analyst	Client Report Services	07/18/2008
Chae Hong	Vice President and Investment Consultant	Real Estate Consulting Services	06/11/2008
Nicole M. Torkelsen	Senior Vice President	Institutional Consulting Group	05/31/2008

Nicholas B. Philbin	Associate Consultant	San Francisco Consulting Office	04/18/2008
Jayme D. Ly	Senior Data Entry Clerk	Custodial Data Services	04/01/2008
Kristi Elliot-Heitman	Analyst	Client Report Services	02/28/2008
Tammy K. Dang	Junior Analyst	Client Report Services	01/15/2008
Brian D. Zeiler, CFA	Vice President and Consultant	Atlanta Consulting Office	01/09/2008
Margo Rocklin	Associate Consultant	Defined Contribution Consulting Services	01/04/2008
Eileen L. Flores	Administrative Assistant/Receptionist	Finance & Administration	01/03/2008
Susan A. Crotty	Senior Vice President and Practice Leader	Alternative Investment Consulting Group	12/31/2007
Aaron M. Roberts, CFA	Vice President and Consultant	Institutional Consulting Group	12/31/2007
P. MacKenzie Hurd	Vice President and Consultant	San Francisco Consulting Office	11/02/2007
Alison Delgado	Vice President	Trust Advisory Group	10/10/2007
Tram B. Doan	Analyst	Client Report Services	09/14/2007
Brian G. Weintraub	Senior Analyst	Client Report Services	08/21/2007
Tanya Alexander	Compliance Manager	Compliance	07/16/2007
Donald K. Rhett	Assistant Vice President, Client Software Associate	Client Software Solutions	06/29/2007
Steve So	Investment Analyst	Real Estate Consulting Services	06/26/2007
Brian Sterz, CFA	Investment Consultant	Global Manager Research	04/13/2007
Laura A. DeVore	Associate Consultant	Chicago Consulting Office	04/06/2007
Adam S. Whiting	Associate Consultant	Institutional Consulting Group	03/30/2007
Stephen Mulholland, CFA	Senior Analyst	Client Report Services	03/15/2007
Evelyn Smyth	Senior Investment Analyst	Atlanta Consulting Office	02/09/2007
Jonathan M. Ackerhalt	Consultant	Independent Adviser Group	02/03/2007
Mitchell J. Fielding	Vice President	Callan Investments Institute	11/28/2006
Karl W. Holleworth	Programmer/Analyst	Applications Programming	11/16/2006

APPENDIX B

ADV Part I

FORM ADV

UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: CALLAN ASSOCIATES INC.

CRD Number: 107687

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ADV Part 1A, Page 1

WARNING: Complete this form truthfully. False statements or omissions may result in denial of your application, revocation of your registration, or criminal prosecution. You must keep this form updated by filing periodic amendments. See Form ADV General Instruction 3.

Item 1 Identifying Information

Responses to this Item tell us who you are, where you are doing business, and how we can contact you.

- A. Your full legal name (if you are a sole proprietor, your last, first, and middle names):
CALLAN ASSOCIATES INC.
- B. Name under which you primarily conduct your advisory business, if different from Item 1.A.
CALLAN ASSOCIATES INC.
List on Section 1.B. of Schedule D any additional names under which you conduct your advisory business.
- C. If this filing is reporting a change in your legal name (Item 1.A.) or primary business name (Item 1.B.), enter the new name and specify whether the name change is of
☐ your legal name or ☐ your primary business name:
- D. If you are registered with the SEC as an investment adviser, your SEC file number: 801-9219
- E. If you have a number ("CRD Number") assigned by FINRA's CRD system or by the IARD system, your CRD number: 107687
If your firm does not have a CRD number, skip this Item 1.E. Do not provide the CRD number of one of your officers, employees, or affiliates.

FORM ADV

UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: CALLAN ASSOCIATES INC.

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Item 1 Identifying Information (Continued)F. *Principal Office and Place of Business*

(1) Address (do not use a P.O. Box):

Number and Street 1:

101 CALIFORNIA STREET

Number and Street 2:

SUITE 3500

City:

SAN FRANCISCO

State:

CA

Country:

USA

ZIP+4/Postal Code:

94111-5802

If this address is a private residence, check this box: ☐

List on Section 1.F. of Schedule D any office, other than your principal office and place of business, at which you conduct investment advisory business. If you are applying for

registration, or are registered, with one or more state securities authorities, you must list all of your offices in the state or states to which you are applying for registration or with whom you are registered. If you are applying for registration, or are registered only, with the SEC, list the largest five offices in terms of numbers of employees.

- (2) Days of week that you normally conduct business at your *principal office and place of business*:

☒ Monday-Friday ☐ Other:

Normal business hours at this location:

8 AM - 5 PM

- (3) Telephone number at this location:

415-974-5060

- (4) Facsimile number at this location:

415-291-4014

- G. Mailing address, if different from your *principal office and place of business* address:

Number and Street 1:

Number and Street 2:

City:

State:

Country:

ZIP+4/Postal Code:

If this address is a private residence, check this box: ☐

- H. If you are a sole proprietor, state your full residence address, if different from your *principal office and place of business* address in Item 1.F.:

Number and Street 1:

Number and Street 2:

City:

State:

Country:

ZIP+4/Postal Code:

FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: CALLAN ASSOCIATES INC.

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Item 1 Identifying Information (Continued)

- I. Do you have World Wide Web site addresses? YES NO

☒ ☐

If "yes," list these addresses on Section 1.I. of Schedule D. If a web address serves as a portal through which to access other information you have published on the World Wide Web, you may list the portal without listing addresses for all of the other information. Some advisers may need to list more than one portal address. Do not provide individual electronic mail addresses in response to this Item.

- J. Contact *Employee*:

Name:

SUSAN L. TAYLOR-HAMBLY

Telephone Number:

415-974-5060

Number and Street 1:

Title:

SR. VP, CFO & CHIEF COMPLIANCE OFFICER

Facsimile Number:

415-291-4114

Number and Street 2:

101 CALIFORNIA STREET

SUITE 3500

City:

State:

Country:

ZIP+4/Postal Code:

SAN FRANCISCO

CA

USA

94111-5802

Electronic mail (e-mail) address, if contact *employee* has one:

TAYLORS@CALLAN.COM

The contact employee should be an employee whom you have authorized to receive information and respond to questions about this Form ADV.

YES NO

- K. Do you maintain some or all of the books and records you are required to keep under Section 204 of the Advisers Act, or similar state law, somewhere other than your *principal office and place of business*?

☒ ☐

If "yes," complete Section 1.K. of Schedule D.

YES NO

- L. Are you registered with a *foreign financial regulatory authority*?

☐ ☒

Answer "no" if you are not registered with a foreign financial regulatory authority, even if you have an affiliate that is registered with a foreign financial regulatory authority. If "yes", complete Section 1.L. of Schedule D.

FORM ADV

UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: CALLAN ASSOCIATES INC.

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Item 2 SEC Registration

Responses to this Item help us (and you) determine whether you are eligible to register with the SEC. Complete this Item 2 only if you are applying for SEC registration or submitting an *annual updating amendment* to your SEC registration.

- A. To register (or remain registered) with the SEC, you must check at least one of the Items 2.A(1) through 2.A(11), below. If you are submitting an *annual updating amendment* to your SEC registration and you are no longer eligible to register with the SEC, check Item 2.A(12). You:

☒ (1) have *assets under management* of \$25 million (in U.S. dollars) or more;

See Part 1A Instruction 2.a. to determine whether you should check this box.

☐ (2) have your *principal office and place of business* in Wyoming;

☐ (3) have your *principal office and place of business* outside the United States;

☐ (4) are an investment adviser (or sub-adviser) to an investment company registered under the Investment Company Act of 1940;

See Part 1A Instruction 2.b. to determine whether you should check this box.

☐ (5) have been designated as a nationally recognized statistical rating organization;

See Part 1A Instruction 2.c. to determine whether you should check this box.

- ☒ (6) are a pension consultant that qualifies for the exemption in rule 203A-2(b);

See Part 1A Instruction 2.d. to determine whether you should check this box.

- ☐ (7) are relying on rule 203A-2(c) because you are an investment adviser that *controls*, is *controlled* by, or is under common *control* with, an investment adviser that is registered with the SEC, and your *principal office and place of business* is the same as the registered adviser;

See Part 1A Instruction 2.e. to determine whether you should check this box. If you check this box, complete Section 2.A(7) of Schedule D.

- ☐ (8) are a newly formed adviser relying on rule 203A-2(d) because you expect to be eligible for SEC registration within 120 days;

See Part 1A Instruction 2.f. to determine whether you should check this box. If you check this box, complete Section 2.A(8) of Schedule D.

FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: CALLAN ASSOCIATES INC.

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Item 2 SEC Registration (Continued)

- ☐ (9) are a multi-state adviser relying on rule 203A-2(e);

See Part 1A Instruction 2.g. to determine whether you should check this box. If you check this box, complete Section 2.A(9) of Schedule D.

- ☐ (10) are an Internet investment adviser relying on rule 203A-2(f);

See Part 1A Instructions 2.h. to determine whether you should check this box.

- ☐ (11) have received an SEC *order* exempting you from the prohibition against registration with the SEC;

If you checked this box, complete Section 2.A(11) of Schedule D.

- ☐ (12) are no longer eligible to remain registered with the SEC.

See Part 1A Instructions 2.i. to determine whether you should check this box.

B. Under state laws, SEC-registered advisers may be required to provide to *state securities authorities* a copy of the Form ADV and any amendments they file with the SEC. These are called *notice filings*. If this is an initial application, check the box(es) next to the state(s) that you would like to receive notice of this and all subsequent filings you submit to the SEC. If this is an

amendment to direct your *notice filings* to additional state(s), check the box(es) next to the state(s) that you would like to receive notice of this and all subsequent filings you submit to the SEC. If this is an amendment to your registration to stop your *notice filings* from going to state(s) that currently receive them, uncheck the box(es) next to those state(s).

<input type="checkbox"/> AL	<input type="checkbox"/> ID	<input checked="" type="checkbox"/> MO	<input checked="" type="checkbox"/> PA
<input checked="" type="checkbox"/> AK	<input checked="" type="checkbox"/> IL	<input type="checkbox"/> MT	<input type="checkbox"/> PR
<input checked="" type="checkbox"/> AZ	<input checked="" type="checkbox"/> IN	<input checked="" type="checkbox"/> NE	<input type="checkbox"/> RI
<input type="checkbox"/> AR	<input type="checkbox"/> IA	<input checked="" type="checkbox"/> NV	<input type="checkbox"/> SC
<input checked="" type="checkbox"/> CA	<input checked="" type="checkbox"/> KS	<input checked="" type="checkbox"/> NH	<input type="checkbox"/> SD
<input checked="" type="checkbox"/> CO	<input type="checkbox"/> KY	<input checked="" type="checkbox"/> NJ	<input checked="" type="checkbox"/> TN
<input checked="" type="checkbox"/> CT	<input checked="" type="checkbox"/> LA	<input type="checkbox"/> NM	<input checked="" type="checkbox"/> TX
<input type="checkbox"/> DE	<input type="checkbox"/> ME	<input checked="" type="checkbox"/> NY	<input type="checkbox"/> UT
<input type="checkbox"/> DC	<input checked="" type="checkbox"/> MD	<input checked="" type="checkbox"/> NC	<input checked="" type="checkbox"/> VT
<input checked="" type="checkbox"/> FL	<input checked="" type="checkbox"/> MA	<input type="checkbox"/> ND	<input type="checkbox"/> VI
<input checked="" type="checkbox"/> GA	<input checked="" type="checkbox"/> MI	<input checked="" type="checkbox"/> OH	<input checked="" type="checkbox"/> VA
<input type="checkbox"/> GU	<input checked="" type="checkbox"/> MN	<input type="checkbox"/> OK	<input checked="" type="checkbox"/> WA
<input checked="" type="checkbox"/> HI	<input type="checkbox"/> MS	<input type="checkbox"/> OR	<input type="checkbox"/> WV
			<input checked="" type="checkbox"/> WI

If you are amending your registration to stop your notice filings from going to a state that currently receives them and you do not want to pay that state's notice filing fee for the coming year, your amendment must be filed before the end of the year (December 31).

Item 3 Form Of Organization

A. How are you organized?

- ☒ Corporation
 ☐ Sole Proprietorship
 ☐ Limited Liability Partnership (LLP)
 ☐ Partnership
 ☐ Limited Liability Company (LLC)
 ☐ Other (specify):

If you are changing your response to this Item, see Part 1A Instruction 4.

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Item 3 Form Of Organization (Continued)

B. In what month does your fiscal year end each year?

December

C. Under the laws of what state or country are you organized?

State: Country:
California UNITED STATES

Item 4 Successions

YES NO

- A. Are you, at the time of this filing, succeeding to the business of a registered investment adviser? ☐ YES ☒ NO

If "yes," complete Item 4.B. and Section 4 of Schedule D.

- B. Date of Succession: (MM/DD/YYYY)

If you have already reported this succession on a previous Form ADV filing, do not report the succession again. Instead, check "No." See Part 1A Instruction 4.

Item 5 Information About Your Advisory Business

Responses to this Item help us understand your business, assist us in preparing for on-site examinations, and provide us with data we use when making regulatory policy. Part 1A Instruction 5.a. provides additional guidance to newly-formed advisers for completing this Item 5.

Employees

- A. Approximately how many *employees* do you have? Include full and part-time *employees* but do not include any clerical workers.

☐ 1-5 ☐ 6-10 ☐ 11-50 ☒ 51-250 ☐ 251-500
☐ 501-1,000 ☐ More than 1,000 If more than 1,000, how many?
 (round to the nearest 1,000)

- B.

- (1) Approximately how many of these *employees* perform investment advisory functions (including research)?

☐ 0 ☐ 1-5 ☐ 6-10 ☐ 11-50 ☒ 51-250
☐ 251-500 ☐ 501-1,000 ☐ More than 1,000 If more than 1,000, how many?
 (round to the nearest 1,000)

- (2) Approximately how many of these *employees* are registered representatives of a broker-dealer?

☒ 0 ☐ 1-5 ☐ 6-10 ☐ 11-50 ☐ 51-250
☐ 251-500 ☐ 501-1,000 ☐ More than 1,000 If more than 1,000, how many?
 (round to the nearest 1,000)

If you are organized as a sole proprietorship, include yourself as an employee in your responses to Items 5.A(1) and 5.B(2). If an employee performs more than one function, you should count that employee in each of your responses to Item 5.B(1) and 5.B(2).

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Item 5 Information About Your Advisory Business (Continued)(3) Approximately how many firms or other *persons* solicit advisory *clients* on your behalf?

- ☒ 0
 ☐ 1-5
 ☐ 6-10
 ☐ 11-50
 ☐ 51-250
☐ 251-500
 ☐ 501-1,000
 ☐ More than 1,000
 If more than 1,000, how many?
 (round to the nearest 1,000)

In your response to Item 5.B(3), do not count any of your employees and count a firm only once -- do not count each of the firm's employees that solicit on your behalf.

ClientsC. To approximately how many *clients* did you provide investment advisory services during your most-recently completed fiscal year?

- ☐ 0
 ☐ 1-10
 ☐ 11-25
 ☐ 26-100
 ☐ 101-250
☐ 251-500
 ☒ More than 500
 If more than 500, how many?
 (round to the nearest 500)

D. What types of *clients* do you have? Indicate the approximate percentage that each type of *client* comprises of your total number of *clients*.

	None	Up to 10%	11-25%	26-50%	51-75%	More Than 75%
(1) Individuals (other than <i>high net worth individuals</i>)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(2) <i>High net worth individuals</i>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(3) Banking or thrift institutions	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(4) Investment companies (including mutual funds)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(5) Pension and profit sharing plans (other than plan participants)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(6) Other pooled investment vehicles (e.g., hedge funds)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(7) Charitable organizations	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(8) Corporations or other businesses not listed above	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
(9) State or municipal <i>government entities</i>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(10) Other: INDEPENDENT CONSULTING FIRMS	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The category "individuals" includes trusts, estates, 401(k) plans and IRAs of individuals and their family members, but does not include businesses organized as sole proprietorships.

Unless you provide advisory services pursuant to an investment advisory contract to an investment company registered under the Investment Company Act of 1940, check "None" in response to Item 5.D(4).

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Item 5 Information About Your Advisory Business (Continued)Compensation Arrangements

E. You are compensated for your investment advisory services by (check all that apply):

- ☒ (1) A percentage of assets under your management
- ☒ (2) Hourly charges
- ☐ (3) Subscription fees (for a newsletter or periodical)
- ☒ (4) Fixed fees (other than subscription fees)
- ☐ (5) Commissions
- ☐ (6) *Performance-based fees*
- ☒ (7) Other (specify): A PERCENTAGE OF ASSETS ON WHICH WE CONSULT

Assets Under Management

- | | | YES | NO |
|--------------------|--|----------------------------------|--------------------------|
| F. (1) | Do you provide continuous and regular supervisory or management services to securities portfolios? | <input checked="" type="radio"/> | <input type="radio"/> |
| (2) | If yes, what is the amount of your assets under management and total number of accounts? | | |
| | | U.S. Dollar Amount | Total Number of Accounts |
| Discretionary: | (a) | \$ 1589406412 .00 | (d) 1 |
| Non-Discretionary: | (b) | \$ 1686836183 .00 | (e) 1 |
| Total: | (c) | \$ 3276242595 .00 | (f) 2 |

Part 1A Instruction 5.b. explains how to calculate your assets under management. You must follow these instructions carefully when completing this Item.

Advisory Activities

G. What type(s) of advisory services do you provide? Check all that apply.

- ☐ (1) Financial planning services
- ☐ (2) Portfolio management for individuals and/or small businesses
- ☐ (3) Portfolio management for investment companies
- ☒ (4) Portfolio management for businesses or institutional *clients* (other than investment companies)
- ☒ (5) Pension consulting services
- ☒ (6) Selection of other advisers
- ☐ (7) Publication of periodicals or newsletters
- ☐ (8) Security ratings or pricing services
- ☐ (9) Market timing services
- ☒ (10) Other (specify):
INVESTMENT & ASSET MANAGEMENT CONSULTING; INVESTMENT RESEARCH;
INVESTMENT EDUCATION

Do not check Item 5.G(3) unless you provide advisory services pursuant to an investment advisory contract to an investment company registered under the Investment Company Act of 1940.

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Item 5 Information About Your Advisory Business (Continued)

H. If you provide financial planning services, to how many *clients* did you provide these services during your last fiscal year?

- ☐ 0
 ☐ 1-10
 ☐ 11-25
 ☐ 26-50
 ☐ 51-100
☐ 101-250
 ☐ 251-500
 ☐ More than 500

If more than 500, how many?
(round to the nearest 500)

I. If you participate in a *wrap fee program*, do you (check all that apply):

- ☐ (1) *sponsor* the *wrap fee program* ?
☐ (2) act as a portfolio manager for the *wrap fee program*?

If you are a portfolio manager for a wrap fee program, list the names of the programs and their sponsors in Section 5.I(2) of Schedule D.

If your involvement in a wrap fee program is limited to recommending wrap fee programs to your clients , or you advise a mutual fund that is offered through a wrap fee program, do not check either Item 5.I(1) or 5.I(2).

Item 6 Other Business Activities

In this Item, we request information about your other business activities.

A. You are actively engaged in business as a (check all that apply):

- ☐ (1) Broker-dealer
☐ (2) Registered representative of a broker-dealer
☐ (3) Futures commission merchant, commodity pool operator, or commodity trading advisor
☐ (4) Real estate broker, dealer, or agent
☐ (5) Insurance broker or agent
☐ (6) Bank (including a separately identifiable department or division of a bank)
☐ (7) Other financial product salesperson (specify):

YES NO

B. (1) Are you actively engaged in any other business not listed in Item 6.A. (other than giving investment advice)?

☒ ☐

(2) If yes, is this other business your primary business?

☐ ☒

If "yes," describe this other business on Section 6.B. of Schedule D.

(3) Do you sell products or provide services other than investment advice to your advisory *clients*?

YES NO

☒ ☐

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Item 7 Financial Industry Affiliations

In this Item, we request information about your financial industry affiliations and activities. This information identifies areas in which conflicts of interest may occur between you and your *clients*.

Item 7 requires you to provide information about you and your *related persons*. Your *related persons* are all of your *advisory affiliates* and any *related person* that is under common *control* with you.

A. You have a *related person* that is a (check all that apply):

- ☐ (1) broker-dealer, municipal securities dealer, or government securities broker or dealer
- ☐ (2) investment company (including mutual funds)
- ☒ (3) other investment adviser (including financial planners)
- ☐ (4) futures commission merchant, commodity pool operator, or commodity trading advisor
- ☐ (5) banking or thrift institution
- ☐ (6) accountant or accounting firm
- ☐ (7) lawyer or law firm
- ☐ (8) insurance company or agency
- ☐ (9) pension consultant
- ☐ (10) real estate broker or dealer
- ☒ (11) sponsor or syndicator of limited partnerships

If you checked Items 7.A.(1) or (3), you must list on Section 7.A. of Schedule D all your related persons that are investment advisers, broker-dealers, municipal securities dealers, or government securities broker or dealers.

Yes No

B. Are you or any *related person* a general partner in an *investment-related* limited partnership or manager of an *investment-related* limited liability company, or do you advise any other "private fund" as defined under SEC rule 203(b)(3)-1?

☒ ☐

If "yes," for each limited partnership or limited liability company, or (if applicable) private fund, complete Section 7.B. of Schedule D . If, however, you are an SEC-registered adviser and you have related persons that are SEC-registered advisers who are the general partners of limited partnerships or the managers of limited liability companies, you do not have to complete Section 7.B. of Schedule D with respect to those related advisers' limited partnerships or limited liability companies.

To use this alternative procedure, you must state in the Miscellaneous Section of Schedule D : (1) that you have related SEC-registered investment advisers that manage limited partnerships or limited liability companies that are not listed in Section 7.B. of Schedule D ; (2) that complete and accurate information about those limited partnerships or limited

liability companies is available in Section 7.B. of Schedule D of the Form ADVs of your related SEC-registered advisers; and (3) whether your clients are solicited to invest in any of those limited partnerships or limited liability companies.

Item 8 Participation or Interest in *Client* Transactions

In this Item, we request information about your participation and interest in your *clients'* transactions. Like Item 7, this information identifies areas in which conflicts of interest may occur between you and your *clients*.

Like Item 7, Item 8 requires you to provide information about you and your *related persons*.

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Item 8 Participation or Interest in *Client* Transactions (Continued)

Proprietary Interest in *Client* Transactions

- | A. Do you or any <i>related person</i> : | Yes | No |
|---|----------------------------------|----------------------------------|
| (1) buy securities for yourself from advisory <i>clients</i> , or sell securities you own to advisory <i>clients</i> (principal transactions)? | <input type="radio"/> | <input checked="" type="radio"/> |
| (2) buy or sell for yourself securities (other than shares of mutual funds) that you also recommend to advisory <i>clients</i> ? | <input checked="" type="radio"/> | <input type="radio"/> |
| (3) recommend securities (or other investment products) to advisory <i>clients</i> in which you or any <i>related person</i> has some other proprietary (ownership) interest (other than those mentioned in Items 8.A(1) or (2))? | <input type="radio"/> | <input checked="" type="radio"/> |

Sales Interest in *Client* Transactions

- | B. Do you or any <i>related person</i> : | Yes | No |
|--|----------------------------------|----------------------------------|
| (1) as a broker-dealer or registered representative of a broker-dealer, execute securities trades for brokerage customers in which advisory <i>client</i> securities are sold to or bought from the brokerage customer (agency cross transactions)? | <input type="radio"/> | <input checked="" type="radio"/> |
| (2) recommend purchase of securities to advisory <i>clients</i> for which you or any <i>related person</i> serves as underwriter, general or managing partner, or purchaser representative? | <input checked="" type="radio"/> | <input type="radio"/> |
| (3) recommend purchase or sale of securities to advisory <i>clients</i> for which you or any <i>related person</i> has any other sales interest (other than the receipt of sales commissions as a broker or registered representative of a broker-dealer)? | <input type="radio"/> | <input checked="" type="radio"/> |

Investment or Brokerage Discretion

- | C. Do you or any <i>related person</i> have <i>discretionary authority</i> to determine the: | Yes | No |
|--|----------------------------------|-----------------------|
| (1) securities to be bought or sold for a <i>client's</i> account? | <input checked="" type="radio"/> | <input type="radio"/> |
| (2) amount of securities to be bought or sold for a <i>client's</i> account? | <input checked="" type="radio"/> | <input type="radio"/> |
| (3) broker or dealer to be used for a purchase or sale of securities for a <i>client's</i> account? | <input checked="" type="radio"/> | <input type="radio"/> |
| (4) commission rates to be paid to a broker or dealer for a <i>client's</i> securities transactions? | <input checked="" type="radio"/> | <input type="radio"/> |

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Item 8 Participation or Interest in *Client* Transactions (Continued)

- D. Do you or any *related person* recommend brokers or dealers to *clients*? ☐ ☒
- E. Do you or any *related person* receive research or other products or services other than execution from a broker-dealer or a third party in connection with *client* securities transactions? ☐ ☒
- F. Do you or any *related person*, directly or indirectly, compensate any *person* for *client* referrals? ☐ ☒

In responding to this Item 8.F., consider in your response all cash and non-cash compensation that you or a related person gave any person in exchange for client referrals, including any bonus that is based, at least in part, on the number or amount of client referrals.

Item 9 Custody

In this Item, we ask you whether you or a *related person* has *custody* of *client* assets and about your custodial practices.

- A. (1) Do you have *custody* of any advisory *clients*? Yes No
- (a) cash or bank accounts? ☐ ☒
- (b) securities? ☐ ☒

If you are registering or registered with the SEC, answer "No" to Item 9.A.(1)(a) and (b) if you have custody solely because (i) you deduct your advisory fees directly from your clients' accounts, or (ii) a related person maintains client funds or securities as a qualified custodian but you have overcome the presumption that you are not operationally independent (pursuant to Advisers Act rule 206(4)(2)-(d)(5)) from the related person.

- (2) If you checked "yes" to Item 9.A(1)(a) or (b), what is the amount of *client* funds and securities and total number of *clients* for which you have *custody*:

U.S. Dollar Amount	Total Number of Clients
(a)\$	(b)

If your related person serves as qualified custodian of client assets, do not include the amount of those assets and the number of those clients in your response to Item 9.A.(2). Instead, include that information in your response to Item 9.B.(2).

- B. (1) Do any of your *related persons* have *custody* of any of your advisory *clients*? Yes No
- (a) cash or bank accounts? ☐ ☒
- (b) securities? ☐ ☒

You are required to answer this item regardless of how you answered Item 9.A.(1)(a) or (b).

- (2) If you checked "yes" to Item 9.B.(1)(a) or (b), what is the amount of *client* funds and securities and total number of *clients* for which your related persons have *custody*:

U.S. Dollar Amount	Total Number of Clients
(a)\$	(b)

- C. If you or your *related persons* have *custody* of *client* funds or securities, check all the following that apply:

- (1) A qualified custodian(s) sends account statements at least quarterly to the investors in the pooled investment vehicle(s) you manage. ☐
- (2) An independent public accountant audits annually the pooled investment vehicle(s) that you manage and the audited financial statements are distributed to the investors in the pools. ☐
- (3) An independent public accountant conducts an annual surprise examination of *client* funds and securities. ☐
- (4) An independent public accountant prepares an internal control report with respect to custodial services when you or your *related persons* are qualified custodians for *client* funds and securities. ☐

If you checked Item 9.C.(2), C.(3) or C.(4), list in Section 9.C. of Schedule D the accountants that are engaged to perform the audit or examination or prepare an internal control report.

- D. Do you or your *related persons* act as qualified custodians for your *clients* in connection with advisory services you provide to *clients*? **Yes No**

- (1) you act as a qualified custodian ☐ ☒
- (2) your *related persons* act as qualified custodians ☐ ☒

If you checked "yes" to Item 9.D.(2), list in Section 9.D. of Schedule D all your related persons that act as qualified custodians for your clients in connection with advisory services you provide to clients (you do not have to list broker-dealers already identified as qualified custodians in Section 7.A. of Schedule D).

- E. If you are filing your annual updating amendment and you were subject to a surprise examination by an independent public accountant during your last fiscal year, provide the date (MM/YYYY) the examination commenced:

Item 10 Control Persons

In this Item, we ask you to identify every *person* that, directly or indirectly, *controls* you.

If you are submitting an initial application, you must complete Schedule A and Schedule B. Schedule A asks for information about your direct owners and executive officers. Schedule B asks for information about your indirect owners. If this is an amendment and you are updating information you reported on either Schedule A or Schedule B (or both) that you filed with your initial application, you must complete Schedule C.

	YES	NO
Does any <i>person</i> not named in Item 1.A. or Schedules A, B, or C, directly or indirectly, <i>control</i> your management or policies?	<input type="radio"/>	<input checked="" type="radio"/>

If yes, complete Section 10 of Schedule D.

FORM ADV

UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: CALLAN ASSOCIATES INC.

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Item 11 Disclosure Information

In this Item, we ask for information about your disciplinary history and the disciplinary history of all your *advisory affiliates*. We use this information to determine whether to grant your application for registration, to decide whether to revoke your registration or to place limitations on your activities as an investment adviser, and to identify potential problem areas to focus on during our on-site examinations. One event may result in "yes" answers to more than one of the questions below.

Your *advisory affiliates* are: (1) all of your current *employees* (other than *employees* performing only clerical, administrative, support or similar functions); (2) all of your officers, partners, or directors (or any *person* performing similar functions); and (3) all *persons* directly or indirectly *controlling* you or *controlled* by you. If you are a "separately identifiable department or division" (SID) of a bank, see the Glossary of Terms to determine who your *advisory affiliates* are.

If you are registered or registering with the SEC, you may limit your disclosure of any event listed in Item 11 to ten years following the date of the event. If you are registered or registering with a state, you must respond to the questions as posed; you may, therefore, limit your disclosure to ten years following the date of an event only in responding to Items 11.A(1), 11.A(2), 11.B(1), 11.B(2), 11.D(4), and 11.H(1)(a). For purposes of calculating this ten-year period, the date of an event is the date the final order, judgment, or decree was entered, or the date any rights of appeal from preliminary orders, judgments, or decrees lapsed.

You must complete the appropriate Disclosure Reporting Page ("DRP") for "yes" answers to the questions in this Item 11.

For "yes" answers to the following questions, complete a Criminal Action DRP:

- | | YES | NO |
|--|-----------------------|----------------------------------|
| A. In the past ten years, have you or any <i>advisory affiliate</i> : | | |
| (1) been convicted of or plead guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to any <i>felony</i> ? | <input type="radio"/> | <input checked="" type="radio"/> |
| (2) been <i>charged</i> with any <i>felony</i> ? | <input type="radio"/> | <input checked="" type="radio"/> |

If you are registered or registering with the SEC, you may limit your response to Item 11.A(2) to charges that are currently pending.

- | | | |
|--|-----------------------|----------------------------------|
| B. In the past ten years, have you or any <i>advisory affiliate</i> : | | |
| (1) been convicted of or plead guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to a <i>misdemeanor</i> involving: investments or an <i>investment-related</i> business, or any fraud, false statements, or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses? | <input type="radio"/> | <input checked="" type="radio"/> |
| (2) been <i>charged</i> with a <i>misdemeanor</i> listed in 11.B(1)? | <input type="radio"/> | <input checked="" type="radio"/> |

If you are registered or registering with the SEC, you may limit your response to Item 11.B(2) to charges that are currently pending.

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Item 11 Disclosure Information (Continued)

For "yes" answers to the following questions, complete a Regulatory Action DRP:

- | | YES | NO |
|---|----------------------------------|----------------------------------|
| C. Has the SEC or the Commodity Futures Trading Commission (CFTC) ever: | | |
| (1) <i>found</i> you or any <i>advisory affiliate</i> to have made a false statement or omission? | <input checked="" type="radio"/> | <input type="radio"/> |
| (2) <i>found</i> you or any <i>advisory affiliate</i> to have been <i>involved</i> in a violation of SEC or CFTC regulations or statutes? | <input checked="" type="radio"/> | <input type="radio"/> |
| (3) <i>found</i> you or any <i>advisory affiliate</i> to have been a cause of an <i>investment-related</i> business having its authorization to do business denied, suspended, revoked, or restricted? | <input type="radio"/> | <input checked="" type="radio"/> |
| (4) entered an <i>order</i> against you or any <i>advisory affiliate</i> in connection with <i>investment-related</i> activity? | <input checked="" type="radio"/> | <input type="radio"/> |
| (5) imposed a civil money penalty on you or any <i>advisory affiliate</i> , or <i>ordered</i> you or any <i>advisory affiliate</i> to cease and desist from any activity? | <input checked="" type="radio"/> | <input type="radio"/> |
| D. Has any other federal regulatory agency, any state regulatory agency, or any <i>foreign financial regulatory authority</i> : | | |
| (1) ever <i>found</i> you or any <i>advisory affiliate</i> to have made a false statement or omission, or been dishonest, unfair, or unethical? | <input type="radio"/> | <input checked="" type="radio"/> |
| (2) ever <i>found</i> you or any <i>advisory affiliate</i> to have been <i>involved</i> in a violation of <i>investment-related</i> regulations or statutes? | <input type="radio"/> | <input checked="" type="radio"/> |
| (3) ever <i>found</i> you or any <i>advisory affiliate</i> to have been a cause of an <i>investment-related</i> business having its authorization to do business denied, suspended, revoked, or restricted? | <input type="radio"/> | <input checked="" type="radio"/> |
| (4) in the past ten years, entered an <i>order</i> against you or any <i>advisory affiliate</i> in connection with an <i>investment-related</i> activity? | <input type="radio"/> | <input checked="" type="radio"/> |
| (5) ever denied, suspended, or revoked your or any <i>advisory affiliate's</i> registration or license, or otherwise prevented you or any <i>advisory affiliate</i> , by <i>order</i> , from associating with an <i>investment-related</i> business or restricted your or any <i>advisory affiliate's</i> activity? | <input type="radio"/> | <input checked="" type="radio"/> |
| E. Has any <i>self-regulatory organization</i> or commodities exchange ever: | | |
| (1) <i>found</i> you or any <i>advisory affiliate</i> to have made a false statement or omission? | <input type="radio"/> | <input checked="" type="radio"/> |
| (2) <i>found</i> you or any <i>advisory affiliate</i> to have been <i>involved</i> in a violation of its rules (other than a violation designated as a " <i>minor rule violation</i> " under a plan approved | <input type="radio"/> | <input checked="" type="radio"/> |

by the SEC)?

- (3) *found* you or any *advisory affiliate* to have been the cause of an *investment-related* business having its authorization to do business denied, suspended, revoked, or restricted? ☐ ☒
- (4) disciplined you or any *advisory affiliate* by expelling or suspending you or the *advisory affiliate* from membership, barring or suspending you or the *advisory affiliate* from association with other members, or otherwise restricting your or the *advisory affiliate's* activities? ☐ ☒

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Item 11 Disclosure Information (Continued)

- F. Has an authorization to act as an attorney, accountant, or federal contractor granted to you or any *advisory affiliate* ever been revoked or suspended? ☐ ☒
- G. Are you or any *advisory affiliate* now the subject of any regulatory *proceeding* that could result in a "yes" answer to any part of Item 11.C., 11.D., or 11.E.? ☐ ☒

For "yes" answers to the following questions, complete a Civil Judicial Action DRP:

- | H. (1) Has any domestic or foreign court: | YES | NO |
|--|-----------------------|----------------------------------|
| (a) in the past ten years, <i>enjoined</i> you or any <i>advisory affiliate</i> in connection with any <i>investment-related</i> activity? | <input type="radio"/> | <input checked="" type="radio"/> |
| (b) ever <i>found</i> that you or any <i>advisory affiliate</i> were <i>involved</i> in a violation of <i>investment-related</i> statutes or regulations? | <input type="radio"/> | <input checked="" type="radio"/> |
| (c) ever dismissed, pursuant to a settlement agreement, an <i>investment-related</i> civil action brought against you or any <i>advisory affiliate</i> by a state or <i>foreign financial regulatory authority</i> ? | <input type="radio"/> | <input checked="" type="radio"/> |
| | | |
| (2) Are you or any <i>advisory affiliate</i> now the subject of any civil <i>proceeding</i> that could result in a "yes" answer to any part of Item 11.H(1)? | <input type="radio"/> | <input checked="" type="radio"/> |

Item 12 Small Businesses

The SEC is required by the Regulatory Flexibility Act to consider the effect of its regulations on small entities. In order to do this, we need to determine whether you meet the definition of "small business" or "small organization" under rule 0-7.

Answer this Item 12 only if you are registered or registering with the SEC and you indicated in response to Item 5.F(2)(c) that you have assets under management of less than \$25 million. You are not required to answer this Item 12 if you are filing for initial registration as a state adviser, amending a current state registration, or switching from SEC to state registration.

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Item 12 Small Businesses (Continued)

For purposes of this Item 12 only:

- Total Assets refers to the total assets of a firm, rather than the assets managed on behalf of *clients*. In determining your or another *person's* total assets, you may use the total assets shown on a current balance sheet (but use total assets reported on a consolidated balance sheet with subsidiaries included, if that amount is larger).
- Control means the power to direct or cause the direction of the management or policies of a *person*, whether through ownership of securities, by contract, or otherwise. Any *person* that directly or indirectly has the right to vote 25 percent or more of the voting securities, or is entitled to 25 percent or more of the profits, of another *person* is presumed to control the other *person*.

YES NO

- A. Did you have total assets of \$5 million or more on the last day of your most recent fiscal year? ☐ YES ☐ NO

If "yes," you do not need to answer Items 12.B. and 12.C.

B. Do you:

- (1) *control* another investment adviser that had assets under management of \$25 million or more on the last day of its most recent fiscal year? ☐ YES ☐ NO
- (2) *control* another *person* (other than a natural person) that had total assets of \$5 million or more on the last day of its most recent fiscal year? ☐ YES ☐ NO

C. Are you:

- (1) *controlled* by or under common *control* with another investment adviser that had assets under management of \$25 million or more on the last day of its most recent fiscal year? ☐ YES ☐ NO
- (2) *controlled* by or under common *control* with another *person* (other than a natural person) that had total assets of \$5 million or more on the last day of its most recent fiscal year? ☐ YES ☐ NO

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You must complete this Part 1B only if you are applying for registration, or are registered, as an investment adviser with any of the *state securities authorities*.

Part 1B Item 1 - State Registration

Complete this Item 1 if you are submitting an initial application for state registration or requesting additional state registration(s). Check the boxes next to the states to which you are submitting this application. If you are already registered with at least one state and are applying for registration with an additional state or states, check the boxes next to the states in which you are applying for registration. Do not check the boxes next to the states in which you are currently registered or

where you have an application for registration pending.

<input type="checkbox"/> AL	<input type="checkbox"/> ID	<input type="checkbox"/> MO	<input type="checkbox"/> PA
<input type="checkbox"/> AK	<input type="checkbox"/> IL	<input type="checkbox"/> MT	<input type="checkbox"/> PR
<input type="checkbox"/> AZ	<input type="checkbox"/> IN	<input type="checkbox"/> NE	<input type="checkbox"/> RI
<input type="checkbox"/> AR	<input type="checkbox"/> IA	<input type="checkbox"/> NV	<input type="checkbox"/> SC
<input type="checkbox"/> CA	<input type="checkbox"/> KS	<input type="checkbox"/> NH	<input type="checkbox"/> SD
<input type="checkbox"/> CO	<input type="checkbox"/> KY	<input type="checkbox"/> NJ	<input type="checkbox"/> TN
<input type="checkbox"/> CT	<input type="checkbox"/> LA	<input type="checkbox"/> NM	<input type="checkbox"/> TX
<input type="checkbox"/> DE	<input type="checkbox"/> ME	<input type="checkbox"/> NY	<input type="checkbox"/> UT
<input type="checkbox"/> DC	<input type="checkbox"/> MD	<input type="checkbox"/> NC	<input type="checkbox"/> VT
<input type="checkbox"/> FL	<input type="checkbox"/> MA	<input type="checkbox"/> ND	<input type="checkbox"/> VI
<input type="checkbox"/> GA	<input type="checkbox"/> MI	<input type="checkbox"/> OH	<input type="checkbox"/> VA
<input type="checkbox"/> GU	<input type="checkbox"/> MN	<input type="checkbox"/> OK	<input type="checkbox"/> WA
<input type="checkbox"/> HI	<input type="checkbox"/> MS	<input type="checkbox"/> OR	<input type="checkbox"/> WV
			<input type="checkbox"/> WI

Part 1B Item 2 - Additional Information

A. Person responsible for supervision and compliance:

Name:

Title:

Telephone:

Fax:

Number and Street 1:

Number and Street 2:

City:

State:

Country:

ZIP+4/Postal Code:

Email address, if available:

If this address is a private residence, check this box: ☐

B. Bond/Capital Information, if required by your *home state*.

(1) Name of Issuing Insurance Company:

(2) Amount of Bond:

\$.00

(3) Bond Policy Number:

Yes No

(4) If required by your home state, are you in compliance with your home state's minimum ☐ ☐

capital requirements?

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Part 1B Item 2 - Additional Information (Continued)

	Yes	No
For "yes" answers to the following question, complete a Bond DRP.		
C. Has a bonding company ever denied, paid out on, or revoked a bond for you?	<input type="radio"/>	<input type="radio"/>
For "yes" answers to the following question, complete a Judgment/Lien DRP:		
D. Do you have any unsatisfied judgments or liens against you?	<input type="radio"/>	<input type="radio"/>
For "yes" answers to the following questions, complete an Arbitration DRP:		
E. Are you, any <i>advisory affiliate</i> , or any <i>management person</i> currently the subject of, or have you, any <i>advisory affiliate</i> , or any <i>management person</i> been the subject of, an arbitration claim alleging damages in excess of \$2,500, involving any of the following:		
(1) any investment or an <i>investment-related</i> business of activity?	<input type="radio"/>	<input type="radio"/>
(2) fraud, false statement, or omission?	<input type="radio"/>	<input type="radio"/>
(3) theft, embezzlement, or other wrongful taking of property?	<input type="radio"/>	<input type="radio"/>
(4) bribery, forgery, counterfeiting, or extortion?	<input type="radio"/>	<input type="radio"/>
(5) dishonest, unfair, or unethical practices?	<input type="radio"/>	<input type="radio"/>
For "yes" answers to the following questions, complete a Civil Judicial Action DRP:		
F. Are you, any <i>advisory affiliate</i> , or any <i>management person</i> currently subject to, or have you, any <i>advisory affiliate</i> , or any <i>management person</i> been <i>found</i> liable in, a civil, <i>self-regulatory organization</i> , or administrative <i>proceeding</i> involving any of the following:		
(1) an investment or <i>investment-related</i> business or activity?	<input type="radio"/>	<input type="radio"/>
(2) fraud, false statement, or omission?	<input type="radio"/>	<input type="radio"/>
(3) theft, embezzlement, or other wrongful taking of property?	<input type="radio"/>	<input type="radio"/>
(4) bribery, forgery, counterfeiting, or extortion?	<input type="radio"/>	<input type="radio"/>
(5) dishonest, unfair, or unethical practices?	<input type="radio"/>	<input type="radio"/>
G. Other Business Activities		
(1) You are actively engaged in business as a(n) (check all that apply):		
<input type="checkbox"/> Attorney		
<input type="checkbox"/> Certified Public Accountant		
<input type="checkbox"/> Tax Preparer		

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Part 1B Item 2 - Additional Information (Continued)

- (2) If you are actively engaged in any business other than those listed in Item 6.A of Part 1A or Item 2.G(1) of Part 1B, describe the business and the approximate amount of time spent on that business:

H. If you provide financial planning services, the investments made based on those services at the end of your last fiscal year totaled:

	Securities Investments	Non-Securities Investments
Under \$100,000	<input type="radio"/>	<input type="radio"/>
\$100,001 to \$500,000	<input type="radio"/>	<input type="radio"/>
\$500,001 to \$1,000,000	<input type="radio"/>	<input type="radio"/>
\$1,000,001 to \$2,500,000	<input type="radio"/>	<input type="radio"/>
\$2,500,001 to \$5,000,000	<input type="radio"/>	<input type="radio"/>
More than \$5,000,000	<input type="radio"/>	<input type="radio"/>

If securities investments are over \$5,000,000, how much? (round to the nearest \$1,000,000)

If non-securities investments are over \$5,000,000, how much? (round to the nearest \$1,000,000)

Yes No

I. *Custody*

- (1) Do you withdraw advisory fees directly from your *clients'* accounts? If you answered "yes", respond to the following: ☐ Yes ☐ No
- (a) Do you send a copy of your invoice to the custodian or trustee at the same time that you send a copy to the *client*? ☐ Yes ☐ No
- (b) Does the custodian send quarterly statements to your *clients* showing all disbursements for the custodian account, including the amount of the advisory fees? ☐ Yes ☐ No
- (c) Do your *clients* provide written authorization permitting you to be paid directly for their accounts held by the custodian or trustee? ☐ Yes ☐ No
- (2) Do you act as a general partner for any partnership or trustee for any trust in which your advisory *clients* are either partners of the partnership or beneficiaries of the trust? If you answered "yes", respond to the following: ☐ Yes ☐ No
- (a) As the general partner of a partnership, have you engaged an attorney or an independent certified public accountant to provide authority permitting each direct payment or any transfer of funds or securities from the partnership account? ☐ Yes ☐ No
- (3) Do you require the prepayment of fees of more than \$500 per *client* and for six months or more in advance? ☐ Yes ☐ No

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Part 1B Item 2 - Additional Information (Continued)

Yes No

J. If you are organized as a sole proprietorship, please answer the following:

(1) (a) Have you passed, on or after January 1, 2000, the Series 65 examination? ☐ Yes ☐ No(b) Have you passed, on or after January 1, 2000, the Series 66 examination and also passed, at any time, the Series 7 examination? ☐ Yes ☐ No(2) (a) Do you have any investment advisory professional designations?
If "no", you do not need to answer Item 2.J(2)(b). ☐ Yes ☐ No

(b) I have earned and I am in good standing with the organization that issued the following credential:

- ☐ Certified Financial Planner ("CFP")
- ☐ Chartered Financial Analyst ("CFA")
- ☐ Chartered Financial Consultant ("ChFC")
- ☐ Chartered Investment Counselor ("CIC")
- ☐ Personal Financial Specialist ("PFS")
- ☐ None of the above

(3) Your Social Security Number:

FORM ADV**UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION**

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ADV-Amendment, Part 2

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Amend, retire or file new brochures:

Brochure ID	Brochure Name	Brochure Type(s)	Action
45631	PART 2A - CALLAN ASSOCIATES INC.	Pension consulting	No Change

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ADV - Amendment, SCHEDULE A

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Form ADV, Schedule A**Direct Owners and Executive Officers**

1. Complete Schedule A only if you are submitting an initial application. Schedule A asks for information about your direct owners and executive officers. Use Schedule C to amend this

information.

2. Direct Owners and Executive Officers. List below the names of:

- (a) each Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Legal Officer, Chief Compliance Officer (Chief Compliance Officer is required and cannot be more than one individual), director, and any other individuals with similar status or functions;
- (b) if you are organized as a corporation, each shareholder that is a direct owner of 5% or more of a class of your voting securities, unless you are a public reporting company (a company subject to Section 12 or 15(d) of the Exchange Act);

Direct owners include any *person* that owns, beneficially owns, has the right to vote, or has the power to sell or direct the sale of, 5% or more of a class of your voting securities. For purposes of this Schedule, a *person* beneficially owns any securities: (i) owned by his/her child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, sharing the same residence; or (ii) that he/she has the right to acquire, within 60 days, through the exercise of any option, warrant, or right to purchase the security.

- (c) if you are organized as a partnership, all general partners and those limited and special partners that have the right to receive upon dissolution, or have contributed, 5% or more of your capital;
- (d) in the case of a trust that directly owns 5% or more of a class of your voting securities, or that has the right to receive upon dissolution, or has contributed, 5% or more of your capital, the trust and each trustee; and
- (e) if you are organized as a limited liability company ("LLC"), (i) those members that have the right to receive upon dissolution, or have contributed, 5% or more of your capital, and (ii) if managed by elected managers, all elected managers.

3. Do you have any indirect owners to be reported on Schedule B? ☐ Yes ☒ No

4. In the DE/FE/I column below, enter "DE" if the owner is a domestic entity, "FE" if the owner is an entity incorporated or domiciled in a foreign country, or "I" if the owner or executive officer is an individual.

5. Complete the Title or Status column by entering board/management titles; status as partner, trustee, sole proprietor, elected manager, shareholder, or member; and for shareholders or members, the class of securities owned (if more than one is issued).

6. Ownership codes are:
- | | | |
|--------------------------|---------------------------|---------------------------|
| NA - less than 5% | B - 10% but less than 25% | D - 50% but less than 75% |
| A - 5% but less than 10% | C - 25% but less than 50% | E - 75% or more |

7. (a) In the *Control Person* column, enter "Yes" if the *person* has *control* as defined in the Glossary of Terms to Form ADV, and enter "No" if the *person* does not have *control*. Note that under this definition, most executive officers and all 25% owners, general partners, elected managers, and trustees are *control persons*.

(b) In the PR column, enter "PR" if the owner is a public reporting company under Sections 12 or 15(d) of the Exchange Act.

(c) Complete each column.

FULL LEGAL NAME (Individuals: Last Name, First Name,	DE/FE/I	Title or Status	Date Title or Status Acquired	Ownership Code	<i>Control Person</i>	PR	CRD No. If None: S.S. No. and Date of
---	---------	-----------------	-------------------------------	----------------	-----------------------	----	---------------------------------------

Middle Name)			MM/YYYY				Birth, IRS Tax No., or Employer ID No.
BONNETTE, DAVID, FRANCIS	I	DIRECTOR	04/2010	NA	Y	N	1593248
PEYTON, RONALD, DOUGLAS	I	CHAIRMAN, CEO, & DIRECTOR	04/2009	C	Y	N	362048
TAYLOR-HAMBLY, SUSAN, LYNN	I	SR. VP, CFO, & CHIEF COMPLIANCE OFFICER	09/2004	NA	Y	N	2082913
ALLEN, GREGORY, C	I	PRESIDENT & DIRECTOR OF RESEARCH, & DIRECTOR	01/2007	NA	Y	N	5268058
DE LUCE, ANN, C	I	EVP, COO, DIRECTOR	04/2009	NA	Y	N	5685852

FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: CALLAN ASSOCIATES INC.

CRD Number: 107687

ADV - Amendment, SCHEDULE B

Rev. 11/2010

Form ADV, Schedule B

Indirect Owners

1. Complete Schedule B only if you are submitting an initial application. Schedule B asks for information about your indirect owners; you must first complete Schedule A, which asks for information about your direct owners. Use Schedule C to amend this information.
2. Indirect Owners. With respect to each owner listed on Schedule A (except individual owners), list below:
 - (a) in the case of an owner that is a corporation, each of its shareholders that beneficially owns, has the right to vote, or has the power to sell or direct the sale of, 25% or more of a class of a voting security of that corporation;

For purposes of this Schedule, a *person* beneficially owns any securities: (i) owned by his/her child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, sharing the same residence; or (ii) that he/she has the right to acquire, within 60 days, through the exercise of any option, warrant, or right to purchase the security.

- (b) in the case of an owner that is a partnership, all general partners and those limited and special partners that have the right to receive upon dissolution, or have contributed, 25% or more of the partnership's capital;
- (c) in the case of an owner that is a trust, the trust and each trustee; and
- (d) in the case of an owner that is a limited liability company ("LLC"), (i) those members that have the right to receive upon dissolution, or have contributed, 25% or more of the LLC's capital, and (ii) if managed by elected managers, all elected managers.

3. Continue up the chain of ownership listing all 25% owners at each level. Once a public reporting company (a company subject to Sections 12 or 15(d) of the Exchange Act) is reached, no further ownership information need be given.
4. In the DE/FE/I column below, enter "DE" if the owner is a domestic entity, "FE" if the owner is an entity incorporated or domiciled in a foreign country, or "I" if the owner is an individual.
5. Complete the Status column by entering the owner's status as partner, trustee, elected manager, shareholder, or member; and for shareholders or members, the class of securities owned (if more than one is issued).
6. Ownership codes are:

C - 25% but less than 50%	E - 75% or more
D - 50% but less than 75%	F - Other (general partner, trustee, or elected manager)
7. (a) In the *Control Person* column, enter "Yes" if the *person* has *control* as defined in the Glossary of Terms to Form ADV, and enter "No" if the *person* does not have *control*. Note that under this definition, most executive officers and all 25% owners, general partners, elected managers, and trustees are *control persons*.
 (b) In the PR column, enter "PR" if the owner is a public reporting company under Sections 12 or 15(d) of the Exchange Act.
 (c) Complete each column.

No Indirect Owner Information Filed

FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: CALLAN ASSOCIATES INC.

CRD Number: 107687

ADV - Amendment, SCHEDULE C

Rev. 11/2010

Form ADV, Schedule C

Amendments to Schedules A and B

1. Use Schedule C only to amend information requested on either Schedule A or Schedule B. Refer to Schedule A and Schedule B for specific instructions for completing this Schedule C. Complete each column.
2. In the Type of Amendment column, indicate "A" (addition), "D" (deletion), or "C" (change in information about the same *person*).
3. Ownership codes are:

NA - less than 5%	C - 25% but less than 50%	G - Other (general partner, trustee, or elected member)
A - 5% but less than 10%	D - 50% but less than 75%	
B - 10% but less than 25%	E - 75% or more	
4. List below all changes to Schedule A (Direct Owners and Executive Officers):

No Changes to Direct Owner / Executive Officer Information Filed

5. List below all changes to Schedule B (Indirect Owners):

No Changes to Indirect Owner Information Filed

FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: CALLAN ASSOCIATES INC.

CRD Number: 107687

ADV - Amendment, SCHEDULE D Page 1

Rev. 11/2010

Form ADV, Schedule D Page 1

Certain items in Part 1A of Form ADV require additional information on Schedule D. Use this Schedule D Page 1 to report details for items listed below. Report only new information or changes/updates to previously submitted information. Do not repeat previously submitted information.

Section 1.B. Other Business Names

List your other business names and the jurisdictions in which you use them. You must complete a separate Schedule D for each business name.

No Information Filed

Section 1.F. Other Offices

Complete the following information for each office, other than your *principal office and place of business*, at which you conduct investment advisory business. You must complete a separate Schedule D Page 1 for each location. If you are applying for registration, or are registered, only with the SEC, list only the largest five (in terms of numbers of *employees*).

Number and Street 1:		Number and Street 2:	
200 PARK AVENUE		SUITE 230	
City:	State:	Country:	ZIP+4/Postal Code:
FLORHAM PARK	NJ	UNITED STATES	07932-1026

If this address is a private residence, check this box: ☐

Telephone Number at this location:	Facsimile number at this location:
973-593-8050	973-236-0250

Number and Street 1:		Number and Street 2:	
120 N. LA SALLE STREET		SUITE 2100	
City:	State:	Country:	ZIP+4/Postal Code:
CHICAGO	IL	UNITED STATES	60602-2424

If this address is a private residence, check this box: ☐

Telephone Number at this location:	Facsimile number at this location:
312-346-3536	312-346-1356

Number and Street 1:		Number and Street 2:	
300 GALLERIA PARKWAY		SUITE 950	
City:	State:	Country:	ZIP+4/Postal Code:
ATLANTA	GA	USA	30339-3153

If this address is a private residence, check this box: ☐

Telephone Number at this location:	Facsimile number at this location:
770-618-2140	770-618-2141

Number and Street 1:		Number and Street 2:	
1660 WYNKOOP STREET		SUITE 950	
City:	State:	Country:	ZIP+4/Postal Code:
DENVER	CO	USA	80202-1115

If this address is a private residence, check this box: ☐

Telephone Number at this location:	Facsimile number at this location:
303-861-1900	303-832-8230

Number and Street 1:		Number and Street 2:	
52 WEST BASIN RIDGE			
City:	State:	Country:	ZIP+4/Postal Code:
GALISTEO	NM	UNITED STATES	87540
If this address is a private residence, check this box: <input checked="" type="checkbox"/>			
Telephone Number at this location:		Facsimile number at this location:	
505-955-8936		866-821-5016	

Number and Street 1:		Number and Street 2:	
642 SWEDISH MISSION ROAD			
City:	State:	Country:	ZIP+4/Postal Code:
RIVER FALLS	WI	UNITED STATES	54022
If this address is a private residence, check this box: <input checked="" type="checkbox"/>			
Telephone Number at this location:		Facsimile number at this location:	
415-274-3007			

Number and Street 1:		Number and Street 2:	
343 COMMERCIAL STREET		UNIT #112	
City:	State:	Country:	ZIP+4/Postal Code:
BOSTON	MA	UNITED STATES	02109
If this address is a private residence, check this box: <input checked="" type="checkbox"/>			
Telephone Number at this location:		Facsimile number at this location:	
415-291-4125			

Number and Street 1:		Number and Street 2:	
42602 TONTO ROAD			
City:	State:	Country:	ZIP+4/Postal Code:
CAVE CREEK	AZ	UNITED STATES	85331
If this address is a private residence, check this box: <input checked="" type="checkbox"/>			
Telephone Number at this location:		Facsimile number at this location:	
973-593-8058			

Section 1.I. World Wide Web Site Addresses

List your World Wide Web site addresses. You must complete a separate Schedule D for each World Wide Web site address.

World Wide Web Site Address: WWW.CALLAN.COM

Section 1.K. Locations of Books and Records

Complete the following information for each location at which you keep your books and records, other than your *principal office and place of business*. You must complete a separate Schedule D Page 1 for each location.

Name of entity where books and records are kept:			
THE BANK OF NEW YORK MELLON			
Number and Street 1:		Number and Street 2:	
135 SANTILLI HIGHWAY		AIM 026-0026	
City:	State:	Country:	ZIP+4/Postal Code:
EVERETT	MA	UNITED STATES	02149
If this address is a private residence, check this box: <input type="checkbox"/>			
Telephone Number:		Facsimile number:	
617-382-2573			

This is (check one):

- ☐ one of your branch offices or affiliates.
☐ a third-party unaffiliated recordkeeper.
☒ other.

Briefly describe the books and records kept at this location.

A PORTION OR SOME OF THE PRIVATE TRUST RECORDS ARE KEPT AT THE GROUP TRUSTEE, MELLON BANK, N.A.

FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: CALLAN ASSOCIATES INC.

CRD Number: 107687

ADV - Amendment, SCHEDULE D, Page 2

Rev. 11/2010

Form ADV, Schedule D Page 2

Use this Schedule D Page 2 to report details for items listed below. Report only new information or changes/updates to previously submitted information. Do not repeat previously submitted information.

Section 1.L. Registration with *Foreign Financial Regulatory Authorities*

List the name, in English, of each *foreign financial regulatory authority* and country with which you are registered. You must complete a separate Schedule D Page 2 for each *foreign financial regulatory authority* with whom you are registered.

No Information Filed

Section 2.A(7) Affiliated Adviser

No Information Filed

Section 2.A(8) Newly Formed Adviser

If you are relying on rule 203A-2(d), the newly formed adviser exemption from the prohibition on registration, you are required to make certain representations about your eligibility for SEC registration. By checking the appropriate boxes, you will be deemed to have made the required representations. You must make both of these representations:

- ☐ I am not registered or required to be registered with the SEC or a *state securities authority* and I have a reasonable expectation that I will be eligible to register with the SEC within 120 days after the date my registration with the SEC becomes effective.
- ☐ I undertake to withdraw from SEC registration if, on the 120th day after my registration with the SEC becomes effective, I would be prohibited by Section 203A(a) of the Advisers Act from registering with the SEC.

Section 2.A(9) Multi-State Adviser

If you are relying on rule 203A-2(e), the multi-state adviser exemption from the prohibition on registration, you are required to make certain representations about your eligibility for SEC registration. By checking the appropriate boxes, you will be deemed to have made the required representations.

If you are applying for registration as an investment adviser with the SEC, you must make both of these representations:

- ☐ I have reviewed the applicable state and federal laws and have concluded that I am required by the laws of 30 or more states to register as an investment adviser with the securities authorities in those states.
- ☐ I undertake to withdraw from SEC registration if I file an amendment to this registration indicating that I would be required by the laws of fewer than 25 states to register as an investment adviser with the securities authorities of those states.

If you are submitting your *annual updating amendment*, you must make this representation:

- ☐ Within 90 days prior to the date of filing this amendment, I have reviewed the applicable state and federal laws and have concluded that I am required by the laws of at least 25 states to register as an investment adviser with the securities authorities in those states.

FORM ADV

UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: CALLAN ASSOCIATES INC.

CRD Number: 107687

ADV - Amendment, SCHEDULE D, Page 3

Rev. 11/2010

Form ADV, Schedule D Page 3

Use this Schedule D Page 3 to report details for items listed below. Report only new information or changes/updates to previously submitted information. Do not repeat previously submitted information.

Section 2.A(11) SEC Exemptive Order

No Information Filed

Section 4 Successions

Complete the following information if you are succeeding to the business of a currently-registered investment adviser. If you acquired more than one firm in the succession you are reporting on this Form ADV, you must complete a separate Schedule D Page 3 for each acquired firm. See Part 1A Instruction 4.

No Information Filed

Section 5.I (2) Wrap Fee Programs

If you are a portfolio manager for one or more *wrap fee programs*, list the name of each program and its *sponsor*. You must complete a separate Schedule D Page 3 for each *wrap fee program* for which you are a portfolio manager.

No Information Filed

Section 6.B. Description of Primary Business

No Information Filed

Section 7.A. Affiliated Investment Advisers and Broker-Dealers

You must complete the following information for each *related person* investment adviser and broker-dealer. You must complete a separate Schedule D Page 3 for each listed *related person*.

(1) Legal Name of *Related Person*:
SHARPE 4 CAPITAL, LLC

(2) Primary Business Name of *Related Person*:

SHARPE 4 PARTNERS, LP

(3) *Related Person* is (check only one box):

- ☒ Investment Adviser
☐ Broker-Dealer
☐ Dual (Investment Adviser and Broker-Dealer)

Yes No

(4) If the *related person* is a broker-dealer, is it a qualified custodian for your *clients* in connection with advisory services you provide to *clients*?

☐ ☒

(5) If you are registering or registered with the SEC and you have answered "yes," have you overcome the presumption that you are not operationally independent (pursuant to Advisers Act rule 206(4)(2)-(d)(5)) from the *related person* broker-dealer, and thus are not required to obtain a surprise examination for your *clients'* funds or securities that are maintained at the *related person*?

☐ ☐

Related Person Adviser's SEC File Number (if any)

801- 71478

Related Person's CRD Number (if any):

133627

FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: CALLAN ASSOCIATES INC.

CRD Number: 107687

ADV - Amendment, SCHEDULE D, Page 4

Rev. 11/2010

Form ADV, Schedule D Page 4

Use this Schedule D Page 4 to report details for items listed below. Report only new information or changes/updates to previously submitted information. Do not repeat previously submitted information.

Section 7.B. Limited Partnership Participation or Other Private Fund Participation

You must complete a separate Schedule D Page 4 for each limited partnership in which you or a *related person* is a general partner, each limited liability company for which you or a *related person* is a manager, and each other private fund that you advise.

Name of Limited Partnership, Limited Liability Company, or other Private Fund:

DIVERSIFIED ALPHA GROUP TRUST

Name of General Partner or Manager:

CALLAN ASSOCIATES INC.

If you are registered or registering with the SEC, is this a "private fund" as defined under SEC rule 203 (b)(3)-1? ☒ Yes ☐ No

Are your *clients* solicited to invest in the limited partnership, limited liability company, or other private

fund? ☐ Yes ☒ No

Approximately what percentage of your *clients* have invested in this limited partnership, limited liability company, or other private fund?

1 %

Minimum investment commitment required of a limited partner, member, or other investor:

\$ 200000000

Current value of the total assets of the limited partnership, limited liability company, or other private fund:

\$ 1589406412

Name of Limited Partnership, Limited Liability Company, or other Private Fund:

SHARPE 4 PARTNERS, LP

Name of General Partner or Manager:

SHARPE 4 CAPITAL, LLC (SHARPE 4 IS CONTROLLED BY AN OFFICER OF CALLAN; IT IS NOT CONTROLLED BY CALLAN)

If you are registered or registering with the SEC, is this a "private fund" as defined under SEC rule 203

(b)(3)-1? ☐ Yes ☒ No

Are your *clients* solicited to invest in the limited partnership, limited liability company, or other private

fund? ☐ Yes ☒ No

Approximately what percentage of your *clients* have invested in this limited partnership, limited liability company, or other private fund?

0 %

Minimum investment commitment required of a limited partner, member, or other investor:

\$ 500000

Current value of the total assets of the limited partnership, limited liability company, or other private fund:

\$ 43910531

Section 9.C. Independent Public Accountant

No Information Filed

Section 9.D. Related Person Qualified Custodian

No Information Filed

Section 10 Control Persons

You must complete a separate Schedule D Page 4 for each *control person* not named in Item 1.A. or Schedules A, B, or C that directly or indirectly *controls* your management or policies.

No Information Filed

FORM ADV

UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: CALLAN ASSOCIATES INC.

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ADV - Amendment, SCHEDULE D, Page 5

Rev. 11/2010

Form ADV, Schedule D Page 5

Use this Schedule D Page 5 to report details for items listed below. Report only new information or changes/updates to previously submitted information. Do not repeat previously submitted information.

Schedule D - Miscellaneous

You may use the space below to explain a response to an Item or to provide any other information.

No Information Filed

FORM ADV

UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: CALLAN ASSOCIATES INC.

CRD Number: 107687

ADV - Amendment, DRP Pages

Rev. 11/2010

CRIMINAL DISCLOSURE REPORTING PAGE (ADV)

No Information Filed

REGULATORY ACTION DISCLOSURE REPORTING PAGE (ADV)*GENERAL INSTRUCTIONS*

This Disclosure Reporting Page (DRP ADV) is an ☐ INITIAL **OR** ☒ AMENDED response used to report details for affirmative responses to Items 11.C., 11.D., 11.E., 11.F. or 11.G. of Form ADV.

Check item(s) being responded to:

Regulatory Action

- | | | | |
|---|---|----------------------------------|----------------------------------|
| <input checked="" type="checkbox"/> 11.C(1) | <input checked="" type="checkbox"/> 11.C(5) | <input type="checkbox"/> 11.D(4) | <input type="checkbox"/> 11.E(3) |
| <input checked="" type="checkbox"/> 11.C(2) | <input type="checkbox"/> 11.D(1) | <input type="checkbox"/> 11.D(5) | <input type="checkbox"/> 11.E(4) |
| <input type="checkbox"/> 11.C(3) | <input type="checkbox"/> 11.D(2) | <input type="checkbox"/> 11.E(1) | <input type="checkbox"/> 11.F |
| <input checked="" type="checkbox"/> 11.C(4) | <input type="checkbox"/> 11.D(3) | <input type="checkbox"/> 11.E(2) | <input type="checkbox"/> 11.G |

Use a separate DRP for each event or *proceeding*. The same event or *proceeding* may be reported for more than one *person* or entity using one DRP. File with a completed Execution Page.

One event may result in more than one affirmative answer to Items 11.C., 11.D., 11.E., 11.F. or 11.G. Use only one DRP to report details related to the same event. If an event gives rise to actions by more than one regulator, provide details to each action on a separate DRP.

PART I

A. The *person(s)* or entity(ies) for whom this DRP is being filed is (are):

- ☒ You (the advisory firm)
- ☐ You and one or more of your *advisory affiliates*
- ☐ One or more of your *advisory affiliates*

If this DRP is being filed for an *advisory affiliate*, give the full name of the *advisory affiliate* below (for individuals, Last name, First name, Middle name).

If the *advisory affiliate* has a *CRD* number, provide that number. If not, indicate "non-registered" by checking the appropriate box.

ADV DRP - <i>ADVISORY AFFILIATE</i>

No Information Filed

☐ This DRP should be removed from the ADV record because the *advisory affiliate(s)* is no longer associated with the adviser.

☐ This DRP should be removed from the ADV record because: (1) the event or *proceeding* occurred more than ten years ago or (2) the adviser is registered or applying for registration with the SEC and the event was resolved in the adviser's or *advisory affiliate's* favor.

If you are registered or registering with a *state securities authority*, you may remove a DRP for an event you reported only in response to Item 11.D(4), and only if that event occurred more than ten years ago. If you are registered or registering with the SEC, you may remove a DRP for any event listed in Item 11 that occurred more than ten years ago.

B. If the *advisory affiliate* is registered through the IARD system or *CRD* system, has the *advisory affiliate* submitted a DRP (with Form ADV, BD or U-4) to the IARD or *CRD* for the event? If the answer is "Yes," no other information on this DRP must be provided.

☐ Yes ☒ No

NOTE: The completion of this form does not relieve the *advisory affiliate* of its obligation to update its IARD or *CRD* records.

PART II

1. Regulatory Action initiated by:

☒ SEC ☐ Other Federal ☐ State ☐ SRO ☐ Foreign

(Full name of regulator, *foreign financial regulatory authority*, federal, state, or *SRO*)
SEC

2. Principal Sanction:

Cease and Desist

Other Sanctions:

3. Date Initiated (MM/DD/YYYY):

09/19/2007 ☒ Exact ☐ Explanation

If not exact, provide explanation:

4. Docket/Case Number:

SF-2826-A

5. *Advisory Affiliate* Employing Firm when activity occurred which led to the regulatory action (if applicable):

6. Principal Product Type:

No Product

Other Product Types:

7. Describe the allegations related to this regulatory action (your response must fit within the space provided):

THE MATTER CONCERNS SOME OF CALLAN'S PAST DISCLOSURES DESCRIBING ITS 1998 SALE OF ITS BROKER AFFILIATE, ALPHA MANAGEMENT, TO A SUBSIDIARY OF THE BANK OF NEW YORK (BNY). UNDER THE TERMS OF THAT TRANSACTION CALLAN WAS TO RECEIVE A SERIES OF ANNUAL PAYMENTS FROM BNY OVER THE PERIOD FROM 1998 THROUGH 2006. 92% OF EACH ANNUAL PAYMENT WAS DEPENDENT ON CALLAN ESSENTIALLY REMAINING IN THE CONSULTING BUSINESS AND UNRELATED TO BNY'S BROKERAGE REVENUE. THE FINAL 8% OF EACH PAYMENT WAS CONTINGENT ON BNY'S AGGREGATE BROKERAGE COMMISSIONS ATTRIBUTABLE TO CALLAN CLIENTS EXCEEDING 75% OF THEIR 1998 LEVELS (THE FISCAL YEAR PRIOR TO THE TRANSACTION). AS A PRACTICAL MATTER BNY EXCEEDED THIS HURDLE EACH YEAR, AND BY 2000 HAD EVEN STOPPED BOTHERING WITH THE CALCULATION. AS A RESULT CALLAN RECEIVED THE SAME ANNUAL PAYMENT THROUGHOUT THE LIFE OF THE TRANSACTION. OVER THE PERIOD FROM 1998 THROUGH 2006 CALLAN ROUTINELY DISCLOSED THE EXISTENCE OF THIS TRANSACTION TO ALL OF ITS CLIENTS, INCLUDING IN ITS FORM ADV PART II. IN THOSE DISCLOSURES THESE PAYMENTS WERE DESCRIBED SIMPLY AS "FIXED PAYMENTS" WHICH REFLECTED THEIR PRACTICAL REALITY. IN 2005, CALLAN WERE INFORMED BY THE SEC STAFF THAT THEY FELT THAT THIS DISCLOSURE WAS INCOMPLETE. AT THAT TIME CALLAN VOLUNTARILY AMENDED ITS FORM ADV PART II TO PROVIDE MORE DETAIL ON THE STRUCTURE OF THE PAYMENTS AND SENT IT OUT TO ITS CLIENTS. IN JANUARY OF 2007 THE TRANSACTION BETWEEN BNY AND CALLAN WAS CONCLUDED AND CALLAN NO LONGER RECEIVES THE PAYMENTS THAT WERE THE SUBJECT OF THE DISCLOSURE.

8. Current status ? ☐ Pending ☐ On Appeal ☒ Final9. If on appeal, regulatory action appealed to (SEC, *SRO*, Federal or State Court) and Date Appeal Filed:

If Final or On Appeal, complete all items below. For Pending Actions, complete Item 13 only.

10. How was matter resolved:

Order

11. Resolution Date (MM/DD/YYYY):

09/19/2007 ☒ Exact ☐ Explanation

If not exact, provide explanation:

12. Resolution Detail:

A. Were any of the following Sanctions *Ordered* (check all appropriate items)?☐ Monetary/Fine Amount: \$☐ Revocation/Expulsion/Denial☐ Disgorgement/Restitution

☐ Censure☒ Cease and Desist/Injunction☐ Bar☐ SuspensionB. Other Sanctions *Ordered*:

Sanction detail: if suspended, *enjoined* or barred, provide duration including start date and capacities affected (General Securities Principal, Financial Operations Principal, etc.). If requalification by exam/retraining was a condition of the sanction, provide length of time given to requalify/retrain, type of exam required and whether condition has been satisfied. If disposition resulted in a fine, penalty, restitution, disgorgement or monetary compensation, provide total amount, portion levied against you or an *advisory affiliate*, date paid and if any portion of penalty was waived:

NONE

13. Provide a brief summary of details related to the action status and (or) disposition and include relevant terms, conditions and dates (your response must fit within the space provided.)
- ON SEPTEMBER 19TH, 2007, THROUGH ACCEPTANCE OF AN OFFER OF SETTLEMENT BY CALLAN WHEREIN CALLAN NEITHER ADMITTED NOR DENIED THE FINDINGS, THE SEC FORMALLY REQUIRED CALLAN, VIA AN ORDER, TO CEASE-AND-DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS OR ANY FUTURE VIOLATIONS OF SECTION 207 OF THE ADVISERS ACT. CALLAN ALSO RECEIVED A CLOSING LETTER INFORMING THEM THAT THE 2003 INVESTIGATION WAS CONCLUDED.

CIVIL JUDICIAL ACTION DISCLOSURE REPORTING PAGE (ADV)

No Information Filed

Bond DRPs

No Information Filed

Judgment/Lien DRPs

No Information Filed

Arbitration DRPs

No Information Filed

FORM ADV**UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION**

Primary Business Name: CALLAN ASSOCIATES INC.

CRD Number: 107687

ADV - Amendment, Execution Pages

Rev. 11/2010

DOMESTIC INVESTMENT ADVISER EXECUTION PAGE

You must complete the following Execution Page to Form ADV. This execution page must be signed and attached to your initial application for SEC registration and all amendments to registration.

Appointment of Agent for Service of Process

By signing this Form ADV Execution Page, you, the undersigned adviser, irrevocably appoint the Secretary of State or other legally designated officer, of the state in which you maintain your *principal office and place of business* and any other state in which you are submitting a *notice filing*, as your agents to receive service, and agree that such *persons* may accept service on your behalf, of any notice, subpoena,

summons, *order* instituting *proceedings*, demand for arbitration, or other process or papers, and you further agree that such service may be made by registered or certified mail, in any federal or state action, administrative *proceeding* or arbitration brought against you in any place subject to the jurisdiction of the United States, if the action, *proceeding* or arbitration (a) arises out of any activity in connection with your investment advisory business that is subject to the jurisdiction of the United States, and (b) is *founded*, directly or indirectly, upon the provisions of: (i) the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, the Investment Company Act of 1940, or the Investment Advisers Act of 1940, or any rule or regulation under any of these acts, or (ii) the laws of the state in which you maintain your *principal office and place of business* or of any state in which you are submitting a *notice filing*.

Signature

I, the undersigned, sign this Form ADV on behalf of, and with the authority of, the investment adviser. The investment adviser and I both certify, under penalty of perjury under the laws of the United States of America, that the information and statements made in this ADV, including exhibits and any other information submitted, are true and correct, and that I am signing this Form ADV Execution Page as a free and voluntary act.

I certify that the adviser's books and records will be preserved and available for inspection as required by law. Finally, I authorize any *person* having custody or possession of these books and records to make them available to federal and state regulatory representatives.

Signature:	Date: MM/DD/YYYY
SUSAN L. TAYLOR	08/09/2011
Printed Name:	Title:
SUSAN L. TAYLOR	SR. VICE PRESIDENT, CFO, AND CHIEF COMPLIANCE OFFICER
Adviser <i>CRD</i> Number:	
107687	

NON-RESIDENT INVESTMENT ADVISER EXECUTION PAGE

You must complete the following Execution Page to Form ADV. This execution page must be signed and attached to your initial application for SEC registration and all amendments to registration.

1. Appointment of Agent for Service of Process

By signing this Form ADV Execution Page, you, the undersigned adviser, irrevocably appoint each of the Secretary of the SEC, and the Secretary of State or other legally designated officer, of any other state in which you are submitting a *notice filing*, as your agents to receive service, and agree that such *persons* may accept service on your behalf, of any notice, subpoena, summons, *order* instituting *proceedings*, demand for arbitration, or other process or papers, and you further agree that such service may be made by registered or certified mail, in any federal or state action, administrative *proceeding* or arbitration brought against you in any place subject to the jurisdiction of the United States, if the action, *proceeding*, or arbitration (a) arises out of any activity in connection with your investment advisory business that is subject to the jurisdiction of the United States, and (b) is *founded*, directly or indirectly, upon the provisions of: (i) the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, the Investment Company Act of 1940, or the Investment Advisers Act of 1940, or any rule or regulation under any of these acts, or (ii) the laws of any state in which you are submitting a *notice filing*.

2. Appointment and Consent: Effect on Partnerships

If you are organized as a partnership, this irrevocable power of attorney and consent to service of process will continue in effect if any partner withdraws from or is admitted to the partnership, provided that the admission or withdrawal does not create a new partnership. If the partnership dissolves, this irrevocable power of attorney and consent shall be in effect for any action brought against you or any of your former partners.

3. *Non-Resident* Investment Adviser Undertaking Regarding Books and Records

By signing this Form ADV, you also agree to provide, at your own expense, to the U.S. Securities and Exchange Commission at its principal office in Washington D.C., at any Regional or District Office of the Commission, or at any one of its offices in the United States, as specified by the Commission, correct, current, and complete copies of any or all records that you are required to maintain under Rule 204-2 under the Investment Advisers Act of 1940. This undertaking shall be binding upon you, your heirs, successors and assigns, and any *person* subject to your written irrevocable consents or powers of attorney or any of your general partners and *managing agents*.

Signature

I, the undersigned, sign this Form ADV on behalf of, and with the authority of, the *non-resident* investment adviser. The investment adviser and I both certify, under penalty of perjury under the laws of the United States of America, that the information and statements made in this ADV, including exhibits and any other information submitted, are true and correct, and that I am signing this Form ADV Execution Page as a free and voluntary act.

I certify that the adviser's books and records will be preserved and available for inspection as required by law. Finally, I authorize any *person* having custody or possession of these books and records to make them available to federal and state regulatory representatives.

Signature: _____ Date: MM/DD/YYYY

Printed Name: _____ Title: _____

Adviser CRD Number:
107687

State Registered Investment Adviser Execution Page

You must complete the following Execution Page to Form ADV. This execution page must be signed and attached to your initial application for state registration and all amendments to registration.

1. Appointment of Agent for Service of Process

By signing this Form ADV Execution Page, you, the undersigned adviser, irrevocably appoint the legally designated officers and their successors, of the state in which you maintain your *principal office and place of business* and any other state in which you are applying for registration or amending your registration, as your agents to receive service, and agree that such persons may accept service on your behalf, of any notice, subpoena, summons, *order* instituting *proceedings*, demand for arbitration, or other process or papers, and you further agree that such service may be made by registered or certified mail, in any federal or state action, administrative *proceeding* or arbitration brought against you in any place subject to the jurisdiction of the United States, if the action, *proceeding*, or arbitration (a) arises out of any activity in connection with your investment advisory business that is subject to the jurisdiction of the

United States, and (b) is founded, directly or indirectly, upon the provisions of: (i) the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, the Investment Company Act of 1940, or the Investment Advisers Act of 1940, or any rule or regulation under any of these acts, or (ii) the laws of the state in which you maintain your *principal office and place of business* or of any state in which you are applying for registration or amending your registration.

2. State-Registered Investment Adviser Affidavit

If you are subject to state regulation, by signing this Form ADV, you represent that, you are in compliance with the registration requirements of the state in which you maintain your principal place of business and are in compliance with the bonding, capital, and recordkeeping requirements of that state.

Signature

I, the undersigned, sign this Form ADV on behalf of, and with the authority of, the investment adviser. The investment adviser and I both certify, under penalty of perjury under the laws of the United States of America, that the information and statements made in this ADV, including exhibits and any other information submitted, are true and correct, and that I am signing this Form ADV Execution Page as a free and voluntary act.

I certify that the adviser's books and records will be preserved and available for inspection as required by law. Finally, I authorize any *person* having *custody* or possession of these books and records to make them available to federal and state regulatory representatives.

Signature

Date MM/DD/YYYY

CRD Number

107687

Printed Name

Title

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APPENDIX B

ADV Part II



Item 1 – Cover Page

**Part 2A of Form ADV
Investment Adviser Brochure**

Callan Associates Inc.

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Contact information
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Sr. Vice President, CFO & CCO
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This brochure provides information about the qualifications and business practices of Callan Associates Inc. If you have any questions about the contents of this brochure, please contact us at the telephone number or email address listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Callan Associates Inc. also is available on the SEC's website at www.adviserinfo.sec.gov

Item 2 – Material Changes

The last annual update of Callan's ADV Part II was 3/26/2010. There have been no material changes to this brochure since the last annual update.

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Item 4 – Advisory Business

Founded in 1973 and headquartered in San Francisco, California, Callan Associates, an SEC-registered investment advisor, is one of the largest independently-owned consulting firms in the country. Ronald D. Peyton, Chairman, CEO and Director, is a principal owner. Callan has an additional 60+ shareholders.

Callan provides services through four distinct lines of business:

(I) The Fund Sponsor Consulting Group (FSC)

FSC provides consulting services to sponsors of defined benefit plans, defined contribution plans, endowments, foundations, nuclear decommissioning trusts, and other large institutional asset pools. Supported by a deep team of research professionals, Callan's Fund Sponsor Consulting Division is organized to provide customized solutions to meet the needs of the country's most sophisticated institutional investment programs. Services include strategic planning, plan implementation, monitoring and evaluation, and continuing education.

Products and services for fund sponsor organizations are offered through FSC (Services):

(1) Performance Reporting:

- (a) Investment Measurement - this reporting service provides summary performance measurement data on an investment portfolio and may include making relevant benchmark and peer group comparisons and analyses.
- (b) Performance Attribution - this service analyzes portfolio and/or fund performance, broken down into its various sub-component sources of risk and return.
- (c) Performance Evaluation Program (PEP) - this service provides a flexible PC-based tool to produce performance analysis reports in color.
- (d) Other Customized Reporting services may be provided dependent upon client request.

(2) Consulting:

- (a) Investment Policy Service - this service provides assistance to fund sponsors in formulating and articulating in a formal document the investment policies and procedures of the retirement program, endowment or foundation.
- (b) Asset Allocation/Liability - this service provides information concerning the effect of asset mix on projected assets and cash flows.
- (c) Manager/Investment Structure - this service provides information concerning the structure of an asset class within a retirement program, endowment or foundation, taking into consideration the fund's goals and objectives, market and fund sponsor environments, among other factors.
- (d) Manager/Record Keeper Search - this service provides fund sponsors with information concerning the styles and relative attributes of various investment managers or record keepers.
- (e) Fee Analysis – this service—offered to defined contribution plans—analyzes fees paid by service providers.
- (f) Alternative Investments - this service assists in the development, implementation and evaluation of institutional real estate, hedge fund and other alternative investment programs.
- (g) Custody, Securities Lending and Transition Management - this service provides fund sponsors with information concerning the relative attributes of various custodial, securities lending or transition management.

(3) Education:

- (a) Callan Investments Institute (CII): CII functions as an educational institution servicing organizations (including fund sponsors, investment managers, investment consultants and financial intermediaries) by independently analyzing trends in the industry via research communications and conference programs. Client organizations receive research papers, Callan Insights (an electronic news service that reports

developments within the institutional investment arena), surveys, conference and workshop participation, and quarterly performance data produced during the course of a year. Client organizations also receive periodicals including the Capital Markets Newsletter, Defined Contribution Opinions and Observations newsletter, Private Market Trends, Hedge Fund Monitor, and conference summaries, and have access to the Institute's library, which features past conference materials and articles via tape and printed media.

- (b) Center for Investment Training: The Center for Investment Training, also known colloquially as "Callan College", is an approximately two-and-one-half-day program offered several times each year and via private label. "Callan College" is designed to provide investment fiduciaries, their advisers and investment consultants with basic-to-intermediate-level of instruction on prudent investment practices. The subjects discussed include fiduciary standards and responsibilities, capital market theory, asset allocation and the writing of investment policy statements, investment manager structure and search, and performance measurement and evaluation. Additional one-to two-day "Callan College" programs on such subjects as real estate, private markets and mutual fund board responsibilities are also periodically offered to fund sponsors, investment managers, investment consultants and/or financial intermediaries.

(II) The Independent Adviser Group (IAG)

IAG provides consulting resources and services to a select group of independent consulting firms and financial intermediaries. Through their unique relationship with Callan, IAG clients provide fiduciaries, trustees, and high net worth individuals with objective and professional investment consulting solutions that have been traditionally available to only the largest of institutions.

Products and services for investment consulting firms and financial intermediaries are offered through the IAG:

(1) Bundled Consulting:

- (a) Capital Markets Research and Asset Optimization Program - this service provides insights on Callan's capital market assumptions and allows the IAG clients to run customized optimizations based upon their clients' requirements. Asset Optimization software is also provided.
- (b) Consulting Templates - this service provides templates for a range of investment policy statements, data-gathering checklists, and storyboards to assist the IAG client in clearly documenting their clients' investment management processes.
- (c) Middle Market Matrix (MAX) - this service provides a set of reports/information on a collection of separate account managers and mutual funds that have passed our rigorous due diligence process that provides the IAG client access to institutional quality investment managers and custodians that were previously unavailable due to high minimums and fees.
- (d) Performance Reporting and Research - this service, provided through an internet site we call the "OpCenter", allows the consulting firm client access to most of our service offerings to this type of client. For example, the client can access detailed profiles of MAX managers or funds, select from an extensive list of mutual funds to create their own mutual fund performance report, access their client performance reports or browse through our document archives for a collection of research support and templates.

- (2) Customized Consulting: Refer to Services in Item 4(I) above as each of these services is available to IAG clients on a customized basis.

- (3) Callan Unified Managed Account (UMA) - Callan has developed an open-architecture platform of investment strategies that have passed our rigorous due diligence process.

This platform includes access to separate account managers who have been screened by Callan and whose trading activities are coordinated by an external overlay manager whom Callan has selected. IAG clients can coordinate the opening of single-custodial UMA accounts for their end clients and can create customized individual manager allocations on a per-account basis. In the alternative, IAG clients can utilize asset class model portfolios developed by the IAG team and subject to Callan's peer review process. Although Callan does not exercise discretion over the accounts managed through the UMA program, Callan does have the authority to replace the external overlay manager and to replace separate account managers from the platform.

(4) Education:

- (a) Callan Investments Institute (CII): CII functions as an educational institution servicing organizations (including fund sponsors, investment managers, investment consultants and financial intermediaries) by independently analyzing trends in the industry via research communications and conference programs. Client organizations receive research papers, Callan Insights (an electronic news service that reports developments within the institutional investment arena), surveys, conference and workshop participation, and quarterly performance data produced during the course of a year. Client organizations also receive periodicals including the Capital Markets Newsletter, Defined Contribution Opinions and Observations newsletter, Private Market Trends, Hedge Fund Monitor, and conference summaries, and have access to the Institute's library, which features past conference materials and articles via tape and printed media.
- (b) Center for Investment Training: The Center for Investment Training, also known colloquially as "Callan College", is an approximately two-and-one-half-day program offered several times each year and via private label. "Callan College" is designed to provide investment fiduciaries, their advisers and investment consultants with basic-to-intermediate-level of instruction on prudent investment practices. The subjects discussed include fiduciary standards and responsibilities, capital market theory, asset allocation and the writing of investment policy statements, investment manager structure and search, and performance measurement and evaluation. Additional one-to two-day "Callan College" programs on such subjects as real estate, private markets and mutual fund board responsibilities are also periodically offered to fund sponsors, investment managers, investment consultants and/or financial intermediaries.

(III) The Institutional Consulting Group (ICG)

ICG provides investment manager clients with research and educational services, including performance measurement and database services and software.

Products and services for investment management firms are offered through the Institutional Consulting Group (ICG):

- (1) Communications Consulting - this service provides assistance in developing effective communication materials to ensure the consistency and clarity of investment manager clients' marketing messages.
- (2) Performance Evaluation Program (PEP) - this service provides a flexible PC-based tool to produce performance analysis reports in color.
- (3) Investment Product Analysis - this service is a quarterly report which provides a comprehensive and comparative review of a product incorporating analysis of performance, portfolio characteristics, product assets, fees and product resources.
- (4) Style, Trend, Analysis, and Research Report (STAR) - this service provides an annual report and mid-year update which quantifies the institutional pool of assets and flows

within a style, examines asset concentration and the largest players and identifies top asset gatherers by product size.

(5) Education:

- (a) Callan Investments Institute (CII): CII functions as an educational institution servicing organizations (including fund sponsors, investment managers, investment consultants and financial intermediaries) by independently analyzing trends in the industry via research communications and conference programs. Client organizations receive research papers, Callan Insights (an electronic news service that reports developments within the institutional investment arena), surveys, conference and workshop participation, and quarterly performance data produced during the course of a year. Client organizations also receive periodicals including the Capital Markets Newsletter, Defined Contribution Opinions and Observations newsletter, Private Market Trends, Hedge Fund Monitor, and conference summaries, and have access to the Institute's library, which features past conference materials and articles via tape and printed media.
- (b) Center for Investment Training: The Center for Investment Training, also known colloquially as "Callan College", is an approximately two-and-one-half-day program offered several times each year and via private label. "Callan College" is designed to provide investment fiduciaries, their advisers and investment consultants with basic-to-intermediate-level of instruction on prudent investment practices. The subjects discussed include fiduciary standards and responsibilities, capital market theory, asset allocation and the writing of investment policy statements, investment manager structure and search, and performance measurement and evaluation. Additional one-to two-day "Callan College" programs on such subjects as real estate, private markets and mutual fund board responsibilities are also periodically offered to fund sponsors, investment managers, investment consultants and/or financial intermediaries.

(IV) The Trust Advisory Group (TAG)

TAG is Callan's asset management division that specializes in the design, implementation and on-going management of multi-manager portfolios for institutional investors. TAG applies a process-driven approach to building efficient, low cost portfolios with clearly articulated goals and objectives. Callan relies, as its main source of information, on proprietary research generated by Callan's Global Manager Research Group and/or Callan's Database group.

TAG focuses its efforts in two different areas:

(1) Discretionary Services:

- (a) Diversified Alpha Group Trust - Callan, through TAG, is the adviser and sponsor of a diversified, commingled, small cap equity fund (Private Trust). This Private Trust is a private offering designed for qualified corporate pension plans and profit sharing plans, and government pension plans. In particular, the Private Trust is designed for large plans generally with a minimum investment of \$200 million.

TAG is responsible for the overall management of the Private Trust. TAG does not offer advice on, nor have discretion over the securities held in the Private Trust. TAG engages, monitors, and as necessary, replaces the 25-50 sub-advisers who are responsible for investing and reinvesting the assets (including having all authority for security-level decisions) of the Private Trust in accordance with the investment guidelines established for each sub-adviser by TAG.

(2) Non-Discretionary Services:

- (a) Target Maturity Collective Funds: Callan, through TAG, acts as the non-discretionary adviser to a series of target maturity collective funds (Collective Funds) sponsored by a large Delaware state-chartered trust company (Trust Company) known as the

Callan GlidePath® Funds. These Collective Funds are broadly diversified by asset class and investment style. They have an asset allocation that becomes increasingly conservative over time. The Collective Funds achieve their diversification by investing in other collective funds and/or mutual funds managed by a diverse group of investment advisers. The Collective Funds are designed as a single-fund investment solution for participants of defined contribution plans.

TAG is responsible for the design of the asset allocation (or glidepath) for the Collective Funds. TAG is also responsible for providing due diligence and advice to the Trust Company on the underlying collective funds and/or mutual funds in which the Collective Funds are invested. TAG is further responsible for monitoring the asset allocation of the Collective Funds, as well as the performance of the underlying funds over time, and for providing the Trust Company with periodic rebalancing advice. The Trust Company has final discretionary authority over the Collective Funds, including all security level decisions related to the underlying funds. The advisers for the underlying funds have authority over all security level decisions within those funds.

- (b) Callan, through TAG, acts as a non-discretionary sub-advisor to a special purpose Collective Investment Trust (CIT) sponsored by a global trust company. The CIT is managed for the exclusive use of participants within qualified defined contribution plans sponsored by a US-based corporation and/or its related entities. In this role Callan has oversight and monitoring responsibility for various funds offered through the CIT.

As of February 28, 2011 total TAG assets under management were \$3,276,242,595, broken down as follows:

- (1) Discretionary assets of \$1,589,406,412 and
- (2) Non-Discretionary of \$1,686,836,183.

Callan does not and will not provide consulting advice to a Fund Sponsor Consulting client with respect to an investment of plan assets in either the Private Trust or the Collective Funds. The reason for this restriction is the fact that Callan receives compensation from the assets of the Private Trust and the Collective Funds. Under the Employee Retirement Income Security Act of 1974, as amended, it is not permissible for Callan, as an investment consultant, to provide consulting advice to a plan regarding an investment in the Private Trust or Collective Funds while, at the same time, receiving compensation from the Private Trust or Collective Funds.

Furthermore, Callan's Fund Sponsor Consulting clients cannot invest their plan assets in the Private Trust or the Collective Funds unless they amend their consulting contract with Callan to acknowledge the potential conflict of interest created by the fact that Callan receives compensation from the assets of the Private Trust or the Collective Funds. The consulting contract amendment formally precludes Callan from providing any consulting advice with respect to plan assets invested in the Private Trust or Collective Funds, either before, during, or after the investment is made.

Item 5 – Fees and Compensation

The fees for each of Callan's business lines are described below.

All Callan fees are negotiable and are paid in cash. A client may cancel an agreement for services with Callan at any time upon notice to Callan. If Callan is in the process of performing services for a client which the client does not want to have completed, then Callan will bill the client for the services performed to the date of cancellation.

On occasion, Callan may receive payment for the provision of its fund sponsor services from a directed brokerage account when such fund sponsor client directs its broker to send Callan a check to pay its client bill. Callan has no soft dollar arrangements with any broker, and only

accepts these checks as payment for its hard dollar client fees. Other than payment of the invoice for client services, no compensation is received from the broker.

(I) The Fund Sponsor Consulting Group (FSC)

The fees for the Performance Reporting Services varies depending upon a portfolio's size, the complexity of the report/service, and/or the frequency of the report/service. A normal fee range is between \$2,700 and \$4,700 per portfolio per year plus an annual base performance measurement consulting fee starting at \$28,000. The fee for the above Consulting Services varies depending upon the type and complexity of the assignment with a normal fee range being between \$15,000 and \$900,000 per project service or suite of services (retainer) per year. All fund sponsor retainer clients subscribing to any services of Callan are provided Callan Investments Institute services as part of the overall fees they pay Callan for so long as they remain clients. The fund sponsor "Callan College" registration fees, per session, range between \$1,000 and \$2,500 per person.

Fees for Fund Sponsor Consulting services may also be based on a percentage of assets on which we consult, which such percentage is negotiable depending on the services provided.

(II) The Independent Adviser Group (IAG)

Callan charges IAG clients an annual base fee for the bundled consulting services and access to the UMA platform described above. The amount of the base fee varies depending on the size and nature of the IAG client and the complexity of the client relationship. The fees paid by most IAG clients currently range from \$15,000 to \$150,000; a few clients pay more or less than this range, based on their individual circumstances. IAG clients who purchase a certain minimum level of Callan services are also provided access to the Callan Investments Institute. In addition to the annual base fee, Callan charges the following fees for its IAG services:

- (a) Project-based fees and/or suite of services (retainer) are charged for Callan's customized consulting services. These fees generally start at \$20,000.
- (b) The IAG client "Callan College" registration fees, per session, range from \$2,350 to \$2,500 per person.
- (c) Callan charges an asset-based fee of 20 basis points to each client account opened on the UMA platform. This fee, which compensates Callan for coordinating the UMA program and client-specific performance measurement, is in addition to the fees charged by the overlay manager and the separate account managers. This fee is also separate from the fees the IAG investment consulting firms and financial intermediaries may charge to the end clients. The fees Callan charges in connection with the UMA program also do not include portfolio execution or custody charges, which are separately assessed against the client accounts.

(III) The Institutional Consulting Group (ICG)

Fees for Investment Management Organizations: The fees for the above consulting services varies depending upon the type and complexity of the assignment, with a normal fee range being between \$5,000 and \$100,000 per project service or suite of services (retainer) per year. Callan Investments Institute fees for investment manager clients, at the election of the manager, range from \$25,000 to \$56,000 per organization per year (not per individual) dependent upon the complexity of the services selected by the client organization. The investment manager "Callan College" registration fees, per session, range between \$2,350 and \$3,000 per person.

Callan is committed to ensuring that it does not consider an investment manager's business relationship with Callan, or lack thereof, in performing evaluations for or making suggestions or recommendations to its other clients. Callan informs its investment manager clients of such policy at the start of the relationship and informs all clients of such on a routine basis. In addition to disclosing the existence of its business relationships with investment managers on request, Callan also discloses these manager relationships in annual mailings, as part of

each manager search, and in the quarterly performance evaluation reports provided to fund sponsors.

(IV) The Trust Advisory Group (TAG)

- (1) **Discretionary Services:** TAG, and each sub-adviser, receive a quarterly fee in arrears from the assets of the Private Trust in accordance with the organizational documents for the Private Trust. Interests in the Private Trust are offered only by means of a private placement memorandum which describes the Private Trust's fees and expenses, the terms and conditions for subscriptions and redemptions, the investment objectives and policies, and other information. The private placement memorandum is made available only to qualified investors.
- (2) **Non-Discretionary Services:** Callan receives asset-based fees from the assets of the Collective Funds which are accrued daily and paid quarterly in arrears. The fees range between 0.02% and 0.15% of total assets in the Collective Funds.

Item 6 – Performance-Based Fees and Side-By-Side Management

Callan does not charge performance-based fees.

Item 7 – Types of Clients

Callan's clients are fund sponsors, investment managers, investment consulting firms, financial intermediaries, and individuals. The clients are typically responsible for investment funds that are large tax-exempt funds such as pension, profit sharing, thrift, trust, endowment and foundation funds. The sponsors are private corporations, public governments, multi-employer groups, and non-profit organizations. The managers and financial intermediaries are banks, insurance companies and independent investment management firms.

Callan does offer advice to its clients, including manager search services and/or performance reporting services, on mutual funds and collective investment funds, hedge fund partnerships, real estate partnerships, and private equity partnerships. With the exception of the Collective Funds which may offer advice on mutual funds, Callan does not offer advice with respect to specific securities of individual issuers such as stocks and bonds.

Callan does not and will not provide consulting advice to a Fund Sponsor Consulting client with respect to an investment of plan assets in either the Private Trust or the Collective Funds. The reason for this restriction is the fact that Callan receives compensation from the assets of the Private Trust and the Collective Funds. Under the Employee Retirement Income Security Act of 1974, as amended, it is not permissible for Callan, as an investment consultant, to provide consulting advice to a plan regarding an investment in the Private Trust or Collective Funds while, at the same time, receiving compensation from the Private Trust or Collective Funds.

Furthermore, Callan's Fund Sponsor Consulting clients cannot invest their plan assets in the Private Trust or the Collective Funds unless they amend their consulting contract with Callan to acknowledge the potential conflict of interest created by the fact that Callan receives compensation from the assets of the Private Trust or the Collective Funds. The consulting contract amendment formally precludes Callan from providing any consulting advice with respect to plan assets invested in the Private Trust or Collective Funds, either before, during, or after the investment is made.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Please see Item 4.

Item 9 – Disciplinary Information

A regulatory action was initiated by the SEC in the form of a Cease and Desist Sanction (SF-2826-A) on 9/19/2007. The matter concerns some of Callan's past disclosures describing its 1998 sale of its broker affiliate, Alpha Management, to a subsidiary of The Bank of New York (BNY). Under the terms of that transaction, Callan was to receive a series of annual payments

from BNY over the period from 1998 through 2006. 92% of each annual payment was dependent on Callan essentially remaining in the consulting business and unrelated to BNY's brokerage revenue. The final 8% of each payment was contingent on BNY's aggregate brokerage commissions attributable to Callan clients exceeding 75% of their 1998 levels (the fiscal year prior to the transaction). As a practical matter, BNY exceeded this hurdle each year, and by 2000 had even stopped bothering with the calculation. As a result, Callan received the same annual payment throughout the life of the transaction.

Over the period from 1998 through 2006, Callan routinely disclosed the existence of this transaction to all of its clients, including in its Form ADV Part II. In those disclosures, these payments were described simply as "fixed payments" which reflected their practical reality. In 2005, Callan was informed by the SEC staff that they felt that this disclosure was incomplete. At that time, Callan voluntarily amended its Form ADV Part II to provide more detail on the structure of the payments and sent it out to its clients. In January of 2007, the transaction between BNY and Callan was concluded and Callan no longer received the payments that were the subject of the disclosure.

The status of this order is final. The matter was resolved on 9/17/2007 via a cease and desist order.

Item 10 – Other Financial Industry Activities and Affiliations

Callan does offer business consulting to its Institutional Consulting Group clients. A description of such services is contained under Item 4(III) above.

Callan provides research and educational services to, and receives compensation for those services from, investment managers who may be evaluated by Callan or recommended by Callan to its other clients. Callan recognizes that there is a potential conflict between Callan's interest in receiving compensation from investment managers and Callan's obligation to provide objective advice to clients who use those managers. Callan has adopted certain policies and practices designed to prevent such conflicts, including the policies set forth in its Code of Ethical Responsibility (described above), disclosure policies, roles of its oversight committees, separation of the areas of business, including separate personnel, revenue streams, and compensation arrangements.

Among other policies, Callan is committed to ensure that it does not consider an investment manager's business relationships with Callan, or lack thereof, in performing evaluations for or making suggestions or recommendations to its other clients. Callan informs its investment manager clients of such policy at the start of the relationship and informs all clients of such on a routine basis. In addition to disclosing the existence of its business relationships with investment managers on request, Callan also discloses these manager relationships in annual mailings, as part of each manager search, and in the quarterly performance evaluation reports provided to fund sponsors. Fund sponsor clients may also request specific information regarding the fees paid to Callan by the managers employed by their fund. Per company policy, information requests regarding fees are handled by Callan's Compliance Department.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

In order to control possible conflicts of interest presented by the firm's business mix, Callan has maintained a Code of Ethical Responsibility (the Code) since 1994. This Code now also complies with Rule 204A-1 under the Investment Advisers Act of 1940, as amended. Among other things, the Code sets forth the general standards of conduct that Callan requires of its employees, as well as specific policies reasonably designed to protect the objectivity and integrity of the advice Callan renders to its clients. The topics addressed in the Code include the use and safeguarding of confidential information; the prevention of insider trading; outside business relationships of Callan employees; gifts, business entertainment and political and charitable contributions; and communications with outside parties. The Code pays special attention to the fact that Callan sells

products and services to investment managers and is committed to ensuring that these relationships do not affect the outcome or process by which any of Callan's services are conducted, including manager searches and performance evaluations. Callan has adopted policies and procedures reasonably designed to prevent Callan's receipt of fees from investment managers from influencing the Fund Sponsor and Independent Adviser Group services it conducts.

The Code also contains restrictions on the personal trading activities of certain Callan employees and requires those employees to report their personal trades to the firm's CCO in accordance with applicable regulatory requirements.

Callan's Code is available on its website, www.callan.com. In addition, Callan will provide a copy of the Code to any client or prospective client upon request.

Callan provides research and educational services to, and receives compensation for those services from, investment managers who may be evaluated by Callan or recommended by Callan to its other clients. Callan recognizes that there is a potential conflict between Callan's interest in receiving compensation from investment managers and Callan's obligation to provide objective advice to clients who use those managers. Callan has adopted certain policies and practices designed to prevent such conflicts, including the policies set forth in its Code of Ethical Responsibility (described above), disclosure policies, roles of its oversight committees, separation of the areas of business, including separate personnel, revenue streams, and compensation arrangements.

Among other policies, Callan is committed to ensure that it does not consider an investment manager's business relationships with Callan, or lack thereof, in performing evaluations for or making suggestions or recommendations to its other clients. Callan informs its investment manager clients of such policy at the start of the relationship and informs all clients of such on a routine basis. In addition to disclosing the existence of its business relationships with investment managers on request, Callan also discloses these manager relationships in annual mailings, as part of each manager search, and in the quarterly performance evaluation reports provided to fund sponsors. Fund sponsor clients may also request specific information regarding the fees paid to Callan by the managers employed by their fund. Per company policy, information requests regarding fees are handled by Callan's Compliance Department.

Callan does not generally recommend the purchase or sale of specific securities to its Fund Sponsor Consulting, Institutional Consulting or Independent Adviser Group clients. However, from time to time there may be situations in which Callan includes in the hedge fund searches it performs for Fund Sponsor and Independent Adviser Group clients one or more hedge funds in which a related party, Sharpe 4 Partners also invests. On rare occasions, Callan may affirmatively recommend that a Fund Sponsor client purchase or sell such a hedge fund. Gregory C. Allen, President & Director of Research, has a controlling interest in Sharpe 4 Partners, a hedge fund that is managed by Sharpe 4 Capital Management, LLC ("Sharpe 4"). Sharpe 4 is not controlled by Callan.

Callan does not and will not provide consulting advice to a Fund Sponsor Consulting client with respect to an investment of plan assets in either the Private Trust or the Collective Funds. The reason for this restriction is the fact that Callan receives compensation from the assets of the Private Trust and the Collective Funds. Under the Employee Retirement Income Security Act of 1974, as amended, it is not permissible for Callan, as an investment consultant, to provide consulting advice to a plan regarding an investment in the Private Trust or Collective Funds while, at the same time, receiving compensation from the Private Trust or Collective Funds.

Furthermore, Callan's Fund Sponsor Consulting clients cannot invest their plan assets in the Private Trust or the Collective Funds unless they amend their consulting contract with Callan to

acknowledge the potential conflict of interest created by the fact that Callan receives compensation from the assets of the Private Trust or the Collective Funds. The consulting contract amendment formally precludes Callan from providing any consulting advice with respect to plan assets invested in the Private Trust or Collective Funds, either before, during, or after the investment is made.

Item 12 – Brokerage Practices

(I – III) FSC, IAG, ICG Groups

With regard to its Fund Sponsor Consulting, Institutional Consulting or Independent Adviser Group clients, Callan does not typically select broker-dealers for client transactions nor determine the reasonableness of their compensation (e.g., commissions).

Callan may assist its Fund Sponsor Consulting clients in conducting searches for such providers as securities lending, transition management or commission recapture and, as such, may suggest brokers to its clients as part of these searches.

On occasion, Callan may receive and accept payment for the provision of its fund sponsor services from a directed brokerage account when such fund sponsor client directs its broker to send Callan a check to pay its client bill. Callan has no soft dollar arrangements with any broker, and only accepts these checks as payment for its hard dollar client fees. Other than payment of the invoice for client services, no compensation is received from the broker.

(IV) TAG

With regard to the Private Trust, the day-to-day investment decisions regarding the acquisition, disposition and voting of portfolio investments are made by the sub-advisers Callan selects to manage the Private Trust. Callan does, however, have the authority to select one or more broker-dealers to perform transition management services for the Private Trust in connection with the engagement or termination of sub-advisers. In addition to selecting the transition management broker-dealers, Callan has the authority to negotiate the commission rates paid to those broker-dealers. In selecting the transition management broker-dealers for the Private Trust, Callan considers the quality of execution and cost, but does not consider supplemental research, market or statistical information, or ancillary services provided by the broker-dealers.

Information regarding the sub-advisers' brokerage placement practices is set forth in the Private Trust's private placement memorandum.

Item 13 – Review of Accounts

With respect to the TAG accounts, the monitoring and reporting procedures for the Private Trust and the Collective Funds are the same:

- (1) **Daily Reviews:** Employees of TAG receive and evaluate daily reports on the activities of the Private Trust and the Collective Funds. This group includes the CIO, as well as the two managers of Investment Operations. The daily information that is processed includes: net asset values, returns, returns for relevant indices, fee accrual information, allocations between underlying funds and sub-advisers, as well as security level information as needed.
- (2) **Monthly Reviews:** On a monthly basis, TAG reviews a more comprehensive set of reports on the Private Trust and/or the Collective Funds. In addition to the information in the daily reports, this includes: securities lending activity, trading-cost analysis, return comparisons versus peer groups and benchmarks, and a rebalancing report.

Investors in the Private Trust receive monthly reports detailing their account balance, and return information for the Private Trust, the underlying sub-advisers, comparative indices, and peer groups. Investors also receive a quarterly report with detailed performance and portfolio characteristic information. At their election, investors may also receive daily net asset value information, as well as security level holdings information for the Private Trust and its sub-advisers.

Item 14 – Client Referrals and Other Compensation

Callan does not have any arrangements wherein someone who is not a client provides an economic benefit to Callan for providing investment advice or other advisory services to our clients.

Callan does not directly or indirectly compensate any person who is not our supervised person for client referrals.

Item 15 – Custody

Callan does not have custody of any advisory clients' cash, bank accounts, funds, or securities.

Item 16 – Investment Discretion

Callan generally does not exercise investment discretion with regard to its Fund Sponsor Consulting, Institutional Consulting or Independent Adviser Group clients. Customized procedures would be developed on a client by client basis as the need arises.

With regard to the Private Trust, the day-to-day investment decisions regarding the acquisition, disposition and voting of portfolio investments are made by the sub-advisers Callan selects to manage the Private Trust.

Item 17 – Voting Client Securities

Callan does not have nor accept authority to vote clients securities.

Item 18 – Financial Information

Callan is not required to include a balance sheet of our most recent fiscal year.

Callan does not believe it has any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

Item 19 – Requirements for State-Registered Advisers

We are not registered with one or more state securities authorities. Callan Associates Inc. is an SEC-registered investment advisor.

APPENDIX C

Managers We Do Business With

Confidential – For Callan Client Use Only

Callan Associates takes its fiduciary and disclosure responsibilities to clients very seriously. The list below is compiled and updated quarterly because we believe our fund sponsor clients should have a clear understanding of the investment management organizations that do business with our firm. As of 09/30/11, Callan provided educational, consulting, software, database, or reporting services to this list of managers through one or more of the following business units: Institutional Consulting Group, Independent Adviser Group, Fund Sponsor Consulting, the Callan Investments Institute and the "Callan College." Per strict policy these manager relationships do not affect the outcome or process by which any of Callan's services are conducted.

Fund sponsor clients may request a copy of this list at any time. Fund sponsor clients may also request specific information regarding the fees paid to Callan by the managers employed by their fund. Per company policy, information requests regarding fees are handled exclusively by Callan's Compliance Department.

Clients should also be aware that Callan maintains an asset management division, the Trust Advisory Group (TAG). TAG specializes in the design, implementation and on-going management of multi-manager portfolios for institutional investors. Currently TAG serves as the sponsor and advisor to a multi-manager small cap equity fund and as the non-discretionary adviser to a series of Target Maturity Funds known as the Callan GlidePath® Funds. We are happy to provide clients with more specific information regarding TAG, including detail on the portfolios that it oversees. Per company policy these requests are handled by TAG's Chief Investment Officer.

Manager Name	Educational Services	Consulting Services
1607 Capital Partners, LLC		Y
Aberdeen Asset Management		Y
Acadian Asset Management, Inc.	Y	
Affiliated Managers Group		Y
AllianceBernstein	Y	
Allianz Global Investors Capital	Y	Y
American Century Investment Management	Y	
American Yellowstone Advisors, LLC		Y
Analytic Investors	Y	
Apollo Global Management	Y	
AQR Capital Management	Y	
Artio Global Management (fka, Julius Baer)	Y	Y
Atalanta Sosnoff Capital, LLC	Y	
Atlanta Capital Management Co., L.L.C.	Y	Y
Aviva Investors North America	Y	
AXA Rosenberg Investment Management	Y	
Babson Capital Management LLC	Y	
Baillie Gifford International LLC	Y	
Baird Advisors	Y	Y
Bank of America		Y
Barclays Capital Inc.	Y	
Baring Asset Management	Y	
Barrow, Hanley, Mewhinney & Strauss, Inc.		Y
Batterymarch Financial Management, Inc.	Y	
BlackRock		Y
Boston Company Asset Management, LLC (The)	Y	Y
BNY Mellon Asset Management	Y	Y
Brandes Investment Partners, L.P.	Y	Y
Brandywine Global Investment Management, LLC	Y	
Brown Brothers Harriman & Company	Y	
Cadence Capital Management	Y	
Capital Group Companies (The)	Y	
CastleArk Management, LLC		Y
Causeway Capital Management	Y	
Central Plains Advisors, Inc.		Y
Chandler Asset Management	Y	
Channing Capital Management	Y	
Chartwell Investment Partners	Y	
ClearBridge Advisors	Y	
Columbia Management Investment Advisors, LLC	Y	Y
Columbus Circle Investors	Y	Y
Cooke & Bieler, L.P.		Y
Cramer Rosenthal McGlynn, LLC	Y	
Credo Capital Management	Y	
Crestline Investors	Y	Y
Cutwater Capital Management	Y	
DB Advisors	Y	Y

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DE Shaw Investment Management, L.L.C.	Y	
Delaware Investments	Y	Y
DePrince, Race & Zollo, Inc.		Y
DSM Capital Partners		Y
Eagle Asset Management, Inc.		Y
EARNEST Partners, LLC	Y	
Eaton Vance Management	Y	Y
Echo Point Investment Management	Y	
Epoch Investment Partners	Y	
Fayez Sarofim & Company	Y	Y
Federated Investors		Y
Fiduciary Asset Management Company		Y
First Eagle Investment Management	Y	
Franklin Templeton	Y	Y
Fred Alger Management Co., Inc.	Y	Y
GAM (USA) Inc.	Y	
GE Asset Management	Y	Y
Goldman Sachs Asset Management	Y	Y
Grand-Jean Capital Management		Y
Grantham, Mayo, Van Otterloo & Co., LLC	Y	
Great Lakes Advisors, Inc.		Y
Harding Loevner, LP	Y	
Harris Associates	Y	
Harris Investment Management, Inc.	Y	
Hartford Investment Management Co.	Y	Y
Henderson Global Investors	Y	
Hennessy Funds	Y	
Hermes Investment Management (North America) Ltd.	Y	
HighMark Capital Management	Y	
Hollan Capital Management	Y	
Income Research & Management	Y	
ING Investment Management	Y	Y
Invesco	Y	Y
Investec	Y	
Institutional Capital LLC	Y	
Intercontinental Real Estate Corporation	Y	
Janus Capital Group (fka Janus Capital Management, LLC)	Y	Y
Jensen Investment Management		Y
J.P. Morgan Asset Management	Y	Y
Knightsbridge Asset Management, LLC		Y
Lazard Asset Management	Y	Y
Lee Munder Capital Group	Y	
Login Circle Partners, L.P.	Y	
Lombardia Capital Partners	Y	
Loomis, Sayles & Company, L.P.	Y	Y
Lord Abbett & Company	Y	Y
Los Angeles Capital Management	Y	
LSV Asset Management	Y	

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Lyrical Partners	Y	
MacKay Shields LLC	Y	Y
Madison Square Investors	Y	
Man Investments	Y	
Marvin & Palmer Associates, Inc.	Y	
Mellon Capital Management (fka, Franklin Portfolio Assoc.)	Y	
Mesa West Capital	Y	
Metropolitan Life Insurance Company		Y
Metropolitan West Capital Management, LLC		Y
MFC Global Investment Management (U.S.) LLC	Y	
MFS Investment Management	Y	Y
Mondrian Investment Partners Limited	Y	Y
Montag & Caldwell, Inc.	Y	Y
Morgan Stanley Investment Management	Y	Y
Mountain Lake Investment Management LLC		Y
Newton Capital Management	Y	
Neuberger Berman, LLC (fka, Lehman Brothers)	Y	Y
Northern Lights Capital Group		Y
Northern Trust Global Investment Services	Y	Y
Northern Trust Value Investors		Y
Nuveen Investments Institutional Services Group LLC	Y	Y
OFI Institutional Asset Management	Y	
Old Mutual Asset Management	Y	Y
Oppenheimer Capital	Y	
Opus Capital Management	Y	
O'Shaughnessy Asset Management	Y	
Pacific Investment Management Company	Y	
Palisades Investment Partners, LLC	Y	Y
Peregrine Capital Management, Inc.		Y
Perkins Investment Management	Y	
Philadelphia International Advisors, LP	Y	
Phillips, Hager & North Investment Management	Y	
PineBridge Investments (formerly AIG)	Y	
Pioneer Investment Management, Inc.	Y	
PNC Capital Advisors (fka Allegiant Asset Mgmt)	Y	Y
Principal Global Investors	Y	Y
Prisma Capital Partners		Y
Private Advisors	Y	
Prudential Investment Management, Inc.	Y	Y
Putnam Investments, LLC	Y	Y
Pyramis Global Advisors	Y	
Rainier Investment Management	Y	
RARE Infrastructure	Y	
RBC Global Asset Management (U.S.) Inc.		Y
Regions Financial Corporation		Y
Renaissance Technologies Corp.		Y
RCM	Y	Y
Rice Hall James & Associates, LLC		Y

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Robeco Investment Management	Y	Y
Rothschild Asset Management, Inc.	Y	Y
RREEF	Y	
Russell Investment Management	Y	
Schroder Investment Management North America Inc.	Y	Y
Scottish Widows Investment Partnership	Y	
Security Global Investors	Y	
SEI Investments		Y
SEIX Investment Advisors, Inc.	Y	
Smith Graham and Company		Y
Smith Group Asset Management	Y	Y
Southeastern Asset Management		Y
Standard Life Investments	Y	
Standish (fka, Standish Mellon Asset Management)	Y	
State Street Global Advisors	Y	
Stone Harbor Investment Partners, L.P.		Y
Stratton Management		Y
Systematic Financial Management	Y	
T. Rowe Price Associates, Inc.	Y	Y
Taplin, Canida & Habacht	Y	
TCW Asset Management Company	Y	
Thrivent Financial for Lutherans		Y
Thompson, Siegel & Walmsley LLC	Y	
TIAA-CREF		Y
Timberland Investment Resources, LLC		
Tradewind Global Investors	Y	
Turner Investment Partners	Y	
UBP Asset Management LLC	Y	
UBS	Y	Y
Union Bank of California		Y
USAA Real Estate Company	USAA Real Estate Company	
Victory Capital Management Inc.	Y	
Virtus Investment Partners		Y
Vontobel Asset Management	Y	
Waddell & Reed Asset Management Group	Y	
WEDGE Capital Management		Y
Wellington Management Company, LLP	Y	
Wells Capital Management	Y	
West Gate Horizons Advisors, LLC		Y
Western Asset Management Company	Y	
William Blair & Co., Inc.	Y	Y
Yellowstone Partners		Y
Zephyr Management	Y	

APPENDIX D

Callan's Code of Ethical Responsibility

CALLAN ASSOCIATES INC.

CODE OF ETHICAL RESPONSIBILITY

Revised March 10, 2011

1. INTRODUCTION

Callan Associates' mission is to provide objective information to our prospects and clients. Our success depends not only on the quality of information we provide, but on the degree of professionalism, honesty and integrity with which we conduct ourselves in the collection, processing and dissemination of information. We are also subject to various laws and regulations that govern investment advisers' conduct. This Code of Ethical Responsibility describes the standards of conduct that are expected of all employees generally, sets forth certain policies relating to potential conflicts of interest, and addresses confidential information, personal securities trading, and certain other areas where employee conduct has the potential to affect adversely the interests of our clients.

For purposes of this Code, "employee" means any officer or director of Callan (or other person occupying a similar status or performing similar functions) or any employee of Callan.

Callan's Chief Compliance Officer or his or her designee is responsible for the implementation of this Code. The Chief Compliance Officer will maintain a list of employees and provide each employee with a copy of this Code, as it may be amended or supplemented. Receipt of this Code, and any amendment or supplement, must be acknowledged in writing. Attached as **Exhibit A** is a form of acknowledgment for this purpose.

2. STANDARDS OF CONDUCT

The following are the basic principles that guide the conduct of our business:

- a. A Callan employee will act at all times in an ethical manner in all dealings with our clients and prospects, our fellow employees, and other members of the investment community.
- b. Callan will conduct itself solely in the best interest of each client and such client's participants by offering counsel in the contracted area(s) of responsibility irrespective of Callan's dealings or relationships with any other entity.
- c. When performing services related to plans that are governed by ERISA or similar statutes, including government plans, Callan employees will consider the plan participants and their beneficiaries to be the client, and will direct their research, deliberations and conclusions for the sole benefit of such persons.
- d. Employees must attempt to avoid wherever possible actual or potential conflicts between their or Callan's interests, on one hand, and clients' interests, on the other hand, and fully disclose all material facts to the Chief Compliance Officer concerning any conflict that does arise with respect to any client.
- e. Employees must avoid any abuse of their position of trust with or responsibility to Callan and its clients, including taking inappropriate advantage of those positions.

f. Employees must comply with all applicable Federal securities laws and ERISA, where applicable.

It is the duty of each employee to consider and meet these standards of conduct, and to comply with all other provisions of this Code, in all his or her professional or personal dealings.

3. POTENTIAL CONFLICTS OF INTEREST

The mix of services Callan offers may give rise to one or more conflicts of interest. For example, the company's receipt of fees from investment management firms who subscribe to Callan's Institutional Consulting Group ("ICG") services could potentially conflict with the investment manager searches Callan performs for its Fund Sponsor Consulting Group clients, its selection of the investment managers who participate in the Unified Managed Account ("UMA") platform offered to the Independent Adviser Group ("IAG") clients, or its manager selection activities on behalf of the Diversified Alpha Group Trust (the "Private Trust"), and the GlidePath funds (together "Callan Funds").

In all cases, employees must carry out their duties solely in the best interests of our clients, and free from all compromising influences and loyalties. The following specific policies relating to potential conflicts of interest are designed to achieve this goal.

a. General

1. Callan's manager search services and products will be designed to promote fair and even competition among all qualified candidates meeting the requirements and limitations, if any, prescribed by the client.
2. Callan's investment measurement services will be designed and presented to our clients in a manner that presents fairly, objectively and meaningfully the results achieved by individual managers, asset classes and the total fund.
3. Callan will continue to maintain peer review processes through the Manager Search Committee, the Client Policy Review Committee and the ICG Project Review Committee or their respective successors. These committees are intended to maintain objectivity and eliminate potential personal bias.
4. Neither Callan nor any Callan employee will accept "finder's fees" or enter into agreements that offer financial rewards dependent upon our client's procurement decisions without full disclosure of the agreement to such client.
5. All consulting fees will be quoted in hard dollars.
6. Callan reports, letters and other communications will display the date of preparation along with all other relevant dates that encompass the period of analysis.
7. A Callan employee will not copy or use in substantially the same form (plagiarize) in reports to or other communications with clients or prospects materials prepared by anyone outside of Callan without proper attribution.

b. Investment Manager Relationships

1. An investment manager's business relationship with Callan or its affiliates, or lack thereof, will not affect that manager's inclusion or exclusion from a manager search or evaluation project or from the selection process for the UMA platform, the Middle Market Matrix or the Callan Funds.

2. The Callan Manager Search Committee will not consider a manager's business relationship with Callan, or lack thereof, in any way in its deliberations. It is the Committee Chairman's responsibility to prevent any such discussions.

3. Callan will not maintain any type of code or other method of designating a manager's business relationships with Callan in any screening process used as part of a manager search or evaluation project.

4. Callan's Global Manager Research Department will maintain an open door policy toward all investment managers, whether or not they have a business relationship with Callan. Participation in Callan's databases is free and at the manager's discretion.

5. Global Manager Research Department staff and members of the firm's Manager Search Committee will routinely disclose to the Manager Search Committee any familial relationship with investment management firms.

6. The Institutional Consulting Group (ICG) and the Callan Investments Institute (CII) will not attempt to influence investment manager search or evaluation activity on behalf of their clients, either formally or informally.

7. ICG consultants will inform all clients and prospects that the purchase of services or products does not entitle them to any preferential treatment in the services conducted by Callan; such manager relationships do not affect the outcome or process by which any of Callan's services are conducted.

8. Fund Sponsor consultants will not market products to investment managers, but may refer managers to the ICG.

9. CII personnel will inform CII investment manager clients that purchasing CII services does not entitle them to any preferential treatment in the services conducted by Callan and such manager relationships do not affect the outcome or process by which any of Callan's services are conducted;

10. CII will coordinate investment manager client requests by maintaining a reasonable balance between Fund Sponsor and manager clients.

11. CII personnel will discourage investment manager members from directly marketing their investment management services at CII functions. Violations by investment managers may result in the loss of their client relationship.

12. Callan will disclose to fund sponsor clients the existence of all business relationships with investment managers on request as well as on an annual basis, in the initial client contract, as part of each manager search project and in each quarterly performance measurement report.

13. Fund sponsor client requests for more detailed information on manager relationships, including specific information regarding the fees paid to Callan by the managers employed by their fund, will be handled directly by Callan's compliance department. Client requests for more detailed information on manager relationships will be handled directly by corporate staff to ensure that confidentiality of client information is appropriately respected.

c. Trust Advisory Group ("TAG")

Except when stated otherwise, the following provisions pertain to employees in and services provided by TAG.

1. Callan can and should disclose to all clients the fact that Callan, through TAG, manages multi-manager funds. Currently TAG serves as the sponsor and advisor to a multi-manager small cap equity private placement fund and as the non-discretionary adviser to a series of GlidePath Funds (together "Callan Funds").

2. Callan consultants can discuss the Callan Funds with their fund sponsor clients and prospects, describing them in general terms, to help clients and prospects understand Callan's full range of services. During this type of discussion consultants should describe the policies Callan has put in place to separate the two businesses and protect both clients and Callan from any possibility of engaging in any activity that might be viewed as a prohibited transaction. If a client or prospect requires more specific information regarding TAG, including detail on the portfolios that it oversees, they are to be referred to TAG's Chief Investment Officer.

3. Under no circumstances can fund sponsor consultants provide prospects with offering materials or marketing materials for the Private Trust. Fund sponsor consultants can provide prospects with standard approved materials describing the Callan GlidePath Funds. They can also supply clients with these materials upon the client's request, or as part of our disclosure process.

4. Callan fund sponsor consultants are prohibited from providing consulting advice to their clients with respect to an investment of plan assets in any of the Callan Funds. For fund sponsor consulting clients, Callan consultants can continue to provide performance evaluation on the total fund, include any Callan Funds, but cannot provide an opinion on the Callan Fund's performance, specifically as it might relate to an additional contribution or withdrawal.

5. Callan will not recommend any Callan Funds in searches conducted by Callan on behalf of a fund sponsor client.

6. Callan employees, other than sales professionals in the TAG group, are not eligible for incentive compensation related to sales of any of the Callan Funds.

7. Employees must deal fairly and objectively with all clients when providing investment information, making investment recommendations, or taking investment action.

8. Employees must have a reasonable and adequate basis for investment decisions.

9. Investment actions can only be taken that are consistent with the stated objectives and constraints of that particular fund.

10. Adequate disclosures and information must be provided to investors so they can consider whether any proposed changes in the investment style or strategy meets their investment needs.

11 Priority to investments must be given to clients over those that benefit Callan's own interests.

12 Client portfolio value must be maximized by seeking best execution by the fund's sub-advisors for all client transactions.

13 Policies must be established to ensure fair and equitable trade allocation among client accounts.

14 Portfolio information provided to clients should be accurate and complete and there must be independent third-party confirmation or review of such information.

15 There must be qualified staff and sufficient human and technological resources to thoroughly investigate, analyze, implement, and monitor investment decisions and actions.

16 Performance information must be presented that is fair, accurate, relevant, timely, and complete.

17 Clients must be communicated with on an ongoing and timely basis and should include disclosure of any review or audit of the fund or account, as well as, significant TAG personnel or organizational changes that have occurred.

18 TAG must establish and disclose its risk management process which identifies, measures, and manages the risk position of the portfolio, including the sources, nature and degree of risk exposure.

4. CONFIDENTIAL INFORMATION

a. General

This Code covers two types of confidential information: Issuer Information and Client Information. Issuer Information is material nonpublic information concerning securities or their issuers. Client Information is information received from or related to a client or a prospective client that is not readily available to the public.

b. Issuer Information

Employees of Callan may acquire Issuer Information from time to time during the course of performing their duties. This information may not be used to benefit employees or Callan, either by trading based on such information ("insider trading") or by providing such information to others ("tipping"). Callan has adopted an Insider Trading Policy that describes more fully what constitutes insider trading and tipping and the substantial penalties for engaging in those activities. The Insider Trading Policy is attached to this Code as **Exhibit B**. An employee should refer to the Insider Trading Policy (as well as this Code) whenever the employee believes he or she may have material nonpublic information.

c. Client Information

Client Information will typically come into the possession of Callan's employees in the normal course of business. Except as required to perform their obligations as employees of Callan, employees will not use or disclose any Client Information. In no event may Client Information be used in

connection with securities transactions for the benefit of Callan's proprietary accounts or the accounts of employees or related persons.

Client Information may be governed by a confidentiality or non-disclosure agreement with Callan. In these circumstances, the information may be used or disclosed only in accordance with the agreement.

d. Safeguarding of Confidential Information

Confidential information must be stored in a manner which prevents misuse of such information. Callan has adopted a Privacy Policy that describes more fully Callan's policies and procedures for maintaining the confidentiality of nonpublic personal information collected from certain clients. Callan also requires that all employees sign a non-disclosure agreement to further safeguard Client Information.

5. PERSONAL SECURITIES TRADING REPORTS

a. General

To protect against possible conflicts of interest and misuse of confidential information, trading of securities by certain employees and related persons is subject to review by the Chief Compliance Officer.

b. Reporting by Shareholders

Shareholders of Callan must submit to the Chief Compliance Officer a report of all reportable securities of which they are beneficial owners, in the form of **Exhibit C**, not later than 10 days after becoming shareholders and on or before February 14th of each year thereafter. The initial report must provide information as of a date no more than 45 days prior to the date you become a shareholder, and the subsequent annual reports must provide information as of December 31st of the preceding year.

For purposes of this Code, "reportable security" means any security defined in Section 202(a)(18) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), except that it does not include: (1) direct obligations of the United States Government; (2) bankers' acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, including repurchase agreements; (3) shares issued by money market funds; (4) shares issued by registered open-end funds (i.e., mutual funds), other than funds for which Callan or any of its affiliates acts as investment adviser; or (5) shares issued by unit investment trusts that are invested exclusively in one or more of such open-end funds.

For purposes of this Code, "beneficial owner" is interpreted in the same manner as it would be under Rule 16a-1(a)(2) under the Securities Exchange Act of 1934, as amended. A shareholder may be deemed to have beneficial ownership of securities held by another person if, by reason of any contract, arrangement, understanding, relationship or otherwise, the shareholder can share in any profit from the securities, including securities held by a family member sharing the same household, by a partnership, corporation or other entity controlled by the shareholder, or by a trust of which the shareholder is a trustee, beneficiary or settlor.

No report is required with respect to securities held in accounts over which the shareholder has no direct or indirect influence or control. A brokerage or bank account statement may be submitted in lieu of the form provided in Exhibit C. All reports will be maintained in confidence, except to the

extent necessary or appropriate to implement and enforce the provisions of this Code or to comply with requests for information from government agencies.

c. Reporting by Access Persons

Callan has identified all TAG employees and TAG support staff to be access persons. Callan has not identified any other Callan employees as being access persons. For this purpose, access person means any employee: (1) who has access to nonpublic information regarding any clients' purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any registered fund for which Callan or any of its affiliates acts as an investment adviser; or (2) who is involved in making securities recommendations to clients, or who has access to such recommendations that are nonpublic.

Access Persons must submit to the Chief Compliance Officer a report of all reportable securities of which they are beneficial owners, in the form of **Exhibit D**, not later than 10 days after becoming an access employee and on or before February 14th of each year thereafter. The initial report must provide information as of a date no more than 45 days prior to the date you become an access person, and the subsequent annual reports must provide information as of December 31st of the preceding year.

In the event any employee of Callan is currently or becomes an access person, each such employee must submit to the Chief Compliance Officer the holdings and transactions reports, and obtain the pre-approvals of certain investments, required by Rule 204A-1(b) and (c) under the Advisers Act.

If an employee believes that, for whatever reason, he or she may have access to any information that would make the employee an access person, the employee should discuss the matter immediately with the Chief Compliance Officer. The Chief Compliance Officer will then determine whether the employee, and any other employee of Callan, should submit the reports and obtain the pre-clearance required by Rule 204A-1(b) and (c) and whether this Code should be amended to reflect these obligations in more detail.

d. Review Procedure

The Chief Compliance Officer will review all access employees' reports of personal securities for compliance with this Code.

6. POLITICAL AND CHARITABLE CONTRIBUTIONS

Contributions to charitable causes and non-profit organizations for clients and prospects are subject to prior approval by the office manager and senior management.

a. Firm Contributions

Callan, as a firm, does not make any political contributions, whether in the form of gift, loan, subscription, advance, deposit of money, payment of debt or transition (inauguration), costs, or anything of value (each a "Political Contribution") to any person who was, at the time of such Political Contribution, an incumbent, candidate, or successful candidate for elective office (individually a "Candidate or Official" and collectively, "Candidates or Officials") of a Governmental Entity.¹ Similarly, Callan does not coordinate, or solicit any person or political action committee to

¹ A "Governmental Entity" is any State or political subdivision of a State including any agency, authority or instrumentality of the State or political subdivision, any pool of assets sponsored or established by the State or

make Political Contributions to any Candidate or Official of a Governmental Entity. For purposes of this Code of Ethics, any individual that seeks to hold, holds, or will hold an office that is directly or indirectly responsible for, or can influence the outcome of the hiring of Callan by the Governmental Entity or who can appoint any person who is directly or indirectly responsible for, or can influence the hiring of Callan by the Governmental Entity is a Candidate or Official.

b. Employee Contributions

No employee is permitted to provide or agree to provide, directly or indirectly, any payment to any person to solicit a Governmental Entity for Callan services.²

No employee is to coordinate or solicit, directly or indirectly, another person to coordinate a political action committee to make any form of Political Contribution to any Candidate or Official of a Governmental Entity without the prior written approval of senior management.

No employee shall make, directly or indirectly, any form of Political Contribution to any Candidates or Officials of a Governmental Entity in excess of \$350.00 per election if the contributor is entitled to vote in the election for the position in which the Candidate or Official is seeking election or re-election at the time of the contribution, or in excess of \$150.00 to any Candidates or Officials per election if the contributor is not entitled to vote in the election for the position in which the Candidate or Official is seeking election or re-election at the time of the contribution. Callan will not reimburse employees for Political Contributions.

c. Employee Reporting Requirements

Each employee shall report to senior management all Political Contributions made by the employee, directly or indirectly, to Candidates and Officials of governmental entities, to political action committees, and to state and local political parties including the name of the contributor, the date of the Political Contribution, the amount of the Political Contribution, and the Candidates or Officials. Callan may require an employee to demand the return of any (and evidence such return of) Political Contribution that Callan's compliance officer shall deem to be in violation of Callan's policies and procedures or Investment Advisers Act Regulation 206(4)-(5).

d. Approval by Management

No employee will provide investment advisory services for compensation to a Governmental Entity engage in a business transaction with a Governmental Entity or permit a Governmental Entity to participate in any Callan Funds without the prior approval of senior management. Senior management will not approve any such provision of investment advisory services, business transactions or participation in Callan Funds by any Governmental Entity of which a Political Contribution was made to a Candidate or Officer directly or indirectly by any employee within two years thereof. Senior management may make an exception in a case of any person who made the Political Contribution more than six months before becoming an employee of Callan and who does not solicit clients on behalf of Callan.

political subdivision, such as a state retirement plan or general fund, any plan or program of the Governmental Entity (e.g. qualified tuition plan), or any officer, agent or employee of the State, political subdivision, agency, authority or instrumentality.

² Callan, but not any employee of Callan, may pay compensation to regulated persons and to executive officers and employees of Callan for soliciting a Governmental Entity to engage Callan.

7. OTHER POLICIES

a. Outside Interests and Relationships

Each employee must disclose to the Chief Compliance Officer any material interest or relationship of such employee, whether business, financial or personal, that might present a conflict of interest with Callan's clients or business.

b. Gifts

In general, employees should not solicit or accept gifts (including meals, tickets, trips, accommodations, favors or other benefits) of material value that could influence their decisions on behalf of Callan or its clients. Accordingly, no employee may solicit or accept any cash, or any non-cash gift of more than *de minimis* value, from any person that does business with Callan.

c. E-Mail and Voice Mail

Callan's e-mail system and voice mail system are Callan's property and are made available to employees for business and occasional personal use. A Callan employee will not use e-mail or voice mail to disclose without permission business or client information that is confidential; harass, defame, invade the privacy of, or otherwise harm others; or engage in any illegal, unethical, or improper activities. Callan reserves the right to read emails or listen to voicemails at any time without any notification to assure itself that such emails or voicemails do not violate Callan's policy or, if the need arises, to collect documents for a legal or regulatory request. Callan has adopted an E-Mail and Other Electronic Communications Policy that sets out additional policies and practices on the use and monitoring of e-mail and other electronic communications.

d. Outside Communications

Employees must ensure that any advertising, marketing materials and other written or oral communications outside Callan are professional, balanced, not misleading and otherwise consistent with the provisions of this Code. Callan has adopted an Advertising Policy that describes more fully Callan's policies and procedures concerning advertising and marketing materials generally.

8. VIOLATIONS

Each employee has a duty to report any actual or potential violations of this Code promptly to Callan's Chief Compliance Officer. No employee reporting a suspected violation of this Code in good faith will be subject to retaliation because of making of such report.

In the event it is determined that an employee has violated this Code, the Chief Compliance Officer will report the violation to senior management. Senior management, in consultation with the Chief Compliance Officer, will determine an appropriate sanction for the violation, which may range from a verbal or written reprimand to suspension or termination of employment and may include fines and disgorgement by the employee of any profit or benefit realized.

9. TRAINING

Management is responsible for familiarizing employees with the policies and procedures described in this Code from time to time. The Chief Compliance Officer will make himself or herself available to assist employees with questions regarding this Code.

10. AMENDMENT AND RECORD KEEPING

The Chief Compliance Officer will review this Code on a periodic basis and update it as necessary or appropriate. The Chief Compliance Officer will cause Callan to maintain the records regarding this Code required by Rule 204-2(a)(12) and (13) under the Advisers Act.

Exhibit A

Acknowledgement and Initial and Annual Information Statement

(Print Full Name)

1. Directorships and Other Positions in Entities Other Than Callan Associates Inc.

The following is a list of all directorships and other positions that I hold in business organizations, partnerships, proprietorships, and trusts. (Please state "None", if applicable.) This list also identifies any estate in which I serve as executor, if that estate is also a client of Callan's.

<u>Position</u>	<u>Name of Organization</u>	<u>Principal Business Of Organization</u>	<u>Period During Which Position Has Been Held</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

2. Directorships, and Officer or Other Executive Positions Held by Members of My Household

The following is a list of all directorships and officer or other C-level positions in publicly traded companies held by members of my household in the past twelve months. (Please state "None", if applicable.)

<u>Position</u>	<u>Name of Organization</u>	<u>Principal Business Of Organization</u>	<u>Person Holding The Position</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

3. Disciplinary History

Except as disclosed below, I have never:

- a. been convicted of or pleaded guilty or *nolo contendere* (no contest) in a domestic, foreign or military court to any felony at all, or to any misdemeanor involving investments or fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion or conspiracy to commit any of those offenses;
- b. been enjoined by a domestic or foreign court in connection with any investment-related activity or been found to have been involved in a violation of investment-related statutes or regulations;
- c. been dismissed, pursuant to a settlement agreement, from any investment-related civil action brought by a state or foreign regulatory authority;
- d. been found by any federal or state, domestic or foreign regulatory agency to have made a false statement or omission or to have been dishonest, unfair or unethical; or to have been involved in a violation of investment-related laws or rules; or to have been the cause of an investment-related business having its authorization to do business denied, suspended, revoked or restricted;
- e. had my own license or authority to conduct an investment-related activity denied, suspended, revoked or restricted by a domestic or foreign governmental or other regulatory body;
- f. had a civil money penalty or a cease and desist order imposed on me;
- g. had any other order regarding an investment-related activity entered against me by any foreign or domestic regulatory agency;
- h. been found by a self-regulatory organization or commodities exchange to have made any false statement or omission or to have been involved in a violation of its rules (other than a violation designated as a "minor rule violation" under a plan approved by the SEC);
- i. otherwise been disciplined by a self-regulatory organization, commodities exchange or foreign financial regulatory authority; or
- j. had my authorization to act as an accountant, attorney or federal contractor revoked or suspended.

[INSTRUCTIONS: On the following page, please indicate "None" if applicable. If any of the foregoing apply, please furnish a complete description of the disciplinary event, including, date, caption of the proceeding, the court or other body taking the action and a description of the charges and the outcome. **If you are currently a party to a proceeding which could result in a "yes" answer to any**

of the above, please explain. No information needs to be given with respect to minor traffic offenses.]

Disciplinary History Disclosures (None or Describe): _____

4. Political Contributions

During the 24 month period ending with today's date, I have made, directly and indirectly, contributions, gifts, loans, subscriptions, advances, deposits of money, payments of debt or transition (inauguration costs), or provided anything else of value (a) to the following incumbents, candidates or successful candidates for elective office in a State or political subdivision of a State, and (b) to the following local political parties and political action committees in the following amounts (None or list):

<u>Name of Recipient/Candidate/Official</u>	<u>Date</u>	<u>Office/Position</u>	<u>State/Political Subdivision</u>	<u>Amount</u>

5. Observance of the Code of Ethical Responsibility

I have read and I understand the Company's Code of Ethical Responsibility. I am not aware of any facts or circumstances which indicate that I may not have observed the Code in all respects, except as disclosed below. (Please indicate "None", if applicable. If you are aware of any facts or circumstances which indicate that you may not have observed the Code in all respects, please so indicate below, and the Company's Chief Compliance Officer will contact you for the details.)

(Print Full Name)

6. Certification and Undertaking to Keep Information Up-To-Date

I hereby certify that the information I have disclosed in this Information Statement is true to the best of my knowledge, information and belief. I undertake to keep the information set forth herein up-to-date by supplementary Information Statements directed to the attention of the Compliance Officer.

Signature: _____

Print Name: _____

Date: _____

Exhibit B

INSIDER TRADING POLICY

CALLAN ASSOCIATES INC.

Revised October 15, 2008

General

Callan forbids employees to trade, either personally or on behalf of others, on material nonpublic information, or to communicate material nonpublic information to others in violation of the law. This conduct is frequently referred to as “insider trading.” The prohibition extends to activities within and outside an employee’s duties at Callan.

The term “insider trading” is not defined in the federal securities laws but generally is used to refer to the use of material nonpublic information to trade in securities (whether or not one is an “insider”) or to the communication of material nonpublic information to others.

While the law concerning insider trading is not static, it is generally understood that the law prohibits:

1. trading by an insider while in possession of material nonpublic information,
2. trading by a non-insider, while in possession of material nonpublic information, where the information either was disclosed to the non-insider in violation of an insider’s duty to keep it confidential or was misappropriated, or
3. communicating material nonpublic information to others.

The elements of insider trading and the penalties for such unlawful conduct are discussed below. If after reviewing this Policy an employee has any questions, the employee should consult the Chief Compliance Officer.

Who is an Insider?

The concept of “insider” is broad. It includes officers, directors and employees of a company. In addition, a person can be a “temporary insider” if he or she enters into a special confidential relationship in the conduct of a company’s affairs and as a result is given access to information solely for the company’s purposes. A temporary insider can include, among others, a company’s attorneys, accountants, consultants, bank lending officers and the employees of such organizations. According to the U.S. Supreme Court, the company must expect the outsider to keep the disclosed nonpublic information confidential and the relationship must at least imply such a duty before the outsider will be considered an insider.

What is Material Information?

Trading on inside information is not a basis for liability unless the information is material. “Material information” is generally defined as information that there is a substantial likelihood a reasonable investor would consider important in making his or her investment decisions, or information that is reasonably certain to have a substantial effect on the price of a company’s securities. Information an employee should consider material includes, but is not limited to:

- dividend changes,
- earnings estimates,
- changes in previously released earnings estimates,
- significant merger or acquisition proposals or agreements,
- major litigation,
- liquidation problems, and
- extraordinary management developments.

Material information does not have to relate to a company's business. For example, in Carpenter v. U.S., 108 U.S. 316 (1987), the U.S. Supreme Court considered as material certain information about the contents of a forthcoming newspaper column that was expected to affect the market price of a security. In that case, a Wall Street Journal reporter was found criminally liable for disclosing to others the dates that reports on various companies would appear in the Wall Street Journal and whether those reports would be favorable or not.

What is Nonpublic Information?

Information is nonpublic until it has been effectively communicated to the market place. One must be able to point to some fact to show that the information is generally public. For example, information found in a report filed with the SEC, or appearing in Dow Jones, Reuters Economic Services, the Wall Street Journal or other publications of general circulation would be considered public.

Penalties for Insider Trading

Penalties for trading on, or communicating, material nonpublic information are severe, for both the individuals involved in the unlawful conduct and their employers. Persons can be subject to some or all of the penalties below, even if they do not personally benefit from the violation.

- civil injunctions,
- treble damages,
- disgorgement of profits,
- jail sentences,
- fines for the person who committed the violation of up to three times the profit gained or loss avoided, whether or not the person actually benefited, and
- fines for the employer or other controlling person of up to the greater of \$1,000,000 or three times the amount of the profit gained or loss avoided.

In addition, any violation of this Policy (or other provisions of the Code of Ethical Responsibility of which this Policy is a part) can be expected to result in serious sanctions by Callan, including dismissal.

Procedures to Follow Upon Receipt of Material Nonpublic Information

If an employee believes he or she may be in possession of material nonpublic information, the employee should take the following actions:

1. Report the matter immediately to the Chief Compliance Officer, disclosing all information that the employee believes may be relevant.
2. Unless approved by the Chief Compliance Officer, refrain from purchasing or selling any security to which such information relates for the employee's account or any account managed by Callan or its affiliates.
3. Unless approved by the Chief Compliance Officer, refrain from communicating the information to anyone within or outside our firm, other than the Chief Compliance Officer. In addition, take care that the information is secure.
4. Any questions about whether information is material or nonpublic, the applicability or interpretation of these procedures or the propriety of any action must be discussed with the Chief Compliance Officer before the employee trades or communicates the information to anyone.

Additional Procedures To Implement Insider Trading Policy

Callan has adopted the following additional procedures to implement this Policy:

1. This Policy is distributed, along with the Code of Ethical Responsibility, to all employees upon hire and requires a written acknowledgement by each employee.
2. Employees must report to the Chief Compliance Officer all business, financial or personal relationships that may result in access to material nonpublic information.
3. Shareholders and any access persons must disclose reportable securities in their personal accounts to the Chief Compliance Officer, as provided in the Code of Ethical Responsibility.
4. The Chief Compliance Officer will review all reports by employees of reportable securities.
5. The Chief Compliance Officer will provide guidance to employees on insider trading questions.
6. This Policy will be reviewed, evaluated and updated on a periodic basis by the Chief Compliance Officer.
7. The Chief Compliance Officer will report any violation of this Policy to senior management for corrective and/or disciplinary action.
8. The Chief Compliance Officer or his or her designee is responsible for the implementation of this Policy.

Exhibit C

Report of Holdings of Reportable Securities by Shareholders

I hereby certify that the following is a complete listing of all “reportable securities”³ “beneficially owned”⁴ by me as of a date no more than 45 days prior to the date I became a Callan shareholder, in the case of an initial report, or as of December 31 of the preceding year, in the case of an annual report:

<u>Title of Reportable Security</u>

Name of Employee

Signature of Employee

Date

³ “Reportable security” means any security defined in Section 202(a)(18) of the Investment Advisers Act of 1940, as amended except that it does not include: (1) direct obligations of the United States Government; (2) bankers’ acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, including repurchase agreements; (3) shares issued by money market funds; (4) shares issued by registered open-end funds (i.e., mutual funds), other than funds for which Callan or any of its affiliates acts as investment adviser; or (5) shares issued by unit investment trusts that are invested exclusively in one or more of such open-end funds.

⁴“Beneficial owner” is interpreted in the same manner as it would be under Rule 16a-1(a)(2) under the Securities Exchange Act of 1934, as amended. A shareholder may be deemed to have beneficial ownership of securities held by another person if, by reason of any contract, arrangement, understanding, relationship or otherwise, the shareholder can share in any profit from the securities, including securities held by a family member sharing the same household, by a partnership, corporation or other entity controlled by the shareholder, or by a trust of which the shareholder is a trustee, beneficiary or settlor.

Exhibit D

Reporting by Access Persons

Employees and support personnel of Callan's TAG group are designated as Callan's access persons, as defined in Callan Associates Inc. Code of Ethical Responsibility under subsection 5, and repeated below. Callan's Code of Ethical Responsibility requires access persons to adhere to specific disclosure of certain personal assets, holdings, or interests, and assets and holdings in which he or she has an interest or access to. Additionally, all access persons are required to follow certain procedures when trading for his or her personal account(s) and account(s) in which he or she has an interest or access to. These disclosures and personal trading procedures are outlined below:

Reporting by access persons:

Callan has identified all TAG employees and TAG support staff to be access persons. Callan has not identified any other Callan employees as being access persons. For this purpose, access person means any employee: (1) who has access to nonpublic information regarding any clients' purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any registered fund for which Callan or any of its affiliates acts as an investment adviser; or (2) who is involved in making securities recommendations to clients, or who has access to such recommendations that are nonpublic.

In the event any employee of Callan is currently or becomes an access person, each such employee must submit to the Chief Compliance Officer the holdings and transactions reports, and obtain the pre-approvals of certain investments, required by Rule 204A-1(b) and (c) under the Advisers Act.

For purposes of this Code, "reportable security" means any security defined in Section 202(a)(18) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), except that it does not include: (1) direct obligations of the United States Government; (2) bankers' acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, including repurchase agreements; (3) shares issued by money market funds; (4) shares issued by registered open-end funds (i.e., mutual funds), other than funds for which Callan or any of its affiliates acts as investment adviser; or (5) shares issued by unit investment trusts that are invested exclusively in one or more of such open-end funds.

Requirements:

1. All access persons must notify Callan of all accounts in which he or she has a beneficial interest, including any accounts for immediate family or other entities whose holdings are not deemed exempt under the definition of "reportable securities;"
2. Access persons must supply Callan with, at a minimum, quarterly statements of all subject accounts holding "reportable securities," as described in Callan's Code of Ethics, no later than 30 days after the end of each calendar quarter;
3. Access persons must supply Callan with trade confirmations of all "reportable securities" transactions described in Callan's Code of Ethics no later than 30 days after notification of the transactions' execution; and
4. All "reportable securities" transactions by access persons must be approved in writing prior to the transaction. Approval should be obtained using the process described below: This approval will be documented and retained by the Compliance department.

Exhibit D

Page 2

To meet these requirements please follow the steps below:

1. To comply with requirement number 1 above, access persons must complete the "Annual Employees Questionnaire"
2. To comply with requirements 2 & 3 above, access persons must contact the broker dealer or custodian of the accounts listed and request them to send duplicate statements and trade confirmations to:

Compliance Manager
Callan Associates Inc.
101 California St., 35th floor
San Francisco Ca 94111
Compliance_Officer@callan.com

3. To comply with requirement 4 above and prior to any transaction, access persons must complete and e-mail the following form labeled "Pre-clearance form employee related securities transactions." These forms must be emailed to Compliance_Officer@callan.com. A return email notification will be sent to such access person notifying him or her of whether authorization to execute the transaction is approved. Such transactions must not be executed without prior authorization.

**CALLAN ASSOCIATES INC.
ACCESS PERSON ANNUAL EMPLOYEE QUESTIONNAIRE**

1. Name: _____

2. Identify household members:
(Spouse, children, and other relatives you support)

3. List all brokerage or bank accounts in which you or your immediate family members and others residing in your household have a beneficial interest and maintain accounts:

FIRM	ADDRESS	ACCOUNT NUMBER

4. For each of the accounts listed above or any other holding you may own in street name that is not held at a financial institution, please supply the following information on each security position.

Broker/Dealer or Bank	Account Number	Quantity/ # of Shares	Security/ Symbol	Security Type (Stock/Bond)

Exhibit D
Page 4

5. Do you have any outside employment or business activity?
YES ____ NO ____

If YES, Describe: _____

6. Do you serve as a Director, Officer, Trustee, Member, Partner, or in any other capacity, for any other entity?
YES ____ NO ____

If YES, Describe: _____

7. Have you received any gifts from, or made any gifts to, clients or anyone doing business with the firm other than gifts of nominal value?
YES ____ NO ____

If YES, Describe: _____

8. Have you made during the most recent 12 month period any contributions, gifts, loans, subscriptions, advances, deposits of money, payments of debt or transition (inauguration costs), or provided anything else of value to any incumbent, candidate or successful candidates for elective office of any State or political subdivision within a State?
YES ____ NO ____

If YES, List: _____

9. Have you made during the most recent 12 month period any contributions, gifts, loans, subscriptions, advances, deposits of money, payments of debt or transition (inauguration costs, or provided anything else of value to any political action committee or state or local political party?

YES ____ NO ____

If YES, List: _____

10. Have you, during the most recent 12 month period agreed to provide, directly or indirectly, any payment to any person to solicit a governmental entity for Callan services?

YES ____ NO ____

If YES, explain_____.

11. Do you own any interests in any securities or other investments not included on your brokerage statements, e.g., private placements, limited partnerships, etc. (non-custodied securities)?

YES ____ NO ____

If YES, List: _____

12. Do you have any ownership interest (a minimum of 5% interest) in other entities (public or non-public) not included on brokerage statements?

YES ____ NO ____

If YES, List: _____

13. Have you reviewed, understand, and agree to comply with all current policies and procedures regarding personal securities trading and insider trading activity at our firm?

YES ____ NO ____

14. Provide a listing of current holdings for the brokerage accounts (most recent monthly statement(s) can be attached) maintained in your name and for any person who is a household member or immediate family member.

15. Have you requested duplicate confirmations and statements to be sent to our firm's Compliance Officer?

YES ____ NO ____

I certify the above/attached information is true, accurate and complete as of the date indicated and discloses all accounts/security holdings in which any household/family member or I have a direct or indirect beneficial interest.

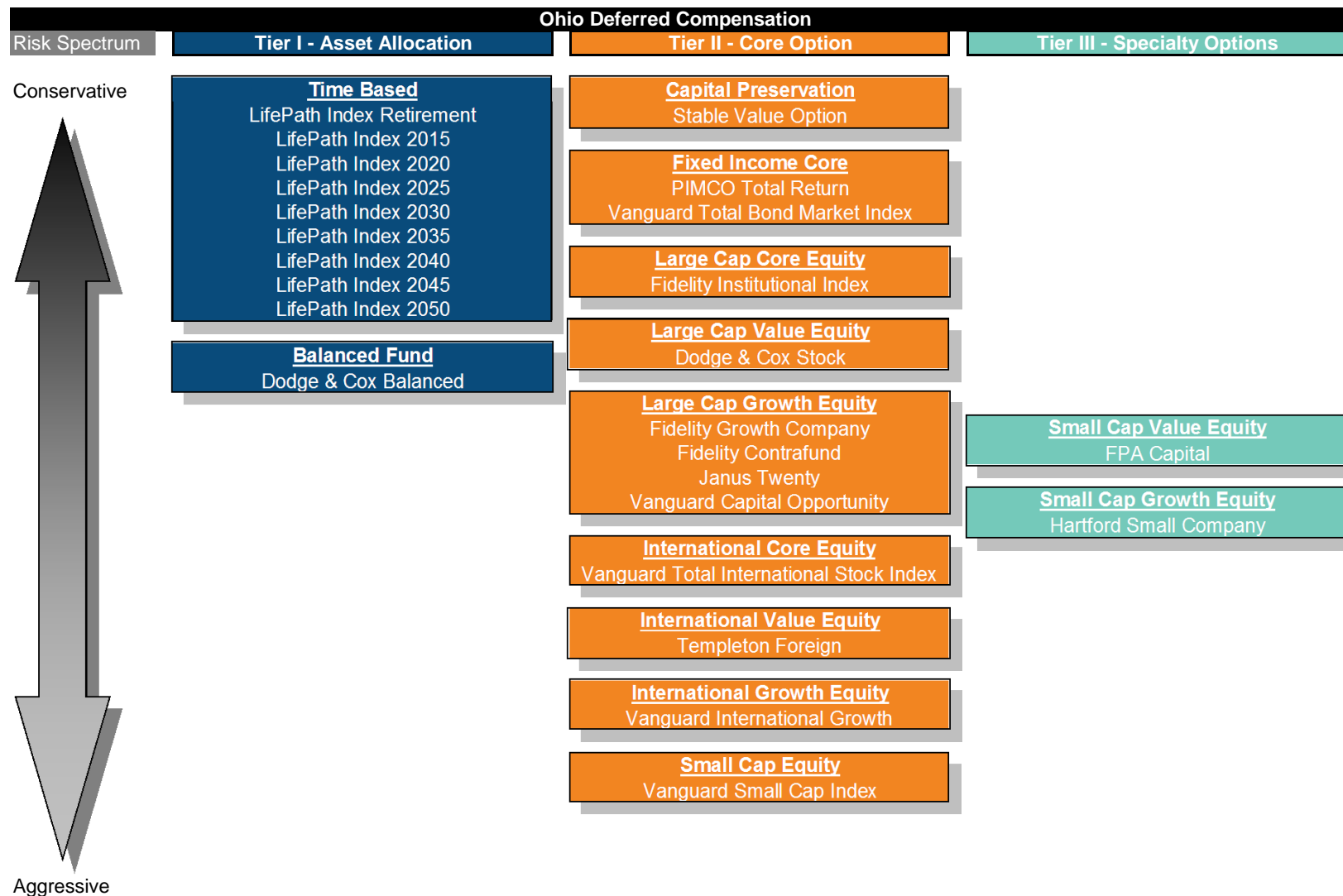
Signature

Employee Name

Date

APPENDIX E

Callan's Clean Sheet



APPENDIX F

Key Professional Biographies

Management Committee



Ronald D. Peyton is Chairman and Chief Executive Officer for Callan Associates Inc., a privately held, employee-owned firm whose mission is to deliver superior consulting solutions that help clients achieve their investment and business objectives.

Mr. Peyton joined Callan Associates in 1974. Since that time, he has worked with many large institutional investors to effectively plan, structure, and evaluate investment programs, products and organizations. He is a frequent speaker at industry investment conferences and meetings.

Mr. Peyton serves on the Board of the United Way Bay Area where he is the Development Committee Chair and Campaign Cabinet Co-chair. He was previously a member of the Kelley School of Business Dean's Council at Indiana University, and currently serves as a Dean's Council "Counselor." He was past President of the Governing Board of the Filoli Center (a National Trust for historic preservation property) where he still serves on the Executive Committee, Compensation Committee, Audit Committee and is Chairman of the HR Committee. Mr. Peyton is a former member of the Advisory Board of the University of California at Berkeley Extension and The Castilleja School Investment Committee. From 1990 to 1999, he served on the AIMR Performance Standards Implementation Committee. He is an advocate of the Vista Center for the Blind and Visually Impaired where Callan Associates has been a fundraising sponsor for over 20 years.

Mr. Peyton is Chairman of Callan's Management Committee. He is Chairman of the Board of Directors and a shareholder of the firm.

Prior to joining Callan Associates, Mr. Peyton worked with Marathon Oil Company's pension investments, in addition to handling other financial responsibilities. Mr. Peyton earned a B.S. degree in Accounting and an M.B.A. degree in Finance at Indiana University.



Gregory C. Allen, is President and Director of Research. As President, Greg is responsible for overseeing Callan's Fund Sponsor Consulting Group, the Trust Advisory Group, and all of the firm's research groups which include: Global Manager Research, Alternative Investment Research, Capital Market Research, Database, Client Report Services, and Operations. Greg is also a member of Callan's Management Committee, the Alternatives Review Committee, and the Client Policy Review Committee. He is also a member of the Investment Committee which has oversight responsibility for all of Callan's discretionary multi-manager solutions.

Greg joined the San Francisco Office of Callan Associates in 1988 as an analyst in the Capital Markets Research Group where he focused on capital market research, quantitative analysis, product development, and asset allocation liability analysis. In 1993, Greg took over the Operations and Capital Markets Research groups. He has managed a wide variety of projects for Callan, including the development of the firm's performance measurement service, the development of Callan's web site and web-based performance reporting capabilities, and the development and launch of Callan's *PEP for Windows*TM software. In 2000, Greg was promoted to Manager of Specialty Consulting (Now Director of Research) and in 2007 was promoted to President. Greg is a shareholder with the firm.

Greg earned an M.S. in Applied Economics and a B.A. in Economics (Honors, Phi Beta Kappa) from the University of California at Santa Cruz. He is a frequent speaker on investment related topics, and has numerous publications. These include "Performance Attribution for Global Portfolios" published in the Fall 1991 issue of the *Journal of Portfolio Management*, "The Active Premium in Small-Cap U.S. Equities" published in the Spring 2005 issue of the *Journal of Portfolio Management*, and "Does Size Matter?" published in the Spring 2007 issue of the *Journal of Portfolio Management*.



Ann C. De Luce, is Chief Operating Officer and an Executive Vice President. Her responsibilities include managing the company's legal affairs, contributing to Callan's published research, and acting as a resource on the firm's strategic issues. Ann is a member of Callan's Management Committee and is a shareholder of the firm.

Since joining Callan in 1989, Ann has managed many of the firm's divisions, including Callan's educational services which include the Callan Investments Institute, the "Callan College", and internal training programs. In addition, she directed the firm's published research efforts and corporate marketing and communications functions. Ann was instrumental in developing several of Callan's research and specialty consulting groups, including Global Manager Research and International Consulting. Prior to joining Callan, she spent several years with Wilshire Associates where she was responsible for conducting asset/liability studies and building the firm's manager search efforts.

Ann earned an M.B.A. in Finance/Investments from the University of Southern California and a B.A. in Mathematics/Applied Science from the University of California at Los Angeles.



Susan L. Taylor, is a Senior Vice President, Chief Compliance Officer and Chief Financial Officer. Susan joined Callan Associates in 1985 and is a shareholder of the firm. Her prior accounting experience included two years with Petite Boulangerie and six years with Phonic Ear, Inc.

Susan earned a B.S. in Economics from the University of California at Berkeley.



James A. Callahan, CFA, is an Executive Vice President. Jim is the Manager of Callan Associates' Fund Sponsor Consulting Group. In this role, Jim oversees all of Callan's fund sponsor consulting offices. His clients include public, corporate, and Taft-Hartley pension plans, foundations, and endowments. Jim works directly with his clients in the development of strategic planning including asset allocation and investment policy development, investment manager research and selection, and performance evaluation. In addition to being a member of Callan's Management Committee, Jim serves on Callan's Manager Search Committee, Client Policy Review Committee, Alternatives Review Committee, Defined Contribution Committee, and is a shareholder of the firm.

Jim joined Callan in January 1993 and, prior to joining San Francisco Consulting, was a senior analyst in Callan's Report Services Group. His responsibilities included performance measurement, trading cost analysis, development and testing of new products, and special

projects. Prior to joining Callan, Jim was an analyst/trader with Bankers Trust Company in New York.

Jim earned a B.A. in Economics from Boston College and earned the right to use the Chartered Financial Analyst® designation.



Kevin M. Dolsen, CFA, Senior Vice President. Kevin is Manager of Callan's Chicago Consulting office. He is a member of Callan's Management Committee and is a shareholder of the firm.

In addition to managing the Chicago fund sponsor office, Kevin works with foundation, defined benefit and defined contribution clients in the public and corporate sectors. He advises them on the development of strategic investment solutions in the areas of asset allocation and policy statements, manager research and selection and performance evaluation. Kevin sits on Callan's Manager Search and Alternatives Committees.

Kevin spent two years in Callan's Global Manager Research Group, where he was responsible for research and analysis of domestic equity investment managers and manager searches. Prior to that, he spent five years in Callan's Chicago Plan Sponsor Consulting Group, working with a wide variety of clients. He joined Callan Associates in 1999.

Kevin earned a B.A. in History with a minor in Finance from The University of Dayton. He received his MBA in Finance and Strategy at Northwestern's Kellogg School of Management in 2004. Kevin earned the right to use the Chartered Financial Analyst designation.



Janet Becker-Wold, CFA, Senior Vice President. Janet is the Manager of Callan's Denver Consulting office and a shareholder of the firm. Janet joined the investment management business in 1991. Her experience at Callan includes all facets of investment consulting including investment policy analysis, asset and liability studies as well as manager search and structure. She has a particular expertise in international investing and currency management. Her clients include corporate, public and non-U.S. based funds. Janet is a member of Callan's Management, Manager Search and Defined Contribution Committees.

Janet joined the firm in 1994 from Qwest's (formerly U S WEST) pension fund where she worked in the international equity, fixed income and real estate areas. While at Callan, she has authored white papers on a variety of international investing issues and is a speaker at industry forums. Janet was named Money Management Letter's 2003 Consultant of the Year.

Janet received an M.B.A. in Finance from the University of Colorado and a B.S. in Biology from the University of Texas. She earned the right to use the Chartered Financial Analyst designation.



Michael J. O'Leary, Jr., CFA, Executive Vice President. Michael is a member of Callan's Client Policy Review and Management committees. He is Chairman of Callan's Manager Search Committee and is a shareholder of the firm.

Michael joined Callan in 1984 in the firm's Chicago office as a senior consultant. He established the firm's Denver office in 1990. Prior to joining Callan, Michael worked for 13 years for major Trust companies in Chicago and Hartford, Connecticut.

While with the Trust companies, he worked as a research analyst, Director of Research, and head of institutional portfolio management. He also served as director of defined contribution services for one trust company and manager of the employee plan services department for another. Throughout his career as an investment professional, he has worked extensively with a broad range of institutional clients including public and corporate retirement plans, foundations, and charitable organizations.

Michael works directly with a number of the firm's major public and private accounts in providing a complete range of investment consulting services. He has extensive personal experience in asset allocation analysis, manager structure analysis, manager selection, performance evaluation, securities lending, and defined contribution plan design and evaluation. He speaks frequently at client conferences, and to professional groups. Michael earned a bachelor's degree from Fordham University and earned the right to use the Chartered Financial Analyst designation.



Millie Viqueira, Senior Vice President. Millie is the Manager of Callan's New Jersey Fund Sponsor Consulting office. Millie joined Callan Associates in 1991 and has more than twenty years of experience in investments and pension consulting. She is a member of Callan's Management, Manager Search and Defined Contribution Committees and is a shareholder of the firm.

Prior to joining the firm, Millie was an Assistant Vice President at Shearson Asset Management, responsible for coordinating institutional marketing efforts. Prior to that, Millie served as an Associate Consultant in the New York branch of SEI Corporation.

Millie received her B.A. in Political Science from Princeton University.



Lori Lucas, CFA, Executive Vice President. Lori is the Defined Contribution Practice Leader for Callan's Fund Sponsor Consulting Group. Lori is responsible for setting the direction of Callan's DC business, providing DC support both internally to Callan's consultants and externally to Callan's clients, and developing research and insights into DC trends for the benefit of clients and the industry. Lori is a member of Callan's Management Committee and is a shareholder of the firm.

Formerly, Lori was Director of Retirement Research at Hewitt Associates. Lori has also served as a vice president at Ibbotson Associates, a pension fund consultant at J.H. Ellwood & Associates, and an analyst and product development leader at Morningstar, Inc.

Lori received a Bachelor of Arts from Indiana University and earned a Masters from the University of Illinois. Additionally, she earned the right to use the Chartered Financial Analyst® designation. Lori is a columnist for Workforce Management online magazine and her views have been featured in numerous publications. She is Executive Vice Chair of the Employee Benefit Research Institute's Retirement Research Committee, and Executive Chair of the Defined Contribution Institutional Investment Association's Research Committee. Lori is also a frequent speaker at pension industry conferences.



Jamie Shen, Senior Vice President. Jamie is Practice Leader of Alternative Investments Consulting and has overall responsibility for real asset consulting services at Callan Associates. While Jamie's particular focus is on real estate, she oversees research and implementation of real estate, timber, infrastructure and agricultural asset classes. She works directly with Boards and/or Staff in the development and implementation of client specific strategic and tactical plans, as well as provides ongoing oversight in the control and monitoring of clients' real estate portfolios. Additionally, Jamie is responsible for the oversight of Callan Real Estate Performance Measurement Reports. She is also a shareholder and a member of Callan's Management Committee.

Prior to joining Callan, Jamie was a Principal with The McMahan Group, a San Francisco based-management consulting firm specializing in real estate enterprises. Specifically, Jamie consulted to a number of real estate investment advisors on organizational structure and investment vehicle design. She also assisted in preparing testimony for the Department of Labor on fiduciary standard of care relating to real estate investments. Jamie has worked in the real estate consulting groups of both Arthur Andersen and Ernst & Young.

Jamie received her B.S. in Business Administration from the Walter A. Haas School of Business at the University of California, Berkeley. She is a member of the Pension Real Estate Association (PREA).



Judith H. McKinney, Executive Vice President. Judy is the Manager of Callan's Institutional Consulting Group. She joined Callan in 1991. Judy is a member of the firm's Management Committee and is a shareholder of the firm. She helped create the Institutional Consulting Group's Competitive Analysis Service and was instrumental in developing the firm's Mutual Fund Performance Service. Judy works with Callan's investment management clients in the areas of product evaluation and analysis, strategic management and communications consulting.

Prior to joining Callan, Judy was a regional manager for CDA Investment Technologies' Performance Measurement Division, where she served asset managers, plan sponsors and consultants. She also held positions in trust business development with the Continental Illinois Bank and Trust Company and, early in her career, was a vice president and consultant to plan sponsors with A.G. Becker.

Judy is located in Callan's Chicago office and consults to investment management firms throughout the United States. She earned a B.A. from Spring Hill College.



Eric Davison, Executive Vice President. Eric is the Director of the Independent Adviser Group of Callan Associates Inc. He is responsible for overseeing the day-to-day activities of Callan's Independent Adviser Group ("IAG"). The IAG is the division of Callan that works closely with a select group of middle market investment consulting firms and financial intermediaries. Eric is a member of Callan's Management Committee and is a shareholder of the firm.

Prior to joining Callan Associates in 1993, Eric was a consultant with SEI Capital Resources where he served various pension, endowment, and Taft-Hartley plans throughout the southwestern United States. Eric's past experience also includes involvement with the Trust Universe Comparison Service (TUCS) and the Wilshire Co-Operative (WILCOP), which are divisions of Wilshire Associates. Eric attended the University of Southern California where he earned degrees in Economics and International Relations.



Jay V. Kloepper, Executive Vice President. Jay is the Director of Capital Markets and Alternatives Research. He oversees Callan's Capital Markets, Hedge Fund and Private Markets research groups. He directs the development of Callan's annual capital market projections. Jay presents the results of Callan research to clients and the media and is a featured speaker at many conferences. In addition to his work in strategic planning, Jay is a regular instructor at the "Callan College" and is a shareholder of the firm.

Jay joined Callan in 1998, and became manager of the Capital Markets Research Group in 2000. The Capital Markets group helps Callan's fund sponsor clients with their strategic planning, conducting asset allocation and asset/liability studies, developing optimal investment manager structures, evaluating defined contribution plan investment lineups and providing custom research on a variety of investment topics. The Hedge Fund and Private Markets groups are responsible for specialized consulting including asset class and strategy research, manager searches, portfolio reviews, and performance evaluation.

Prior to joining Callan, Jay was a Senior Economist and the Western Regional Manager for Standard & Poor's DRI. He was actively involved in the development of DRI's domestic

research capabilities. During his 11 years at DRI, Jay also served as a Senior Consultant and Project Manager.

Jay earned a B.S. with honors in Economics from the University of Oregon and an M.A. in Economics from Stanford.



Ivan “Butch” Cliff, CFA, Executive Vice President. Butch is Director of Investment Research & Operations. He is responsible for the following groups: Global Manager Research, Client Report Services, Investment Database, Information Technology Systems, Analytical Solutions Group (**PEP**). Butch is also a member of Callan's Management Committee and is a shareholder of the firm.

Butch joined the Programming Group of Callan Associates in 1989 and was instrumental in developing sophisticated performance analytics as well as solutions to data processing and management problems. In 1993 he became the Manager of the Database Group with responsibility for coordinating the design and implementation of performance measurement operations as well as overseeing the development and maintenance of Callan's databases. Butch was made Director of Operations in 2000 and has responsibility for the management and development of all Callan's performance monitoring systems and personnel. In 2007 Butch became the Director of Investment Research & Operations with responsibilities expanded to include oversight of Callan's Global Manager Research activities.

Prior to joining Callan Associates, Butch worked for two years at Gifford Fong Associates developing analytical software for fixed income money managers.

Butch earned a B.A. in Economics from the University of California at Berkeley and earned the right to use the Chartered Financial Analyst designation.



Denise C. Steele, Senior Vice President. Denise is the Director of Information Technology. Denise joined Callan Associates in 1988. Prior to this, Denise developed software for the higher education industry and for a defense contractor. Denise is a member of Callan's Management Committee and a shareholder of the firm.

Denise earned a B.S. in Computer Information Systems with a minor in Economics from James Madison University, Harrisonburg, Virginia.



Kelly S. Cliff, CFA, CAIA, Senior Vice President. Kelly is the CIO of Public Markets, as well as co-lead of the Global Manager Research Group (GMR) which provides fundamental and statistical research on investment managers. Kelly oversees the quantitative and qualitative analysis of investment managers and the production of research and client reports. He works with the general consultants to tailor searches according to client guidelines. Kelly is a shareholder of the firm and is a member of Callan's Management Committee.

Previously Kelly was Chief Investment Officer of the Trust Advisory Group (TAG), which provides full discretionary investment solutions for the institutional marketplace. Kelly oversaw the management of the investment products and the ongoing due diligence and research. He now serves on the Investment Committee for the Trust Advisory Group, with oversight responsibility for both the Callan GlidePath Funds and the Callan Small Cap Fund.

Kelly joined the Client Report Services department of Callan Associates in 1992 as an Analyst, and in 1998 he became Practice Manager of the department. He was responsible for the day-to-day functions, working directly with both the data entry department in auditing data and with the programming department in creating analytical tools. Adept with performance measurement systems developed by Callan Associates and with industry standards, Kelly has assisted clients and managers in the interpretation of Callan's performance analysis methodology. From 2000 to 2006, he was Manager of the Global Manager Research Group.

Kelly graduated from the University of the Pacific with a B.S. in Business Administration and earned the right to use the Chartered Financial Analyst designation and the CAIA designation.



Inga B. Sweet , Senior Vice President. Inga is co-lead and Manager of the Global Manager Research Group. She is responsible for the group's operational functions and oversees the quantitative and qualitative analysis of investment managers and the production of client reports. Inga is responsible for the research and analysis of target date funds. In addition, Inga oversees the Published Research Group and contributes to the development of white papers, statistical surveys and quarterly periodicals created by Callan's general and research consultants. Inga is a member of the firm's Management Committee and a shareholder of the firm.

Inga joined Callan Associates in 1991 as an analyst in the International Consulting Services group, and until 1998, was responsible for manager research, analysis and manager structure work. From 1998 through 2007, she held several positions within the Institutional Consulting Group where she provided consulting and research services to investment manager clients. Inga has managed the Published Research Group since its formation in 2007. Inga graduated from George Washington University with a B.A. in International Relations.

Global Manager Research



Mark N. Stahl, CFA, Senior Vice President. Mark is the Manager of Callan's Domestic Equity Manager Research Group. He joined Callan in 1995, and is a shareholder of the firm. Mark researches and analyzes money management firms with various investment styles for pension fund plan sponsors. He meets with general consultants and oversees manager searches, conducts on-site visits, and attends final presentations. Mark regularly interviews and visits portfolio managers and marketers to discuss products, strategies, and organizational issues.

Prior to joining the Domestic Equity Group, Mark was a member of Callan's Fixed Income Research Group where he gathered, analyzed, and verified data on domestic and international fixed income investment managers.

Mark earned a B.A. in Managerial Economics from the University of California at Davis and earned the right to use the Chartered Financial Analyst designation.

Private Equity Research



Gary W. Robertson, Senior Vice President. Gary is the Manager of Callan's Private Equity Research Group. Gary is responsible for Alternative Investments consulting services at Callan Associates Inc. He is currently Secretary of Callan's Client Policy Review Committee and is a shareholder of the firm.

Prior to joining Callan in 1991, Gary spent five years as a Vice President with Robertson & Co., a San Francisco-based, family-owned investment bank engaging in mergers and acquisitions. Prior to joining Robertson & Co., he was a financial analyst with Atherton Advisory, a Silicon Valley-based financial services firm. He has also worked with Morgan Stanley & Co. Inc. in San Francisco in the operations and administration areas, and with Spear, Leeds & Kellogg and A. G. Becker, members of the Pacific Stock Exchange.

Gary earned an M.B.A. from Golden Gate University and a B.A. in Economics from the University of Colorado.

Hedge Fund Research



James C. McKee, Senior Vice President. Jim is Director of Callan's Hedge Fund Research Group. Jim specializes in hedge fund research addressing related issues of asset allocation, manager structure, manager search, and performance evaluation for Callan's institutional clients. Jim is a shareholder of the firm.

Jim joined Callan Associates in 1989. Prior to his career at Callan Associates, Jim worked with the Pacific Stock Exchange (PSE) from 1982 to 1989. Until 1985, Jim worked on the PSE's options trading floor. Thereafter, as manager of the PSE's securities research department, he was responsible for developing and monitoring new stock, bond, and option listings.

Jim earned a B.A. in Economics/Environmental Studies from Dartmouth College in 1982. He received his M.B.A. in Finance from Golden Gate University in 1987. His graduate studies focused particularly on publicly traded securities and capital markets.

Custody Consulting



Virgilio “Bo” Abesamis III, Executive Vice President. Bo is the Manager of the Master Trust, Global Custody, and Securities Lending Group. Bo joined Callan Associates in 1987 and is a shareholder of the firm. Initially, Bo worked in the Capital Markets Research Group with responsibilities involving asset/liability modeling, manager structure, benchmark and database reviews, style analysis, and research.

Bo previously managed the Specialty Performance Measurement Group at Callan Associates with an emphasis on analytics involving non-traditional asset classes, namely international, alternative investments, and real estate. He also assisted in the development of Callan's International Consulting Services Group and Defined Contribution Consulting Services Group.

Bo earned a B.S. degree in Accounting and Finance from Ateneo de Manila, Philippines, and an M.B.A. with a double major in Finance and International Business from the University of San Francisco.

Client Report Services Group



Allie Bañuelos, Vice President. Allie is the Manager of Client Report Services. Since joining Callan in 2000 Allie has been responsible for the production of quarterly IMS Reports, monthly flash reports and new hire training. Along with her current workload she helps manage the daily operations of the Client Report Services group and continues to expand her role in the training of new analysts as well as facilitate communications between prospects, clients, consultants and the Client Report Services group. Allie is a shareholder of the firm.

Allie earned a B.A. in Economics and Spanish Language & Literature from the University of California, Berkeley.

APPENDIX G

Research and Education

i. The Future of Stable Value

The Future of Stable Value

- ▶ Stable value funds, which are a staple principal preservation vehicle in many defined contribution (DC) plans, suffered low market-to-book values during the financial crisis, yet they remain attractive to many plan sponsors and participants.
- ▶ The financial crisis provoked changes in the stable value wrap marketplace including higher costs and tighter controls on both underlying portfolios and the plans offering stable value.
- ▶ Congress passed legislation in 2010 that defined swaps in a way that could impact stable value wraps. However, the legislation did not immediately affect stable value funds.
- ▶ A large divide exists between strong and underperforming stable value funds, which has affected their appeal as DC plan options. Depending on the unique situation of each plan, stable value funds may or may not have a place in DC plan fund line-ups going forward.

Introduction

Stable value suffered its share of turmoil during the financial crisis when market-to-book value ratios plummeted. Today, although market-to-book values have recovered considerably, these funds continue to face many challenges. The industry suffers from soaring wrap costs, lower crediting rates and tighter controls both on underlying portfolios and on the plans offering stable value. Recently, new financial regulations also cast a shadow over the fate of stable value. In this paper Callan explores the ongoing attractiveness of stable value within 401(k) plans and includes insights from individuals with first-hand industry experience: Ken Porter from the American Benefits Council, and the plan sponsor perspectives of Mark Kelliher from Deluxe Corporation and Patrick Baumann from Harris Corporation.

Authored by Callan Associates Inc.

If you have any questions or comments, please email institute@callan.com.

About Callan Associates

Founded in 1973, Callan Associates Inc. is one of the largest independently owned investment consulting firms in the country. Headquartered in San Francisco, Calif., the firm provides research, education, decision support and advice to a broad array of institutional investors through five distinct lines of business: Fund Sponsor Consulting, Independent Adviser Group, Institutional Consulting Group, Callan Investments Institute and the Trust Advisory Group. Callan employs more than 150 people and maintains four regional offices located in Denver, Chicago, Atlanta and Florham Park, N.J.

About the Callan Investments Institute

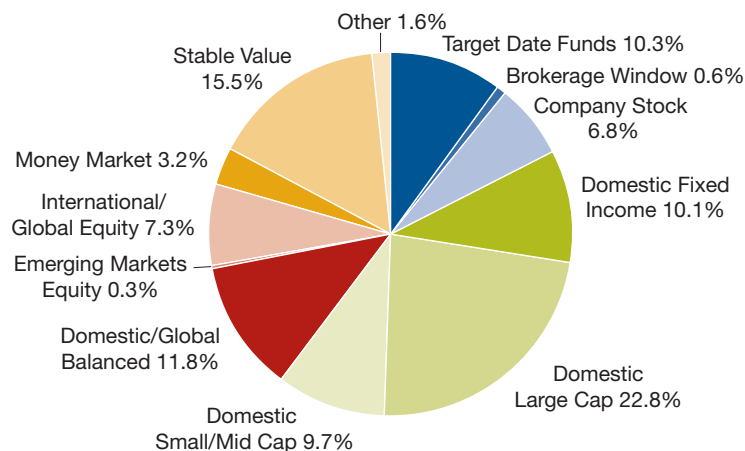
The Callan Investments Institute, established in 1980, is a source of continuing education for those in the institutional investment community. The Institute conducts conferences and workshops and provides published research, surveys and newsletters. The Institute strives to present the most timely and relevant research and education available so our clients and our associates stay abreast of important trends in the investments industry.

Overview of Stable Value

Stable value funds are geared to be capital preservation vehicles and often represent the lowest risk investment in a DC plan lineup. The funds are insured (or “wrapped” by an insurer) to insulate investors against the ups and downs of the underlying portfolio, which is generally invested in short- and intermediate-term bonds. Stable value funds’ underlying investments are longer in duration than money market funds, generally contributing to higher yields. The combination of higher yields and stability of principal have made stable value a highly popular investment vehicle among DC plan sponsors and participants.

A recent Defined Contribution Institutional Investment Association (DCIIA) report¹ estimates that stable value funds hold nearly \$650 billion in 401(k) assets. According to the Callan DC Index™,² in early 2010 66% of DC plans had a stable value fund; in contrast, fewer than half of plans offered a money market fund. As of June 2010, stable value funds made up 15.5% of DC plans (**Exhibit 1**).

Exhibit 1 Callan DC Index – Asset Allocation as of June 30, 2010



Despite the tough times endured by many stable value funds during the financial crisis, 401(k) participants poured money into these vehicles throughout late 2008 and early 2009, reflecting the fact that 401(k) participants continued to view

stable value as a safe haven. In fact, in the fourth quarter of 2008—during the very worst of the financial crisis—65% of net flows within the Callan DC Index were into stable value funds.

¹ DCIIA. “Financial Regulation and Consequences on America’s Retirement Savings.” 2010.

² The Callan DC Index is an equally weighted index tracking the cash flows and performance of approximately 70 plans, representing more than 800,000 defined contribution participants and more than \$50 billion in assets.

Changes in the Wrap Market

In the wake of the financial crisis, the wrap market experienced significant changes. Prior to the crisis, wrap providers frequently charged single-digit basis point wrap fees. Today, because of the greater perceived risk of stable value funds, wrap providers more commonly demand 20 basis points or more. Stable value funds that are still struggling with low market-to-book values fight just to maintain their wrap contracts. A number of wrap providers have exited the wrap market altogether, however the market size has remained flat since 2008 at \$575 billion³ as new participants have entered (including many insurance companies wrapping their own products).

Exhibits 2 and 3 show the evolution of market-to-book value ratios and wrap costs within Callan's universe of stable value funds. In the fourth quarter of 2008, the market value of the median stable value fund slipped to 95% of its book value. However, funds in the worst decile saw market-to-book value ratios close to 85%. The decline in market-to-book value ratios translated into an increase in median wrap fees (Exhibit 3) from single to double digits by the second quarter of 2010, with the hardest-hit stable value funds (presumably with the lowest market-to-book value ratios) paying 20 basis points.⁴

Exhibit 2 Market-to-Book Value Ratios – Callan's Stable Value Database Group

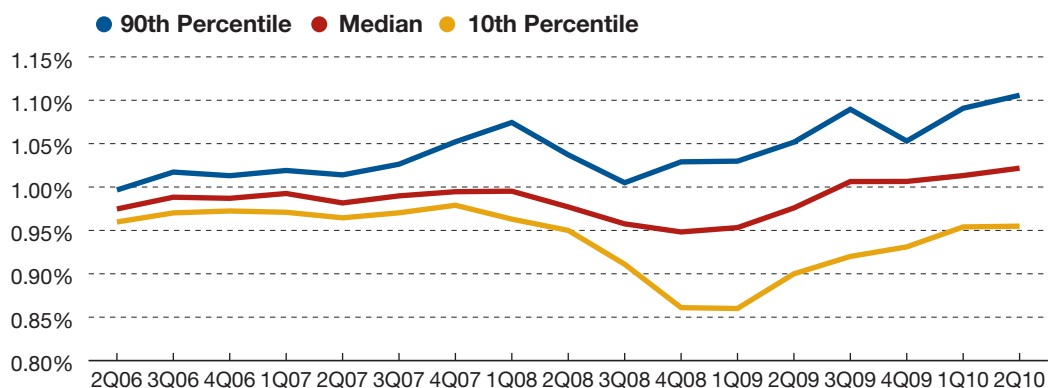
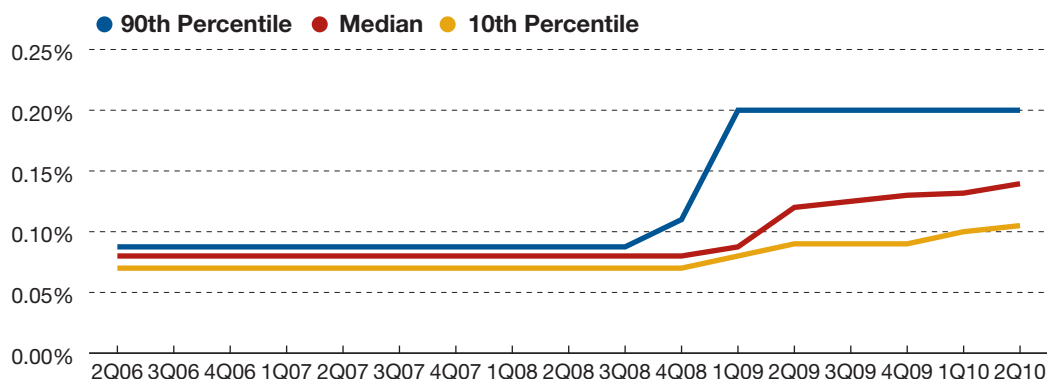


Exhibit 3 Wrap Fees – Callan's Stable Value Database Group



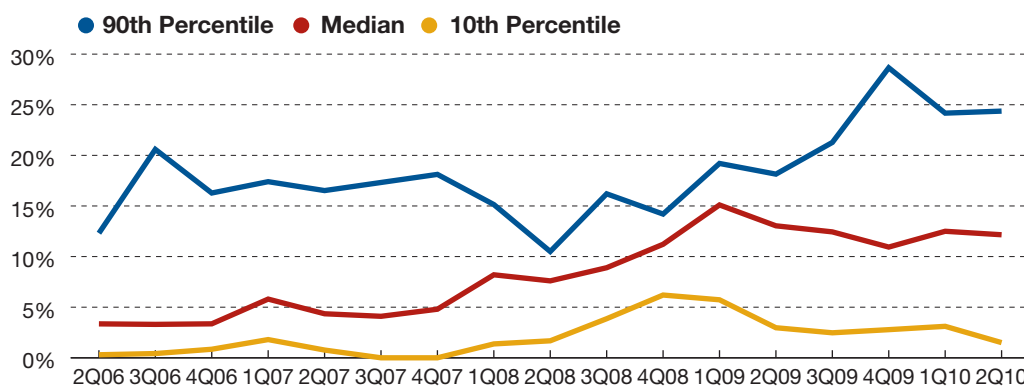
³ J.P. Morgan's Stable Value Group

⁴ Includes both new, more expensive contracts and older, less expensive contracts.

In addition to higher wrap costs, another major change occurred as investment guidelines imposed by wrap providers have become much more conservative since 2008. Wrap providers have told stable value managers to shorten their durations and improve their credit quality. Most notably, cash allocations within stable value funds have increased. The median cash allocation

across Callan's Stable Value Database Group was roughly 4% in mid-2006 according to **Exhibit 4**; this increased to 12.5% in 2010 (note the wide range over time). Stable value funds are also holding more Treasuries and fewer distressed assets in order to meet the guidelines of much more risk-averse wrap providers.

Exhibit 4 Evolution of Cash Allocations Over Time – Callan's Stable Value Database Group



In addition to higher costs and more stringent guidelines, wrap providers have pushed for additional provisions allowing for early termination in new contracts. These provisions allow for termination under certain circumstances, such as changes in laws and regulations governing stable value accounts, changes in ownership or control of a stable value portfolio, or the loss of book value treatment by a stable value account. Under the latter provision, a stable value portfolio may quickly become distressed if it were to lose a single wrap provider during a period of low market-to-book value, as all other wraps could subsequently be terminated.

Evolutions in the wrap landscape have caused some plan sponsors to change their approach to stable value. One plan sponsor reports closely monitoring the historical credit rate which is pub-

“We’re closely monitoring the market-to-book value ratio, making sure we’re close to 100% or at least in the 98% to 99% range, in addition to the contract quality distribution and the duration distribution. Even though the quality of the assets may not have changed dramatically over the past two or three years, the credit quality of the wrap provider may have changed.”

—Patrick Baumann, Harris Corporation

lished for participants. Rather than guaranteeing the rate for a certain period, the plan sponsor has elected to let the credit rate be taken on a daily basis—similar to any other fund. Additionally, many plan sponsors are more carefully monitoring market-to-book values.

Plan sponsors also report that they need to be more up front with the investment committee in explaining why their same wrap provider may view their portfolio quality differently.

Exhibits 5 and 6 explore the estimated impact of these aggregate changes. Exhibit 5 compares the yield of a typical stable value fund over time to that of the three-month Treasury bill (a proxy for money market funds). Since 1990, stable value funds have not always yielded more than money market funds. However, they have done so most of the time due to two basic assumptions:

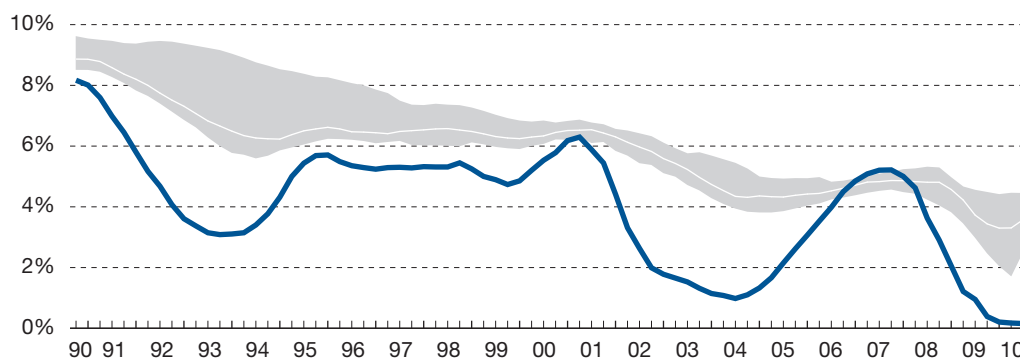
- The yield curve is positively sloped over most time periods, resulting in stable value fund yields exceeding those of money market funds (due to stable value funds' longer duration).
- The additional yield achieved through the positive slope has historically compensated the investor for the extra fees and added complexity of stable value funds.

Other assumptions that have historically held true (and most continue to hold true) for stable value to remain attractive relative to money market funds include:

- Additional yield from the positive sloping yield curve will compensate for any negative impact of cash flows.
- Additional yield will also compensate for potential future increases in short-term interest rates.
- Wrap providers are creditworthy.
- The underlying portfolio, which is wrapped, can afford to take more risk than money market funds.

Exhibit 5 Rolling One-Year Returns for Callan's Stable Value Database Group and Three-Month Treasury Bills for 20 Years Ended June 30, 2010

● CAI Stable Value ● 3-Month T-Bill



Because of these assumptions, yield premiums of stable value funds over money market funds have historically been about 1.5%. However, eating into these yields are the aforementioned changes mandated by wrap providers. Callan estimates that higher wrap provider costs can shave 10 to

15 basis points from stable value fund yields. The required shorter durations and increased cash allocations potentially remove another 10 to 30 basis points. Meanwhile, higher required Treasury allocations can reduce stable value fund yields by 10 to 40 basis points (Exhibit 6).

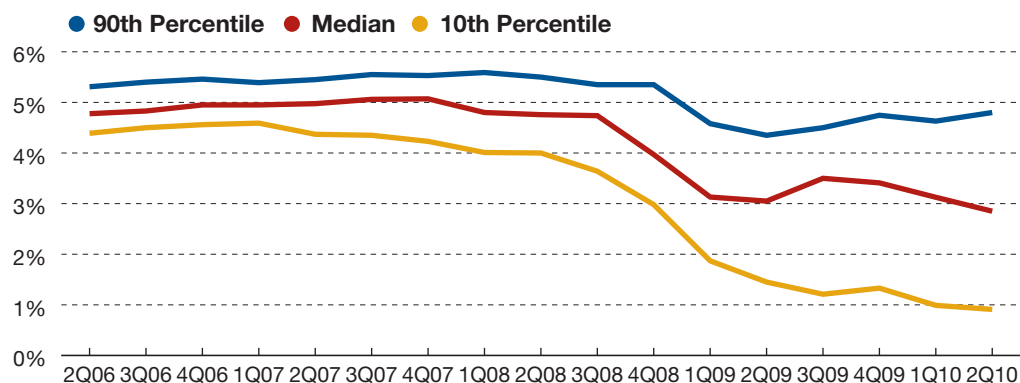
Exhibit 6 Changes in the Wrap Market and Their Effects on Yield

Changes	Effect on Yield
Higher costs	-10 to -15 basis points
Shorter durations	-10 to -30 basis points
Higher Treasury allocations	-10 to -40 basis points

While in 2006 the median stable value fund yielded roughly 5% with a very narrow spread between the highest and lowest crediting rates, today median crediting rates are below 3%

(Exhibit 7). The spread in stable value yields is also notable. While some stable value funds still have crediting rates close to 5%, others limp along with rates less than 1%.

Exhibit 7 Crediting Rates - Callan's Stable Value Database Group



In effect, the differences in wrap provider costs, investment guidelines and consequently crediting rates have turned DC plan sponsors into a uni-

verse of haves and have nots when it comes to stable value funds.

“Some of the very organizations that were going to exit the wrap provider market are coming back in and actually increasing capacity. So we’re not actually seeing a contraction of wrap writing. It’s a reversal from where it was just several months ago—it seems there is a recovery and that things are improving.” —Mark Kelliher, Deluxe Corporation

Plan sponsors with high quality stable value portfolios have found themselves somewhat insulated from issues within the wrap provider market, while those whose stable value funds are struggling are subject to some of the most severe restrictions noted above.

Increased fees in the wrap marketplace could potentially entice more providers to return. But if the wrap market is opening up, it may only be for the highest quality stable value funds.

Plan Restrictions by Wrap Providers

The restrictions that wrap providers are imposing on plan sponsors with stable value funds is another area with inconsistent impact. Generally speaking, wrap providers have become much more stringent when it comes to plan provisions that might affect stable value flows. For example, restrictions on potentially competing funds have been ratcheted up considerably and plan sponsors offering separate

“A plan sponsor even considering some M&A activity would basically open the door for the wrap provider to change some of the constructs. That is very concerning.”

—Patrick Baumann, Harris Corporation

account stable value funds may find their hands tied when they seek to add TIPS options or self-directed brokerage windows.

Lay-offs, mergers and acquisitions, and other changes to participant populations are also being more closely examined by wrap providers—sometimes providing an escape route for separate

account wrap providers determined to terminate their contracts. In such cases, if the market-to-book value is below 100%, this could cause considerable discomfort for plan sponsors that would then be faced with a decline in the fund’s value.

Another area of concern surrounds rumors that stable value wrap providers will extend put provisions from the traditional one year to three years. While historically plan sponsors in stable value collective trusts were required to provide a one-year notice to exit their stable value fund, today some are facing notification periods as long as three years. Again, depending on the quality of the underlying portfolio and the market-to-book value ratio, some stable value managers and plan sponsors have been able to resist the most draconian of these wrap provider demands.

Impact of Financial Reform on Stable Value

Financial reform created another layer of uncertainty in the stable value market. The Dodd-Frank Wall Street Reform and Consumer Protection Act, which was signed on July 21, 2010, may have the result of classifying certain stable value wraps as swaps.

Ultimately, the focus narrowed to synthetic wrappers: if they are classified as swaps, wrap provider costs could go even higher. In a worst-case scenario, the definition of synthetic stable value fund wraps as swaps could make them untenable, dramatically narrowing the wrap market.

The final impact of financial reform on stable value ultimately rests with a joint study under way by the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission looking at whether synthetic stable value wraps qualify as swaps. In the end, the commissions are in a position to ignore the results of the study if classifying stable value wraps as swaps is deemed to not be in the public's interest. Further, the legislation exempts existing contracts. Nonetheless, the situation requires continued monitoring.

“We think there will be plenty of room in the legislative and regulatory spheres for swaps to continue. We’ll have to watch them very closely.”

—Ken Porter, The American Benefits Council

“The study is basically an opportunity to get stable value out of the limelight without necessarily saying that stable value got a special deal in the legislation. My view is that the study is a non-starter and that synthetic stable value wrap providers will not be classified as swaps.”

—Mark Kelliher, Deluxe Corporation

Is Stable Value Still Attractive in a DC Plan?

Going forward, do stable value funds belong in DC plans? The answer varies depending on the plan sponsor. Sponsors with struggling stable value funds have admitted that they are simply biding their time until money market yields increase and they are in a position to replace their stable value funds with alternative capital preservation vehicles. Other plan sponsors, like Deluxe and Harris Corporations, remain confident in their stable value funds and will continue to offer them.

“We’ll remain a strong proponent of stable value. Stable value clearly complements money market and bond funds as participants build their portfolios. At the same time, it is more important than ever to actively monitor the performance of stable value managers. Plan sponsors need to be very active in managing stable value, the same as they actively manage their credit when they deal with a bank and have a credit facility.”

—Patrick Baumann, Harris Corporation

The importance of active stable value fund management has been a key lesson from the crisis. Active management implies due diligence such as benchmarking the underlying portfolio within the stable value fund, keeping track of the market-to-book value ratio and understanding the credit worthiness of the wrap provider. A clear lesson from the crisis is that stable value funds are not commodities and careful due diligence is essential.

Plan sponsors seeking alternatives to stable value have few options. Short-term yields remain too low for many plan sponsors to contemplate replacing the stable value fund with a money market vehicle. Further, timing is critical. Kelliher comments, “You would need to time it so that the stable value fund’s market value exceeded its book value, because if you do a changeover like this when market value is less than book value—even a scintilla less—the plan sponsor is on the hook for that loss and not the wrap provider.”

Another approach that some plan sponsors have considered is unwrapping the stable value fund.

However, doing so turns it into a short to intermediate duration bond fund, which does not qualify as a principal protection vehicle. Most stable value funds serve as principal protection vehicles in DC plans, thus, in this situation, it is again likely that the plan sponsor would also need a money market fund to provide principal preservation.

Despite their low yields, Baumann points to the value of money market funds during financial crises. “We had a money market account with a very low level of utilization prior to the financial crisis, and we thought about terminating it and reallocating those assets to stable value. As the financial crisis progressed we saw a fourfold increase in assets coming into the money market account. Maybe this was due to the money market account being solely invested in U.S. Treasury and agency equivalents. Or perhaps plan participants were looking for safety in their principal rather than return; they were willing to go into the money market fund even though it didn’t pay any interest or yield.”

Conclusion

In the aftermath of the financial crisis, the stable value landscape shifted and continues to evolve. While stable value seems to have narrowly escaped financial reform, wrap provider changes—including increased costs, more conservative investment requirements and stricter oversight of plan modifications—have impacted these funds’ appeal. Additionally, potentially rising interest rates could reduce stable value funds’ attractiveness relative to money market funds. By some predictions, the stable value premium over money market funds could fall to less than 1%. Yet stable value funds continue to be favored by

plan participants (especially retirees) and, for now, boast crediting rates that typically compete aggressively with low money market yields, albeit at lower rates than before the crisis.

Overall, the major lesson learned is that stable value funds are not a commodity, but vary greatly and require active oversight. Going forward, plan sponsors will need to carefully evaluate wrap providers together with the underlying fund assets to assess whether stable value funds are still attractive with the added constraints, or if other options are more appropriate for their DC plan.

Callan would like to thank the following for contributing to this paper:

Patrick Baumann, Harris Corporation

Since joining Harris Corporation in 1997, Patrick Baumann has served in various international finance and treasury positions of increasing responsibilities. As the Assistant Treasurer, his key responsibilities are bank relations, foreign exchange, 401(k) investment oversight and international cash management. Patrick gained experience with Bank of America (formerly Barnett Bank) and SunTrust for eight years before joining Harris Corp.

Patrick also serves as an Investment Sub-Committee member at the Florida Institute of Technology. He previously served on the Export-Import Bank of the United States' Advisory Board. Patrick earned a B.S. in Business Management from Jones College and an MBA from City University in Zurich. He is accredited as a Certified Treasury Professional (CTP).

Mark Kelliher, Deluxe Corporation

Mark Kelliher oversees \$1.6 billion of qualified and non-qualified retirement plan assets for Deluxe Corporation. In this capacity, he is responsible for guiding and executing decisions of the company's governance committees and overseeing the administration of Deluxe's unbundled qualified plan. His duties include oversight of 16 manager accounts and coordinating the recordkeeping and trustee services for 10,000 plan participants.

Prior to being a plan sponsor, Mark was directly involved in asset management as an equity Portfolio Manager for both registered mutual funds and high-net-worth clients. Mark is a CFA Charterholder and earned an MBA from the University of St. Thomas in Minneapolis.

Kenneth Porter, American Benefits Council

Ken Porter is Actuarial and International Benefits Consultant for the American Benefits Council. Ken works with the policy and advocacy staff on the full array of U.S. health, retirement and non-qualified deferred compensation matters on behalf of Council members. In addition, Ken has primary responsibility for international activity. Ken also serves as Executive Director of the American Benefits Institute, the policy and research affiliate of the American Benefits Council.

Before joining the Council staff in 2009, Ken was the Council's Board of Directors representative (and onetime chair) from The DuPont Company. He also served as the Corporate Chief Actuary and as Treasurer of ChemFirst, Inc., a chemical manufacturing subsidiary of DuPont.

Ken has served under the direct appointments of senior administration and congressional officials of the U.S. government. He has also testified before committees and subcommittees of the U.S. Congress, the Department of Labor, the Department of the Treasury, and the Pension Benefit Guaranty Corporation. He is a member of the Wharton Executive Education Advisory Board, and has served in a variety of leadership capacities for the actuarial profession in the United States.

Glossary

Crediting rate: The interest rate on the book value of a stable value fund. The crediting rate may be fixed or it may be reset at predetermined intervals. It will be affected by differences in the market value versus the book value of the stable value fund.

Duration: A measure of the sensitivity of a bond's price to a 1% movement in interest rates. Duration is usually given in years. For example, a four-year duration means a bond will decrease in value by approximately 4% if interest rates rise 1% and will increase in value by approximately 4% if interest rates fall 1%. Stable value funds' underlying bond portfolios have historically had a duration target of three years.

Market-to-book value: The ratio of the current (market) share price to the book value (a fund's historical cost or accounting value) per share. It measures how much a fund is valued at present, in comparison to the amount of capital invested by current and past shareholders. The ratio attempts to indicate performance by identifying whether the portfolio has a gain or loss based on the current value of its securities.

The market-to-book ratio is a closely watched statistic in the stable value industry. Stable value funds provide a guarantee that their investors can make withdrawals at book value (except in certain predefined circumstances) regardless of the fund's market value. The financial crisis was pivotal for stable value funds because it pushed many of these funds' market values significantly below their book values. Had stable value investors stampeded to exit those funds, wrap issuers would have been responsible for the difference between the market and book values of the funds. This provoked wrap providers to initiate changes in the industry to match their perceived increase in risk level.

Swap: A contract by which two parties exchange securities to substitute the maturity (bonds) or quality of issues (stocks or bonds) in order to benefit each party because investment objectives have changed. Stable value funds use derivatives called wrappers that are key to their conservative investment strategies and help to generate steady returns.

Synthetic wrap: A stable value fund using a synthetic wrap holds the investment and insurance components of a traditional Guaranteed Investment Contract (GIC) unbundled in a stable value fund. In a traditional GIC, the plan owns a group annuity contract and the insurance company owns and retains custody of the assets underlying the contract. With a synthetic wrap, the plan holds custody of the assets and negotiates for the wrap contract (which provides book value protection) separately. Synthetic GICs offer wider diversification away from what was previously a single-industry concentration in GIC funds, greater flexibility and ownership of assets.

Typically, the plan trustee holds two contracts: one with the asset manager and another with the wrap provider. Investment policy guidelines such as the duration of the assets and their credit quality are agreed to by all parties at the time of purchase, and the wrap agreement states that book value protection benefits will be paid only if these guidelines are followed.

Glossary (continued)

Wrap contract: A contract issued by insurance companies, banks or other financial companies that provides book value protection of stable value funds' portfolios from interest rate movements and other market value risks. The wrap contract guarantees that participants will receive the fund's book value even if the market value drops (with some exceptions). Large plans often organize the contract directly with the wrap provider, while smaller plans may buy collective trusts from large money managers that have the insurance contract with the provider.

Yield curve: The graphical depiction of the relationship between the interest rate/yield (or cost of borrowing) and the time to maturity between bonds with the same credit quality (usually Treasuries). In most market environments the available yields are higher for longer-term bonds.

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APPENDIX G

Research and Education

ii. Lifetime Retirement Income Solutions

Lifetime Retirement Income Solutions

A Good Fit For Defined Contribution Plans?

- ▶ Lifetime retirement income solutions, including annuities and longevity insurance, are garnering much attention from industry regulators and product providers that are seeking to simplify and ensure retirement income stability for retirees.
- ▶ Despite the variety of different solutions available for defined contribution (DC) plan administrators, annuities and other income products are not commonly offered in DC plans, and when they are available their usage by plan participants is quite low.
- ▶ Callan finds that it is generally neither practical nor feasible for most plan sponsors to include lifetime retirement income solutions in their DC plans. Fortunately, other options for supporting plan participants in dealing with longevity risk during retirement are readily available from most recordkeepers, including drawdown tools and retirement income projections.

Lifetime income solutions received a lot of air time in 2010. In February, the Department of Labor (DOL) and the U.S. Treasury Department issued a Request for Information (RFI) seeking public comments on what future steps should be taken, if any, to facilitate “access to, and use of, lifetime income or other arrangements designed to provide a stream of lifetime income after retirement.”¹ The RFI elicited nearly 800 responses. In May, the American Association of Retired Persons, the American Society of Pension Professionals and Actuaries, and the Women’s Institute for a Secure Retirement held a Lifetime Income Summit which drew attendance from a wide range of government agencies, legislators and retirement industry professionals. Most recently, the DOL and the Treasury held a joint public hearing to obtain testimony on lifetime income options in employer-sponsored retirement plans.

¹ RFI comments can be found at www.dol.gov/ebsa/regs/cmt-1210-AB33.html

Authored by Callan Associates Inc.

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About Callan Associates

Founded in 1973, Callan Associates Inc. is one of the largest independently owned investment consulting firms in the country. Headquartered in San Francisco, Calif., the firm provides research, education, decision support and advice to a broad array of institutional investors through five distinct lines of business: Fund Sponsor Consulting, Independent Adviser Group, Institutional Consulting Group, Callan Investments Institute and the Trust Advisory Group. Callan employs more than 150 people and maintains four regional offices located in Denver, Chicago, Atlanta and Florham Park, N.J.

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The Callan Investments Institute, established in 1980, is a source of continuing education for those in the institutional investment community. The Institute conducts conferences and workshops and provides published research, surveys and newsletters. The Institute strives to present the most timely and relevant research and education available so our clients and our associates stay abreast of important trends in the investments industry.

Clearly, the specter of masses of Baby Boomers running out of money in retirement due to poor spend-down planning has drawn attention. How do DC plan sponsors contribute to solving this problem? What retirement income solutions are available, and how should they be incorporated into DC plans?

In this white paper, we analyze the range of emerging DC retirement income solutions, including in-plan and rollover annuities, drawdown tools and managed payout options. We also consider the role of the DC plan in the drawdown phase of workers' financial lives, examining whether a DC plan should focus solely on accumulation of assets for retirement or if it should evolve to also facilitate retirement income management, and the best ways of accomplishing this goal.

Immediate Fixed Annuities

For many, the term “retirement income solution” is synonymous with annuity. Indeed, academics commonly point to immediate fixed annuities as an important way of guaranteeing lifetime income and combating longevity risk. For individuals who expect to live many years in retirement, and who are comfortable losing access to some or all of their lump sum wealth, immediate fixed annuities offer risk pooling that may result in a yield superior to what might be available through self insurance (such as a drawing down based on a 4% spending rule).² Yet the fixed annuity take-up rate is generally low, resulting in the “annuity puzzle”; despite the fact that annuities can be an attractive means of insuring against longevity risk for certain individuals, the immediate fixed annuity market remains relatively small. Only 6% of participants in 401(k) plans offering annuities as distribution options elect them upon termination.³

Plan sponsors must weigh fiduciary considerations when deciding whether to offer a fixed annuity as a distribution option. In 2008, the Employee Benefits Security Administration amended Interpretive Bulletin 95-1 to eliminate the safest available annuity requirement for DC plans. Further, the 2006 Pension Protection Act established a fiduciary safe harbor for the selection of annuity providers. However, plan sponsors generally find the safe harbor requirements onerous, and DC plans continue to trend away from fixed annuities as a distribution option rather than toward them.

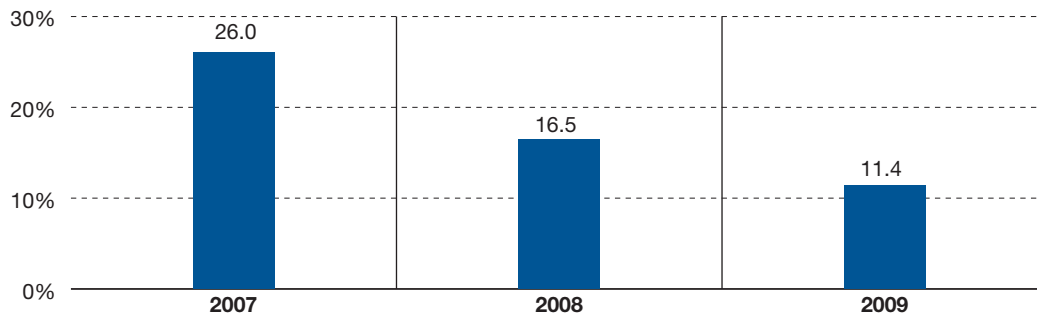
In addition, there are administrative complexities that accompany annuities. For example, all retirement plans that provide life annuities must automatically pay these benefits in the form of qualified joint and survivor annuities. Complying with these rules can impose an administrative burden and expense on plan sponsors due to the notice, waiver, revocation and spousal consent requirements.

² Brown, Jeffery. “Life Annuities and Uncertain Times.” NBER Research Reporter, Research Summary. Spring 2004.

³ *Trends and Experience in 401(k) Plans Survey*. Hewitt Associates. 2005.

Callan's 2010 DC Trends Survey reveals that since 2007, the availability of annuities as an investment option in DC plans has declined from 26.0% to 11.4% (Exhibit 1).

Exhibit 1 Annuity as a Form of Distribution Payment – DC Plan Prevalence



Source: Callan Associates' 2010 Defined Contribution Trends Survey – Getting the DC Plan Back on Track.

Due to weak participant demand, even fixed annuity rollover services are not widely offered by employers. Fixed annuity rollover services allow companies to offer—often as a voluntary benefit—a service that allows employees to roll over their DC assets into a select array of institutionally priced immediate fixed annuities from highly rated insurance companies. Most major recordkeepers offer either their own version of this rollover service or have links to outside annuity rollover services. The annuity rollover service vets annuity providers, operating much like a fixed annuity broker. The DC participant provides the requirements of the fixed immediate annuity he or she would like (such as joint and survivor, or period certain), and then the annuity rollover service returns the rates available among the annuity providers on its platform. Because the service can be offered as a voluntary benefit, it is arguable that the fiduciary liability of the plan sponsor is limited. Even so, in Callan's 2010 DC Trends Survey, only 2.9% of large employers offer any type of rollover immediate fixed annuity service to their employees.

In-Plan Guaranteed Income for Life Solutions

There are six key reasons that investors do not like immediate fixed annuities:

- **Bequest motive:** individuals wish to be able to bequeath money to their heirs.
- **Counterparty risk:** individuals do not trust or have confidence in insurance companies, a fear that has been heightened by the recent financial crisis.
- **Control:** individuals wish to have discretion over their money and do not want it “doled out” by an insurance company.
- **Undervaluing longevity risk:** individuals do not appreciate the risks associated with longevity.
- **Nature of transaction:** individuals do not like to engage in irreversible financial transactions involving large lump sums.
- **Un- or under-used benefits:** individuals fear dying too soon to enjoy their income streams.

At the same time, investors demonstrate that they do wish for certain guarantees when it comes to retirement income. In a recent survey, nearly three-quarters (73%) of 401(k) participants gave “very important” ratings to both “knowing they would have a consistent, guaranteed monthly income in retirement other than Social Security” and knowing their “health care costs would be covered.”⁴

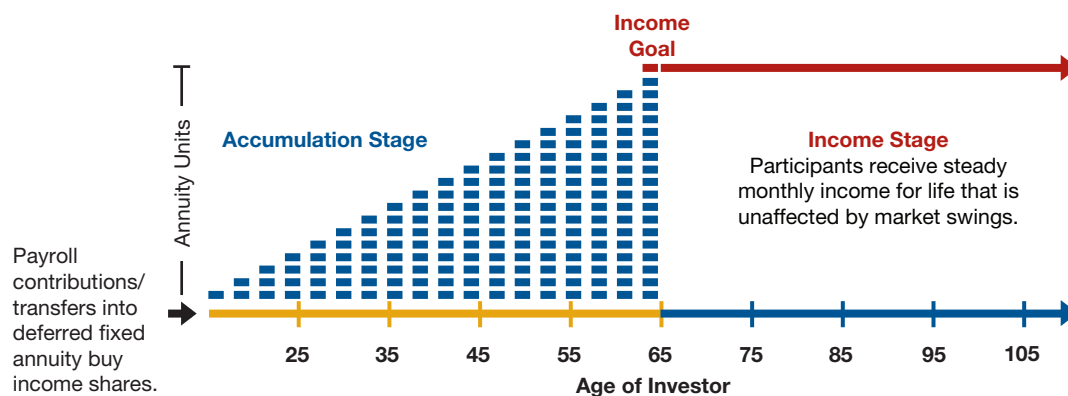
In response, insurance companies and investment managers have been busy creating a new breed of retirement income solutions that are designed to fit into a retirement plan, ideally as part of the default fund. These products seek to address perceived and actual issues investors have with annuities, while providing them with guaranteed income in retirement. Following is a description of three of these evolving products.

1. In-plan deferred fixed annuities

In-plan deferred fixed annuities allow DC participants to build up fixed annuity income over time. These products come in a variety of flavors, but **Exhibit 2** displays their basic operational concept.

Generally speaking, money that goes into the in-plan deferred fixed annuity buys income shares that can be annuitized at retirement. Over time, the shares build up until the desired income level is achieved and the participant is able to receive a certain level of guaranteed monthly income.

Exhibit 2 In-Plan Deferred Fixed Annuity Model

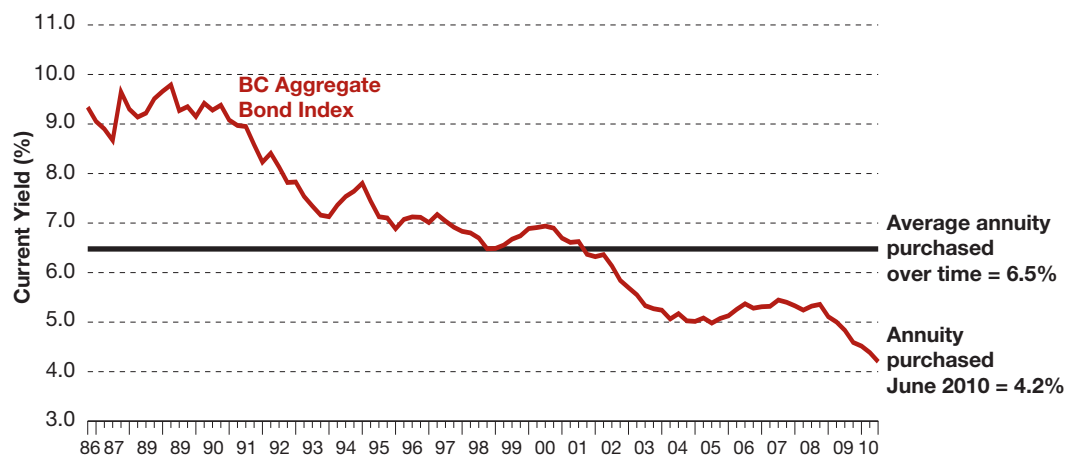


4 “Restoring Confidence: Saving for the Future of Retirement Survey.” Barclays Global Investors and Boston Research Group. 2009.

The key benefit to having deferred fixed annuities as part of the DC plan, versus simply allowing participants to roll into an immediate fixed annuity at retirement, is the potential reduction in point-in-time risk. This is the risk that an annuity purchase will be made when interest rates are relatively low, thereby resulting in low annuity income. **Exhibit 3** shows historical bond yields as a proxy for interest rates since 1986. If an individual purchased an annuity at retirement in June 2010, for example,

his or her income would be tied to a lower interest rate environment than an annuity purchased 20 years earlier. If instead the investor had begun purchasing the annuity in 1990 and continued through retirement in 2010, the dollar-cost-average effect would provide a higher average payout and reduce the point-in-time risk of investing a large sum in a fixed immediate annuity when interest rates are low.

Exhibit 3 Current Yield of the BC Aggregate Bond Index



Source: Barclays Capital Inc.

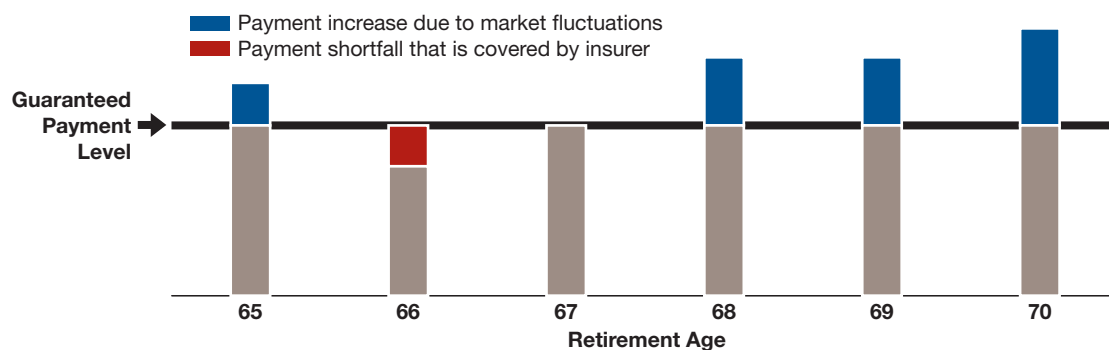
2. In-plan guaranteed minimum income benefit (GMIB) products

In-plan guaranteed minimum income benefit (GMIB) products allow participants to purchase units of guaranteed minimum income that can increase with the value of the underlying investment fund (but that don't decrease below the guaranteed level if the value decreases). Similar to the deferred fixed annuity described above, the participant's contributions to the GMIB purchase lifetime income. The difference between the two, however, is that with the GMIB, the participant's assets are invested in a daily valued balanced portfolio. A "step-up" is available, so that lifetime income can increase as the account value increases during the accumulation phase. During retirement, there is also an opportunity for annual income to increase as the value of the portfolio increases.

Exhibit 4 shows how, conceptually, some in-plan GMIB products protect downside while potentially producing upside in retirement due to market

appreciation in the underlying portfolio (of course, products differ depending upon the issuer). During the retirement income phase, a certain level of income is guaranteed, depending on when the income benefit product was purchased and how the underlying balanced portfolio fared. The horizontal line represents the guaranteed payment level. However, the value of the underlying portfolio—a balanced fund—fluctuates, creating potential upside in the guaranteed payment. In this example, at age 65 portfolio fluctuations indeed result in increased income (represented by the blue portion of the bar). However, at age 66, portfolio fluctuations eliminate that increase and then some (as represented by the red portion of the bar). Even so, the guaranteed payment level is maintained. By age 67, market fluctuations eliminate the loss in value, adjusting the payment. At age 70, payments exceed the guaranteed payment level due to underlying portfolio performance.

Exhibit 4 Payments During Income Phase – In-Plan Guaranteed Minimum Income Benefit Model



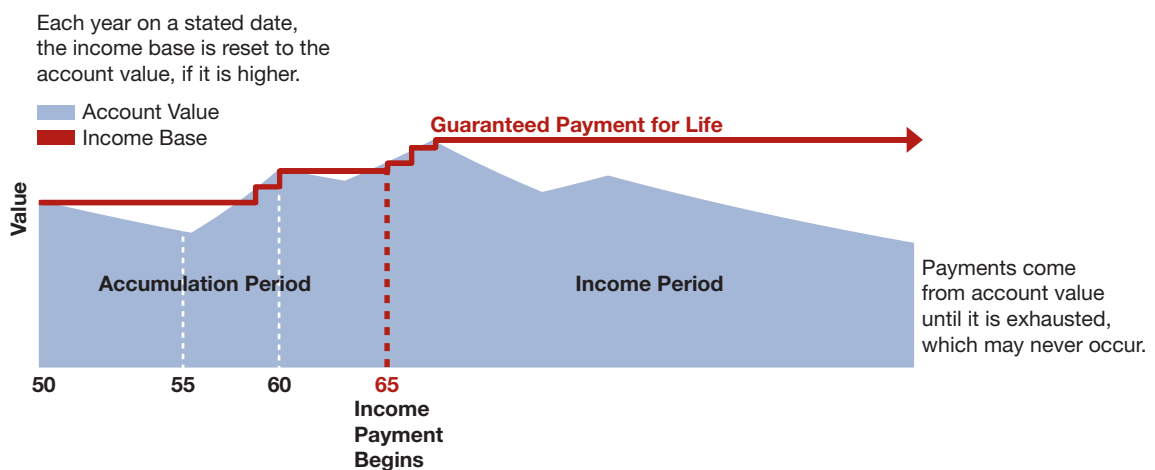
3. In-plan guaranteed minimum withdrawal benefit (GMWB) products

In-plan guaranteed minimum withdrawal benefit (GMWB) products are the most broadly offered in-plan products by insurance companies. They are designed to allow participants to use their contributions to lock in a certain base level of wealth from which their retirement income will be drawn. In the accumulation phase (typically starting at age 50), participants who buy into a GMWB lock in the value of the underlying balanced fund for income distribution purposes. While the account value may fluctuate, the income base is guaranteed by the insurance company.

Exhibit 5 shows a simplified example of how GMWBs generally work. The account value is represented by the blue area and the income base by the red line. At age 50 when the GMWB is purchased, the two are equal in value. However, their values diverge as the account value is affected by market fluctuations, while the income base (which is guaranteed by the insurance company) is not. In

fact, the account value in this example declines through age 56 due to market weakness and recovers its original value at about age 58. As the market continues to rebound, the account value exceeds the income base value at age 59. At that point, the step-up feature of the GMWB comes into play. This feature allows the income base to increase on an annual basis to set the account value's new high water mark. Every year that the account value exceeds the income base, the income base can be reset to the higher account value, and it is protected against decline if the account value decreases. At retirement, the guaranteed payments for life (e.g., 5% of the income base) continue at the highest water mark level, even if the account value shrinks during the income or drawdown period. If the account runs out of money during the decumulation phase, annuity payments are still provided to the participant.

Exhibit 5 In-Plan Guaranteed Minimum Withdrawal Benefit Model



The benefits of in-plan annuities are clear: protection of retirement income, mitigation of market risk and avoidance of longevity risk. Further, these products address many issues common with retail or rollover annuities; they potentially offer institutional pricing and a good degree of flexibility, depending on the product.

Yet, despite the breadth of development that has occurred in the in-plan annuity space, few DC plans offer in-plan annuities. According to Callan's *2010 DC Trends Survey*, only 4% of plan sponsors offer an in-plan annuity as an investment option, and only 7% said they were very likely to offer one in the next year. Some of the key reasons that plan sponsors do not offer in-plan annuities include:

- **Fiduciary concerns:** Plan sponsors lack clear guidance on the criteria they should apply in selecting and monitoring annuities. The current safe harbor requirements for distribution annuities are generally considered onerous. Further, the safe harbor does not clearly pertain to in-plan annuities. Without a safe harbor, the extent of plan sponsors' liability is unclear should the insurer fail to make good on their guarantees to participants.
- **Lack of recordkeeper support:** Many DC recordkeepers do not provide data transfers, transaction support or integrated communication for in-plan annuities. Further, there is currently a lack of consistency when it comes to in-plan annuities' infrastructure needs; a recordkeeper that supports in-plan annuity X will not necessarily support annuity Y.
- **Portability issues:** The lack of recordkeeper support also creates portability issues. If a plan sponsor with an in-plan annuity wishes to change recordkeepers, considerable challenges can arise if the in-plan annuity is not supported by the new recordkeeper. Likewise, the plan sponsor may find that terminated participants with balances in an in-plan annuity may be stranded in the plan if they do not have an IRA into which they can roll the in-plan annuity. Finally, if plan sponsors wish to eliminate or change the in-plan annuity, they may be forced to continue supporting the existing version for individuals with balances in it, which poses administrative headaches as well as possible fiduciary concerns.
- **Evaluation of cost:** Insurance costs have risen substantially across the board and may continue to do so. While many in-plan products state costs of 85 to 90 basis points for their insurance features, they also allow for increases—at any time—to maximums as high as 1.5%.
- **Value:** Related to cost is the concept of how much value these products may actually provide. Product contracts specifically state that a strong-performing underlying fund may result in a low likelihood of the insurance company paying *any* of its own money out to participants. In such cases, the insurance fees will have been paid for nothing.
- **Communication concerns:** In-plan annuities can be quite complicated to explain to plan participants. Plan sponsors run the risk of participants unknowingly paying for the insurance afforded by an in-plan annuity without understanding (or desiring) the annuity protection. This is especially a potential issue if the in-plan annuity is part of the default investment fund.

These issues currently create too many complications and potential problems for most plan sponsors to consider offering such products in their plans.

Future Solutions: Longevity Insurance

Product development of retirement income solutions is ongoing, and many within the industry are seeking to address the issues raised above. For example, the SPARK Institute is creating standard file and data formats to address support and portability issues of in-plan annuities. Investment managers are seeking to create in-plan annuity products that are backed by multiple insurers to reduce counterparty risk. Legislators and regulators are actively investigating ways to provide support and guidance to DC plan sponsors in terms of their fiduciary obligations with respect to in-plan annuities.

But the fundamental question remains: do these products fundamentally belong in DC plans? We next examine an emerging version of an in-plan annuity that is creating some interest within the industry: longevity insurance.

Longevity insurance, also known as Advanced Life Deferred Annuities, is a much talked about potential alternative to the in-plan annuities described above. Moshe Milevsky of York University was one of the first academics to envision this product as a new way to solve the dilemma of providing lifetime retirement income. In his paper *Real Longevity Insurance with a Deductible: Introduction to Advanced-Life Delayed Annuities*, Milevsky says, “Engaging in irreversible financial transactions—that is, annuitization—involving large sums of money will never be appealing to individuals regardless of (whether they grasp) the importance of longevity insurance.” However, he posits, “The alternative is perhaps slow annuitization over a very long period of time or the gradual purchase of longevity insurance that starts providing income only at any advanced age.”⁵

The concept of longevity insurance is to purchase an annuity over many years, beginning at a young age. The annuity pays much later when the risk of outliving one’s assets is high—at an advanced age such as 80 or 85. Because annuity payments do not begin immediately, longevity insurance costs could be considerably less than other annuities— as much as 35% to 40% lower by one insurer’s estimate. Essentially, longevity insurance can be considered akin to catastrophic health insurance with a high deductible: it only kicks in when longevity risk becomes substantial and financially unsupportable (when one is elderly) and can accordingly be priced less. Another potential advantage of longevity insurance is that it creates a much easier retirement income management equation. Instead of an open-ended pay-down period for retirement savings (i.e., until one dies), longevity insurances provides a finite time-frame for the pay-down period. If the longevity insurance payments begin at age 80, an individual retiring at age 65 knows that his or her retirement nest egg must last for fifteen years, or until the longevity insurance payments become available.

Jason Scott of Financial Engines has gone so far as to assert that, “Almost every retiree would likely benefit from at least a modest allocation of assets to a longevity annuity.”⁶

5 North American Actuarial Journal, Volume 9, No. 4.

6 Scott, Jason. “The Longevity Annuity: An Annuity for Everyone?” Financial Engines. June 2007.

Conceptually, longevity insurance has many positive attributes, but there are also a number of drawbacks.

- **Lack of investor interest:** Like all annuity products, the “curb appeal” of longevity insurance is low. Even at a low price point, people are unlikely to be comfortable investing in a product that does not pay off until many years into the future—and potentially does not pay off at all should the investor die prior to the payment date. Further, as with all annuities, investors are likely to shy away from entrusting their distant financial future to a single insurance company, especially in light of the recent financial turmoil.
- **Few or limited products:** Few insurance companies offer longevity insurance due to institutional and regulatory obstacles.
- **Potential violation of required minimum distribution (RMD) rules:** From a plan sponsor perspective, longevity insurance has many of the same drawbacks as other in-plan annuities, such as fiduciary, portability and communication issues. It also could violate RMD rules that require payouts from certain DC plans to begin at age 70.5. Since payouts likely start at age 80 or later with longevity insurance, this would create a critical disconnect for those adhering to the RMD rules in these situations.

In other words, as with all in-plan annuities, while the concept of longevity insurance is appealing, at this time, it fails the practicality and feasibility test for inclusion in the typical DC plan.

Other Avenues of Retirement Support

Beyond in-plan or other types of annuities, there are other ways that plan sponsors can support workers in retirement planning, including income management. Many recordkeepers offer a host of resources for plan sponsors and participants.

Drawdown Tools

One simple approach is to offer participant education on income in retirement. Increasingly, recordkeepers are developing and promoting retirement income modeling and planning tools. These include tools that help employees develop a budget for retirement, identify how much they can afford to spend during retirement without exhausting their savings and even guide them in how to invest during retirement to balance longevity and market risks. The importance of such tools should not be underestimated. A LIMRA report found that, in a series of focus groups involving recently retired workers, the retirement planning and income management process was informal at best:

Few participants have developed goals for sufficient asset levels in future years. Nor have many assessed when they should change their asset allocations (e.g., when they retire or as they age) or whether they should change their spending levels at retirement to meet evolving conditions. When asked how they expect to adjust to inevitable changes in costs, health and market conditions, the typical response was, "I'll just know." These participants appear to have relied on intuitive reasoning their entire adult lives and have faith in their ability to sense when change is necessary.⁷

Recordkeepers are also increasingly helping to educate workers on appropriate retirement income levels by incorporating retirement income needs and projections into participant statements. Many also provide retirement income projections and tools on their benefits site. In some cases, they offer recommendations on how to close the gap between the likely retirement income balance and the required balance: how much more the participant needs to save, how much longer he or she may need to work and better ways to invest.

Repositioning DC savings around retirement income, as opposed to current balances, may also facilitate the use of investments such as fixed annuities in retirement. A key issue many people have with fixed annuities is the sticker shock they experience upon learning that their \$250,000 nest egg will net them well under a couple thousand dollars per month in retirement. Accustoming people to think in terms of monthly income instead of a lump sum may make fixed annuities more palatable.

At the same time, some plan sponsors question if there might be additional fiduciary responsibility associated with communicating projected income in retirement to plan participants. In response to the DOL/Treasury RFI released earlier this year on retirement income solutions, a number of commenters

⁷ "Spending and Investing in Retirement: Is There A Strategy?" Report by The Society of Actuaries and LIMRA. 2006.

asked the DOL to clarify Interpretive Bulletin 96-1, so that plan sponsors would have assurance that retirement management communication would constitute education as opposed to advice. The DOL and Treasury have responded by asking for input at the retirement income solutions hearing about what would constitute useful information to participants for managing and spending their retirement benefits. Additionally, they seek feedback on the value to DC participants of having their DC account balance translated into a projected monthly income stream in retirement within their benefit statement.

Managed Payout Mutual Funds

Plan sponsors can also communicate and facilitate the use of rollover options that manage income in retirement. The specifics of these funds vary, but their fundamental goal is to help retirees protect against longevity risk—to avoid running out of money in retirement. We briefly describe two versions of managed payout mutual funds.

- **Principal preservation vehicles** are one of the more common types of managed payout mutual funds. They seek to generate a steady income stream (e.g., 4% annually) while preserving the investor's capital. Investors decide how much risk they are willing to assume in exchange for different levels of potential income.
- **Time horizon funds** are geared to pay out over a certain period of time rather than perpetually. They aim to preserve an orderly drawdown of accumulated assets in retirement, often with longevity risk and inflation protection features.

These products offer a means to help retirees navigate the retirement income arena more successfully. However, as with the retirement income tools and projections outlined above, they *do not* guarantee that income streams will be paid throughout the lifetime of the retiree. Moreover, as mentioned above, some plan sponsors worry about the fiduciary responsibility they may assume in educating participants about income management in retirement.

Conclusion

Lifetime income solutions—to the extent that they are annuities—are likely not a good fit for many DC plans at the present time. Currently, obstacles to making such investment options available to DC participants are daunting for all but the most paternalistic and dedicated plan sponsors. The majority of plan sponsors do not fit this profile; only 22% of plan sponsors even want retiree accounts to remain in the 401(k) plan.⁸

Although annuities are not appropriate for most plans today, they hold future potential. Certainly, the considerable advances in product development and possible legislative or regulatory support warrant ongoing examination.

8 *Trends and Experience in 401(k) Plans Survey*. Hewitt Associates. 2005.

It is important to remember that lifetime income solutions are not limited to annuities; there are a number of alternative ways that plan sponsors can assist participants in retirement planning and spending. Indeed, in exploring retirement income solutions, plan sponsors may discover that their record-keeper already offers a variety of tools and other support to assist plan participants, such as drawdown tools that help participants know if their money will last during retirement, pre-retiree seminars and even one-on-one financial planning. For many plan sponsors, communication, education and rollover solutions are the most palatable approaches available today for supporting DC participants in retirement.

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APPENDIX G

Research and Education

iii. 2Q11 DC Observer



CASE STUDY: CUSTOM VERSUS OFF-THE-SHELF TARGET DATE FUNDS

Are custom target date funds right for your 401(k) plan? Custom target date funds feature a target date glidepath that is tailored to the plan's needs, and they also leverage the plan's core funds in investment implementation. Ten percent of plans with \$100 million to \$1 billion in assets and 33% of plans with assets over \$1 billion elected to construct customized target date funds.¹ In this issue of the *DC Observer*, we examine the decision-making process of two plan sponsors that examined off-the-shelf and custom target date funds for their target date fund lineup, and arrived at very different conclusions.

The first plan sponsor, "Global Corporation," is a public company that has grown significantly through acquisition. Global Corporation historically offered both defined benefit (DB) and defined contribution (DC) plans. However, the DB plans are now closed. While many current employees will receive a pension benefit, new employees will rely entirely on DC plan for retirement. Recognizing that target date funds were becoming increasingly central to the retirement income adequacy of their plan participants, the investment committee recently decided to reevaluate the target date fund option in their plan, which is their recordkeeper's off-the-shelf offering. More than half of large DC plans offer the target date fund of their recordkeeper according to Callan's 2011 *DC Trends Survey*. The target date fund evaluation has been one of many issues com-

peting for the attention of Global Corporation's investment committee and staff.

The second plan sponsor, "Midwestern Corporation," is a private company that has also grown significantly over the past several years. While some employees are invited to become shareholders in the corporation and can expect their share ownership to provide meaningful retirement assets, a majority of the employees are not offered company shares and will depend entirely on the 401(k) plan for their retirement. For a variety of reasons, the company currently requires participants to withdraw their assets from the plan upon retirement. At the same time, the company feels a responsibility to provide adequate retirement income for employees and has historically provided a generous match as well as profit sharing contributions to the plan. After determining that target date funds offer the best available retirement savings solutions for employees, the investment committee recently opted to replace the plan's set of "risk-based" asset allocation funds with target date funds. Selecting the best set of target date funds is a high priority and Midwestern Corporation is willing to devote significant time to the effort.

IN THIS ISSUE

CASE STUDY: CUSTOM VERSUS OFF-THE-SHELF TARGET DATE FUNDS

CALLAN DC INDEX™

¹ Casey Quirk/PSCA. "Target-Date Retirement Funds: The New Defined Contribution Battleground." November 2009.

The *DC Observer* is a quarterly newsletter that offers Callan's observations and opinions on a variety of topics pertaining to the defined contribution industry. Each issue is updated with the latest Callan DC Index™ returns.

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About the Callan Investments Institute

The Callan Investments Institute, established in 1980, is a source of continuing education for those in the institutional investment community. The Institute conducts conferences and workshops and provides published research, surveys and newsletters. The Institute strives to present the most timely and relevant research and education available so our clients and our associates stay abreast of important trends in the investments industry.

About Callan Associates

Founded in 1973, Callan Associates Inc. is one of the largest independently owned investment consulting firms in the country. Headquartered in San Francisco, Calif., the firm provides research, education, decision support and advice to a broad array of institutional investors through four distinct lines of business: Fund Sponsor Consulting, Independent Adviser Group, Institutional Consulting Group and the Trust Advisory Group. Callan employs more than 150 people and maintains four regional offices located in Denver, Chicago, Atlanta and Florham Park, N.J.

Decision One: Which Glidepath is Best?

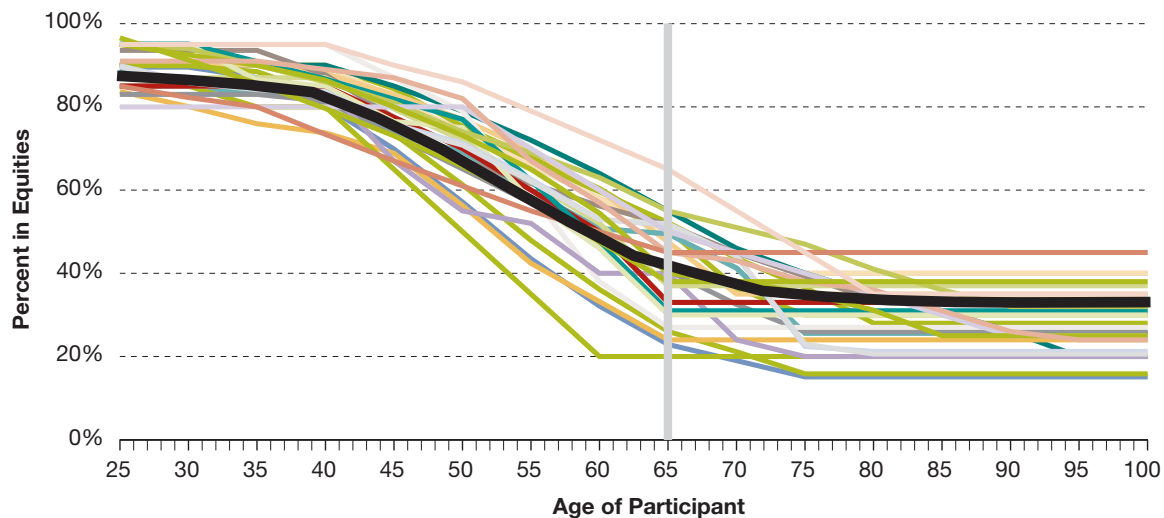
A plan sponsor considering adding or changing target date funds should determine the appropriate glidepath for the participant population before making any decisions regarding implementation. The appropriate glidepath can be meaningfully different from plan to plan depending on the preferences of the plan sponsor and the circumstances of participants. **Exhibit 1** illustrates that point by showing the range of possible glidepaths available via off-the-shelf target date funds. Each line in the graph represents a separate target date fund's equity allocation over time.

Global and Midwestern Corporations began their analyses with an examination of the degree to which various glidepaths would enable plan participants to replace certain levels of income in retirement. As an initial step, they developed assumptions required to model asset accumulation, including:

- Starting salary and salary growth;
- Expected retirement age and expected participant behavior at retirement (whether participants are expected/encouraged to withdraw from the plan at retirement or to remain in the plan);
- Other sources of retirement income (the proportion of retirement income that would be supplied by sources other than the 401(k) plan); and
- The percentage of final income participants need in order to have adequate retirement income (income replacement ratio).

Both companies determined that their 401(k) plans should aim to achieve a 65% income replacement ratio for the average participant, with the expectation that other sources of retirement income, including social security, would be available to supplement the 401(k) plan.

Exhibit 1: Target Date Fund Glidepath Equity Roll Downs

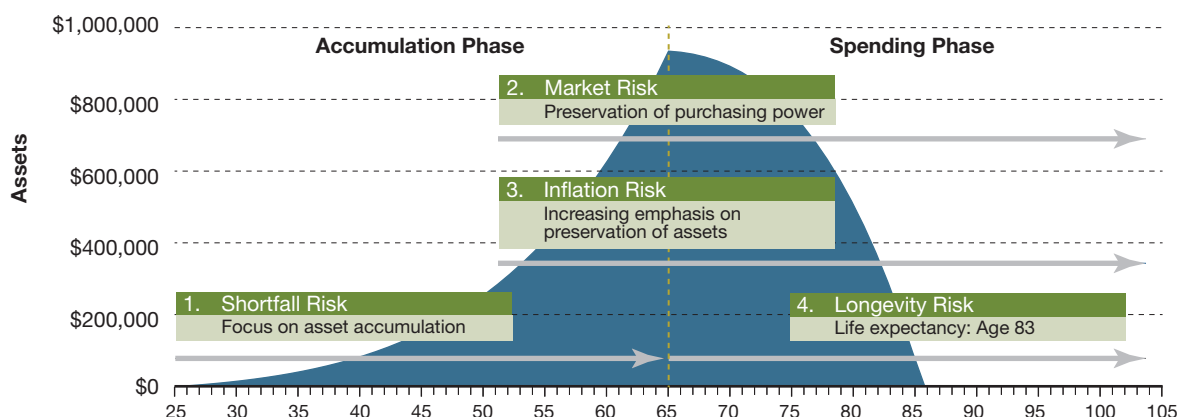


Source: Callan 2011 Target Date Fund Survey

Based on the initial 65% income replacement ratio assumption, Callan modeled glidepath alternatives designed to meet the replacement ratio objective, considering risks in the accumulation and spending phases (**Exhibit 2**). Phase one in the

exhibit focuses on asset accumulation. Market risk and inflation risk span both the accumulation and spending phases and require a focus on preservation of purchasing power and assets, respectively. Longevity risk is a concern in the spending phase.

Exhibit 2: Risks in Accumulation and Spending Phases



The analysis suggested that Midwestern could attain their income replacement objective with a conservative glidepath that reduced equity exposure to 25% at retirement. The analysis for Global recommended a glidepath that maintained an equity allocation of 50% at retirement. While variations in assumptions led to significantly different conclusions, the primary determinant of Midwestern achieving its objective with a conservative path was its generous profit-sharing contributions.

The differences in appropriate glidepaths for Global and Midwestern translated into whether available off-the-shelf target date funds would be able to meet plan needs. In the case of Global, which sought a more aggressive glidepath, several off-the-shelf products were similar to their optimal glidepath, and merited serious consideration.

In contrast, Midwestern Corporation discovered that virtually all the available off-the-shelf glide-

paths maintained higher equity allocations near and at retirement than their desired conservative path. The investment committee therefore leaned toward custom target date funds.

Decision Two: Essential Glidepath Features

Global and Midwestern next examined other features beyond the target date glidepath, including:

- Asset classes included in the glidepath,
- Fee structure,
- Active versus passive implementation of the glidepath, and
- Underlying funds and managers.

Global identified off-the-shelf products with appropriate glidepaths and proceeded to compare their features. During this process they focused on fees and the value of active versus passive management.

Although Midwestern was already leaning toward custom funds as a result of the glidepath analysis, they compared the anticipated fee structure in a set of custom funds, composed of their current core managers, to the fees of comparable off-the-shelf products. They discovered that custom funds employing their current core managers would have a significantly lower cost than the average off-the-shelf target date fund, reaffirming their decision.

Decision Three: Glidepath Flexibility

Midwestern was now clearly on the path to a custom set of target date funds. They first needed to weigh the benefits and challenges of employing custom target date funds. The benefits include the plan sponsor's ability to:

- Select the underlying managers from existing funds in the core lineup and even incorporate "outside" managers that are not part of the core fund lineup;
- Replace individual managers that do not meet expectations;
- Mix active and passive management;
- Control fees by seeking the lowest fee share class for each manager or utilizing separate accounts or commingled vehicles with negotiable fees; and
- Periodically reevaluate and change the glidepath.

On the other hand, challenges of a custom fund include:

- Additional resources required for the plan sponsor to build and maintain custom funds;
- Implementation and administrative challenges, such as portfolio rebalancing;
- Assuming the role of investment fiduciary with respect to the target date funds; and

- The need to customize participant communication, such as creating custom fund fact sheets.

Midwestern realized they would need to work with the recordkeeper and possibly a separate custodian to create and periodically rebalance the funds. Also, they may find participant communication more complicated. For example, the funds would not have a name brand and, initially, would not have a track record.

Final Decision

Global ultimately selected a set of passively managed off-the-shelf funds. Global was influenced by competing priorities and the limited time and attention the staff and investment committee could devote to managing the challenges associated with custom target date funds. In addition, the staff and investment committee concluded that the asset allocation or glidepath was the primary tool to accomplish the income replacement objective, and that active management would not add significant value. Since they were able to identify a passive off-the-shelf target date fund that met their needs, they felt justified in taking the off-the-shelf route.

Midwestern chose custom target date funds. Their decision was driven by several factors, including the lack of a suitable off-the-shelf fund with an acceptable glidepath. They also valued the fee structure of the custom target date funds. In addition, the investment committee and staff had both the resources and willingness to manage the implementation and administration of custom target date funds. The Midwestern plan had always maintained open architecture in the core investment fund lineup and wished to duplicate that open-architecture approach in their target date fund. Further, they valued the flexibility to modify and enhance the glidepaths at their own discretion.

Conclusion

Global and Midwestern Corporations recognized their need to improve the provision of adequate retirement income for participants in their 401(k) plans. Both concluded that target date funds were the best solution currently available, but acknowledged that target date fund investment is not a commodity, but can range widely in terms of glide-paths and implementation. Therefore, the two

companies undertook a thorough and well-documented due diligence process that considered the unique needs and circumstances of their participants. Although the process led the plans down very different roads, both plan sponsors were able to make this important decision on behalf of their plan participants with confidence.

CALLAN DC INDEX™

The DC Index Treads Water

The Callan DC Index™ eked out a negligible 0.23% return in the second quarter. This put the Index's return well behind that of the average corporate DB plan (+ 1.31%). Since its 2006 inception, the average corporate DB plan has bested the DC Index by over 1.5 percentage points annually.²

The performance of the DC Index compares more favorably to the average 2030 target date fund over the past five-and-a-half years: 3.68% versus 3.30%, respectively, on an annualized basis.

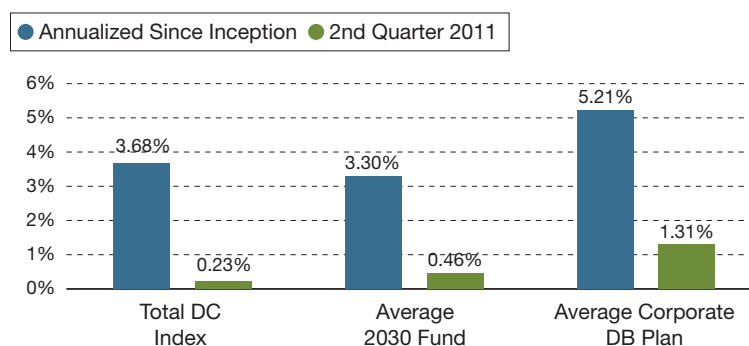
During the second quarter, however, the average 2030 target date fund marginally outperformed the DC Index by 23 basis points.

The average 2030 fund has a higher equity allocation than the plans in the DC Index (78% for the 2030 fund versus 65% for the DC Index); the typical corporate DB plan differs from plans in the DC Index by offering greater diversification into asset classes such as alternatives.

Balances Grow—But Largely Due to Contributions

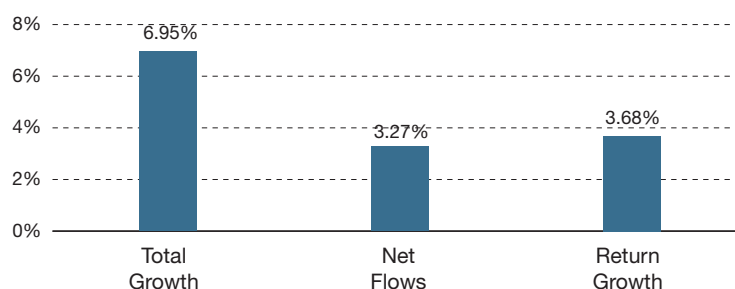
Over the five-and-a-half years of the Index's existence, total annualized growth of participant balances clocks in at 6.95%. Notably, half of this growth comes from plan sponsor and participant contributions (net flows) rather than investment gains. This underscores the importance of programs such as automatic contribution escalation, which can increase participant deferral levels.

Investment Performance



*Performance is gross of fees.

Growth Sources (Annualized Since Inception)

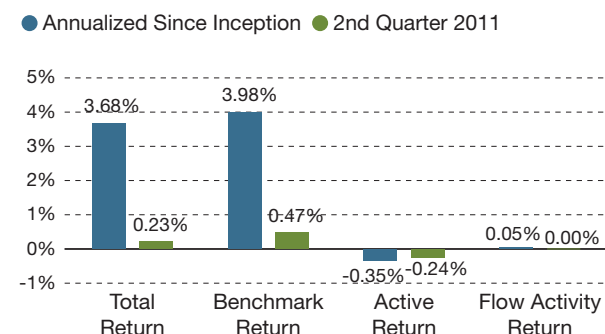


² This performance edge is partly attributable to the fact that corporate DB plan returns are reported gross of fees while the Index's returns are net of fees.

Active Management: International Managers Win the Day

Active management provided a 24 basis point headwind for the DC Index during the quarter.

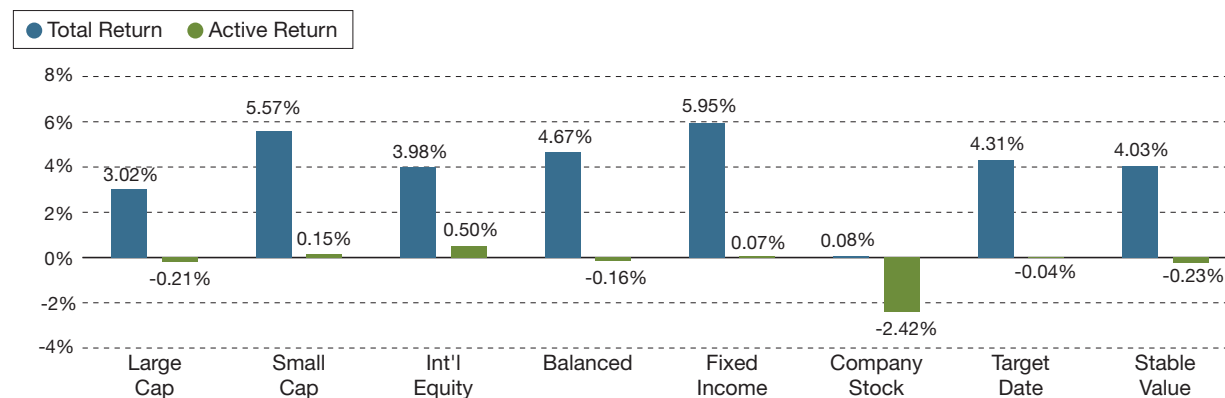
Total Investment Return Components



Since the Index's inception, active management has detracted from the typical plan's total return by an average 35 basis points annually. One bright spot has been international equity funds, where managers have added 50 basis points on an annual basis through active management. In contrast, company stock funds have underperformed by 2.42% annually relative to an investment in the S&P 500 Index.

Passive funds now account for nearly 19% of DC plan assets, an increase of over 6% since the Index's inception.

Asset Class Total Return and Value-Added of Active Management (Annualized Since Inception)



Cash Flows: Heavy Outflows from Domestic Large Cap and Company Stock

Continuing a trend since the Index's inception, target date funds (49%) once again garnered healthy net inflows. In contrast, domestic large cap equity funds and company stock funds saw large outflows—accounting for 51% and 40% of total out-

flows, respectively, for the quarter. Overall, Index turnover was light at 0.31%, compared to the historical average of 0.71%.³

Net Cash Flow Analysis Second Quarter 2011

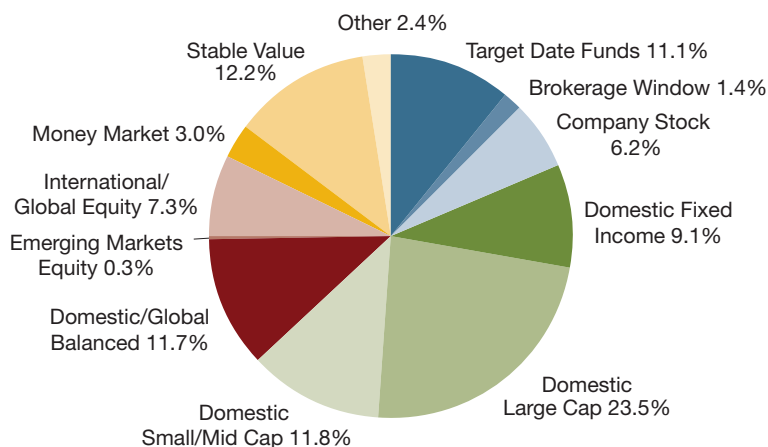
Asset Class	Flows as % of Total Net Flows	Flows as % of Asset Class Market Value	Flows as % of Total Index Market Value
Alternatives/Other	-2.00%	-4.51%	-0.01%
Brokerage Window	-2.76%	-0.59%	-0.01%
Company Stock	-39.84%	-1.88%	-0.12%
Convertible Fixed	0.02%	0.97%	0.00%
Domestic Fixed	24.00%	2.33%	0.20%
Domestic Large Cap	-50.86%	-0.66%	-0.16%
Domestic Small/Mid Cap	2.58%	0.19%	0.02%
Domestic/Global Balanced	3.75%	0.28%	0.03%
Emerging Markets Equity	0.07%	0.23%	0.00%
Global Equity	-4.53%	-1.04%	-0.01%
High Yield Fixed	0.45%	4.05%	0.00%
International Equity	6.06%	0.72%	0.05%
Int'l/Global Fixed	0.93%	7.80%	0.01%
Money Market	1.45%	0.41%	0.01%
Real Estate	1.47%	4.20%	0.01%
Real Return/TIPS	1.87%	5.19%	0.02%
Specialty Equity / Sector	0.04%	0.44%	0.00%
Stable Value	5.34%	0.37%	0.05%
Target Date Funds	49.38%	3.95%	0.42%
Total Turnover			0.31%

³ Total Index "turnover" measures the percentage of total invested assets (transfers only, excluding contributions and withdrawals) that moved between asset classes.

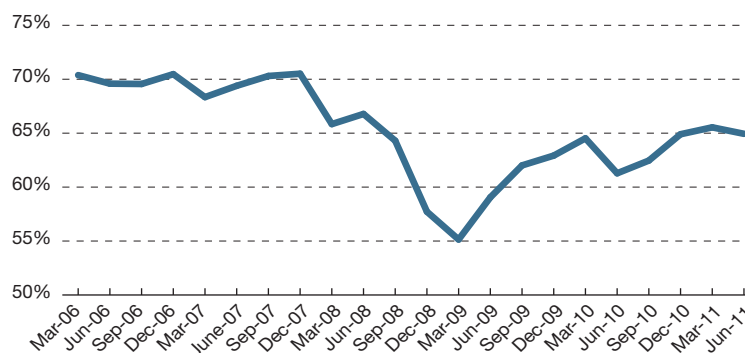
Asset Allocation: 65% is the Magic Number

The share of equities in the DC Index continues to hover around 65% since the start of the year. While large cap equity has the largest share of plan assets at 24%, this is down materially from its high of 32% at the Index's inception. The typical plan offers four large cap domestic equity funds (about the same number as in early 2006)—the highest number of funds for any asset class except target date funds. The Index's overall equity allocation has declined 5% since inception.

Callan DC Index Asset Allocation as of June 30, 2011



Average Total Equity Exposure



ABOUT THE CALLAN DC INDEX

The Callan DC Index™ is an equally weighted index tracking the cash flows and performance of over 70 plans, representing more than 800,000 DC participants and over \$80 billion in assets. The Index is updated quarterly and reflects 401(k) plans as well as other types of DC plans.

For more in-depth coverage, please see the ***Callan DC Index Performance Summary & Analysis*** or go to www.callan.com.

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APPENDIX G

Research and Education

iv. *2011 DC Trends Survey*



2011 DC Trends Survey

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*Callan's 2011 Defined Contribution Trends Survey paints a generally positive picture of defined contribution (DC) plan developments. Sponsors are moving their plans forward by increasing company contributions, stepping up use of automatic features and unbundling their DC plans. However, some stumbling blocks remain in terms of compliance and appropriate policies when it comes to terminated participant assets. Plans are likely to see greater prevalence in 2011 of real return and TIPS funds, Roth designated accounts, and custom target date funds. The survey was fielded online in late September and early October 2010. Results incorporate responses from nearly 90 companies across the U.S. **Other key findings of the survey include:***

POSITIVE TRENDS

- **Company contributions are making a comeback.** No plan sponsors reported the intention of reducing or eliminating company contributions over the next 12 months. Conversely, of the nearly 20% of plan sponsors that had reduced or eliminated the company's contribution to the plan over the past 24 months, more than half (58%) plan to reinstate it over the next 12 months and nearly one-third said they had already at least partially reinstated it.
- **Plans have stepped up implementation of automatic features.** Adoption of automatic enrollment increased from 43.9% in 2009 to 51.3% in 2010. Likewise, the prevalence of automatic contribution escalation increased from 33.8% in 2009 to 46.2% in 2010.
- **Relatively few managers were replaced in 2010 due to weak performance.** Only one in four plan sponsors reported making such a change in 2010, compared to nearly one-third in 2009 and close to 40% in 2008.
- **Greater use of investment consultants.** The proportion of plan sponsors using an investment consultant increased from 64.6% in 2009 to 71.8% in 2010.

AREAS OF CONCERN

- **Continued uncertainty around ERISA Section 404(c) compliance.** Thirteen percent of plan sponsors were uncertain as to whether their plans are in compliance with ERISA Section 404(c). Reviewing 404(c) compliance ranked as the number one step that plan sponsors have taken to improve the fiduciary positioning of their DC plan in the last 12 months.
- **Mixed opinions about retaining retiree and terminated assets in the DC plan.** About one-third (36.1%) of plan sponsors seek to retain both retiree and terminated assets. However, nearly half (44.4%) do not have a policy when it comes to retaining assets and just over 15% do not seek to retain retiree and terminated assets.



CALLAN
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2011 DC Trends Survey

KEY TRENDS (continued):

Decision Making

- **More involvement of treasury/finance and other groups outside of human resources in administrative decision making.** The proportion of plans whose treasury/finance group is responsible for administrative decisions has increased since 2009—from 17.5% to 25.6%. In contrast, plans in which human resources alone oversees administrative decisions has decreased slightly year over year.

Fees

- **Plan fee due diligence remains important.** To improve the fiduciary positioning of their DC plan, one of the most important steps that plan sponsors say they have taken within the past 12 months is to review plan fees. Plan fees also have a top spot as one of the most important areas of focus for plan sponsors going into 2011.
- **Plan sponsors are generally quite vigilant when it comes to fees.** Nearly 85% have calculated their plan fees within the past 12 months, while 94.5% have done so in the past 24 months. Moreover, 84.1% of plan sponsors are benchmarking DC plan fees in addition to calculating them.

Features

- **Increased prevalence of Roth designated accounts.** In 2008, only one in four plan sponsors (27.8%) offered a Roth account in their DC plan, a figure which nearly doubled in 2010. Increased prevalence may be attributed in part to a renewed focus on Roth generally. For 2011, nearly one in 10 (9.4%) plan sponsors that do not offer Roth in their DC plan indicate they will do so. Another one in four say they are considering offering a Roth account.

Investments

- **Plan sponsors are content with the company stock offerings in their plan.** Most plan sponsors that offer company stock do not anticipate making any changes with respect to company stock in the next year (90.5%). The number one approach to limiting liability with respect to company stock is communication around diversification (77.3%).
- **Real return funds remain a hot commodity.** Real return/TIPS funds were the most commonly added options in 2010 and likely will be in 2011, given inflation concerns. TIPS funds are added more frequently than multi-asset class real return funds, where available products still tend to lack a track record.

For a copy of the full survey, please contact Ray Combs or Gina Falsetto
at institute@callan.com or 415-974-5060.

ADDITIONAL DOCUMENTS

Sample Quarterly Performance Report

**Callan Associates Inc.
Investment Measurement Service
Quarterly Review**

**Sample Defined Contribution Report
June 30, 2011**

The following report was prepared by Callan Associates Inc. ("CAI") using information from sources that include the following: fund trustee(s); fund custodian(s); investment manager(s); CAI computer software; CAI investment manager and fund sponsor database; third party data vendors; and other outside sources as directed by the client. CAI assumes no responsibility for the accuracy or completeness of the information provided, or methodologies employed, by any information providers external to CAI. Reasonable care has been taken to assure the accuracy of the CAI database and computer software. In preparing the following report, CAI has not reviewed the risks of individual security holdings or the compliance/non-compliance of individual security holdings with investment policies and guidelines of a fund sponsor, nor has it assumed any responsibility to do so. Copyright 2011 by Callan Associates Inc.

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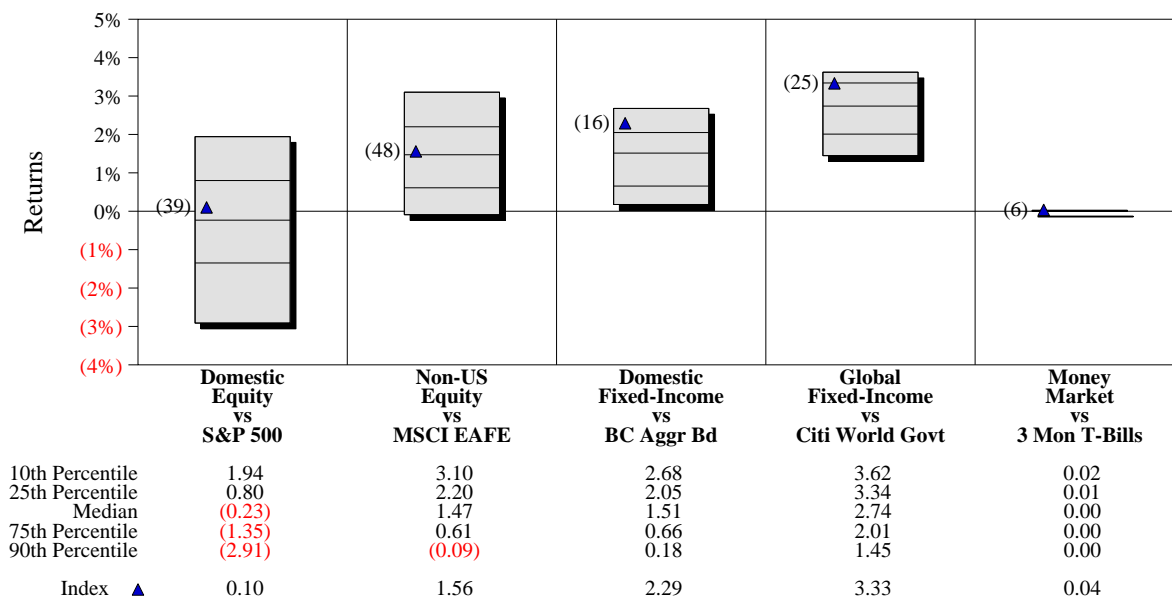
MARKET OVERVIEW

ACTIVE MANAGEMENT VS INDEX RETURNS

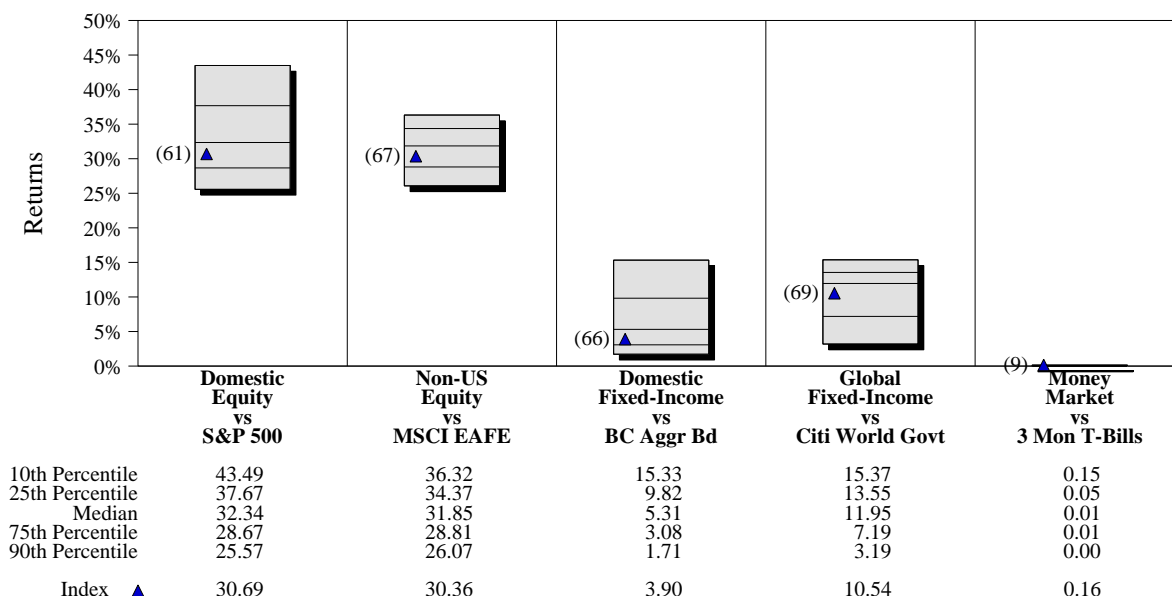
Market Overview

The charts below illustrate the range of returns across managers in Callan's Mutual Fund database over the most recent one quarter and one year time periods. The database is broken down by asset class to illustrate the difference in returns across those asset classes. An appropriate index is also shown for each asset class for comparison purposes. As an example, the first bar in the upper chart illustrates the range of returns for domestic equity managers over the last quarter. The triangle represents the S&P 500 return. The number next to the triangle represents the ranking of the S&P 500 in the domestic equity manager database.

Range of Mutual Fund Returns by Asset Class One Quarter Ended June 30, 2011



Range of Mutual Fund Returns by Asset Class One Year Ended June 30, 2011



DOMESTIC FIXED-INCOME

Active Management Overview

Active vs. the Index

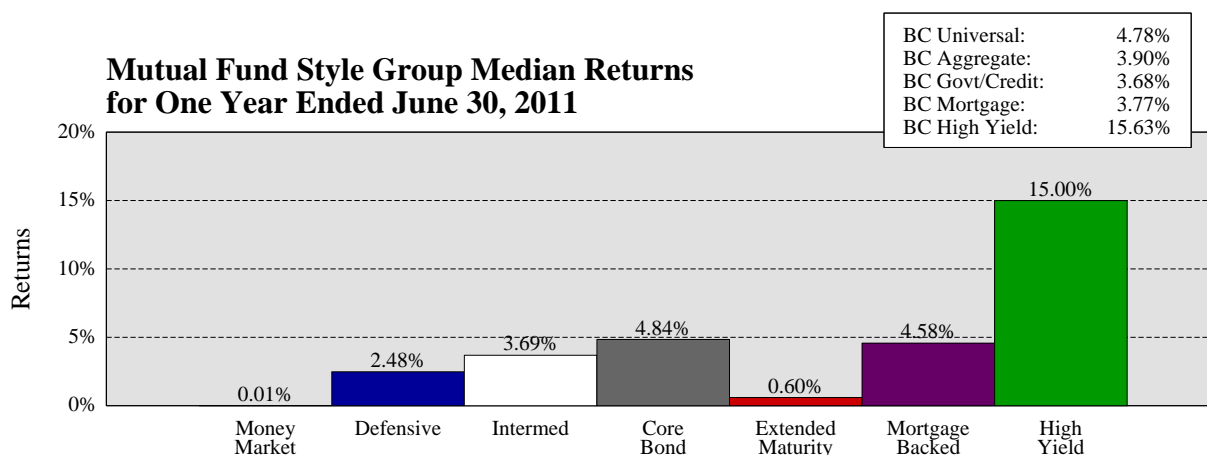
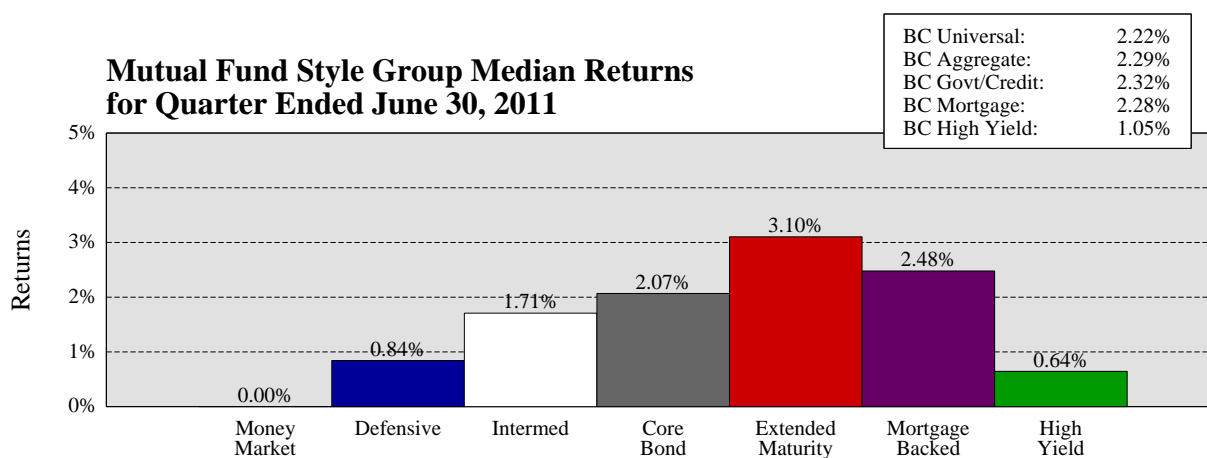
With slowing concerns about the U.S. economy's recovery and the European debt crisis, the domestic fixed-income markets continued its modest, yet positive 2011 performance through the second quarter. The continued positive performance can be linked to investors moving away from the euro and yen and towards U.S. Treasuries. Extended Maturity was the top performer of the quarter, slowing toward the end of June due to the rise in interest rates. The median Core Bond Fund posted a return of 2.07%, which was outperformed by the Barclays Capital Aggregate Index by 22 basis points. For the year ended June 30, 2011, the median fund finished ahead of the index with a return of 4.84%, 94 basis points ahead of the Barclays Capital Aggregate return of 3.90%.

Short vs. Long Duration

Both Extended Maturity and Intermediate bond markets displayed strong second quarter performance recording much higher gains than the first quarter of 2011. The median Extended Maturity Fund gained 3.10% in the quarter ended June 30, 2011, 139 basis points above the median Intermediate Fund which gained 1.71% for the quarter. For the twelve months ended June 30, 2011, the median Extended Maturity fund showed a return of 0.60%, 309 basis points behind the median Intermediate Fund's return of 3.69%.

Mortgages and High Yield

The High Yield market was hit the hardest in the second quarter of 2011 as the BC High Yield index fell 97 basis points in June. Housing sales and starts remained at an all-time low despite record low 30 year mortgage rates. The median Mortgage-Backed Fund posted a positive return of 2.48% for the second quarter of 2011, outperforming the Barclays Mortgage Index's return of 2.28% by 20 basis points. For the year ended June 30, 2011, the median Mortgage-Backed Fund outperformed the Barclays Mortgage Index generating a return of 4.58%, 81 basis points higher than the 3.77% index return. High Yield funds were the worst performing group in the second quarter of 2011 with the median fund returning 0.64%, lagging the Barclays High Yield Index by 41 basis points. For the twelve months ended June 30, 2011, the median High Yield Fund produced a healthy return of 15.00%, slightly lagging the Barclays High Yield Index, which returned 15.63%.



DOMESTIC EQUITY

Active Management Overview

Active vs. the Index

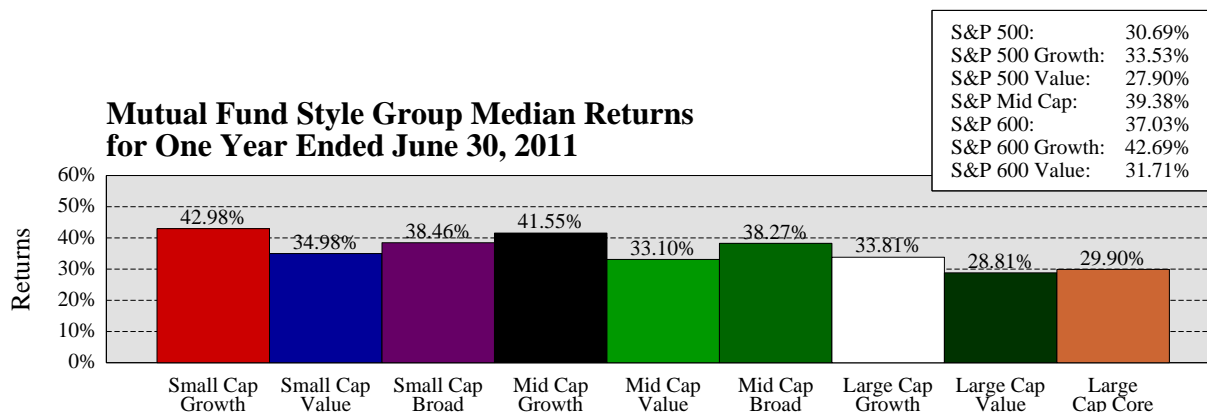
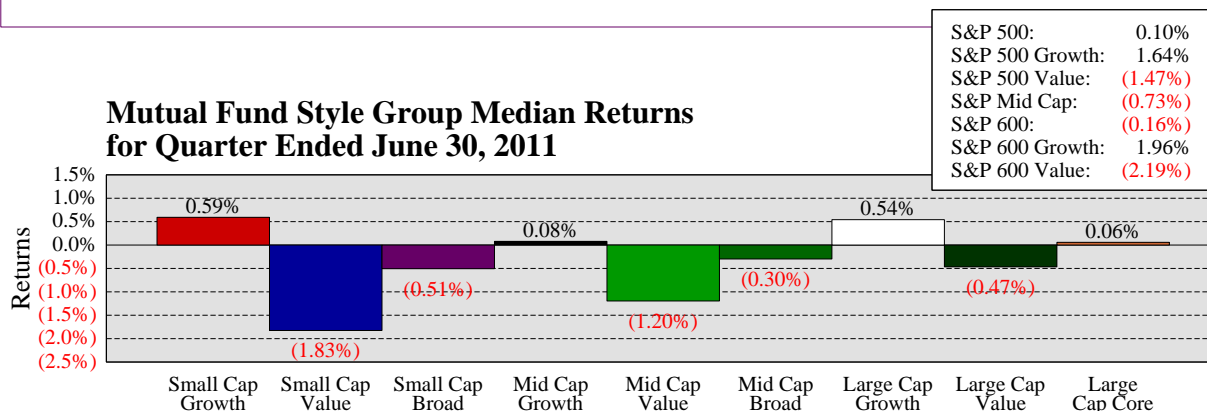
After a surprisingly robust first quarter, the second quarter of 2011 delivered fewer gains, primarily influenced by the continuing European sovereign debt concern, slowing growth, and rising inflation in developing markets around the globe, especially China. This "soft patch" in the economy was caused, in part, by sluggish job growth, as well as an increase in initial unemployment claims and the general unemployment rate in the U.S. In addition to these economic maladies, the U.S. also endured a rough spring teeming with natural disasters and a spike in oil and other commodity prices. However, the tail end of the second quarter showed positive improvements in the equity markets with cooling commodity prices and a rebound in stocks. The S&P 500 managed to finish in the black with a 0.10% return for the quarter ended June 30, 2011. The median Large Cap Core manager posted a 0.06% return, 4 basis points behind the S&P 500 index return. The median Mid Cap Broad manager yielded a return of -0.30% for the quarter, 43 basis points ahead of the S&P Mid Cap's return of -0.73%. Finally, the median Small Cap Broad manager finished the quarter with a -0.51% return, falling 35 basis points behind the -0.16% return generated by the S&P 600.

Large Cap vs. Small Cap

The second quarter of 2011 saw a slight shift in the previous trend among the Large, Mid, and Small Cap funds. The median Large Cap manager continued to produce the least volatile returns ranging from -0.47% (Large Cap Value) to 0.54% (Large Cap Growth) or 101 basis points, whereas returns for the median Mid and Small Cap managers were fairly volatile and ranged from -1.83% (Small Cap Value) to 0.59% (Small Cap Growth) or 242 basis points. Small and Mid Cap funds continued to dominate Large Cap funds over the past twelve months as well. For the year ended June 30, 2011, the median Small Cap Broad manager returned 38.46%, or 856 basis points ahead of the median Large Cap Core manager's return of 29.90%. The S&P 600 yielded a return of 37.03% for the same period, well ahead of the S&P 500's return of 30.69%.

Growth vs. Value

During the second quarter of 2011, growth stocks outperformed value stocks across all capitalizations. The median Small Cap Growth manager returned 0.59%, or 242 basis points ahead of the median Small Cap Value manager's return of -1.83%. Similarly, the Mid Cap Growth manager outperformed the Mid Cap Value manager, generating a return of 0.08%, or 128 basis points ahead of the -1.20% Mid Cap Value return. The median Large Cap Growth manager posted a return of 0.54%, 101 basis points ahead of Large Cap Value's median fund return of -0.47%. Growth funds continued to outperform Value funds for the year ended June 30, 2011. The largest return difference over the last twelve months was Mid Cap, with the median Mid Cap Growth manager achieving a remarkable 41.55% return, 845 basis points above the median Mid Cap Value manager's return of 33.10%.



INTERNATIONAL EQUITY Active Management Overview

Active vs. the Index

International equity markets lost momentum during the second quarter of 2011 with renewed uncertainty about the global economic recovery and continued concerns over European debt, particularly in Greece. Global tightening of monetary policies strained investor confidence as well as the stability of the markets. For the quarter ended June 30, 2011, Europe led the way with a median fund return of 2.41%, while the median Emerging Markets manager slipped into negative territory with a loss of 0.53%. For the one year ended June 30, 2011, the median Europe manager led all groups returning 37.67%, which outperformed the MSCI AC World Index by nearly 7%.

Europe

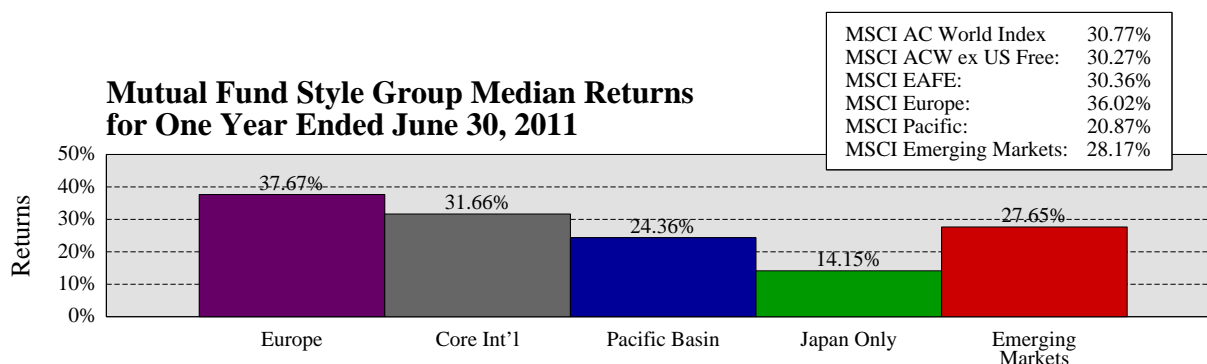
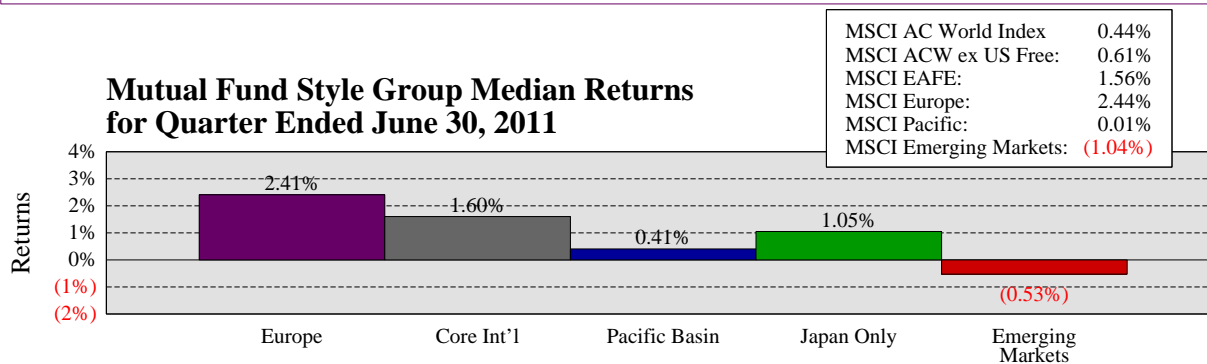
European stocks held the lead of the developed markets during the second quarter despite instability surrounding the sovereign debt crisis and concerns over rising inflation. Expected interest rate increases by the European Central Bank, coupled with recent austerity measures passed by the Greek Parliament to secure further financial aid, helped the euro achieve its second quarterly gain against the U.S. dollar. For the quarter ended June 30, 2011, the median manager gained 2.41%, trailing the MSCI Europe Index by only 3 basis points. For the one year ended June 30, 2011, the median manager bested the index by 1.65%.

Pacific

Japan rebounded from the devastation of the March earthquake largely as a result of auto manufacturers restoring their operations at plants affected by the disaster. The median Japan fund return for the second quarter of 2011 showed a gain of 1.05%, beating the MSCI Pacific Index return of 0.01%. For the one year ended June 30, 2011, the median Japan fund yielded 14.15%, underperforming the index's return of 20.87%. In the southern region of the Pacific, Australia suffered from high interest rates, an overvalued Australian dollar, and residual effects from the prior quarter's cyclones and floods. For the quarter ended June 30, 2011, the median Pacific Basin manager was up 0.41%, while the MSCI Pacific Index was flat at 0.01%. For the one year ended June 30, 2011, the median Pacific Basin manager returned 24.36%, outperforming the MSCI Pacific Index by 3.49%.

Emerging Markets

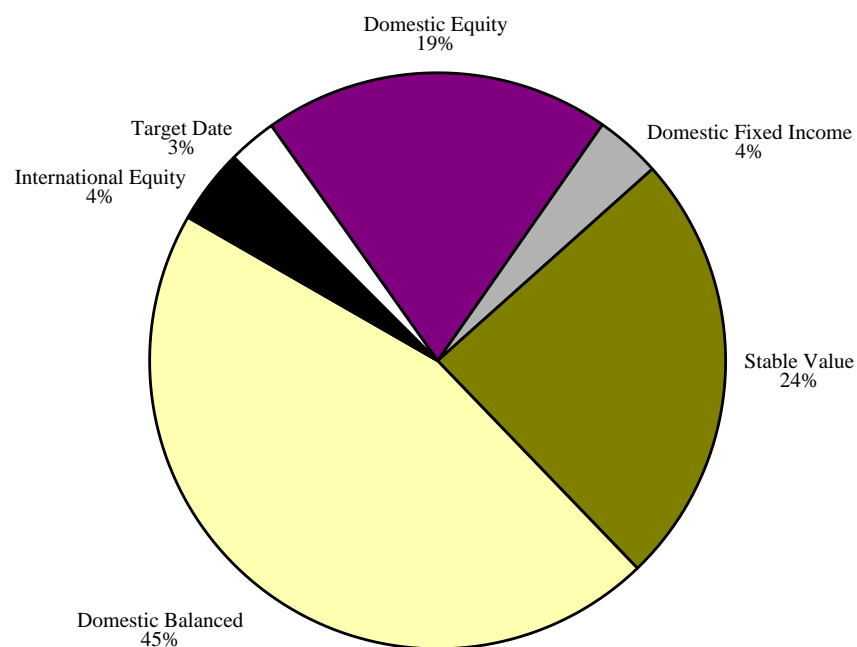
Emerging Markets fell during the quarter amid troubles concerning the debt crisis in Europe and fears of global economic declines. China led the group's descent as speculation about interest rate increases and slow growth forecasts put pressure on Chinese equities. Brazil also declined as interest rates rose for the fourth time this year. Rising oil and commodity prices worldwide further hampered growth in the developing regions. For the quarter ended June 30, 2011, the return for the median manager showed a loss of 0.53%, yet managed to beat the MSCI Emerging Markets Index return of -1.04%. For the one year ended June 30, 2011, the median manager yielded 27.65%, underperforming the index's return of 28.17%.



Actual Asset Allocation

The chart below shows the Funds asset allocation as of June 30, 2011.

Actual Asset Allocation



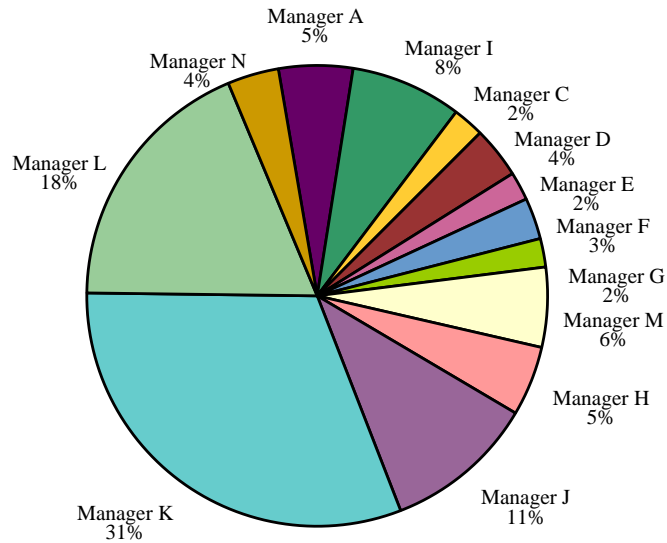
Asset Class	\$000s Actual	Percent Actual
Domestic Equity	25,160	19.5%
Domestic Fixed Income	4,757	3.7%
Stable Value	31,588	24.4%
Domestic Balanced	58,810	45.5%
International Equity	5,444	4.2%
Target Date	3,554	2.7%
Total	129,313	100.0%

CHANGES IN INVESTMENT FUND BALANCES PERIOD ENDED JUNE 30, 2011



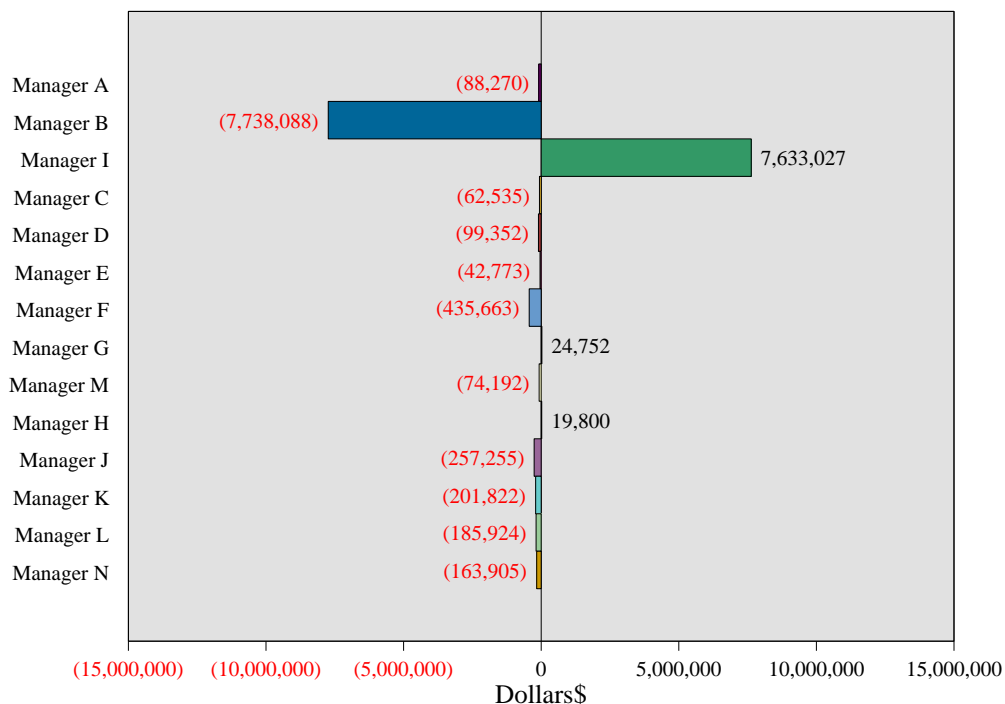
Allocation Across Investment Options

The chart below illustrates the allocation of the aggregate fund assets across the various investment options as of June 30, 2011.



Changes in Fund Values

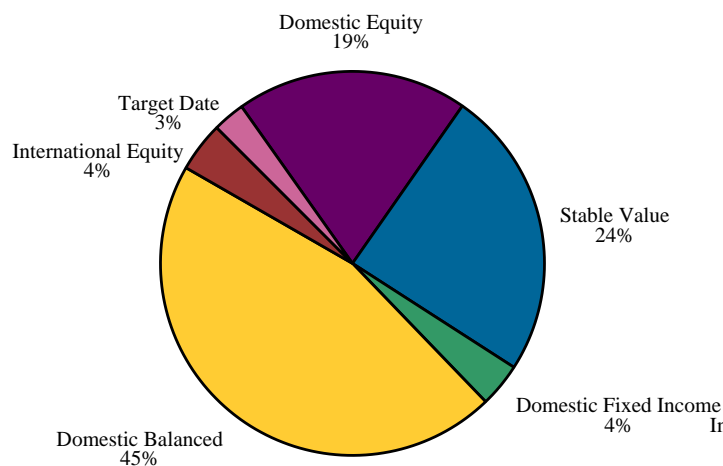
The chart below shows the net change in fund values across the various investment options for the quarter ended June 30, 2011. The change in value for each fund is the result of a combination of 3 factors: 1) market movements; 2) contributions or disbursements into or out of the funds by the participants (and any matching done by the company); and 3) transfers between funds by the participants.



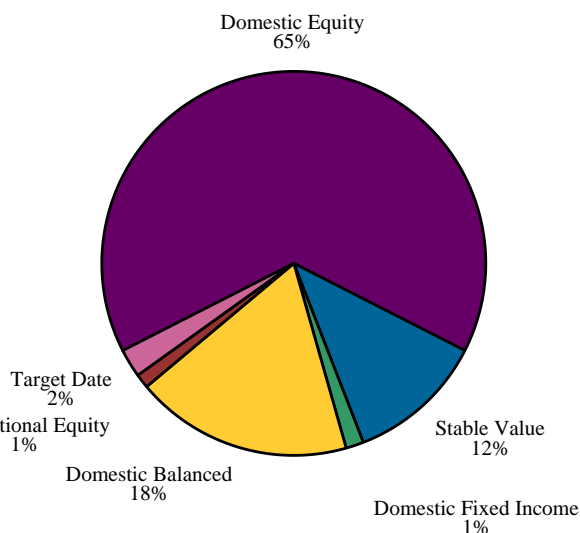
Asset Allocation

The charts below illustrate the historical asset allocation of the fund as well as the historical allocations of contributions to the fund. The pie charts on the top show the most recent allocation of both assets and newly contributed money. The middle chart displays the historical allocation of fund assets. The bottom chart illustrates the historical allocation of contributions.

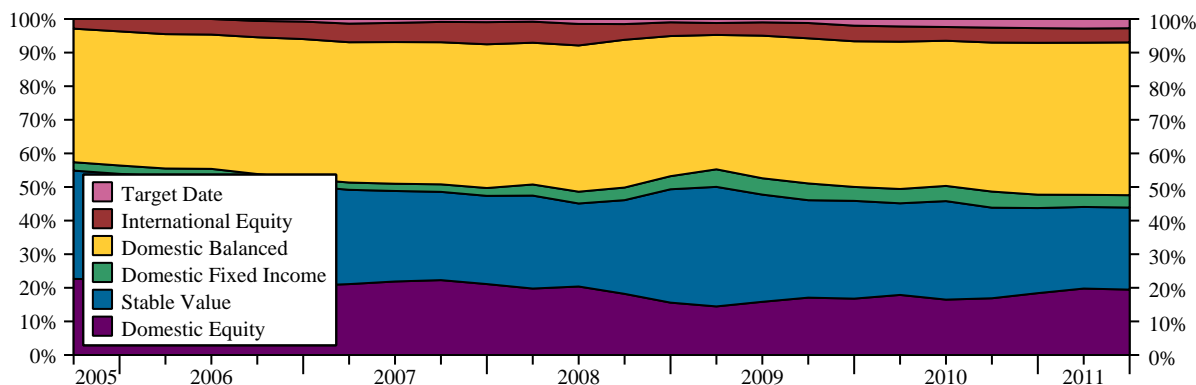
Asset Allocation



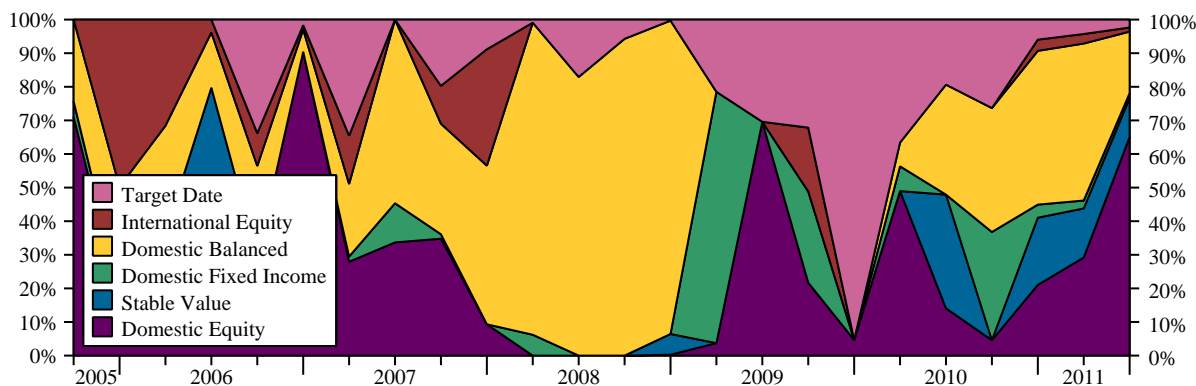
New Contributions



Historical Asset Allocation



Historical Allocation of Contributions

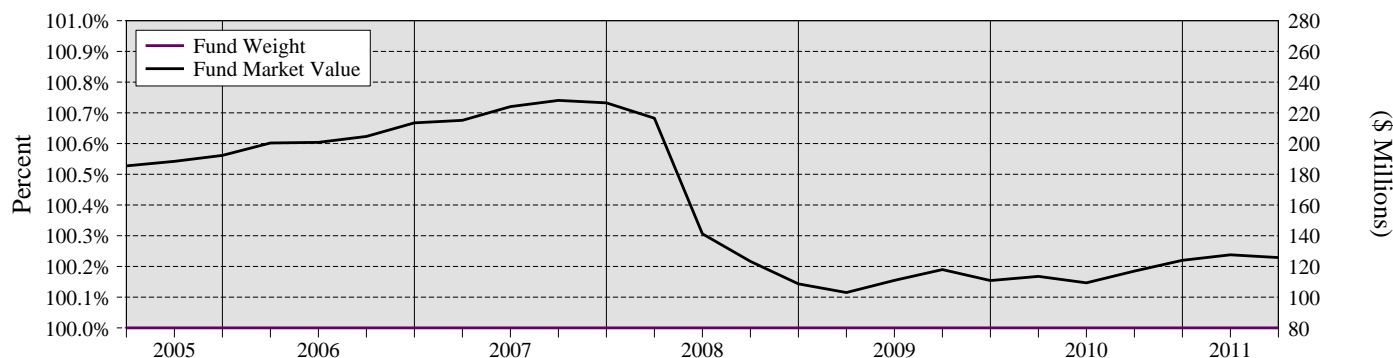


TOTAL FUND HISTORICAL PORTFOLIO GROWTH PERIOD ENDED JUNE 30, 2011

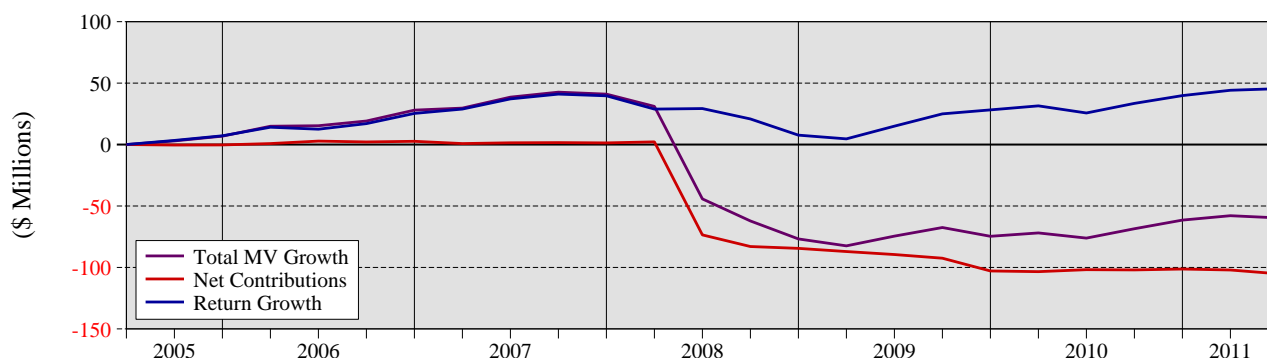
Historical Portfolio Growth

The charts below illustrate the historical change, and their sources, in the total fund weight of a fund or asset class. The first chart shows the changing weight and market value of the fund component. The second chart displays the cumulative change in market value of the fund component along with the two sources of change: Net Contributions (contributions - disbursements), and Return Growth. The last chart illustrates the change in component market value and its sources on a quarterly or monthly basis.

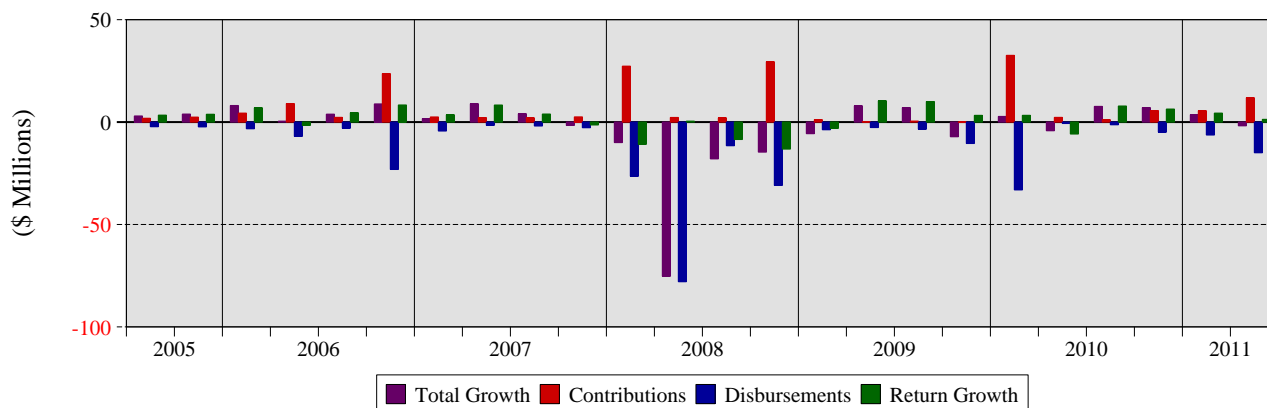
Historical Fund Growth



Cumulative Growth Sources



Quarterly Growth Sources



Investment Fund Balances

The table below compares the fund's investment fund balances as of June 30, 2011 with that of March 31, 2011. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Funds

	June 30, 2011		Net New Inv.	Inv. Return	March 31, 2011	
	Market Value	Percent			Market Value	Percent
Domestic Equity	\$25,160,300	20.01%	\$(1,227,275)	\$418,373	\$25,969,202	20.36%
Core Funds						
Manager A	5,110,397	4.06%	(97,325)	9,055	5,198,667	4.08%
Large Cap Growth						
Manager B	-	-	(7,682,666)	(55,421)	7,738,088	6.07%
Manager I	7,633,027	6.07%	7,292,401	340,626	-	-
Large Cap Value						
Manager C	2,170,406	1.73%	(218,900)	156,365	2,232,942	1.75%
Mid Cap Funds						
Manager D	3,508,364	2.79%	(72,095)	(27,257)	3,607,717	2.83%
Small Cap						
Manager E	1,931,646	1.54%	(41,472)	(1,301)	1,974,419	1.55%
Small Cap Growth						
Manager F	2,851,283	2.27%	(476,082)	40,419	3,286,946	2.58%
Small Cap Value						
Manager G	1,955,177	1.55%	68,865	(44,113)	1,930,425	1.51%
Domestic Fixed Income	\$4,757,081	3.78%	\$(63,157)	\$82,957	\$4,737,281	3.71%
Manager H	4,757,081	3.78%	(63,157)	82,957	4,737,281	3.71%
Stable Value	\$31,587,619	25.12%	\$(483,389)	\$188,698	\$31,882,311	24.99%
Manager I	31,587,619	25.12%	(483,389)	188,698	31,882,311	24.99%
Balanced	\$58,809,504	46.76%	\$(1,206,483)	\$561,481	\$59,454,505	46.61%
Manager J	10,348,040	8.23%	(305,571)	48,316	10,605,295	8.31%
Manager K	30,406,570	24.18%	(546,931)	345,109	30,608,392	24.00%
Manager L	18,054,893	14.36%	(353,981)	168,056	18,240,817	14.30%
International Equity	\$5,444,033	4.33%	\$(128,102)	\$53,910	\$5,518,225	4.33%
Manager M	5,444,033	4.33%	(128,102)	53,910	5,518,225	4.33%
Target Date	\$3,554,423	2.83%	\$(174,661)	\$10,756	\$3,718,328	2.91%
Manager N	3,554,423	2.83%	(174,661)	10,756	3,718,328	2.91%
Company Stock	\$5,973,960	4.75%	\$0	\$5,921	\$5,968,039	4.68%
Company Stock	5,973,960	4.75%	0	5,921	5,968,039	4.68%
Total Fund	\$125,758,536	100.0%	\$(3,108,406)	\$1,305,418	\$127,561,524	100.0%

Investment Fund Returns

The table below details the rates of return for the Sponsor's investment funds over various time periods ended June 30, 2011. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended June 30, 2011

	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
Domestic Equity					
Core Funds					
Manager A	0.06%	30.49%	22.12%	3.23%	2.81%
S&P 500 Index	0.10%	30.69%	22.29%	3.34%	2.94%
Russell 3000 Index	(0.03%)	32.37%	23.76%	4.00%	3.35%
Large Cap Growth					
Manager I	0.06%	-	-	-	-
Russell 1000 Growth Index	0.76%	35.01%	23.85%	5.01%	5.33%
Large Cap Value					
Manager C	(0.42%)	26.77%	17.83%	2.18%	3.11%
Russell 1000 Value Index	(0.50%)	28.94%	22.78%	2.28%	1.15%
Mid Cap Funds					
Manager D	(0.82%)	38.82%	31.35%	7.42%	6.19%
S&P 400 Mid Cap Index	(0.73%)	39.38%	31.96%	7.82%	6.60%
Small Cap					
Manager E	(0.23%)	36.83%	29.85%	8.20%	4.48%
S&P 600 Small Cap Index	(0.16%)	37.03%	30.16%	8.16%	4.61%
Russell 2000 Index	(1.61%)	37.41%	29.20%	7.77%	4.08%
Small Cap Growth					
Manager F	1.57%	51.21%	37.05%	14.18%	8.28%
Russell 2000 Growth Index	(0.59%)	43.50%	30.10%	8.35%	5.79%
Small Cap Value					
Manager G	(2.00%)	40.14%	30.28%	6.58%	4.06%
Russell 2000 Value Index	(2.65%)	31.35%	28.17%	7.09%	2.24%
Domestic Fixed-Income					
Manager H	1.76%	5.50%	9.10%	8.99%	8.39%
Manager I	0.62%	2.78%	-	-	-
BC Gov 1-3 Yr	0.81%	1.38%	2.11%	3.05%	4.27%
BC Aggregate Index	2.29%	3.90%	6.66%	6.46%	6.52%
Balanced					
Manager J	0.46%	29.53%	21.93%	4.92%	-
Aggressive Benchmark	0.72%	26.43%	19.15%	3.30%	3.54%
Manager K	1.04%	18.23%	15.36%	6.68%	-
Conservative Benchmark	1.48%	11.17%	10.61%	5.36%	5.40%
Manager L	0.87%	23.93%	18.97%	6.35%	-
Moderate Benchmark	1.01%	19.34%	15.43%	4.61%	4.57%
International Equity					
Manager M	0.98%	29.03%	18.86%	1.71%	5.12%
MSCI EAFE Index	1.56%	30.36%	17.51%	(1.77%)	1.48%
Target Date					
Manager N	0.37%	18.93%	16.24%	4.05%	4.40%
CAI Tgt Dt Idx 2015	1.15%	19.52%	16.41%	4.66%	4.85%
Company Stock					
Company Stock	0.10%	30.64%	17.40%	(9.12%)	3.52%

Investment Fund Returns

The table below details the rates of return for the Sponsor's investment funds over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

	12/2010- 6/2011	2010	2009	2008	2007
Domestic Equity					
Core Funds					
Manager A	5.94%	14.93%	26.52%	(37.13%)	5.33%
S&P 500 Index	6.02%	15.06%	26.47%	(37.00%)	5.49%
Russell 3000 Index	6.35%	16.93%	28.34%	(37.31%)	5.14%
Large Cap Growth					
Russell 1000 Growth Index	6.83%	16.71%	37.21%	(38.44%)	11.81%
Large Cap Value					
Manager C	5.55%	11.41%	20.48%	(32.85%)	7.62%
Russell 1000 Value Index	5.92%	15.51%	19.69%	(36.85%)	(0.17%)
Mid Cap Funds					
Manager D	8.35%	26.02%	37.04%	(36.45%)	7.57%
S&P 400 Mid Cap Index	8.56%	26.64%	37.38%	(36.23%)	7.98%
Small Cap					
Manager E	7.45%	26.05%	25.22%	(30.77%)	(0.62%)
S&P 600 Small Cap Index	7.54%	26.31%	25.57%	(31.07%)	(0.30%)
Russell 2000 Index	6.21%	26.85%	27.17%	(33.79%)	(1.57%)
Small Cap Growth					
Manager F	11.97%	34.67%	43.87%	(38.78%)	6.25%
Russell 2000 Growth Index	8.59%	29.09%	34.47%	(38.54%)	7.05%
Small Cap Value					
Manager G	7.38%	25.37%	24.93%	(33.79%)	2.67%
Russell 2000 Value Index	3.77%	24.50%	20.58%	(28.92%)	(9.78%)
Domestic Fixed-Income					
Manager H	2.79%	8.36%	13.34%	4.33%	8.58%
Manager I	1.25%	3.07%	-	-	-
BC Gov 1-3 Yr	0.88%	2.40%	1.41%	6.66%	7.10%
BC Aggregate Index	2.72%	6.54%	5.93%	5.24%	6.97%
Balanced					
Manager J	5.81%	15.38%	37.47%	(37.57%)	-
Aggressive Benchmark	5.34%	12.65%	24.68%	(32.80%)	6.89%
Manager K	4.31%	11.68%	25.47%	(20.37%)	-
Conservative Benchmark	3.42%	8.54%	11.98%	(9.52%)	6.70%
Manager L	5.16%	13.79%	32.61%	(29.32%)	-
Moderate Benchmark	4.49%	11.14%	18.77%	(22.53%)	6.64%
International Equity					
Manager M	4.50%	9.40%	39.10%	(40.53%)	18.95%
MSCI EAFE Index	4.98%	7.75%	31.78%	(43.38%)	11.17%
Target Date					
Manager N	3.91%	11.75%	25.62%	(27.15%)	7.82%
CAI Tgt Dt Idx 2015	4.42%	12.05%	21.75%	(24.31%)	6.69%
Company Stock					
Company Stock	6.02%	15.02%	16.84%	(39.87%)	51.10%

MANAGER A PERIOD ENDED JUNE 30, 2011



Investment Philosophy

The manager's objective is to match the performance of the S&P 500 Index.

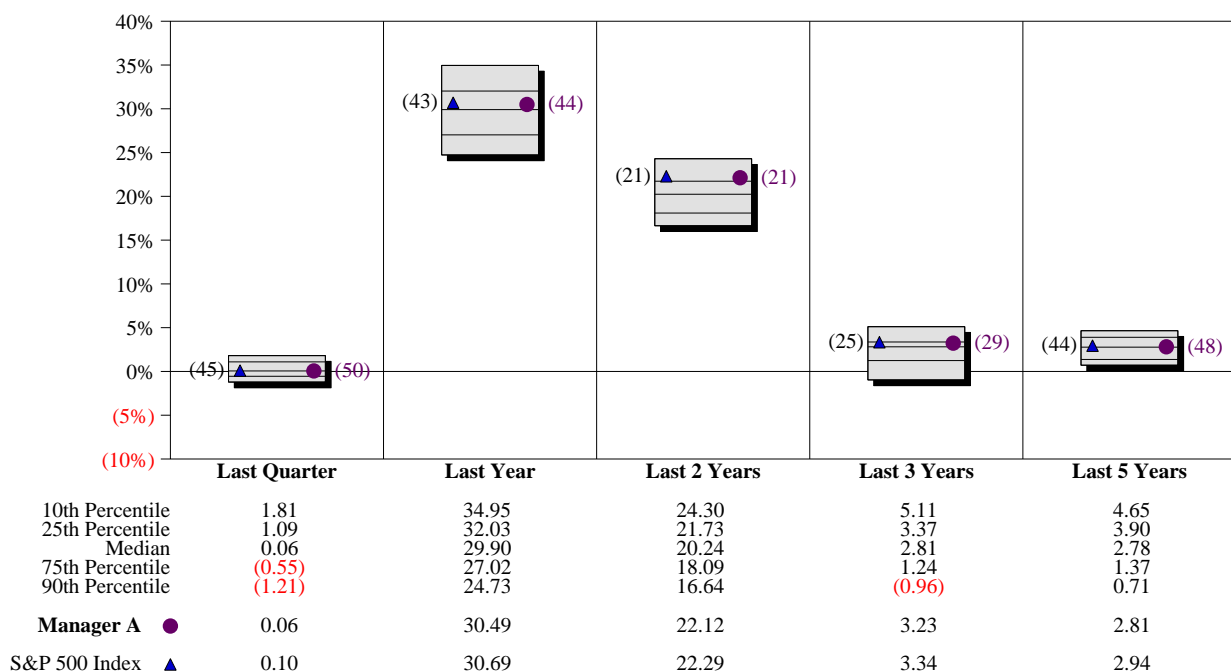
Quarterly Summary and Highlights

- Manager A's portfolio posted a 0.06% return for the quarter placing it in the 50 percentile of the CAI MF - Core Equity Style group for the quarter and in the 44 percentile for the last year.
- Manager A's portfolio underperformed the S&P 500 Index by 0.04% for the quarter and underperformed the S&P 500 Index for the year by 0.20%.

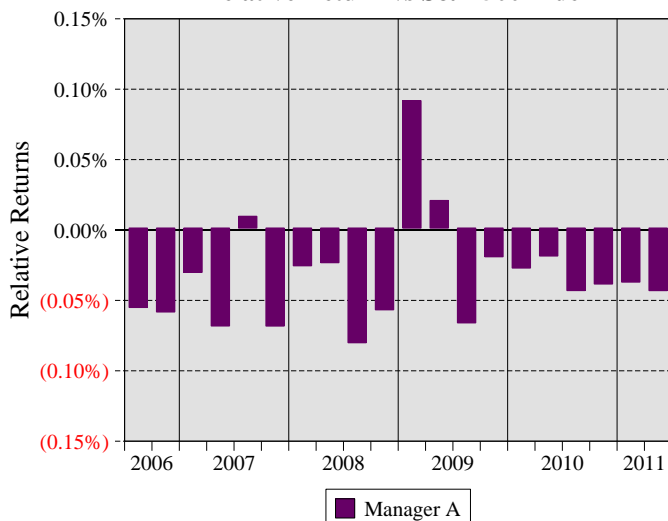
Quarterly Asset Growth

Beginning Market Value	\$5,198,667
Net New Investment	\$-97,325
Investment Gains/(Losses)	\$9,055
Ending Market Value	\$5,110,397

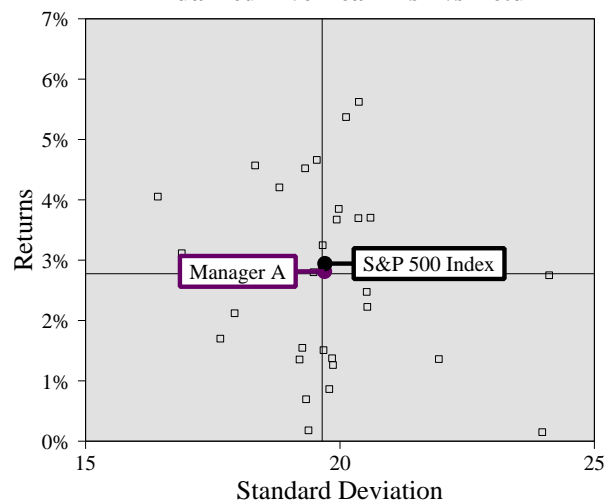
Performance vs CAI MF - Core Equity Style (Net)



Relative Return vs S&P 500 Index



CAI MF - Core Equity Style (Net) Annualized Five Year Risk vs Return

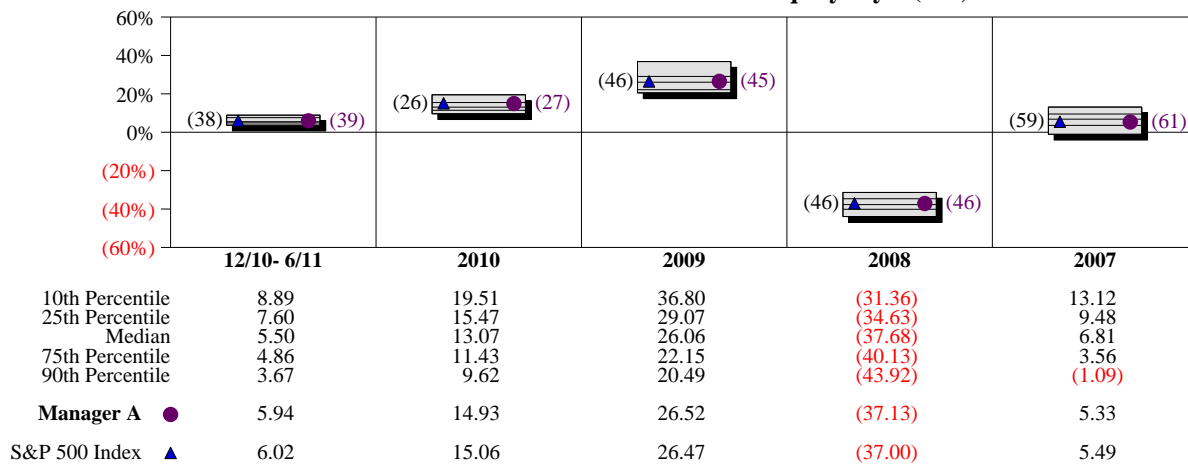


MANAGER A RETURN ANALYSIS SUMMARY

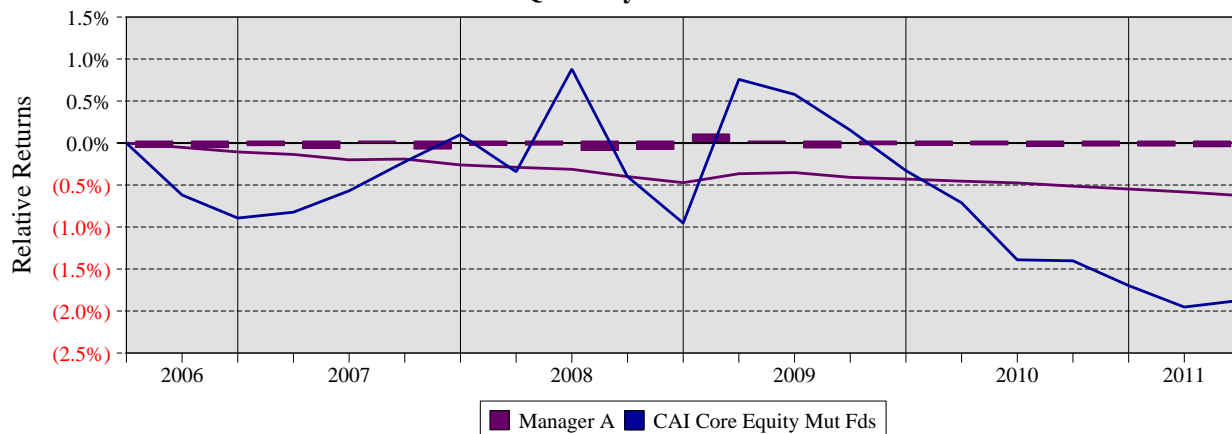
Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

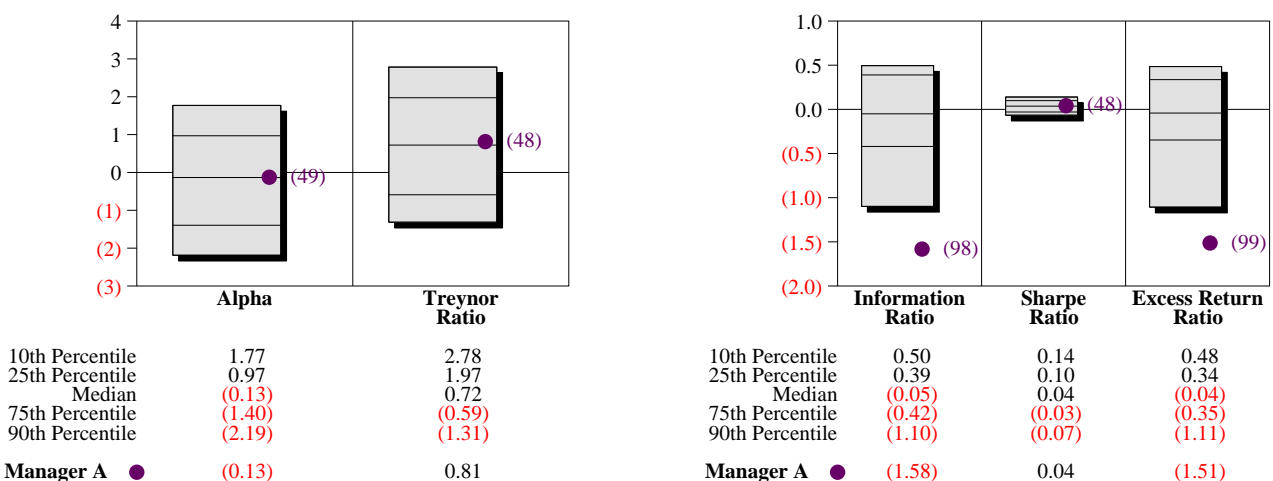
Performance vs CAI MF - Core Equity Style (Net)



Cumulative and Quarterly Relative Return vs S&P 500 Index



Risk Adjusted Return Measures vs S&P 500 Index Rankings Against CAI MF - Core Equity Style (Net) Five Years Ended June 30, 2011

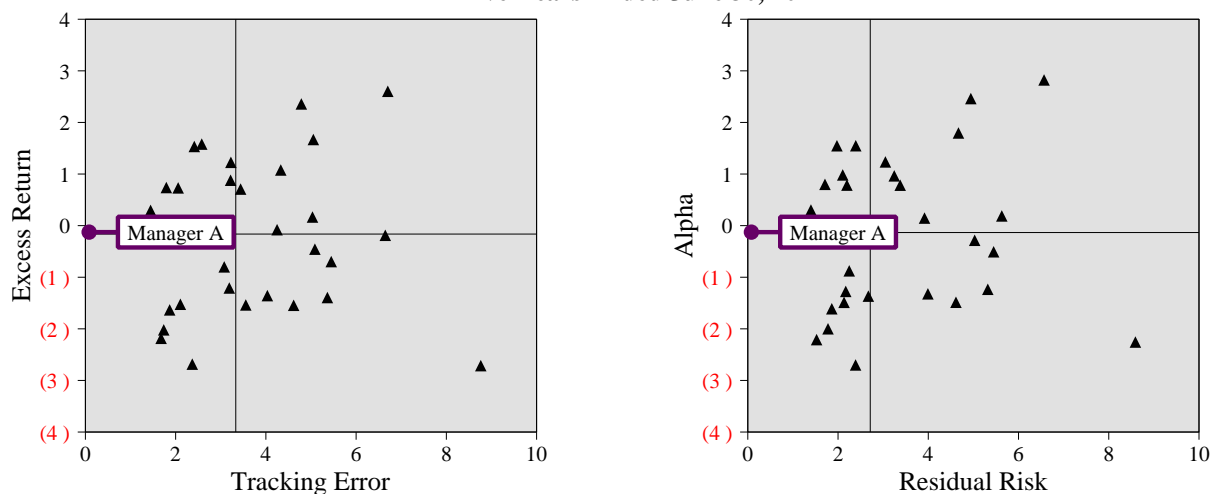


MANAGER A RISK ANALYSIS SUMMARY

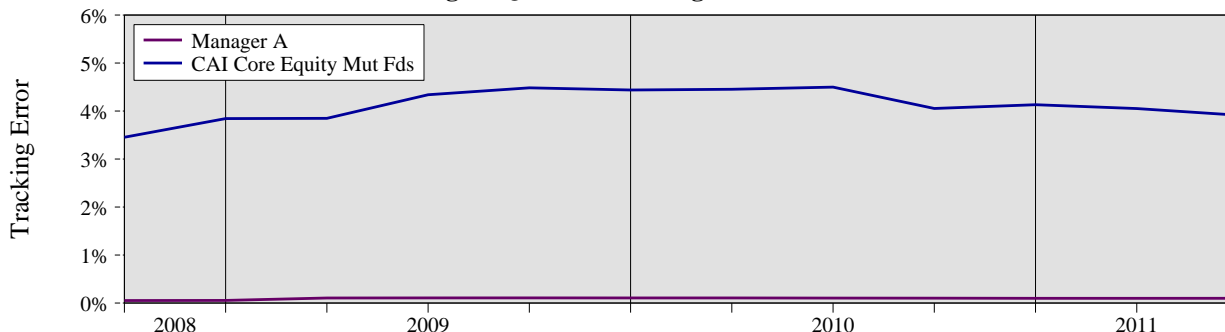
Risk Analysis

The graphs below analyze the risk or variation of a manager's return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager's risk statistics versus the peer group.

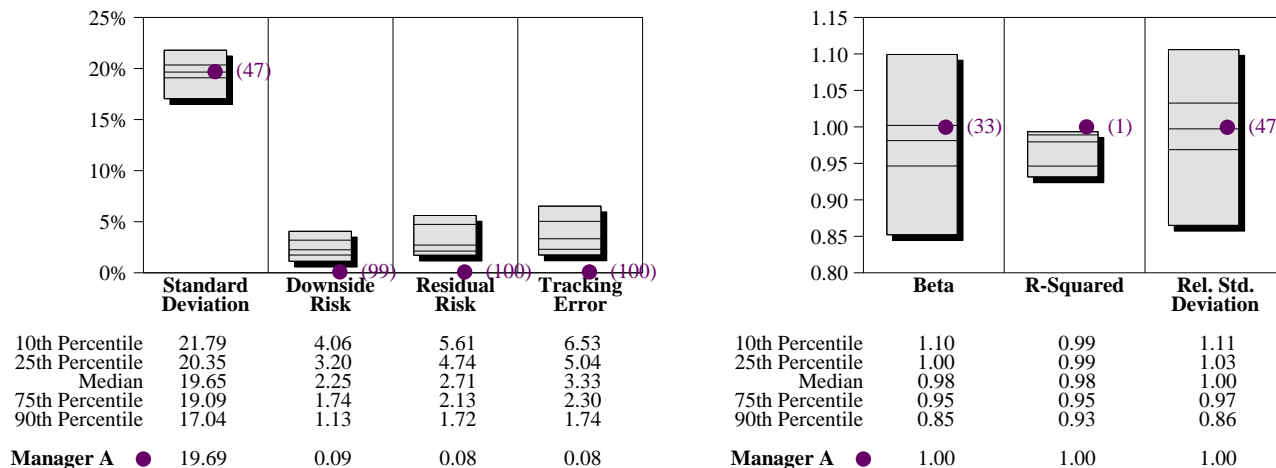
Risk Analysis vs CAI MF - Core Equity Style (Net)
Five Years Ended June 30, 2011



Rolling 12 Quarter Tracking Error vs S&P 500 Index



Risk Statistics Rankings vs S&P 500 Index
Rankings Against CAI MF - Core Equity Style (Net)
Five Years Ended June 30, 2011

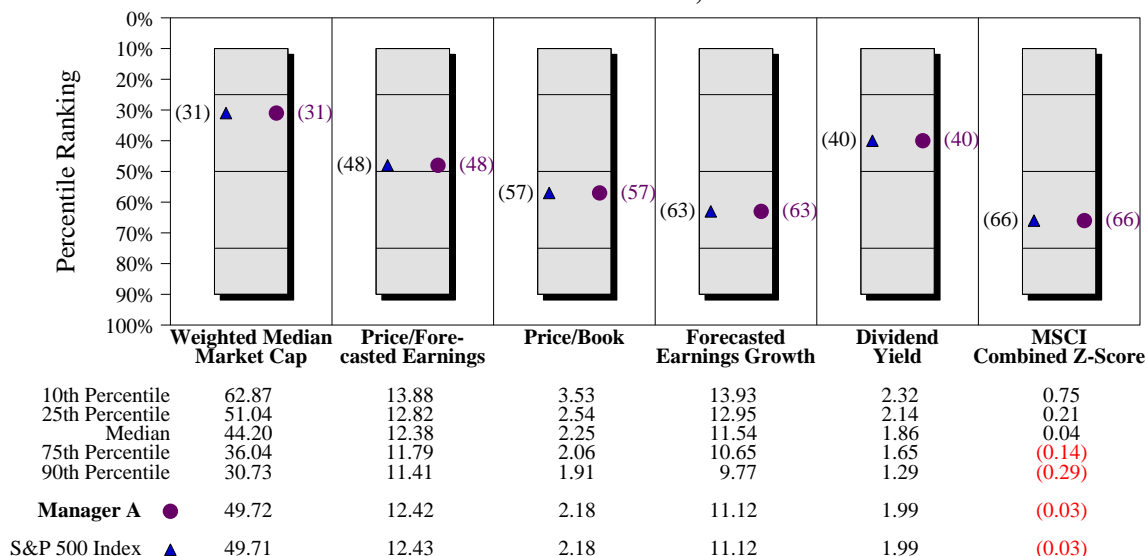


MANAGER A EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

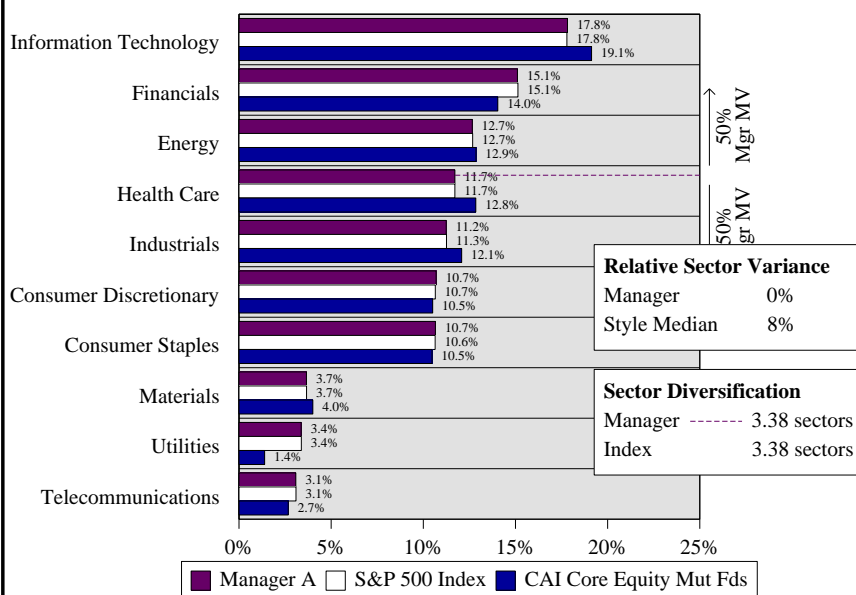
Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Core Equity Style as of June 30, 2011



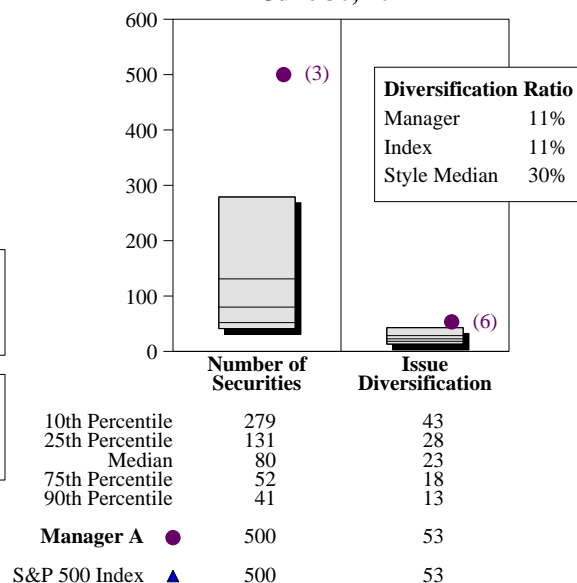
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation June 30, 2011



Diversification June 30, 2011



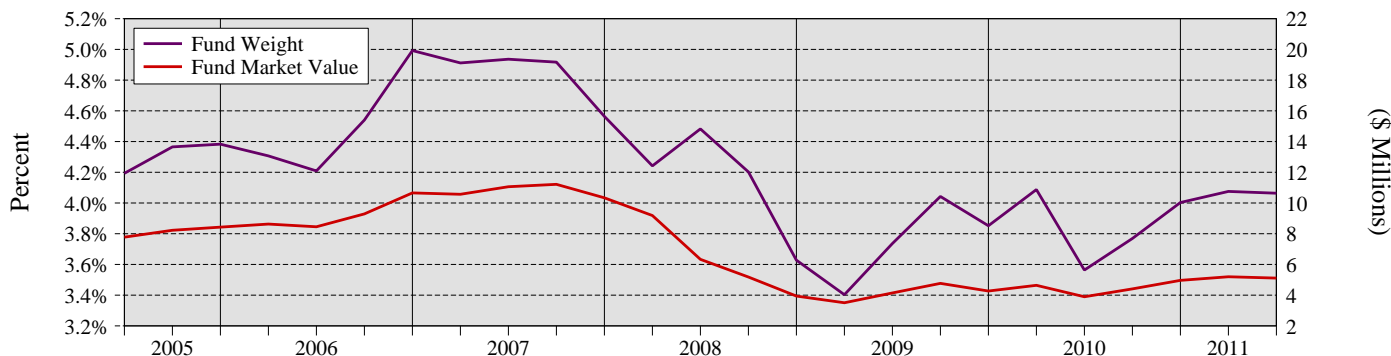
MANAGER A HISTORICAL PORTFOLIO GROWTH PERIOD ENDED JUNE 30, 2011



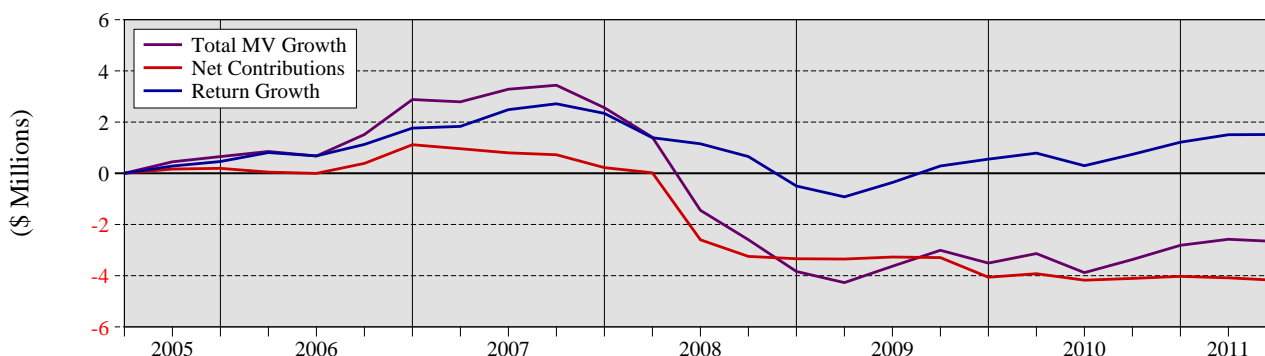
Historical Portfolio Growth

The charts below illustrate the historical change, and their sources, in the total fund weight of a fund or asset class. The first chart shows the changing weight and market value of the fund component. The second chart displays the cumulative change in market value of the fund component along with the two sources of change: Net Contributions (contributions - disbursements), and Return Growth. The last chart illustrates the change in component market value and its sources on a quarterly or monthly basis.

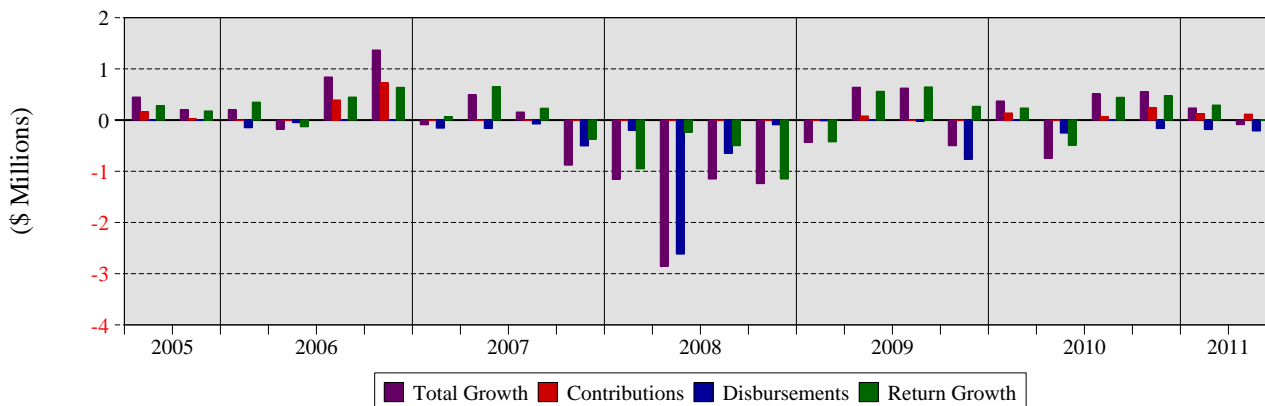
Historical Fund Growth



Cumulative Growth Sources



Quarterly Growth Sources



MANAGER D PERIOD ENDED JUNE 30, 2011



Investment Philosophy

The manager's objective is to match the performance of the S&P MidCap 400 Index Fund. The Fund invests in stocks included in the index, and in futures whose performance is tied to the index.

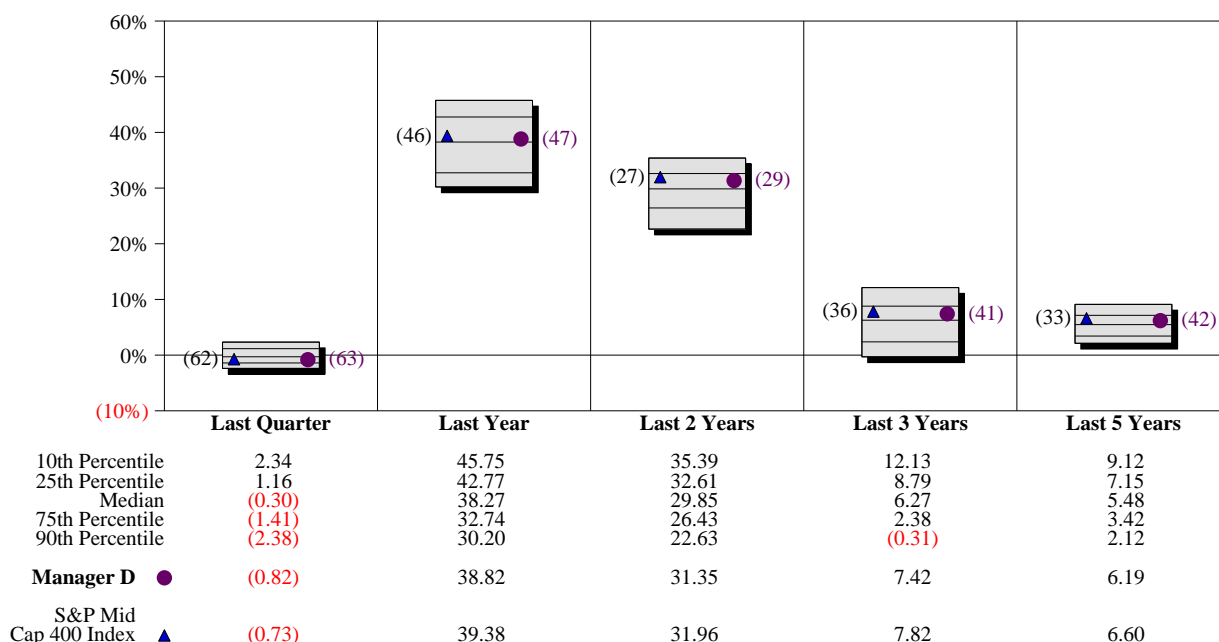
Quarterly Summary and Highlights

- Manager D's portfolio posted a (0.82)% return for the quarter placing it in the 63 percentile of the CAI MF - Mid Cap Broad Style group for the quarter and in the 47 percentile for the last year.
- Manager D's portfolio underperformed the S&P Mid Cap 400 Index by 0.09% for the quarter and underperformed the S&P Mid Cap 400 Index for the year by 0.57%.

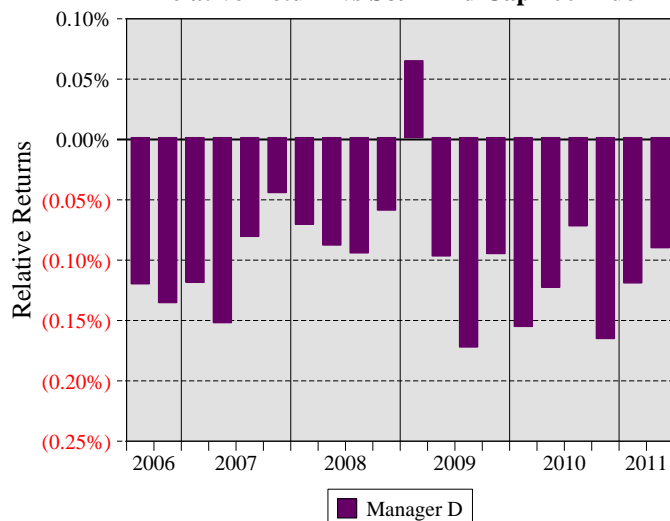
Quarterly Asset Growth

Beginning Market Value	\$3,607,717
Net New Investment	\$-72,095
Investment Gains/(Losses)	\$-27,257
Ending Market Value	\$3,508,364

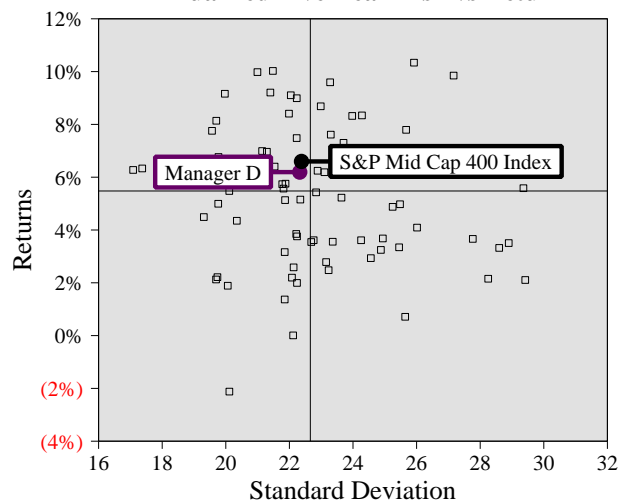
Performance vs CAI MF - Mid Cap Broad Style (Net)



Relative Return vs S&P Mid Cap 400 Index



CAI MF - Mid Cap Broad Style (Net) Annualized Five Year Risk vs Return

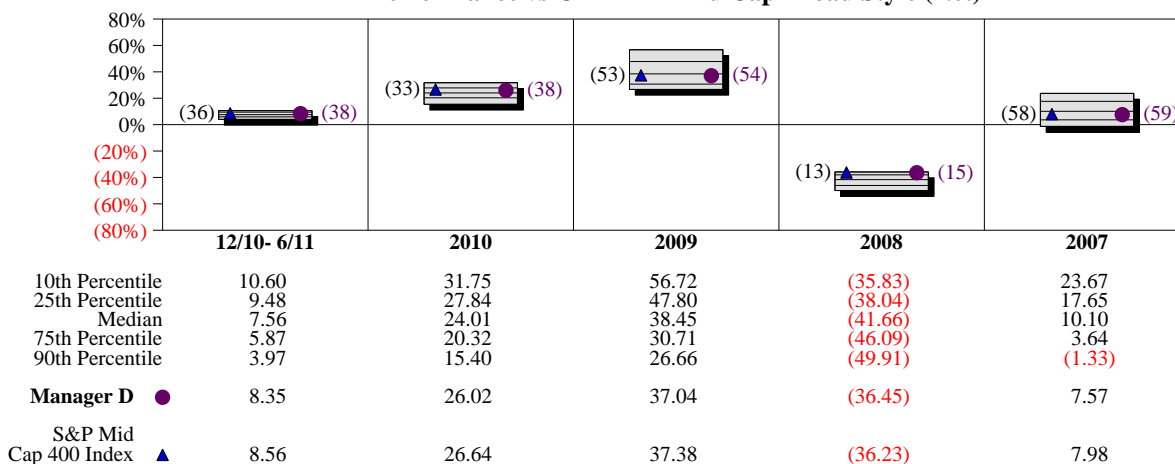


MANAGER D RETURN ANALYSIS SUMMARY

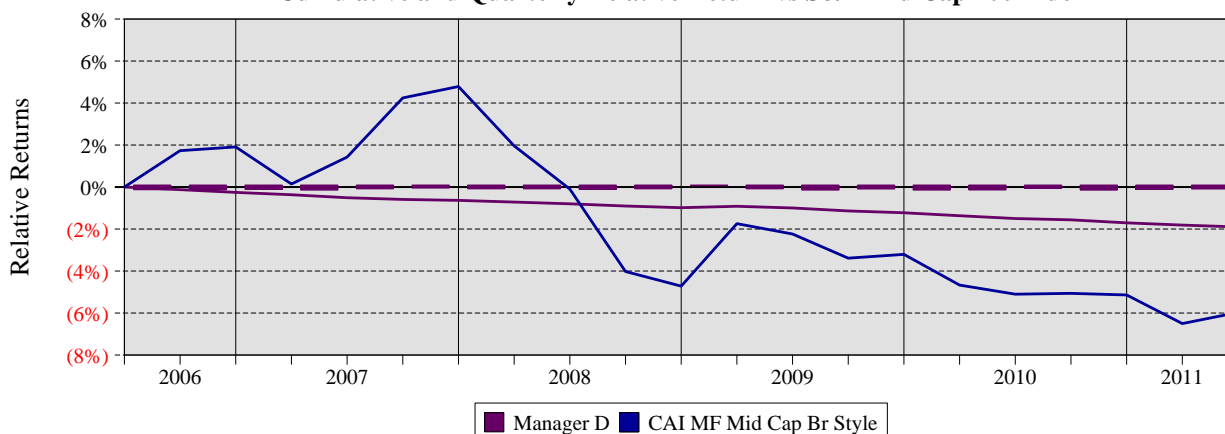
Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

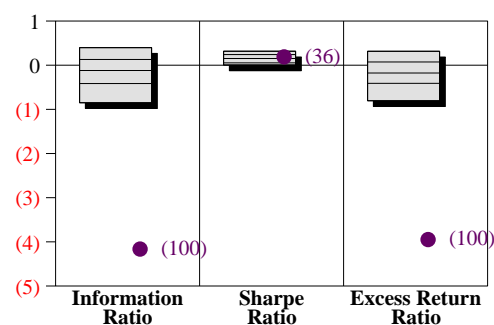
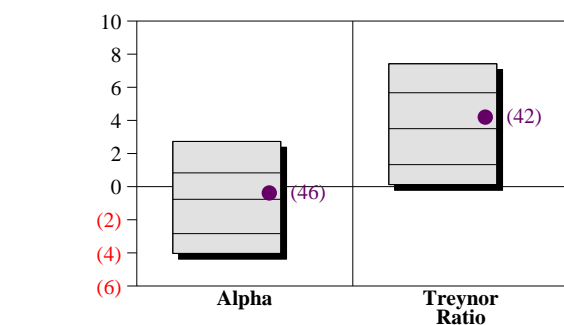
Performance vs CAI MF - Mid Cap Broad Style (Net)



Cumulative and Quarterly Relative Return vs S&P Mid Cap 400 Index



Risk Adjusted Return Measures vs S&P Mid Cap 400 Index Rankings Against CAI MF - Mid Cap Broad Style (Net) Five Years Ended June 30, 2011

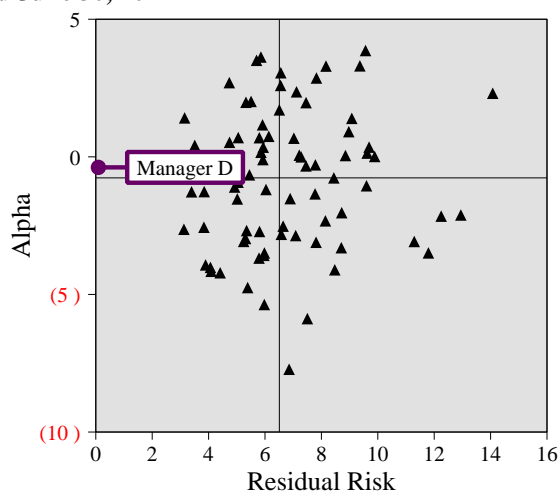
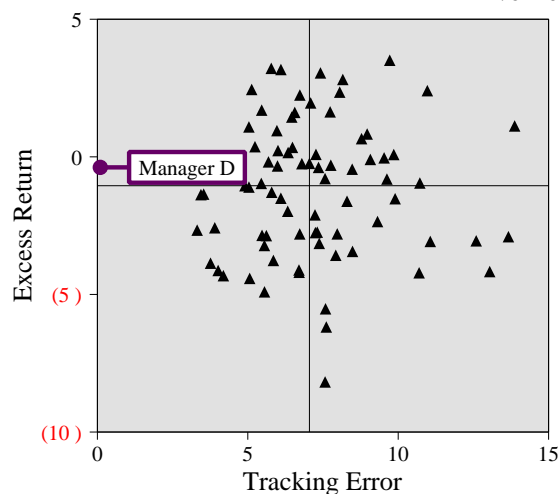


MANAGER D RISK ANALYSIS SUMMARY

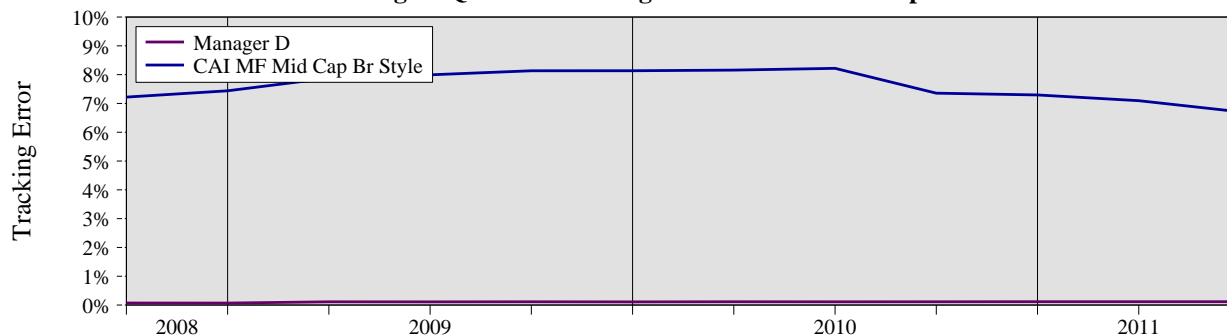
Risk Analysis

The graphs below analyze the risk or variation of a manager's return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager's risk statistics versus the peer group.

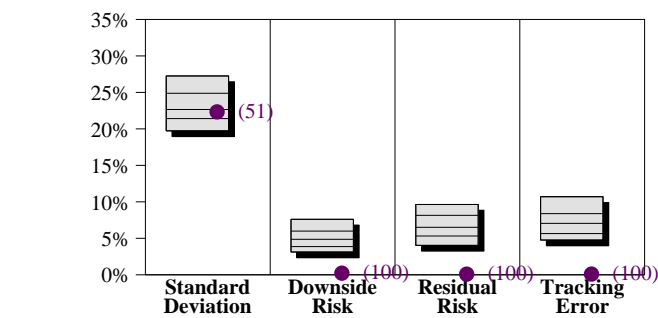
**Risk Analysis vs CAI MF - Mid Cap Broad Style (Net)
Five Years Ended June 30, 2011**



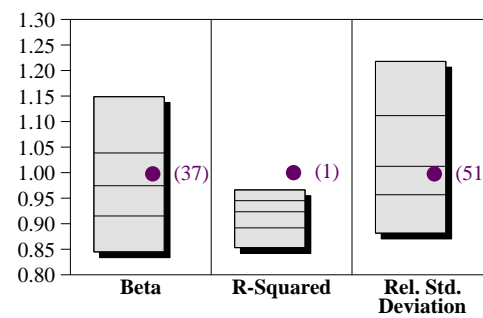
Rolling 12 Quarter Tracking Error vs S&P Mid Cap 400 Index



**Risk Statistics Rankings vs S&P Mid Cap 400 Index
Rankings Against CAI MF - Mid Cap Broad Style (Net)
Five Years Ended June 30, 2011**



10th Percentile	27.26	7.61	9.64	10.70
25th Percentile	24.88	5.99	8.15	8.38
Median	22.66	4.86	6.51	7.05
75th Percentile	21.41	3.87	5.32	5.65
90th Percentile	19.73	3.12	4.03	4.76
Manager D	22.33	0.22	0.09	0.10



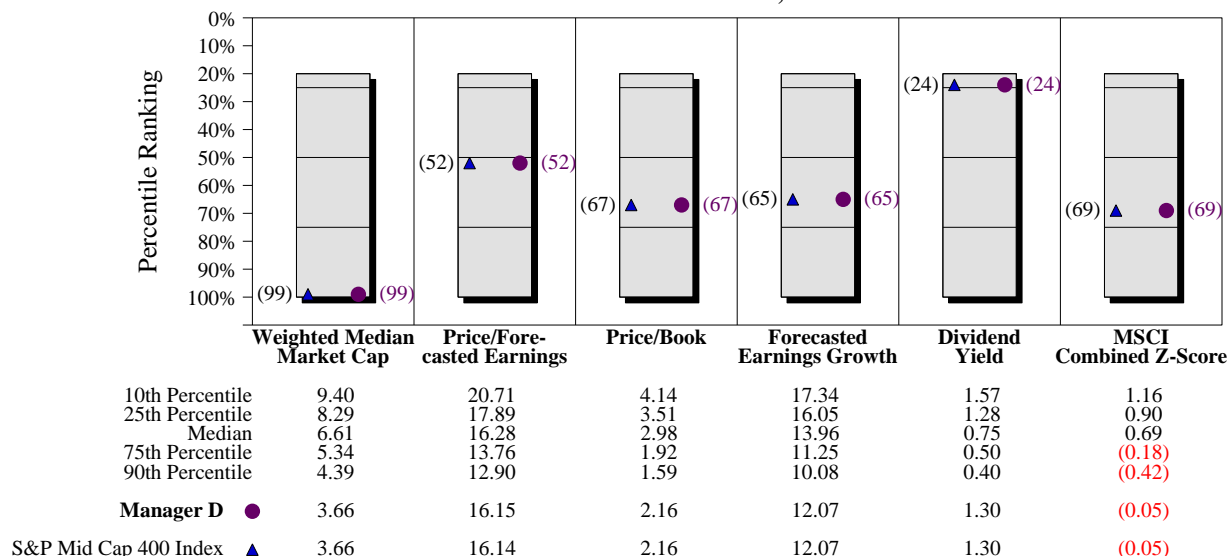
10th Percentile	1.15	0.97	1.22
25th Percentile	1.04	0.95	1.11
Median	0.97	0.92	1.01
75th Percentile	0.92	0.89	0.96
90th Percentile	0.84	0.85	0.88
Manager D	1.00	1.00	1.00

MANAGER D EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

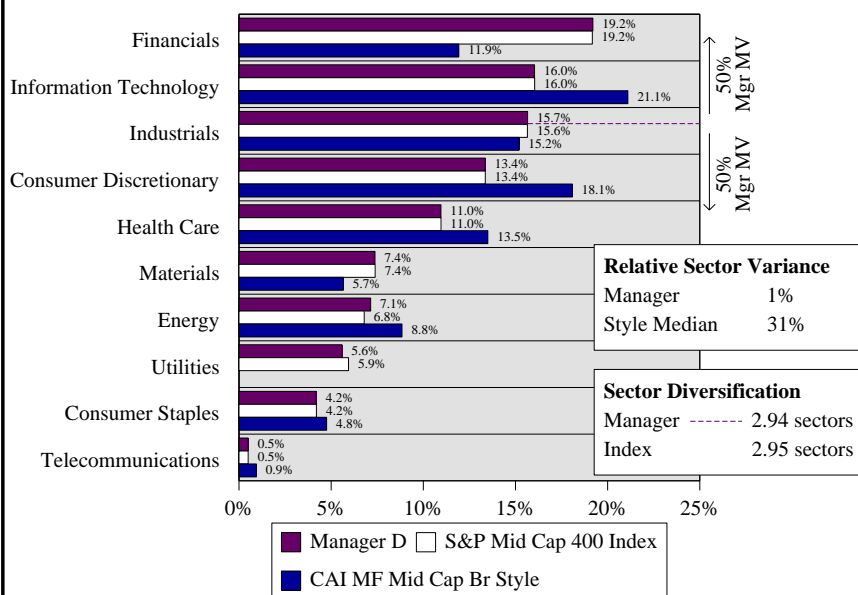
**Portfolio Characteristics Percentile Rankings
Rankings Against CAI MF - Mid Cap Broad Style
as of June 30, 2011**



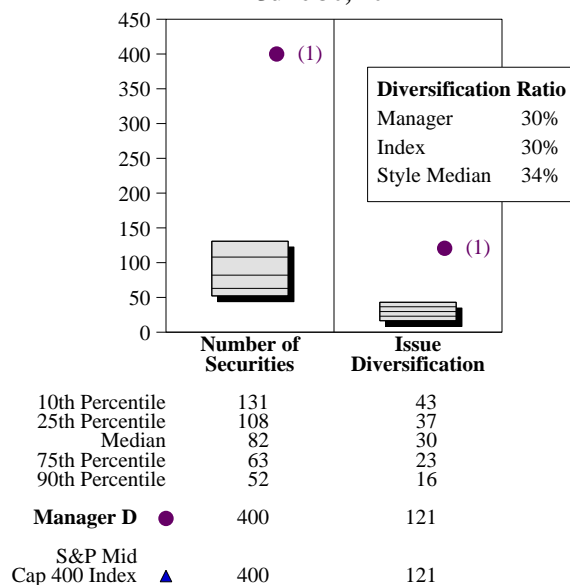
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

**Sector Allocation
June 30, 2011**



**Diversification
June 30, 2011**

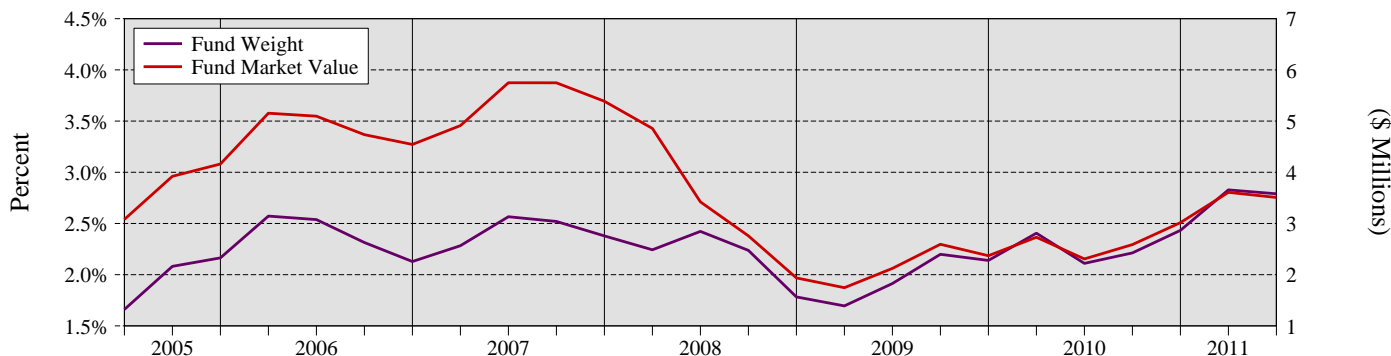


MANAGER D HISTORICAL PORTFOLIO GROWTH PERIOD ENDED JUNE 30, 2011

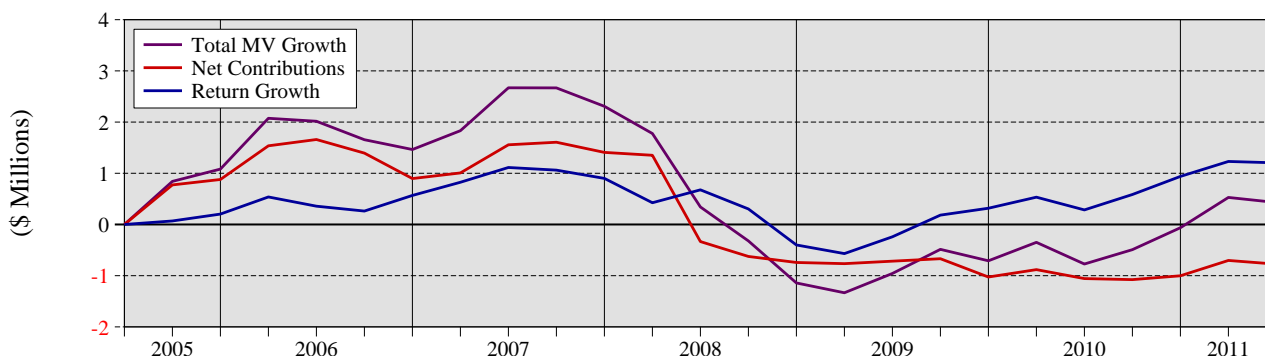
Historical Portfolio Growth

The charts below illustrate the historical change, and their sources, in the total fund weight of a fund or asset class. The first chart shows the changing weight and market value of the fund component. The second chart displays the cumulative change in market value of the fund component along with the two sources of change: Net Contributions (contributions - disbursements), and Return Growth. The last chart illustrates the change in component market value and its sources on a quarterly or monthly basis.

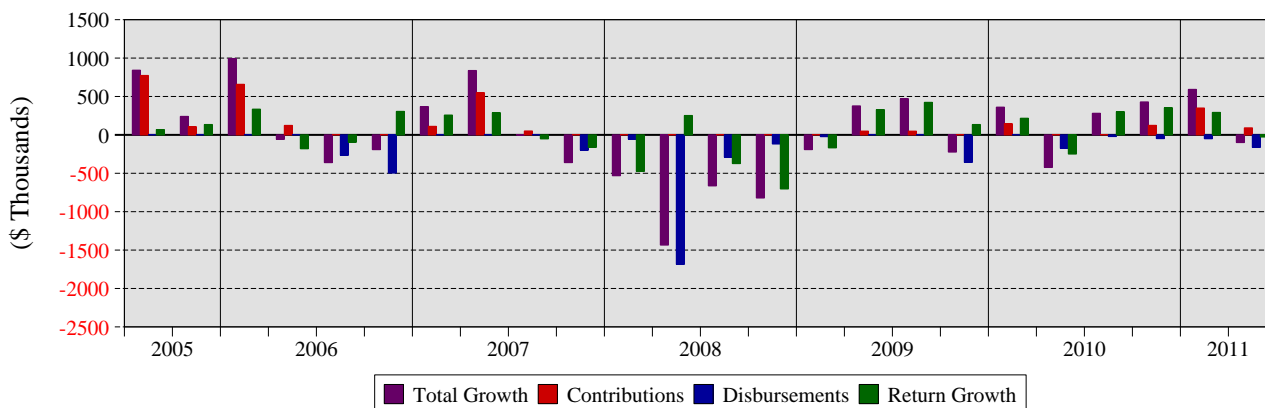
Historical Fund Growth



Cumulative Growth Sources



Quarterly Growth Sources



MANAGER E

PERIOD ENDED JUNE 30, 2011



Investment Philosophy

The manager's objective is to match the performance of the S&P SmallCap 600 Index Fund. The Fund invests in a representative sample of stocks included in the index, and in futures whose performance is tied to the index.

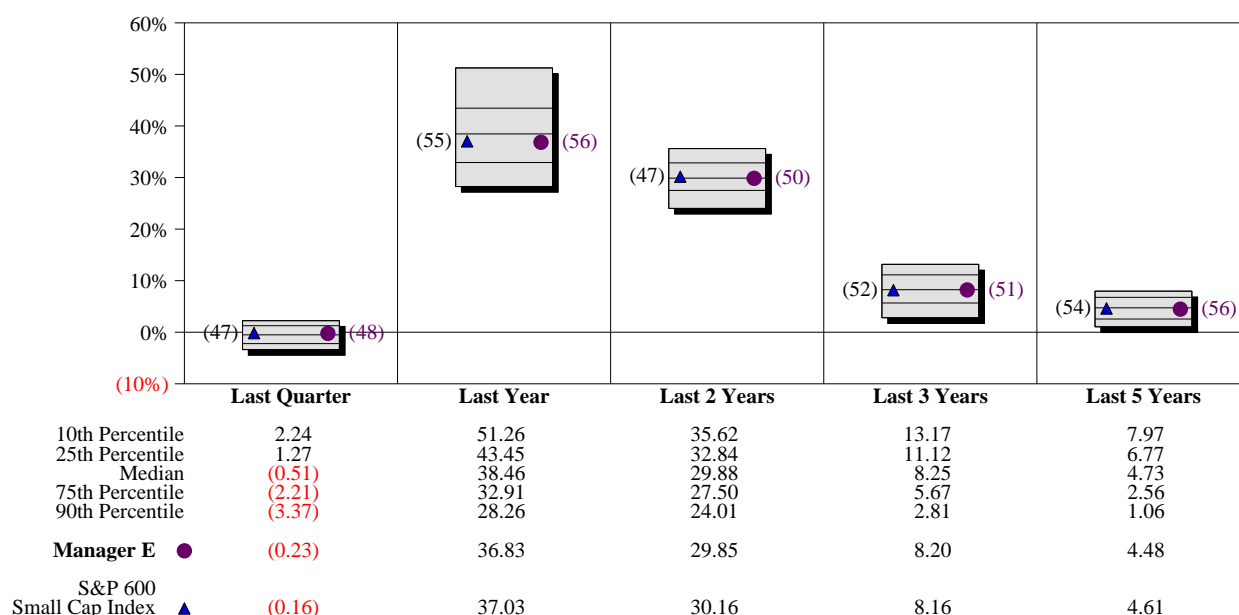
Quarterly Summary and Highlights

- Manager E's portfolio posted a (0.23)% return for the quarter placing it in the 48 percentile of the CAI MF - Small Cap Broad Style group for the quarter and in the 56 percentile for the last year.
- Manager E's portfolio underperformed the S&P 600 Small Cap Index by 0.06% for the quarter and underperformed the S&P 600 Small Cap Index for the year by 0.20%.

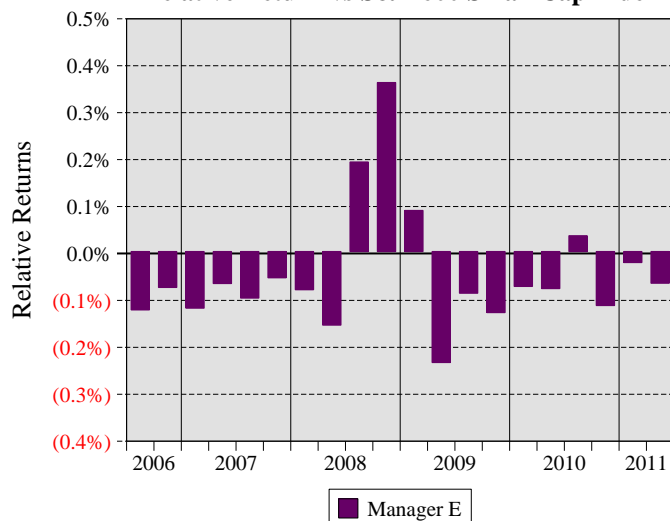
Quarterly Asset Growth

Beginning Market Value	\$1,974,419
Net New Investment	\$-41,472
Investment Gains/(Losses)	\$-1,301
Ending Market Value	\$1,931,646

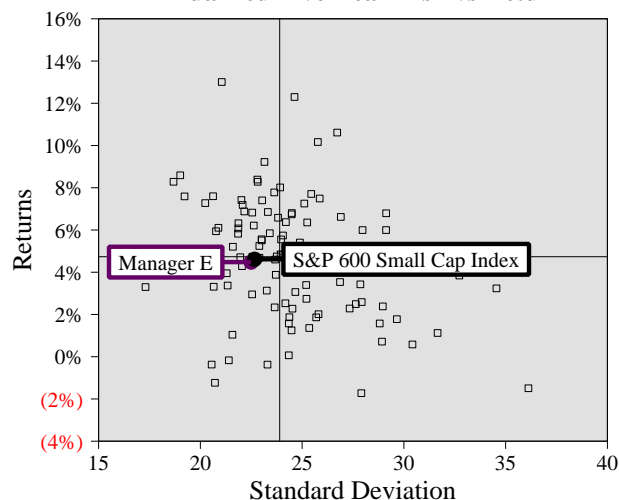
Performance vs CAI MF - Small Cap Broad Style (Net)



Relative Return vs S&P 600 Small Cap Index



CAI MF - Small Cap Broad Style (Net) Annualized Five Year Risk vs Return

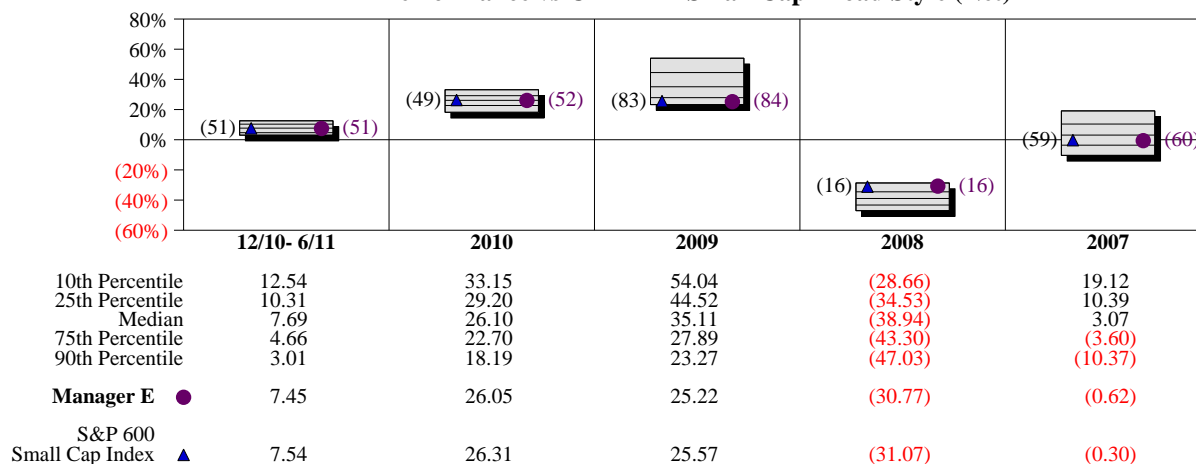


MANAGER E RETURN ANALYSIS SUMMARY

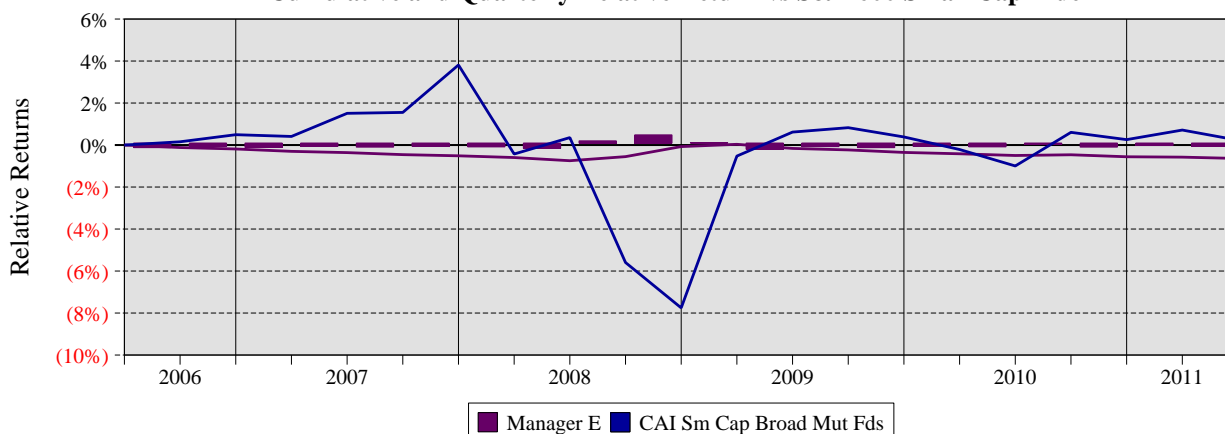
Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

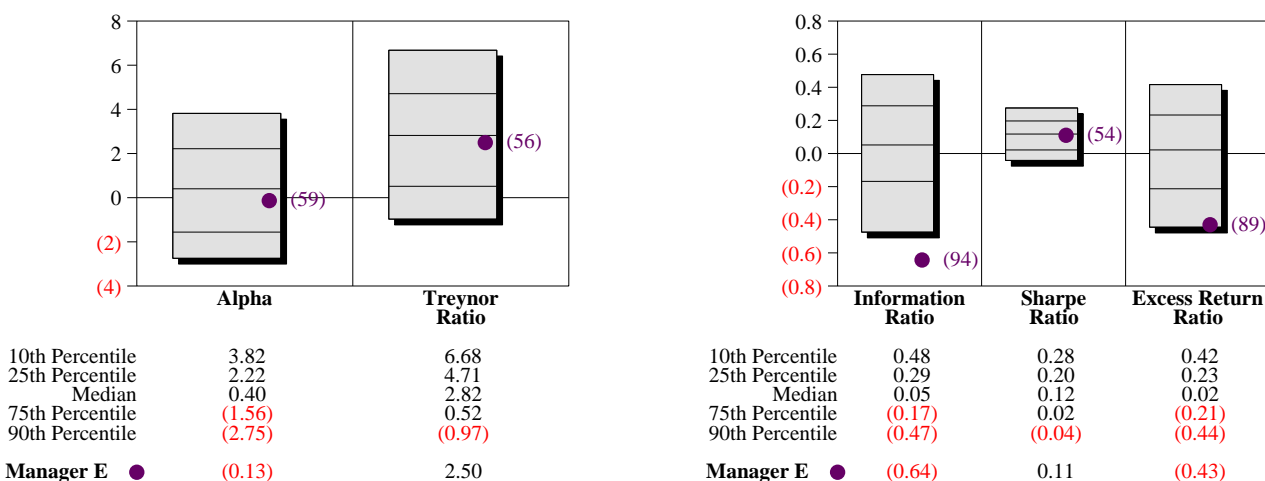
Performance vs CAI MF - Small Cap Broad Style (Net)



Cumulative and Quarterly Relative Return vs S&P 600 Small Cap Index



Risk Adjusted Return Measures vs S&P 600 Small Cap Index Rankings Against CAI MF - Small Cap Broad Style (Net) Five Years Ended June 30, 2011

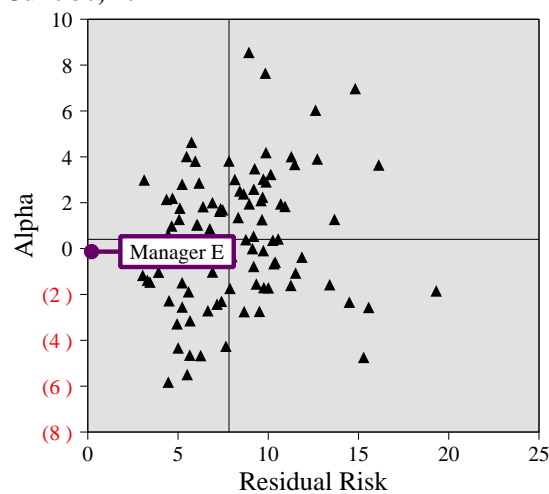
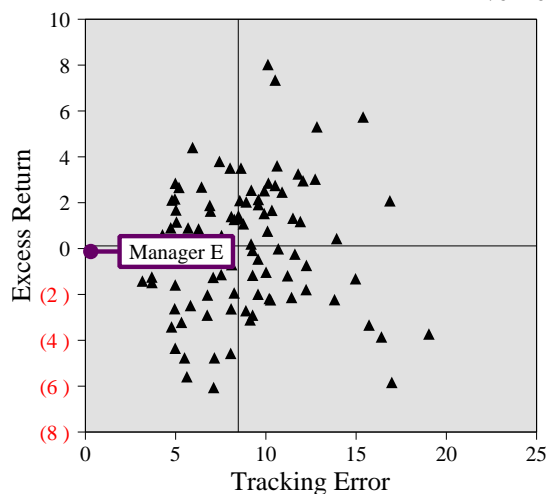


MANAGER E RISK ANALYSIS SUMMARY

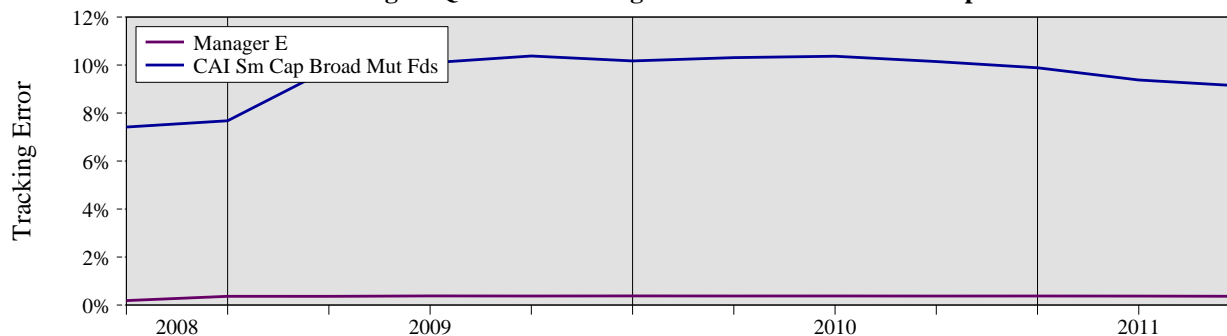
Risk Analysis

The graphs below analyze the risk or variation of a manager's return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager's risk statistics versus the peer group.

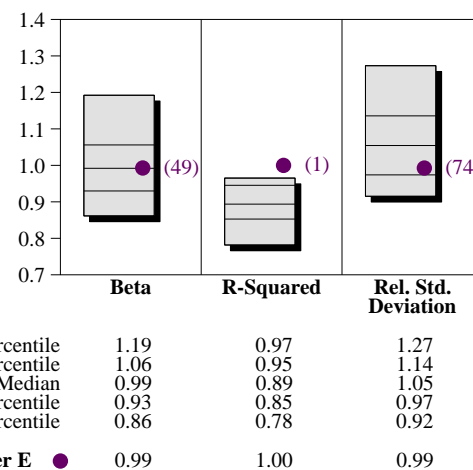
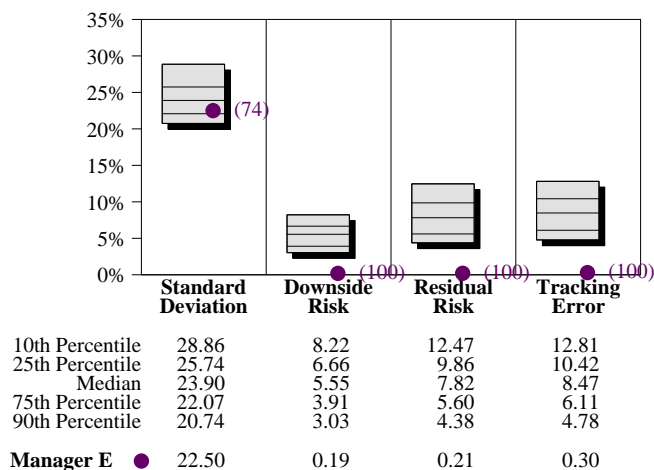
**Risk Analysis vs CAI MF - Small Cap Broad Style (Net)
Five Years Ended June 30, 2011**



Rolling 12 Quarter Tracking Error vs S&P 600 Small Cap Index



**Risk Statistics Rankings vs S&P 600 Small Cap Index
Rankings Against CAI MF - Small Cap Broad Style (Net)
Five Years Ended June 30, 2011**

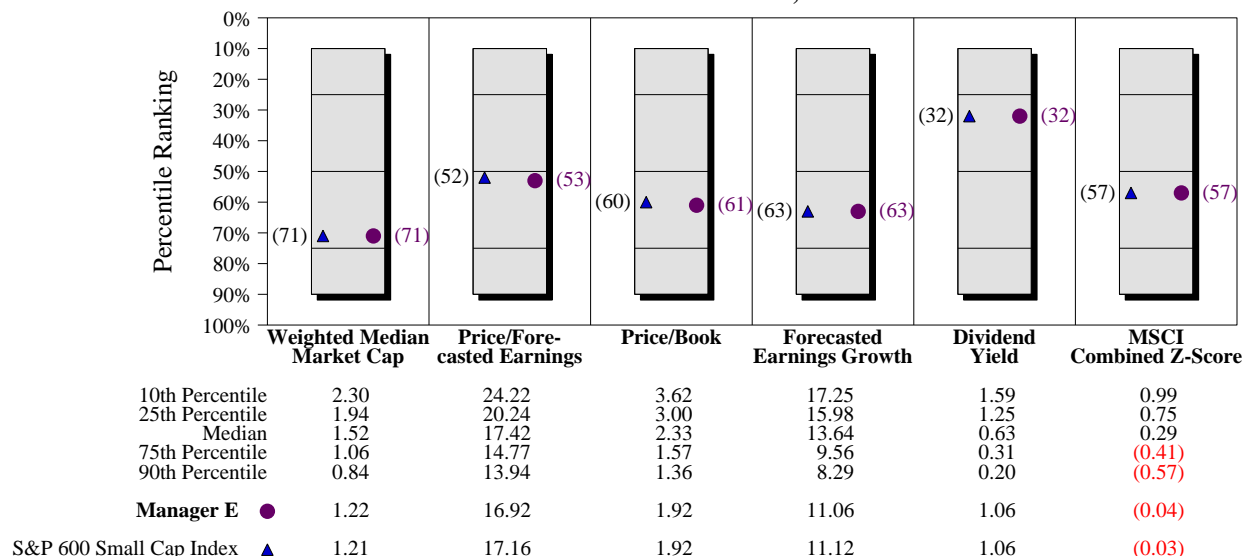


MANAGER E EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

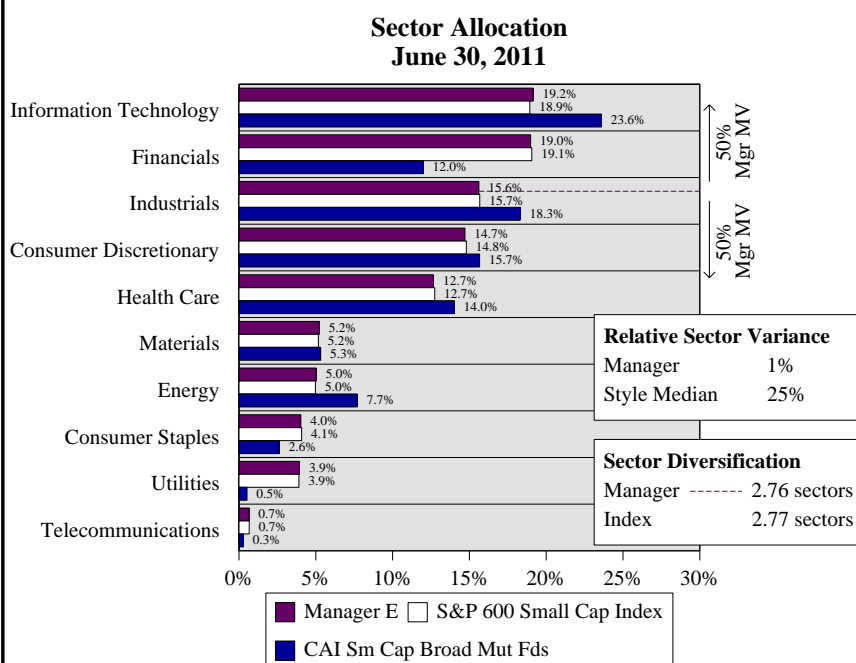
This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Small Cap Broad Style as of June 30, 2011

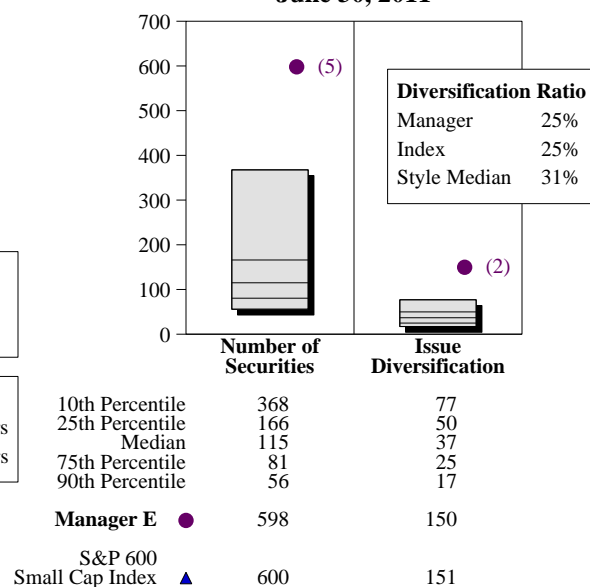


Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.



Diversification June 30, 2011



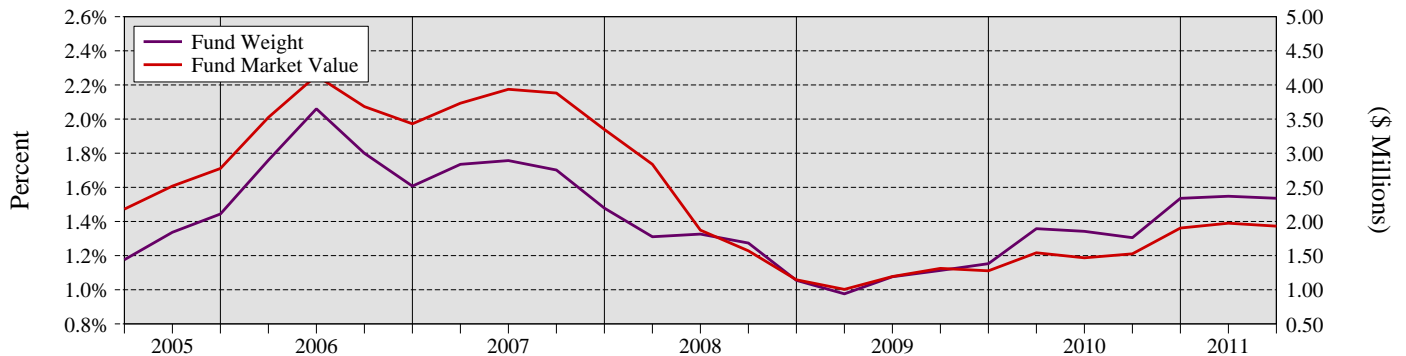
MANAGER E HISTORICAL PORTFOLIO GROWTH PERIOD ENDED JUNE 30, 2011



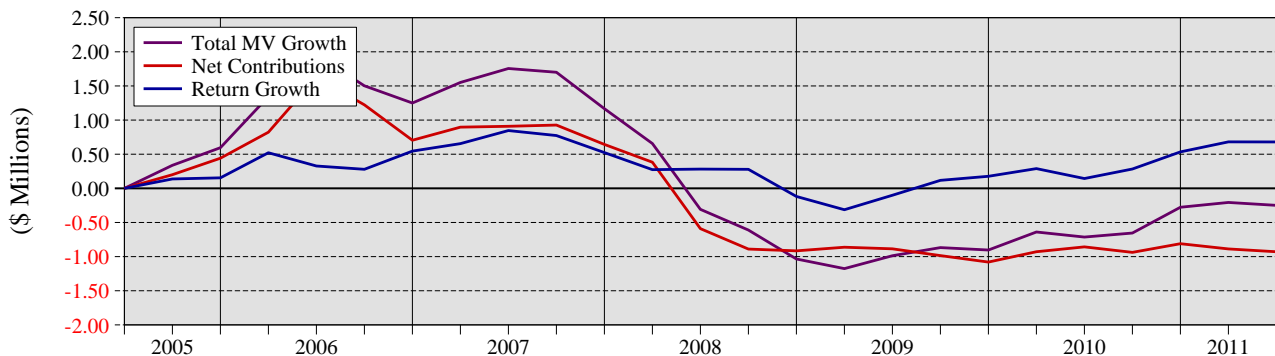
Historical Portfolio Growth

The charts below illustrate the historical change, and their sources, in the total fund weight of a fund or asset class. The first chart shows the changing weight and market value of the fund component. The second chart displays the cumulative change in market value of the fund component along with the two sources of change: Net Contributions (contributions - disbursements), and Return Growth. The last chart illustrates the change in component market value and its sources on a quarterly or monthly basis.

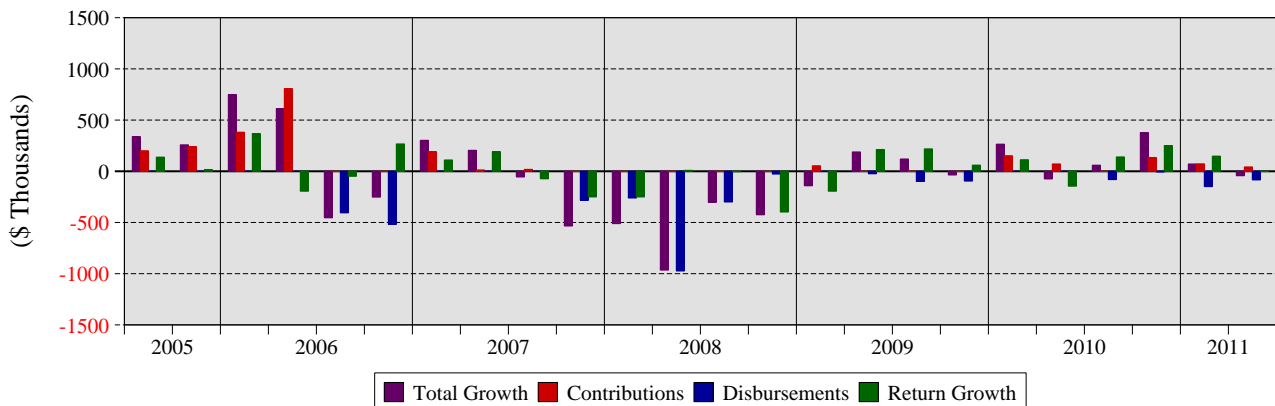
Historical Fund Growth



Cumulative Growth Sources



Quarterly Growth Sources



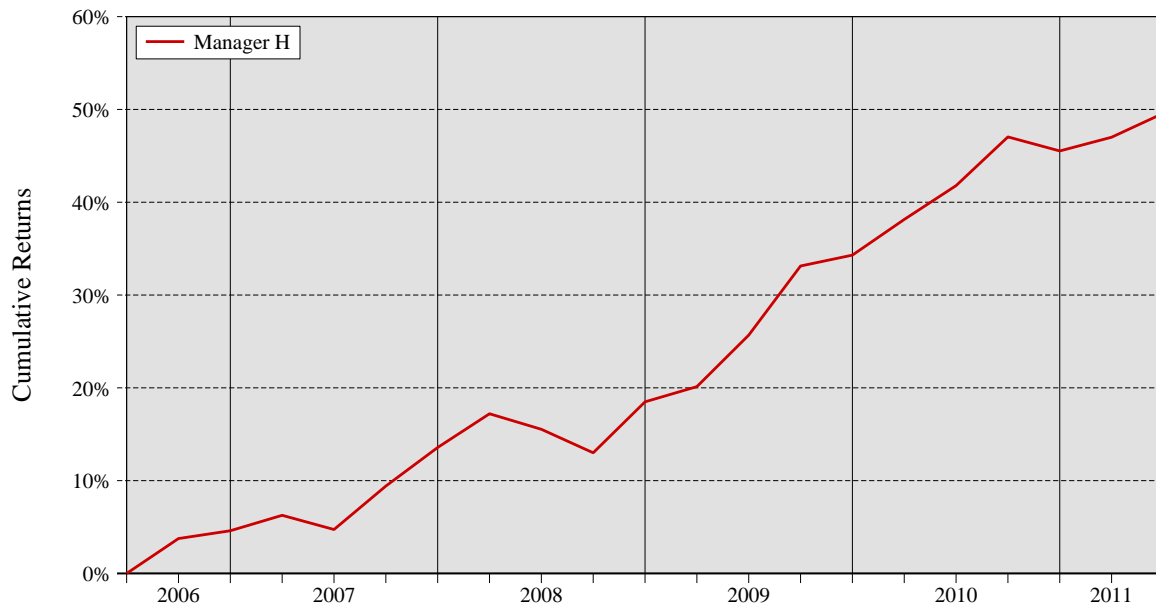
CUMULATIVE RETURN AND RISK VS RETURN PERIOD ENDED JUNE 30, 2011



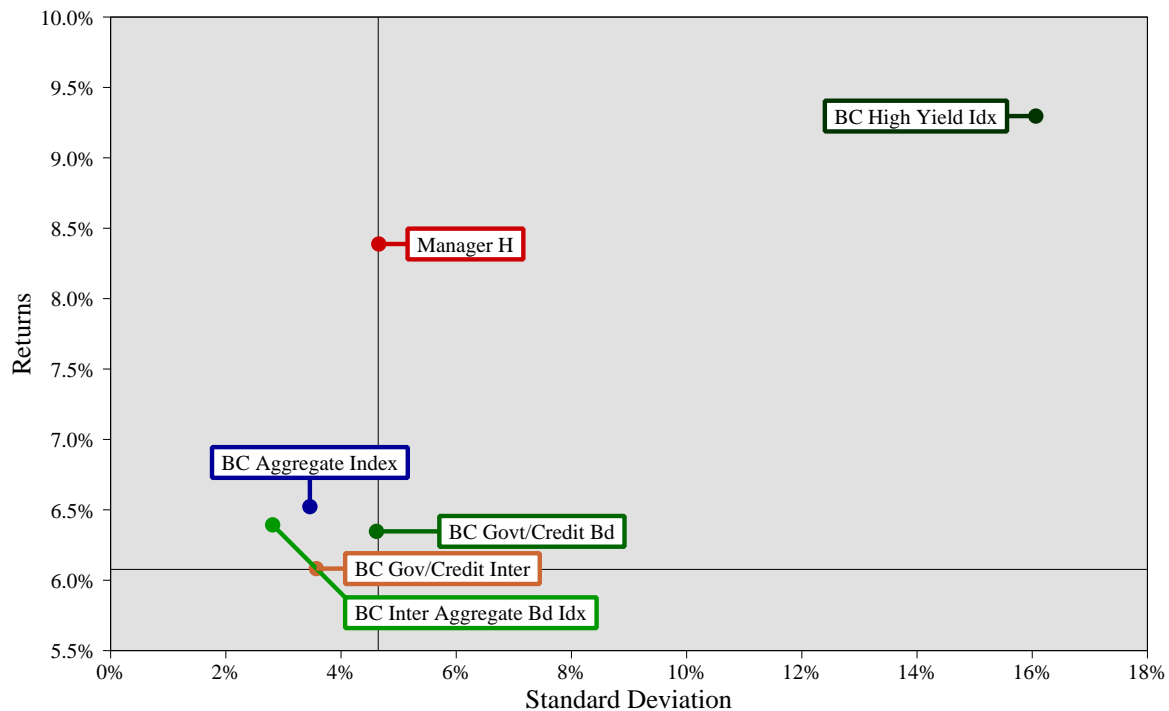
Risk vs. Reward

The first chart below shows the cumulative return of the various investment options. In general, the higher risk options should demonstrate higher (but less stable) cumulative returns. The second chart contrasts the return and risk experienced by all of the fund options with return histories greater than 12 quarters. The risk and return for the benchmark index for each fund is also shown for comparison. A well diversified plan should have investment options that span the risk return spectrum from lower risk (typically money markets or stable values funds) to higher risk (domestic and international equity funds).

Five Year Cumulative Returns



Five Year Annualized Risk vs Return



MANAGER H PERIOD ENDED JUNE 30, 2011



Investment Philosophy

The Stable Value database group is comprised of funds that invest primarily in Guaranteed Investment Contracts (GICs) and Synthetic Investment Contracts (SICs) to provide principal protection, stable book value and a guaranteed rate of return over a contractually specified time period. Common benchmarks for the universe include, but not limited to, the Ryan Labs GIC Master indices and the Hueler Stable Value Index. Returns for the CAI Stable Value Database and the Manager's Fund are gross.

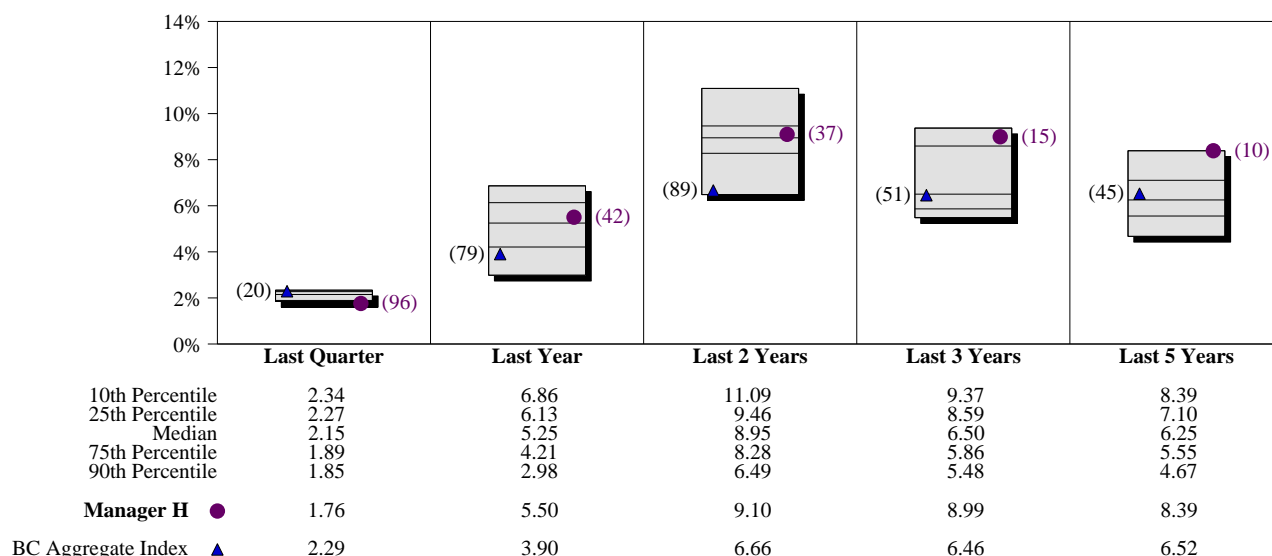
Quarterly Summary and Highlights

- Manager H's portfolio posted a 1.76% return for the quarter placing it in the 96 percentile of the CAI MF - Core Bond Style group for the quarter and in the 42 percentile for the last year.
- Manager H's portfolio underperformed the BC Aggregate Index by 0.53% for the quarter and outperformed the BC Aggregate Index for the year by 1.60%.

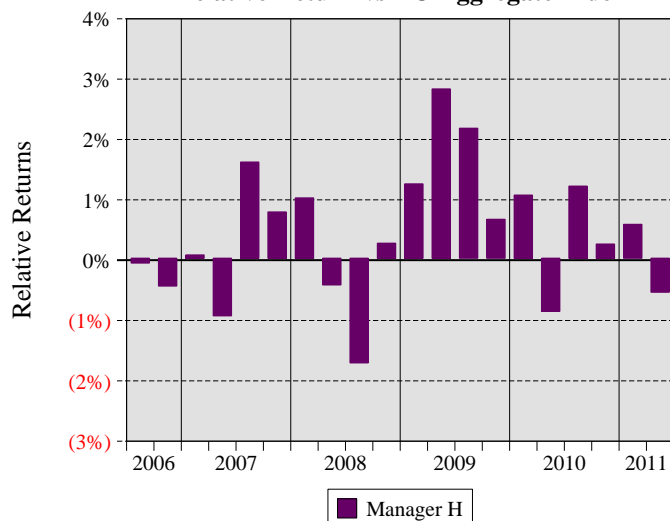
Quarterly Asset Growth

Beginning Market Value	\$4,737,281
Net New Investment	\$-63,157
Investment Gains/(Losses)	\$82,957
Ending Market Value	\$4,757,081

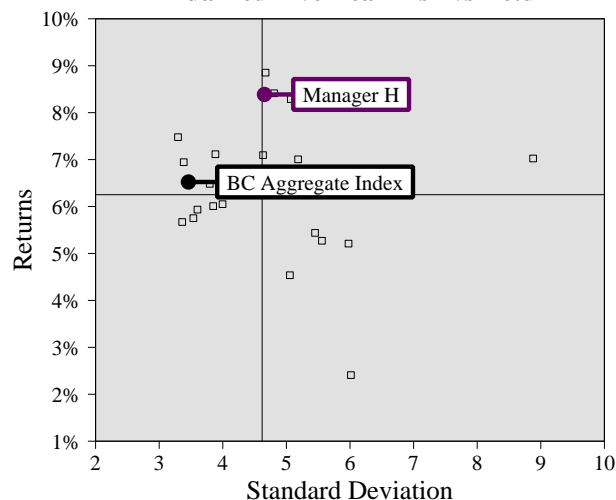
Performance vs CAI MF - Core Bond Style (Cheapest Net)



Relative Return vs BC Aggregate Index



CAI MF - Core Bond Style (Cheapest Net) Annualized Five Year Risk vs Return

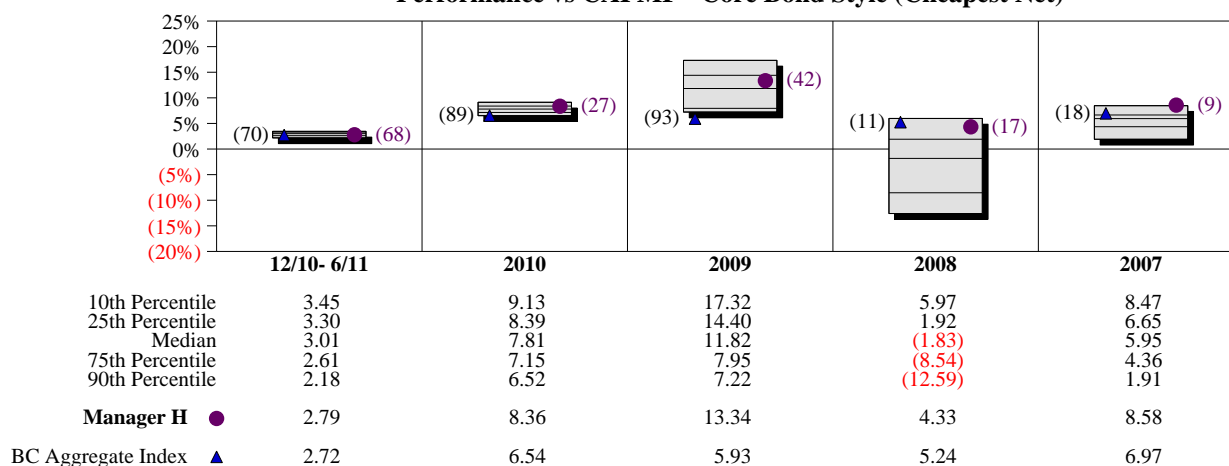


MANAGER H RETURN ANALYSIS SUMMARY

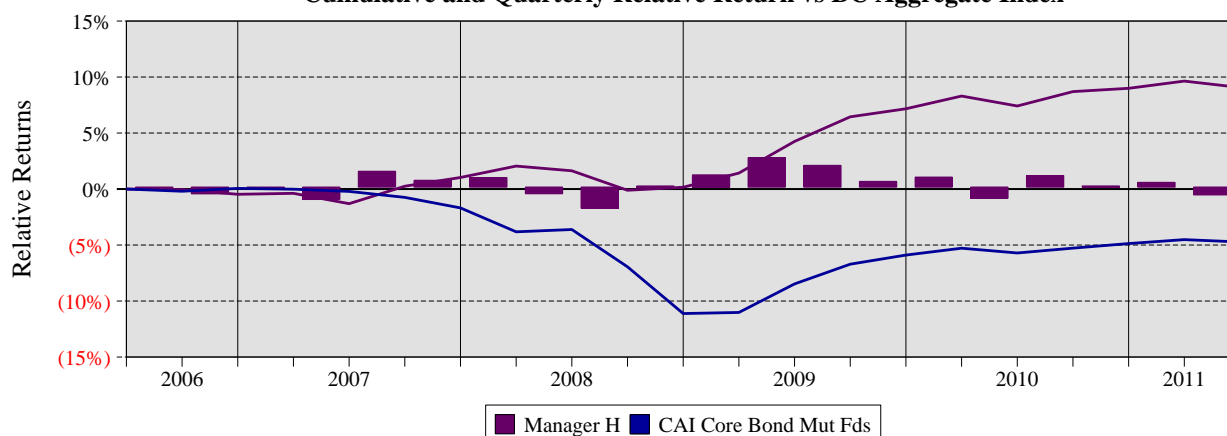
Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

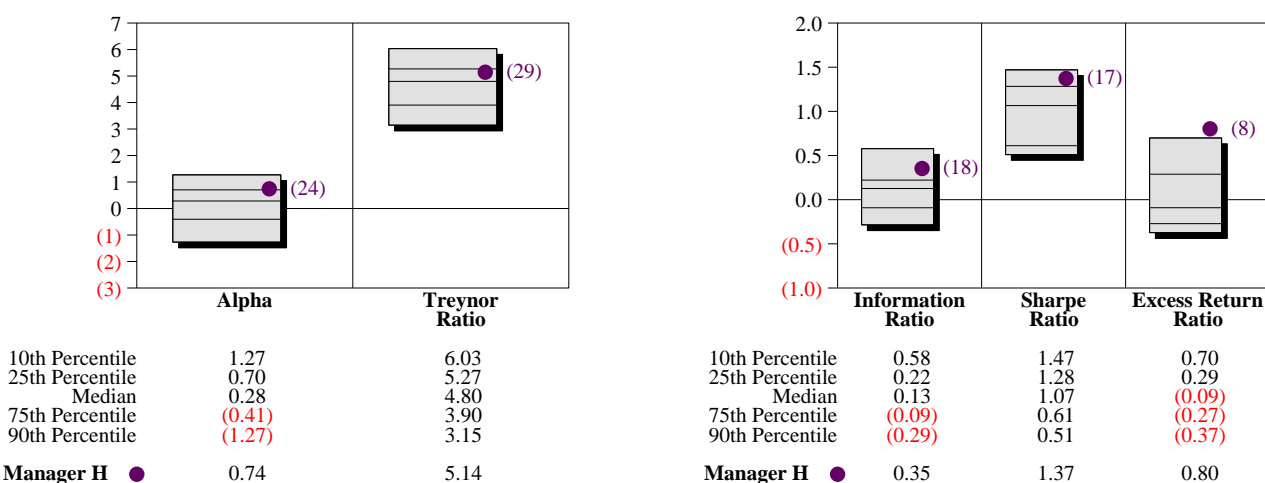
Performance vs CAI MF - Core Bond Style (Cheapest Net)



Cumulative and Quarterly Relative Return vs BC Aggregate Index



Risk Adjusted Return Measures vs BC Aggregate Index Rankings Against CAI MF - Core Bond Style (Cheapest Net) Five Years Ended June 30, 2011





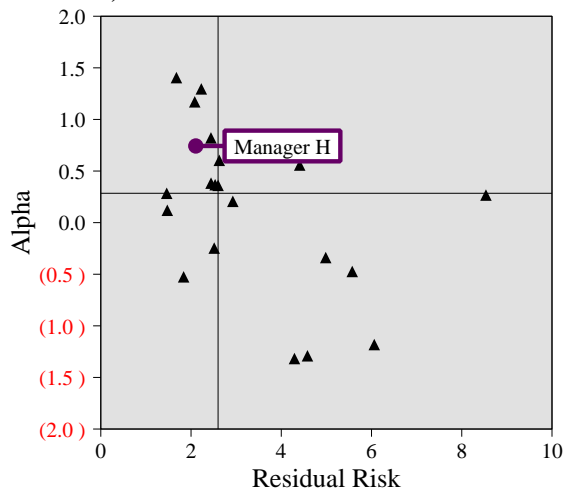
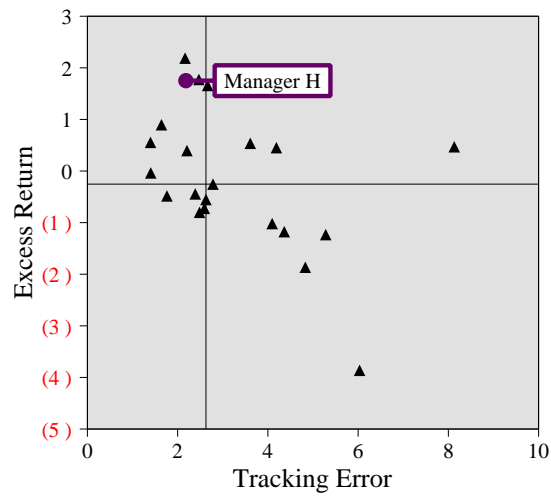
MANAGER H

RISK ANALYSIS SUMMARY

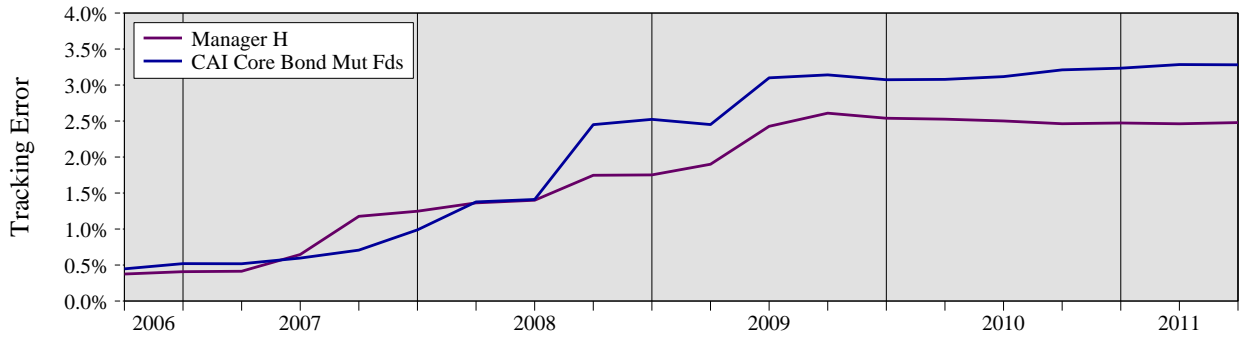
Risk Analysis

The graphs below analyze the risk or variation of a manager's return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager's risk statistics versus the peer group.

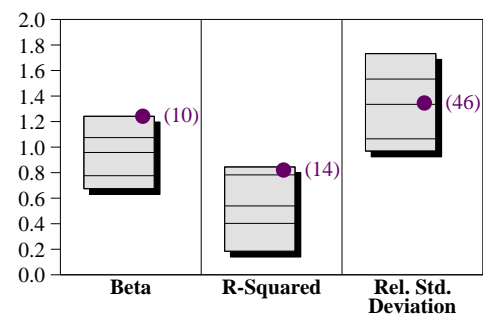
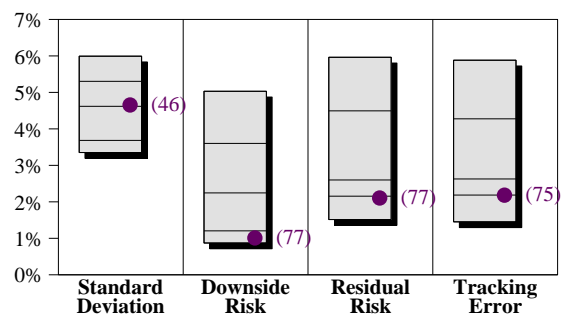
Risk Analysis vs CAI MF - Core Bond Style (Cheapest Net)
Five Years Ended June 30, 2011



Rolling 12 Quarter Tracking Error vs BC Aggregate Index



Risk Statistics Rankings vs BC Aggregate Index
Rankings Against CAI MF - Core Bond Style (Cheapest Net)
Five Years Ended June 30, 2011



10th Percentile	5.99	5.03	5.96	5.88
25th Percentile	5.30	3.60	4.49	4.28
Median	4.62	2.24	2.60	2.63
75th Percentile	3.68	1.20	2.15	2.19
90th Percentile	3.35	0.87	1.51	1.45

Manager H ● 4.66 1.01 2.11 2.18

10th Percentile	1.24	0.84	1.73
25th Percentile	1.07	0.78	1.53
Median	0.96	0.54	1.34
75th Percentile	0.78	0.40	1.06
90th Percentile	0.67	0.18	0.97

Manager H ● 1.24 0.82 1.35

MANAGER H HISTORICAL PORTFOLIO GROWTH PERIOD ENDED JUNE 30, 2011



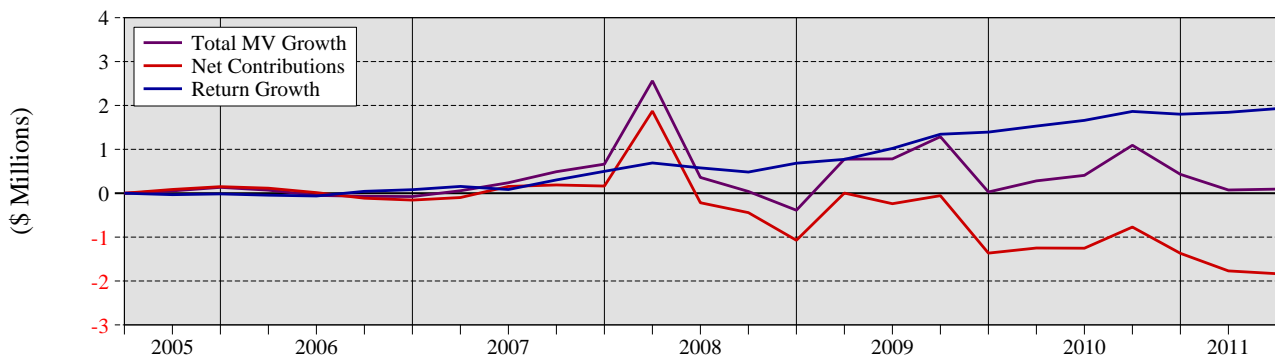
Historical Portfolio Growth

The charts below illustrate the historical change, and their sources, in the total fund weight of a fund or asset class. The first chart shows the changing weight and market value of the fund component. The second chart displays the cumulative change in market value of the fund component along with the two sources of change: Net Contributions (contributions - disbursements), and Return Growth. The last chart illustrates the change in component market value and its sources on a quarterly or monthly basis.

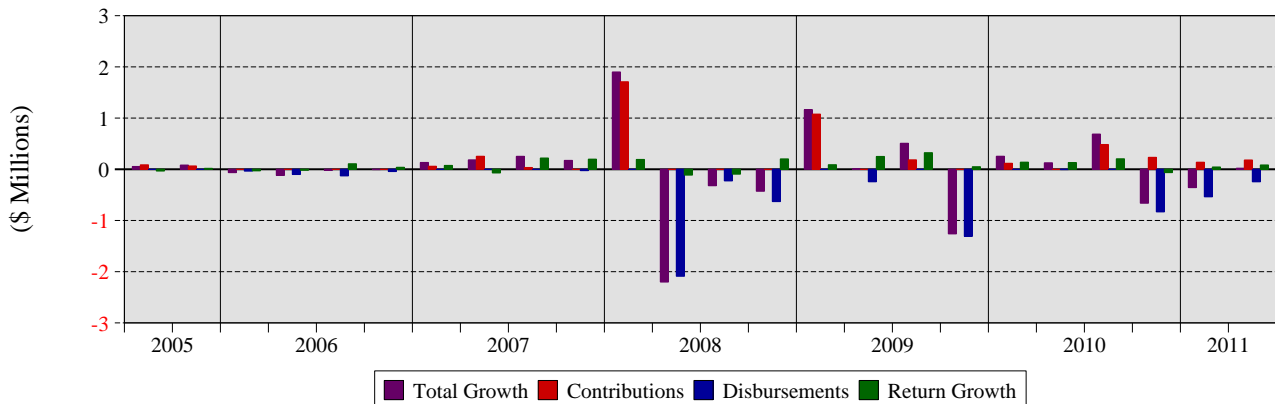
Historical Fund Growth



Cumulative Growth Sources



Quarterly Growth Sources



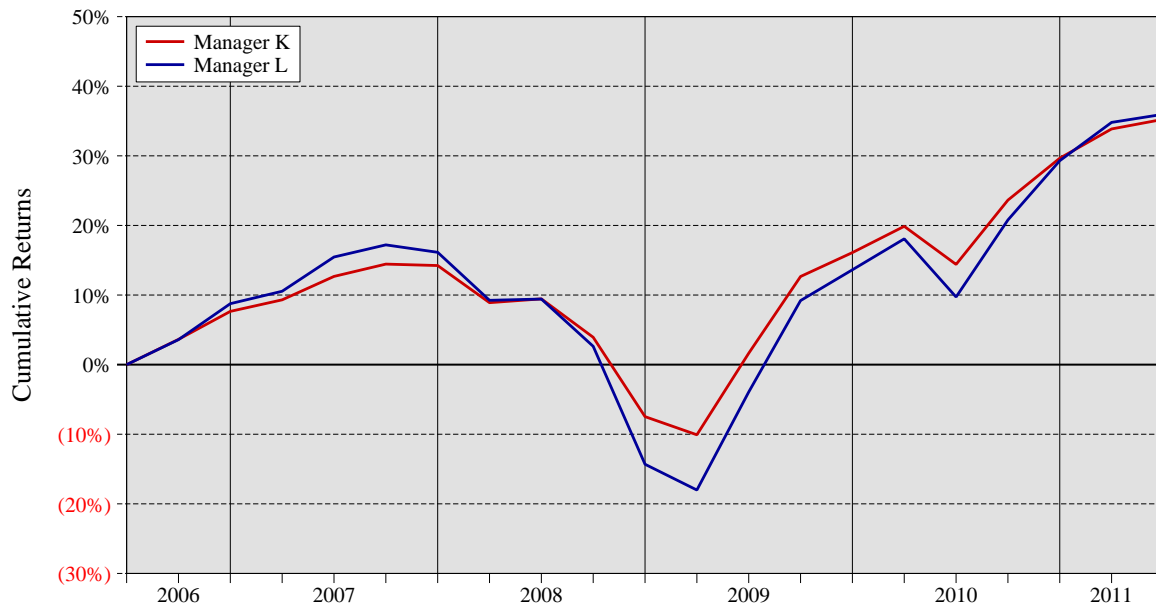
CUMULATIVE RETURN AND RISK VS RETURN PERIOD ENDED JUNE 30, 2011



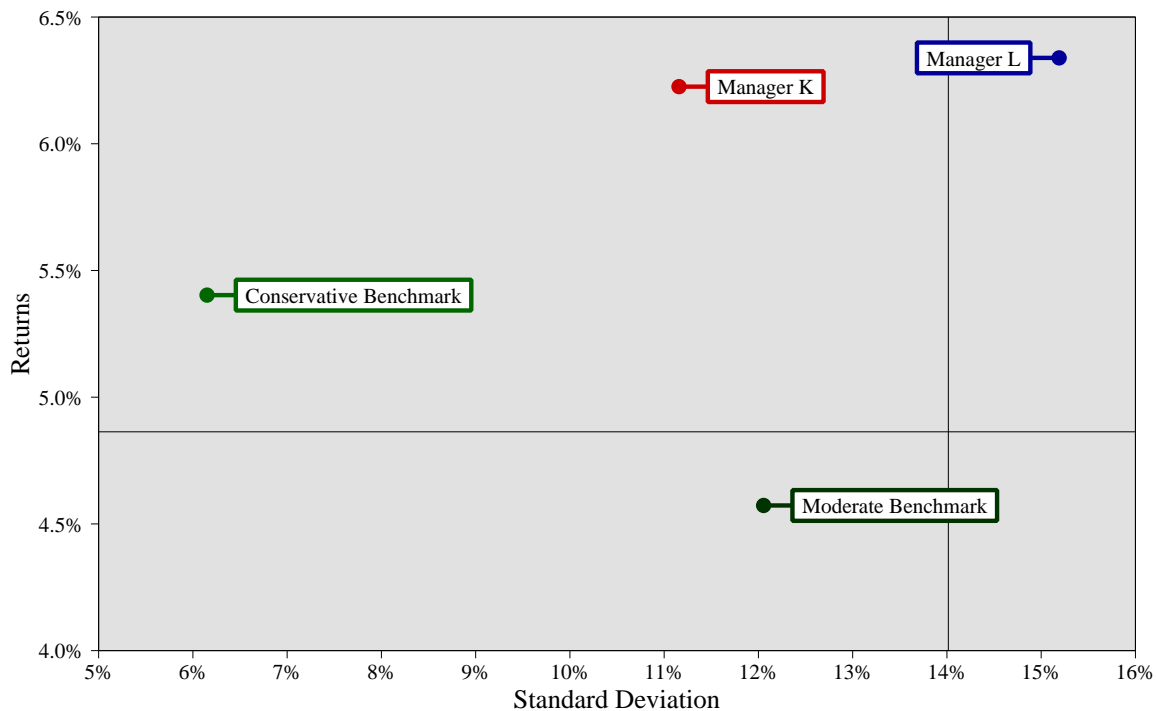
Risk vs. Reward

The first chart below shows the cumulative return of the various investment options. In general, the higher risk options should demonstrate higher (but less stable) cumulative returns. The second chart contrasts the return and risk experienced by all of the fund options with return histories greater than 12 quarters. The risk and return for the benchmark index for each fund is also shown for comparison. A well diversified plan should have investment options that span the risk return spectrum from lower risk (typically money markets or stable values funds) to higher risk (domestic and international equity funds).

Five Year Cumulative Returns



Five Year Annualized Risk vs Return



MANAGER K PERIOD ENDED JUNE 30, 2011



Investment Philosophy

The CAI MF-Domestic Balanced Conservative Style database is composed of mutual funds that represent the conservative asset allocation strategy. Generally, conservative funds will have higher allocations to the less risky asset classes such as fixed-income. The allocations for this group will typically have up to a 30/70 equity/fixed ratio.

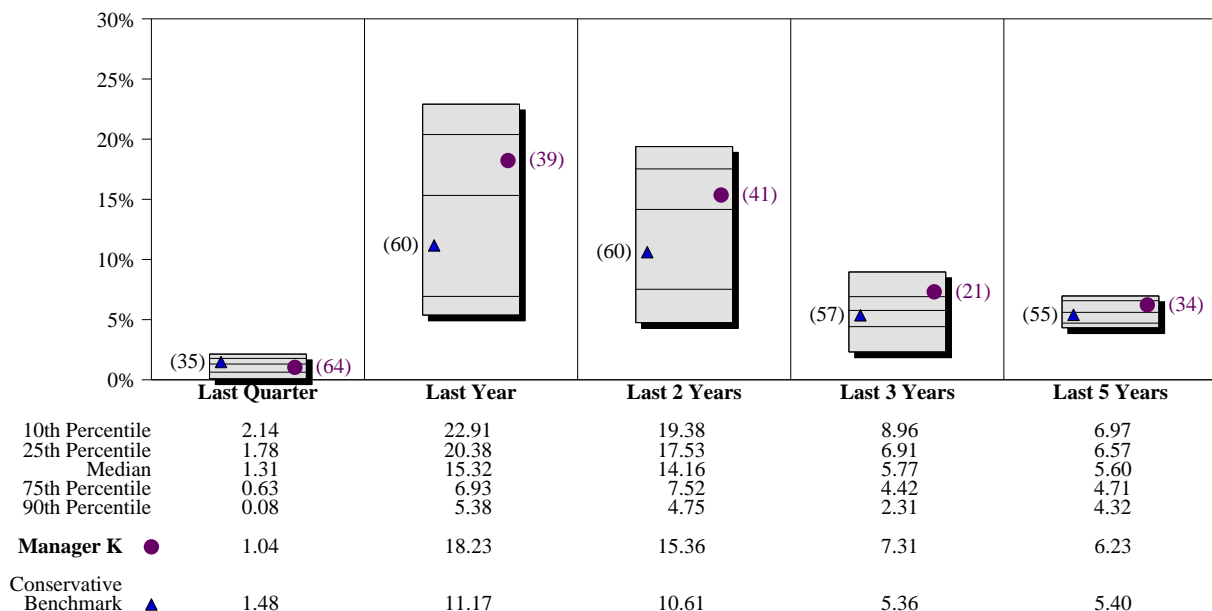
Quarterly Summary and Highlights

- Manager K's portfolio posted a 1.04% return for the quarter placing it in the 64 percentile of the CAI MF-Domestic Bal Conservative Style group for the quarter and in the 39 percentile for the last year.
- Manager K's portfolio underperformed the Conservative Benchmark by 0.44% for the quarter and outperformed the Conservative Benchmark for the year by 7.06%.

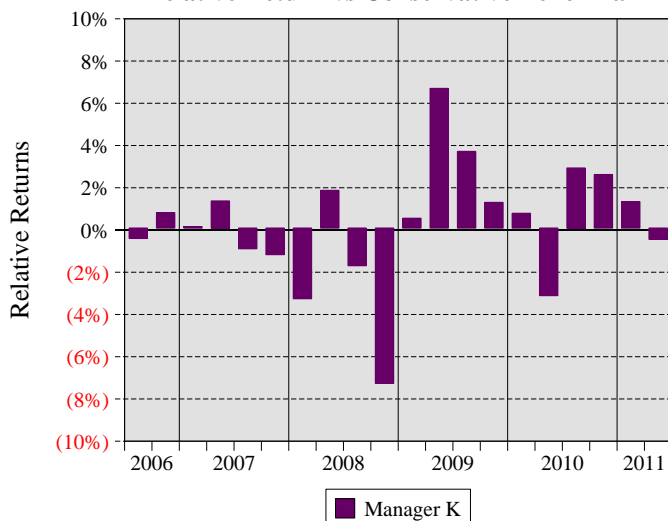
Quarterly Asset Growth

Beginning Market Value	\$30,608,392
Net New Investment	\$-546,931
Investment Gains/(Losses)	\$345,109
Ending Market Value	\$30,406,570

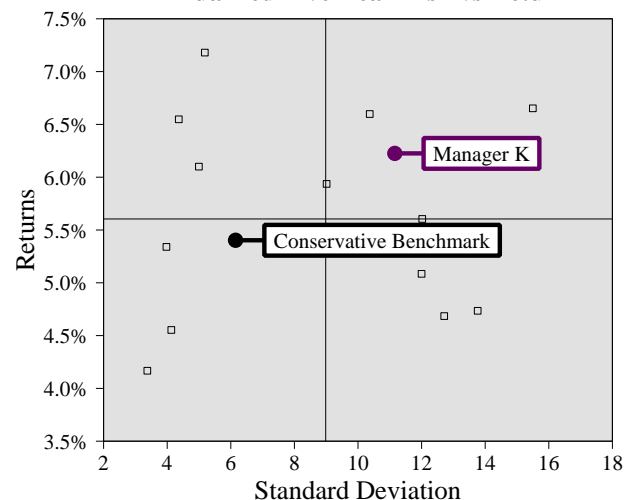
Performance vs CAI MF-Domestic Bal Conservative Style (Gross)



Relative Return vs Conservative Benchmark



CAI MF-Domestic Bal Conservative Style (Gross) Annualized Five Year Risk vs Return

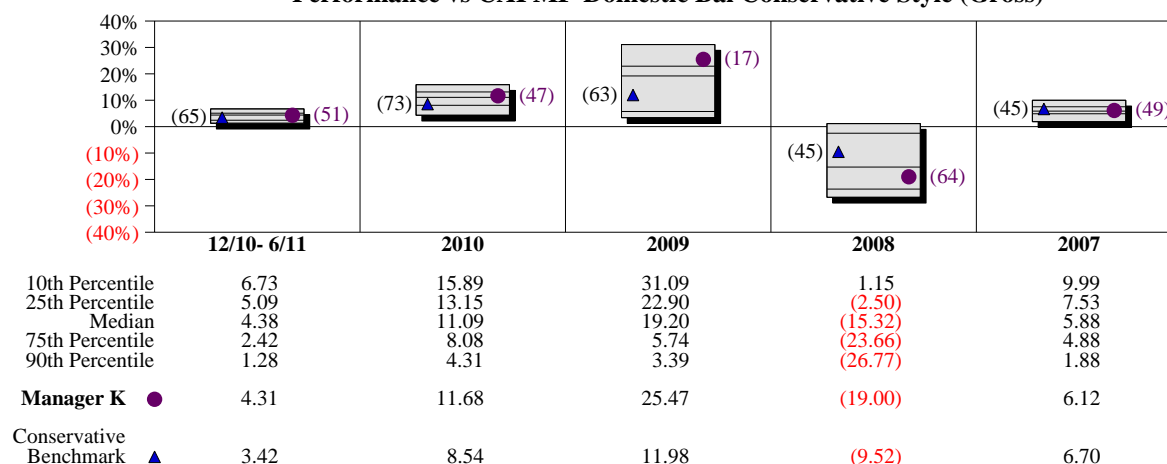


MANAGER K RETURN ANALYSIS SUMMARY

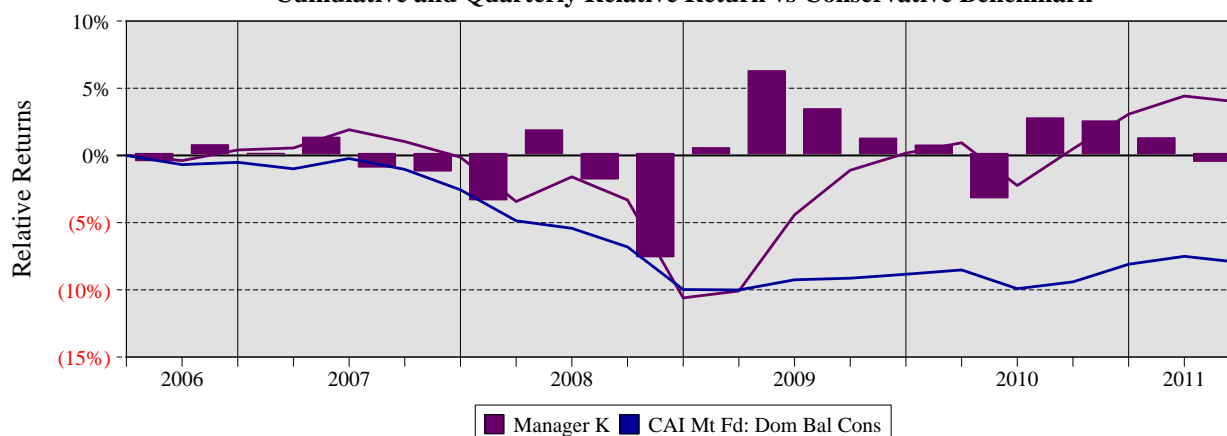
Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

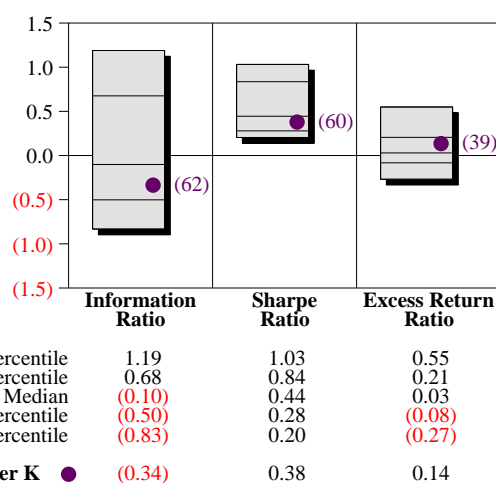
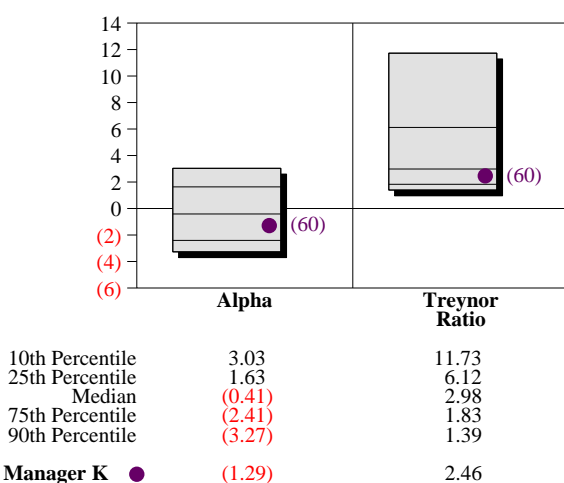
Performance vs CAI MF-Domestic Bal Conservative Style (Gross)



Cumulative and Quarterly Relative Return vs Conservative Benchmark



Risk Adjusted Return Measures vs Conservative Benchmark Rankings Against CAI MF-Domestic Bal Conservative Style (Gross) Five Years Ended June 30, 2011

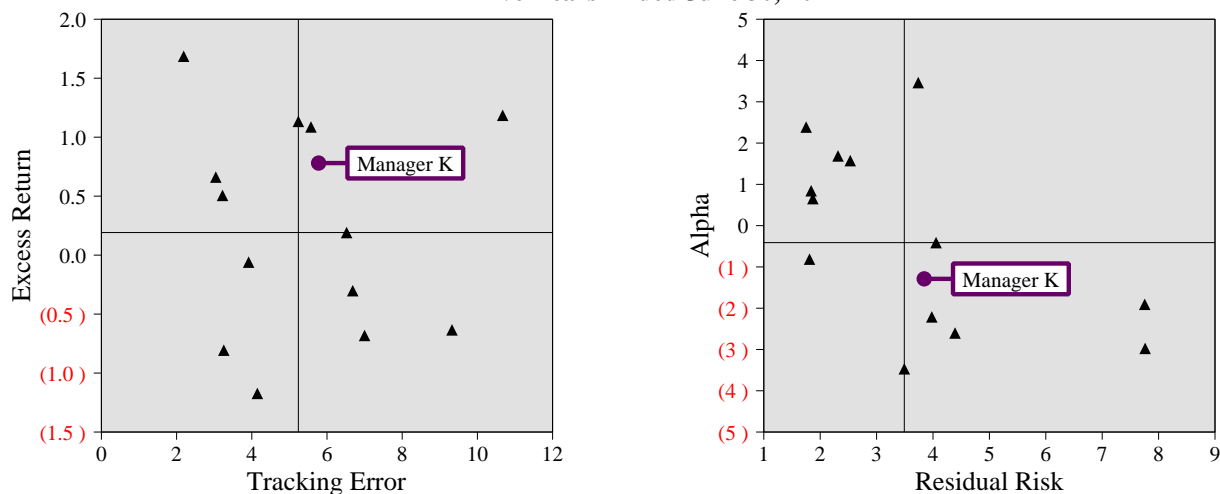


MANAGER K RISK ANALYSIS SUMMARY

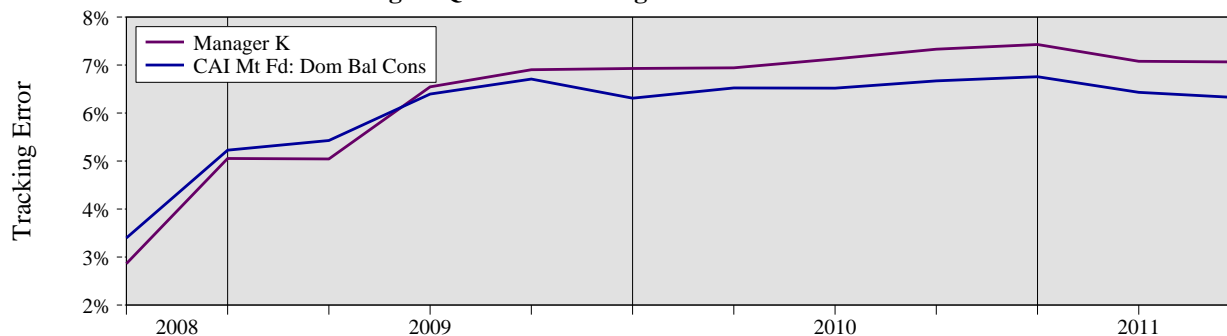
Risk Analysis

The graphs below analyze the risk or variation of a manager's return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager's risk statistics versus the peer group.

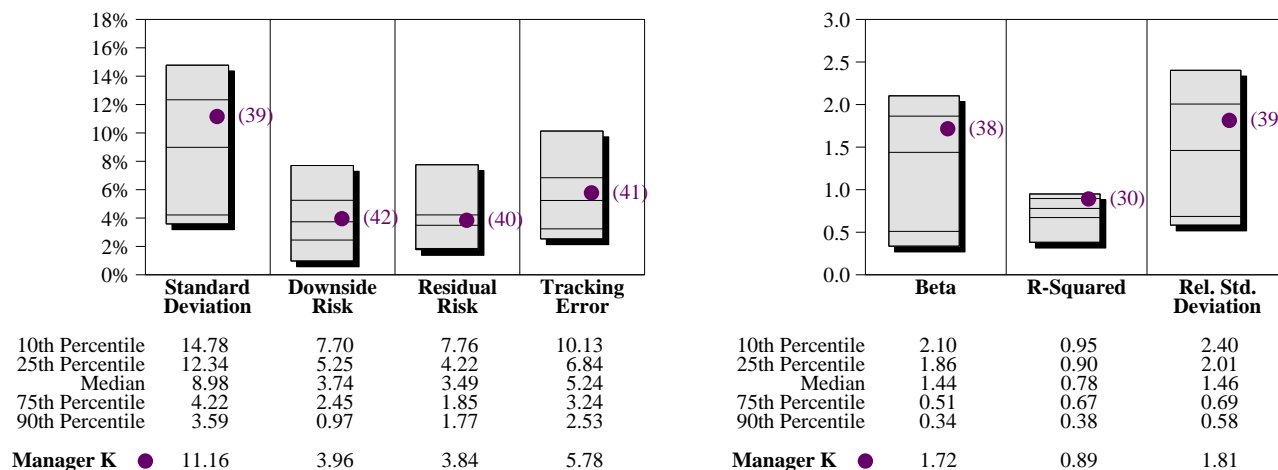
**Risk Analysis vs CAI MF-Domestic Bal Conservative Style (Gross)
Five Years Ended June 30, 2011**



Rolling 12 Quarter Tracking Error vs Conservative Benchmark



**Risk Statistics Rankings vs Conservative Benchmark
Rankings Against CAI MF-Domestic Bal Conservative Style (Gross)
Five Years Ended June 30, 2011**



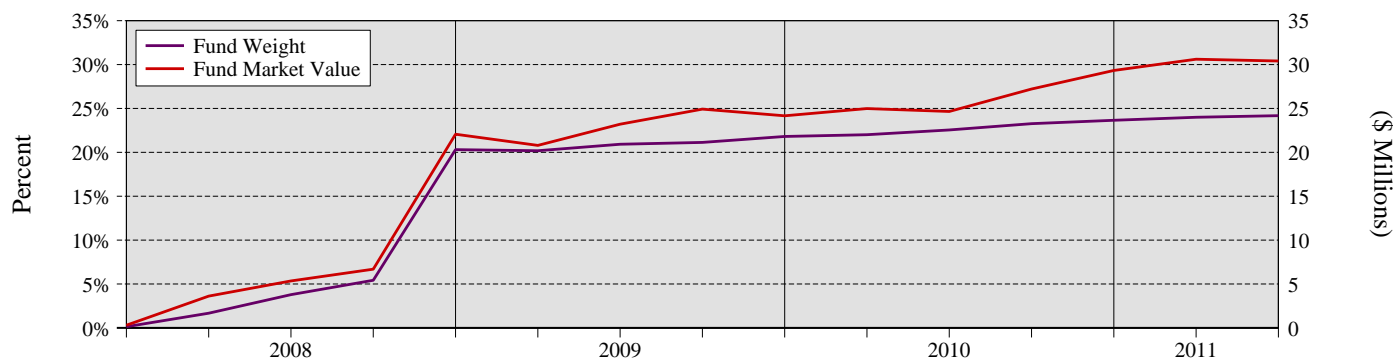
MANAGER K HISTORICAL PORTFOLIO GROWTH PERIOD ENDED JUNE 30, 2011



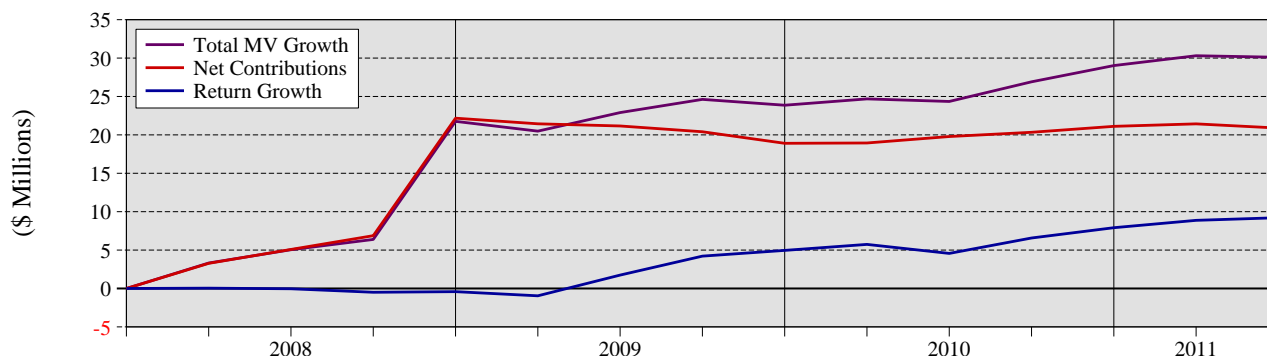
Historical Portfolio Growth

The charts below illustrate the historical change, and their sources, in the total fund weight of a fund or asset class. The first chart shows the changing weight and market value of the fund component. The second chart displays the cumulative change in market value of the fund component along with the two sources of change: Net Contributions (contributions - disbursements), and Return Growth. The last chart illustrates the change in component market value and its sources on a quarterly or monthly basis.

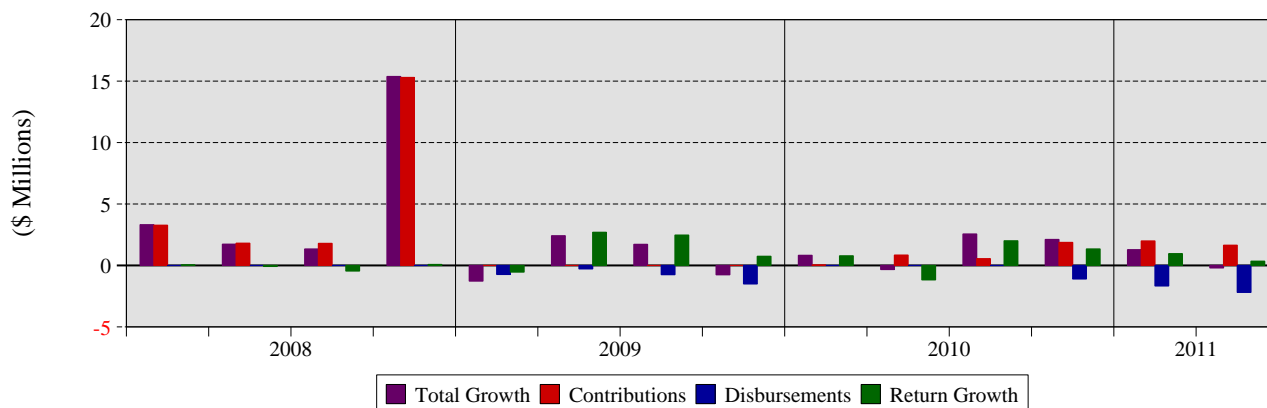
Historical Fund Growth



Cumulative Growth Sources



Quarterly Growth Sources



MANAGER L PERIOD ENDED JUNE 30, 2011



Investment Philosophy

The CAI MF-Domestic Balanced Moderate Style database is composed of mutual funds that represent the moderate asset allocation strategy. The allocations for this group will typically have between a 40/60 to 60/40 equity/fixed ratio.

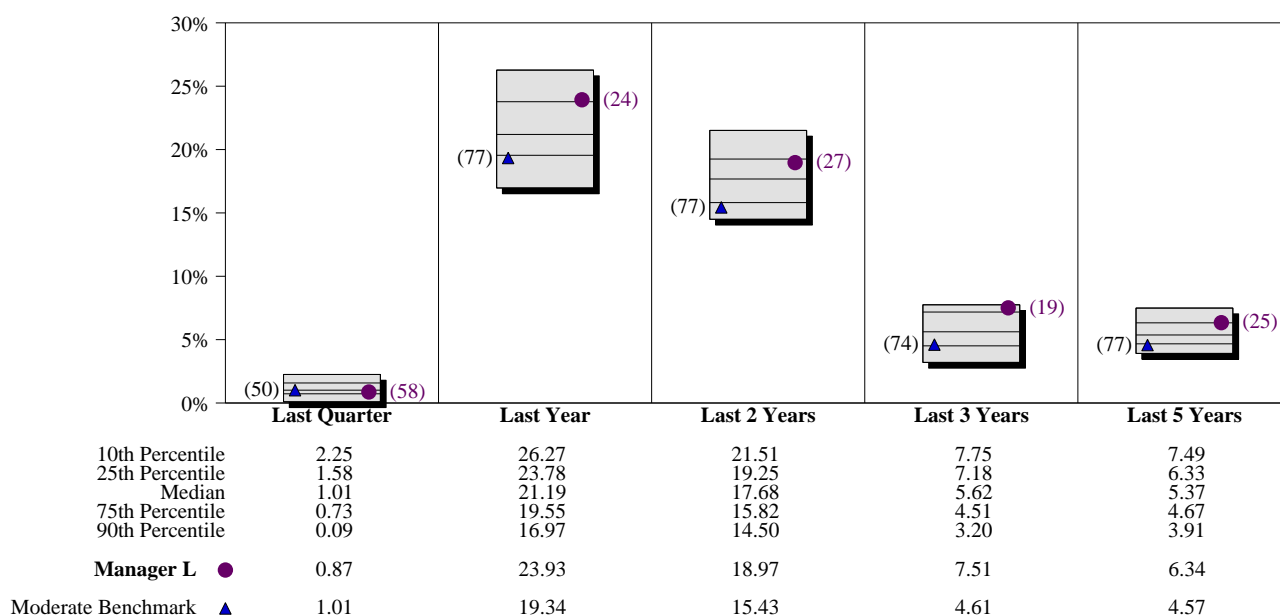
Quarterly Summary and Highlights

- Manager L's portfolio posted a 0.87% return for the quarter placing it in the 58 percentile of the CAI MF-Domestic Balanced Moderate Style group for the quarter and in the 24 percentile for the last year.
- Manager L's portfolio underperformed the Moderate Benchmark by 0.14% for the quarter and outperformed the Moderate Benchmark for the year by 4.59%.

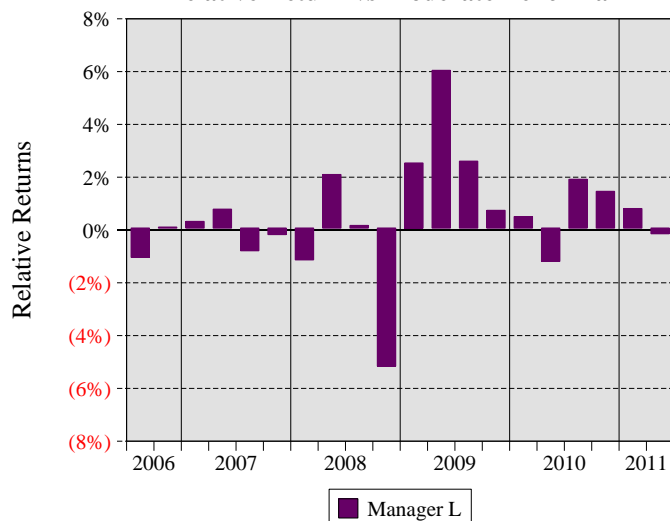
Quarterly Asset Growth

Beginning Market Value	\$18,240,817
Net New Investment	\$-353,981
Investment Gains/(Losses)	\$168,056
Ending Market Value	\$18,054,893

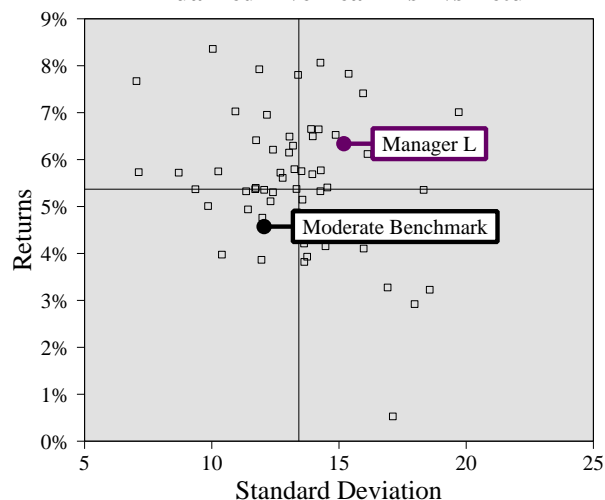
Performance vs CAI MF-Domestic Balanced Moderate Style (Gross)



Relative Return vs Moderate Benchmark



CAI MF-Domestic Balanced Moderate Style (Gross) Annualized Five Year Risk vs Return



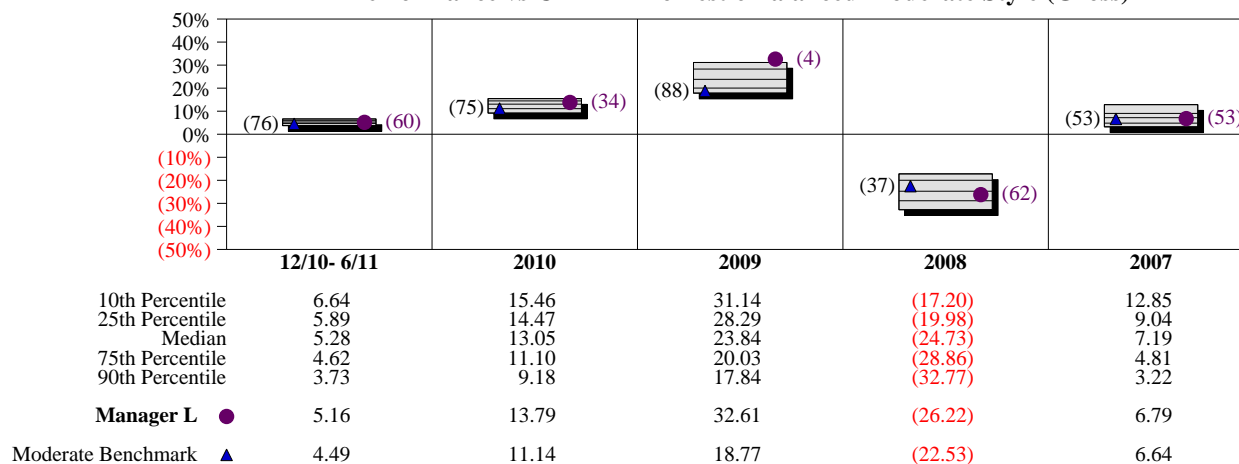
MANAGER L RETURN ANALYSIS SUMMARY



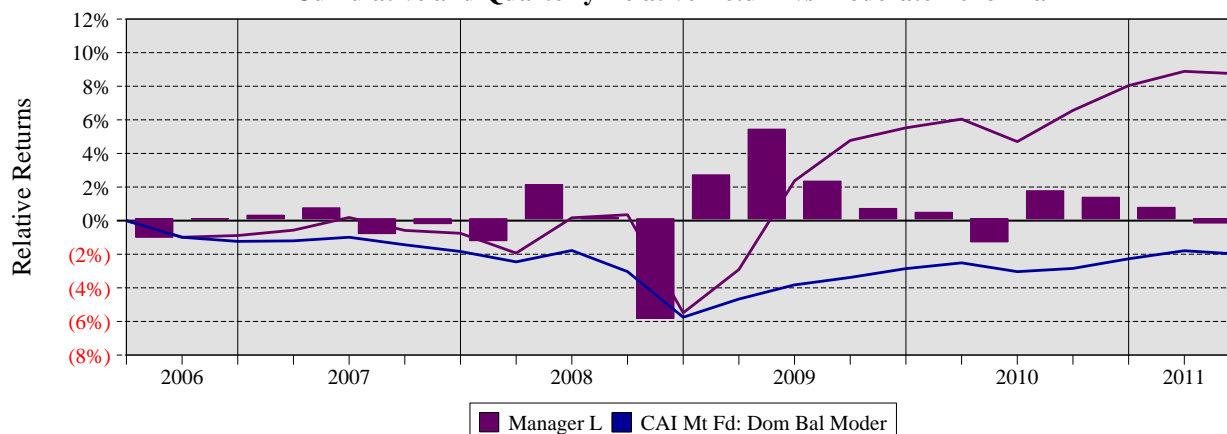
Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

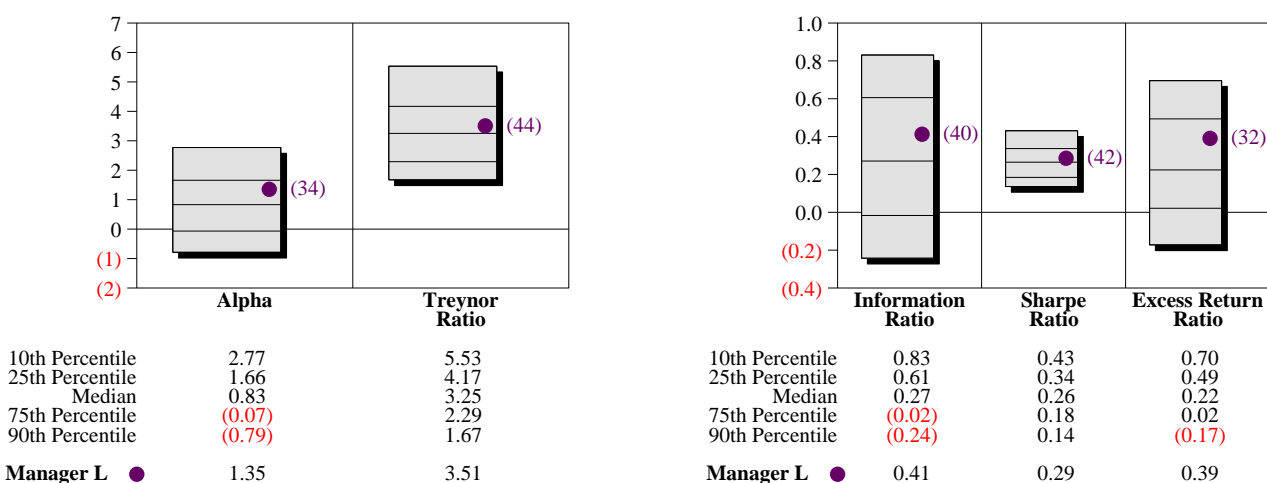
Performance vs CAI MF-Domestic Balanced Moderate Style (Gross)



Cumulative and Quarterly Relative Return vs Moderate Benchmark



Risk Adjusted Return Measures vs Moderate Benchmark Rankings Against CAI MF-Domestic Balanced Moderate Style (Gross) Five Years Ended June 30, 2011

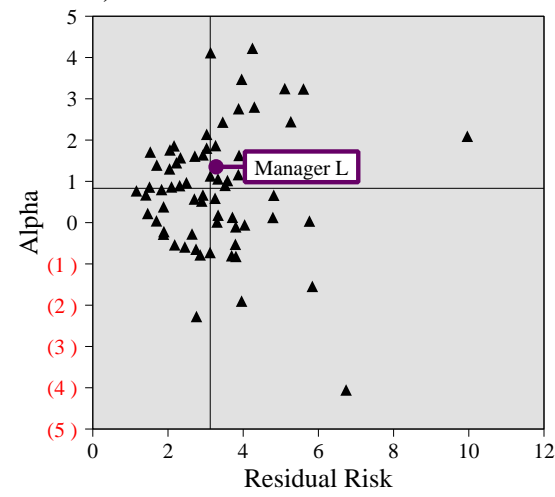
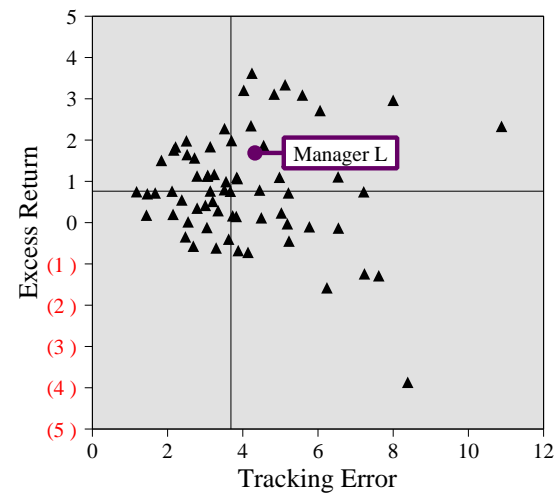


MANAGER L RISK ANALYSIS SUMMARY

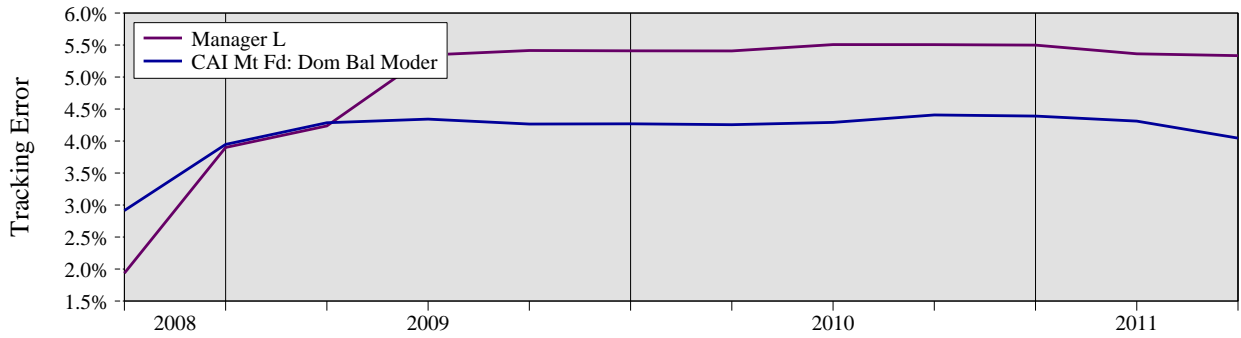
Risk Analysis

The graphs below analyze the risk or variation of a manager's return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager's risk statistics versus the peer group.

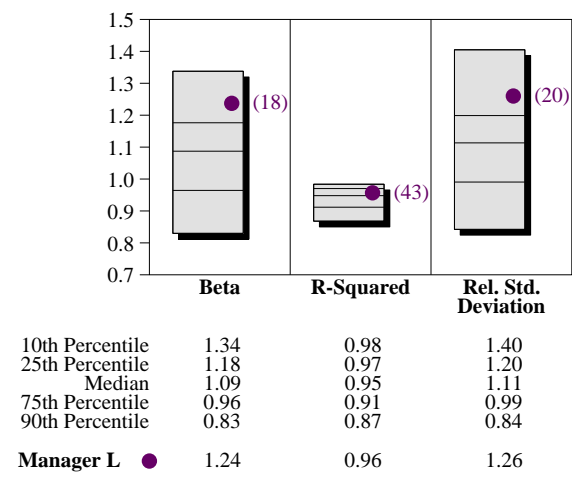
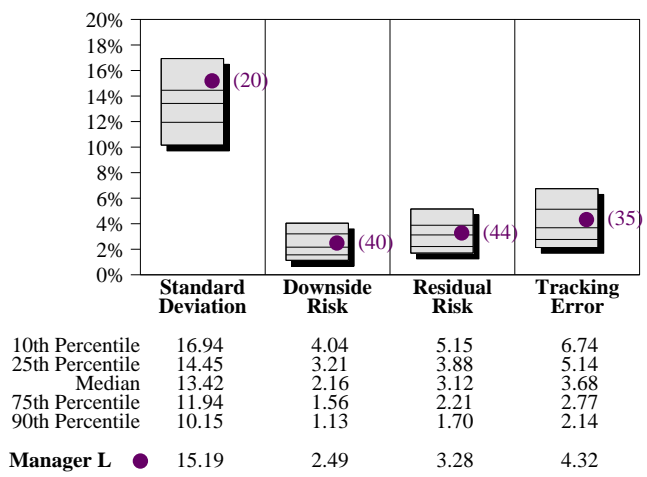
Risk Analysis vs CAI MF-Domestic Balanced Moderate Style (Gross)
Five Years Ended June 30, 2011



Rolling 12 Quarter Tracking Error vs Moderate Benchmark



Risk Statistics Rankings vs Moderate Benchmark
Rankings Against CAI MF-Domestic Balanced Moderate Style (Gross)
Five Years Ended June 30, 2011



MANAGER L

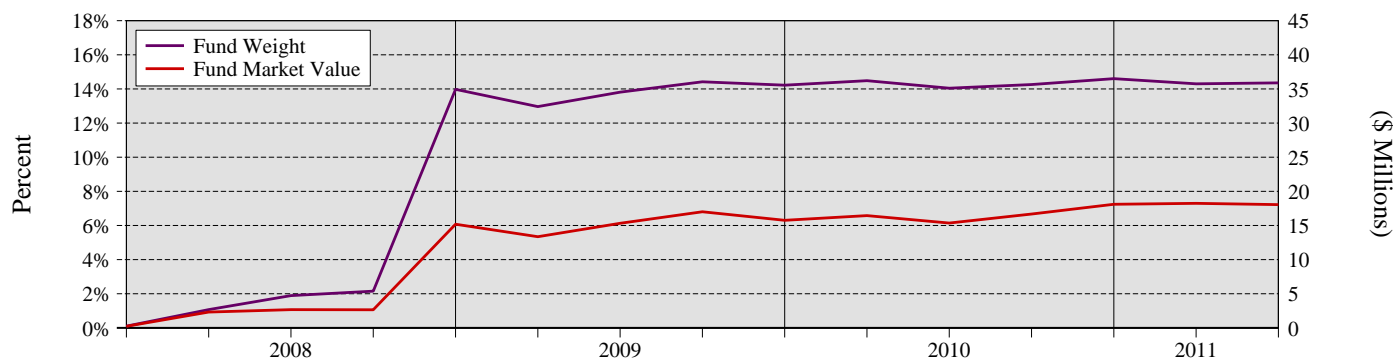
HISTORICAL PORTFOLIO GROWTH

PERIOD ENDED JUNE 30, 2011

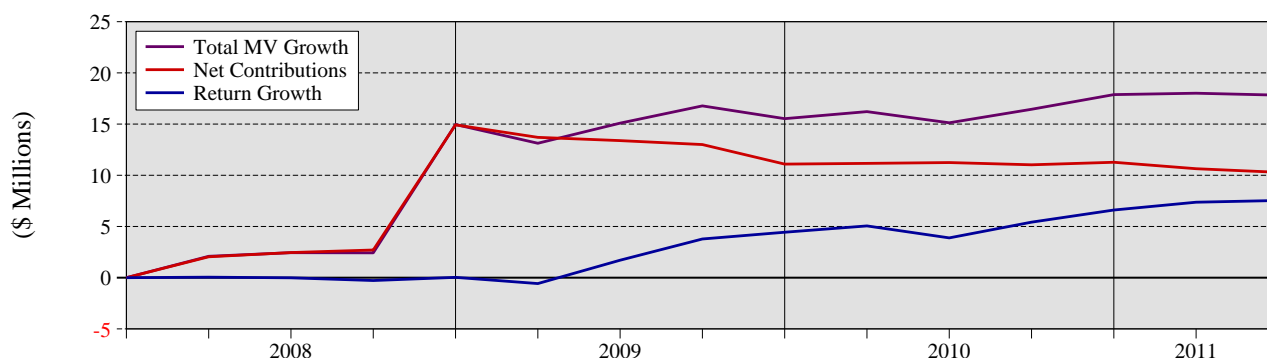
Historical Portfolio Growth

The charts below illustrate the historical change, and their sources, in the total fund weight of a fund or asset class. The first chart shows the changing weight and market value of the fund component. The second chart displays the cumulative change in market value of the fund component along with the two sources of change: Net Contributions (contributions - disbursements), and Return Growth. The last chart illustrates the change in component market value and its sources on a quarterly or monthly basis.

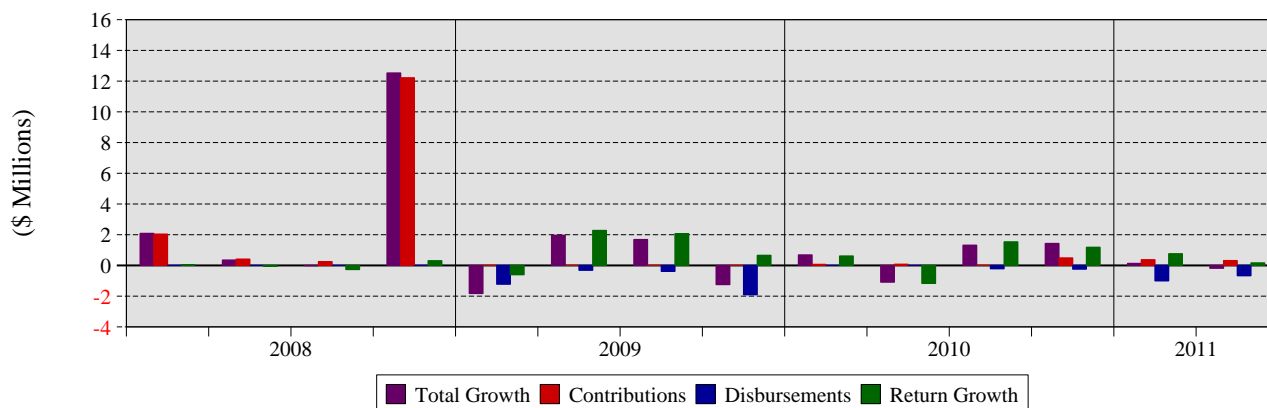
Historical Fund Growth



Cumulative Growth Sources



Quarterly Growth Sources



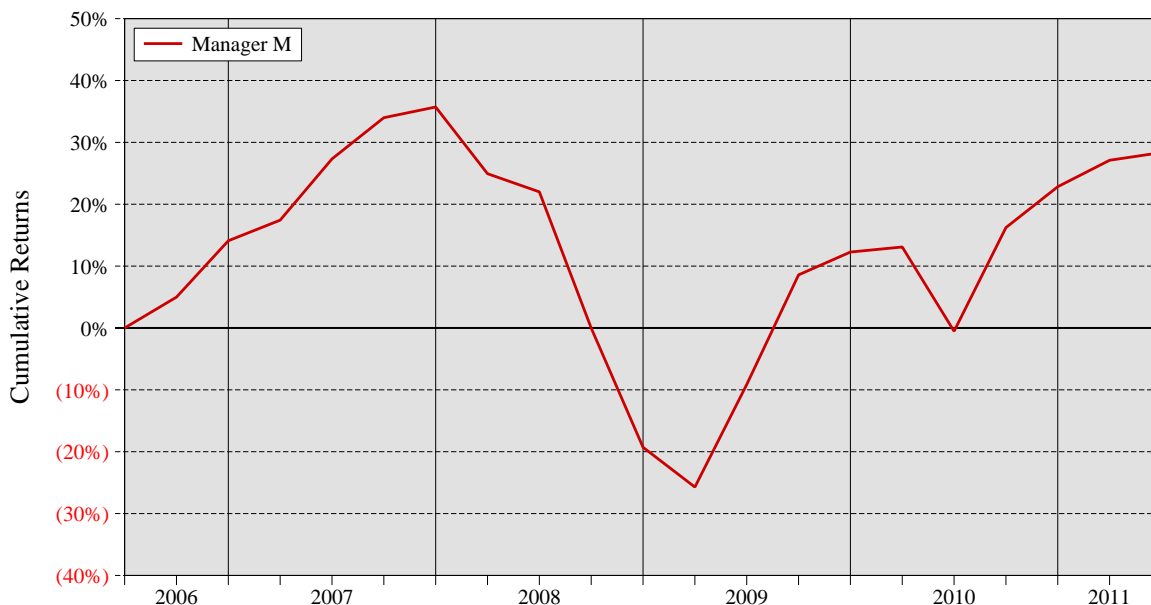
CUMULATIVE RETURN AND RISK VS RETURN PERIOD ENDED JUNE 30, 2011



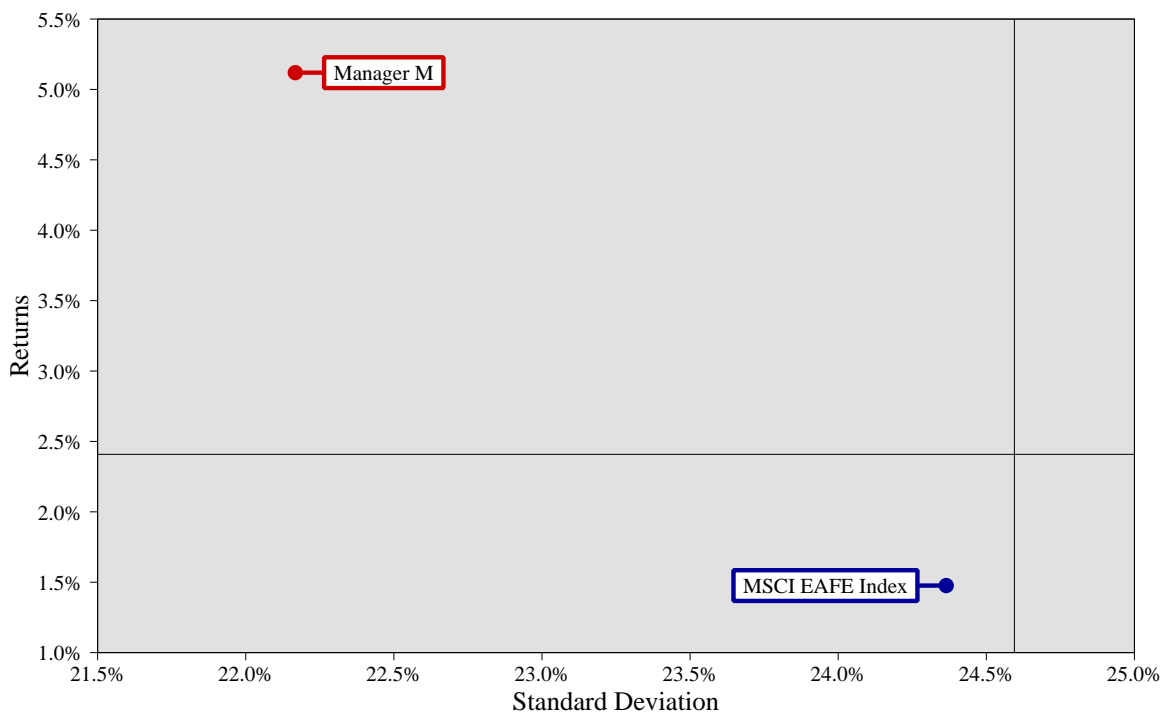
Risk vs. Reward

The first chart below shows the cumulative return of the various investment options. In general, the higher risk options should demonstrate higher (but less stable) cumulative returns. The second chart contrasts the return and risk experienced by all of the fund options with return histories greater than 12 quarters. The risk and return for the benchmark index for each fund is also shown for comparison. A well diversified plan should have investment options that span the risk return spectrum from lower risk (typically money markets or stable values funds) to higher risk (domestic and international equity funds).

Five Year Cumulative Returns



Five Year Annualized Risk vs Return



MANAGER M PERIOD ENDED JUNE 30, 2011

Investment Philosophy

Non-U.S. Equity Style mutual funds invest in only non-U.S. equity securities. This style group excludes regional and index funds.

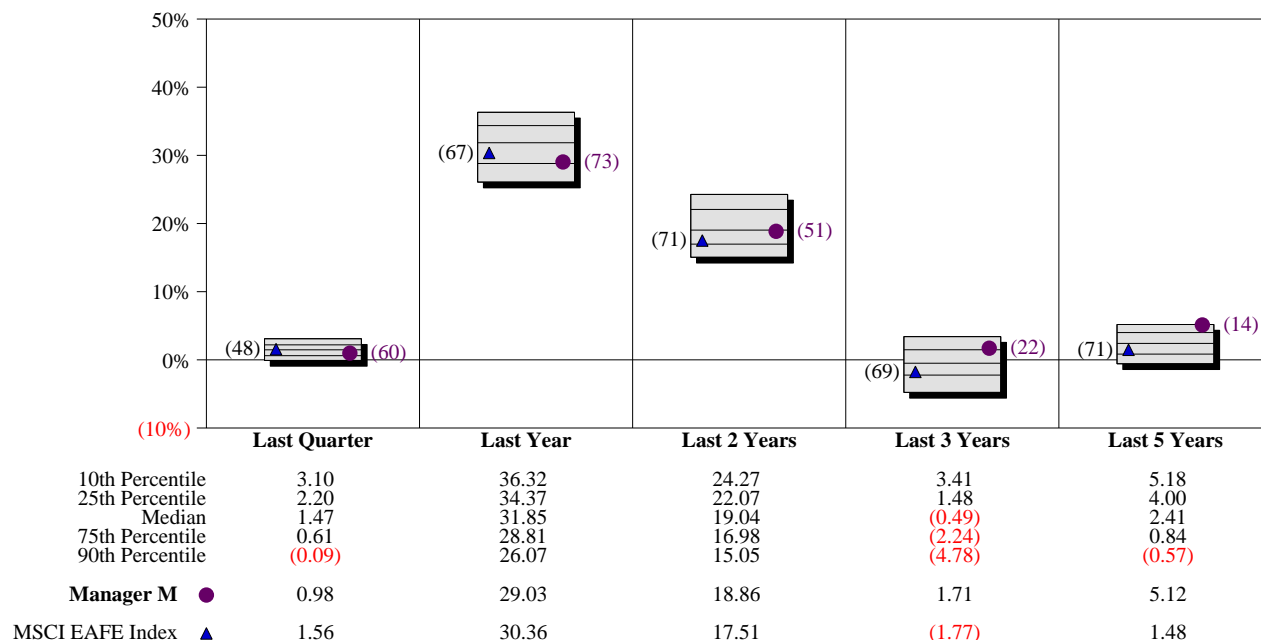
Quarterly Summary and Highlights

- Manager M's portfolio posted a 0.98% return for the quarter placing it in the 60 percentile of the CAI MF - Non-US Equity Style group for the quarter and in the 73 percentile for the last year.
- Manager M's portfolio underperformed the MSCI EAFE Index by 0.58% for the quarter and underperformed the MSCI EAFE Index for the year by 1.33%.

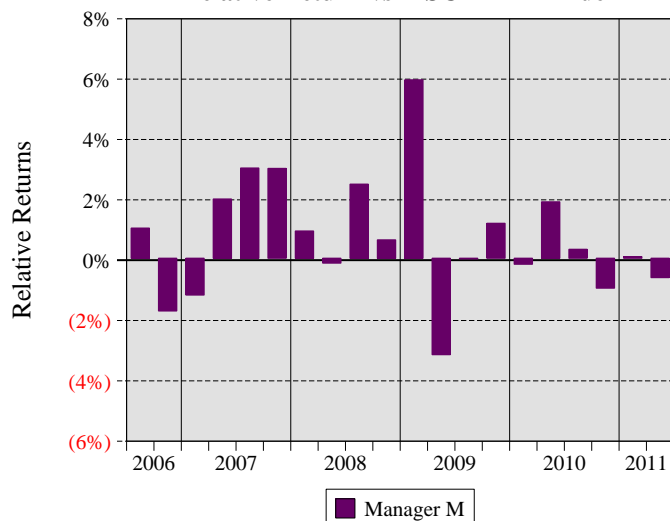
Quarterly Asset Growth

Beginning Market Value	\$5,518,225
Net New Investment	\$-128,102
Investment Gains/(Losses)	\$53,910
Ending Market Value	\$5,444,033

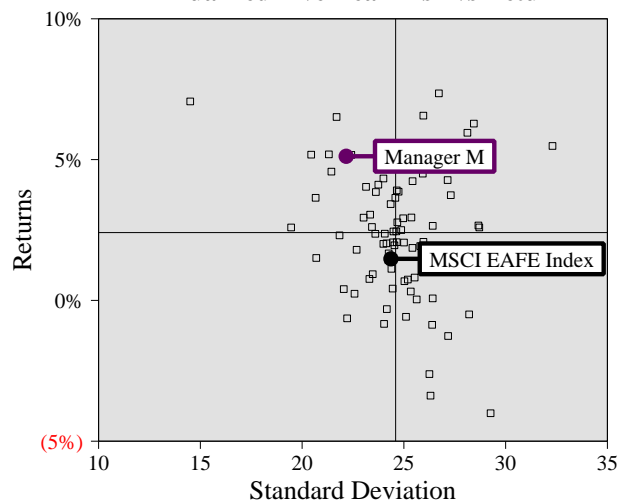
Performance vs CAI MF - Non-US Equity Style (Net)



Relative Return vs MSCI EAFE Index



CAI MF - Non-US Equity Style (Net) Annualized Five Year Risk vs Return

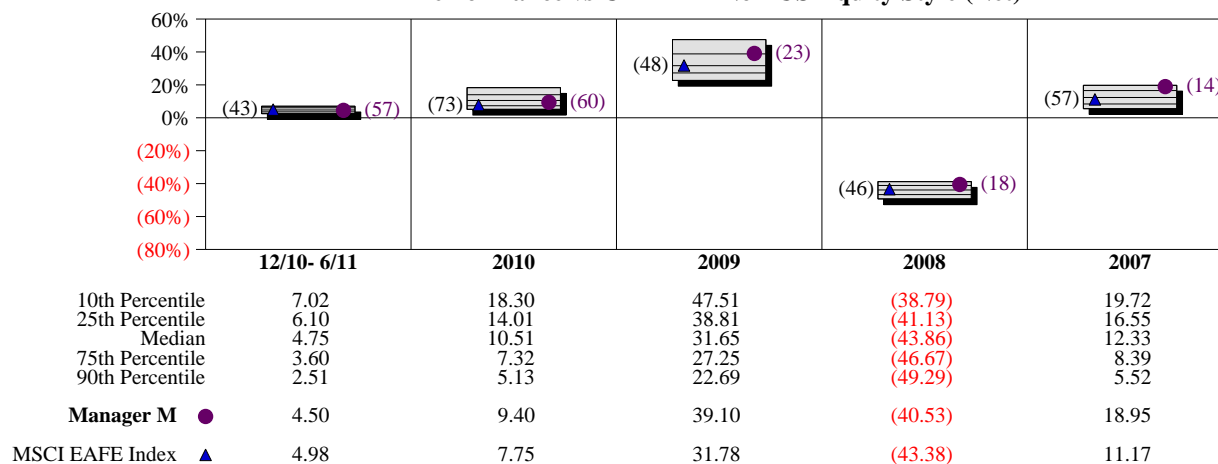


MANAGER M RETURN ANALYSIS SUMMARY

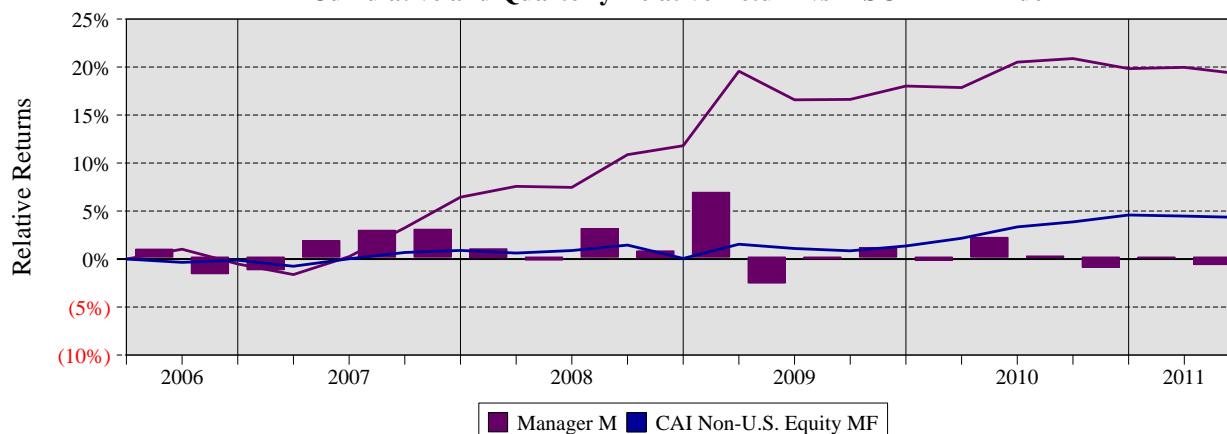
Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

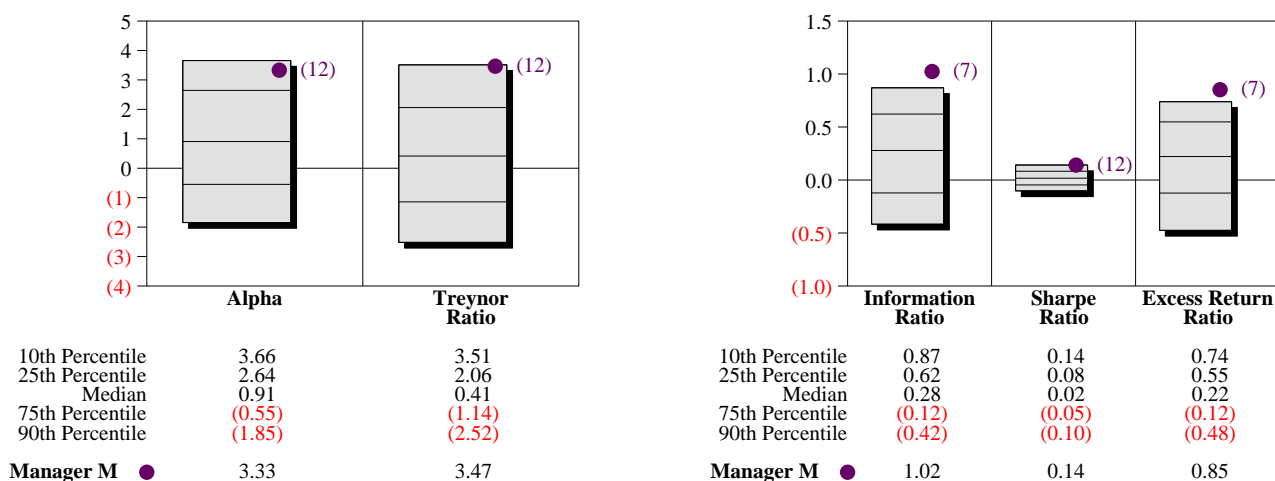
Performance vs CAI MF - Non-US Equity Style (Net)



Cumulative and Quarterly Relative Return vs MSCI EAFE Index



Risk Adjusted Return Measures vs MSCI EAFE Index Rankings Against CAI MF - Non-US Equity Style (Net) Five Years Ended June 30, 2011



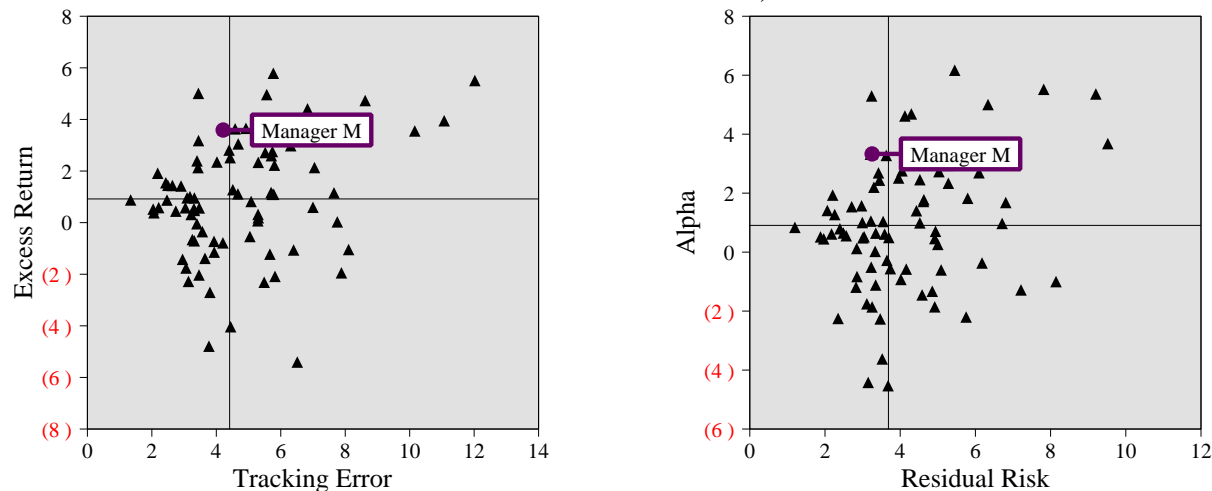
MANAGER M

RISK ANALYSIS SUMMARY

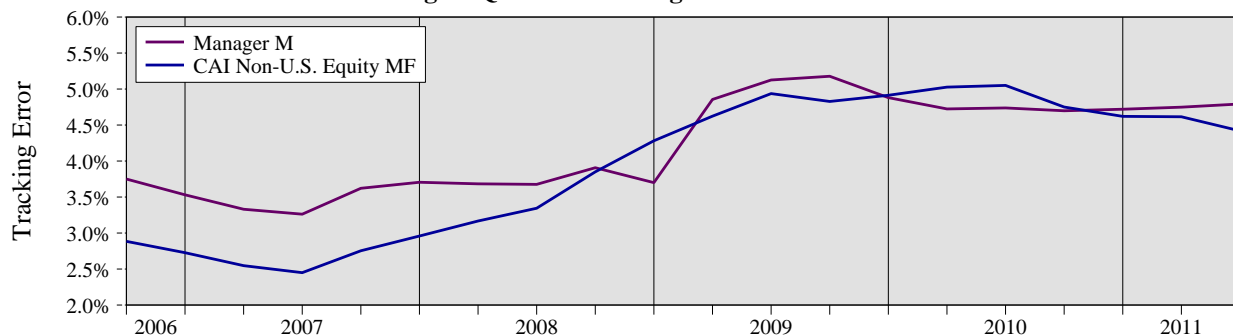
Risk Analysis

The graphs below analyze the risk or variation of a manager's return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager's risk statistics versus the peer group.

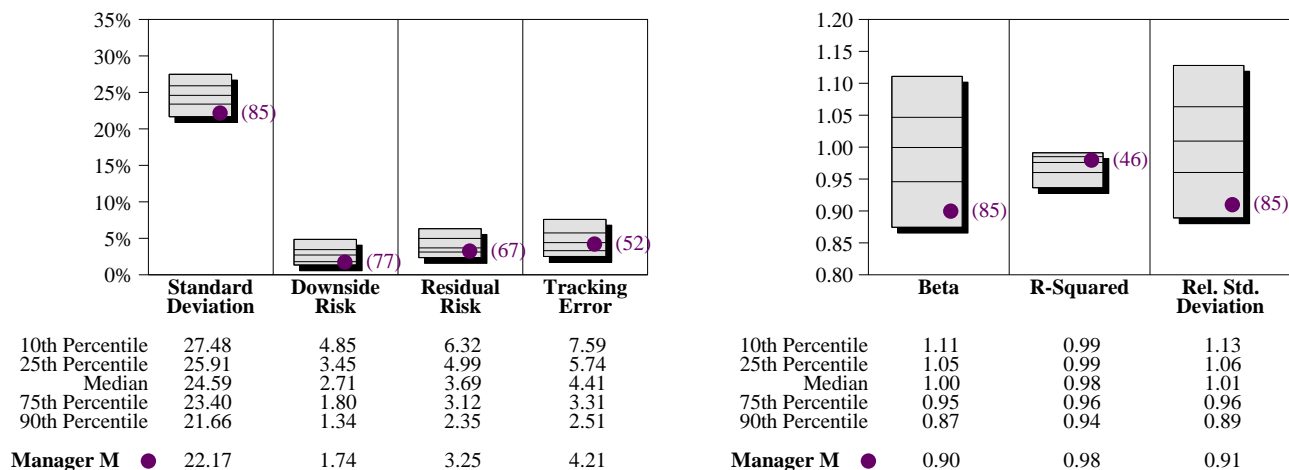
Risk Analysis vs CAI MF - Non-US Equity Style (Net)
Five Years Ended June 30, 2011



Rolling 12 Quarter Tracking Error vs MSCI EAFE Index



Risk Statistics Rankings vs MSCI EAFE Index
Rankings Against CAI MF - Non-US Equity Style (Net)
Five Years Ended June 30, 2011



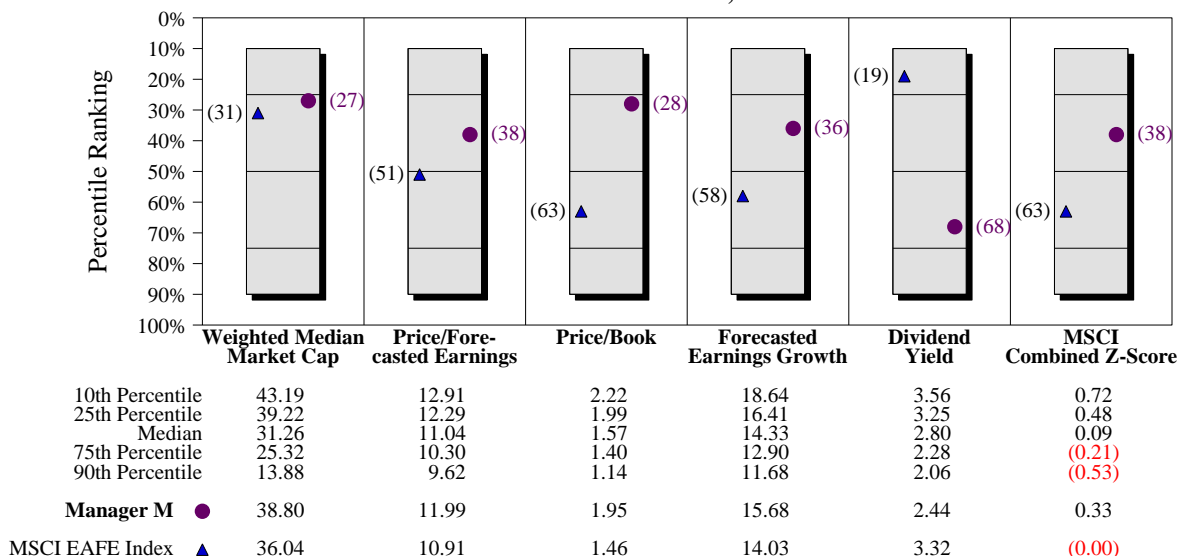
MANAGER M

EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

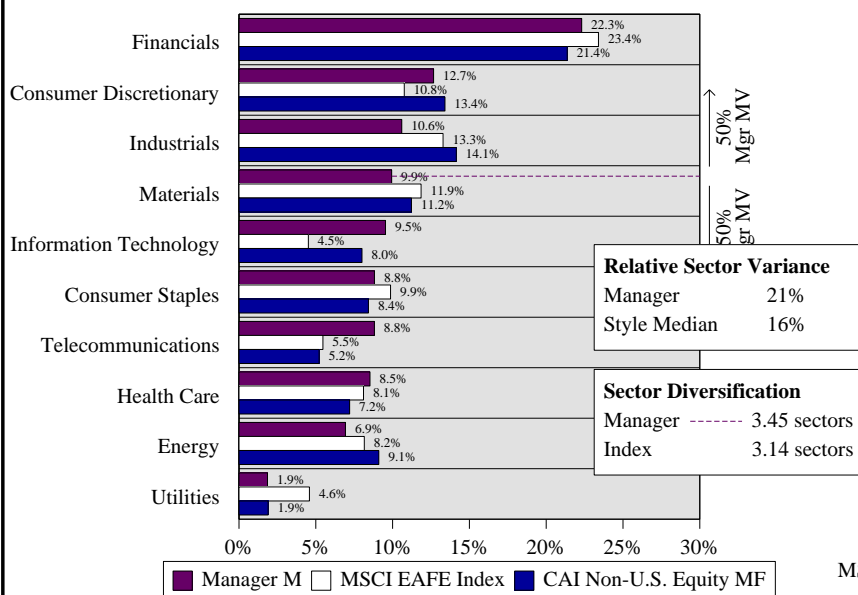
Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Non-US Equity Style as of June 30, 2011



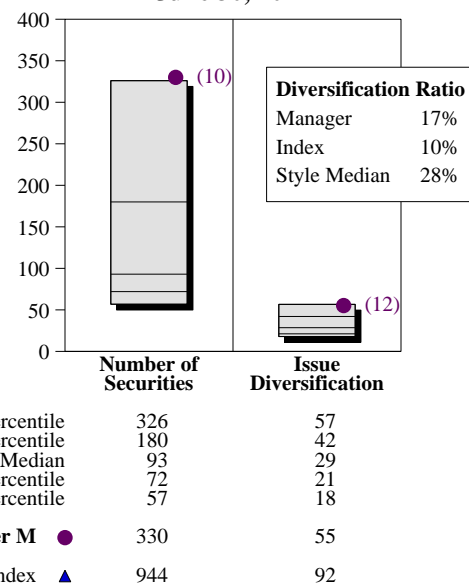
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation June 30, 2011



Diversification June 30, 2011



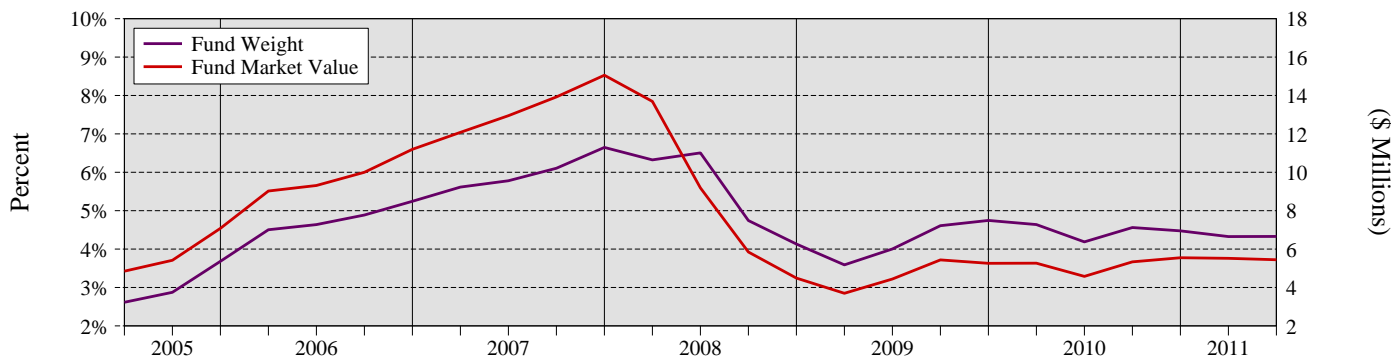
MANAGER M HISTORICAL PORTFOLIO GROWTH PERIOD ENDED JUNE 30, 2011



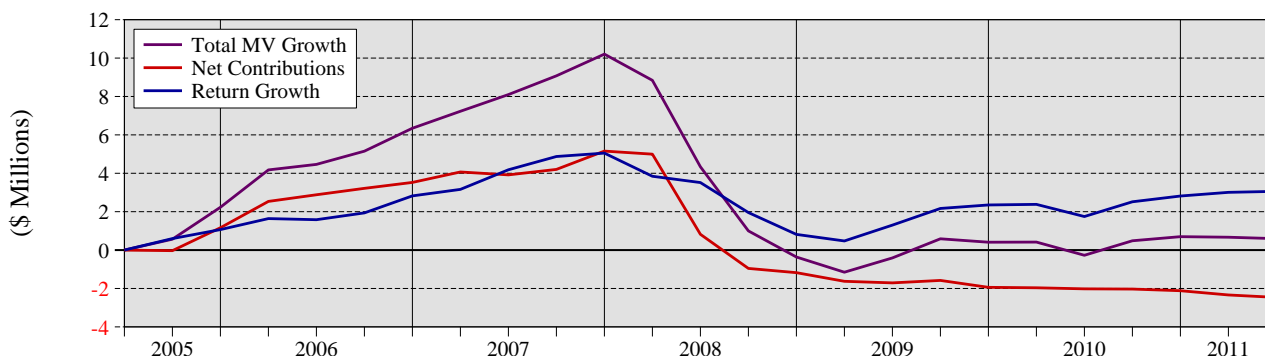
Historical Portfolio Growth

The charts below illustrate the historical change, and their sources, in the total fund weight of a fund or asset class. The first chart shows the changing weight and market value of the fund component. The second chart displays the cumulative change in market value of the fund component along with the two sources of change: Net Contributions (contributions - disbursements), and Return Growth. The last chart illustrates the change in component market value and its sources on a quarterly or monthly basis.

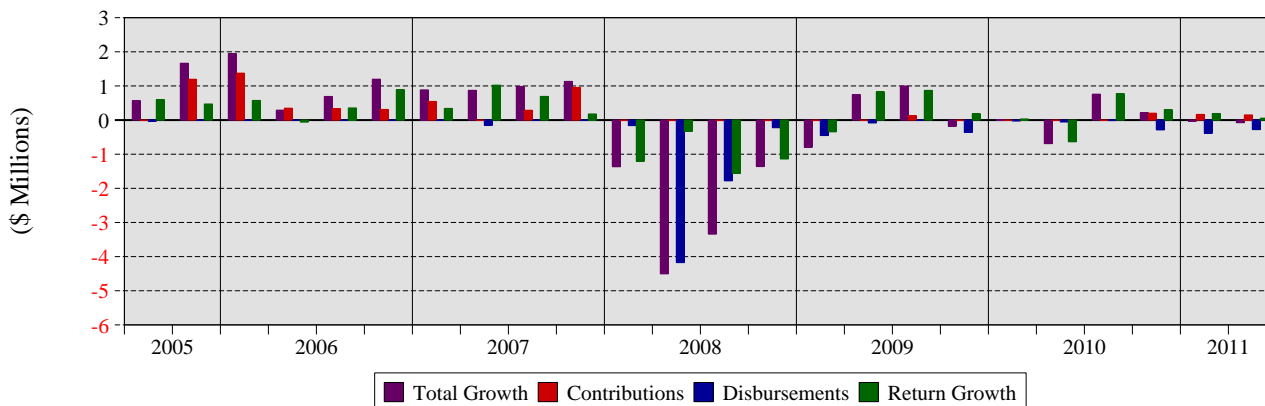
Historical Fund Growth



Cumulative Growth Sources



Quarterly Growth Sources



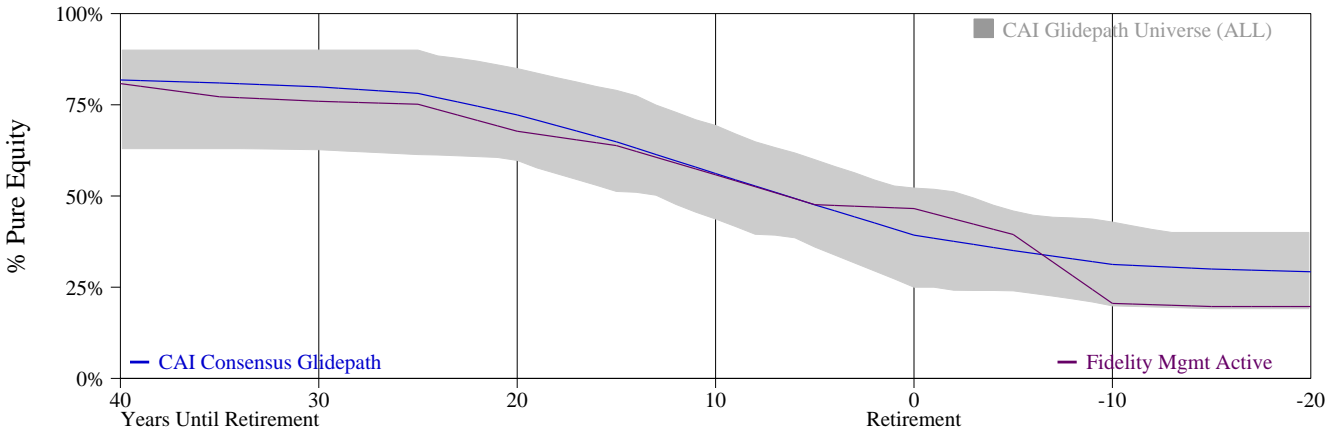
Target Date

FIDELITY MGMT ACTIVE

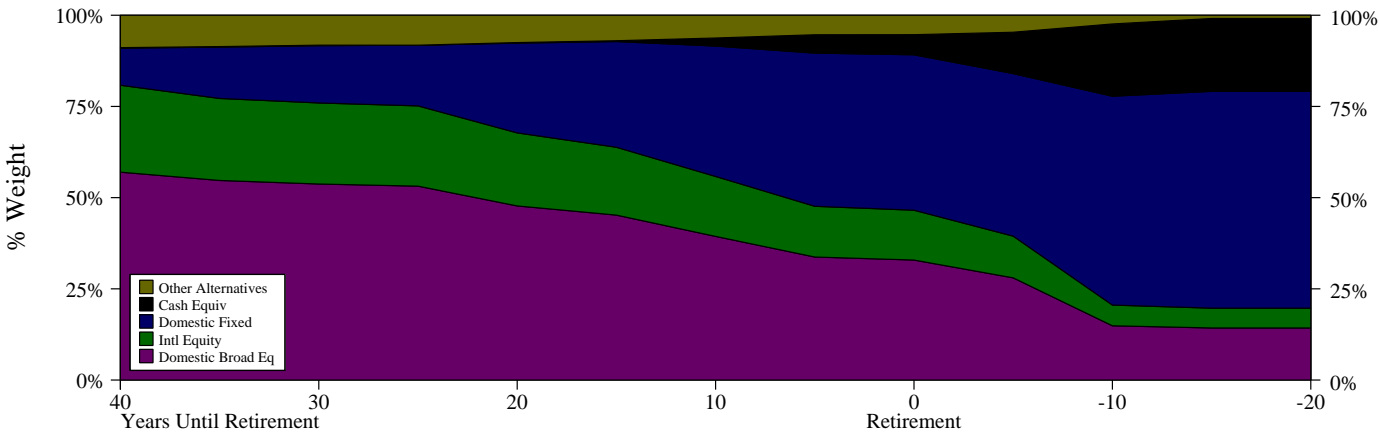
TARGET DATE GLIDEPAATH ANALYSIS AS OF JUNE 30, 2011

The following charts illustrate the asset allocation "glidepath" underlying the relevant suite of target date funds. This analysis covers forty years of investor wealth accumulation up to retirement, as well as twenty years of wealth decumulation following retirement. The top chart shows the "pure" equity exposure (public equities excluding REITs) versus the peer group and index. The subsequent charts show more asset allocation detail at the high "macro" level.

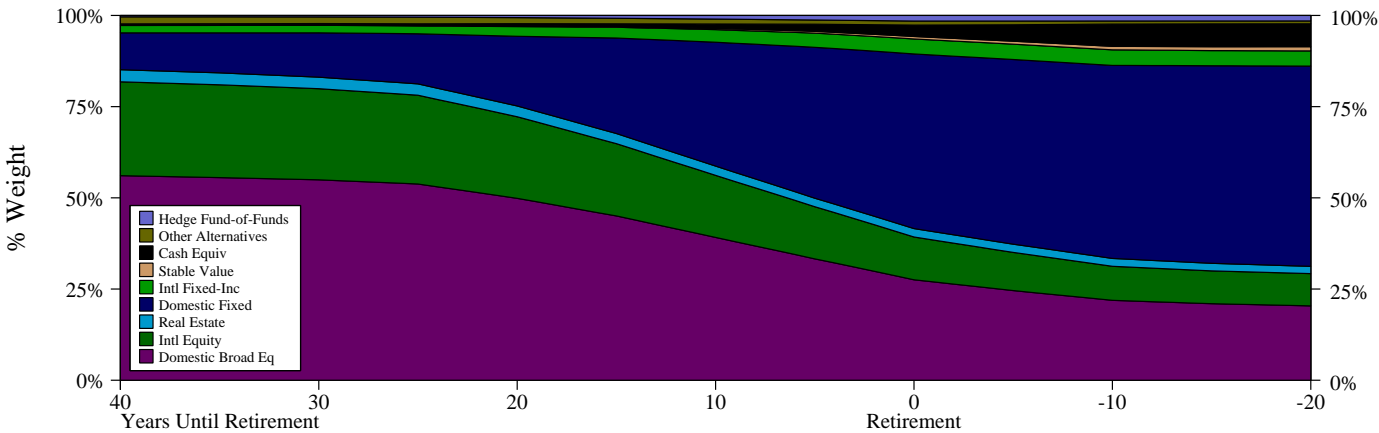
Equity Rolldown Analysis



Macro-Level Asset Allocation Glidepath - Fidelity Mgmt Active



Macro-Level Asset Allocation Glidepath - CAI Consensus Glidepath

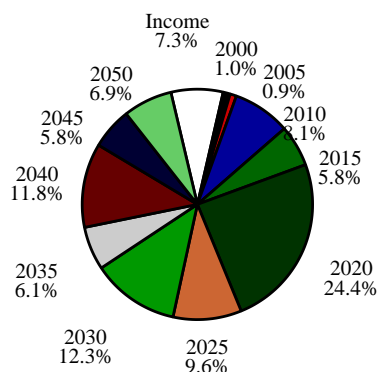


SAMPLE REPORT-DEFINED CONTRIBUTION PLAN - FIDELITY MGMT ACTIVE TARGET DATE FUND FAMILY ANALYSIS AS OF JUNE 30, 2011

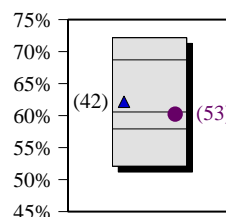


The following is an analysis of the client's suite of target date funds as an aggregated portfolio using actual proportions held by the client's participants. The upper-left pie chart shows the current client weights across target dates. The rest of the charts compare different attributes of the aggregated client target date portfolio to a peer group of target date fund families, as well as target date indices, by mimicking the client target date weights using these alternatives. The first two charts evaluate the aggregate client equity exposure and expense ratio via target date funds. The last two charts analyze aggregate client target date performance on both an actual return basis as well as a "glidepath return" basis (simulated returns using each funds' asset allocation "glidepath" weights and index returns).

Sample Report-Defined Contribution Plan Target Date Family Allocation

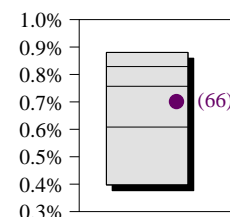


Total Pure Equity Exposure



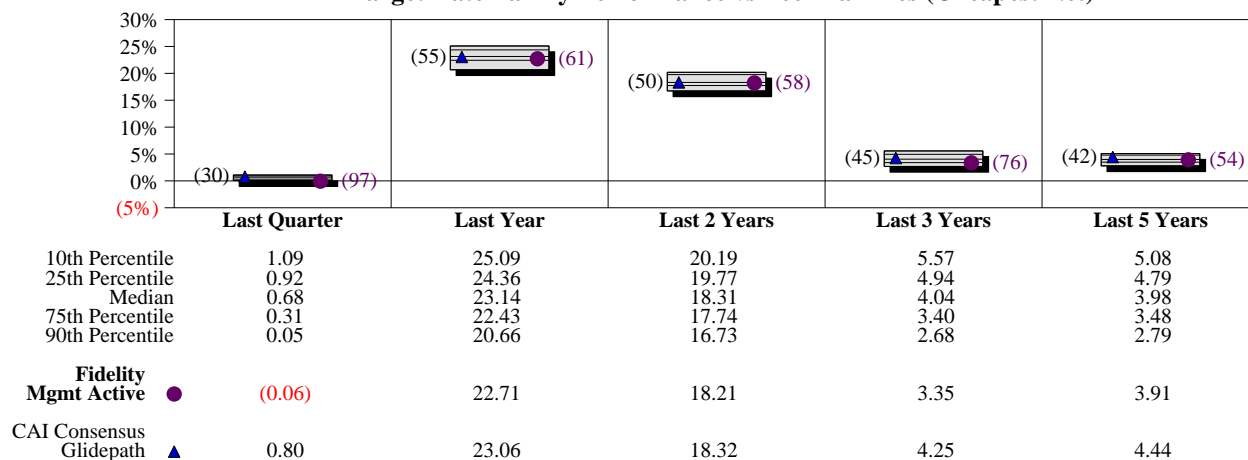
Fidelity Mgmt Active ● 60.23
CAI Consensus Glidepath ▲ 62.16

Target Date Family Fees (Cheapest Net)

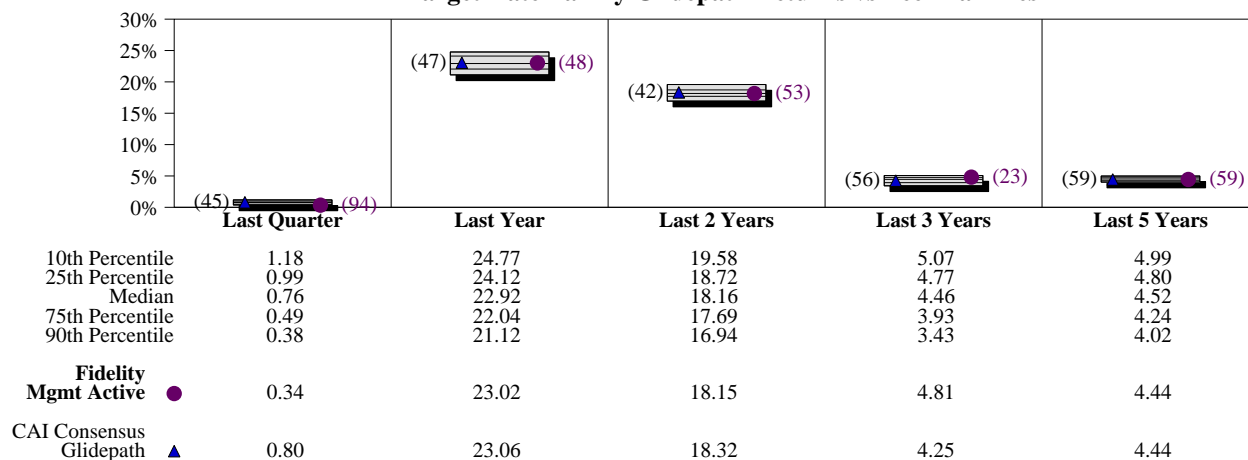


Fidelity Mgmt Active ● 0.70

Target Date Family Performance vs Peer Families (Cheapest Net)

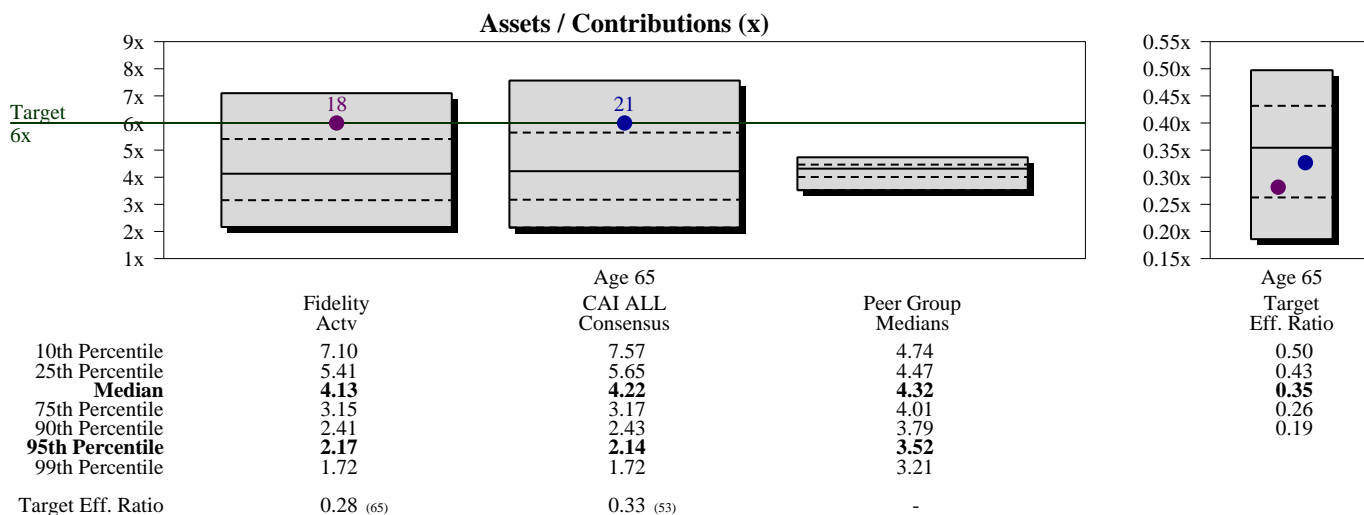
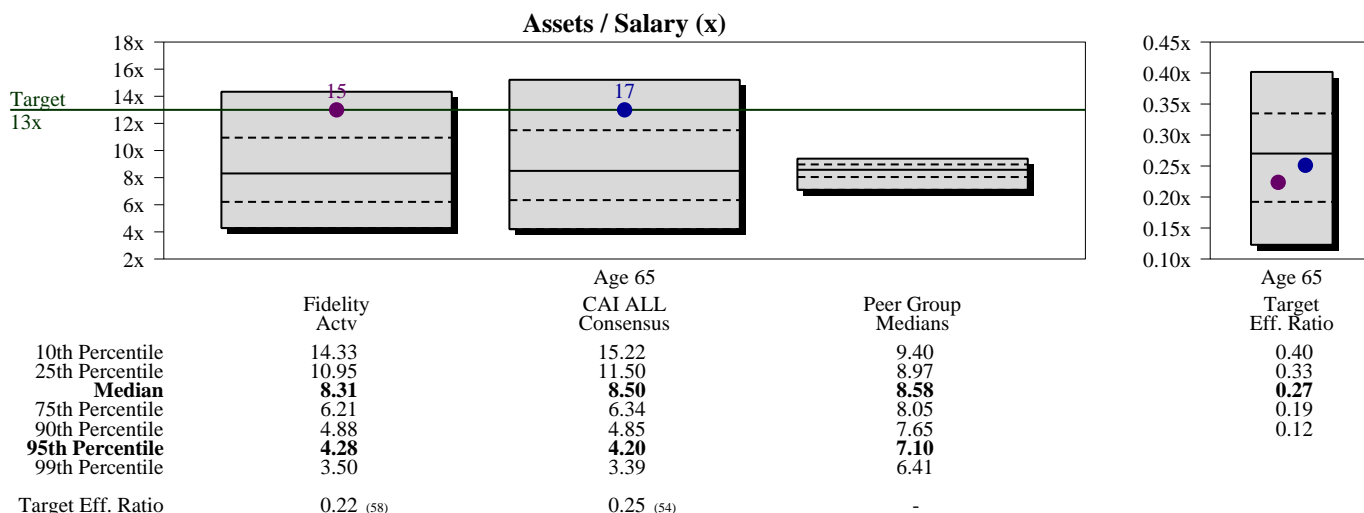
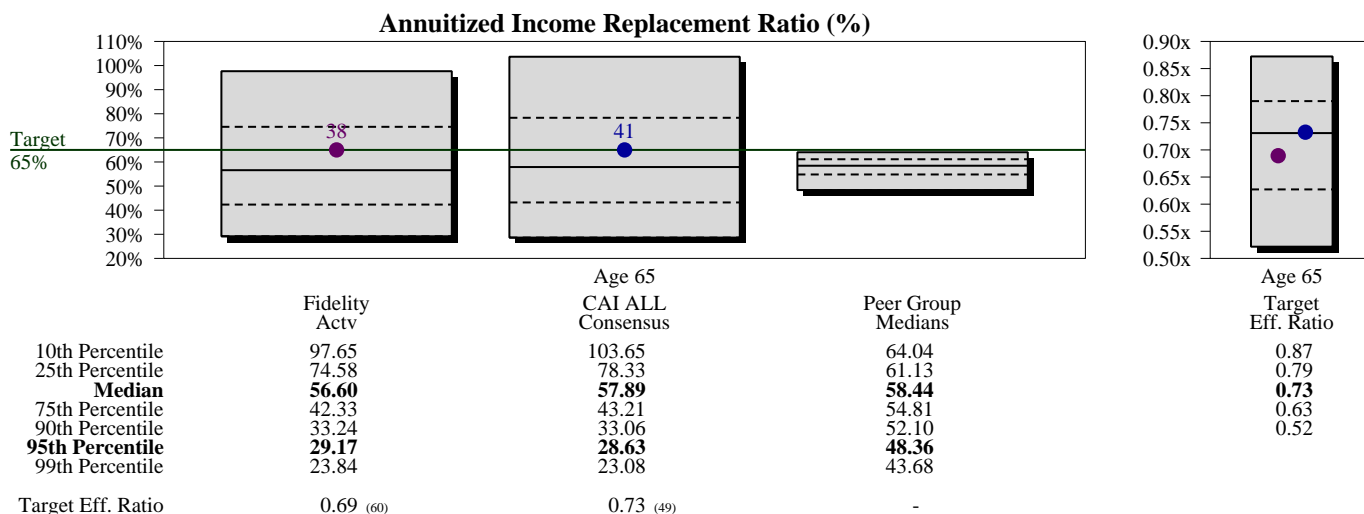


Target Date Family Glidepath Returns vs Peer Families



SAMPLE REPORT-DEFINED CONTRIBUTION PLAN GLIDEPATH WEALTH ACCUMULATION AS OF JUNE 30, 2011

The following analysis uses "Monte Carlo" simulation methodologies to evaluate on a long-term, forward-looking basis the asset allocation "glidepaths" underlying target date funds. This particular analysis measures the projected ability of glidepaths to generate wealth accumulation across a multitude of various capital market scenarios and time periods. The range of potential outcomes are measured using several useful metrics of wealth accumulation.



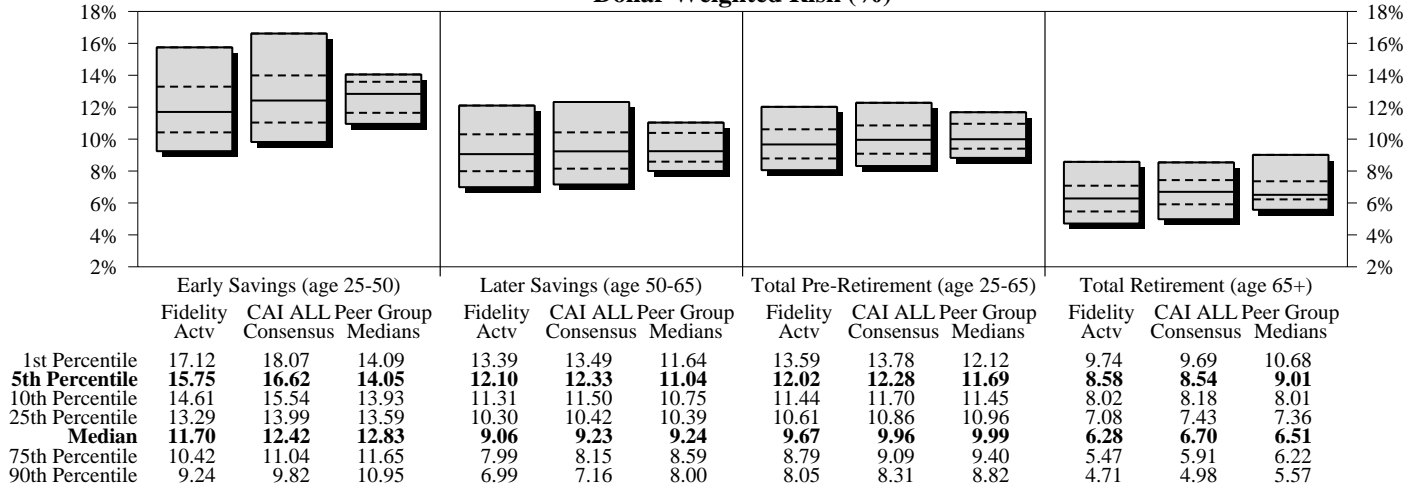
SAMPLE REPORT-DEFINED CONTRIBUTION PLAN

GLIDEPATH RISK ANALYSIS AS OF JUNE 30, 2011

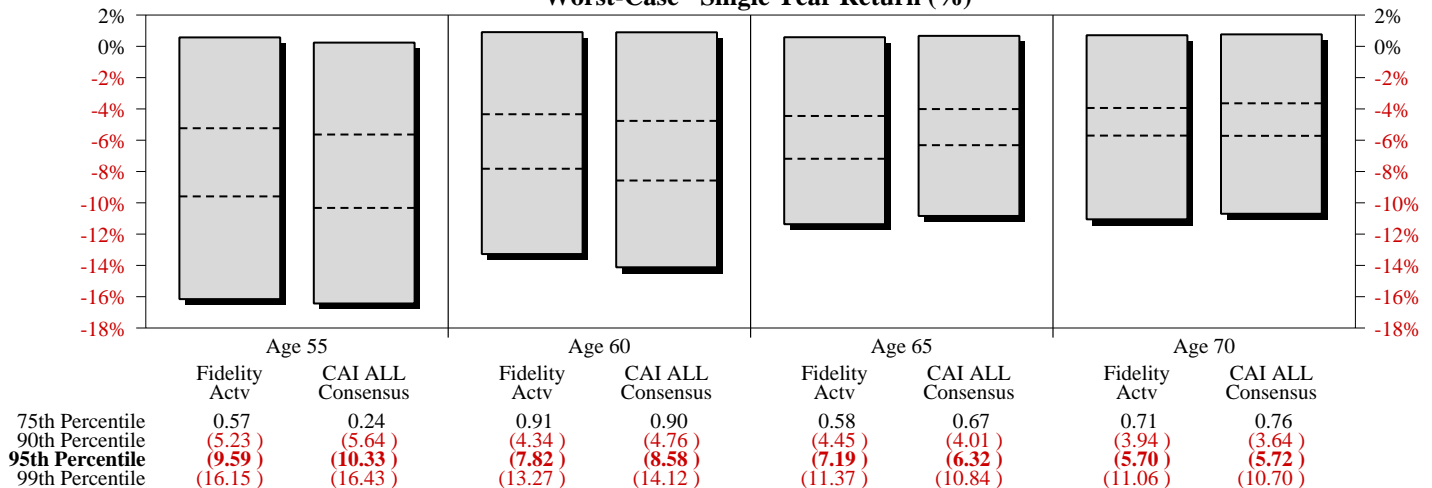


The following analysis uses "Monte Carlo" simulation methodologies to evaluate on a long-term, forward-looking basis the asset allocation "glidepaths" underlying target date funds. This analysis focuses on dollar-weighted risk, single-year downside risk, and multi-year drawdown risk across a multitude of capital market scenarios and time periods. The range of potential risk experiences are measured using several useful risk metrics.

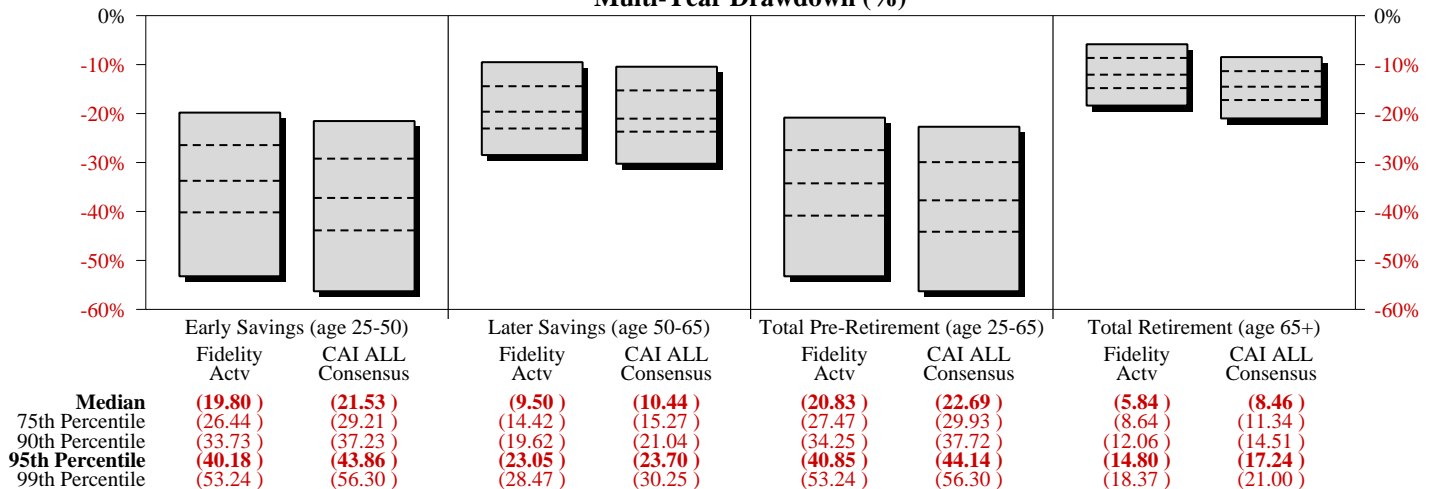
Dollar Weighted Risk (%)



"Worst-Case" Single Year Return (%)



Multi-Year Drawdown (%)



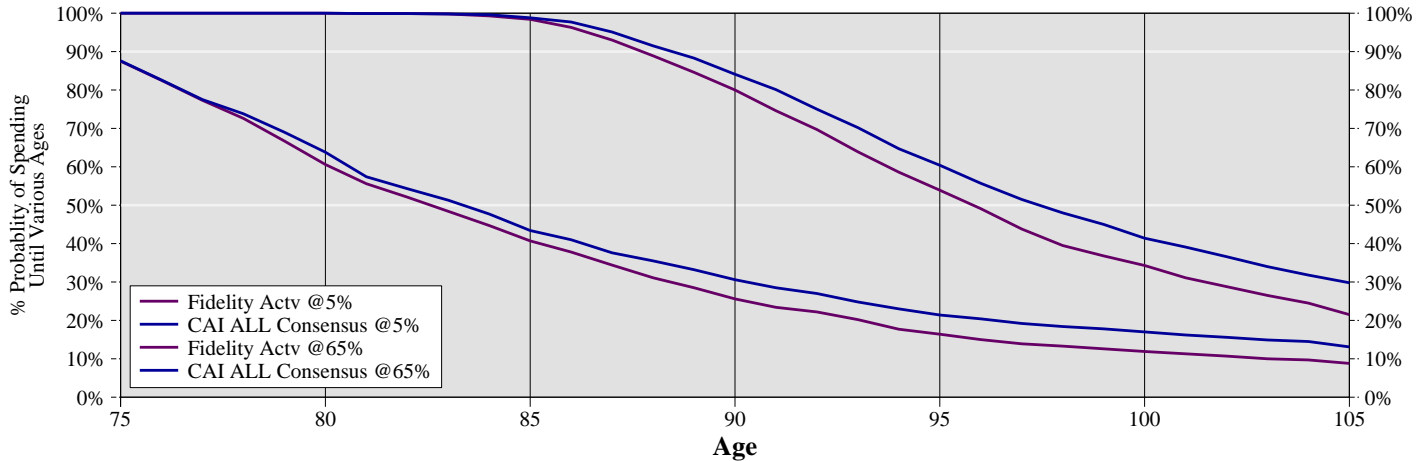
SAMPLE REPORT-DEFINED CONTRIBUTION PLAN

GLIDEPATH LONGEVITY AND RETIREMENT SPENDING AS OF JUNE 30, 2011

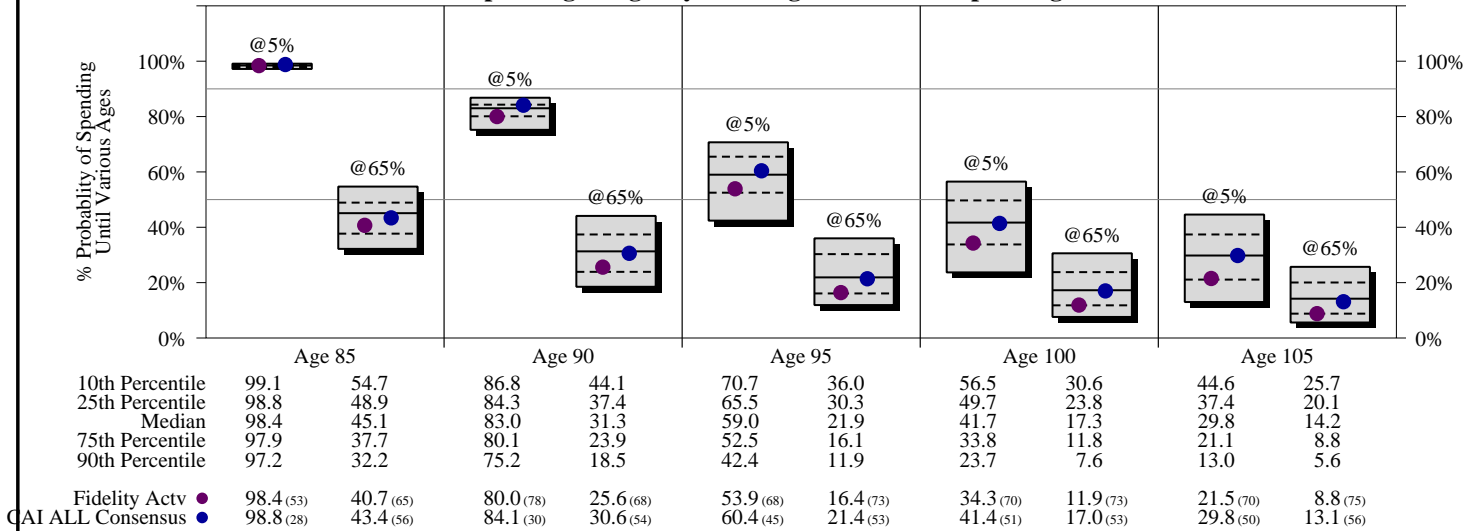


The following analysis uses "Monte Carlo" simulation methodologies to evaluate on a long-term, forward-looking basis the asset allocation "glidepaths" underlying target date funds. This particular analysis focuses on the ability of glidepaths to ensure asset and spending longevity in retirement, under various spending assumptions, and across a multitude of capital market scenarios. The range of potential spending/longevity outcomes are evaluated below.

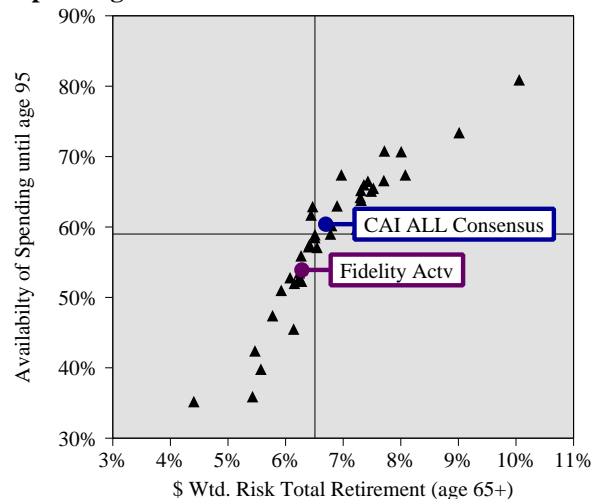
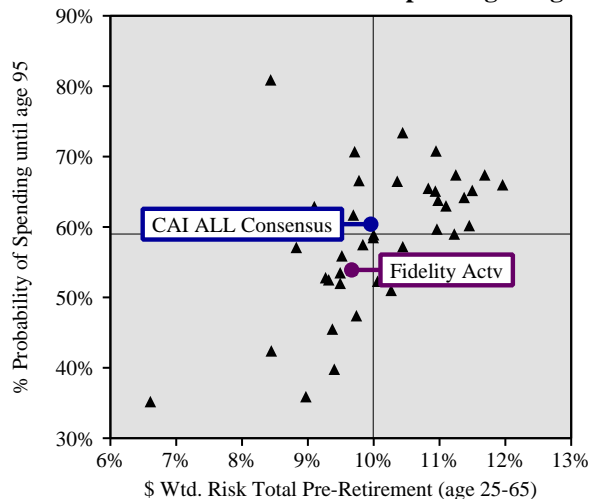
Spending Longevity for Various Spending Rules



Spending Longevity Rankings for Various Spending Rules



Spending Longevity/Risk for Spending Rule @5%



MANAGER N 2015 PERIOD ENDED JUNE 30, 2011



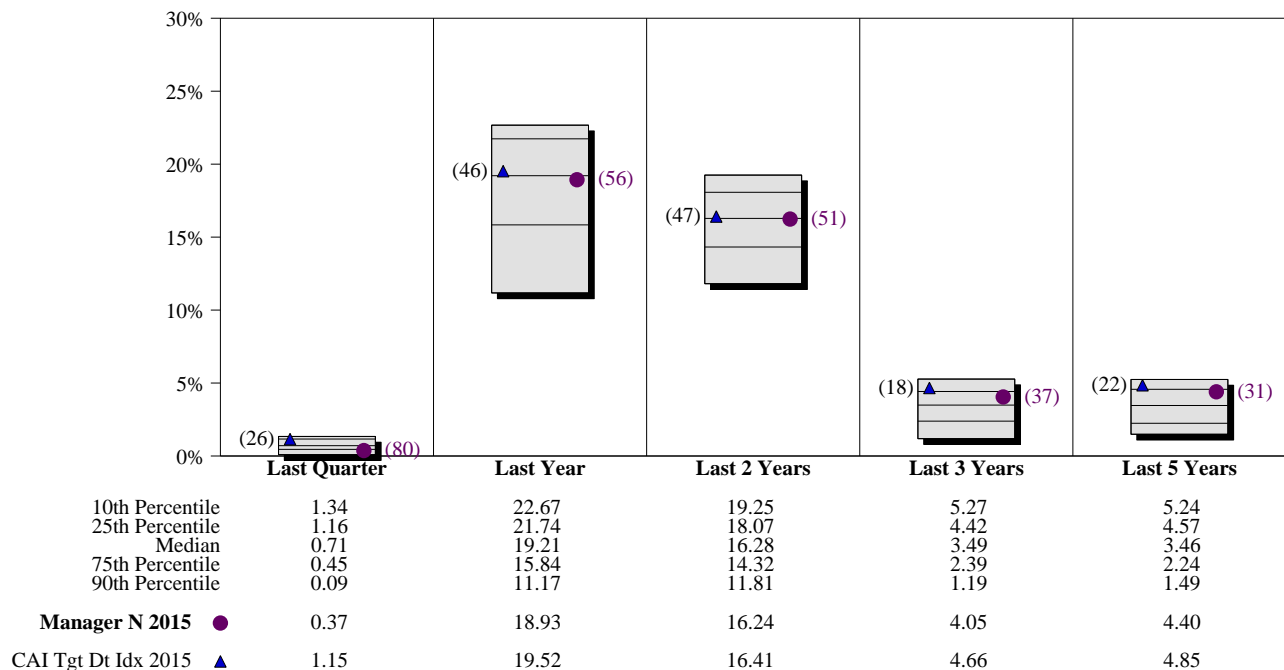
Investment Philosophy

Fidelity's Freedom Funds are asset-allocation mutual funds managed using a lifecycle approach. The lifecycle approach, simply put, requires an investor to make an investment decision one time only based on their anticipated year of retirement. The fund then does the rest, adjusting its asset allocation from more aggressive to more conservative as the investor's retirement approaches.

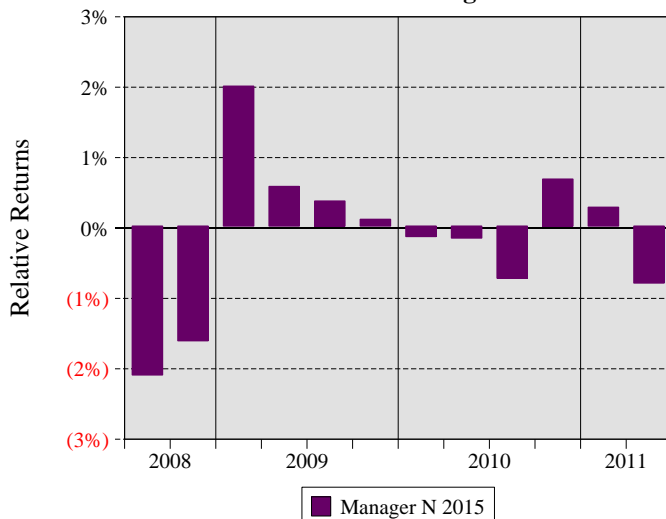
Quarterly Summary and Highlights

- Manager N 2015's portfolio posted a 0.37% return for the quarter placing it in the 80 percentile of the CAI Target Date 2015 group for the quarter and in the 56 percentile for the last year.
- Manager N 2015's portfolio underperformed the CAI Tgt Dt Idx 2015 by 0.78% for the quarter and underperformed the CAI Tgt Dt Idx 2015 for the year by 0.59%.

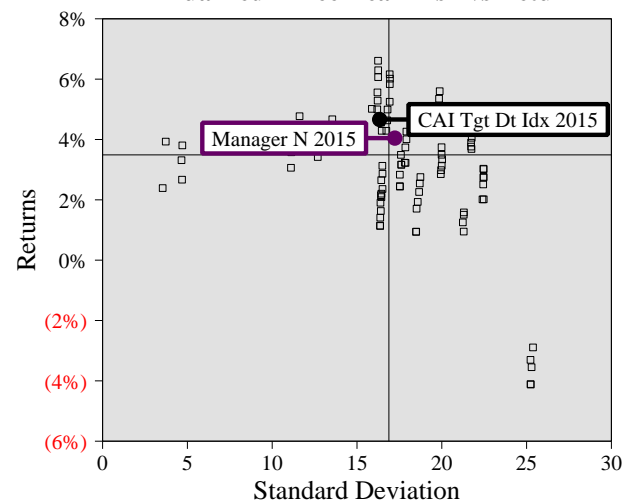
Performance vs CAI Target Date 2015 (Net)



Relative Return vs CAI Tgt Dt Idx 2015



CAI Target Date 2015 (Net) Annualized Three Year Risk vs Return



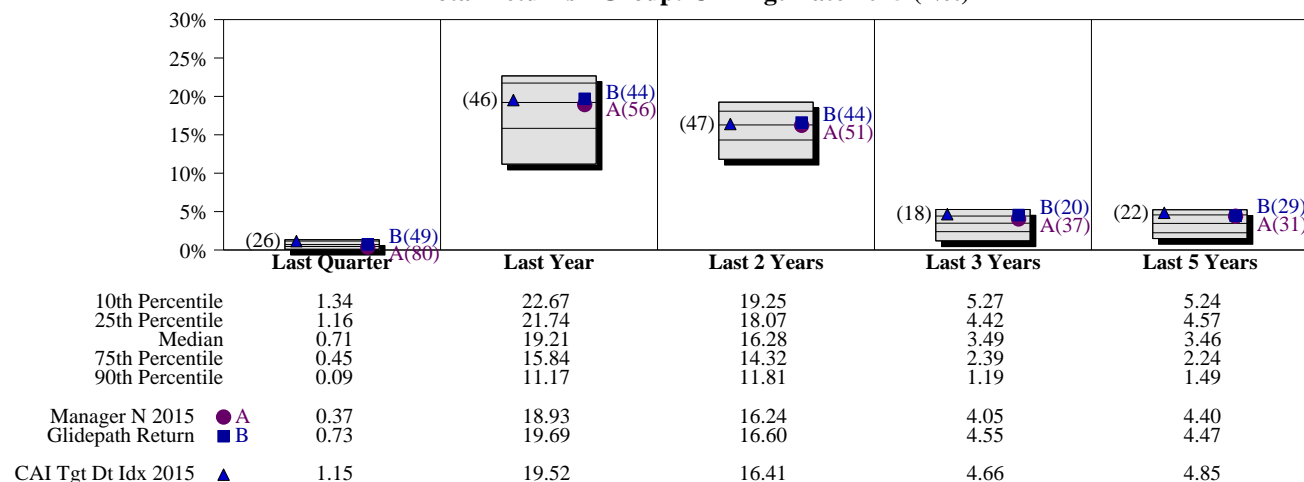
MANAGER N 2015

TARGET DATE PEER GROUP ANALYSIS AS OF JUNE 30, 2011

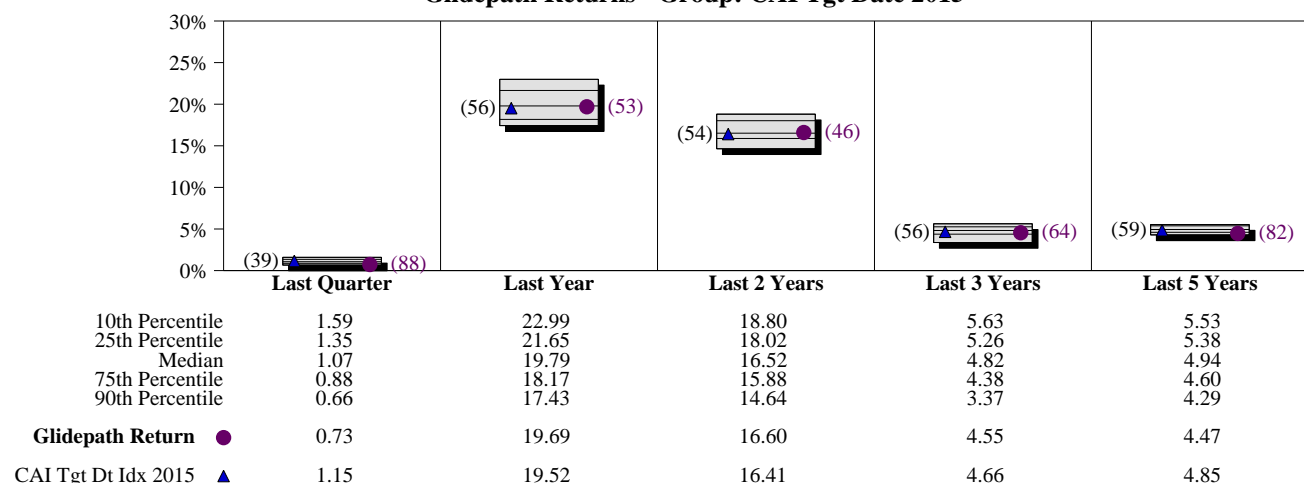


The charts below evaluate not only the total return performance of a target date fund but also two separate underlying sources of return: "glidepath return" (asset allocation), and "implementation return" (value-added relative to glidepath return). The top chart ranks the fund on a total return basis. The middle chart compares the fund's glidepath return (passively implemented asset allocation glidepath) to the peer group range of glidepath returns. The bottom chart ranks the fund's implementation return (active management, style tilts, rebalancing strategy, fees, etc...) versus the range of peer group implementation returns.

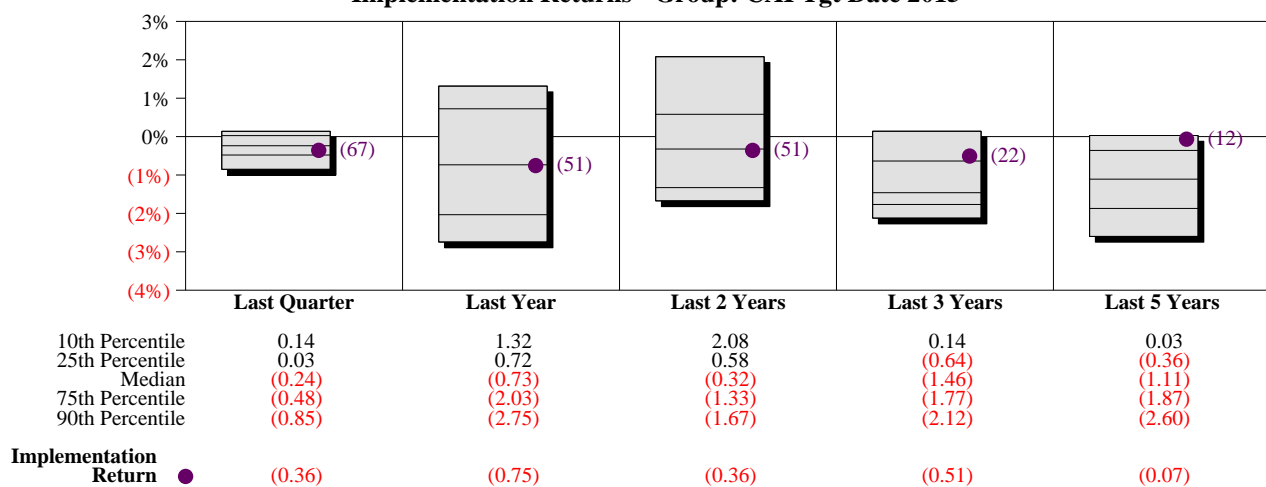
Total Returns - Group: CAI Tgt Date 2015 (Net)



Glidepath Returns - Group: CAI Tgt Date 2015



Implementation Returns - Group: CAI Tgt Date 2015

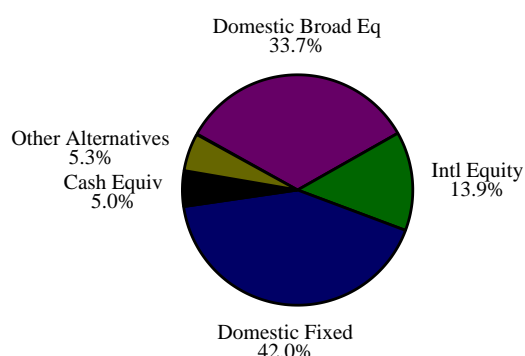


MANAGER N 2015 TARGET DATE FUND ASSET ALLOCATION AS OF JUNE 30, 2011

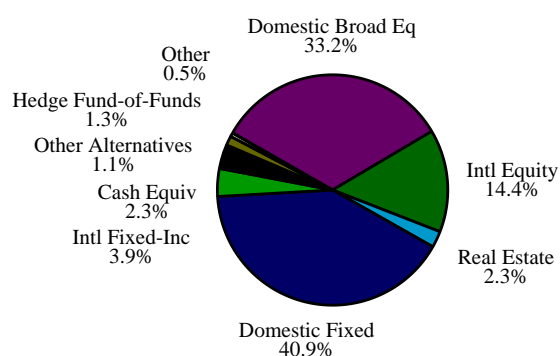
The charts below illustrate the current target asset allocation of the relevant target date fund based on its underlying glidepath and compares it to an index. The top charts compare target asset allocation at a high "macro" asset class level, while the middle charts show a more detailed "micro" level view. The bottom chart compares the current "macro" level target asset allocation, and index, to a relevant peer group of target date funds by ranking the various target asset class weights versus those peer target date funds.

Macro-Level Asset Allocation

Manager N 2015 - Target

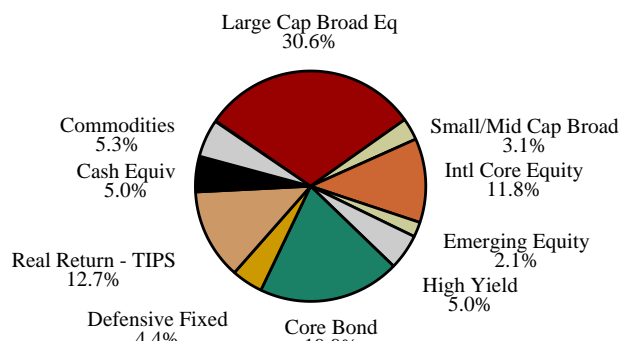


CAI Tgt Dt Idx 2015

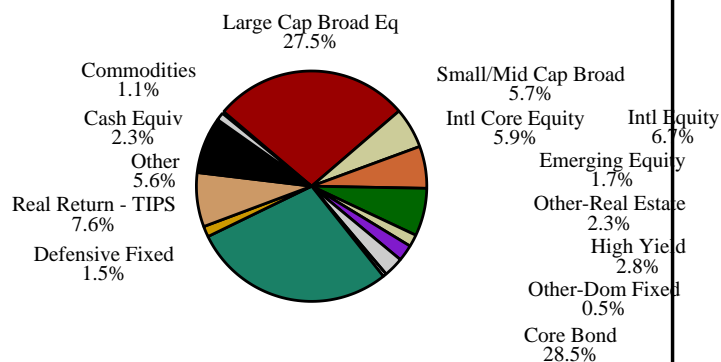


Micro-Level Asset Allocation

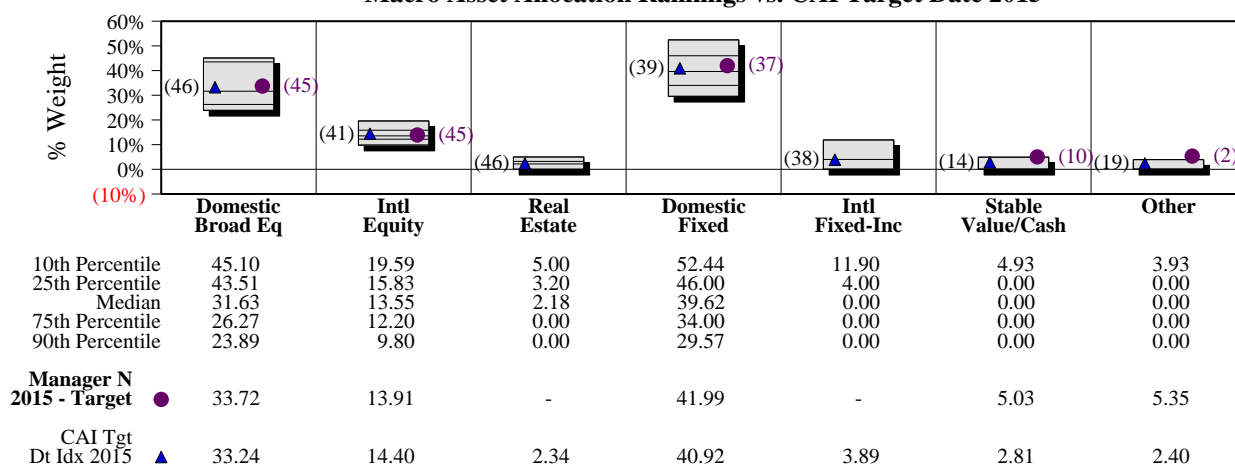
Manager N 2015 - Target



CAI Tgt Dt Idx 2015



Macro Asset Allocation Rankings vs. CAI Target Date 2015





CALLAN INVESTMENTS INSTITUTE

SECOND QUARTER 2011

RESEARCH AND UPCOMING PROGRAMS

Below is a list of recent Callan Institute research and upcoming programs. The Institute's research and educational programs keep clients updated on the latest trends in the investment industry and help clients learn through carefully structured workshops and lectures. For more information, please contact your Callan Consultant or Gina Falsetto at 415.974.5060 or institute@callan.com.

White Papers

Why Plan Sponsors Invest in Private Equity

Gary Robertson

Domestic Equity Benchmark Review: Year End 2010

Jacki Hoagland, Stephanie Meade

Charticle – Real Estate Indicators: Too Hot to Touch or Cool Enough to Handle?

Charticle – Real Return Strategies: A Closer Look

Ask the Expert – Private Equity: The Strategy Comes of Age

Jim Callahan, CFA and Gary Robertson

Publications

DC Observer and Callan DC Index™ – 1st Quarter 2011

Hedge Fund Monitor – 1st Quarter 2011

Capital Market Review – 2nd Quarter 2011

Quarterly Performance Data – 2nd Quarter 2011

Private Markets Trends – Spring 2011

Surveys

2011 Callan Target Date Fund Survey – June 2011

2011 DC Trends Survey – January 2011

2010 Alternative Investments Survey – November 2010



CALLAN
INVESTMENTS
INSTITUTE

SECOND QUARTER 2011

RESEARCH AND UPCOMING PROGRAMS

(continued)

Event Summaries and Presentations

Summary: 2011 Regional Breakfast Workshop - June 2011

“Latest Developments in Asset Allocation for DB and DC Plans”

Presentation: 2011 Regional Breakfast Workshop - June 2011

“Latest Developments in Asset Allocation for DB and DC Plans”

Upcoming Educational Programs

October 2011 Regional Breakfast Workshops

October 25 in New York City

October 26 in Chicago

Subject TBA – Detailed information will be sent to you in August.

**If you have any questions regarding these programs,
please contact Ray Combs at 415.974.5060 or institute@callan.com.**

The Callan Investments Institute, the educational division of Callan Associates Inc., has been a leading educational forum for the pensions and investments industry since 1980. The Institute offers continuing education on key issues confronting plan sponsors and investment managers.

101 California Street, Suite 3500, San Francisco, California 94111, 415.974.5060, www.callan.com

Callan Associates • Knowledge for Investors



THE CENTER FOR INVESTMENT TRAINING ("CALLAN COLLEGE")

SECOND QUARTER 2011

EDUCATIONAL SESSIONS

An Introduction to Investments

October 18–19, 2011 in San Francisco

This two-day session is designed for individuals who have less than two years' experience with institutional asset management oversight and/or support responsibilities. It will familiarize fund sponsor trustees and staff with basic investment theory, terminology, and practices. Participants in the introductory session will gain a basic understanding of the different types of institutional funds, including a description of their objectives and investment program structures.

Topics for the session will include a description of the different parties involved in the investment management process, a brief outline of the types and characteristics of different plans, an introduction to fiduciary issues as they pertain to fund management and oversight, and an overview of capital market theory, characteristics of various asset classes, and the processes by which fiduciaries implement their investment programs

Tuition for the Introductory "Callan College" session is \$2,350 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

Customized Sessions

A unique feature of the "Callan College" is its ability to educate on a specialized level through its customized sessions. Whether you are a plan sponsor or you provide services to institutional tax-exempt plans, we are equipped to tailor the curriculum to meet the training and educational needs of your organization and bring the program to your venue. Instruction can be tailored to be basic or advanced.

For more information on the "Callan College," please contact Kathleen Cunnie, Manager, at 415.274.3029 or college@callan.com.

The Center for Investment Training ("Callan College") provides relevant and practical educational opportunities to all professionals engaged in the investment decision making process. This educational forum offers basic-to-intermediate level instruction on all components of the investment management process

101 California Street, Suite 3500, San Francisco, California 94111, 415.974.5060, www.callan.com

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Callan Associates takes its fiduciary and disclosure responsibilities to clients very seriously. The list below is compiled and updated quarterly because we believe our fund sponsor clients should have a clear understanding of the investment management organizations that do business with our firm. As of 06/30/11, Callan provided educational, consulting, software, database, or reporting services to this list of managers through one or more of the following business units: Institutional Consulting Group, Independent Adviser Group, Fund Sponsor Consulting, the Callan Investments Institute and the "Callan College." Per strict policy these manager relationships do not affect the outcome or process by which any of Callan's services are conducted.

Fund sponsor clients may request a copy of this list at any time. Fund sponsor clients may also request specific information regarding the fees paid to Callan by the managers employed by their fund. Per company policy, information requests regarding fees are handled exclusively by Callan's Compliance Department.

Clients should also be aware that Callan maintains an asset management division, the Trust Advisory Group (TAG). TAG specializes in the design, implementation and on-going management of multi-manager portfolios for institutional investors. Currently TAG serves as the sponsor and advisor to a multi-manager small cap equity fund and as the non-discretionary adviser to a series of Target Maturity Funds known as the Callan GlidePath® Funds. We are happy to provide clients with more specific information regarding TAG, including detail on the portfolios that it oversees. Per company policy these requests are handled by TAG's Chief Investment Officer.

Manager Name	Educational Services	Consulting Services
1607 Capital Partners, LLC		Y
Aberdeen Asset Management		Y
Acadian Asset Management, Inc.	Y	
Affiliated Managers Group		Y
AllianceBernstein	Y	
Allianz Global Investors Capital	Y	Y
American Century Investment Management	Y	
American Yellowstone Advisors, LLC		Y
Analytic Investors	Y	
AQR Capital Management	Y	
Artio Global Management (fka, Julius Baer)	Y	Y
Atalanta Sosnoff Capital, LLC	Y	
Atlanta Capital Management Co., L.L.C.	Y	Y
Aviva Investors North America	Y	
AXA Rosenberg Investment Management	Y	
Babson Capital Management LLC	Y	
Baillie Gifford International LLC	Y	
Baird Advisors	Y	Y
Bank of America		Y
Barclays Capital Inc.	Y	
Baring Asset Management	Y	
Barrow, Hanley, Mewhinney & Strauss, Inc.		Y
Batterymarch Financial Management, Inc.	Y	
BlackRock		Y
Boston Company Asset Management, LLC (The)	Y	Y
BNY Mellon Asset Management	Y	Y
Brandes Investment Partners, L.P.	Y	Y
Brandywine Global Investment Management, LLC	Y	
Brown Brothers Harriman & Company	Y	
Cadence Capital Management	Y	
Capital Group Companies (The)	Y	
CastleArk Management, LLC		Y
Causeway Capital Management	Y	
Central Plains Advisors, Inc.		Y
Chartwell Investment Partners	Y	
ClearBridge Advisors	Y	
Columbia Management Investment Advisors, LLC	Y	Y
Columbus Circle Investors	Y	Y
Cramer Rosenthal McGlynn, LLC	Y	
Crestline Investors	Y	Y
DB Advisors	Y	Y
DE Shaw Investment Management, L.L.C.	Y	
Delaware Investments	Y	Y
DePrince, Race & Zollo, Inc.		Y
DSM Capital Partners		Y
Eagle Asset Management, Inc.		Y
EARNEST Partners, LLC	Y	

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Manager Name	Educational Services	Consulting Services
Eaton Vance Management	Y	Y
Epoch Investment Partners	Y	
Fayez Sarofim & Company	Y	Y
Federated Investors		Y
Fiduciary Asset Management Company		Y
First Eagle Investment Management	Y	
Franklin Templeton	Y	Y
Fred Alger Management Co., Inc.	Y	Y
GAM (USA) Inc.	Y	
GE Asset Management	Y	Y
Goldman Sachs Asset Management	Y	Y
Grand-Jean Capital Management		Y
Graham, Mayo, Van Otterloo & Co., LLC	Y	
Great Lakes Advisors, Inc.		Y
Harris Associates	Y	
Harris Investment Management, Inc.	Y	
Hartford Investment Management Co.	Y	Y
Henderson Global Investors	Y	
Hennessy Funds	Y	
Hermes Investment Management (North America) Ltd.	Y	
Income Research & Management	Y	
ING Investment Management	Y	Y
INVESCO	Y	Y
Institutional Capital LLC	Y	
Janus Capital Group (fka Janus Capital Management, LLC)	Y	Y
Jensen Investment Management		Y
J.P. Morgan Asset Management	Y	Y
Knightsbridge Asset Management, LLC		Y
Lazard Asset Management	Y	Y
Lee Munder Capital Group	Y	
Login Circle	Y	
Loomis, Sayles & Company, L.P.	Y	Y
Lord Abbett & Company	Y	
Los Angeles Capital Management	Y	
LSV Asset Management	Y	
Lyrical Partners	Y	
MacKay Shields LLC	Y	Y
Madison Square Investors	Y	
Man Investments	Y	
Marvin & Palmer Associates, Inc.	Y	
Mellon Capital Management (fka, Franklin Portfolio Assoc.)	Y	
Metropolitan Life Insurance Company		Y
Metropolitan West Capital Management, LLC		Y
MFC Global Investment Management (U.S.) LLC	Y	
MFS Investment Management	Y	Y
Mondrian Investment Partners Limited	Y	Y
Montag & Caldwell, Inc.	Y	Y

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Manager Name	Educational Services	Consulting Services
Morgan Stanley Investment Management	Y	Y
Mountain Lake Investment Management LLC		Y
Newton Capital Management	Y	
Neuberger Berman, LLC (fka, Lehman Brothers)	Y	Y
Northern Lights Capital Group		Y
Northern Trust Global Investment Services	Y	Y
Northern Trust Value Investors		Y
Nuveen Investments Institutional Services Group LLC	Y	Y
OFI Institutional Asset Management	Y	
Old Mutual Asset Management	Y	Y
Oppenheimer Capital	Y	
Opus Capital Management	Y	
Pacific Investment Management Company	Y	
Palisades Investment Partners, LLC	Y	Y
Peregrine Capital Management, Inc.		Y
Perkins Investment Management	Y	
Philadelphia International Advisors, LP	Y	
PineBridge Investments (formerly AIG)	Y	
Pioneer Investment Management, Inc.	Y	
PNC Capital Advisors (fka Allegiant Asset Mgmt)	Y	Y
Principal Global Investors	Y	Y
Prisma Capital		Y
Prudential Investment Management, Inc.	Y	Y
Putnam Investments, LLC	Y	Y
Pyramis Global Advisors	Y	
Rainier Investment Management	Y	
RBC Global Asset Management (U.S.) Inc.		Y
Regions Financial Corporation		Y
Renaissance Technologies Corp.		Y
RCM	Y	Y
Rice Hall James & Associates, LLC		Y
Robeco Investment Management	Y	Y
Rothschild Asset Management, Inc.	Y	Y
Russell Investment Management	Y	
Schroder Investment Management North America Inc.	Y	Y
Scottish Widows Investment Partnership	Y	
Security Global Investors	Y	
SEI Investments		Y
SEIX	Y	
Smith Graham and Company		Y
Smith Group Asset Management	Y	Y
Southeastern Asset Management		Y
Standard Life Investments	Y	
Standish (fka, Standish Mellon Asset Management)	Y	
State Street Global Advisors	Y	
Stone Harbor Investment Partners, L.P.		Y

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Callan Associates takes its fiduciary and disclosure responsibilities to clients very seriously. The list below is compiled and updated quarterly because we believe our fund sponsor clients should have a clear understanding of the investment management organizations that do business with our firm. As of 06/30/11, Callan provided educational, consulting, software, database, or reporting services to this list of managers through one or more of the following business units: Institutional Consulting Group, Independent Adviser Group, Fund Sponsor Consulting, the Callan Investments Institute and the "Callan College." Per strict policy these manager relationships do not affect the outcome or process by which any of Callan's services are conducted.

Fund sponsor clients may request a copy of this list at any time. Fund sponsor clients may also request specific information regarding the fees paid to Callan by the managers employed by their fund. Per company policy, information requests regarding fees are handled exclusively by Callan's Compliance Department.

Clients should also be aware that Callan maintains an asset management division, the Trust Advisory Group (TAG). TAG specializes in the design, implementation and on-going management of multi-manager portfolios for institutional investors. Currently TAG serves as the sponsor and advisor to a multi-manager small cap equity fund and as the non-discretionary adviser to a series of Target Maturity Funds known as the Callan GlidePath® Funds. We are happy to provide clients with more specific information regarding TAG, including detail on the portfolios that it oversees. Per company policy these requests are handled by TAG's Chief Investment Officer.

Manager Name	Educational Services	Consulting Services
Stratton Management		Y
Systematic Financial Management	Y	
T. Rowe Price Associates, Inc.	Y	Y
Taplin, Canida & Habacht	Y	
TCW Asset Management Company	Y	
Thrivent Financial for Lutherans		Y
Thompson, Siegel & Walmsley LLC	Y	
TIAA-CREF		Y
Tradewind Global Investors	Y	
UBP Asset Management LLC	Y	
UBS	Y	Y
Union Bank of California		Y
Victory Capital Management Inc.	Y	
Virtus Investment Partners		Y
Vontobel Asset Management	Y	
Waddell & Reed Asset Management Group	Y	
WEDGE Capital Management		Y
Wellington Management Company, LLP	Y	
Wells Capital Management	Y	
West Gate Horizons Advisors, LLC		Y
Western Asset Management Company	Y	
William Blair & Co., Inc.	Y	Y
Yellowstone Partners		Y
Zephyr Management	Y	