AGENDA
IRVINE RANCH WATER DISTRICT
POST-EMPLOYMENT BENEFITS TRUST RETIREMENT BOARD
QUARTERLY MEETING
TUESDAY, AUGUST 2, 2016

CALL TO ORDER — **12:00 p.m.,** Committee Room, Second Floor, District Office
15600 Sand Canyon Avenue, Irvine, California

ATTENDANCE — Board Member: Peer Swan ____ Board Member: May Aileen Matheis ____
Board Member: Paul Cook ____

ALSO PRESENT
Cheryl Clary ____ ____________ ____
Rob Jacobson ____ ____________ ____
Tanja Fournier ____ ____________ ____

COMMUNICATIONS

1. Meeting Minutes: Tanja Fournier
2. Public Comments
3. Determine the need to discuss and/or take action on item(s) introduced, which came to the attention of the District subsequent to the agenda being posted.
4. Determine which items may be approved without discussion.

INFORMATION

5. IRWD POST RETIREMENT TRUST INVESTMENT REVIEW – FOURNIER/JACOBSON/CLARY

   Recommendation: Receive and file the portfolio investment review and approve the retention of fidelity brokerage services to provide trustee services. After discussion with the trust's investment advisor provide investment direction to staff for the $1,781,000 trust deposit approved by the IRWD Board through the 2016-2017 budget process.

ACTION

6. MINUTES OF THE QUARTERLY MEETING OF IRWD RETIREMENT BOARD – FOURNIER/JACOBSON

   Recommendation: That the minutes of the Quarterly meeting of the IRWD Retirement Board held June 7, 2016 be approved as presented.

OTHER BUSINESS

7. Directors' Comments

8. Adjourn

August 2, 2016
Prepared by: Tanja Fournier
Submitted by: Rob Jacobson/Cheryl Clary
Approved by: Paul Cook

RETIREMENT BOARD

IRWD POST RETIREMENT TRUST
INVESTMENT REVIEW

SUMMARY:

Staff and the District's plan advisor, SageView Advisors (SageView), will present the Portfolio Investment Review for the quarter ended June 30, 2016, an update on current market conditions and provide investment strategy considerations, including a recommendation for investment of the 2016 deposit to the trust in the amount of $1,781,000 approved by the IRWD Board through the 2016-2017 budget process. Additionally, staff is recommending that the Board approve replacing Bank of New York Mellon with Fidelity Brokerage Services (FSB) to provide trustee services (brokerage, custody, recordkeeping and reporting) for the Retirement Trust.

BACKGROUND:

Quarterly Investment Review:

As of June 30, 2016, the IRWD Post-Retirement Benefits Trust market value was $47,131,293, which is a net increase of $630,421 from the quarter ended March 31, 2016. The change is due to an increase in market value of $459,296 and dividends of $173,448. Trustee services expenses for the quarter were $2,323 The closing balances and fund returns for the quarter ended June 30, 2016 were as follows:

Investment	Quarterly Return	Benchmark Index	Morningstar Peer Category	Quarter Ended March 31, 2016	Quarter Ended June 30, 2016	Incr/(Decr)	Percent of Portfolio
EQUITIES							
Vanguard Institutional Index Fund.	**2.45%**	2.46%	1.76%	20,048,533	**20,539,512**	$490,978	43.6%
Vanguard Extended Mkt (small/mid) Index Fund	**3.40%**	3.37%	1.49%		**2,008,832**	$2,008,832	4.3%
Fidelity International Index Fund Premium Class	**-0.58%**	-0.64%	-1.08%	6,146,343		($6,146,343)	
Vanguard Developed Market Index	**-0.21%**	-0.85%	-1.08%		**6,051,541**	$6,051,541	12.8%
S&P 500 ETF Put ($175 due 6-17-2016)	N/A	N/A	N/A	37,870		($37,870)	
FIXED INCOME							
Metropolitan Total Return Bond Fund	**1.98%**	2.21%	2.35%	11,749,634	**9,995,655**	($1,753,979)	21.2%
Baird Core Plus Bond fund	**2.96%**	2.21%	2.35%		**2,013,431**	$2,013,431	4.3%
Vanguard High-Yield Corporat Fund	**3.40%**	5.88%	4.22%		**1,001,757**	$1,001,757	2.1%
CASH-SHORT TERM							
Federated Govt. Money Market Fund				8,518,491	**5,520,564**	($2,997,927)	11.7%
Closing Balance				$46,500,872	**$47,131,293**	$630,421	100.0%

For the quarter ended June 30, 2016, the portfolio return was 1.28%, which underperformed the custom benchmark return of 1.44%. For the one-year period ended June 30, 2016, the return was 0.50%, which underperformed the custom benchmark return of 0.97%. The underperformance of the portfolio is primarily due to the impact of an S & P 500 Put position which expired on June 17, 2016, and underperformance of the Metropolitan West Total Return Fund. Without the S&P Put position, the one-year return would have been 1.81%.

The District's plan advisor, SageView Advisors, will present the Portfolio Investment Review as of June 30, 2016, as outlined in Exhibit "A", and provide investment strategy considerations, including a recommendation for investment of the 2016 deposit to the trust in the amount of $1,781,000 approved by the IRWD Board through the 2016-2017 budget process.

Replacement of Trustee Services Provider

Since inception of the Retirement Trust, Bank of New Mellon (BNYM) has provided trustee services. The service provided by BNYM has been inconsistent and inadequate. In addition to numerous errors needing reconciliation; during recent investment activity it took two to three days to process mutual fund purchase and sale trades due to BNYM's lack of electronic trading and reporting capabilities. Furthermore, staff was unable to carry out the Board's direction to substitute the Federated Government Money Market Fund with the Vanguard Federal Money Market Fund due to BNYM not supporting the replacement fund on their platform. Staff has worked with SageView to review other options for trustee services and recommends engaging Fidelity Brokerage Service (FBS) for trustee services (brokerage, custody, recordkeeping and reporting) for the Retirement Trust. The cost for the service is $250.00 per year, which is approximately $9,000 less than the annual cost for BNYM, which charges 0.02% of the total assets.

FISCAL IMPACTS:

As of June 30, 2016, the IRWD Post-Retirement Benefits Trust market value was $47,131,293, which is a net increase of $630,421 from the quarter ended March 31, 2016. The annual fee for trustee service through Fidelity Brokerage Services will be $250.00 per year, which is approximately $9,000 less than the annual cost for BNYM, which charges 0.02% of the total assets.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act Code of Regulations, Title 14, Chapter 3 Section 15378.

RECOMMENDATION:

RECEIVE AND FILE THE PORTFOLIO INVESTMENT REVIEW AND APPROVE THE RETENTION OF FIDELITY BROKERAGE SERVICES TO PROVIDE TRUSTEE SERVICES. AFTER DISCUSSION WITH THE TRUST'S INVESTMENT ADVISOR PROVIDE INVESTMENT DIRECTION TO STAFF FOR THE $1,781,000 TRUST DEPOSIT APPROVED BY THE IRWD BOARD THROUGH THE 2016-2017 BUDGET PROCESS.

LIST OF EXHIBITS:

Exhibit "A" – The Portfolio Investment Review as of June 30, 2016

Exhibit "A"

SAGE VIEW

Plan Investment Review

Irvine Ranch Water District Post-Employment Benefits Trust

For period ending June 30, 2016

Jonathan Upham Registered Representative with and securities offered through Cetera Advisor Networks LLC, member FINRA/SIPC
1920 Main Street, Suite 800, Irvine, CA 92614 | T 949.955.1395 | SageView is not affiliated with Cetera

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Section I

Market Overview

The views are those of SageView Advisory Group and should not be construed as investment advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. All economic and performance information is historical and not indicative of future results. The market indices discussed are unmanaged. Investors cannot directly invest in unmanaged indices. Additional risks are associated with international investing, such as currency fluctuations, political and economic stability, and differences in accounting standards. Please consult your financial advisor for more information.

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Major Headlines From the Quarter

EQUITY MARKETS – ALL ABOUT "BREXIT"

- Volatility in financial markets during the second quarter was less extreme than during the first, except for a one week stretch following the Brexit decision.
- The big news during the second quarter was a decision by the United Kingdom to withdraw from its membership in the European Union (EU). The immediate financial market impact was not surprising, but the longer-term impact will not be known for quite some time.

FINANCIAL MARKET IMPACT FROM BREXIT

- Global equity markets suffered significant selloffs during the first two days following the Brexit decision, collectively losing over $2 trillion in value, but rebounded strongly at the end of the quarter.
- Global bond yields declined to record lows, or further into negative territory in certain markets.
- Investors sought shelter in perceived safe haven assets such as government bonds, precious metals and currencies like the U.S. dollar and Japanese yen.
- Although equity prices moved significantly following the vote, this did not appear to be characteristic of a systemic financial crisis.

ECONOMIC OUTLOOK REMAINS MUTED

- Global growth remains subdued and inflationary forces appear limited in most developed countries.
- The U.S. economy likely continued its slow expansion in Q2.

SOME INTERESTING DATA

- California became the 6th largest economy in the world.
- The 10-year German Bund yield fell into negative territory for the first time ever.
- The British Pound declined to its lowest level in 30 years versus the dollar and also suffered its largest one-day decline ever.

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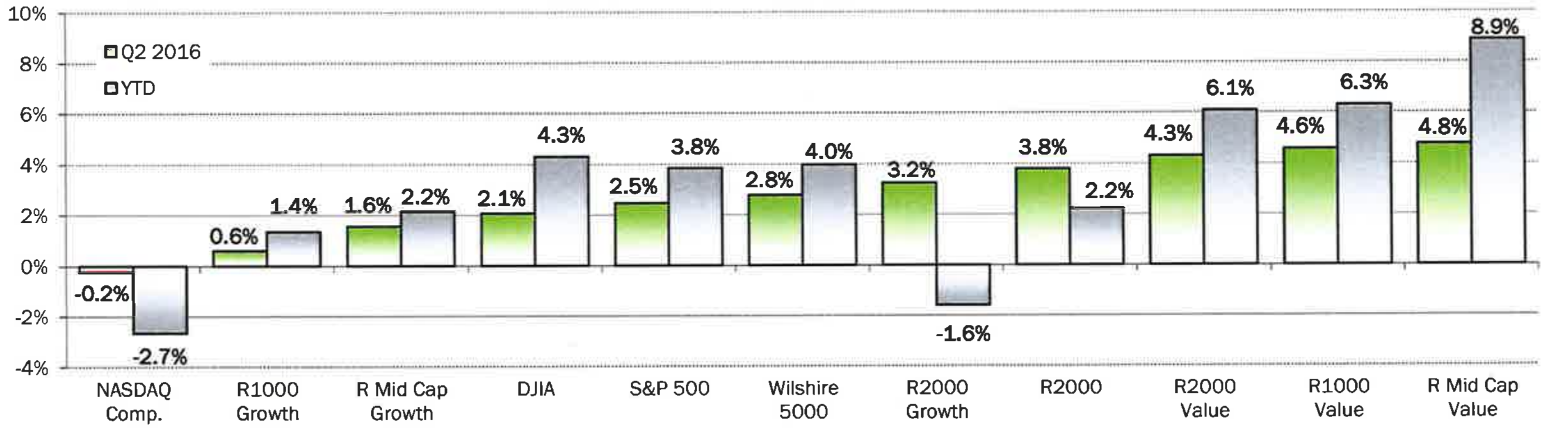
U.S. Equities

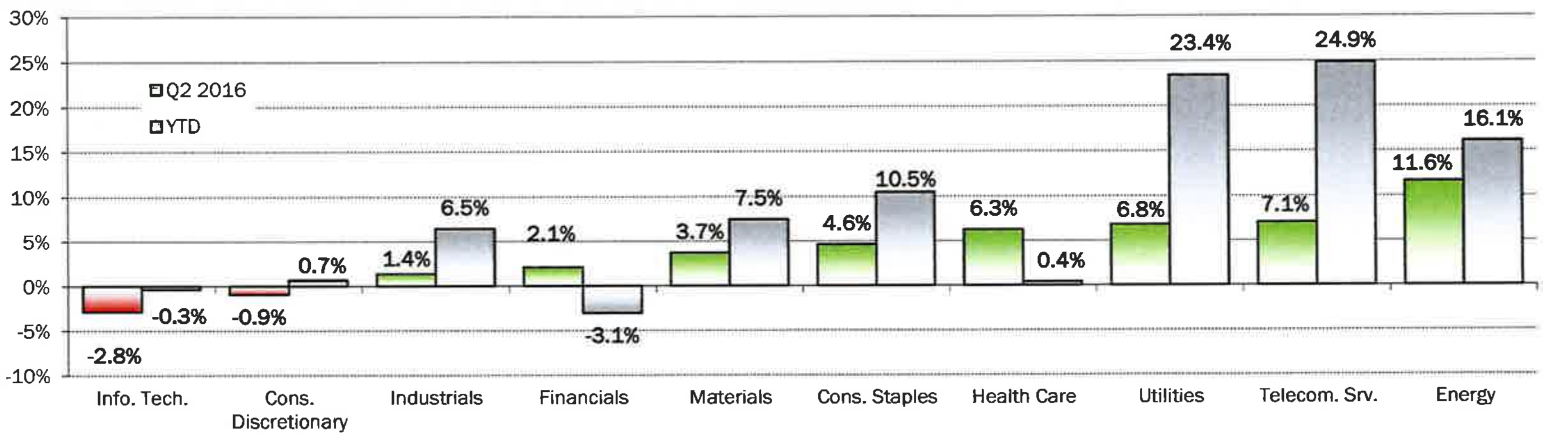
Equity prices in the U.S. recovered quickly following the two-day decline after the Brexit vote. The S&P 500 Index finished with a respectable gain for the quarter and was within shouting distance of its all-time high. The energy sector posted a remarkable rebound and was the third best performing sector year-to-date.

Performance of Major U.S. Equity Indexes, Q2 2016 and YTD



Source: Morningstar. Returns represent total return, including dividends.

S&P 500 Sector Returns, Q2 2016 and YTD



Source: Morningstar. Returns represent cumulative total return, including dividends.

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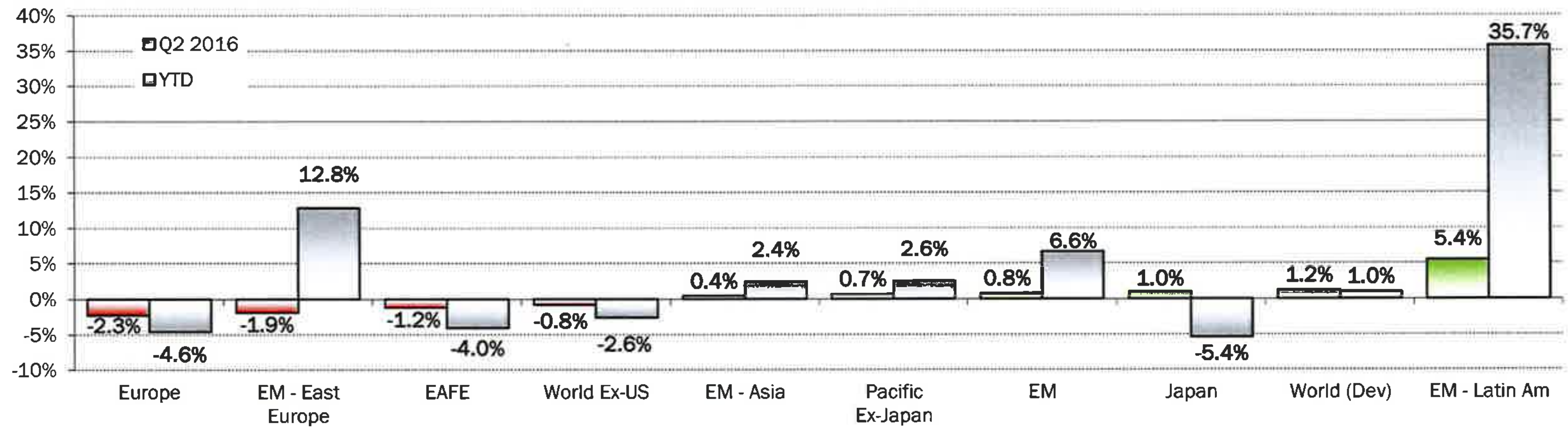
International Equities

Major international developed indexes recovered quickly following the initial Brexit induced selloff and posted mixed results during the second quarter. Equities in Latin America have rebounded strongly on some early prospects of potential policy reforms in Brazil and currency gains versus the dollar.

International Equity Market Returns, Q2 2016 and YTD



Source: Morningstar. Returns represent cumulative total return, including dividends.

Dollar Trade Weighted Exchange Index for Broad Currencies: 1973 - 2016

Source: Federal Reserve, FRED. Data as of June 30, 2016.

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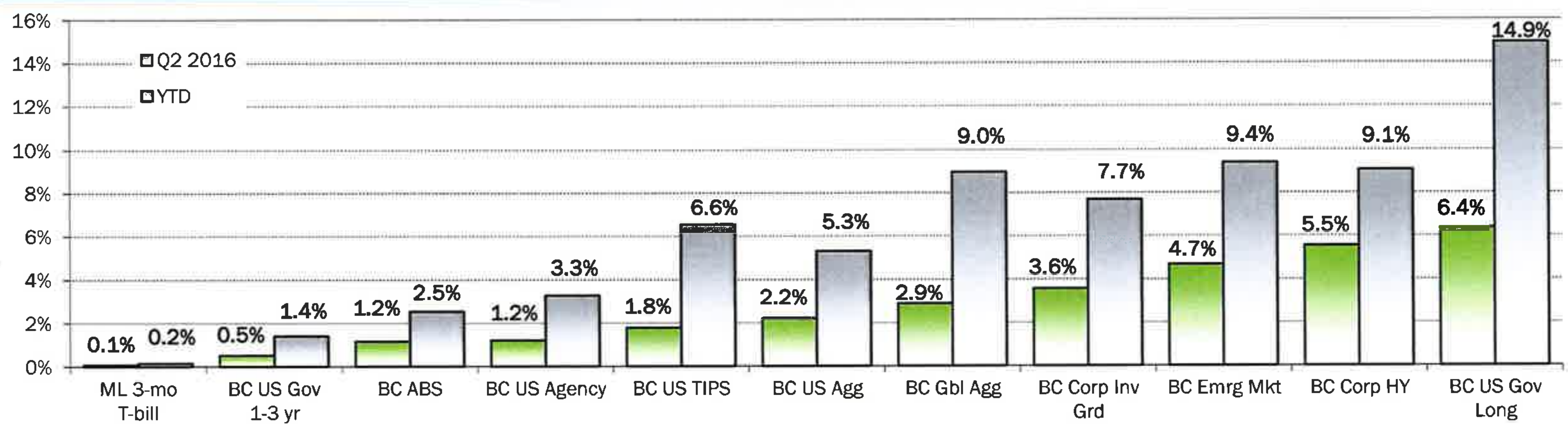
Fixed Income

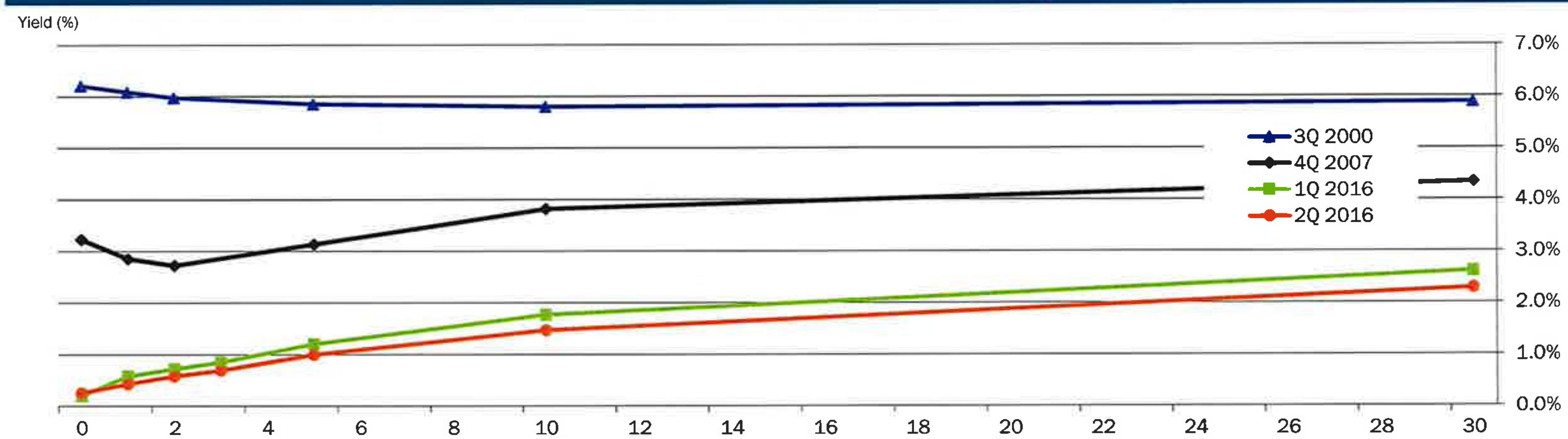
Most major bond benchmarks added to their gains in Q2. The Fed kept interest rates steady and yields declined significantly following the surprising Brexit outcome. Investors are attracted to the U.S. bond market due to our high yields relative to other developed countries, some of which have negative rates.

Fixed Income Returns, Q2 2016 and YTD



Source: Morningstar. Returns represent total return, including dividends.

U.S. Treasury Yield Curve



Source: Bloomberg. Data as of respective quarter end.

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Asset Class Returns

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	YTD	2000 - 2015 Ann.	2000 - 2015 Vol.
Comdty. 31.8%	REITs 13.9%	Comdty. 25.9%	EM Equity 56.3%	REITs 31.6%	EM Equity 34.5%	REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	REITs 13.7%	REITs 12.0%	EM Equity 25.4%
REITs 26.4%	Fixed Income 8.4%	Fixed Income 10.3%	Small Cap 47.3%	EM Equity 26.0%	Comdty. 21.4%	EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	Comdty. 13.3%	High Yield 7.9%	REITs 22.0%
Fixed Income 11.6%	Cash 4.1%	High Yield 4.1%	DM Equity 39.2%	DM Equity 20.7%	DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	High Yield 8.7%	Small Cap 6.6%	Small Cap 21.2%
Cash 6.1%	Small Cap 2.5%	REITs 3.8%	REITs 37.1%	Small Cap 18.3%	REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	EM Equity 6.6%	Asset Alloc. 5.9%	DM Equity 19.6%
High Yield 1.0%	High Yield 2.3%	Cash 1.7%	High Yield 32.4%	High Yield 13.2%	Asset Alloc. 8.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	Fixed Income 5.3%	EM Equity 5.9%	Comdty. 18.7%
Asset Alloc. 0.0%	EM Equity -2.4%	Asset Alloc. -5.9%	Large Cap 28.7%	Asset Alloc. 12.8%	Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	Asset Alloc. 4.0%	Fixed Income 5.4%	Large Cap 16.7%
Small Cap -3.0%	Asset Alloc. -3.9%	EM Equity -6.0%	Asset Alloc. 26.3%	Large Cap 10.9%	Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Large Cap 3.8%	Large Cap 4.1%	High Yield 11.5%
Large Cap -9.1%	Large Cap -11.9%	DM Equity -15.7%	Comdty. 23.9%	Comdty. 9.1%	High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Small Cap 2.2%	DM Equity 2.8%	Asset Alloc. 11.2%
DM Equity -14.0%	Comdty. -19.5%	Small Cap -20.5%	Fixed Income 4.1%	Fixed Income 4.3%	Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	Cash 0.1%	Cash 1.8%	Fixed Income 3.4%
EM Equity -30.6%	DM Equity -21.2%	Large Cap -22.1%	Cash 1.0%	Cash 1.2%	Fixed Income 2.4%	Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	DM Equity -4.0%	Comdty. 0.8%	Cash 1.0%

Source: Russell, MSCI, Bloomberg, Standard & Poor's, Barclays Capital, NAREIT, FactSet, J.P. Morgan Asset Management. Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Barclays HY Index, Fixed Income: Barclays Capital Aggregate, REITs: NAREIT Equity REIT Index. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Barclays Capital Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the Barclays High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) returns and volatility (Vol.) represent period of 12/31/99 - 12/31/15. All data represents total return for stated period. Past performance is not indicative of future returns. Investors cannot invest directly in an index. Please see disclosure page at end for index definitions.
Source: JPMorgan Asset Management. Data as of 6/30/2016.

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Legislative Update

SEC MONEY MARKET REFORM ON THE HORIZON

- New money market regulations will go into effect in October 2016. The SEC has created four categories of money market funds and implemented several operations changes that include floating NAV, liquidity (redemption) fees and redemption restrictions, among others.

EXCESSIVE FEES

- *Fujitsu Group Defined Contribution and 401(k) Plan* – An excessive fee suit claims that fiduciaries for the plan violated duties of loyalty and prudence under the Employee Retirement Income Security Act (ERISA) "by designing and administering one of the most expensive large 401(k) plans in the country". According to the complaint, the plan had approximately $1.3 billion in assets at the end of 2013 and total plan fees were about 0.88%, versus industry statics showing an average plan cost of 0.33% for plans with more than $1 billion in assets. The lawsuit also specifically mentions the design and implementation of the plan's custom target-date funds (TDFs).
- *Damberg v. LaMettry Collision, Inc.* – LaMettry's plan was targeted in an excessive fee action although it only had $9 million in plan assets. In a rare move, the action was subsequently voluntarily withdrawn by the plaintiffs.

IMPRUDENT INVESTMENTS

- *Disney Savings and Investment Plan* – As expected, a participant has sued the plan for offering The Sequoia Fund as an investment option in the plan, claiming that the fund was overly concentrated in a single stock, Valeant Pharmaceuticals. The suit was filed as a class action against the investment and administrative committee, key employees' deferred compensation plan and other fiduciaries.

STOCK DROP CASE

- *Target Corporation 401(k) Plan Stock Drop Case* – A proposed class action lawsuit alleges that Target's stock price was artificially inflated between 2013 and 2014, based on the failure to disclose problems with its Canadian stores, and therefore allowing participants to invest in the company stock fund was a breach of the company's fiduciary duties.

Source: PLANADVISER.

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Legislative Update (continued)

DOL FIDUCIARY RULE UPDATE

- The U.S. Chamber of Commerce and several industry trade groups have joined to challenge the DOL's recently published Fiduciary Rule. Among the myriad of claims, the group asserts the SEC, not the DOL, is the proper party to promulgate rules on the definition of fiduciary. Several other groups have filed parallel lawsuits.

PROVIDER SETTLEMENTS

- Transamerica Corp settled a claim against its plan for $3.8M, in addition to other non-monetary terms, including hiring an independent fiduciary.
- MassMutual reached a settlement with current and former participants in its excessive fee lawsuit and agreed to pay $30.9 million, and meet other non-monetary terms, including hiring an independent fiduciary.

PROPOSED ENHANCEMENTS TO FORM 5500

- The proposed revisions are intended to "modernize the financial statements and investment information filed about employee benefit plans; update the reporting requirements for service provider fee and expense information; enhance accessibility and usability of data filed on the forms; require reporting by all group health plans covered by Title I of ERISA; and improve compliance under ERISA and the Internal Revenue Code through new questions regarding plan operations, service provider relationships, and financial management of the plan."

ONE THIRD OF PLANS AUDITED

- A Willis Towers Watson survey found that nearly a third of the respondents have had their retirement plan audited by the Internal Revenue Service (IRS) or the Department of Labor (DOL). Larger companies reported an even higher rate.
- Both government agencies have recently added to their staff to specifically focus on conducting more audits.
- The survey also found that more than 40% of plan sponsors have not conducted an operational compliance review of their defined contribution or defined benefit plan.

BILL INTRODUCES NEW PLAN

- Senator Jeff Merkley (D-OR) has introduced the American Savings Account Act of 2016, which is aimed at employees of businesses that offer no retirement plan and at self-employed individuals.
- Employees would be automatically enrolled starting at 3% of salary, which can be maintained, increased, reduced or halted; self-employed professionals would have the opportunity to proactively enroll.

Source: PLANADVISER, Janus.

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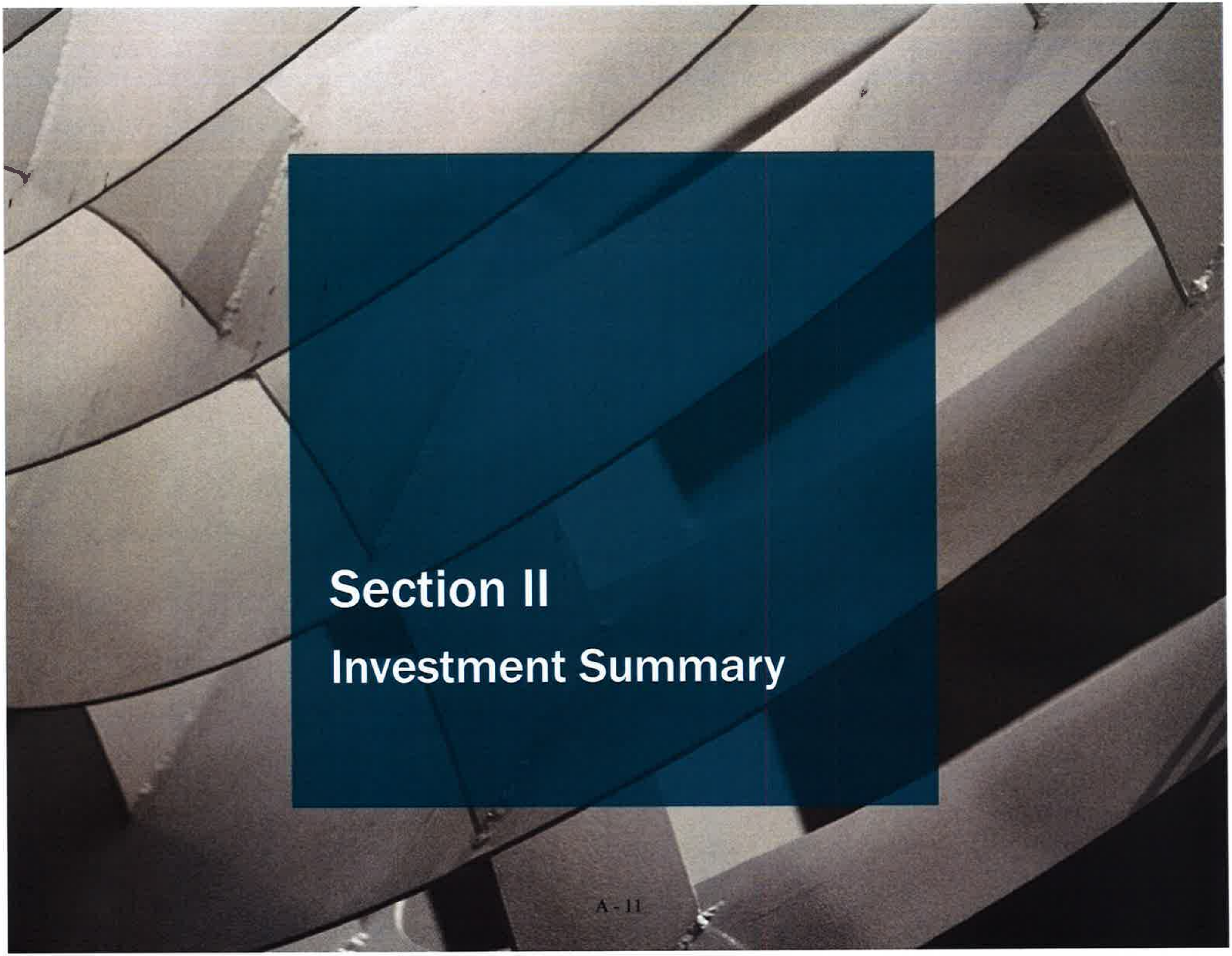

Section II

Investment Summary

Executive Summary and Observations

- Assets total $47,131,293 million at June 30, up from $46,500,872 at March 31, 2016.

- Portfolio now includes seven core positions, including four new positions added during the second quarter:
    - Baird Core Plus Bond Institutional
    - Vanguard High Yield Corporate Admiral
    - Vanguard Extended Market Admiral
    - Vanguard Developed Markets Index Institutional (which replaced Fidelity Spartan International because of lower cost)
    - Hedge put position allowed to expire on June 17

- For the quarter, the total return was 1.28%. This trailed the custom benchmark return of 1.44% due to the performance of the put position (0.08% of drag), the underperformance of Metropolitan West Total Return, and timing related to reinvestment of dividends and sale proceeds.

- For the past year, the total return was 0.50%. This trailed the custom benchmark return of 0.97%, due to the negative performance of the put position (1.31% of drag) and the underperformance of Metropolitan West Total Return.

- Asset allocation is a widely utilized method to manage portfolio volatility.

- The portfolio is dominated by index funds, leading to a low overall expense ratio of 0.16%, down from 0.18% previously.

Considerations:

- There is an opportunity to substitute one of the funds with a lower cost options:
    - Federated Government Obligations (0.20% expense ratio) for Vanguard Federal Money Market (0.11% expense ratio)

- Reduce cash/money-market as a core position. Cash serves as a drag on long term returns due to the tendency of the yield curve to maintain steepness.

- Three actively managed funds scored by SageView score in the top decile of rankings.

- Diversify asset classes: consider adding emerging markets

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Asset Allocation by Fund
As of 06/30/2016

Fund	% of Plan Assets	Total Assets
Vanguard Institutional Index I	43.58%	$20,539,511.81
Metropolitan West Total Return Bond I	21.21%	$9,995,655.46
Vanguard Developed Markets Idx Instl	12.84%	$6,051,541.17
Federated Government Obligs Instl	11.71%	$5,520,564.45
Baird Core Plus Bond Inst	4.27%	$2,013,431.20
Vanguard Extended Market Idx Adm	4.26%	$2,008,831.83
Vanguard High-Yield Corporate Adm	2.13%	$1,001,757.47
Total Market Value:	100.00%	$47,131,293.39

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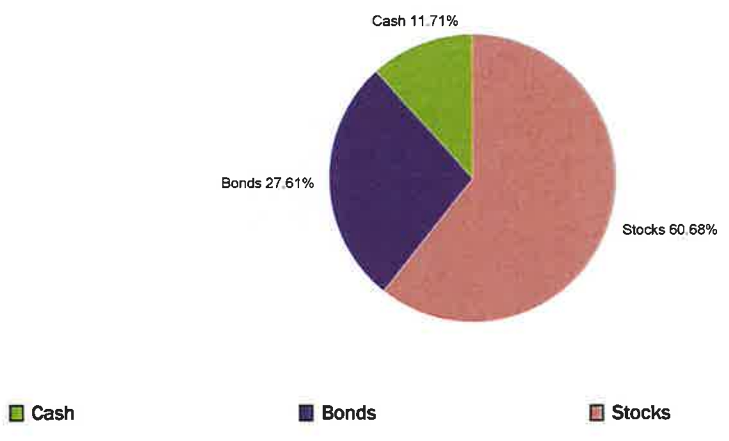
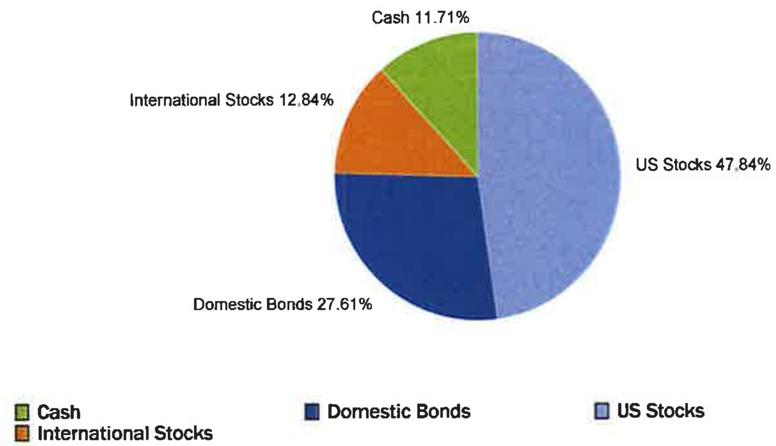
Portfolio Composition - Sector Weightings

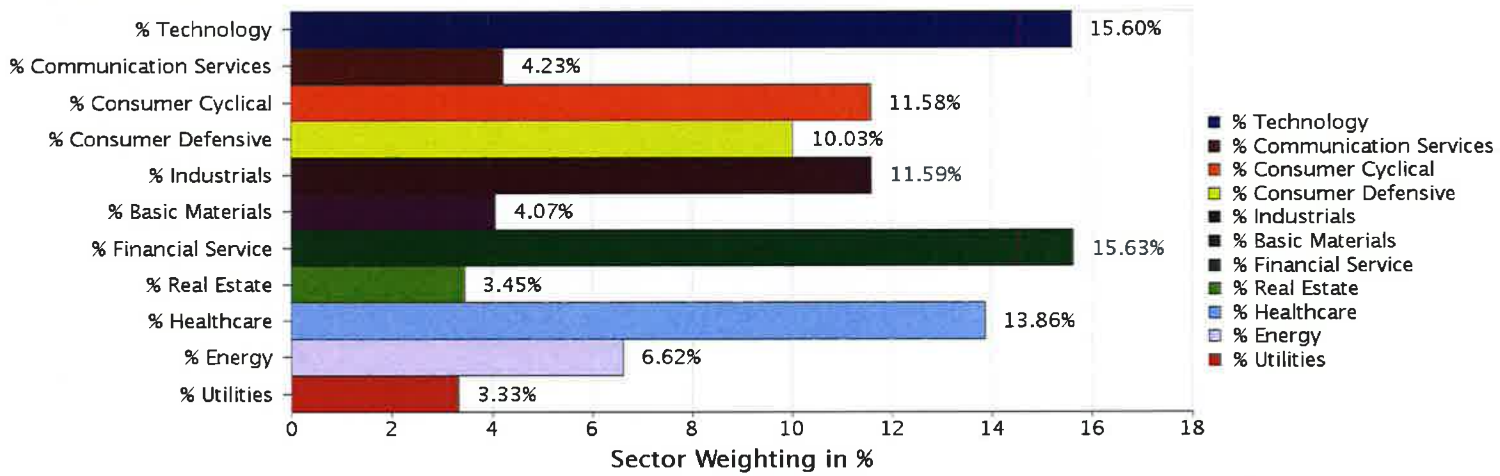
As of 06/30/2016

Portfolio Composition





Sector Weightings



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Fund Performance Summary

As of 06/30/2016

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	Investment Policy Performance
Federated Government Obligs Instl	Money Market-Taxable	11.71%	0.05	0.10	0.11	0.04	0.03	1.04	0.20	NA
BofAML US Treasury Bill 3 Mon TR USD*			0.07	0.15	0.19	0.09	0.09	1.04		
Cat: Morningstar Money Market - Taxable			0.02	0.04	0.05	0.02	0.02	0.88	0.51	
Baird Core Plus Bond Inst	Intermediate-Term Bond	4.27%	2.96	6.11	6.03	4.69	4.66	6.20	0.30	TOP DEC
Barclays US Agg Bond TR USD*			2.21	5.31	6.00	4.06	3.76	5.13		
Cat: Morningstar Intermediate-Term Bond			2.35	4.93	4.63	3.60	3.64	4.80	0.82	
Metropolitan West Total Return Bond I	Intermediate-Term Bond	21.21%	1.98	4.47	4.72	4.17	5.01	6.80	0.44	TOP DEC
Barclays US Agg Bond TR USD*			2.21	5.31	6.00	4.06	3.76	5.13		
Cat: Morningstar Intermediate-Term Bond			2.35	4.93	4.63	3.60	3.64	4.80	0.82	
Vanguard High-Yield Corporate Adm	High Yield Bond	2.13%	3.40	5.80	2.48	4.72	6.00	6.62	0.13	TOP DEC
BofAML US HY Master II TR USD*			5.88	9.32	1.71	4.18	5.71	7.44		
Cat: Morningstar High Yield Bond			4.22	6.43	-0.42	2.92	4.58	5.97	1.10	
Vanguard Institutional Index I	Large Blend	43.58%	2.45	3.82	3.97	11.63	12.07	7.43	0.04	INDEX
S&P 500 TR USD*			2.46	3.84	3.99	11.66	12.10	7.42		
Cat: Morningstar Large Blend			1.76	2.16	-0.02	9.43	10.10	6.41	1.04	
Vanguard Extended Market Idx Adm	Mid-Cap Blend	4.26%	3.40	2.52	-5.41	8.47	9.42	7.48	0.09	INDEX
S&P Completion TR USD*			3.37	2.44	-5.56	8.36	9.32	7.36		
Cat: Morningstar Mid-Cap Blend			1.48	2.76	-4.33	7.55	8.27	6.38	1.19	
Vanguard Developed Markets Idx Instl	Foreign Large Blend	12.84%	-0.21	-2.21	-8.45	2.79	2.10	1.98	0.07	INDEX
FTSE Dv Ex US TR USD*			-0.85	-2.52	-8.94	2.54	1.65	2.36		
Cat: Morningstar Foreign Large Blend			-1.08	-3.03	-9.94	1.68	1.10	1.51	1.18	

*Investment Policy Benchmark

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Addition/Replacements for Consideration

Fund PeerGroup Idx	% of Assets	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	Ticker	SageView Rank
Current Investment										
Federated Government Obligs Instl	11.71	0.05	0.10	0.11	0.04	0.03	1.04	0.20	GOIXX	NA
Alternative investment for consideration										
Vanguard Federal Money Market Investor	-	0.07	0.14	0.18	0.07	0.04	1.07	0.11	VMFXX	NA
Cat. Avg. : Morningstar Money Market - Taxable		0.02	0.04	0.05	0.02	0.02	0.88	0.51		
Idx : BofAML US Treasury Bill 3 Mon TR USD		0.07	0.15	0.19	0.09	0.09	1.04			
Addition										
Vanguard Emerging Mkts Stock Idx Adm	-	2.35	7.81	-12.11	-0.75	-3.53	3.54	0.15	VEMAX	NA
Cat. Avg. : Morningstar Diversified Emerging Mkts		2.28	6.23	-9.89	-1.29	-3.17	3.23	1.52		
Idx : MSCI EM GR USD		0.80	6.60	-11.71	-1.21	-3.44	3.88			

= Current = Addition = Alternative

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Investment Discussion Summary

Fund Name % of Plan Assets Category	Comment Date	Comments
Baird Core Plus Bond Inst 4.27 Intermediate-Term Bond	06/30/2016	Performance Update: The fund maintained a neutral duration relative to the benchmark in Q2 as has been typically the case. Overweight to investment grade bonds, particularly the commodity sensitive industrial sector was generally additive to performance. An underweight to high yield bonds had a negative impact as that sector outperformed. Another modest positive was an underweight to shorter maturities in favor intermediate maturities and floating rate securities. Over the last 12 months, the fund has benefited from an overweight to investment grade bonds and exposure to non-agency residential mortgage backed securities. Strategy Summary: This portfolio is managed by a team of 5 co-portfolio managers, each of whom contribute to research in their respective sectors. The Baird team believes that the bond market consistently misprices risk and return. They also believe in constructing bond portfolios with a strong focus on risk. Lastly, given that the direction of interest rates is incredibly difficult to forecast consistently over time, this fund utilizes a duration-neutral approach relative to the benchmark. Typically, portfolio managers will hope generate the most excess return (about 40% of alpha) through security selection (picking individual bonds), then sector allocation (30% of alpha), yield curve positioning (25% of alpha), and lastly trade execution (5% of alpha). About 70 to 80% of their time is spent on individual security research. Credit analysts first determine which issuers appear to offer the best value within each sector. Every characteristic of a bond security is carefully analyzed, including credit quality, duration characteristics, embedded options and liquidity. Only U.S. dollar denominated securities are utilized in this fund with no use of derivative securities. The portfolio will typically have an overweight to finance and securitized asset (ABS, CMO) sectors of the bond market.
Metropolitan West Total Return Bond I 21.21 Intermediate-Term Bond	06/30/2016	Performance Update: The fund maintained a duration of 0.7 years shorter than the index throughout the second quarter. This was a relative detractor because interest rates fell significantly across the yield curve during the quarter. Underweights to corporate debt and high yield securities also detracted from relative performance. Over the last twelve months the most significant detractor was duration exposure that has been shorter than the benchmark 0.6 to 0.8 years. Another detractor has been exposure to government student loans as they have been pressured by potential downgrade. Overweight to non-agency residential mortgage backed securities has been additive over the last 12 months. Strategy Summary: The MetWest Total Return fund applies a long-term value discipline while emphasizing fundamental bottom-up research, which represents the most important facet of portfolio construction process. The core of the investment process is a long-term economic outlook, which is determined by the generalist investment team on a quarterly basis and reviewed constantly. The portfolio construction process is made up of five strategies that include: 1) duration management, 2) yield curve positioning, 3) sector allocation, 4) security selection, and 5) opportunistic ideas.

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IPS Historical Ranking

Fund Name	09/2013	12/2013	03/2014	06/2014	09/2014	12/2014	03/2015	06/2015	09/2015	12/2015	03/2016	06/2016
Baird Core Plus Bond Inst	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC
Metropolitan West Total Return Bond I	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC
Vanguard High-Yield Corporate Adm	2ND QUAR	2ND QUAR	2ND QUAR	2ND QUAR	2ND QUAR	TOP QUAR	TOP QUAR	TOP QUAR	TOP QUAR	TOP DEC	TOP DEC	TOP DEC

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Baird Core Plus Bond Inst

Ranking Vs. Peers - Intermediate-Term Bond

June 30, 2016
Intermediate-Term Bond Universe: 1384 Funds

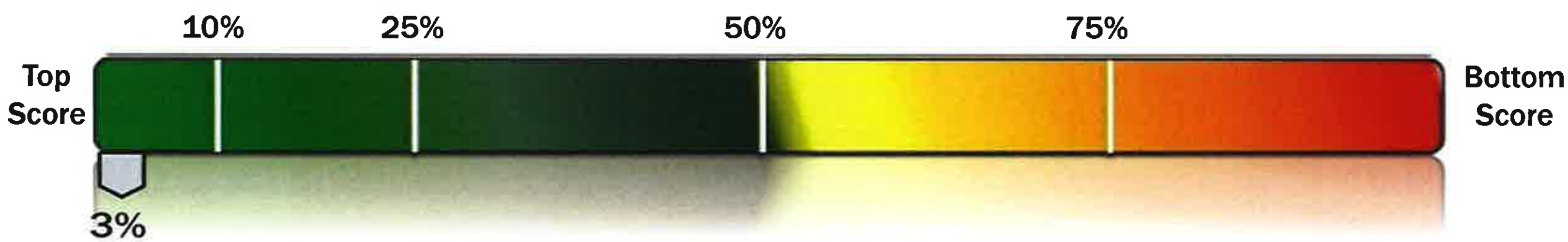
Performance Ranking			Ranking
Total Return Composite Ranking			7.05%
	10 Year	5.00%	
	5 Year	8.00%	
	3 Year	6.00%	
	1 Year	8.00%	
Rolling 12 Month - 5 Years			19.12%
Rolling 36 Month - 10 Years			17.07%

Ratio Statistics	Ranking
Sharpe Ratio - 60 Months	9.00%
Alpha - 60 Months	16.00%
Up Capture Ratio - 5 years	6.00%
Down Capture Ratio - 5 years	43.00%

Fund Expense		Ranking
Expense Ratio	0.3	5.00%

Style Consistency		Ranking
Style Consistency to Benchmark		
Barclays US Agg Bond TR USD	R2	46.00%

	SageView Normalized Ranking
SageView Normalized Ranking	3.00%
STATUS	TOP DECILE



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Metropolitan West Total Return Bond I

Ranking Vs. Peers - Intermediate-Term Bond

June 30, 2016
Intermediate-Term Bond Universe: 1384 Funds

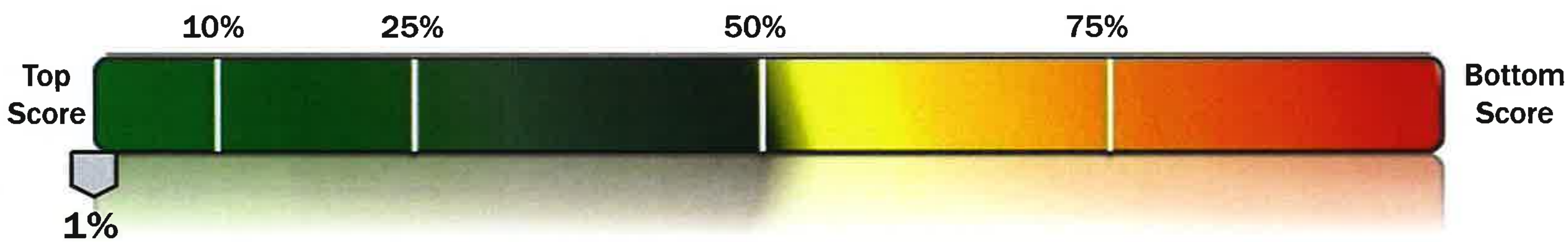
Performance Ranking			Ranking
Total Return Composite Ranking			12.85%
	10 Year	1.00%	
	5 Year	4.00%	
	3 Year	16.00%	
	1 Year	46.00%	
Rolling 12 Month - 5 Years			22.38%
Rolling 36 Month - 10 Years			9.17%

Ratio Statistics	Ranking
Sharpe Ratio - 60 Months	3.00%
Alpha - 60 Months	4.00%
Up Capture Ratio - 5 years	14.00%
Down Capture Ratio - 5 years	8.00%

Fund Expense		Ranking
Expense Ratio	0.44	13.00%

Style Consistency		Ranking
Style Consistency to Benchmark		
Barclays US Agg Bond TR USD	R2	35.00%

	SageView Normalized Ranking
SageView Normalized Ranking	1.00%
STATUS	TOP DECILE



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Vanguard High-Yield Corporate Adm

Ranking Vs. Peers - High Yield Bond

June 30, 2016
High Yield Bond Universe: 673 Funds

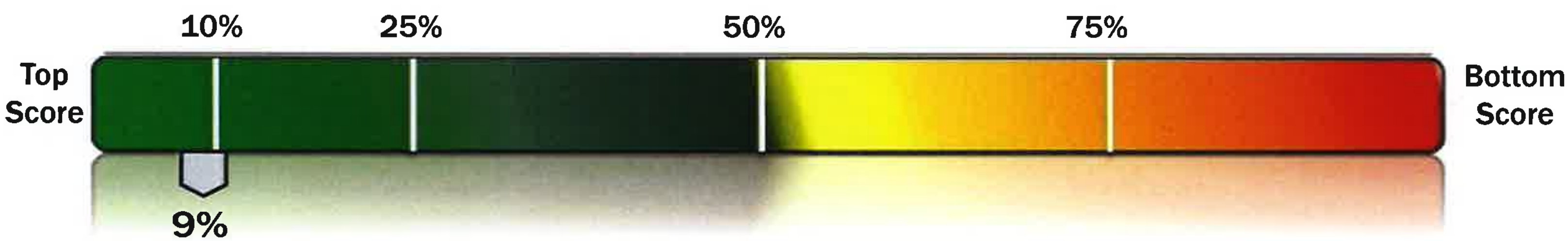
Performance Ranking			Ranking
Total Return Composite Ranking			11.50%
	10 Year	31.00%	
	5 Year	9.00%	
	3 Year	7.00%	
	1 Year	7.00%	
Rolling 12 Month - 5 Years			34.45%
Rolling 36 Month - 10 Years			50.42%

Ratio Statistics	Ranking
Sharpe Ratio - 60 Months	6.00%
Alpha - 60 Months	6.00%
Up Capture Ratio - 5 years	70.00%
Down Capture Ratio - 5 years	7.00%

Fund Expense		Ranking
Expense Ratio	0.13	1.00%

Style Consistency		Ranking
Style Consistency to Benchmark		
Merrill Lynch High Yield U.S. Master II	R2	62.00%

	SageView Normalized Ranking
SageView Normalized Ranking	9.00%
STATUS	TOP DECILE



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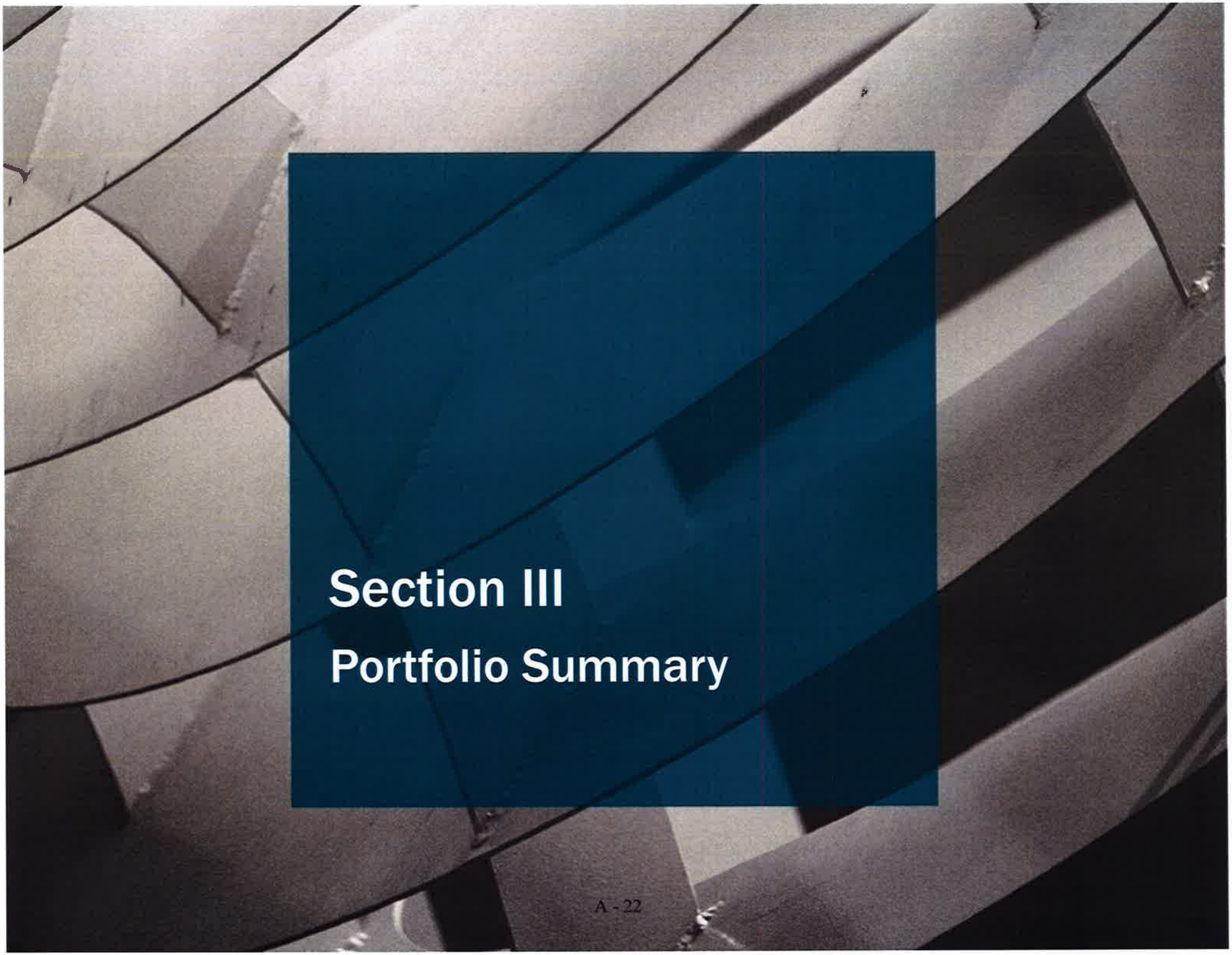


Section III

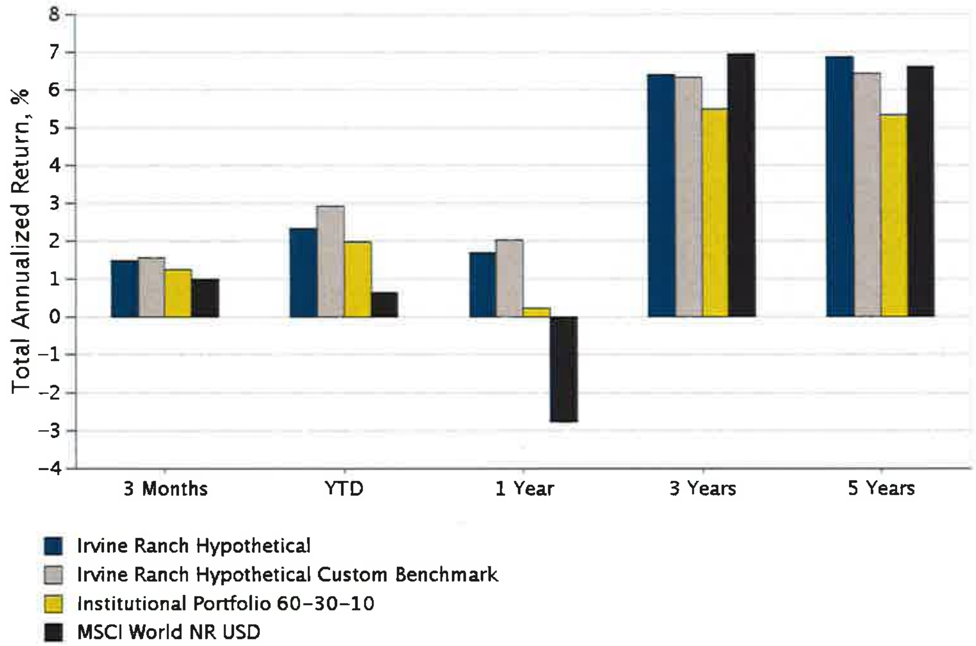
Portfolio Summary

Portfolio Return vs. Custom Benchmark

As of 06/30/2016

Performance As Of June 30, 2016	3 Month	YTD	1 Year	3 Year	5 Year	Alpha 5 Yr	Sharpe 5Yr	Std Dev 5 Yr	Prospectus Exp Ratio
Irvine Ranch Water District Post Employment Benefits Trust	**1.28**	**1.71**	**0.50**	**NA**	**NA**	**NA**	**NA**	**NA**	**0.16**
Irvine Ranch Custom Benchmark	**1.44***	**2.41**	**0.97**	**6.33**	**6.44**	**2.66**	**0.92**	**6.95**	**NA**
Irvine Ranch Custom Category Averages Benchmark	**1.21***	**1.79**	**-0.14**	**5.21**	**5.43**	**1.56**	**0.31**	**8.22**	**0.91**
Institutional Portfolio 60-30-10[2]	**1.28**	**1.99**	**0.25**	**5.49**	**5.35**	**1.22**	**0.70**	**7.76**	**NA**
MSCI World NR USD	**1.01**	**0.66**	**-2.78**	**6.95**	**6.63**	**0.00**	**0.55**	**13.17**	**NA**

Benchmark modeled returns based on balances at 3/31/16 because several trades were made late in the second quarter.



Benchmark	Weight
BofAML US Treasury Bill 3 Mon TR USD	**18.33%**
Barclays US Agg Bond TR USD	**25.29%**
S&P 500 TR USD	**43.15%**
MSCI ACWI Ex USA GR USD	**13.23%**

[1]Industry Average Expense Ratio Source: *401(k) Averages Book*, 15th Edition, published by HR Investment Consultants

The Institutional Portfolio 60-30-10 consists of 60% MSCI World NR USD, 30% Barclays US Agg Bond TR USD and 10% BofAML US Treasury Bill 3 Mon TR USD

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Management Style Analysis

As of 06/30/2016

Domestic Equity Style Box

	VALUE	BLEND	GROWTH
LARGE CAP		• Vanguard Institutional Index I($73.78 bn)	
MID CAP		• Vanguard Extended Market Idx Adm($3.31 bn)	
SMALL CAP			

Average Market Cap. listed in parentheses

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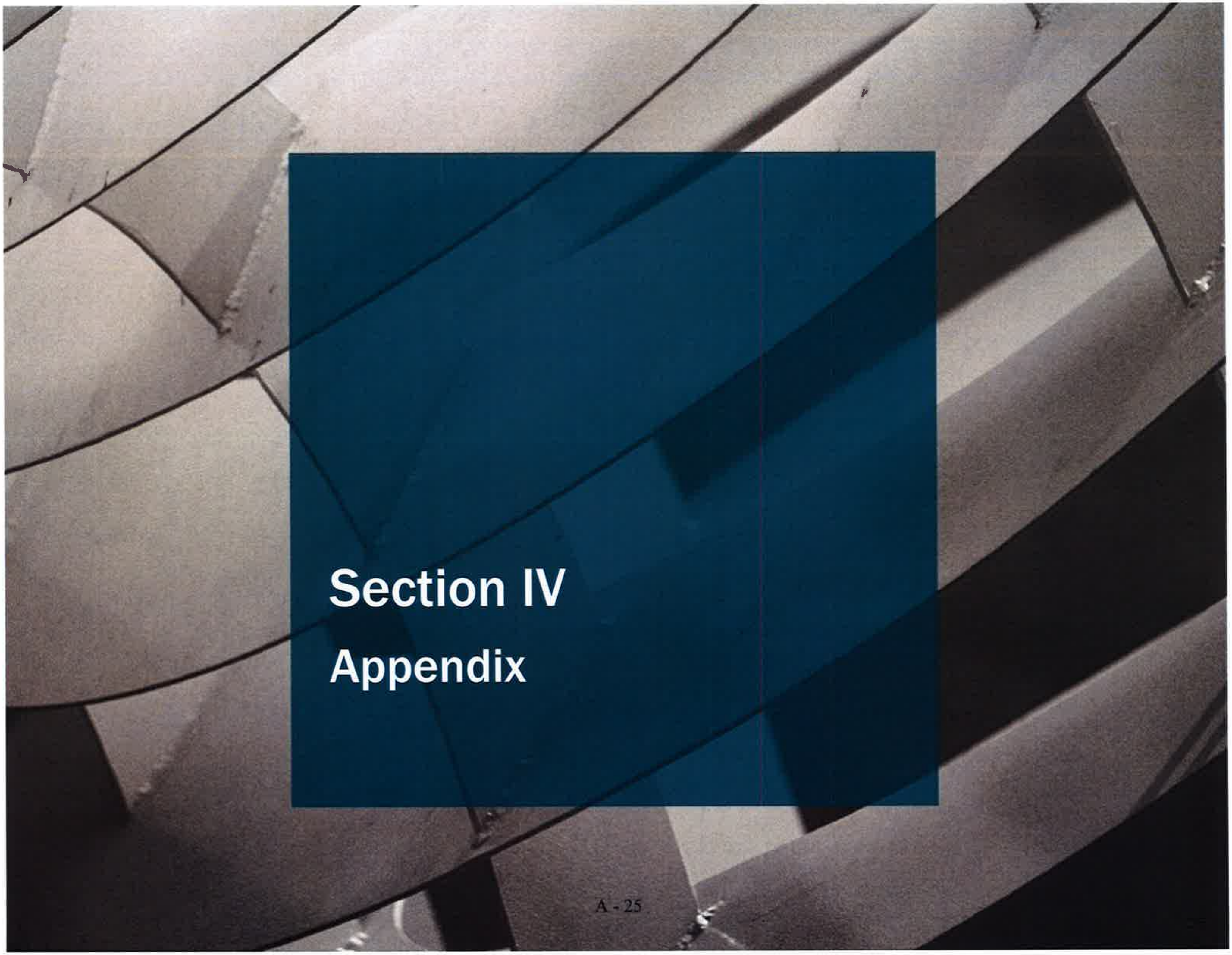

Section IV

Appendix

Quarterly Investment Analysis Criteria

All plan investment options are reviewed quarterly against their peer group and index benchmark to determine the performance and quality of each offering. Each are evaluated using the following criteria:

Trailing 1, 3, 5 and 10 year returns - Total return is a basic measure of a fund's performance. Investors tend to focus more on total return than any other measure of a fund's success or failure. Fund returns over each period are factored into a weighted average, based on the life of a fund. Recent returns receive a slightly higher weighting, while older returns, which may have been produced under different conditions, are weighted less.

1. Rolling 12-month returns (5 years) - The use of 12-month rolling returns minimizes the problem of end-point sensitivity. To score high, a manager must consistently out-perform peers across a variety of market cycles, not just the current cycle.
2. Rolling 36 month returns (10 years) - Using 36-month rolling returns allows us to assess fund returns over longer time segments, thus putting more emphasis on performance across different market cycles.
3. Style Consistency to the appropriate index - We utilize R-squared to assess whether the funds selected for the plan continue to operate and perform as expected within their appropriate asset class. R-squared is a measure of correspondence between a fund's returns and movements in the benchmark. All active funds have some deviation from their benchmark, but excess deviation could indicate that a fund is drifting away from its stated category mandate.
4. Sharpe Ratio - The measure of a fund's risk-adjusted performance. How much additional risk did an investor have to assume to achieve a greater return? The Sharpe Ratio is calculated by dividing the annualized return in excess of the risk free Treasury bill rate by the standard deviation of returns earned over that same time frame. This ratio is an excellent measure for determining whether an investor is being rewarded for taking on additional risk.
5. Alpha - The use of Alpha allows us to gauge the effectiveness of the manager. Alpha is the difference between the portfolio's actual return and its expected return given the funds level of risk as calculated by beta.
6. Up Capture Ratio (5 years) - The up capture ratio calculates the percentage of return of an index that a fund has captured during up market cycles. It tracks the fund's relative performance versus the appropriate index when the index is going up.
7. Down Capture Ratio (5 year) - The down capture ratio calculates the percentage of return of an index a fund has captured during down market cycles. Funds that perform well in this category tend to reduce the downside loss for investors during bear markets.
8. Expense Ratio - All else equal, a lower expense ratio is preferred. The expense ratio is compared as a percentage of the appropriate category average and then given a score based upon that percentage. This rewards low-cost funds and penalizes high-cost funds. Some may (correctly) argue that expense ratios are "double weighted" in our scoring methodology, because performance returns are net of expenses, but fiduciaries are encouraged to carefully manage expenses.

Each fund is benchmarked to a specific market index, and fund performance is evaluated and compared to a relevant peer group using Morningstar category classifications. A fund is given a peer group ranking for each criterion, shown as a percentage. A ranking of 10% indicates a fund is in the top 10% of its peer group for that criterion. The percentage rankings for all criteria are then averaged to give a fund its average ranking score.

The lower the average ranking score the better. For example, a fund with an average ranking score of 25% would in general be a better overall fund than a comparable fund with a ranking score of 50%.

All funds with at least a three year track record are scored in the above manner. A fund is then classified as Top Decile, top Quartile, 2nd Quartile, 3rd Quartile or 4th Quartile based upon the overall score compared to all other funds within that particular asset category.

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Glossary of Terms

Term	Definition
Alpha	A risk-adjusted measure of performance that is equal to the difference between a portfolio's actual return and its expected performance given its level of risk as measured by beta. A positive alpha value indicates the portfolio has performed better than its beta would predict. In contrast, a negative alpha indicates the portfolio has underperformed given the expectations established by beta. Alpha can also be viewed as an abnormal level of return in excess of what might be predicted by an equilibrium pricing model like the Capital Asset Pricing Model (CAPM).
Annualized Return	Returns for periods longer than one year are expressed as "annualized returns." They represent an average amount of money earned by an investment each year during the specified time frame. When compounded over a certain period of time, they would produce a fund's total return over that period.
Asset Class	A group of investments that has similar attributes. These attributes can be defined by their level of risk or return, or how they behave in the market. The three main asset classes are equities (stocks), fixed-income (bonds), and cash equivalents (money market instruments).
Beta	A measure of volatility, systematic risk or portfolio sensitivity of a security or portfolio in comparison to the market as a whole. It is also an input in the capital asset pricing model (CAPM) used to calculate the expected return for an investment.
Benchmark	A standard against which the performance of a security, mutual fund or investment manager can be measured. Typically a benchmark is a broad market index that groups many securities together in some systematic way.
Collective Investment Trust	A fund that is operated by a trust company or a bank and handles a pooled group of trust accounts. Collective investment funds (CITs)combine the assets of various individuals and organizations to create a larger, well-diversified portfolio. CITs are not regulated by the Investment Company Act of 1940 but are regulated by the Office of the Comptroller of the Currency ("OCC") and subject to oversight by the Internal Revenue Service ("IRS") and the Department of Labor ("DOL").
Down Capture Ratio	A ratio that measures the overall performance of a portfolio during falling markets. This measure analyzes how well a portfolio (or an investment manager) performed relative to its benchmark/index during periods when the benchmark fell. For example, a down-capture ratio of 95% (for a given period of time) means that the portfolio lost 5% less than its benchmark during the specified time period.
Expense Ratio	The percentage of fund assets used to pay for operating expenses and management fees, including 12b-1 fees, administrative fees,and all other asset-based costs incurred by the fund, except brokerage costs. Fund expenses are reflected in the fund's NAV. Sales charges are not included in the expense ratio.
Growth Stock	Investors employing a growth investment strategy buy stocks of companies with a recent history of above average increases in earnings in anticipation that earnings growth will continue. Growth stocks are often characterized by high valuation ratios (e.g., high price-to-earnings ratios).
Large Cap	Companies with a market capitalization value of more than $10 billion.
Market Capitalization	Calculated by multiplying the number of a company's shares outstanding by its stock price per share.
Mid Cap	Companies with market capitalization value between $2.5 (typically) and $10 billion.
Morningstar Category	A proprietary Morningstar data point that groups investment managers into categories based on the investment approach or strategy utilized by the investment manager. Categories help investors and investment professionals make comparisons between funds.
Moving Average	Measures the average price of a security over some specified period of time (e.g., 1 month, or 12 months). Then the subset of returns is modified by "shifting the time period forward"; that is, excluding the first number of the series and including the next number following the original subset in the series. This creates a new subset of numbers, which is averaged. This process is repeated over the entire data series or a specified time frame.

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Glossary of Terms

Term	Definition
Mutual Fund	An investment company that continuously offers new equity shares in an actively managed portfolio of securities by pooling money from many investors. All owners in the fund share in the gains or losses of the fund. Shares of a mutual fund are redeemable on demand at fund's current Net Asset Value (NAV). Each mutual fund is managed to a particular objective that is stated in the fund's prospectus.
Net Asset Value (NAV)	A mutual fund share's value, calculated once per day, based on the closing market price of each security in the fund's portfolio. It is calculated by deducting the fund's liabilities from the total assets and dividing this net asset amount by the number of share's outstanding.
Rolling Return	Measures the return of an investment over some specified period of time (e.g., 1 year, or 3 years) and repeats the calculation over a stated time frame. A rolling period return divides a longer time frame into smaller time periods. For example, a rolling 12-month return over 3 years starts by calculating a single period return over the first twelve months. Then,the subset of returns is modified by rolling the data forward by excluding the first number (first month in this case) and including the next number (month 13) in the data series. This process continues over a stated time frame (3 years in this example).
R-Squared	A statistical metric that measures the fraction of variation in the movement of one variable in relation to another variable. In the case of a mutual fund, R-squared measures the percentage of the mutual fund's performance that is explained by the movement of its benchmark. The metric ranges from 0 to 100. An R-squared of 100 means that all of the portfolio's performance is completely explained by the movements of a benchmark over a calculated time period. A high R-squared (between 85 and 100) indicates the fund's performance patterns have been in line with the index.A lower number would mean that the fund behaves much differently from the index.
Sharpe Ratio	A risk-adjusted measure of performance that is calculated by subtracting the risk-free rate of return (typically the US Treasury Bill rate) from the portfolio return, and dividing the result by the portfolio's standard deviation (a measure of risk). A higher Sharpe ratio indicates that the portfolio was able to generate a higher return per unit of risk.Sharpe ratio measures the efficiency in the amount of risk taken compared to the reward received for taking such risk.
Standard Deviation	A statistical measure of dispersion or variation from the average. A high standard deviation for an investment means the historical range of performance was wide, implying greater volatility.
Total Return	Measures the performance of an investment over a given period, including income from dividends and interest, plus any appreciation or depreciation in the market value (or price)of an investment.
Turnover Ratio	Measures the percentage of a mutual fund's holdings that have been "turned over" or replaced with other holdings in a given year. This ratio includes all trading activity even if a holding wasn't fully replaced by another holding.
Value Stocks	Investors employing a value investment strategy buy stocks of companies they believe are underpriced based on some fundamental valuation metrics, in anticipation that the price performance of the stock will reverse. Value stocks are often characterized by low valuation ratios (e.g., low price-to-earnings ratios).
Up Capture Ratio	A ratio that measures the overall performance of a portfolio during rising markets. This measure analyzes how well a portfolio (or an investment manager) performed relative to its benchmark/index during periods when the benchmark rose. For example, an up-capture ratio of 108% (for a given period of time) means that the portfolio gained 8% more than its benchmark during the specified time period.

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Glossary of Benchmarks

Benchmark	Investment Option Category	Peer Group Universe	Benchmark/Index Definition
		CAPITAL PRESERVATION	
3-Month Treasury Bill	Money Market	Money Market Taxable	Three-month T-bills are government-backed, short-term investments considered to be representative of a risk-free investment.
Hueler Pooled Fund Universe	Stable Value / Guaranteed Account	Stable Value / Guaranteed Account	A custom and proprietary database for collective trust funds that invest in stable value assets and similar instruments.
		BOND	
Barclays Govt/Credit 1-5 Year Index	Short-Term Bond	Short-Term Bond	Measures the performance of US dollar-denominated US Treasury bonds and other government related bonds, as well as investment grade US corporate bonds that have a maturity greater or equal to one year but less than 5 years.
Barclays US Treasury Inflation Protected Securities (TIPS) Index	Inflation-Protected Bond	Inflation-Protected Bond	Consists of US Treasury Inflation-Protection Securities that have at least a year left to maturity and are non-convertible, rated investment grade of at least BBB by S&P or Baa3 by Moody's, fixed rate, and have more than $250 million par value outstanding.
Barclays Gov't Intermediate Bond Index	Gov't Intermediate Bond	Gov't Intermediate Bond	Measures the performance of US dollar denominated Treasuries and government related securities, and investment grade US corporate securities that have a remaining maturity of more than one year but less than 10 years.
Barclays US Aggregate Bond Index	Intermediate-Term Bond / Multi-Sector Bond	Intermediate-Term Bond / Multi-Sector Bond	Represents securities that are SEC-registered, taxable and dollar denominated. The index covers the US investment grade fixed rate bond market with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. All returns are market value weighted inclusive of accrued interest.
Merrill Lynch High Yield US Master II Index	High Yield Bond	High Yield Bond	Measures the performance of below investment grade US dollar corporate debt. Securities must have a below investment grade rating, greater than one year of remaining maturity, fixed coupon schedule and minimum amount outstanding of $100 million.
Barclays Global Aggregate Bond Index	World Bond	World Bond	Provides a broad-based measure of global investment grade debt markets; it includes the US Aggregate Index, Pan-European Aggregate Index and Asian-Pacific Aggregate Index. It also contains a wide variety of customized sub-indices.
		HYBRID	
60% Russell 1000 Value Index or S&P 500 Index / 40% Barclays US Aggregate Index	Balanced	Moderate Allocation	Please refer to the individual benchmark definitions.
60% MSCI World / 40% Barclays US Aggregate Index	World Allocation	World Allocation	Please refer to the individual benchmark definitions.

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Glossary of Benchmarks

Benchmark	Investment Option Category	Peer Group Universe	Benchmark/Index Definition
		US LARGE CAP EQUITIES	
Russell 1000 Value Index	Large Cap Value	Large Value	Measures the performance of the large-cap value segment of the US equity universe. It is a market-capitalization weighted index of those firms in the Russell 1,000 with lower price-to-book ratios and lower forecasted growth values.
Russell 1000 Index	Large Cap	Large Blend	Measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the US market
Russell 3000 Index	Large Cap Blend	Large Blend	Measures the performance of the largest 3,000 US companies representing approximately 98% of the investable US equity market.
S&P 500 Index	Large Cap Blend	Large Cap Blend	Measures the performance of 500 leading large-capitalization companies in the US and captures approximately 80% of the available US market capitalization. Companies must have a market cap of $5.3 billion and have positive earnings over the most recent quarter and trailing four quarters. The index does not overlap holdings with the S&P MidCap 400 or S&P 600 SmallCap Indexes.
CRSP US Total Market Index	Large Cap Blend	Large Cap	Comprised of 4,000 constituents from mega, large, small and micro capitalizations, representing nearly 100% of the investable US equity market. CRSP stands for Center for Research in Security Prices and was founded in 1960 to help develop a definitive measurement of long-run market returns.
Russell 1000 Growth Index	Large Cap Growth	Large Growth	Measures the performance of the large-cap growth segment of the US equity universe. It is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.
		US MID CAP EQUITIES	
Russell Mid Cap Value Index	Mid-Cap Value	Mid-Cap Value	Measures the performance of the mid-cap value segment of the US equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values.
Russell Midcap Index	Mid-Cap Blend	Mid-Cap Blend	Measures the performance of the mid-cap segment of the US equity universe. It is a subset of the Russell 1000 Index and includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership.

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Glossary of Benchmarks

Benchmark	Investment Option Category	Peer Group Universe	Benchmark/Index Definition
S&P MidCap 400 Index	Mid-Cap Blend	Mid-Cap Blend	Measures the performance of 400 mid-sized companies of the US equity market based on their market capitalization. Companies must have an unadjusted market cap of $1.4 billion to $5.9 billion and have positive earnings over the most recent quarter and trailing four quarters. The index does not overlap holdings with the S&P 500 or S&P SmallCap 600 Indexes.
MSCI US Mid Cap 450 Index	Mid-Cap Blend	Mid-Cap Blend	Consists of the next largest 450 companies of the US equity market and measures the performance of the mid cap segment.
CRSP US Mid Cap Index	Mid Cap Blend	Mid-Cap Blend	Includes US companies that fall between the top 70% to 85% of investable market capitalization.
Russell Midcap Growth Index	Mid-Cap Growth	Mid-Cap Growth	Measures the performance of the mid-cap growth segment of the US equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values.
US SMALL CAP EQUITIES			
Russell 2000 Value Index	Small Cap Value	Small Value	Measures the performance of the small-cap value segment of the US equity universe. It is a market-weighted total return index that measures the performance of companies within the Russell 2000 having lower price-to-book ratios and lower forecasted growth values.
Russell 2000 Index	Small Cap Blend	Small Cap Blend	Measures the performance of the small-cap segment of the US equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.
S&P SmallCap 600 Index	Small Cap Blend	Small Cap Blend	Measures the performance of 600 small-cap companies of the US equity market based on their market capitalization. Companies must have an unadjusted market cap of $400 million to $1.8 billion and have positive earnings over the most recent quarter and trailing four quarters. The index does not overlap holdings with the S&P 500 or S&P MidCap 400 Indexes.
MSCI US Small Cap 1750 Index	Small Cap Blend	Small Cap Blend	Consists of the smallest 1,750 companies in the US Investable Market 2500 Index of the US equity market. It measures the performances of the small cap segment.
CRSP US Small Cap Index	Small Cap Blend	Small Cap Blend	Includes US companies that fall between the bottom 2%-15% of the investable market capitalization.
Russell 2000 Growth Index	Small Cap Growth	Small Growth	Measures the performance of the small-cap growth segment of the US equity universe. It is a market-weighted total return index that measures the performance of companies within the Russell 2000 having higher price-to-book ratios and higher forecasted growth values.

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Glossary of Benchmarks

Benchmark	Investment Option Category	Peer Group Universe	Benchmark/Index Definition
			WORLD STOCK
MSCI World Index	World Stock	World Stock	Consists of large and mid cap securities across 23 developed markets countries.
			INTERNATIONAL EQUITIES
MSCI ACWI ex US Value Index	International	Foreign Large Value	Consists of large and mid cap securities that display overall value style characteristics across 22 Developed and 23 Emerging Markets countries. Value style characteristics are defined by book value to price, 12-month forward earnings to price and dividend yield. This index targets 50% of the coverage of the free float-adjusted market cap of the MSCI ACWI ex USA Index.
MSCI ACWI ex US Index	International	Foreign Large Blend	Consists of large, mid and small cap securities across 22 of 23 Developed Markets(DM) countries (excluding the US) and 23 Emerging Markets (EM) countries. With over 6,000 constituents, the index covers approximately 99% of the global equity opportunity set outside the US.
FTSE Global All Cap ex US Index	International	Foreign Large Blend	This index is part of a range of indices that help US investors benchmark international investments. It is a free-float, market-capitalization weighted index representing the performance of around 5350 large, mid and small cap companies in 46 developed and emerging markets worldwide, excluding the US.
FTSE Developed ex North America Index	International	Foreign Large Blend	This index is part of a range of indices that help investors benchmark international investments. It is a free-float, market-capitalization weighted index representing the performance of around 1380 large and mid cap companies in 23 developed markets, excluding the US and Canada.
MSCI ACWI ex US Growth Index	International	Foreign Large Growth	Consists of large and mid cap securities that have overall growth style characteristics across 22 Developed Markets countries and 23 Emerging Market countries. The growth investment style characteristics are defined by long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical growth trend and long-term historical sales per share growth trend.
MSCI ACWI ex USA Small Index	International	Foreign Small / Mid Value and Foreign Small / Mid Growth	Consists of small cap securities across 22 of 23 Developed Markets countries (excluding the US) and 23 Emerging Markets countries. It covers approximately 14% of global equity opportunity set outside of the US.
MSCI Emerging Markets Index	Emerging Markets	Diversified Emerging Markets	Consists of large, mid and small cap securities across 23 Emerging Markets countries. The index covers approximately 99% of the free float-adjusted market capitalization in each country.
FTSE Emerging Markets Index	Emerging Markets	Diversified Emerging Markets	It is a free-float, market-capitalization weighted index representing the performance of around 850 large and mid cap companies in 22 emerging markets.

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Glossary of Benchmarks

Benchmark	Investment Option Category	Peer Group Universe	Benchmark/Index Definition
		TARGET DATE	
S&P Target Date Indexes	Target Date	Target Date	Consist of eleven multi-asset class indices, each corresponding to a specific target retirement date. Each target date index is designed to represent a broadly derived consensus of asset class exposure for each target date year, as well as an overall glide path. Each index corresponds to a particular target retirement date, providing varying levels of exposure to equities, bonds and other asset classes. The asset allocation for each index is based on market observations through an annual survey of target date fund managers. Each index is created and retired as determined by the target date fund survey.
		RISK-BASED/ LIFESTYLE	
DJ US Moderately Conservative Portfolio Index; 60% Russell 1000 Value Index or S&P 500 Index / 40% Barclays US Aggregate Index	Risk-Based	Moderate Allocation	The DJ US Moderately Conservative Portfolio Index measures the performance of moderately conservative portfolios based on levels of potential risk. This index will measure systematically various levels of risk relative to the risk of an all US stock index. For the blended benchmarks please refer to the individual benchmark definitions
		SPECIALTY	
Various Morningstar Categories	Specialty Fund	Specialty Fund	The most appropriate benchmark is chosen depending on the fund utilized in the lineup.

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August 2, 2016
Prepared by: Tanja Fournier
Submitted by: Rob Jacobson/Cheryl Clary
Approved by: Paul Cook

RETIREMENT BOARD

MINUTES OF THE MEETING OF THE IRVINE RANCH WATER DISTRICT RETIREMENT BOARD

SUMMARY:

Provided are the minutes of the June 7, 2016 meeting of the Irvine Ranch Water District Retirement Board for approval.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

THAT THE MINUTES OF THE JUNE 7, 2016 BOARD MEETING OF THE IRVINE RANCH WATER DISTRICT RETIREMENT BOARD BE APPROVED AS PRESENTED.

LIST OF EXHIBITS:

Exhibit "A" – June 7, 2016 Minutes

EXHIBIT "A"

MINUTES OF MEETING OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT RETIREMENT BOARD

June 7, 2016

The meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) Retirement Board was called to order by Chairman Swan at 1:15 p.m. on June 7, 2016 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Chairman Peer Swan, Vice Chairman Mary Aileen Matheis, and Director Paul Cook.

Directors Absent: None

Also Present: Treasurer Robert Jacobson, Executive Director of Finance and Administrative Services Cheryl Clary, Assistant Treasurer Tanja Fournier and Jon Upham and Dan Quirk of SageView Advisors.

COMMUNICATION: None.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED - None.

ACTION CALENDAR

MINUTES OF BOARD MEETING

Tanja Fournier presented the minutes from the March 7, 2016 meeting.

On MOTION by Cook, seconded by Matheis, and unanimously carried, the minutes of the March 7, 2016 meeting were approved as presented.

REVISED INVESTMENT POLICY REVIEW AND APPROVAL

Tanja Fournier presented the revised Investment Policy Statement. On MOTION by Cook, seconded by Matheis, and unanimously carried, the revised Investment Policy was approved as presented.

INVESTMENT REVIEW AND DISCUSSION:

A capital markets and legislative update were provided by SageView.

Assets total $46,500,872 million at March 31, 2016 up from $46,301,080 at December 31, 2015.

The portfolio investment return and expense ratio, style analysis, and asset allocation by fund were reviewed.

For the quarter, the total return was 0.43%, and 0.72% excluding the put position. This trailed the custom benchmark return of 0.96%, due to the negative performance of the put position and the underperformance of Metropolitan West Total Return.

For the past year, the total return was -0.78%, and 0.00% excluding the put position. This trailed the custom benchmark return of 0.31%, due to the negative performance of the put position and the underperformance of Metropolitan West Total Return.

All trust investment options were reviewed as of 3/31/2015. All options are performing in line with benchmarks at this time.

The portfolio includes four core positions plus a small opportunistic equity put position for hedging purposes. The portfolio is primarily made up of index funds, leading to a low overall expense ratio of 0.18%.

The single active fund is Metropolitan West Total Return, which scores in the top 1% of SageView's quantitative scoring metrics.

SageView discussed the option of defining specific asset allocation targets for the portfolio. This is in some contrast to the broad ranges currently defined in the Trust's Investment Policy Statement. Utilization of specific targets in combination with periodic rebalancing is a practice widely employed by institutional investors.

SageView discussed reducing cash/money-market as a core position. Cash can serve as a drag on long term returns due to the tendency of the yield curve to maintain steepness.

Diversify asset classes: consider high yield, small cap, emerging markets.

The Board discussed these alternate asset classes for diversification at length.

INVESTMENT DIRECTION:

The Board agreed to **substitute** two of the funds with lower cost options:

- Federated Government Obligations (GOIXX, 0.20% expense ratio) for Vanguard Federal Money Market (VMFXX, 0.11% expense ratio, CUSIP: 922906300) ***Subsequent note to the meeting: BNYM does not support the Vanguard Federal Money Market Fund on their platform. This trade was unable to be executed.***

- Fidelity Spartan International (FSIVX, 0.12% expense ratio) for Vanguard Developed Markets (VTMGX, 0.09% expense ratio). ***Subsequent note to the meeting: Because IRWD's international investment of $6.1 million exceeds the $5 million minimum requirement, IRWD qualifies for a lower cost class and therefore the Vanguard Developed Markets Index Fund Institutional (VTMNX, 0.07% expense ratio CUSIP: 921943882) was purchased instead of the retail shares VTMGX).***

Following the discussion, the following was approved for implementation:

- Liquidate $3 million from the Federated Money Market Fund

- Liquidate $2 million from the Met West Total Return Bond Fund

- Purchase $2 million of the Baird Core Plus Bond Institutional (BCOIX, 0.30% expense ratio, CUSIP: 057071870)

- Purchase $2 million of the Vanguard Extended Markets Index (VEXAX, 0.10% expense ratio, CUSIP: 922908694)

- Purchase $1 million of the Vanguard High Yield Corporate Admiral fund (VWEAX, 0.13% expense ratio)

ADJOURNMENT

There being no further business, Chairman Swan adjourned the meeting.

APPROVED and SIGNED this 2th day of August 2016.

Board Member, IRVINE RANCH WATER DISTRICT
RETIREMENT BOARD

Secretary, IRVINE RANCH WATER DISTRICT
RETIREMENT BOARD