

Investment Planning for Everyone - The Details



YOUR Money
• • •
YOUR Choice

The Reasons We Are Here!

- Explore investment risks and how they can be managed
- Understand asset classes and how they fit into an investor's overall portfolio
- Understand modern portfolio theory and the importance of asset allocation within a portfolio
- Learn to evaluate and select mutual funds
- Create an action plan



MyFRS Financial Guidance Line: 1-866-446-9377
MyFRS.com



Personal Action Plan

<i>Action Steps</i>	<i>Done</i>
1) Find your 6-digit PIN and create a MyFRS.com account. (If already registered, use User Id and Password created.)	<input type="checkbox"/>

Action Step

- See **Appendix A** for your own Personal Action Plan.



Resources Available to You - FREE

MyFRS Financial Guidance Program



MyFRS.com
Advisor Service
Choice Services
FAQ's, Calculators



Toll-free MyFRS
Financial Guidance Line,
staffed by
Ernst & Young financial
planners and the Division
of Retirement



Employee workshops:
Visit MyFRS.com for an
updated list of workshops,
locations and dates



Print and e-mail
communications

Action Step

- See **Appendix B** to learn more about the MyFRS Financial Guidance Line.

**All resources are available to FRS
Pension & Investment Plan Members**



Understanding and Minimizing Risk



Risks in Investing

Types of Risk

Market Risk

Business Risk

Inflation Risk

Portfolio Drift



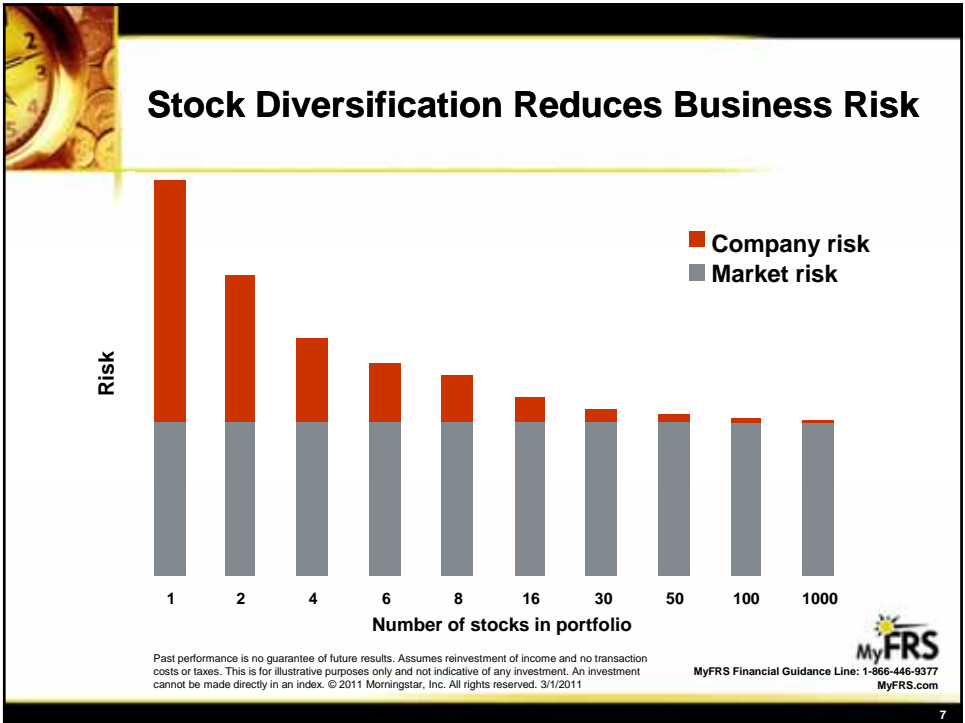
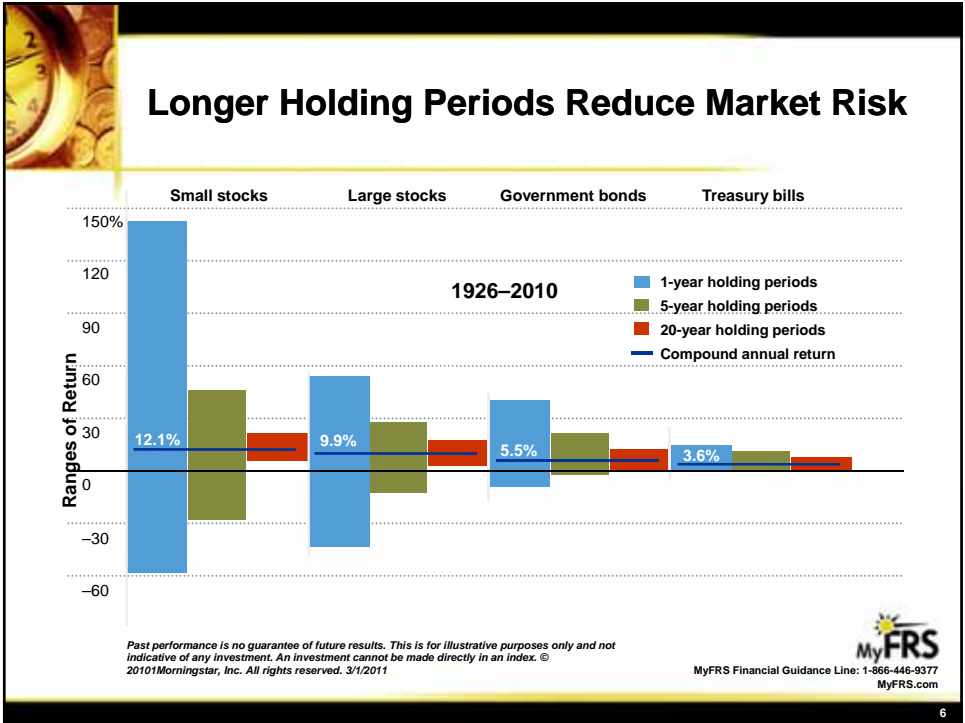
How are they managed?

Holding Period

Diversification

Asset Allocation

Rebalancing





Asset Allocation Helps Manage Inflation Risk

Rolling periods 1926–2010

Holding period	12-month			60-month			120-month			
	Average return	Highest return	Lowest return	Negative periods	Highest return	Lowest return	Negative periods	Highest return	Lowest return	Negative periods
100% Stocks 0% Bonds	9.9%	162.9%	-67.6%	26.9%	36.1%	-17.4%	13.1%	21.4%	-4.9%	5.9%
75% Stocks 25% Bonds	9.1%	118.7%	-55.7%	24.2%	29.0%	-11.5%	7.9%	17.7%	-1.3%	1.0%
50% Stocks 50% Bonds	8.1%	77.8%	-40.7%	19.5%	22.2%	-6.1%	5.0%	16.2%	1.5%	0.0%
25% Stocks 75% Bonds	6.8%	40.9%	-22.0%	11.7%	20.0%	-1.2%	0.3%	14.9%	3.3%	0.0%
0% Stocks 100% Bonds	5.4%	32.7%	-5.6%	8.4%	19.5%	0.7%	0.0%	13.7%	1.2%	0.0%

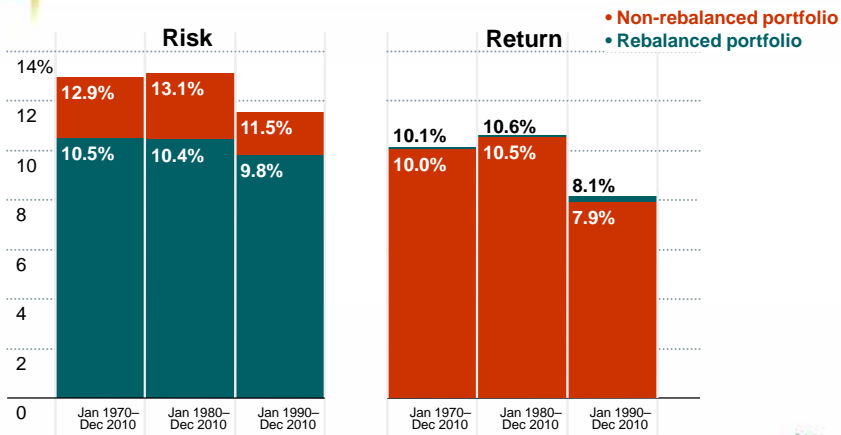
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Portfolio Rebalancing Corrects Portfolio Drift

The Risk & Return of Rebalanced Vs. Non-Rebalanced Portfolios



Initial portfolio consisted of 60% stock, 20% bonds and 20% cash.

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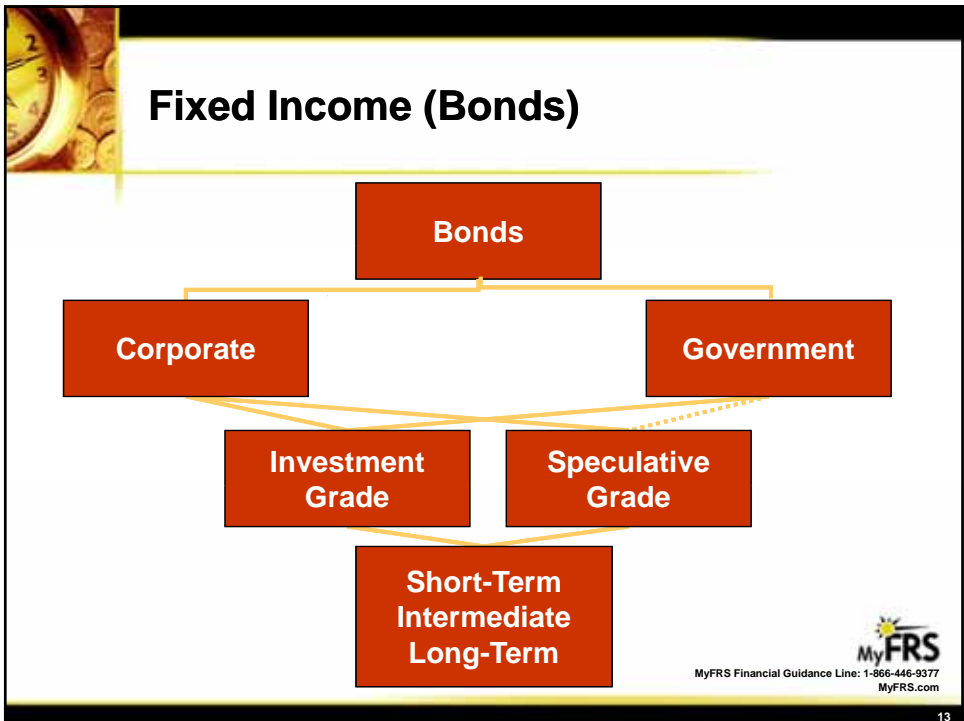
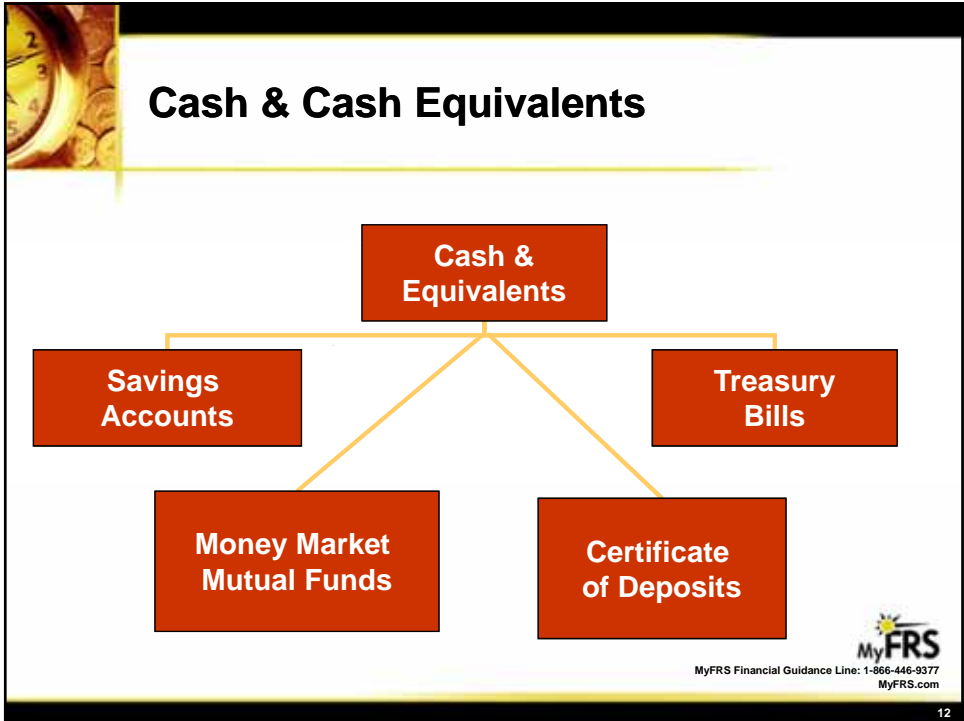
Asset Classes As Building Blocks For Your Portfolio



What Are The Major Asset Classes?

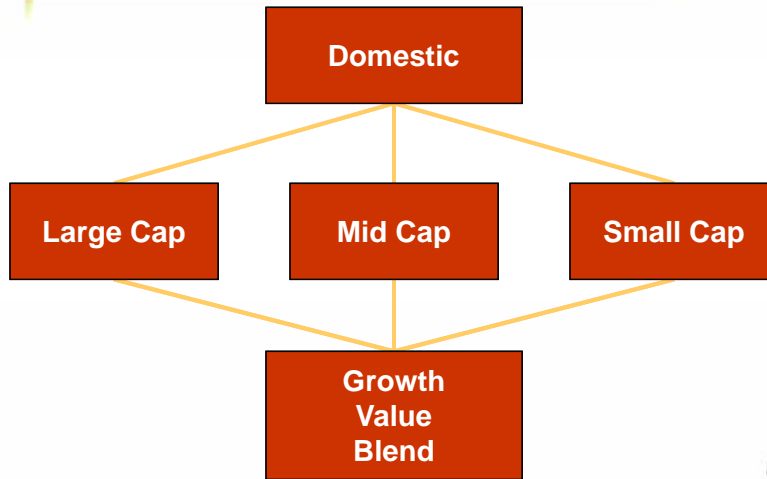
- Cash And Cash Equivalents
- Fixed Income
- Equities (Stocks)
- Hard Assets





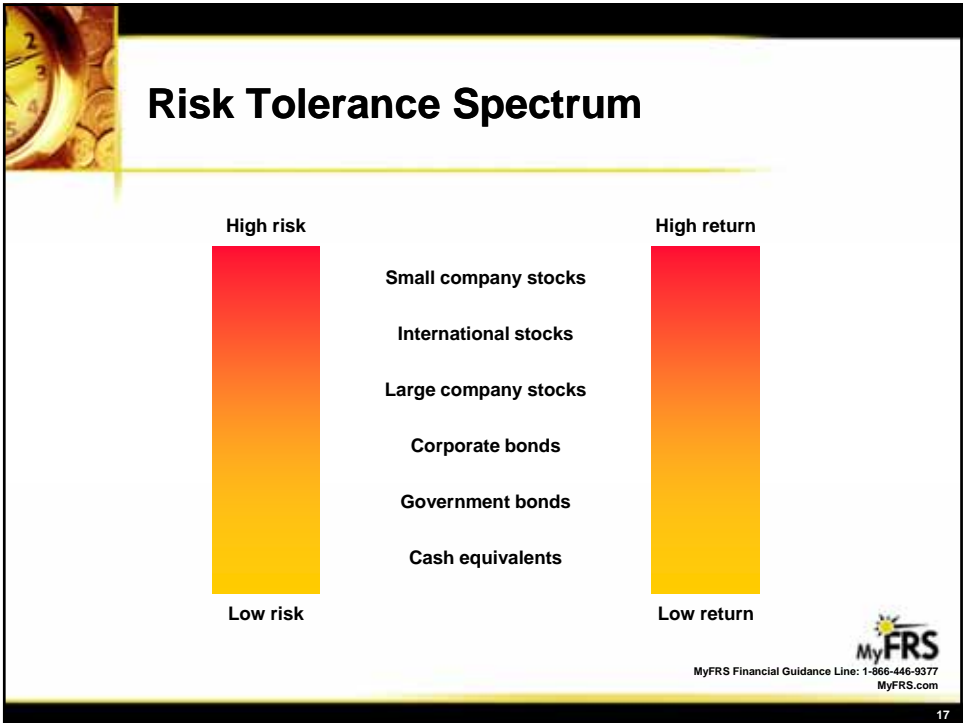
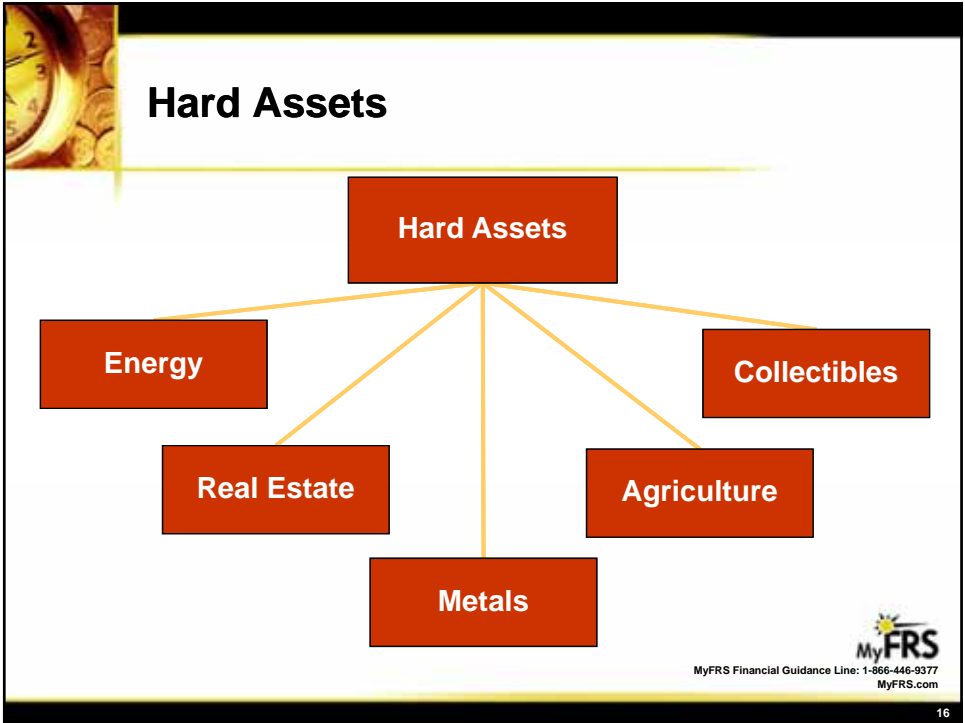


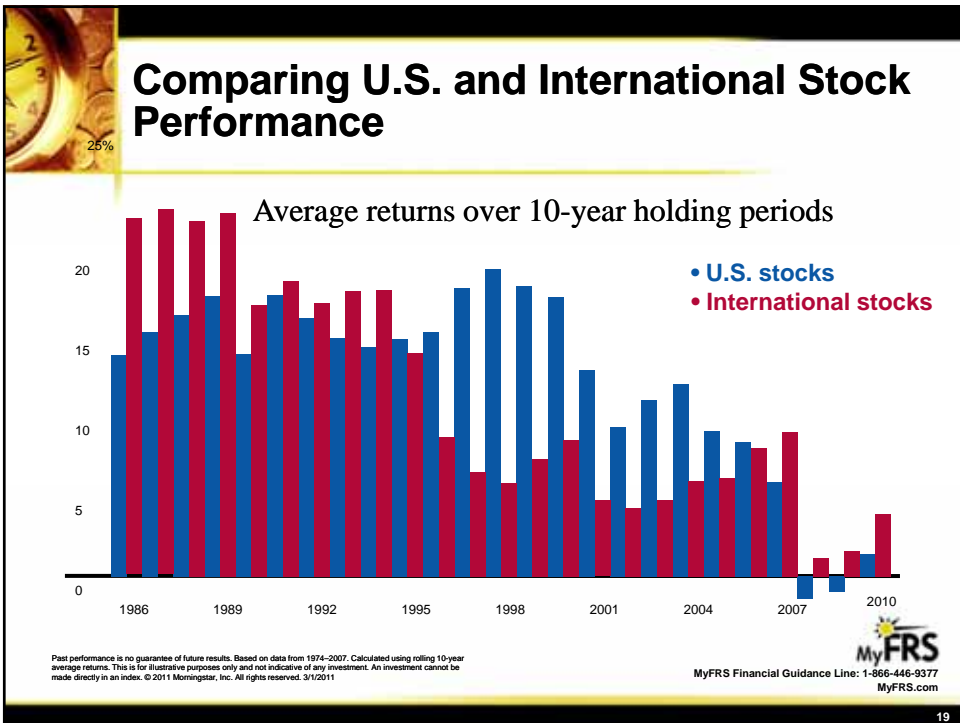
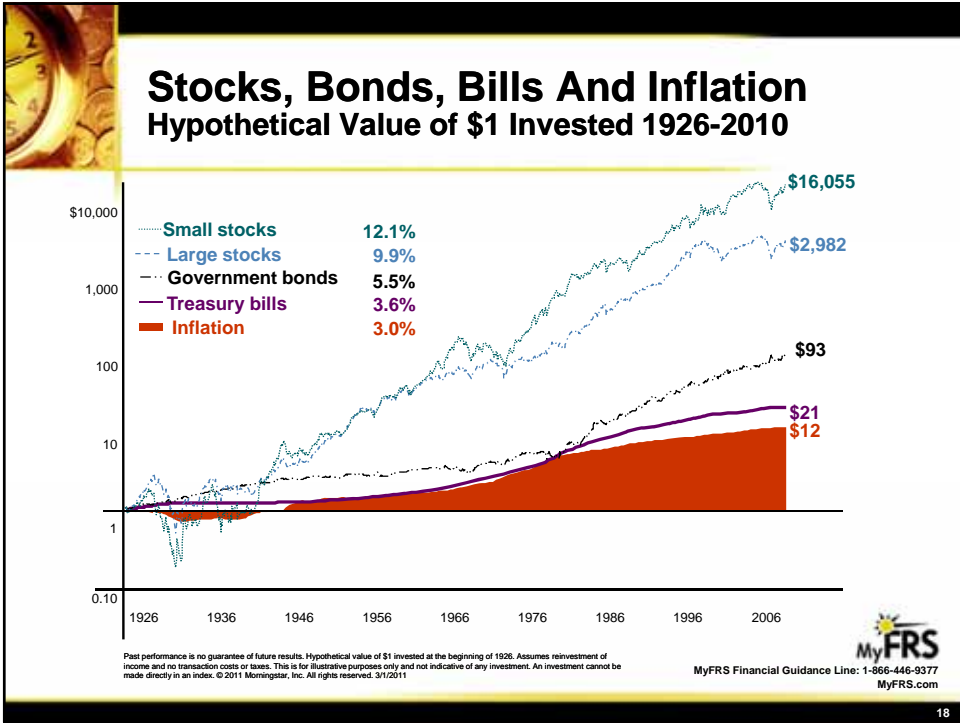
Equities (Stocks)



Equities (Stocks)

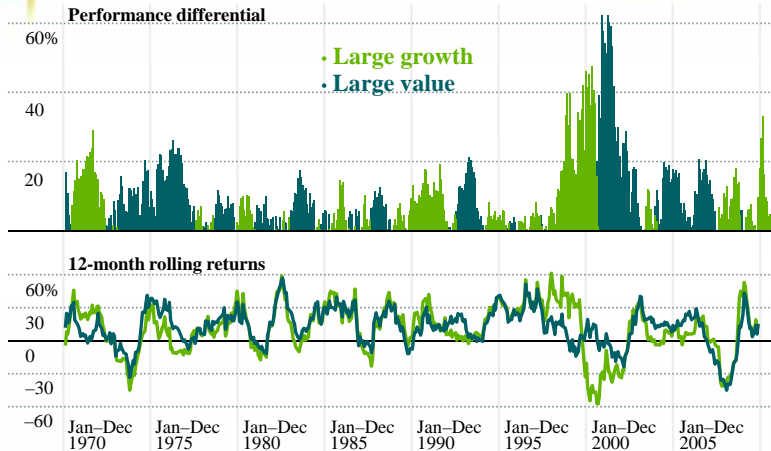








One Year Growth and Value Cycles 1970 – 2010



Past performance is no guarantee of future results. Performance differential measures the outperformance of each asset class over one another on a 12-month rolling basis. Each 12-month rolling return represents the annualized return over the prior 12 months. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2011 Morningstar. All Rights Reserved. 3/1/2011

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Asset Class Winners And Losers

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Large stocks	23.0	33.4	28.6	29.8	21.5	22.8	17.8	60.7	20.7	14.0	26.9	11.6	25.9	32.5	31.3
Small stocks	17.6	22.8	20.3	27.3	5.9	3.8	1.6	39.2	18.4	7.8	16.2	9.9	1.6	28.1	15.1
Long-term government bonds	10.3	15.9	13.1	21.0	0.6	3.7	-6.5	28.7	12.0	7.3	15.8	5.5	-20.7	26.5	13.6
International stocks	6.4	15.9	12.2	14.3	-3.6	-0.8	-13.3	24.8	10.9	5.7	12.9	5.4	-36.7	14.0	10.1
Treasury bills	5.2	5.3	4.9	4.7	-9.1	-11.9	-15.7	1.4	8.5	4.9	4.8	4.7	-37.0	0.1	8.2
Diversified portfolio (20% in each asset class listed)	-0.9	2.1	-7.3	-9.0	-14.0	-21.2	-22.1	1.0	1.2	3.0	1.2	-5.2	-43.1	-14.9	0.1

• Large stocks • Long-term government bonds • Treasury bills
• Small stocks • International stocks • Diversified portfolio (20% in each asset class listed)

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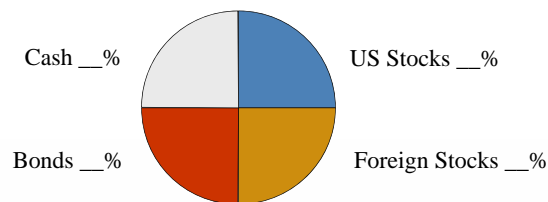


The Importance Of Asset Allocation Within A Portfolio



What is Asset Allocation?

- An investment strategy
- Considers the percentage of funds to be invested in cash and equivalents, fixed income, equities and other assets



- **A way to manage risk and maximize return**



Modern Portfolio Theory

Efficient portfolios are developed through combining asset classes based on their:

- Expected Returns
- Standard Deviation of Return (Risk)
- Correlation with Other Assets



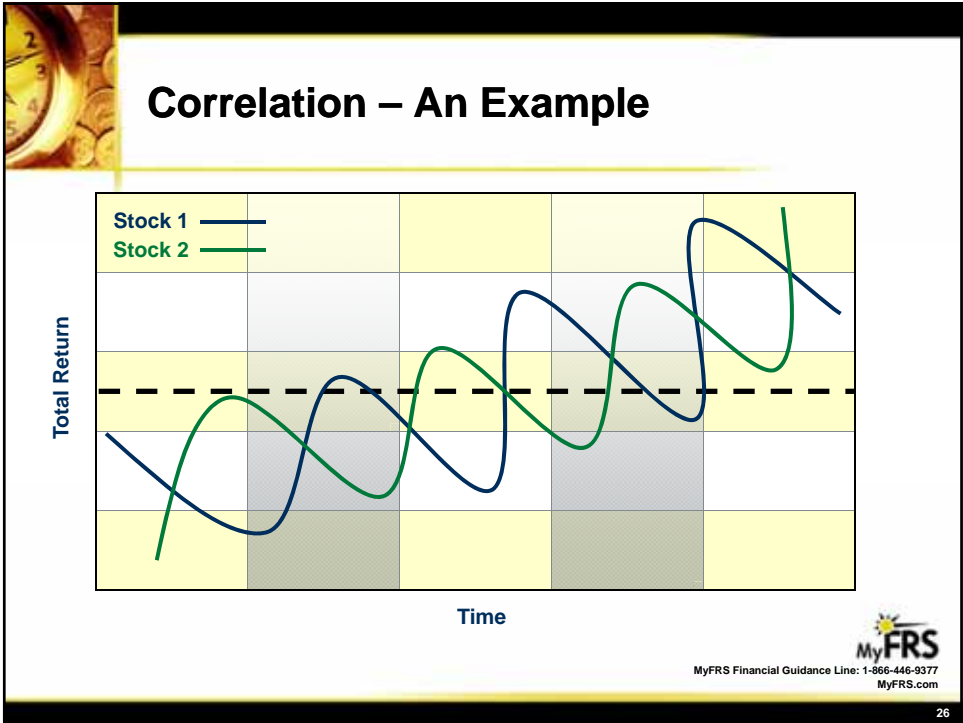
Correlation

Definition:

The mathematical measurement of the relationship between returns of two different securities or investments

Explanation:

Securities that have low or negative correlation tend to perform differently from each other. Putting these securities in a portfolio can help diversify the risk associated with each of them




Annual Portfolio Performance

Diversification May Lessen the Impact of Market Swings

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Portfolio 1 (100% Stocks)	23.0	33.4	28.6	21.0	12.6	7.6	12.9	28.7	10.9	4.9	15.8	10.1	13.1	26.5	15.1
Portfolio 2 (75% Stocks, 25% Bonds)	17.5	26.9	24.4	15.1	7.0	2.9	3.6	21.8	8.7	4.1	12.5	9.1	-1.5	19.1	13.5
Portfolio 3 (50% Stocks, 50% Bonds)	12.2	20.5	19.9	9.3	1.5	-2.0	-5.3	15.1	6.6	3.2	9.3	8.0	-14.6	11.7	11.6
Portfolio 4 (25% Stocks, 75% Bonds)	7.1	14.4	15.1	3.7	-3.9	-6.9	-13.9	8.6	4.4	2.3	6.2	6.8	-26.4	4.6	9.5
Portfolio 5 (100% Bonds)	2.1	8.4	10.2	-1.8	-9.1	-11.9	-22.1	2.4	2.3	1.4	3.1	5.5	-37.0	-2.4	7.1

• Portfolio 1 (100% Stocks) • Portfolio 2 (75% Stocks, 25% Bonds) • Portfolio 3 (50% Stocks, 50% Bonds) • Portfolio 4 (25% Stocks, 75% Bonds) • Portfolio 5 (100% Bonds)


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Standard Deviation = Risk

Definition:

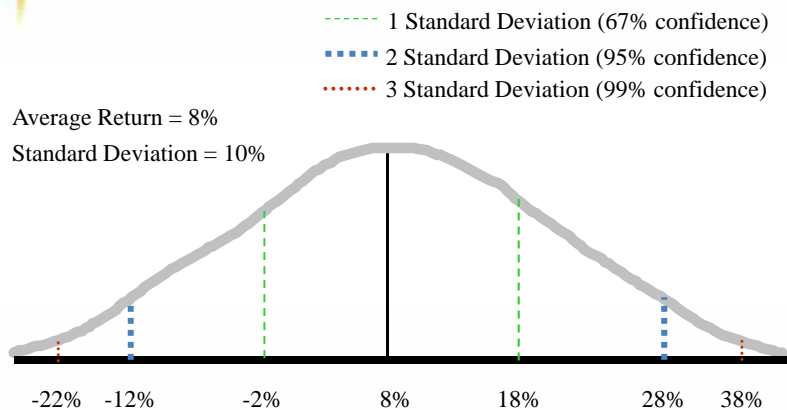
A statistical measurement of the total volatility of a portfolio

Explanation:

Standard deviation tells us how much the portfolio's rate of return fluctuates, compared to the average rate of return for the period



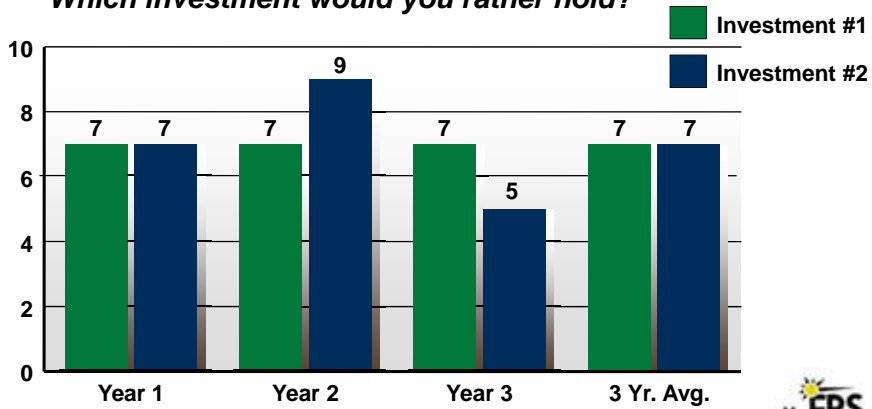
Standard Deviation – An Example





Average Return and Risk

Which investment has the higher standard deviation?
Which investment would you rather hold?



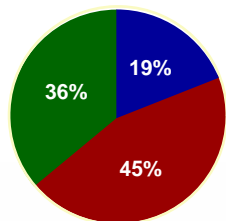
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Asset Allocation Building Portfolios on the Efficient Frontier

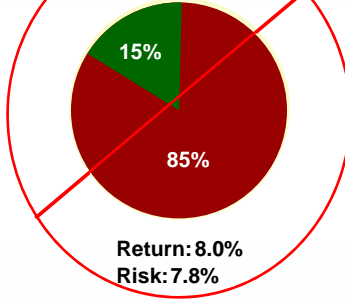
- Stocks
- Bonds
- Cash

Efficient lower risk conservative portfolio



Return: 8.0%
Risk: 5.8%

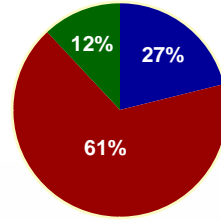
Inefficient fixed income portfolio



Return: 8.0%
Risk: 7.8%

Risk is measured by standard deviation. Return is the compound annual return. Risk and return are based on annual data over the period 1970-2010. Portfolios presented are based on modern portfolio theory.

Efficient higher return moderately conservative portfolio



Return: 8.9%
Risk: 7.8%

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Assessing and Selecting Mutual Funds



Mutual Funds



Investors
Contribute Cash
to Purchase
Mutual Fund Shares



Mutual Fund
Fund Manager Buys
and Sells
Investments

- Cash
- Fixed Income
- Equities
- Hard Assets



Advantages That Mutual Funds Provide

- Diversification
 - All asset categories & hybrid funds available
- Professional management
 - Active vs. Index (“Passive”)
- Cost effective
- Flexibility
 - Over 24,000 funds exist as of 2011
- Recordkeeping



Mutual Funds' Diversification Within Asset Classes

- Pure Asset Class Fund
 - Invests in only one asset class
 - For those wishing to construct their own portfolio
- Balanced Fund
 - Uses cash, bonds and stocks
 - Allocation stays within range over time
 - For those wanting a constant risk, balanced portfolio
- Target-Date Fund
 - Uses cash, bonds and stocks
 - Allocation becomes more conservative over time
 - For those wanting a dynamic, balanced portfolio

Action Step

- Consider if constructing your own portfolio or using “one stop shopping funds” is best for you



Professional Management of Mutual Funds: Active Vs. Index Funds

Advantages of active funds

- Potential to outperform
- May add more value in less efficient asset classes
- Ability to tailor portfolio objectives

Advantages of index funds

- Consistency
- Pure asset allocation overlay
- Lower cost
- Tax efficient

Action Step

- Consider your investment strategy then construct your portfolio using index and/or actively managed funds



Tax Aspects Of Mutual Funds

- Annual tax consequences in taxable accounts
 - Dividends
 - Capital Gains
 - Short-term capital gains
 - Long-term capital gains
 - Tax consequences of sale
- Tax consequences in Retirement Accounts (such as Investment Plan, 403(b), 457 Plan, IRAs):
 - No taxation on annual income
 - Ordinary income tax on tax-deferred amount when distribution taken from the account

Action Step

- Call the MyFRS Financial Guidance Line for more information on tax rates and tax planning



Selecting a Mutual Fund

Review

- Investment strategy
- Management history
- Ratings
- Minimum investment required*

Evaluate and compare

- Historical performance
- Risk with Beta
- Fund fees and expenses
- Compare tax efficiencies*

* These considerations generally do not apply to funds inside an employer-sponsored plan.



What Is the Cost of Investing in Mutual Funds?

- Commissions (Loads)
 - Front-load (A)
 - Back-load (B)
 - Level / No Load (C)
- Fund Operating Expenses
 - Management Fees
 - 12b-1 Fees
 - Trading, Administrative and Other Costs

Action Step

- Review the FRS Investment Plan Fees in **Appendix C**, or review your funds' prospectus



Investment Fees and Expenses

Take a look at the expenses on a \$50,000 nest egg that earns 7% per year before fees:

Expenses paid:	If expenses are 0.25% per year	If expenses are 1.25% per year
After 5 years	\$816	\$4,002
After 10 years	\$2,274	\$10,905
After 20 years	\$8,844	\$40,524
After 40 years	\$66,878	\$280,788

As a general rule, over a 30-year period, an investment fund's 1% annual fee could eat up about 25% of the fund's value



Advisor Service – You are not in this alone!



Available directly at MyFRS.com with your PIN

OR

By calling the toll-free MyFRS Financial Guidance Line,
staffed by **Ernst & Young** financial planners



Advisor Service is powered by Financial Engines

Financial Engines is a federally registered investment advisor.

Advisor Service Provides Answers

“What specific funds should I invest in?”

Your investment style	1%	2%
Cash	1%	34%
Bonds	7%	20%
Large-cap stocks	0%	24%
Mid/small-cap stocks	1%	20%
International equities	1%	20%
Individual equities	1%	20%
Total	100%	100%

Advice to help employees make better decisions.

“Will I have enough money to reach my life goals?”

Forecast what your actual investments might be worth in the future.

“What should I do when the markets change?”

You could do better.
We have advice that may help you improve your plan.

Monitor investments to keep employees on track.

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Advisor Service “What If?” Scenarios

Your personalized advice

Consider changing your risk level

Based on your plan's current investment, it may be recommended to be conservative. We suggest you consider a more aggressive mix of funds.

current

very aggressive
1.87

new

moderate
1.19

Your retirement portfolio advice

Compared with your selected portfolio, your current portfolio is weighted toward the Bond and International Cap Stock investment plans. Bond and International Cap Stock investments have higher risk and return than Cash. Cash investments and more diversified than the average investment for the U.S. diversified equity investments. Cash Stock investments may have the highest risk and expected return of an investment plan. Use tables for your new investment allocations that show how this new investment portfolio would be implemented.

retirement income

Consider changing your retirement age

55 57

Will you reach your goal?

With your new plan allocations, we estimate you have a 34% chance of achieving your goal of \$50,000 per year.

forecast

unlikely

34% chance

forecast

likely

66% chance

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Quick Overview of Advisor Service: It's not just for Investment Plan members!

	Pension Plan	Investment/Hybrid Plan
1. Employee data is already pre-loaded	All FRS benefit data (age, salary, service and membership class)	All FRS benefit data and FRS investment funds
2. Employee adds data/goals (online or through the Financial Guidance Line)...	Family's non-FRS assets (e.g. 457, 403b, etc.) home value and other retirement plans	
3. Advisor Service forecasts...	Total retirement income: FRS (Pension <i>including DROP</i> or Investment Plan), Social Security and non-FRS assets	
4. Advisor Services estimates...	The likelihood of meeting an employee's retirement income goal	
5. Advisor Service investment guidance on...	One non-FRS tax-deferred account	FRS Investment Plan account
6. At employee's cost of \$15/year	Get investment advice across all tax-deferred and taxable accounts	



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- Create an action plan



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Next Steps: Personal Action Plan

<i>Action Steps</i>	<i>Done</i>
1) Determine investment goals	<input type="checkbox"/>
2) Complete the worksheets	<input type="checkbox"/>
3) Log on to MyFRS.com to use the Advisor Service to create your own asset allocation.	<input type="checkbox"/>
4) Call MyFRS Financial Guidance Line at 1-866-446-9377	<input type="checkbox"/>



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Questions and Answers



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Investment Planning for Everyone - The Details



WORKSHOP APPENDICES

Investment Planning for Everyone – The Details

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C	FRS Investment Plan Fund Fees	3
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MYFRS FINANCIAL GUIDANCE LINE

Call 1-866-446-9377, Option 2, for financial planning assistance from Ernst & Young financial planners.

The Ernst & Young planners at the MyFRS Financial Guidance Line are available from 9:00am to 8:00pm ET, Monday through Friday, (except holidays).

When you call the Ernst & Young planners at the MyFRS Financial Guidance Line you are calling one of the largest fee-only personal financial planning counseling group in the U.S. Ernst & Young is committed to providing you with the highest quality financial planning services.

You can feel confident that the information and guidance you receive is appropriate for your needs because Ernst & Young's financial planners are objective and independent.

When you call the MyFRS Financial Guidance Line for financial planning assistance you should expect:

- ✓ Confidential assistance from highly qualified planners, who average seven years of experience in the financial planning industry
- ✓ Phones that are answered promptly by experienced planners who will assist you with your personal financial planning needs. If you are prompted to leave a message, a planner will return your call as soon as possible
- ✓ Action-oriented guidance based on your personal information and goals
- ✓ Planners who are knowledgeable about FRS retirement plans
- ✓ An up-to-date record of prior interactions so that you are not starting each call from scratch
- ✓ The ability to ask for the same planner each time you call the MyFRS Financial Guidance Line

What topics can you discuss with the financial planners at the MyFRS Financial Guidance Line?

- ✓ Investment considerations and asset allocation
- ✓ Retirement planning and actions to get or stay on track
- ✓ FRS retirement plan information, projections and comparisons
- ✓ Ways to reduce debts and increase cash flow
- ✓ Tax planning and recent law changes

The Financial Guidance Line pledge to you: Your decisions are kept confidential and will not be made available to your employer or to any other organization or person outside of the Ernst & Young Employee Financial Education and Counseling practice. Calls are monitored for quality assurance purposes only.

FRS INVESTMENT PLAN FUND FEES

Fund Offerings as of 5/3/10	Annual Fees (per \$10,000)	Long Term Fees (per \$10,000 over 30 years)
Balanced Funds		
FRS Select Conservative Balanced Fund	\$4	\$121
FRS Select Moderate Balanced Fund	\$6	\$176
FRS Select Aggressive Balanced Fund	\$4	\$135
Cash & Bond Funds		
FRS Select Yield Plus Money Market Active Fund	\$6	\$190
FRS Select U.S. Treasury Inflation Protected Securities Index Fund	\$2	\$60
FRS Select U.S. Bond Enhanced Index Fund	\$5	\$151
Pyramis Intermediate Duration Pool Fund	\$13	\$396
FRS Select High Yield Fund	\$46	\$1,483
U.S. Stock Funds		
FRS Select U.S. Stock Market Index Fund	\$2	\$60
Pioneer Fund	\$74	\$2,496
FRS Select U.S. Large Value Stock Active Fund	\$19	\$595
Prudential Mid-Cap Quantitative Core Equity Fund	\$35	\$1,109
FRS Select U.S. Large Growth Stock Active Fund	\$38	\$1,217
Fidelity Growth Company Fund	\$68	\$2,272
American Beacon Small-Cap Value Fund	\$82	\$2,802
T. Rowe Price Small-Cap Stock Fund	\$93	\$3,235
Foreign Stock Funds		
FRS Select Foreign Stock Index Fund	\$2	\$60
American Funds Euro-Pacific Growth Fund	\$49	\$1,588
American Funds New Perspective Fund	\$61	\$2,015

Go to the Investment Fund tab of MyFRS.com for more details on each of the funds.

GLOSSARY OF FINANCIAL AND INVESTMENT TERMS

After-Tax Contributions

Contributions to company plans or other savings that have no immediate tax benefit.

Aggressive Investor

An investor who requires or desires a greater return on investments and is willing to take a higher degree of risk to achieve this return. The investment portfolio of an aggressive investor would typically be weighted heavily toward stocks and have a higher expected average rate of return.

Annuity

A method of paying a pension benefit that spreads payments out over an extended period of time, as opposed to a single-sum payment.

Asset Allocation

An investment strategy that considers the percentage of funds to be invested in cash equivalents, fixed income, equities, and other assets as a way to manage risk and maximize return.

Average Annual Return

The compounded annual return you receive on average from your investments. In other words, an investment may have had years with varying degrees of losses and varying degrees of gains. These different annual returns are averaged over the period, taking into account compounded earnings, to determine average annual return.

Before-Tax

Before-tax investments refer to savings that have been created with income not yet subject to taxes. For example, contributions to a 401(k) plan are made on a before-tax basis. The amount of your pay you contribute, as well as accumulated earnings on those amounts, is not subject to income taxes until you take the money out, typically after retirement.

Bonds

Bonds are publicly traded debt instruments. The issuer agrees to pay interest on the money invested and to repay the principal at a specified time. Examples would include government bonds (U.S., municipal, or foreign) or corporate bonds. (See Fixed Income.)

Cash or Cash Equivalents

These are investments that are quickly convertible to cash with little or no loss of principal. These assets typically pay some interest and are generally viewed as safer investments. Examples would include savings accounts, money market accounts, Treasury Bills, and certificates of deposit.

Conservative Investor

An investor who is not comfortable taking much risk or one who needs a high degree of liquidity. Typically a conservative investor's portfolio would include more cash and fixed income investments and less equities or other investments, and would have a lower overall return.

Consumer Price Index

A mix of goods and services, the prices of which are tracked by the United States government to determine the appropriate rate of inflation.

Cost of Living Adjustment (COLA)

An increase, often each year, in a payment that one receives. This increase is typically based on and for the purpose of keeping up with inflation. For example, Social Security benefits increase each year based on the consumer price index.

Dividend

Income payment to shareholders of a company.

Effective Tax Rate

This is your actual tax paid during a year divided by your gross income earned during the year. This phrase can refer only to federal taxes or it can take into account federal, state, Social Security, and Medicare taxes.

Equities

Ownership in a business, typically in the form of shares of common stock. Typical equity categories include:

- Growth and Income:** Companies providing an income stream and some appreciation in value over time.
- Growth:** Companies providing less income but greater appreciation in value over time.
- Aggressive Growth:** Companies that are typically smaller and providing more rapid growth.
- International:** Companies headquartered outside of the United States.

Fixed Income

An asset category of investments that typically pays moderate to high interest, has a mid- to long-term maturity and is generally a debt obligation such as a bond or mortgage obligation.

Hard Assets

This is an investment category consisting of tangible investments such as real estate, collectibles, gold/silver, other precious metals, commodities, etc.

Individual Retirement Account (IRA)

This is a tax-deferred retirement vehicle. Depending on your income level, you may be able to deduct your contributions to an IRA and defer the taxes until you withdraw the money, often at retirement. Even if you can't deduct your contribution, you will still receive tax-deferred compounding on funds in your IRA. IRAs may be set up at banks, brokerage houses, discount brokers, insurance companies, and mutual fund companies, among others.

Inflation

The rising cost of goods and services over time. (See Consumer Price Index.)

Investment Mix

An investment strategy that considers the percentage of funds to be invested in cash equivalents, fixed income, equities and other assets as a way to manage risk and maximize return (see Asset Allocation).

Investor Profile

Your unique situation as an investor. Characteristics making up your investor profile include your time horizon, risk tolerance, goals and objectives, and anything else that affects the way you invest.

Life Expectancy

The age to which people typically live, based on averages. For example, newborns are currently expected to live until their late 70s; once you reach age 65 you are expected to live into your 80s.

Liquidity

The ability to convert an investment into cash quickly and with little or no loss in value.

Marginal Tax Rate

The tax rate on your next dollar of taxable income. Your marginal tax rate is generally higher than your effective tax rate.

Moderate Investor

An investor who is neither conservator nor aggressive. An investor who is willing to take on some degree of risk to obtain a return greater on investments than would have otherwise been possible, while seeking to avoid a large degree of risk.

Money Market

Accounts or funds established to invest in cash and cash equivalents and short-term debt obligations. A money market fund or account is a type of mutual fund. (See Mutual Funds.)

Mutual Funds

A company that invests and professionally manages stocks, bonds, cash, real estate, or other investments and sells shares of the investment to investors. Mutual funds provide a way for investors to pool their money in order to benefit from diversification and professional management.

New York Stock Exchange

An organization established for the efficient trading of stock of various companies.

Pension Plan

A retirement plan offered by companies where the primary method of payment once a person is retired is a monthly benefit payment.

Purchasing Power

Your ability to purchase goods or services with a given amount of money.

Rate of Return

The combined dividend, interest, and/or growth (profit) you receive on your investment.

Managed Funds

A term used to describe mutual funds that have a mix of cash, fixed income, and/or equity investments. The managers of the funds decide how much should be allocated to each investment category at any point in time.

Risk

The chance that the actual return from an investment may differ from what is expected; risk is sometimes described as the chance of losing money.

Risk Tolerance

Your comfort level with taking on varying degrees of risk.

Social Security

Governmental system established to provide retirement, disability, and survivor benefits. Benefits are based on earnings and are paid in the form of a monthly benefit.

Standard & Poor's (S&P) 500

The 500 leading companies traded on the New York Stock Exchange. These companies account for about 70-80 percent of the entire value traded on the New York Stock Exchange.

Stocks

Shares representing ownership in a corporation.

Tax-Deferred

Investment earnings not subject to income taxes in the year earned, but at some point in the future.

Time Horizon

The amount of time you have to invest. Usually the time period between now and the time for the achievement of a particular goal.

Today's Dollars

Looking at your money in terms of its purchasing power based on the value of a dollar today.

Treasury Bills

Short-term United States government bonds - one year or less to maturity.

Volatility

The fluctuation in the value or return of an investment over time.

NOTICE TO EMPLOYEES

Dear Employee:

The FRS has engaged Ernst & Young LLP to provide financial planning education workshops to its employees. We expect that you will find Ernst & Young's services to be valuable, but we think it is also important that you understand the scope of these services. The following explains what financial education workshops can and cannot do for you, particularly as regards investment planning.

General Financial Planning Considerations

Here are points to understand regarding your personal financial planning and your participation in financial planning workshops:

- Ernst & Young has prepared certain financial planning materials and is providing other services for your personal use as an employee of FRS.
- The financial education program includes historical financial information and well-accepted financial planning strategies. It may also include information on Social Security benefits and your company benefit plans. This information is based on sources that Ernst & Young believes to be reliable. However, Ernst & Young cannot guarantee its accuracy.
- Past performance, which may be referenced in the program, is not a guarantee or even necessarily an indication of future results.
- The financial planning materials you receive will not change or affect your rights under your company benefit plans. In all cases, the company's plans govern.
- As you plan your financial future, you will need to make assumptions about future financial trends (such as inflation and rates of return), laws and regulations, and apply these to your particular circumstances. Your results can be significantly affected by even small changes in your assumptions, your individual circumstances or laws and regulations, as well as the extent to which your assumptions ultimately vary from actual financial conditions. You may need to reevaluate your financial planning strategy and your decisions from time to time to determine if any changes have occurred that would necessitate amendments to your assumptions or plan.
- A financial education program provides only some of the resources for assisting you in preparing your financial planning strategies. Financial education does not provide accounting, tax or legal advice and does not involve recommendation of specific investments.
- You need to decide on your own whether to consult with a financial advisor or other professional regarding your personal circumstances. If you do, please be aware, you may incur additional costs.
- In providing financial education, Ernst & Young may help you decide on your asset allocation or help you make informed assumptions about rates of return and other investment issues. While Ernst & Young will help you understand what you need to do, you are responsible for making and acting on these decisions. Ernst & Young cannot provide you with all information that may be relevant nor can any materials provided address every possible scenario in connection with such decisions.
- Neither Ernst & Young nor your employer will make any financial planning decisions for you or assume any responsibility for decisions you make.
- Ernst & Young may provide audit or other accounting services to the investments or service providers discussed. The provision of other services will not be a determining factor whether to discuss or recommend an investment or service provider.

Appendix E (continued)

Privacy of Information Provided to Ernst & Young

In the event Ernst & Young collects nonpublic personal information about you from you or other sources authorized by you, Ernst & Young will not disclose such information to third parties, except as permitted by law or as otherwise authorized by you. Ernst & Young maintains physical, electronic, and procedural safeguards to guard your nonpublic personal information.

Further Considerations

All services are provided “as is,” and there are no warranties of any kind or nature, whether express or implied, including but not limited to warranties of merchantability or fitness for a particular purpose or use. In addition, neither Ernst & Young nor its affiliates nor any of their partners, officers, directors or employees shall be liable to you for any services performed or omitted or for any errors of judgment, or for consequential, incidental, indirect, punitive or special damages in connection with providing the services described above. Federal securities laws impose liabilities under certain circumstances on certain persons, even those who act in good faith, and therefore nothing in this notice constitutes a waiver or limitation of any rights that you may have under these laws.

If you should have any kind of claim or dispute with Ernst & Young as a result of this program, these will be resolved in accordance with Ernst & Young’s Alternative Dispute Resolution Procedures (“Procedures”) in effect on the date of this notice. You may receive a copy of the Procedures by requesting them from the Compliance officer of Ernst & Young, at the following address:

200 Plaza Drive
Suite 2222
Secaucus, NJ 07094

* * * * *

If, after considering the issues discussed above, you do not want to participate in financial education and counseling in conjunction with this program, please contact your Human Resource Professional for FRS, as soon as possible.

FOR INFORMATIONAL PURPOSES ONLY

DISCLOSURE STATEMENT

**Ernst & Young LLP
Ernst & Young Investment Advisers LLP
Employee Financial Services**

Ernst & Young LLP (“E&Y”), under the supervision of Ernst & Young Investment Advisers LLP (“EYIA”), provides Employee Financial Services (“EFS”), including investment education and counseling services to employees, members of associations, unions or other large groups (“Participants”) pursuant to engagements by corporate employers, pension plan trustees, or other entities formed for the benefit of such Participants (“Sponsors”). Such services are provided through E&Y’s Personal Financial Services Practice, a functional specialty within the firm’s Tax Department. EYIA is registered with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940 (“Advisers Act”) and maintains its main office at 200 Plaza Drive, Suite 2222, Secaucus, NJ 07094 (telephone: 800-273-0588).

Employee Financial Services (“EFS”)

E&Y’s services to Participants are rendered to such persons in a manner determined by their Sponsors. E&Y services to Participants may include some or all of the following:

1. Enabling Participants to access a toll-free “EY Financial Planner Line”, staffed by E&Y planners or consultants, for assistance with personal financial planning matters.
2. Designing or presenting workshops for Participants concerning the financial planning process and alternatives available under the Sponsor’s benefit plans.
3. Providing access to a financial planning website for use by Participants.
4. Providing various personal finance and tax-related publications, in print form or by audio or other visual means.
5. Making available to Participants and survivors of Participants, financial education and counseling assistance with respect to retirement plan distributions; company benefit and compensation plans; estate settlements and planning; life insurance policies; and other related issues.
6. Providing in-person personal financial advisory services to Participants pursuant to an engagement by a Sponsor.

As part of the personal financial advisory services, both in-person and via the EY Financial Planner Line, E&Y may prepare personal asset allocation targets (based on modern portfolio theory and using E&Y’s own or other approved financial planning tools) for such Participants after obtaining and evaluating information concerning their individual circumstances provided by each Participant in response to an E&Y questionnaire. Participant specific advice (i.e., personal asset allocation targets) will generally be confirmed in writing.

E&Y does not recommend, and should not be deemed to have recommended, any particular investment as an appropriate investment for the Participants and discussions of various investments should not be construed as such a recommendation.

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E&Y's advisory services also may be offered by a Sponsor to Participants in tandem with the personal advisory services of another registered investment adviser designated by the Sponsor that is not affiliated with E&Y ("Other Adviser"). In some EFS engagements, the Sponsor contemplates that E&Y will refer individual Participants to the Other Adviser for specific recommendations and/or implementation of the Participant's investment decisions. Such referrals by E&Y do not constitute a recommendation of the Other Adviser by E&Y to Participants, and, in such cases, E&Y does not perform any quantitative or qualitative screening procedures with respect to the Other Adviser.

E&Y, in certain circumstances, is contracted solely to help train employees of financial institutions seeking to offer financial and tax planning services to clients. Such services do not involve E&Y providing advice directly to the clients of such financial institutions, but rather entails training a financial institution's counselors on financial and tax planning topics and such other support as is mutually agreed upon by E&Y and the financial institution.

All Selections and Investments Are Made Solely by the Participating Employee

E&Y's investment education and counseling does not include recommendations concerning the purchase or sale of particular investments or particular industry sectors. E&Y may provide counseling on the purchase or sale in the context of providing tax, compensation and benefits, or estate planning services, but that counseling does not reflect a view as to the intrinsic merits of the investment. All decisions to invest in or dispose of particular investments are made solely by the participating Participant in the exercise of his or her own discretion.

Fees

Fees for EFS Services generally are negotiated between E&Y and the Sponsors of such groups on a case-by-case basis. They usually are based upon (i) a "per capita" eligible employee or member amount, (ii) a "usage by Participants" amount, (iii) the volume of calls by Participants to EY's Financial Planner Line, (iv) the number of workshops designed and presented by E&Y, or (v) other negotiated factors. E&Y's fees in such engagements may be paid wholly or partially either by the Sponsor or by Participants, whose payments for services received (if any) may be collected by the Sponsor through payroll deductions and remitted to E&Y. Participants also may incur expenses for fees to any other investment adviser they may consult and will be responsible for transaction charges imposed by broker-dealers through or with whom they effect transactions for their accounts. Generally E&Y's contracts with Sponsors for services to Participants are terminable by either party in accordance with a specified notice period. In addition, Participants receiving advisory services by E&Y (including a Participant who pays in whole or in part for the services rendered to such Participant) may terminate participation at any time. If such a contract or participation is terminated at a time other than the end of the quarter, a pro rata portion of any quarterly or other fee paid in advance is refunded.

Investment Advisers

All personal investment advice, and most impersonal investment advice, typically is given only by E&Y Financial Planners. Financial Planners are persons who spend all or substantial portions of their time on financial planning. Typically, all of these professionals have at least a degree from a four-year college or university and must meet such other standards as EYIA may establish from time to time. Those standards may include participation in continuing education programs each year and maintaining what E&Y regards as significant involvement in financial counseling engagements. Moreover, Financial Planners must satisfy applicable State investment adviser representative registration requirements or pass the Series 65 Uniform Investment Adviser Exam of the National Association of Securities Dealers, Inc. In some instances, E&Y may retain consultants to assist in providing workshops and staffing the Financial Planner Line. Generally, consultants are subject to the same requirements as E&Y Financial Planners. However, consultants are not subject to the same public accounting independence requirements as E&Y Financial Planners and their continuing education programs differ in some respects.

Monitoring, Reviews and Reports

In the case of EFS engagements that extend beyond one year and involve the provision of personal advisory services to Participants, Participants are asked questions concerning any changes in their relevant individual circumstances. E&Y will take into account the changed circumstances of any

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Participant of which it has notice in the event that Participant seeks additional personal advisory services from E&Y.

Miscellaneous

Clients and prospective clients of E&Y also should be aware of the following additional information concerning E&Y and EYIA:

Custody of Securities or Funds. E&Y does not manage participant accounts on a discretionary basis and does not take custody of participant securities or participant funds.

Other Financial Industry Activities. As noted above, EYIA is responsible for supervising the investment advisory services provided by E&Y. E&Y and Ernst & Young (U.S.) are general partners of EYIA. In consideration of EYIA's supervising the rendering of investment planning services provided by E&Y, E&Y provides EYIA with office and filing space, staff and other assistance. All of EYIA's time is spent supervising the compliance and operations of the investment planning services provided by E&Y.

Other Business Activities. E&Y is a public accounting firm which spends substantially all of its time providing accounting, audit, tax, and business advisory services.

Education and Business Background. Below are the backgrounds and five year business histories of each EYIA Advisory Board member: (1) Name, (2) year of birth, (3) education and (4) business background for preceding five years of EYIA Advisory Board members:

1. Glenn H. Hascher – (Chair)/2. 1961
3. B.S., Economics, Rutgers University, New Brunswick, NJ
4. November 1988 to date, Ernst & Young LLP

1. R. Lynn Pettus/2. 1968
3. B.A., Accounting, Converse College, Spartanburg, SC
4. 1997 to date, Ernst & Young LLP

1. Kym M. Hubbard/2. 1957
3. B.A., Accounting, Bradley University, Peoria, IL
4. 2004-2007 Illinois State Board of Investment, 2007-2008 Illinois Finance Authority, 2008 to date, Ernst & Young LLP

1. Charles R. Kowal/2. 1953
3. B.S.B.A., Accounting, Bowling Green State University; J.D., Case Western Reserve University
4. May 1975 to date, Ernst & Young LLP

1. Robert J. Porter/2. 1964
3. B.S., Siena College, Loudonville, NY
4. 1998 to date, Ernst & Young LLP

1. Greg Rosica/2. 1964
3. University of Florida, Gainesville, FL, BS Accounting with Honors 1986; University of Florida, Gainesville, FL, MS Accounting 1988
4. 2002 to date, Ernst & Young LLP; 1988 to 2002 Arthur Andersen LLP

1. James G. Wolf/2. 1955
3. University of Notre Dame, South Bend, IN, BBA Finance; University Of Texas, Austin, TX, MBA
4. 1985 to date, Ernst & Young LLP

1. David E. Boyle / 2. 1955
3. B.S., Georgetown University, 1977; The University of Michigan, MBA, 1979
4. November 1988 to date, Ernst & Young LLP