



**RETIREE HEALTH CARE BENEFIT TRUST**

**ANNUAL REPORT**

FOR THE YEAR ENDED  
SEPTEMBER 30, 201H

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**RETIREE HEALTH CARE BENEFIT TRUST**

**PERFORMANCE REVIEW  
SEPTEMBER 2013**

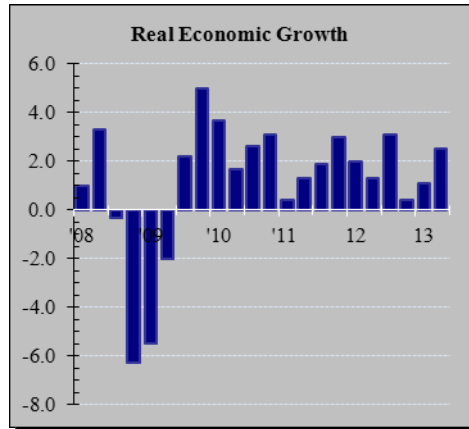
See Addendum and Attachment at end of this document for further information



## ECONOMIC ENVIRONMENT

### *Bernanke Surprises Everyone While Investors Gird for a Shutdown*

The furlough of key Federal Government workers began at midnight on September 30<sup>th</sup>. This action shut down the collection of statistics relating to employment and economic growth. While those numbers are unavailable, other credible sources strongly suggest that the US economy continued to grow, albeit slowly. Housing and manufacturing were the quarter's bright spots, while consumer confidence ebbed slightly.



On September 18<sup>th</sup>, Fed Chairman Bernanke also had economic growth in mind when he made an announcement that took politicians, investors and economists by surprise. As recently as June, he was giving serious consideration to trimming the Fed's \$85 Billion monthly bond buying program, known as QE3. But, just one quarter later, he announced that the Fed would defer any exit from the program (tapering). This action was taken to stimulate more growth and reduce the still high unemployment level. Financial markets reacted favorably, but there were other storms on the horizon. These included the military show-down with Syria, an October 1st Government shutdown and a looming debt ceiling to be reached on or about October 17th.

The quarter's economic highlights:

- *2<sup>nd</sup> quarter GNP was a healthy 2.5%, after rising only 1.1% during the first quarter; this meaningful improvement was achieved despite the ongoing sequester. The Fed expects 2% growth for the full year and 3% in 2014 (revised downward*

*from 3.3%). Nonetheless, the shutdown and debt ceiling issues could dampen the outcome for this year.*

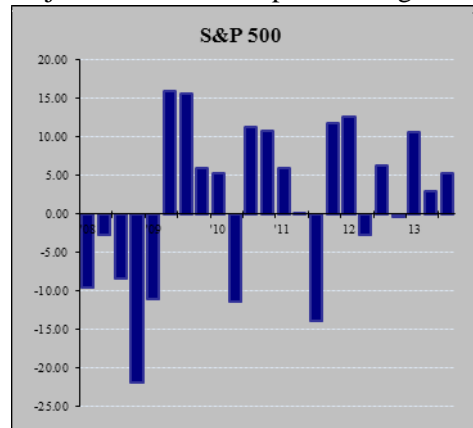
- *Job growth remained positive, albeit sluggish, as reported by ADP; non-farm private employment gains averaged over 160,000 throughout the quarter. Small business hiring represented almost half of September's gains. Assuming that public sector employment was flat, the overall gains managed to keep pace with the growing labor pool.*
- *CoreLogic reported that housing prices advanced 12.4% on a year-over-year basis through August. Housing prices have gained traction for 18 consecutive months, contributing to the consumer's sense of economic well-being. Importantly, **no** state experienced price depreciation in the month of August.*
- *The pace of manufacturing rose to its highest level in 12-months, as reported by ISM; those gains have now occurred for 52 consecutive months! The service sector also continued to grow, but at a slower rate, and growth in that sector has been positive for 45 straight months.*
- *The Conference Board's Consumer Confidence Index fell slightly from its August peak of 81.8, but was still high at 79.7 as of September. However, the Expectations Index fell sharply in September amid government shutdown and debt ceiling worries.*
- *Inflation remained low through August, influenced by stubbornly high unemployment, restrained consumer spending and especially by the ongoing QE3.*

Given all of the political, military and economic volatility during the quarter, domestic and international markets successfully climbed many walls of worry.

## EQUITY MARKET

### A Strong Advance

Price volatility was substantial on a month-to-month basis; however, all major stock indices posted single to double-digit gains for the full quarter. The bellwether S&P 500 rose 5.2% and hit a record high on September 18<sup>th</sup>, in sync with the Fed's latest announcement. The tech-oriented NASDAQ Composite charged ahead 11.2%.



Among investment styles, small caps beat large caps and growth left value behind. The best performing investment space was **small-cap growth**,

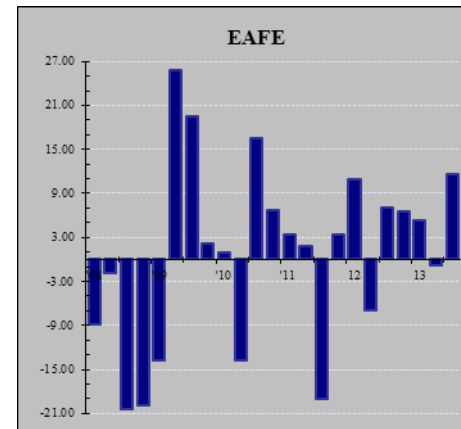
which returned **12.8%**. By comparison, **large-cap value** stocks rose a relatively meager **3.9%**. The largest return spread among similar-sized companies was between small-cap growth and small-cap value, which returned 12.8% and 7.6%, respectively. The Russell 3000, representing the broad stock market, earned 6.4%, with its growth component posting 8.5% and the value segment rising a much lower 4.2%. Year-to-date stock returns looked more like a two-year or even a three-year bull market advance. Small-cap growth was once again the best of the bunch, vaulting 32.5% in nine-months. However, there is lingering concern that Congressional gridlock early in the fourth quarter could lead to a performance give-back.

Technology stocks (+10.6%) fared best among the eleven S&P market sectors, buoyed by Apple's 21% rebound. The consumer discretionary sector was close behind with a 9.7% gain, driven by auto replacement demand. The basic industry and energy sectors earned 8.9% and 6.1%, respectively, due to a rebound in Chinese and European demand. Utility stocks were the only group that lost ground (-0.5%). Overall, cyclical industries shined and interest-sensitive names underperformed.

## INTERNATIONAL EQUITIES

### Many Developed Markets Soared, Leaving EM in their Wake

The benchmark MSCI EAFE Index turned from red ink to black, adding 11.6% for the quarter. Every country component of the index advanced,



with most rising by double digits. Europe was the best-performing region, as the Eurozone economy officially climbed out of recession.

Within Europe, there were some surprisingly high flyers: Greece (33.6%); Spain (25.8%); Italy (19.8%); and Ireland (17.0%). These are four of the five so-called PIIGS countries that have

been mired in sovereign debt crises since 2008. Investor sentiment turned positive in southern Europe mainly because those economies appeared to be bottoming out and the ECB announced it would maintain low borrowing rates as long as necessary. Heavy hitters' Germany (12.7%) and France (15.5%) also advanced, as re-election activities by Angela Merkel's political party took center stage. The UK officially ended its recession, thereby gaining 12.1%.

Australia saw a strong 12.0% return, reflecting China's renewed appetite for raw materials. Stock prices of Australian-based BHP Billiton and Rio Tinto led the market upward.

Far East stocks turned in mixed results, but were generally lower than those of Europe and Australia. The Japan market rose a respectable 6.7%, helped by the continuing government stimulus and an upwardly-revised second quarter GDP. A strengthening Yen did not hamper results. Hong Kong delivered a higher 8.9% return, as its gambling enterprises saw a spike in business due to an upturn in Chinese tourism; a peaceful legislative election also helped. Singapore was a bit of a

laggard, gaining 4.7% amid a weakening economy. Israeli stocks brought up the rear, advancing just 2.5%; this was largely attributable to investor uncertainty in the face of its aggressive military posture toward Syria and Iran.

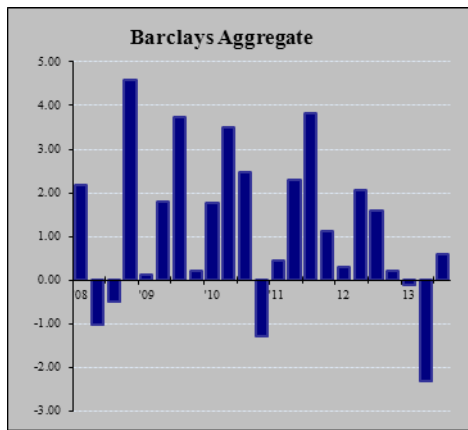
Emerging market stocks collectively earned 5.9%, but with a wide range among country bourses. Gains were concentrated in countries with large Eurozone exposure, a large raw materials export market, or a heavy manufacturing component.

Markets in several Asian countries weakened. India (-5.3%) suffered from slow economic growth, rising inflation and a weakening rupee. Indonesia was the biggest loser (-23.9%) due to a record current account deficit and a collapsing rupiah. Korea's market was the notable exception, up 14.9%, bolstered by that country's solid economic growth. Korean-based Samsung participated with the introduction of a highly-touted "smart" watch.

## BOND MARKET

### *Taper Deferral Led Bond Prices Up, Yields Down*

The bond market turned the corner after a dramatic 2.3% second quarter loss.



loss. The Barclays Aggregate Index did move up 0.6%, but was positive only because the Fed Chair announced a tapering deferral. While the 10-Year Treasury yielded 12 basis points for the quarter, the yield had moved beyond 3% before the September 18<sup>th</sup> Fed announcement. Clearly, investors were astonished at the Fed pullback; traders were quick to act after the announcement, driving the 10-year yield below 2.70% by quarter-end. For the full quarter, long maturity yields climbed modestly and short

maturity yields declined. As a result, those investors with long portfolio durations lost out to their shorter-duration counterparts. For reference, Government securities comprise almost 41% of the Aggregate Index and largely determine the direction of returns.

The Treasury component of the index eked out a 0.1% return for the quarter. However, long Treasuries, i.e. 10-Year and longer maturities, fell 2.2% and dropped almost 10%, Y-T-D. By comparison, other major sectors fared better. Residential mortgage paper gained 1% on the strengthening housing market. Commercial MBS performed as well, based on positive economic growth. The investment grade corporate bond market was a third bright spot, gaining 0.8%. However, long maturity corporate results were flat. The relatively small-sized asset-backed sector, which includes auto and credit card securitized debt, added just 0.2%, although it is a short maturity sector. Still, the auto sub-sector earned 0.4%, reflecting high auto sales financing. Overall, investment grade bonds added little to the performance of a broadly diversified portfolio.

Treasury issues of the G-6 countries performed well. Combined, the G-6 sovereigns returned 3.9%. The UK market shined (7.3%), while Canadian debt, which trades closely to the US dollar, fared worst (2.6%). Emerging market bond results varied, but most EM debt rallied after the September 18<sup>th</sup> Fed announcement. The combined EM Aggregate Index gained 1.4%.

## CASH EQUIVALENTS

### *Wait Until Next Year*

Treasuries with maturities of one-year or less again earned low fractional returns during the quarter. Higher nominal returns are not in sight until the Fed raises short-term rates and inflation rears its head.

**MARKET SUMMARY**

**ECONOMIC STATISTICS**

	<b>CURRENT QTR</b>	<b>LAST QTR</b>
GDP	N/A	2.5
Unemployment	7.2	7.6
CPI All Items Year/Year	1.18	1.75
Fed Funds Rate	0.25	0.25
Industrial Capacity	78.3	77.9
US Dollars per Euro	1.35	1.30

**MAJOR INDEX QUARTER RETURNS**

<b>INDEX</b>		<b>PERFORMANCE</b>
<b>Russell 3000</b>	<b>6.4</b>	
<b>S&amp;P 500</b>	<b>5.2</b>	
<b>Russell Mid</b>	<b>7.7</b>	
<b>Russell 2000</b>	<b>10.2</b>	
<b>MSCI EAFE</b>	<b>11.6</b>	
<b>MSCI Emg Mkts</b>	<b>5.9</b>	
<b>NCREIF ODCE</b>	<b>3.6</b>	
<b>Barclays Agg</b>	<b>0.6</b>	
<b>90 Day Tbills</b>	<b>0.0</b>	

**EQUITY RETURN DISTRIBUTIONS**

	<b>QUARTER</b>			<b>TRAILING YEAR</b>			
	<b>VAL</b>	<b>COR</b>	<b>GRO</b>	<b>VAL</b>	<b>COR</b>	<b>GRO</b>	
<b>LC</b>	<b>3.9</b>	<b>6.0</b>	<b>8.1</b>	<b>LC</b>	<b>22.3</b>	<b>20.9</b>	<b>19.3</b>
<b>MC</b>	<b>5.9</b>	<b>7.7</b>	<b>9.3</b>	<b>MC</b>	<b>27.8</b>	<b>27.9</b>	<b>27.5</b>
<b>SC</b>	<b>7.6</b>	<b>10.2</b>	<b>12.8</b>	<b>SC</b>	<b>27.0</b>	<b>30.0</b>	<b>33.1</b>

**MARKET SUMMARY**

- \* Third quarter GDP has not yet been released. Q2 GDP was revised upward from 1.7% to 2.5%.
- \* Seasonally adjusted unemployment fell slightly to 7.2%.
- \* CPI increased at a rate of 1.2% year over year.
- \* Domestic Equities posted positive returns, with Growth beating Value and smaller cap sizes fairing better than larger cap sizes.
- \* The US Dollar weakened relative to the Euro.

## **INVESTMENT RETURN**

On September 30th, 2013, the Orange County Florida Retiree Health Care Benefit Trust was valued at \$43,719,866, representing an increase of \$2,180,963 from the June quarter's ending value of \$41,538,903. Last quarter, the Fund posted withdrawals totaling \$327,084, which partially offset the portfolio's net investment return of \$2,508,047. Income receipts totaling \$219,395 plus net realized and unrealized capital gains of \$2,288,652 combined to produce the portfolio's net investment return.

For the cumulative period since September 2008, the fund has recorded net contributions totaling \$17.1 million, and recorded net investment gains of \$14.4 million. For the period since September 2008, if the total fund had returned a compounded nominal rate of 7.5% it would have been valued at \$39.3 million or \$4.4 million less than the actual value as of September 30th, 2013.

## **RELATIVE PERFORMANCE**

### **Total Fund**

In the third quarter, the Composite portfolio gained 6.1%, which ranked in the 9th percentile of the Public Fund universe. Over the trailing twelve-month period, the portfolio returned 15.8%, which ranked in the 6th percentile. Since September 2008, the portfolio returned 9.4% per annum and ranked in the 11th percentile.

### **Domestic Equity**

For the third quarter, the domestic equity segment returned 6.3%, which was equal to the Vanguard Blended Total Market Index's return of 6.3% and ranked in the 70th percentile of the All Cap universe. Over the trailing year, this segment returned 21.6%, which was equal to the benchmark's 21.6% return, and ranked in the 73rd percentile. Since September 2008, this component returned 10.8% on

an annualized basis and ranked in the 65th percentile. The Vanguard Blended Total Market Index returned an annualized 10.7% over the same time frame.

### **International Equity**

In the third quarter, the international equity component returned 10.4%, which was 0.1% greater than the Vanguard Blended Global ex US Index's return of 10.3% and ranked in the 43rd percentile of the International Equity universe. Over the trailing twelve-month period, this component returned 17.4%, which was 0.4% greater than the benchmark's 17.0% return, ranking in the 62nd percentile. Since September 2008, this component returned 6.1% per annum and ranked in the 85th percentile. The Vanguard Blended Global ex US Index returned an annualized 6.8% over the same time frame.

### **Fixed Income**

Last quarter, the fixed income component returned 0.6%, which was 0.1% above the Barclays Aggregate Float Adjusted Index's return of 0.5% and ranked in the 63rd percentile of the Broad Market Fixed Income universe. Over the trailing year, this component returned -1.7%, which was equal to the benchmark's -1.7% performance, and ranked in the 83rd percentile. Since September 2008, this component returned 5.4% on an annualized basis and ranked in the 68th percentile. The Barclays Aggregate Float Adjusted Index returned an annualized 5.5% during the same time frame.

## **ASSET ALLOCATION**

At the end of the third quarter, domestic equities comprised 55.0% of the total portfolio (\$24.1 million), while international equities totaled 24.8% (\$10.9 million). The account's fixed income component comprised 19.1% (\$8.4 million), while the remaining 1.0% was comprised of cash & equivalents (\$441,555).

**EXECUTIVE SUMMARY**

**PERFORMANCE SUMMARY**

	Quarter	FYTD	1 Year	-----Annualized-----	
				3 Years	5 Years
<b>Total Gross/Fees</b>	6.1	15.8	15.8	10.8	9.4
<i>PUBLIC FUND RANK</i>	(9)	(6)	(6)	(22)	(11)
<b>Total Net/Fees</b>	6.1	15.7	15.7	10.7	9.3
SHADOW INDEX	6.1	15.8	15.8	10.7	9.1
<b>Domestic Equity</b>	6.3	21.6	21.6	16.9	10.8
<i>ALL CAP RANK</i>	(70)	(73)	(73)	(58)	(65)
TOTAL MKT INDEX	6.3	21.6	21.6	16.9	10.7
<b>International Equity</b>	10.4	17.4	17.4	6.1	6.1
<i>INTERNATIONAL EQUITY RANK</i>	(43)	(62)	(62)	(69)	(85)
GLOBAL EX US	10.3	17.0	17.0	6.4	6.8
<b>Fixed Income</b>	0.6	-1.7	-1.7	2.9	5.4
<i>BROAD MARKET FIXED RANK</i>	(63)	(83)	(83)	(71)	(68)
BARC AGG. FLOAT	0.5	-1.7	-1.7	2.9	5.5

**ASSET ALLOCATION**

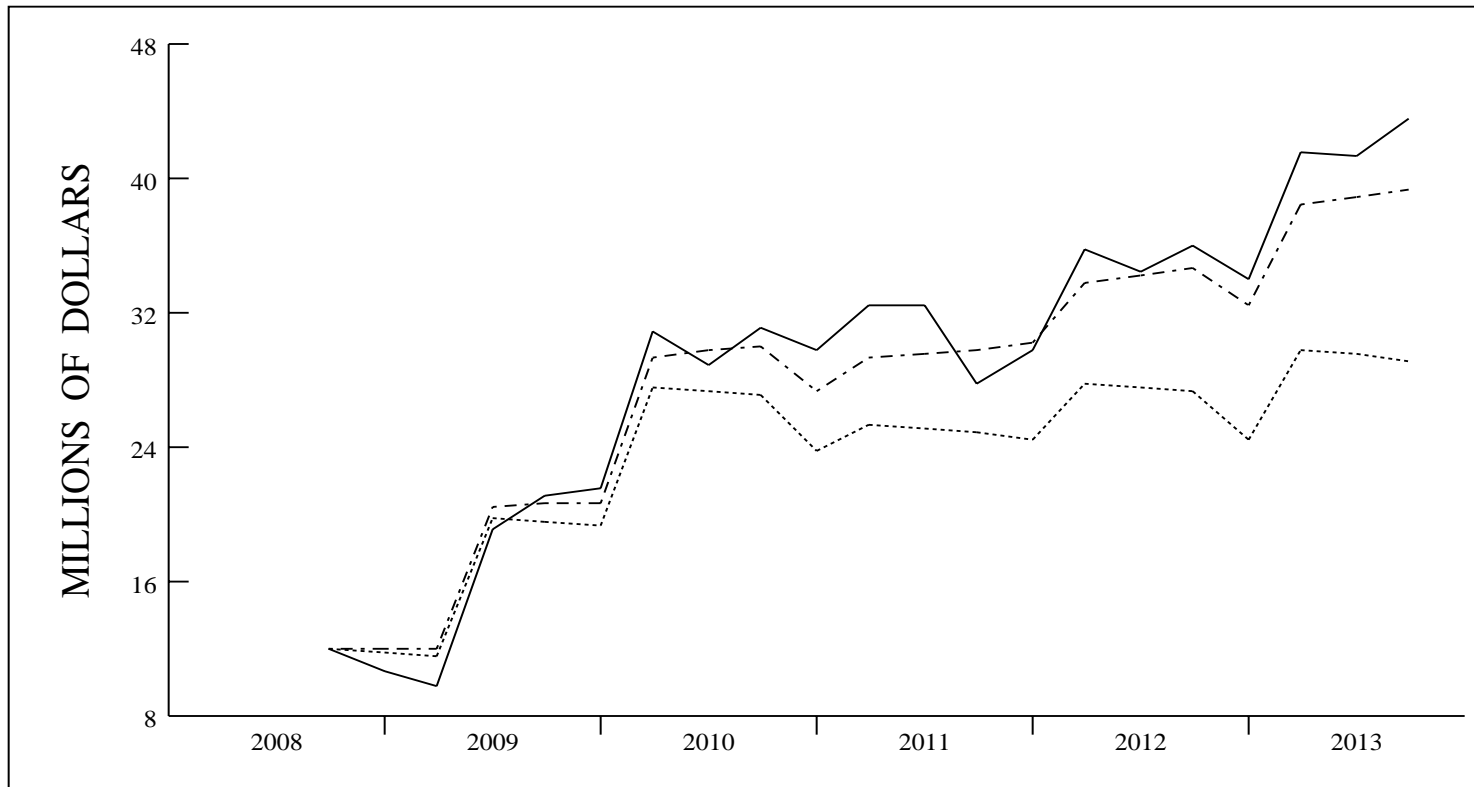
Domestic Equity	55.0%	\$ 24,061,177
Int'l Equity	24.8%	10,860,261
Fixed Income	19.1%	8,356,873
Cash	1.0%	441,555
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 43,719,866</b>

**INVESTMENT RETURN**

Market Value 6/2013	\$ 41,538,903
Contribs / Withdrawals	-327,084
Income	219,395
Capital Gains / Losses	2,288,652
Market Value 9/2013	\$ 43,719,866



**INVESTMENT GROWTH**

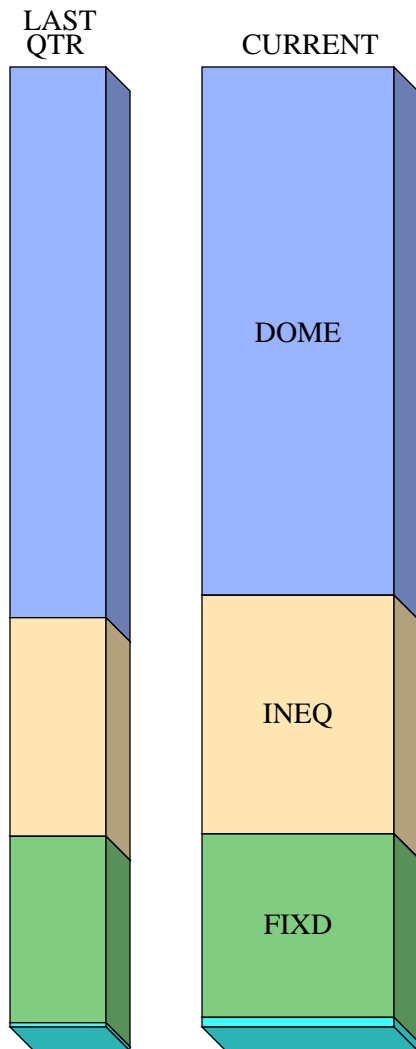


— ACTUAL RETURN  
 - - - 7.5%  
 . . . 0.0%

VALUE ASSUMING  
 7.5% RETURN  
 \$ 39,337,557

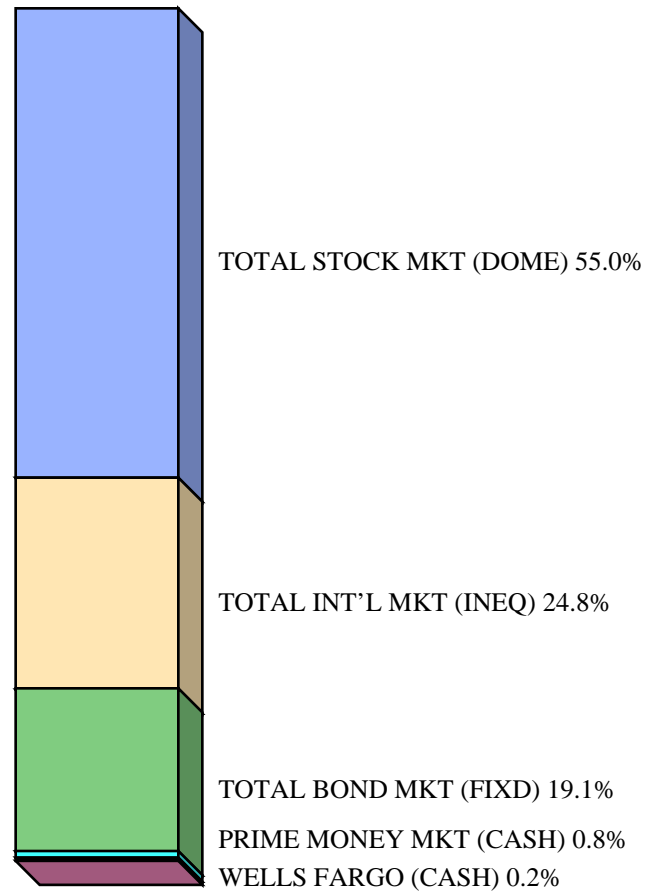
	LAST QUARTER	PERIOD 9/08 - 9/13
BEGINNING VALUE	\$ 41,538,903	\$ 12,164,580
NET CONTRIBUTIONS	-327,084	17,126,022
INVESTMENT RETURN	2,508,047	14,429,266
ENDING VALUE	\$ 43,719,866	\$ 43,719,866
INCOME	219,395	3,617,972
CAPITAL GAINS (LOSSES)	2,288,652	10,811,294
INVESTMENT RETURN	2,508,047	14,429,266

**ASSET ALLOCATION**



	<u>VALUE</u>	<u>PERCENT</u>	<u>TARGET</u>	<u>DIFFERENCE</u> <u>+ / -</u>
■ DOMESTIC EQUITY	\$ 24,061,177	55.0%	56.0%	-1.0%
■ INTERNATIONAL EQUITY	10,860,261	24.8%	24.0%	0.8%
■ FIXED INCOME	8,356,873	19.1%	20.0%	-0.9%
■ CASH & EQUIVALENT	441,555	1.0%	0.0%	1.0%
<hr/>				
TOTAL FUND	\$ 43,719,866	100.0%		

**MANAGER ALLOCATION SUMMARY**



Name	Market Value	Percent	Target
Total Stock Mkt (DOME)	\$24,061,177	55.0	56.0
Total Int'l Mkt (INEQ)	\$10,860,261	24.8	24.0
Total Bond Mkt (FIXD)	\$8,356,873	19.1	20.0
Prime Money Mkt (CASH)	\$341,837	0.8	0.0
Wells Fargo (CASH)	\$99,718	0.2	0.0
<b>Total Fund</b>	<b>\$43,719,866</b>	<b>100.0</b>	<b>100.0</b>

## MANAGER PERFORMANCE SUMMARY

Name	(Universe)	Quarter	1 Year	3 Years	5 Years	Market Value	%
Total Portfolio	(Public Fund)	6.1 (9)	15.8 (6)	10.8 (22)	9.4 (11)	\$43,719,866	100.0%
<i>Shadow Index</i>		<i>6.1 ---</i>	<i>15.8 ---</i>	<i>10.7 ---</i>	<i>9.1 ---</i>	<i>---</i>	
Total Stock Mkt	(All Cap)	6.3 (70)	21.6 (73)	16.9 (58)	10.8 (65)	\$24,061,177	55.0%
<i>Vanguard Blended Total Market Index</i>		<i>6.3 ---</i>	<i>21.6 ---</i>	<i>16.9 ---</i>	<i>10.7 ---</i>	<i>---</i>	
Total Int'l Mkt	(Intl Eq)	10.4 (43)	17.4 (62)	6.1 (69)	6.1 (85)	\$10,860,261	24.8%
<i>Vanguard Blended Global ex US Index</i>		<i>10.3 ---</i>	<i>17.0 ---</i>	<i>6.4 ---</i>	<i>6.8 ---</i>	<i>---</i>	
Total Bond Mkt	(Broad Fixed)	0.6 (63)	-1.7 (83)	2.9 (71)	5.4 (68)	\$8,356,873	19.1%
<i>Barclays Aggregate Float Adjusted Index</i>		<i>0.5 ---</i>	<i>-1.7 ---</i>	<i>2.9 ---</i>	<i>5.5 ---</i>	<i>---</i>	
Prime Money Mkt		---	---	---	---	\$341,837	0.8%
Wells Fargo		0.0 ---	0.0 ---	0.0 ---	0.0 ---	\$99,718	0.2%
<i>90 Day T Bill</i>		<i>0.0 ---</i>	<i>0.1 ---</i>	<i>0.1 ---</i>	<i>0.1 ---</i>	<i>---</i>	

**MANAGER VALUE ADDED**

**Most Recent Quarter**

Manager	Benchmark	Value Added Vs. Benchmark
Total Stock Mkt	Total Mkt Index	0.0
Total Int'l Mkt	Global ex US	0.1
Total Bond Mkt	Barc Agg. Float	0.1
<b>Total Portfolio</b>	<b>Shadow Index</b>	0.0

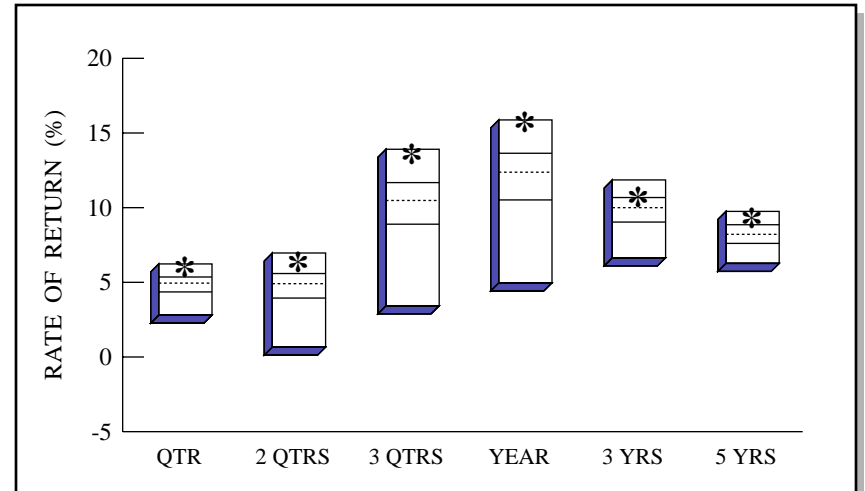
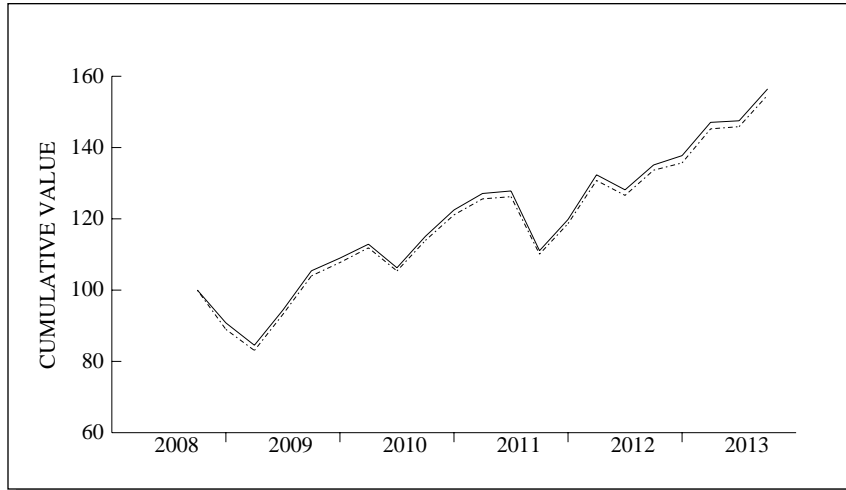
**Trailing Twelve Months**

Manager	Benchmark	Value Added Vs. Benchmark
Total Stock Mkt	Total Mkt Index	-0.1
Total Int'l Mkt	Global ex US	0.4
Total Bond Mkt	Barc Agg. Float	0.0
<b>Total Portfolio</b>	<b>Shadow Index</b>	0.0

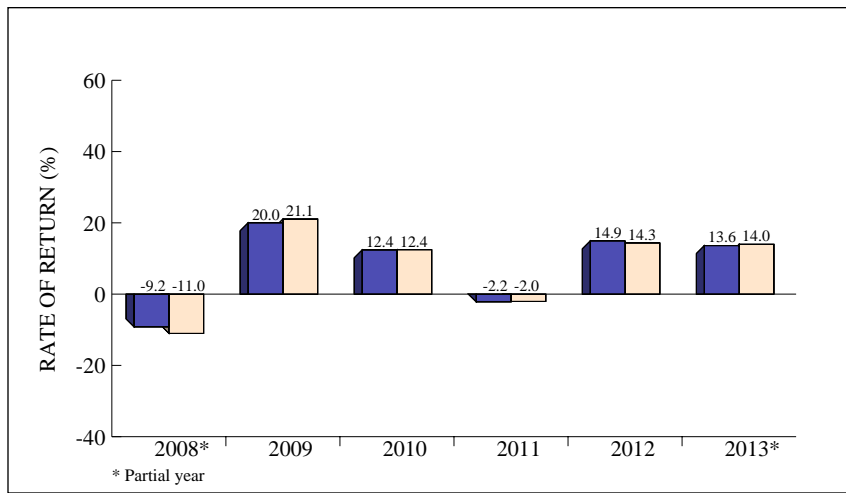
**INVESTMENT RETURN SUMMARY - ONE QUARTER**

<b>Name</b>	<b>Quarter Total Return</b>	<b>Market Value June 30th, 2013</b>	<b>Net Cashflow</b>	<b>Net Investment Return</b>	<b>Market Value September 30th, 2013</b>
Total Stock Mkt (DOME)	6.3	23,827,537	-1,217,600	1,451,240	24,061,177
Total Int'l Mkt (INEQ)	10.4	9,458,810	391,402	1,010,049	10,860,261
Total Bond Mkt (FIXD)	0.6	8,068,478	241,679	46,716	8,356,873
Prime Money Mkt (CASH)	---	84,702	257,093	42	341,837
Wells Fargo (CASH)	---	99,376	342	0	99,718
<b>Total Fund</b>	<b>6.1</b>	<b>41,538,903</b>	<b>-327,084</b>	<b>2,508,047</b>	<b>43,719,866</b>

**TOTAL RETURN COMPARISONS**



Public Fund Universe

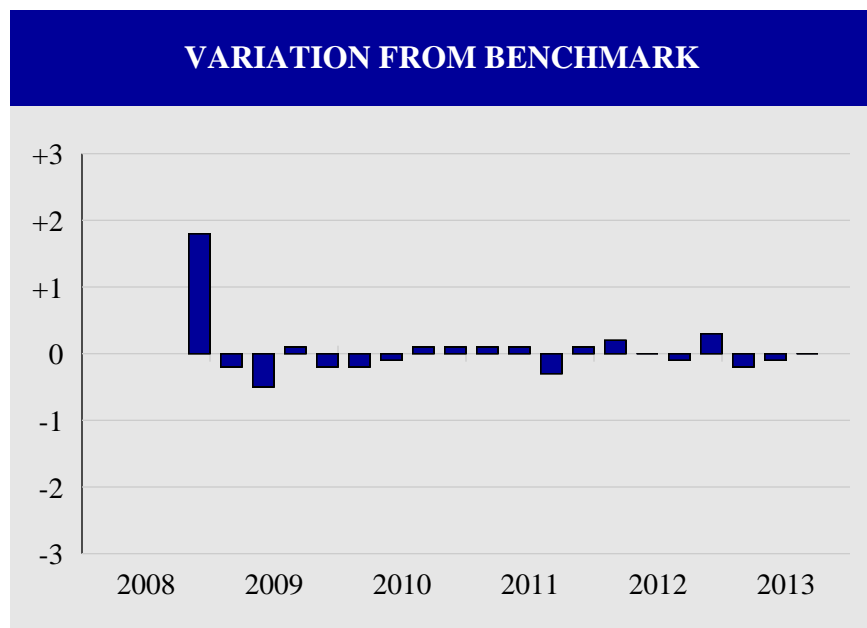


	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	6.1	6.4	13.6	15.8	10.8	9.4
(RANK)	(9)	(10)	(7)	(6)	(22)	(11)
5TH %ILE	6.2	7.0	13.9	15.9	11.9	9.8
25TH %ILE	5.4	5.6	11.7	13.6	10.7	8.9
MEDIAN	4.9	4.9	10.5	12.4	10.0	8.2
75TH %ILE	4.4	4.0	8.9	10.5	9.0	7.6
95TH %ILE	2.8	0.7	3.4	5.0	6.6	6.3
<i>Sh Idx</i>	<i>6.1</i>	<i>6.5</i>	<i>14.0</i>	<i>15.8</i>	<i>10.7</i>	<i>9.1</i>

Public Fund Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

**COMPARATIVE BENCHMARK: SHADOW INDEX**

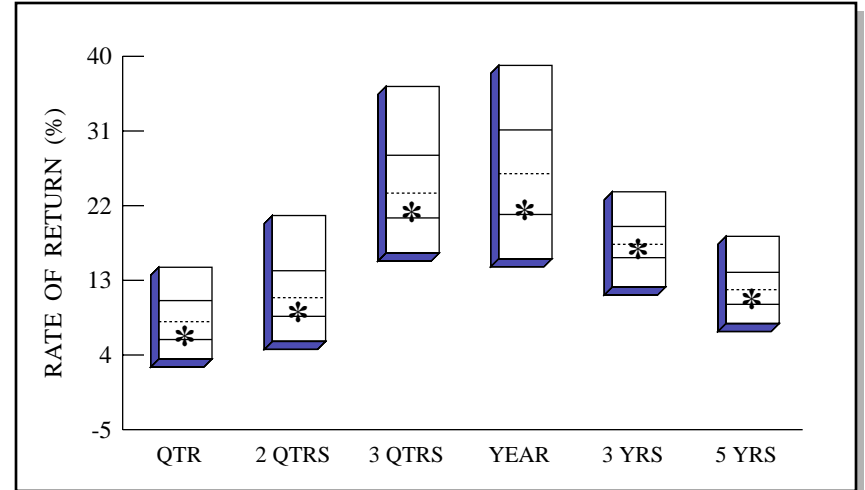
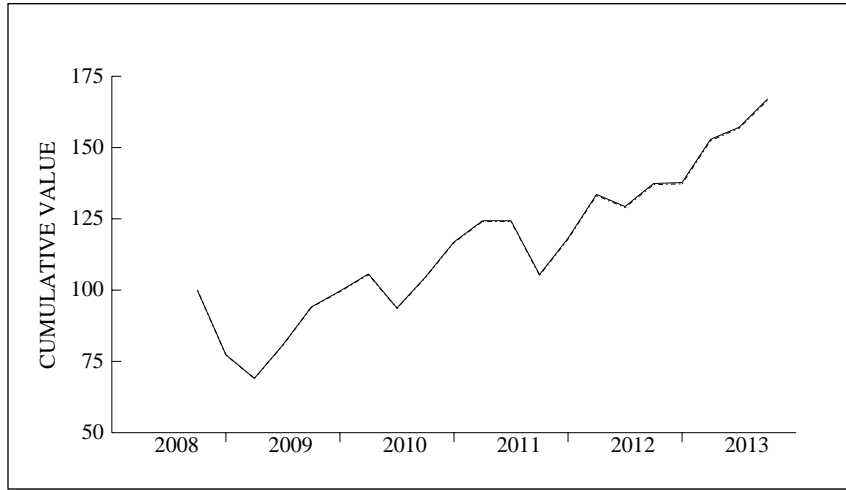


RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
12/08	-9.2	-11.0	1.8
3/09	-6.9	-6.7	-0.2
6/09	11.7	12.2	-0.5
9/09	11.7	11.6	0.1
12/09	3.4	3.6	-0.2
3/10	3.6	3.8	-0.2
6/10	-5.9	-5.8	-0.1
9/10	8.3	8.2	0.1
12/10	6.4	6.3	0.1
3/11	3.8	3.7	0.1
6/11	0.6	0.5	0.1
9/11	-13.1	-12.8	-0.3
12/11	7.9	7.8	0.1
3/12	10.4	10.2	0.2
6/12	-3.2	-3.2	0.0
9/12	5.5	5.6	-0.1
12/12	1.9	1.6	0.3
3/13	6.8	7.0	-0.2
6/13	0.3	0.4	-0.1
9/13	6.1	6.1	0.0

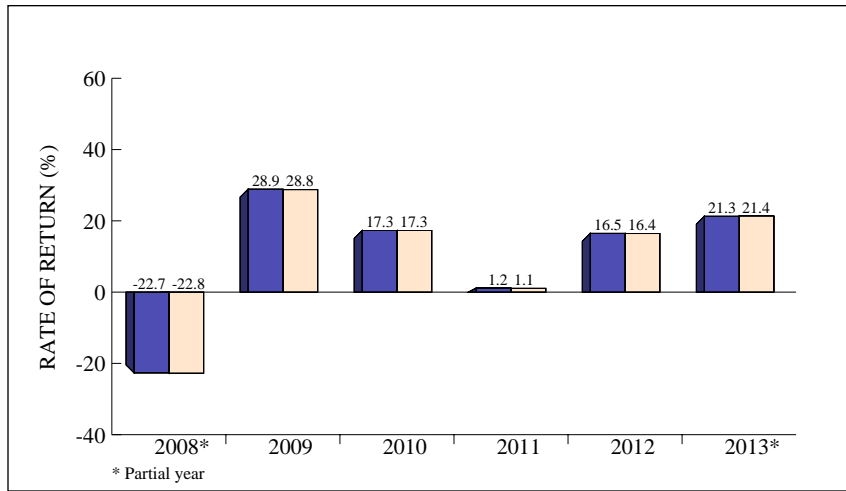
<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>11</b>
<b>Quarters Below the Benchmark</b>	<b>9</b>
<b>Batting Average</b>	<b>.550</b>



**DOMESTIC EQUITY RETURN COMPARISONS**



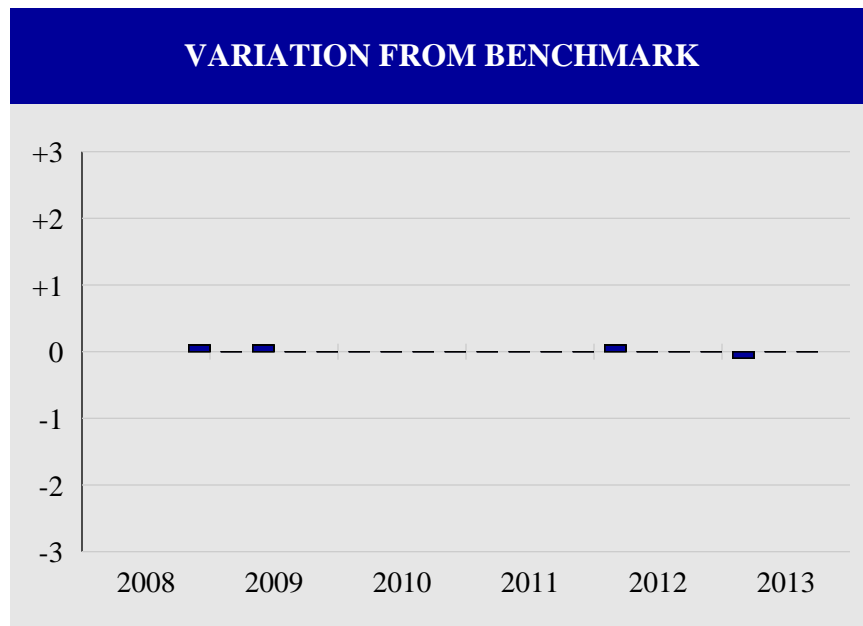
All Cap Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	6.3	9.3	21.3	21.6	16.9	10.8
(RANK)	(70)	(67)	(68)	(73)	(58)	(65)
5TH %ILE	14.6	20.8	36.4	38.9	23.7	18.3
25TH %ILE	10.6	14.2	28.1	31.1	19.5	14.0
MEDIAN	8.0	10.9	23.5	25.9	17.4	11.9
75TH %ILE	5.9	8.7	20.5	20.9	15.7	10.1
95TH %ILE	3.5	5.6	16.3	15.6	12.2	7.8
<b>Total Mkt</b>	<b>6.3</b>	<b>9.3</b>	<b>21.4</b>	<b>21.6</b>	<b>16.9</b>	<b>10.7</b>

All Cap Universe

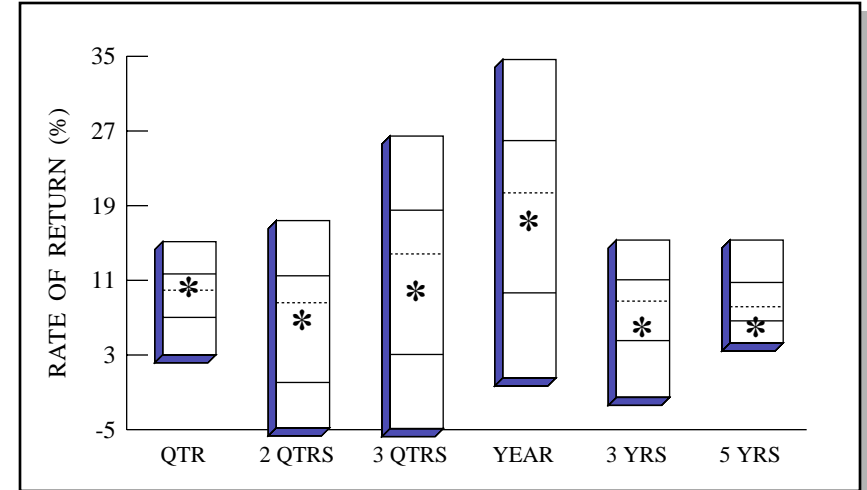
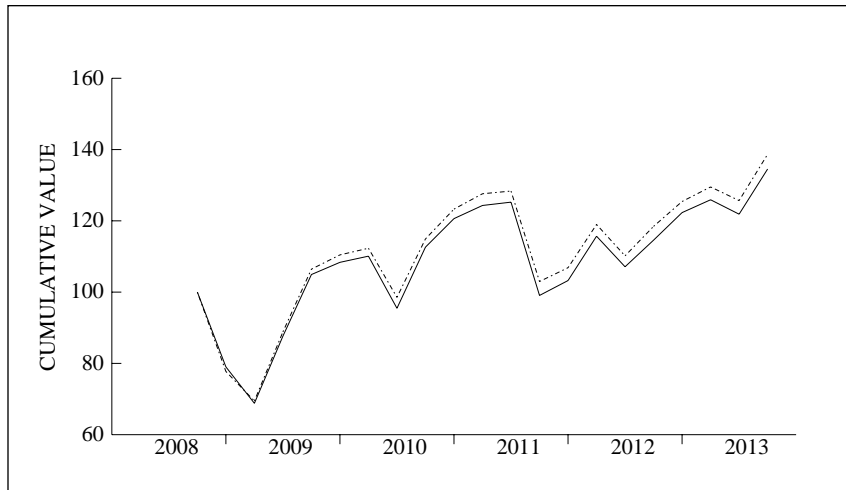
**DOMESTIC EQUITY QUARTERLY PERFORMANCE SUMMARY**  
**COMPARATIVE BENCHMARK: VANGUARD BLENDED TOTAL MARKET INDEX**



<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>19</b>
<b>Quarters Below the Benchmark</b>	<b>1</b>
<b>Batting Average</b>	<b>.950</b>

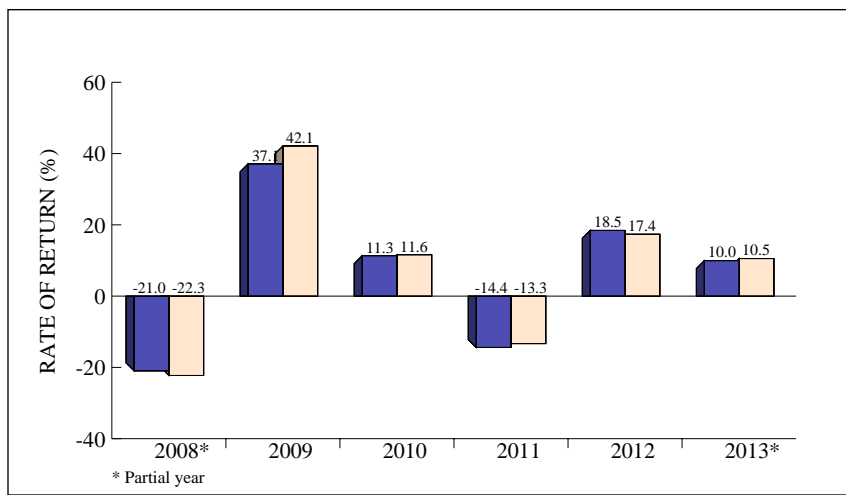
<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
12/08	-22.7	-22.8	0.1
3/09	-10.7	-10.7	0.0
6/09	17.0	16.9	0.1
9/09	16.5	16.5	0.0
12/09	5.9	5.9	0.0
3/10	6.0	6.0	0.0
6/10	-11.3	-11.3	0.0
9/10	11.6	11.6	0.0
12/10	11.7	11.7	0.0
3/11	6.4	6.4	0.0
6/11	0.0	0.0	0.0
9/11	-15.2	-15.2	0.0
12/11	12.1	12.1	0.0
3/12	13.0	12.9	0.1
6/12	-3.2	-3.2	0.0
9/12	6.2	6.2	0.0
12/12	0.2	0.2	0.0
3/13	11.0	11.1	-0.1
6/13	2.8	2.8	0.0
9/13	6.3	6.3	0.0

### INTERNATIONAL EQUITY RETURN COMPARISONS



■ ——— PORTFOLIO  
■ - - - - GLOBAL EX US

International Equity Universe



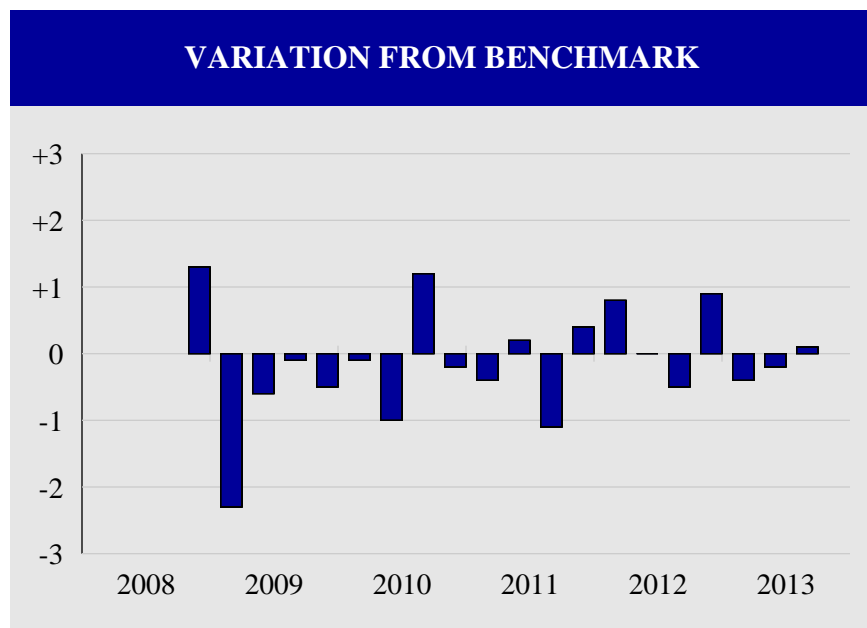
\* Partial year

	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	10.4	6.8	10.0	17.4	6.1	6.1
(RANK)	(43)	(62)	(65)	(62)	(69)	(85)
5TH %ILE	15.1	17.4	26.5	34.7	15.3	15.3
25TH %ILE	11.7	11.5	18.5	26.0	11.1	10.8
MEDIAN	10.0	8.6	13.8	20.4	8.8	8.2
75TH %ILE	7.0	0.1	3.1	9.7	4.5	6.7
95TH %ILE	3.0	-4.8	-4.9	0.5	-1.6	4.3
<b>Global xUS</b>	<b>10.3</b>	<b>7.0</b>	<b>10.5</b>	<b>17.0</b>	<b>6.4</b>	<b>6.8</b>

International Equity Universe

**INTERNATIONAL EQUITY QUARTERLY PERFORMANCE SUMMARY**

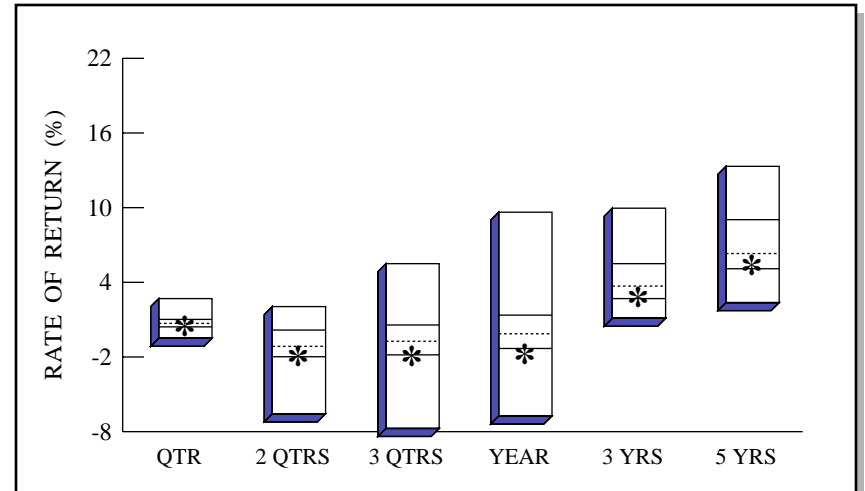
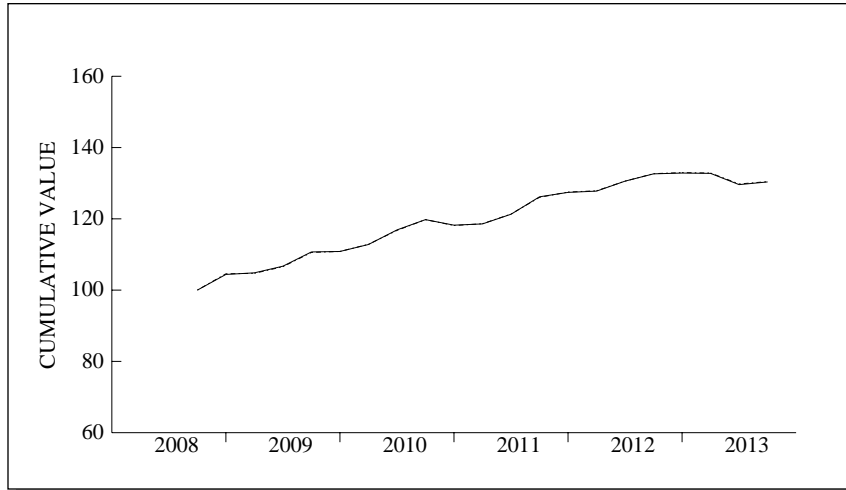
**COMPARATIVE BENCHMARK: VANGUARD BLENDED GLOBAL EX US INDEX**



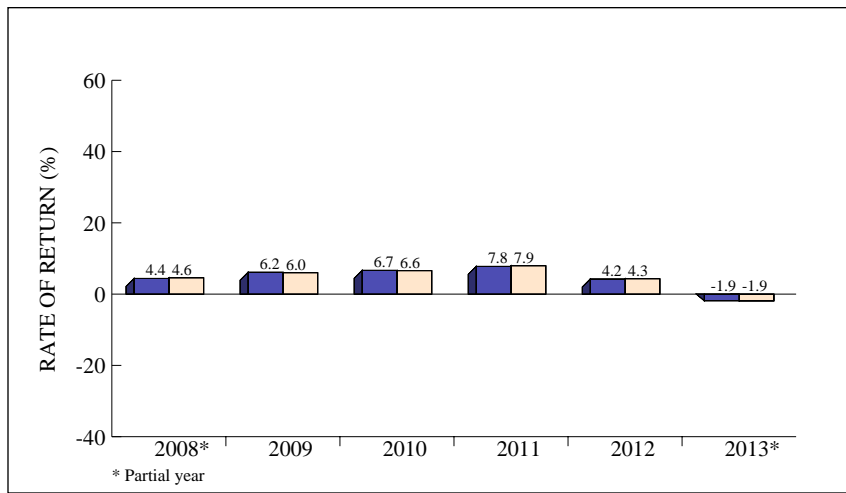
<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>8</b>
<b>Quarters Below the Benchmark</b>	<b>12</b>
<b>Batting Average</b>	<b>.400</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
12/08	-21.0	-22.3	1.3
3/09	-12.9	-10.6	-2.3
6/09	27.3	27.9	-0.6
9/09	19.7	19.8	-0.1
12/09	3.3	3.8	-0.5
3/10	1.6	1.7	-0.1
6/10	-13.3	-12.3	-1.0
9/10	17.9	16.7	1.2
12/10	7.1	7.3	-0.2
3/11	3.1	3.5	-0.4
6/11	0.8	0.6	0.2
9/11	-20.9	-19.8	-1.1
12/11	4.2	3.8	0.4
3/12	12.1	11.3	0.8
6/12	-7.4	-7.4	0.0
9/12	7.0	7.5	-0.5
12/12	6.8	5.9	0.9
3/13	2.9	3.3	-0.4
6/13	-3.2	-3.0	-0.2
9/13	10.4	10.3	0.1

**FIXED INCOME RETURN COMPARISONS**



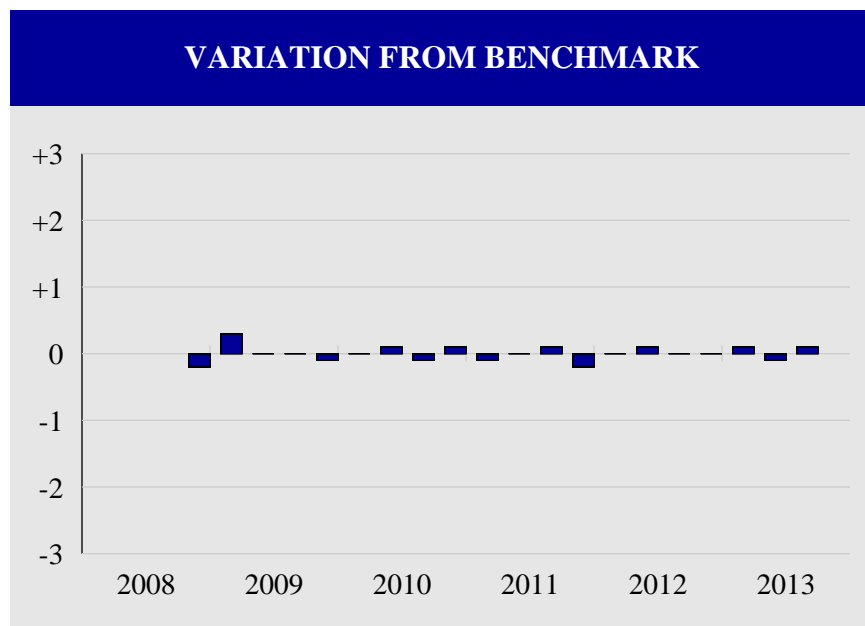
Broad Market Fixed Universe



	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	0.6	-1.8	-1.9	-1.7	2.9	5.4
(RANK)	(63)	(71)	(77)	(83)	(71)	(68)
5TH %ILE	2.7	2.1	5.5	9.6	10.0	13.3
25TH %ILE	1.0	0.2	0.6	1.4	5.5	9.0
MEDIAN	0.7	-1.2	-0.7	-0.1	3.7	6.3
75TH %ILE	0.4	-2.0	-1.8	-1.3	2.7	5.1
95TH %ILE	-0.5	-6.6	-7.7	-6.7	1.1	2.4
<b>Agg. Float</b>	<b>0.5</b>	<b>-1.8</b>	<b>-1.9</b>	<b>-1.7</b>	<b>2.9</b>	<b>5.5</b>

Broad Market Fixed Universe

**FIXED INCOME QUARTERLY PERFORMANCE SUMMARY**  
**COMPARATIVE BENCHMARK: BARCLAYS AGGREGATE FLOAT ADJUSTED INDEX**



<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>14</b>
<b>Quarters Below the Benchmark</b>	<b>6</b>
<b>Batting Average</b>	<b>.700</b>

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
12/08	4.4	4.6	-0.2
3/09	0.4	0.1	0.3
6/09	1.8	1.8	0.0
9/09	3.7	3.7	0.0
12/09	0.1	0.2	-0.1
3/10	1.8	1.8	0.0
6/10	3.6	3.5	0.1
9/10	2.5	2.6	-0.1
12/10	-1.3	-1.4	0.1
3/11	0.3	0.4	-0.1
6/11	2.3	2.3	0.0
9/11	4.0	3.9	0.1
12/11	1.0	1.2	-0.2
3/12	0.3	0.3	0.0
6/12	2.2	2.1	0.1
9/12	1.6	1.6	0.0
12/12	0.2	0.2	0.0
3/13	0.0	-0.1	0.1
6/13	-2.4	-2.3	-0.1
9/13	0.6	0.5	0.1

## APPENDIX - MAJOR MARKET INDEX RETURNS

<b>Domestic Equity</b>	<b>Style</b>	<b>QTR</b>	<b>FYTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Russell 3000	Broad Equity	6.4	21.6	21.6	16.8	10.6
S&P 500	Large Cap Core	5.2	19.3	19.3	16.3	10.0
Russell 1000	Large Cap Core	6.0	20.9	20.9	16.6	10.5
Russell 1000 Growth	Large Cap Growth	8.1	19.3	19.3	16.9	12.1
Russell 1000 Value	Large Cap Value	3.9	22.3	22.3	16.2	8.9
Russell Mid Cap	Midcap	7.7	27.9	27.9	17.5	13.0
Russell Mid Cap Growth	Midcap Growth	9.3	27.5	27.5	17.6	13.9
Russell Mid Cap Value	Midcap Value	5.9	27.8	27.8	17.3	11.9
Russell 2000	Small Cap	10.2	30.0	30.0	18.3	11.2
Russell 2000 Growth	Small Cap Growth	12.8	33.1	33.1	19.9	13.2
Russell 2000 Value	Small Cap Value	7.6	27.0	27.0	16.6	9.1
<b>International Equity</b>	<b>Style</b>	<b>QTR</b>	<b>FYTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
MSCI EAFE	Developed Markets Equity	11.6	24.3	24.3	9.0	6.8
MSCI EAFE Growth	Developed Markets Growth	10.5	23.7	23.7	9.3	7.2
MSCI EAFE Value	Developed Markets Value	12.7	24.9	24.9	8.6	6.5
MSCI All Country World Ex US	Foreign Equity	10.2	17.0	17.0	6.4	6.7
MSCI Emerging Markets	Emerging Markets Equity	5.9	1.3	1.3	0.0	7.5
<b>Domestic Fixed Income</b>	<b>Style</b>	<b>QTR</b>	<b>FYTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Barclays Aggregate Index	Core Fixed Income	0.6	-1.7	-1.7	2.9	5.4
Barclays Gov/Credit	Gov/Credit	0.4	-1.9	-1.9	2.9	5.7
Barclays Capital Gov't Bond	Treasuries	0.1	-2.0	-2.0	2.1	4.0
Barclays Capital Credit Bond	Corporate Bonds	0.8	-1.6	-1.6	4.3	9.1
Intermediate Aggregate	Core Intermediate	0.8	-0.7	-0.7	2.6	4.9
Intermediate Gov/Credit	Gov / Credit Intermediate	0.6	-0.5	-0.5	2.4	5.0
ML/BoA 1-3 Year Treasury	Short Term Treasuries	0.3	-0.1	-0.1	0.5	1.5
CSFB High Yield	High Yield Bonds	2.4	7.2	7.2	9.1	12.5
<b>Alternative Assets</b>	<b>Style</b>	<b>QTR</b>	<b>FYTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Barclays Global Ex-US	International Treasuries	4.1	-5.8	-5.8	-0.7	2.7
NCREIF NFI-ODCE Index	Real Estate	3.6	13.0	13.0	14.3	0.7
HFRI FOF Composite	Hedge Funds	2.1	6.9	6.9	2.6	2.0

**APPENDIX - DISCLOSURES**

- \* The shadow index is a customized index that matches your portfolio's asset allocation on a quarterly basis. This index was calculated using the following asset classes and corresponding benchmarks:

Domestic Equity	Vanguard Blended Total Market Index
International Equity	Vanguard Blended Global ex US Index
Fixed Income	Barclays Aggregate Float Adjusted Index
Cash & Equivalent	90 Day T Bill
- \* The Vanguard Blended Total Market Index was comprised of the MSCI US Broad Market Index through January 31, 2013 and the CRSP US Total Market Index thereafter.
- \* The Vanguard Blended Global Ex US Index was comprised of the MSCI All Country World Ex US through May 30, 2013 and the FTSE Global All Cap Ex US Index.
- \* Returns shown for the Barclays Aggregate Float Adjusted index include the performance of the Barclay's Aggregate index for periods through September 2009.
- \* Dahab Associates utilizes data provided by a custodian and other vendors it believes are reliable. However, it cannot assume responsibility for errors and omissions therefrom.
- \* All returns were calculated on a time-weighted basis, and are gross of fees unless otherwise noted.
- \* All returns for periods greater than one year are annualized.
- \* All values are in US dollars.



ORANGE COUNTY FLORIDA RETIREE HEALTH CARE BENEFIT TRUST  
VANGUARD - TOTAL STOCK MARKET INDEX  
PERFORMANCE REVIEW  
SEPTEMBER 2013

## **INVESTMENT RETURN**

On September 30th, 2013, the Orange County Florida Retiree Health Care Benefit Trust's Vanguard account was valued at \$24,061,177, representing an increase of \$233,640 over the June quarter's ending value of \$23,827,537. Last quarter, the fund posted a net withdrawal of \$1,217,600, which offset the fund's net investment return of \$1,451,240. Total net investment return was comprised of income receipts totaling \$116,809 plus \$1,334,431 in net realized and unrealized capital gains.

Since June 2008, the account has recorded net contributions totaling \$7.2 million, while recording \$10.4 million in net investment gains. Since June 2008, if the account had earned a compounded nominal rate of 7.5% it would have been worth \$19.1 million or \$4.9 million less than the actual value as of September 30th, 2013.

## **RELATIVE PERFORMANCE**

### **Total Fund**

*The Vanguard Blended Total Market Index was comprised of the MSCI US Broad Market Index through January 31, 2013, and the CRSP US Total Market Index thereafter.*

For the third quarter, the Vanguard portfolio gained 6.3%, which was equal to the Vanguard Blended Total Market Index's return of 6.3% and ranked in the 70th percentile of the All Cap universe. Over the trailing twelve-month period, this portfolio returned 21.6%, which was equal to the benchmark's 21.6% performance, and ranked in the 73rd percentile. Since June 2008, the portfolio returned 8.4% annualized and ranked in the 63rd percentile. For comparison, the Vanguard Blended Total Market Index returned an annualized 8.4% over the same time frame.

## **ASSET ALLOCATION**

This account was fully invested in the Vanguard Total Stock Market Index Fund (VITSX).

**EXECUTIVE SUMMARY**

**PERFORMANCE SUMMARY**

	Quarter	FYTD	1 Year	-----Annualized-----	
				3 Years	Since 6/2008
<b>Total Gross/Fees</b>	6.3	21.6	21.6	16.9	8.4
<i>ALL CAP RANK</i>	(70)	(73)	(73)	(58)	(63)
<b>Total Net/Fees</b>	6.3	21.5	21.5	16.8	8.4
TOTAL MKT INDEX	6.3	21.6	21.6	16.9	8.4
<b>Domestic Equity</b>	6.3	21.6	21.6	16.9	8.4
<i>ALL CAP RANK</i>	(70)	(73)	(73)	(58)	(63)
TOTAL MKT INDEX	6.3	21.6	21.6	16.9	8.4

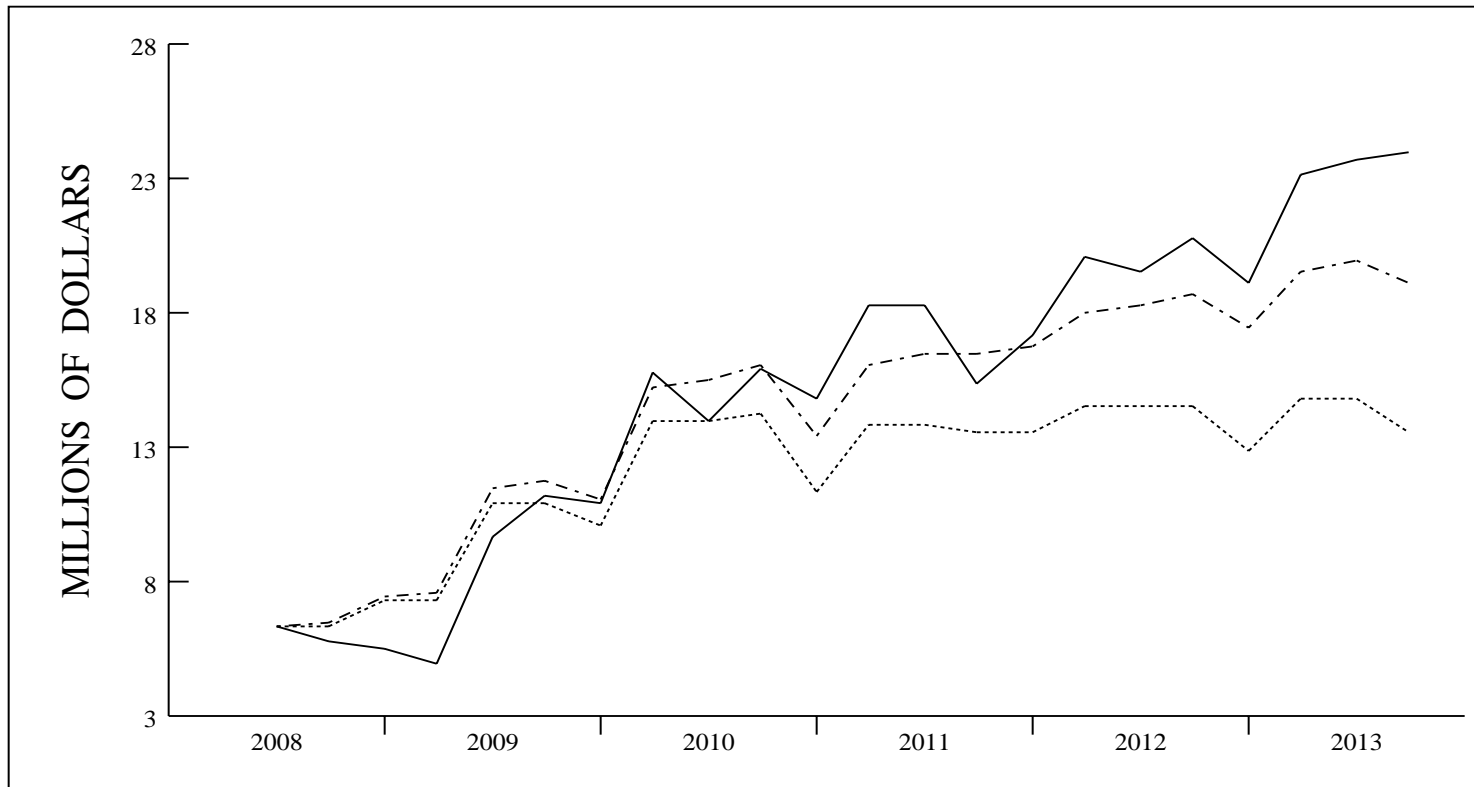
**ASSET ALLOCATION**

Domestic Equity	100.0%	\$ 24,061,177
Total Portfolio	100.0%	\$ 24,061,177

**INVESTMENT RETURN**

Market Value 6/2013	\$ 23,827,537
Contribs / Withdrawals	- 1,217,600
Income	116,809
Capital Gains / Losses	1,334,431
Market Value 9/2013	\$ 24,061,177

**INVESTMENT GROWTH**

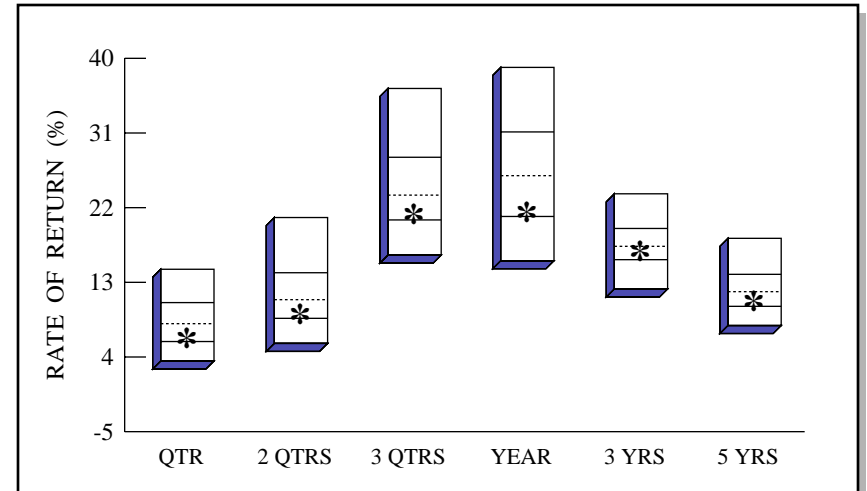
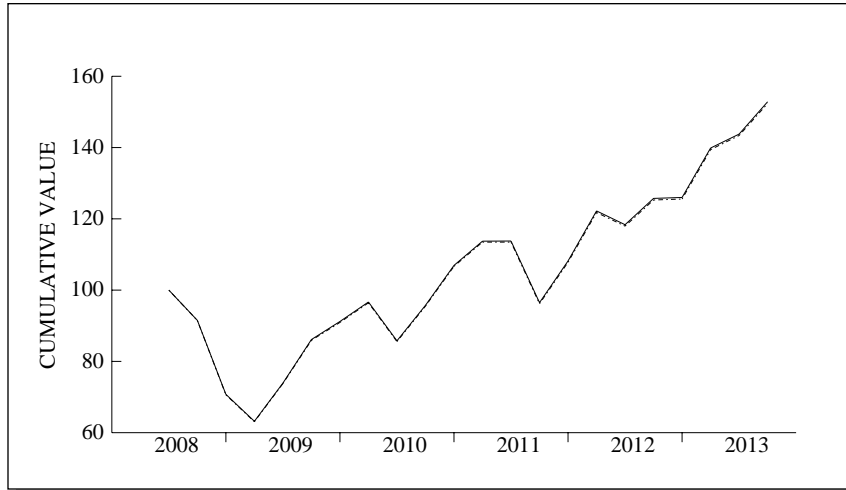


— ACTUAL RETURN  
 - - - 7.5%  
 . . . 0.0%

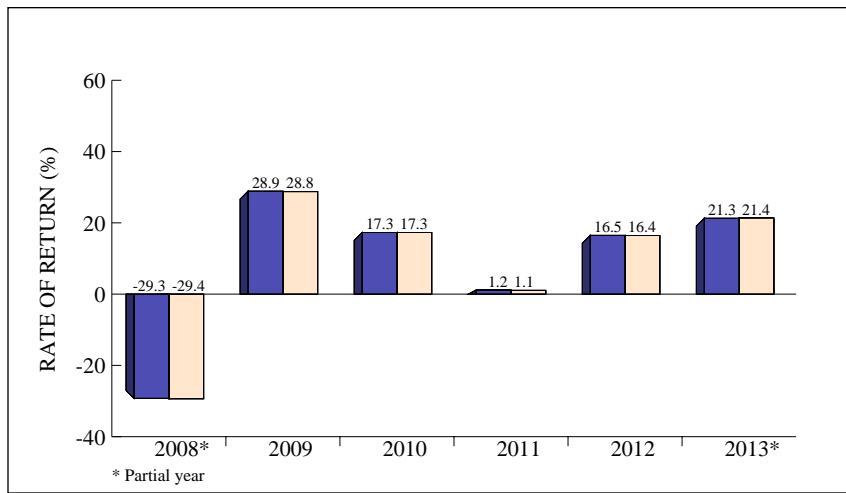
VALUE ASSUMING  
 7.5% RETURN  
 \$ 19,140,311

	LAST QUARTER	PERIOD 6/08 - 9/13
BEGINNING VALUE	\$ 23,827,537	\$ 6,434,071
NET CONTRIBUTIONS	- 1,217,600	7,196,837
INVESTMENT RETURN	1,451,240	10,430,269
ENDING VALUE	\$ 24,061,177	\$ 24,061,177
INCOME	116,809	1,573,355
CAPITAL GAINS (LOSSES)	1,334,431	8,856,914
INVESTMENT RETURN	1,451,240	10,430,269

**TOTAL RETURN COMPARISONS**



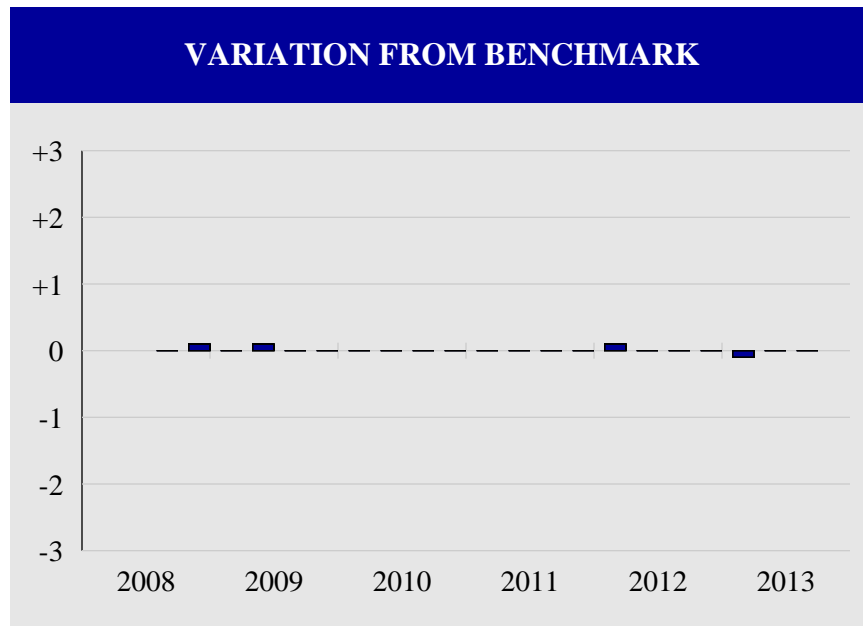
All Cap Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	6.3	9.3	21.3	21.6	16.9	10.8
(RANK)	(70)	(67)	(68)	(73)	(58)	(65)
5TH %ILE	14.6	20.8	36.4	38.9	23.7	18.3
25TH %ILE	10.6	14.2	28.1	31.1	19.5	14.0
MEDIAN	8.0	10.9	23.5	25.9	17.4	11.9
75TH %ILE	5.9	8.7	20.5	20.9	15.7	10.1
95TH %ILE	3.5	5.6	16.3	15.6	12.2	7.8
<b>Total Mkt</b>	<b>6.3</b>	<b>9.3</b>	<b>21.4</b>	<b>21.6</b>	<b>16.9</b>	<b>10.7</b>

All Cap Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**  
**COMPARATIVE BENCHMARK: VANGUARD BLENDED TOTAL MARKET INDEX**



RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
9/08	-8.5	-8.5	0.0
12/08	-22.7	-22.8	0.1
3/09	-10.7	-10.7	0.0
6/09	17.0	16.9	0.1
9/09	16.5	16.5	0.0
12/09	5.9	5.9	0.0
3/10	6.0	6.0	0.0
6/10	-11.3	-11.3	0.0
9/10	11.6	11.6	0.0
12/10	11.7	11.7	0.0
3/11	6.4	6.4	0.0
6/11	0.0	0.0	0.0
9/11	-15.2	-15.2	0.0
12/11	12.1	12.1	0.0
3/12	13.0	12.9	0.1
6/12	-3.2	-3.2	0.0
9/12	6.2	6.2	0.0
12/12	0.2	0.2	0.0
3/13	11.0	11.1	-0.1
6/13	2.8	2.8	0.0
9/13	6.3	6.3	0.0

<b>Total Quarters Observed</b>	<b>21</b>
<b>Quarters At or Above the Benchmark</b>	<b>20</b>
<b>Quarters Below the Benchmark</b>	<b>1</b>
<b>Batting Average</b>	<b>.952</b>

ORANGE COUNTY FLORIDA RETIREE HEALTH CARE BENEFIT TRUST  
VANGUARD - TOTAL INTERNATIONAL STOCK MARKET INDEX  
PERFORMANCE REVIEW  
SEPTEMBER 2013

## **INVESTMENT RETURN**

As of September 30th, 2013, the Orange County Florida Retiree Health Care Benefit Trust's Vanguard account was valued at \$10,860,261, which represented an increase of \$1,401,451 over the June quarter's ending value of \$9,458,810. During the last three months, the fund posted net contributions totaling \$391,402 as well as net investment returns of \$1,010,049. Income receipts totaling \$49,752 plus realized and unrealized capital gains of \$960,297 combined to produce last quarter's net investment return.

Since June 2008, the portfolio has recorded net contributions totaling \$8.1 million, while generating net investment gains of \$1.5 million. Since June 2008, if the total fund had earned a compounded nominal rate of 7.5% it would have been valued at \$11.5 million or \$627,288 more than the actual value as of September 30th, 2013.

## **RELATIVE PERFORMANCE**

### **Total Fund**

*The Vanguard Blended Global ex US Index is comprised of the MSCI All Country World ex US index through May 31, 2013, and the FTSE All Cap Global ex US index thereafter.*

For the third quarter, the Vanguard portfolio returned 10.4%, which was 0.1% above the Vanguard Blended Global ex US Index's return of 10.3% and ranked in the 43rd percentile of the International Equity universe. Over the trailing twelve-month period, this portfolio returned 17.4%, which was 0.4% greater than the benchmark's 17.0% return, and ranked in the 62nd percentile. Since June 2008, the account returned 1.3% per annum and ranked in the 77th percentile. For comparison, the Vanguard Blended Global ex US Index returned an annualized 1.5% over the same time frame.

## **ASSET ALLOCATION**

This account was fully invested in the Vanguard Total International Stock Market Index Fund (VTSNX).



**EXECUTIVE SUMMARY**

**PERFORMANCE SUMMARY**

	Quarter	FYTD	1 Year	-----Annualized-----	
				3 Years	Since 6/2008
<b>Total Gross/Fees</b>	10.4	17.4	17.4	6.1	1.3
<i>INTERNATIONAL EQUITY RANK</i>	(43)	(62)	(62)	(69)	(77)
<b>Total Net/Fees</b>	10.3	17.3	17.3	6.0	1.1
GLOBAL EX US	10.3	17.0	17.0	6.4	1.5
<b>International Equity</b>	10.4	17.4	17.4	6.1	1.3
<i>INTERNATIONAL EQUITY RANK</i>	(43)	(62)	(62)	(69)	(77)
GLOBAL EX US	10.3	17.0	17.0	6.4	1.5

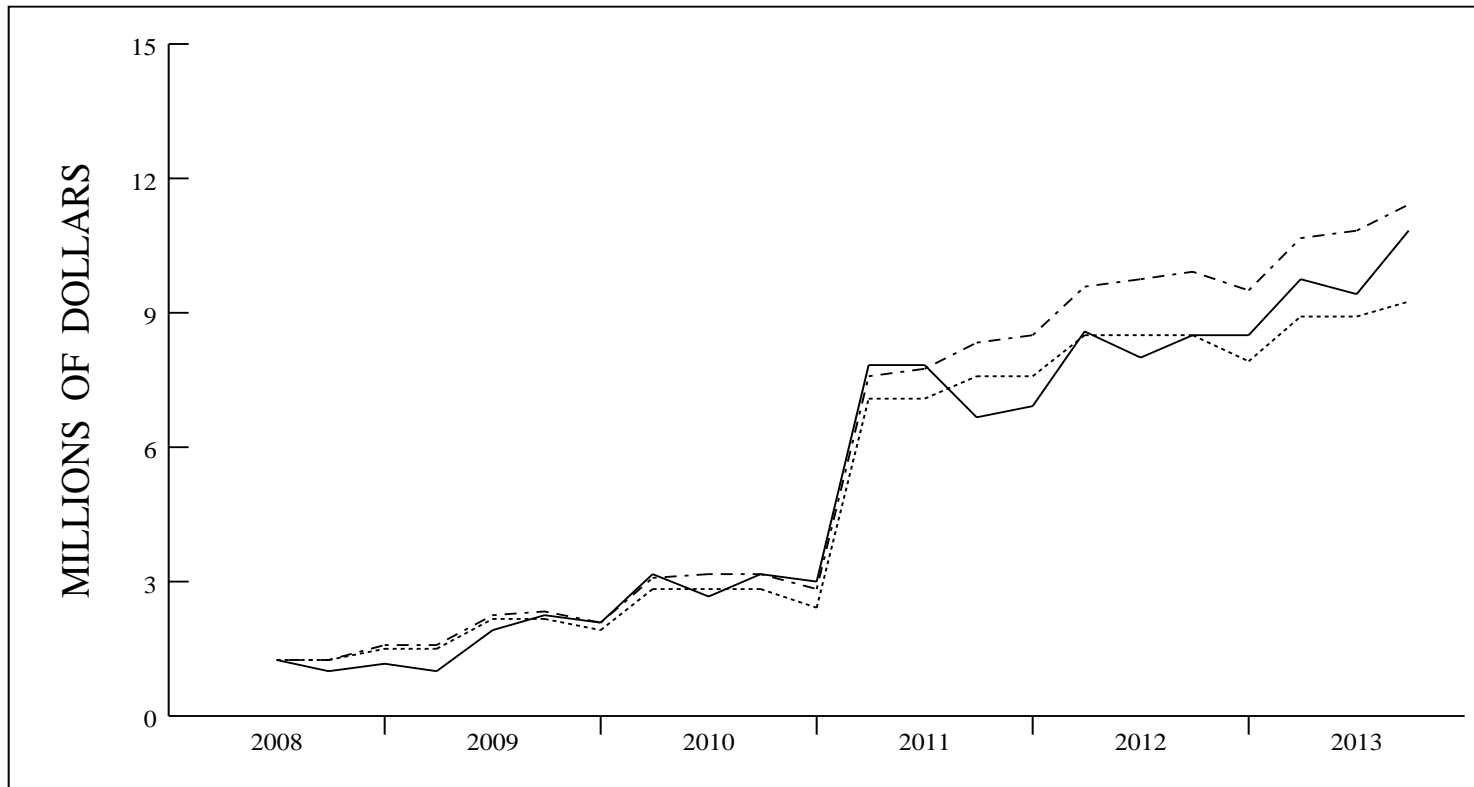
**ASSET ALLOCATION**

Int'l Equity	100.0%	\$ 10,860,261
Total Portfolio	100.0%	\$ 10,860,261

**INVESTMENT RETURN**

Market Value 6/2013	\$ 9,458,810
Contribs / Withdrawals	391,402
Income	49,752
Capital Gains / Losses	960,297
Market Value 9/2013	\$ 10,860,261

**INVESTMENT GROWTH**

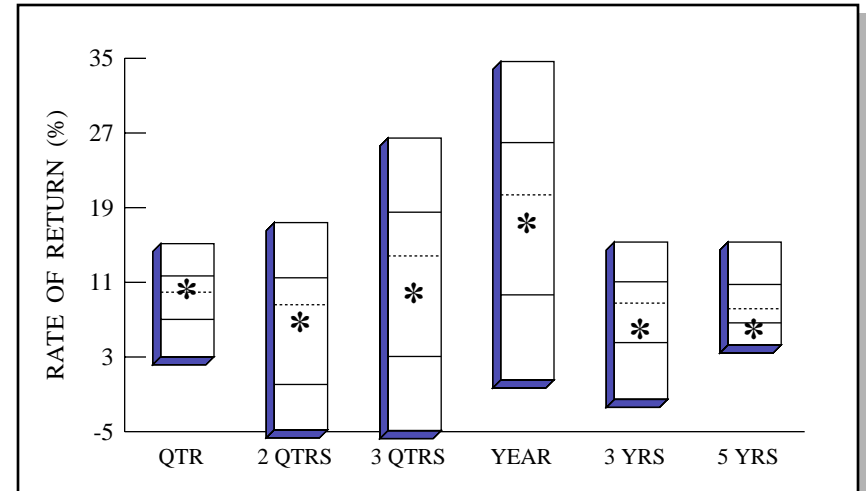
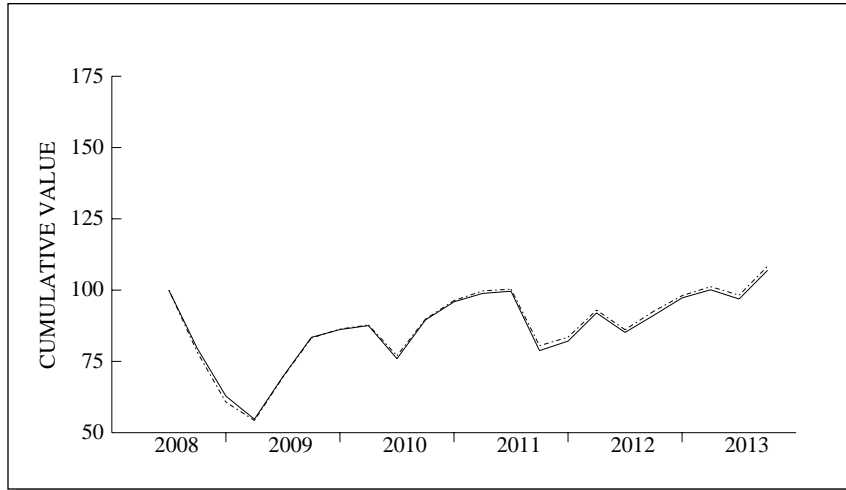


— ACTUAL RETURN  
 - - - 7.5%  
 . . . 0.0%

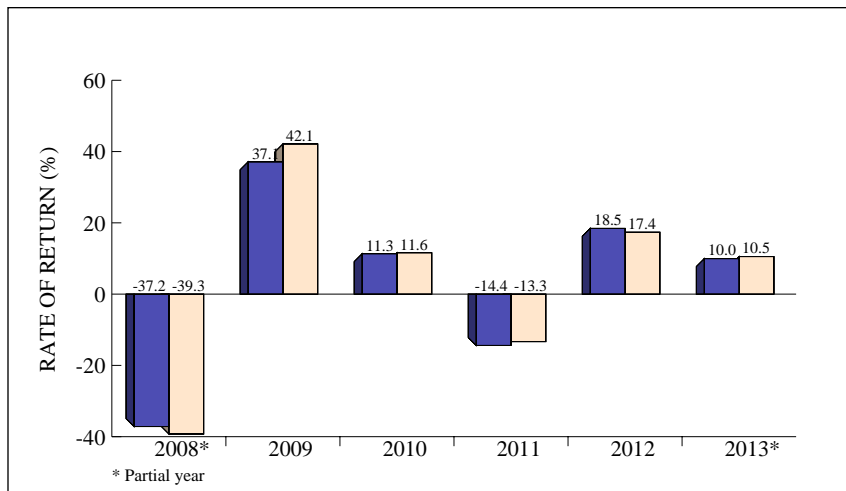
VALUE ASSUMING  
 7.5% RETURN  
 \$ 11,487,549

	LAST QUARTER	PERIOD 6/08 - 9/13
BEGINNING VALUE	\$ 9,458,810	\$ 1,264,487
NET CONTRIBUTIONS	391,402	8,051,965
INVESTMENT RETURN	1,010,049	1,543,809
<b>ENDING VALUE</b>	<b>\$ 10,860,261</b>	<b>\$ 10,860,261</b>
INCOME	49,752	813,630
CAPITAL GAINS (LOSSES)	960,297	730,179
INVESTMENT RETURN	1,010,049	1,543,809

**TOTAL RETURN COMPARISONS**



International Equity Universe

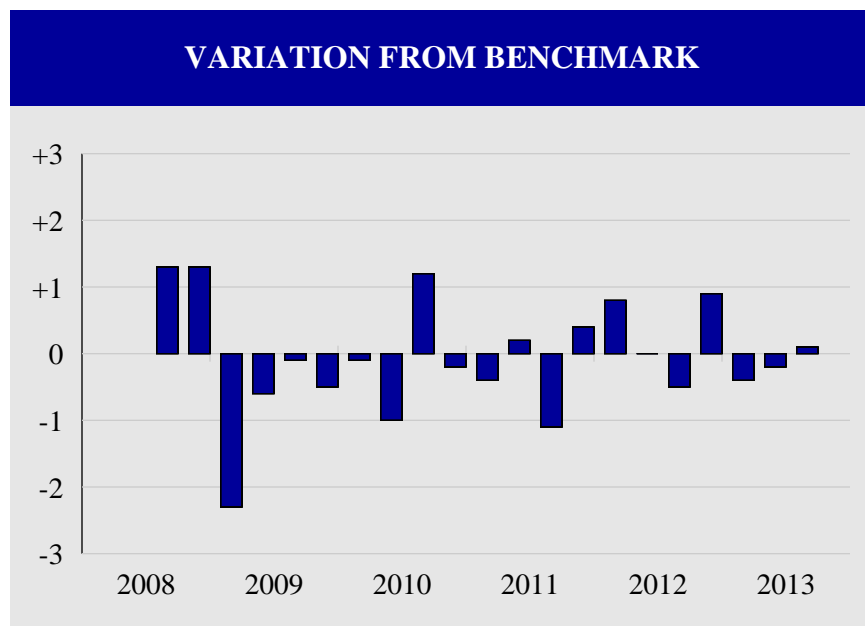


	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	10.4	6.8	10.0	17.4	6.1	6.1
(RANK)	(43)	(62)	(65)	(62)	(69)	(85)
5TH %ILE	15.1	17.4	26.5	34.7	15.3	15.3
25TH %ILE	11.7	11.5	18.5	26.0	11.1	10.8
MEDIAN	10.0	8.6	13.8	20.4	8.8	8.2
75TH %ILE	7.0	0.1	3.1	9.7	4.5	6.7
95TH %ILE	3.0	-4.8	-4.9	0.5	-1.6	4.3
<i>Global xUS</i>	<i>10.3</i>	<i>7.0</i>	<i>10.5</i>	<i>17.0</i>	<i>6.4</i>	<i>6.8</i>

International Equity Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

**COMPARATIVE BENCHMARK: VANGUARD BLENDED GLOBAL EX US INDEX**



<b>Total Quarters Observed</b>	<b>21</b>
<b>Quarters At or Above the Benchmark</b>	<b>9</b>
<b>Quarters Below the Benchmark</b>	<b>12</b>
<b>Batting Average</b>	<b>.429</b>

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
9/08	-20.5	-21.8	1.3
12/08	-21.0	-22.3	1.3
3/09	-12.9	-10.6	-2.3
6/09	27.3	27.9	-0.6
9/09	19.7	19.8	-0.1
12/09	3.3	3.8	-0.5
3/10	1.6	1.7	-0.1
6/10	-13.3	-12.3	-1.0
9/10	17.9	16.7	1.2
12/10	7.1	7.3	-0.2
3/11	3.1	3.5	-0.4
6/11	0.8	0.6	0.2
9/11	-20.9	-19.8	-1.1
12/11	4.2	3.8	0.4
3/12	12.1	11.3	0.8
6/12	-7.4	-7.4	0.0
9/12	7.0	7.5	-0.5
12/12	6.8	5.9	0.9
3/13	2.9	3.3	-0.4
6/13	-3.2	-3.0	-0.2
9/13	10.4	10.3	0.1

ORANGE COUNTY FLORIDA RETIREE HEALTH CARE BENEFIT TRUST  
VANGUARD - TOTAL BOND MARKET INDEX  
PERFORMANCE REVIEW  
SEPTEMBER 2013

## **INVESTMENT RETURN**

On September 30th, 2013, the Orange County Florida Retiree Health Care Benefit Trust's Vanguard portfolio was valued at \$8,356,873, representing an increase of \$288,395 from the June quarter's ending value of \$8,068,478. Last quarter, the Fund posted net contributions equaling \$241,679 plus a net investment gain equaling \$46,716. Net investment return was a result of \$52,792 in income receipts and \$6,076 in net realized and unrealized capital losses.

For the cumulative period since June 2008, the portfolio has posted net contributions totaling \$1.8 million, and recorded net investment gains totaling \$1.6 million. For the period since June 2008, if the fund had returned a compounded nominal rate of 7.5% it would have been valued at \$9.5 million or \$1.1 million more than the actual value as of September 30th, 2013.

## **RELATIVE PERFORMANCE**

### **Total Fund**

*Returns shown for the Barclays Aggregate Float Adjusted index include the performance of the Barclay's Aggregate index for periods through September 2009.*

For the third quarter, the Vanguard portfolio returned 0.6%, which was 0.1% greater than the Barclays Aggregate Float Adjusted Index's return of 0.5% and ranked in the 63rd percentile of the Broad Market Fixed Income universe. Over the trailing year, this portfolio returned -1.7%, which was equal to the benchmark's -1.7% return, ranking in the 83rd percentile. Since June 2008, the account returned 5.1% on an annualized basis and ranked in the 65th percentile. For comparison, the Barclays Aggregate Float Adjusted Index returned an annualized 5.1% over the same time frame.

## **ASSET ALLOCATION**

This account was fully invested in the Vanguard Total Bond Market Index Fund (VBTIX).

**EXECUTIVE SUMMARY**

**PERFORMANCE SUMMARY**

	Quarter	FYTD	1 Year	-----Annualized-----	
				3 Years	Since 6/2008
<b>Total Gross/Fees</b>	0.6	-1.7	-1.7	2.9	5.1
<i>BROAD MARKET FIXED RANK</i>	(63)	(83)	(83)	(71)	(65)
<b>Total Net/Fees</b>	0.6	-1.8	-1.8	2.8	5.0
BARC AGG. FLOAT	0.5	-1.7	-1.7	2.9	5.1
<b>Fixed Income</b>	0.6	-1.7	-1.7	2.9	5.1
<i>BROAD MARKET FIXED RANK</i>	(63)	(83)	(83)	(71)	(65)
BARC AGG. FLOAT	0.5	-1.7	-1.7	2.9	5.1

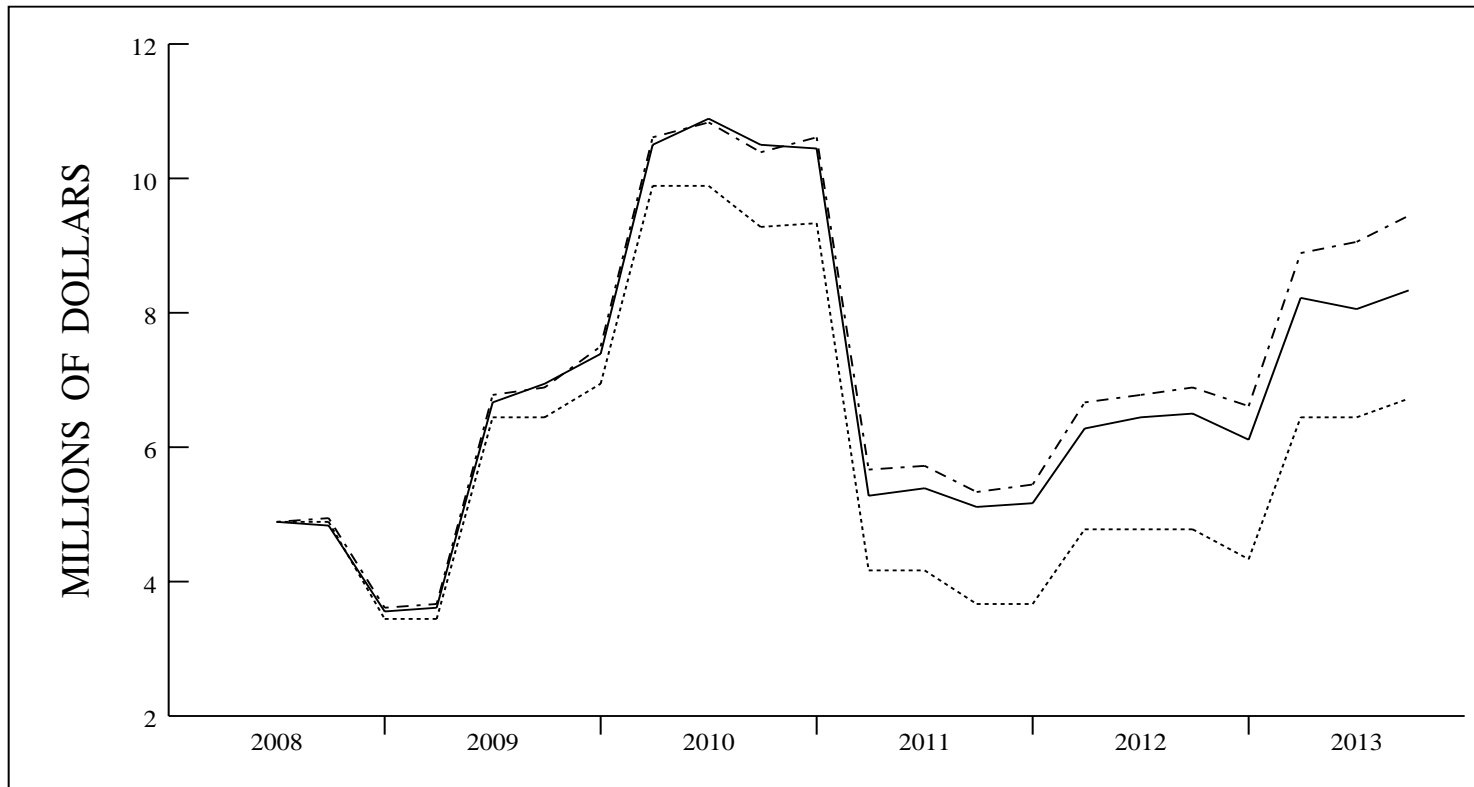
**ASSET ALLOCATION**

Fixed Income	100.0%	\$ 8,356,873
Total Portfolio	100.0%	\$ 8,356,873

**INVESTMENT RETURN**

Market Value 6/2013	\$ 8,068,478
Contribs / Withdrawals	241,679
Income	52,792
Capital Gains / Losses	- 6,076
Market Value 9/2013	\$ 8,356,873

**INVESTMENT GROWTH**



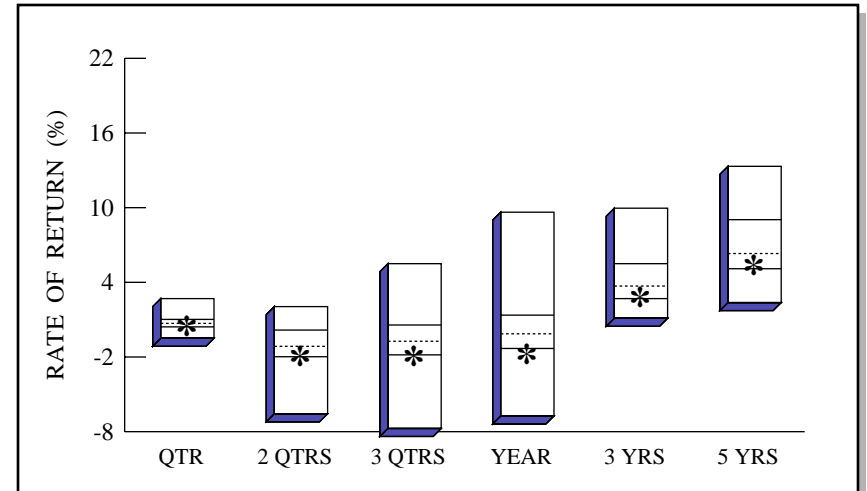
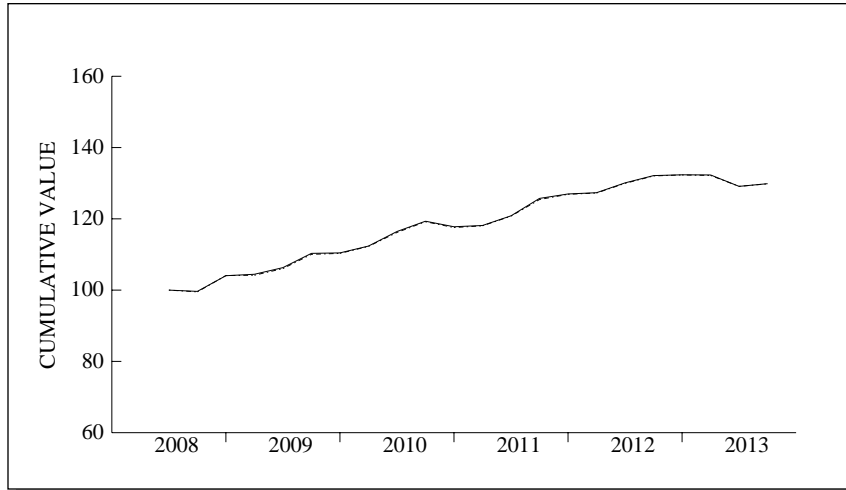
— ACTUAL RETURN  
 - - - 7.5%  
 . . . 0.0%

VALUE ASSUMING  
 7.5% RETURN  
 \$ 9,466,592

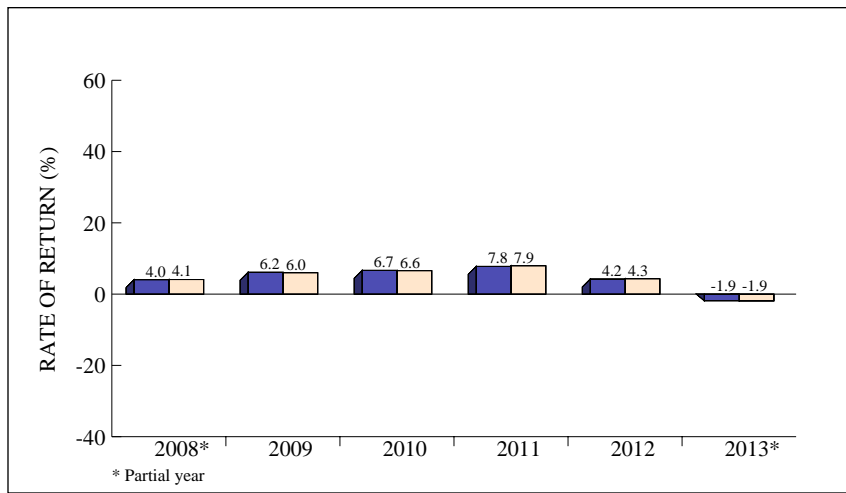
	LAST QUARTER	PERIOD 6/08 - 9/13
BEGINNING VALUE	\$ 8,068,478	\$ 4,894,566
NET CONTRIBUTIONS	241,679	1,839,566
INVESTMENT RETURN	46,716	1,622,741
<b>ENDING VALUE</b>	<b>\$ 8,356,873</b>	<b>\$ 8,356,873</b>
INCOME	52,792	1,314,494
CAPITAL GAINS (LOSSES)	- 6,076	308,247
INVESTMENT RETURN	46,716	1,622,741



**TOTAL RETURN COMPARISONS**



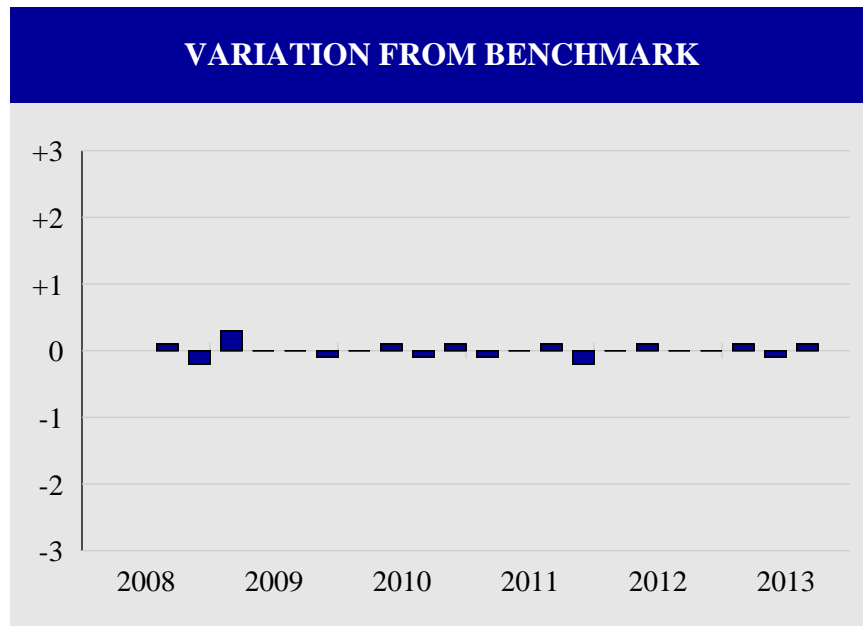
Broad Market Fixed Universe



	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	0.6	-1.8	-1.9	-1.7	2.9	5.4
(RANK)	(63)	(71)	(77)	(83)	(71)	(68)
5TH %ILE	2.7	2.1	5.5	9.6	10.0	13.3
25TH %ILE	1.0	0.2	0.6	1.4	5.5	9.0
MEDIAN	0.7	-1.2	-0.7	-0.1	3.7	6.3
75TH %ILE	0.4	-2.0	-1.8	-1.3	2.7	5.1
95TH %ILE	-0.5	-6.6	-7.7	-6.7	1.1	2.4
<b>Agg. Float</b>	<b>0.5</b>	<b>-1.8</b>	<b>-1.9</b>	<b>-1.7</b>	<b>2.9</b>	<b>5.5</b>

Broad Market Fixed Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**  
**COMPARATIVE BENCHMARK: BARCLAYS AGGREGATE FLOAT ADJUSTED INDEX**



<b>Total Quarters Observed</b>	<b>21</b>
<b>Quarters At or Above the Benchmark</b>	<b>15</b>
<b>Quarters Below the Benchmark</b>	<b>6</b>
<b>Batting Average</b>	<b>.714</b>

<b>RATES OF RETURN</b>			
Date	Portfolio	Benchmark	Difference
9/08	-0.4	-0.5	0.1
12/08	4.4	4.6	-0.2
3/09	0.4	0.1	0.3
6/09	1.8	1.8	0.0
9/09	3.7	3.7	0.0
12/09	0.1	0.2	-0.1
3/10	1.8	1.8	0.0
6/10	3.6	3.5	0.1
9/10	2.5	2.6	-0.1
12/10	-1.3	-1.4	0.1
3/11	0.3	0.4	-0.1
6/11	2.3	2.3	0.0
9/11	4.0	3.9	0.1
12/11	1.0	1.2	-0.2
3/12	0.3	0.3	0.0
6/12	2.2	2.1	0.1
9/12	1.6	1.6	0.0
12/12	0.2	0.2	0.0
3/13	0.0	-0.1	0.1
6/13	-2.4	-2.3	-0.1
9/13	0.6	0.5	0.1

**RETIREE HEALTH CARE BENEFIT TRUST  
ORANGE COUNTY, FLORIDA  
ADDENDUM TO THE ANNUAL REPORT – FISCAL YEAR 2013**

The Orange County Comptroller (the “Comptroller”) prepared the annual reports for the Retiree Health Care Benefit Trust (the “Trust”) between Fiscal Year 2008 and Fiscal Year 2012. Dahab Associates, the Trust’s independent consultant, began preparing quarterly performance reviews for the Trust in June 2013. The Comptroller now uses the Dahab prepared quarterly reports for tracking the Trust’s performance.

The Comptroller will use Dahab’s *Orange County Retiree Health Care Benefit Trust Performance Review – September 2013* as the annual report for Fiscal Year 2013.

This Dahab report contains annual and quarterly performance data and includes an economic review, asset allocations and the relative performance of each mutual fund. The Dahab report for Fiscal Year 2013 does not include data previously included in the annual reports prepared by the Comptroller such as the following:

- Employer contributions to the fund in 2013 totaled \$5.7 million.
- Total benefits paid to participants in 2013 amounted to \$4.3 million.
- The unfunded actuarial liability amounted to \$64.2 million on September 30, 2013.

It is the policy of the Comptroller to invest funds held by or for the benefit of the beneficiaries participating in the Trust in a manner that will provide adequate liquidity to meet cash flow needs and optimize returns while conforming to all federal, state and local laws governing the investment of public funds. The Trust was established as an irrevocable trust agreement between Orange County and the Comptroller as Trustee in September 2007 to fund the County’s Other Postemployment Benefit Plan (OPEB).

The objectives of the Trust are to achieve a long-term return of 7.5% annually, provide a sufficient level of funds to meet future disbursements on an inflation-adjusted basis and maximize returns for the level of risk taken.

Information on employer contributions, benefits paid, the unfunded liability and other data can be found in the *Orange County, Florida Comprehensive Annual Financial Report for the Year Ended September 30, 2013*. Relevant information from this report is attached.

/s/  
Sean Polland, Treasury Manager

May 6, 2014  
Date

## ATTACHMENT

Relevant information from the *Orange County, Florida Comprehensive Annual Financial Report for the Year Ended September 30, 2013*

### Orange County Other Postemployment Benefit Plan:

Plan Description - The Board and all constitutional officers, except for the Clerk of the Circuit and County Courts, administer a single-employer defined other postemployment benefit plan (OPEB Plan) and can amend the benefit provisions. In accordance with its Personnel Policies and Collective Bargaining Agreements, the Board offers an OPEB Plan that subsidizes the cost of health care for its retirees and eligible dependents. Board employees with at least 10 years of combined service under the Board and/or the Comptroller, Property Appraiser, Sheriff, Supervisor of Elections, or Tax Collector who retire and immediately begin receiving benefits from the Florida Retirement System (FRS) are eligible to receive a monthly health care subsidy payment of three dollars per year of service up to a maximum of \$90 per month. If combined service is at least 20 years and receipt of FRS benefits is deferred to a later date, this monthly benefit may be vested for commencement at such deferral date. Additionally, in accordance with State statute, Board employees who retire and immediately begin receiving benefits from the FRS have the option of continuing in the County health insurance plan at the same group rate as for active employees. Benefit provisions for the Comptroller and Supervisor of Elections are essentially the same as the Board. Benefit provisions for the Sheriff, Property Appraiser (if employed prior to October 1, 2005) and Tax Collector differ in that the monthly health care subsidy payment is five dollars per year of service up to a maximum of \$150 per month. Also, there are differences in the service reciprocity and vesting features of their respective plans.

In September 2007, the County established the Orange County Health Care Benefit Trust (Trust), a qualifying trust, and began funding its OPEB Plan obligation. The Clerk of the Circuit and County Courts was excluded from participation in the Trust, and benefit provisions of constitutional officers that exceed those of the Board are excluded from the Trust. Separate stand-alone financial statements for the Trust are not prepared.

At September 30, 2013, the date of the latest actuarial valuation, plan participation consisted of:

OPEB plan participants	9,133
Retirees receiving benefits	2,717

Funding Policy - The County has the authority to establish and amend funding policy. For the year ended September 30, 2013, the County contributed \$8,631,324 to the OPEB Plan, including a contribution of \$5,655,845 to the Trust. It is the County's intent to base future Trust contributions on the annual OPEB cost (AOC) in subsequent annual actuarial reports; however, no Trust contributions are legally or contractually required.

Annual OPEB Cost and Net OPEB Asset - The annual cost of the County's OPEB Plan is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost (expense) for the year, as calculated based on the ARC, the amount actually contributed, and the changes in the net OPEB Plan obligation (asset).

Annual Required Contribution (ARC)	\$ 5,849,309
Interest on net OPEB asset	(717,151)
Adjustment to ARC	<u>523,687</u>
Annual OPEB cost (AOC)	5,655,845
Contributions made	<u>(8,631,324)</u>
Increase in net OPEB asset (contribution greater than AOC)	(2,975,479)
Net OPEB asset (cumulative net contribution in excess of AOC) - beginning of year	<u>(9,562,015)</u>
Net OPEB asset (cumulative net contribution in excess of AOC) - end of year	<u><u>\$ (12,537,494)</u></u>

Three Year Trend Information:

<u>Year Ended September 30</u>	<u>Annual OPEB Cost (AOC)</u>	<u>AOC Contributed</u>	<u>Net OPEB Asset</u>
2011	\$6,264,519	62%	(\$7,610,802)
2012	\$5,729,689	134%	(\$9,562,015)
2013	\$5,655,845	153%	(\$12,537,494)

The County's net OPEB asset is reported as an asset in the government-wide statement of net position.

Funded Status and Funding Progress - As of the September 30, 2013 actuarial valuation date, the OPEB Plan was 38.8% funded, the actuarial accrued liability for benefits was \$104.7 million, and the actuarial value of assets was \$40.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$64.1 million. The annual covered payroll was \$468.5 million, and the ratio of the UAAL to the covered payroll was 13.7%. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Calculations for financial reporting purposes are based on the benefits provided under terms of the substantive plan (the plan as understood by the employer and the plan members) in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial methods are:

Actuarial cost method	Entry Age cost method
Amortization method	Level percent of payroll projected to grow 3.5% per year
Amortization period (closed)	24 years
Asset valuation method	Fair value

The actuarial assumptions are:

Investment rate of return	7.5%
Projected annual salaries increase	4.5%
Inflation rate	2.5%
Healthcare cost trend rate	Increase of 9.5% pre Medicare and 7.0% post Medicare for the 2013 fiscal year grading to an ultimate rate of 5.5% for the 2019 fiscal year

Statement of Net Position:  
at September 30, 2013

County  
OPEB

**Assets**

Cash and cash equivalents	\$ 99,760
Investments:	
Domestic equity	
securities and mutual funds	24,061,177
International equity	
securities and mutual funds	10,860,261
Money market accounts and mutual funds	341,837
Fixed income mutual funds	8,356,873
Total investments	<u>43,620,148</u>
<b>Total assets</b>	<u>43,719,908</u>
<b>Liabilities</b>	
Accounts payable	3,031,058
<b>Total liabilities</b>	<u>3,031,058</u>
<b>Net position</b>	
Restricted for OPEB benefits	<u>\$ 40,688,850</u>

Statement of Changes in Net Position:  
year ended September 30, 2013

**Additions:**

Employer contributions	\$ 5,655,845
Net investment income	5,590,588
<b>Total additions</b>	<u>11,246,433</u>

**Deductions:**

Benefits paid to participants	4,310,850
Administrative expenses	31,743
<b>Total deductions</b>	<u>4,342,593</u>

Increase in net position	6,903,840
Net position - beginning of year	<u>33,785,010</u>
Net position - end of year	<u>\$ 40,688,850</u>

**Orange County  
Other Postemployment Benefit Plan**

Schedule of Funding Progress

	<u>Actuarial Valuation Dates</u>		
	<u>09/30/13</u>	<u>09/30/12</u>	<u>09/30/11</u>
Actuarial Value of Assets [a]	\$ 40,591,145	\$ 33,786,355	\$ 25,784,694
Actuarial Accrued Liability (AAL) - Entry Age [b]	\$ 104,742,218	\$ 80,092,213	\$ 77,011,918
Unfunded AAL (UAAL) [b-a]	\$ 64,151,073	\$ 46,305,858	\$ 51,227,224
Funded Ratio [a/b]	38.75%	42.18%	33.48%
Covered Payroll [c]	\$ 468,546,225	\$ 473,995,980	\$ 471,825,868
UAAL as a Percentage of Covered Payroll [(b-a)/c]	13.69%	9.77%	10.86%

Schedule of Employer Contributions

<u>Year Ended September 30</u>	<u>Employer Contributions</u>	
	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
2013	\$ 5,849,309	148%
2012	\$ 5,883,674	131%
2011	\$ 6,466,491	60%