



Wilmington Trust  
Retirement and Institutional Services Company  
2800 North Central Avenue, Suite 900  
Phoenix, AZ 85004

February 28, 2013

Dear MEBT Participant:

On December 13, 2012, a pricing error of the MEBT Balanced Fund was discovered and corrected. The pricing inaccuracy resulted in an understated market value of the Fund on December 12, 2012.

***What caused this pricing error?*** A long and short term capital gain paid on an underlying investment of the MEBT Balanced Fund was not accounted for correctly by Wilmington Trust Retirement and Institutional Services Company (“Wilmington Trust”). The error was discovered and corrected on December 13, 2012. The cause of the error has been identified and controls have been put into place to ensure this will not happen again.

***How did this impact me?*** If you viewed your account online on December 13, 2012, your balance in the MEBT Balanced Fund would have been understated by approximately 0.618%. This represents a \$0.1042 change in the 12/12/2012 price for the MEBT Balanced Fund.

***Example:*** If you viewed your account on 12/13/2012 and it reflected a value of \$100,000.00, the correct value should have reflected \$100,618.00.

***How can I view my current account balance?*** You can always check your account balance online by going to MEBT.org and logging into your account. In fact, the website allows you to generate a Personal Activity Summary for you to view your account balance for any specified time period that you choose. If you don't know your PIN, you can call the MEBT Service Center at 1-877-690-5410 between 8:30 am and 5:00 pm Pacific Time to receive your PIN after providing proper identifying information.

***Do I need to do anything?*** No. Wilmington Trust has corrected the problem to ensure all participant records are accurate.

***Did this result in a loss to my account?*** No. As mentioned above, the pricing issue has been corrected and there has been no loss to your account.

We apologize for the inconvenience this may have caused you. Should you have any additional questions, please feel free to contact Johnny Wendt at Wilmington Trust toll-free at (800) 458-9269 ext. 1976.

Sincerely,

Wilmington Trust and Retirement Institutional Services Company

## **MEBT Correction Memo**

### **PIMCO Capital Gain - Pricing Error**

#### **What happened?**

On 12/12/2012, the PIMCO fund (PTTRX) held in the MEBT Balanced Fund paid a long and short term capital gain. This capital gain was missed on 12/12 and not booked into the fund until 12/13 resulting in the understatement of the NAV for the fund for one day. While third party sources did not show the capital gain at the time the NAV was struck, the mutual fund price drop of 3% should have been identified during the price variance review (price drops are typical when mutual funds pay dividends or capital gains). If the price variance had been identified, the NAV striking process would have been delayed until the capital gain information was confirmed.

#### **How did it happen?**

PIMCO Funds experienced internal issues resulting in a delay in providing capital gain information to third party sources the evening of 12/12/2012. As a result, the NAV was pushed before the capital gain information was published. Although the fund company experienced issues, Wilmington's Price Variance report identified the drop of 3% and should have resulted in additional investigation before the evening's NAV was struck.

#### **How was it caught?**

The price variance was identified by Wilmington Trust through the morning reconciliation process and secondary review of the prior evening's Price Variance report. Upon further investigation, the capital gain information was retrieved and the NAV was corrected accordingly.

#### **How will Wilmington Trust prevent it from happening again?**

The Variance Report now requires dual signature with manager review every evening before the price is created for the MEBT Balanced Fund. Additionally, all fund accounting staff has been retrained on the price variance report, its generation, and escalation procedures on items identified. Further formatting of the report is taking place to allow for easier identification of potential issues.

#### **Who was impacted and by how much?**

Participants who viewed their account online on December 13, 2012, would have seen an understated value in their MEBT Balanced Fund by approximately 0.618%. This represents a \$0.1042 change in the 12/12/2012 price for the MEBT Balanced Fund.

*Example:* If a participant viewed their account on 12/13/2012 and it reflected a value of \$100,000.00, the correct value would have been \$100,618.00.

If a participant fully redeemed their balance during the affected period (i.e., took a full distribution), they were entitled to a residual payment. There was a single occurrence of this scenario and the residual payment was made accordingly. There were no contributions to the MEBT Balanced Fund during the impacted period.

#### **How was the error corrected?**

The transaction activity on the evening of 12/12 was minimal. As a result, it was determined through joint communication and agreement that the 12/12/12 NAV would be adjusted to reflect the correct price and the 12/12 trades would be reprocessed. The TPA reprocessed accordingly and participant balances were corrected.

#### **When was the error corrected?**

The MEBT Balanced Fund NAV was corrected on 12/13/2012. The reprocessing of 12/12/2012 trades occurred on 12/14/2012.

### Impact Analysis

12/12/12 Net assets	\$551,546,472.72			
PIMCO Capital Gain	\$ 3,431,302.81			
Revised Net Assets	\$554,977,775.53			
Units Outstanding	32,906,997.06			
Original NAV	16.7608			
Correct NAV	16.8650			
Difference	\$ 0.1042			

### 12-12-12 Trade Activity for MEBX.U

Transaction Type	Original units	Trade amount	Revised Units	Unit Difference
SELL	1,211.727	\$ 20,309.51	1,204.240	7.487
SELL	748.353	\$ 12,543.00	743.730	4.623
SELL	375.459	\$ 6,293.00	373.140	2.319
SELL	2,346.727	\$ 39,333.03	2,332.228	14.499
			Total Unit difference	28.928
			Value of Units	\$487.87