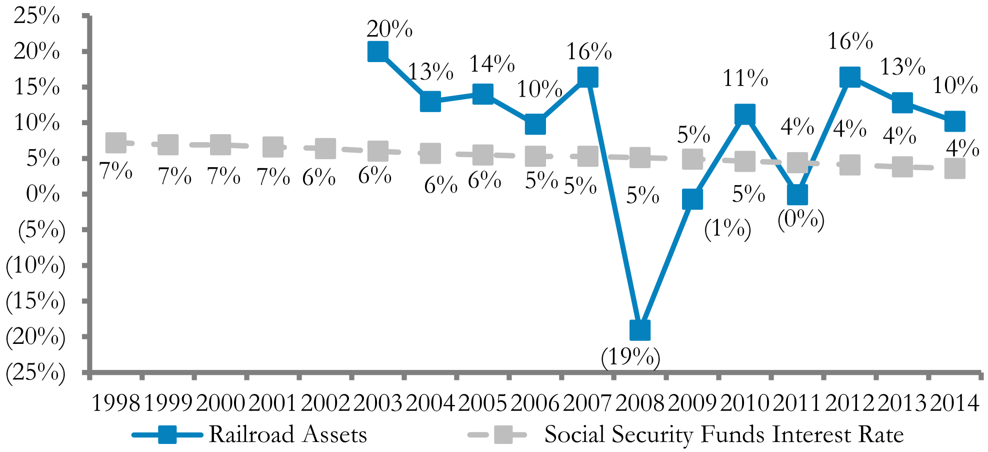
SELECTED FEDERAL AND STATE FUND ALLOCATIONS AND RETURNS

LAZARD

Case Study: 2001 Reform of the Railroad Retirement Program

The Railroad Retirement and Survivor's Improvement Act of 2001 created the National Railroad Retirement Investment Trust ("NRRIT") to invest railroad retirement assets in equities and other private sector securities; previously assets invested only in government securities

Rate of Return on Railroad Retirement Assets

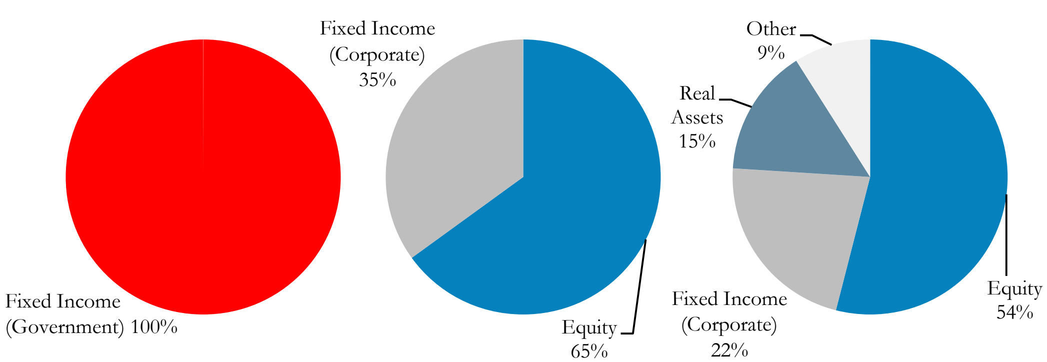


Considerations in Changing Investment Allocation

- ✓ Plan funded by private-sector employees therefore investments should be expanded to private-sector securities
- ✓ Equity investments have higher expected returns over long term
- ✓ Any conflicts of interests can be eliminated through governance and policy
- — Government assets should not be invested in private sector securities
- — Potential for political influence on investment decisions
- — Formation of NRRIT could set a precedent for the reform of the Social Security program

RRB Target Asset Allocation

Pre-Reform | **2001 Initial Target Allocation** | **2011 Revised Target Allocation**



Railroad Retirement Investment Trust

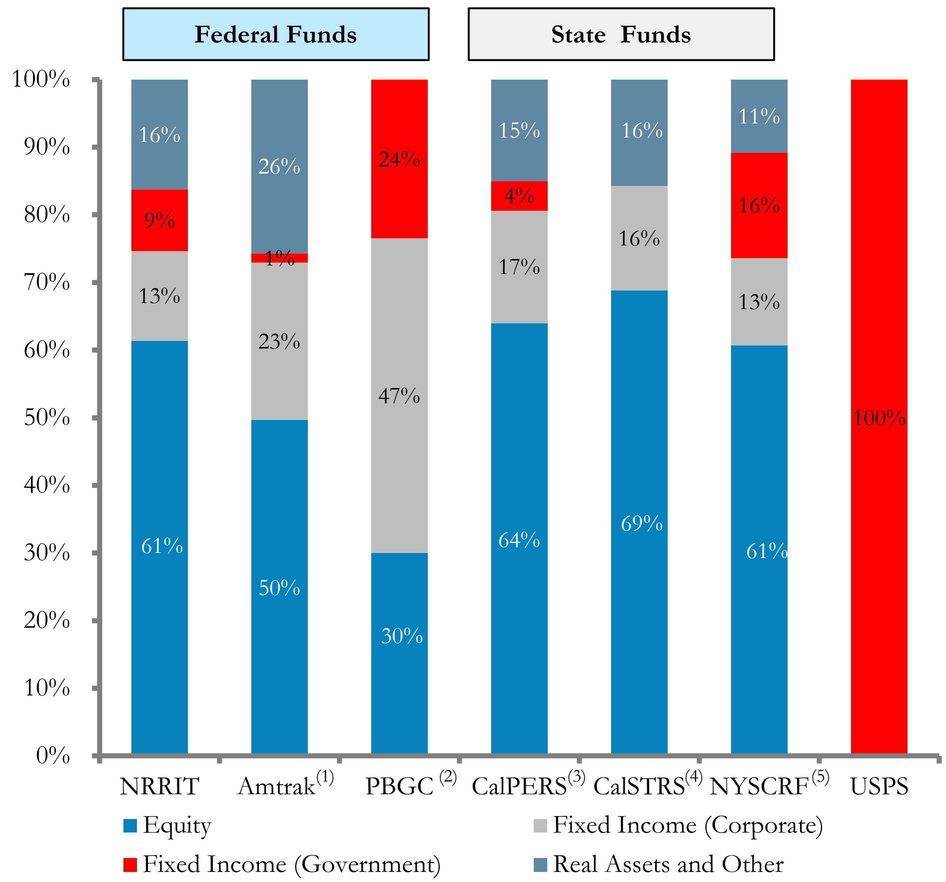
- Trust is explicitly not a government entity
- Board of Trustees consists of six private-sector trustees selected by labor and management, and one independent trustee
- Trustees must retain independent advisors to help formulate investment guidelines, and independent investment managers to invest the assets accordingly
- Investments must be diversified to minimize risk of large losses and to avoid disproportionate influence over a particular industry or firm; investment in securities issued by railroads

Source: NRRT Annual Reports; "An Assessment of the 2001 Reform of the Railroad Retirement Program," 2013 Center for Retirement Research Study (Boston College).

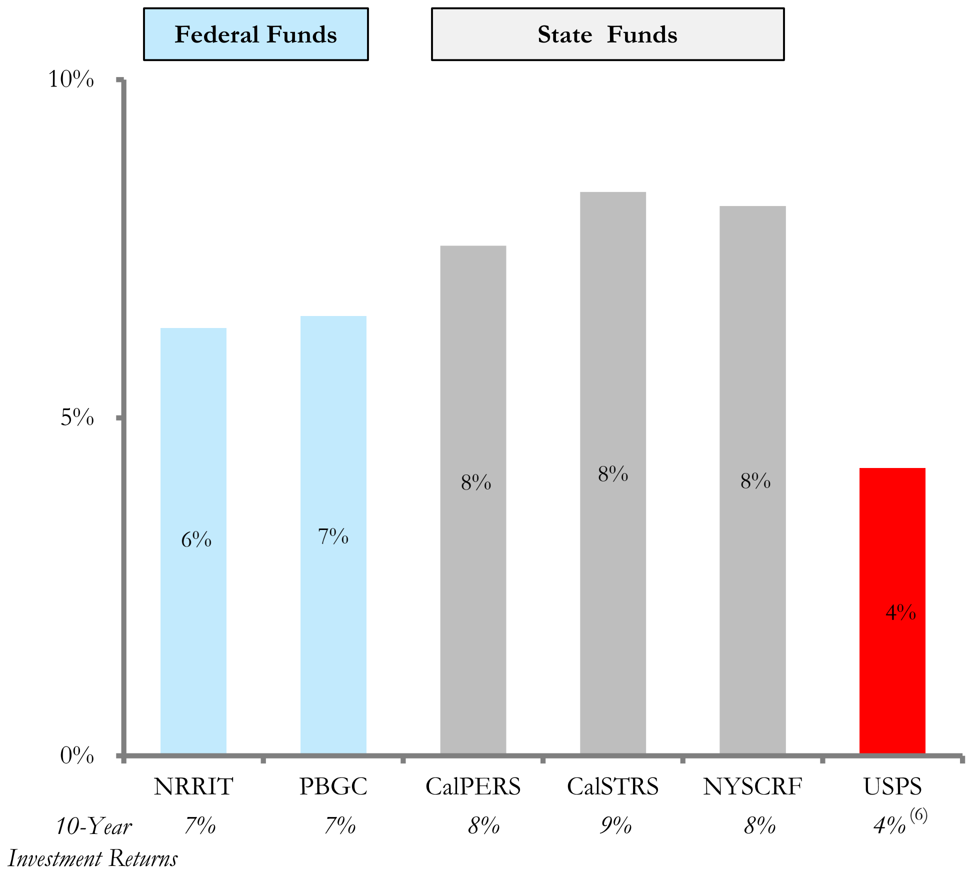
Most Recent Asset Allocation and Historical Returns of Various Funds

Major quasi-governmental pensions and other assets funds invest in diversified portfolios including corporate securities; average returns have exceeded that of the Postal Service Retiree Health Benefits Fund ("PSRHBF") since its inception in 2006

ASSET ALLOCATION



2006-2014 AVERAGE RETURNS(7)



Source: Annual reports and press releases, US News Global Asset Fund Allocation Guidelines.

(1) Amtrak trust funds provide post-retirement benefits for non-unionized employees; total assets under management: $394m.

(2) PBGC (Pension Benefit Guaranty Corporation) guarantees pension benefits for American employees and retirees in ~24,000 plans; total assets under management: $81.5b.

(3) CalPERS (California Public Employees' Retirement System) is compromised of multiple-employer plans based in CA; total assets under management: $313.7b.

(4) CalSTRS (California State Teachers' Retirement System) provides pension benefits to California full-time and part-time public school teachers; total assets under management: $189.1b.

(5) NYSCRF (New York State Common Retirement Fund) provides benefits to 3,000 state and local government-participating employers; total assets under management: $181.3b.

(6) Figures for 2005-2006 reflect US Treasury returns.

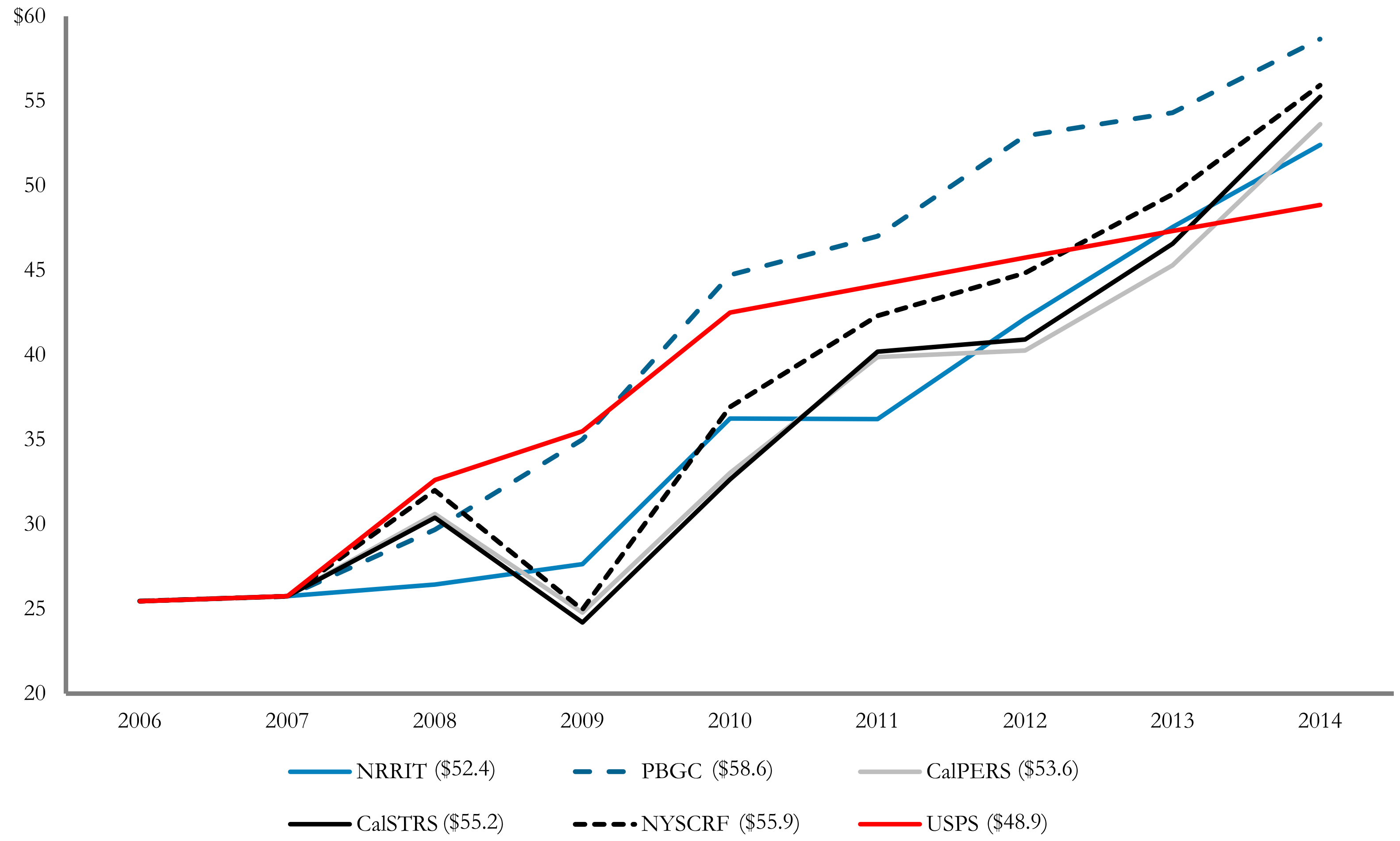
(7) USPS transferred $3.0 billion into the PSRHBF on April 6, 2007, $17.1 billion on June 29, 2007, and $5.4 billion on September 30, 2007.

PSRHBF Assets over Time

($ in billions)

PSRHBF asset balance was $48.9 billion as of September 2014. If the PSRHBF had been invested similarly to selected other quasi-governmental funds since its inception, the balance would be between $52 and $59 billion

ILLUSTRATIVE PSRHBF BALANCES ASSUMING DIVERSIFIED INVESTMENT MIX (HYPOTHETICAL PSRHBF 2014 BALANCE IN PARENTHESES)



Note: Assumes diversification in asset allocation begin September 30, 2007.

Appendix

Appendix: Summary Metrics

($ in billions)

		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	*8-Year Average*	*10-Year Average*
Illustrative PSRHBF Ending Balances Assuming Diversified Investment Mix (1)	**NRRIT**	-	-	$25.7	$26.4	$27.7	$36.2	$36.2	$42.1	$47.5	$52.4	-	-
	PBGC	-	-	25.7	29.7	35.0	44.7	47.0	52.9	54.3	58.6	-	-
	CalPERS	-	-	25.7	30.6	24.8	33.0	39.9	40.3	45.3	53.6	-	-
	CalSTRS	-	-	25.7	30.4	24.2	32.6	40.2	40.9	46.6	55.2	-	-
	NYSCRF	-	-	25.7	32.0	25.0	36.9	42.3	44.8	49.5	55.9	-	-
	USPS	-	25.5 (2)	25.7	32.6	35.5	42.5	44.1	45.7	47.3	48.9	-	-
	USPS PSRHBF Contributions and Transfers	-	-	-	5.6	1.4	5.5	-	-	-	-	-	-
Actual Fund Returns	**NRRIT**	14%	10%	16%	(19%)	(1%)	11%	(0%)	16%	13%	10%	*6%*	*7%*
	PBGC	9%	4%	7%	(7%)	13%	12%	5%	13%	3%	8%	*7%*	*7%*
	CalPERS	12%	12%	19%	(3%)	(24%)	11%	21%	1%	13%	18%	*8%*	*8%*
	CalSTRS	11%	13%	21%	(4%)	(25%)	12%	23%	2%	14%	19%	*8%*	*9%*
	NYSCRF	9%	15%	13%	3%	(26%)	26%	15%	6%	10%	13%	*8%*	*8%*
	USPS (3)	6%	5%	5%	5%	5%	4%	4%	4%	4%	3%	*4%*	*4%*

Notes:
Assumes diversification in PSRHBF asset allocation began September 30, 2007.
All pension funds have varying fiscal year ends: March (NYSCRF), June (CalPERS, CalSTRS), and September (NRRIT, PBGC, USPS).
(1) Ending Balances are calculated by applying selected fund return % to PSRHBF Beginning Balance and adding PSRHBF Contributions & Transfers for said year.
(2) Illustrative 2006 Beginning Balance is actual 2007 PSRHBF Contributions & Transfers figure. USPS transferred $3.0 billion into the PSRHBF on April 6, 2007, $17.1 billion on June 29, 2007, and $5.4 billion on September 30, 2007.
(3) 2005-2006 figures reflect US Treasury Returns.