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Staying the course with Vanguard Target Retirement Funds

Dear Plan Participant:

Vanguard Target Retirement Funds are the most convenient investment options in your California and Vicinity Field Ironworkers Annuity Trust. These “one decision” funds can help simplify your retirement planning by providing a dynamic asset mix that automatically changes over time. This way, you don’t have to take the recommended steps needed to manage your own asset mix. Vanguard professionals do it for you.

By gradually shifting from being stock-heavy to being bond-heavy over a course of decades, Target Retirement Funds give you an appropriate asset mix—regardless of your stage in retirement investing. The funds follow a predetermined schedule of investment across several Vanguard index funds. That’s why, even during tough market conditions such as the ones we’re currently experiencing, the funds continue to invest in a mix of stocks and bonds.

It’s important to remember that Target Retirement Funds are designed to be your investment vehicle through your retirement. Their investment schedules are built around what’s appropriate for a long-term investor. People are living longer than ever, and it’s quite possible that you’ll need your savings to last 20 years or more in retirement. To build a nest egg that can sustain you for that length of time, you need to invest some money in stocks because they offer the greatest potential for long-term growth. Historically, stocks have grown an average of almost 7% per year from 1926–2008 after adjusting for inflation. By staying true to their schedules, even during market downturns, Target Retirement Funds ensure that your money remains invested in the appropriate asset mix for your age and time until retirement.

Why do the funds invest a large portion of their assets in stocks?

Target Retirement Funds seek several goals:

- To help build wealth for younger investors.
- To help balance growth and income for investors as they approach retirement.
- To help preserve wealth for retirees.
- To help reduce risk while simplifying investment decisions.

To achieve these goals, the funds offer a mix of assets designed to balance two concerns for investors: the risk that the funds won’t provide high enough returns to meet long-term goals, and the risk that aggressive and volatile investments will leave a portfolio susceptible to sharp market downturns. To achieve this balance for investors of all age groups, the funds invest in stocks, bonds, and short-term reserves throughout their life, even after they have reached their target date. This balance explains why even the most conservative fund (Vanguard Target Retirement Income Fund) is partly invested in stocks, while the most aggressive fund (Vanguard Target Retirement 2050 Fund) is partly invested in bonds.

While years like 2008 can understandably make you sensitive to investing in stocks, you should not forget the danger of shortfall risk—being so conservative that you won’t have as much money as you’d like for your retirement.

Because Target Retirement Funds are designed for retirement investors—those who are investing for the long term—the funds invest in stocks to help reduce shortfall risk.

At Vanguard we believe that for the average retirement investor, market risk and shortfall risk are balanced by an age-appropriate allocation to stocks that gradually shifts to bonds and short-term reserves as you approach

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retirement. Achieving this balance is more likely to help you meet your long-term goals than abandoning market risk for the security of more conservative investments.

Which Target Retirement Fund is right for you?

The following table shows which fund might be best for you based on your age at the end of 2008. It's important to note that the dates of each fund coincide with the approximate date of your retirement based on an assumed retirement at age 65.

The investment mix for each fund—how much of the fund is invested in stocks, bonds, or short-term reserves—is also provided. Vanguard believes these are appropriate asset mixes for retirement investors who fall within the age range of each fund.

Potential Fund Choice	Your Age at Year-End	Investment Mix*
Vanguard Target Retirement 2050 Fund**	18–25	90% stocks, 10% bonds
Vanguard Target Retirement 2045 Fund**	26–30	90% stocks, 10% bonds
Vanguard Target Retirement 2040 Fund**	31–35	90% stocks, 10% bonds
Vanguard Target Retirement 2035 Fund**	36–40	90% stocks, 10% bonds
Vanguard Target Retirement 2030 Fund	41–45	86% stocks, 14% bonds
Vanguard Target Retirement 2025 Fund	46–50	79% stocks, 21% bonds
Vanguard Target Retirement 2020 Fund	51–55	71% stocks, 29% bonds
Vanguard Target Retirement 2015 Fund	56–60	64% stocks, 36% bonds
Vanguard Target Retirement 2010 Fund	61–65	55% stocks, 45% bonds
Vanguard Target Retirement 2005 Fund	66–71	43% stocks, 55% bonds, 2% short-term reserves
Vanguard Target Retirement Income Fund	72+	30% stocks, 65% bonds, 5% short-term reserves

*Approximate allocation targets for each fund as of December 31, 2007. Allocations for the date-specific funds will shift (from stocks to bonds and short-term reserves) over time based on an assumed retirement age of 65.

**The target allocations of the funds dated 2035 through 2050 are currently identical; however, as time passes, each fund will gradually shift toward a more conservative allocation depending on the maturity date of the fund.

If you think you'll retire significantly earlier or later, you may want to consider a fund with an asset allocation more appropriate to your situation.

A note about risk

Keep in mind that although Target Retirement Funds can simplify investment selection, all investing is subject to risk. Each Target Retirement Fund invests in up to seven broadly diversified Vanguard funds and is subject to the risks associated with those underlying funds. Diversification does not ensure a profit or protect against a loss in a declining market. Investments in bond funds are subject to interest rate, credit, and inflation risk.

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It's easy to access your account or learn more about Target Retirement Funds:

- **Online at Vanguard.com.** Log on to check account balances, conduct transactions, research funds, use financial planning tools, and more. If you have not established a user name and password, you will need your plan number (092360) to register for immediate online account access. To register, visit the Annuity page of the Member Services section at www.ironworkerbenny.com and follow the link to Vanguard.com.
- **By phone at 800-523-1188.** Call the 24-hour automated VOICE® Network and use your personal identification number (PIN) to conduct transactions, get detailed fund information, and more. (Spanish: **800-828-4487**; hearing-impaired: **800-523-8004**.) If you do not know your PIN, dial **0** when prompted for your PIN to speak with a Vanguard Participant Services associate Monday through Friday from 5:30 a.m. to 6 p.m., Pacific time. Associates can issue a new PIN, process transactions, and answer your questions.

Sincerely,

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For more information about any fund, including investment objectives, risks, charges, and expenses, call The Vanguard Group at 800-523-1188 to obtain a prospectus. The prospectus contains this and other important information about the fund. Read and consider the prospectus information carefully before you invest. You may also download Vanguard fund prospectuses at www.vanguard.com.