

First Quarter 2009

# Defined Contribution Performance Evaluation

## City of Los Angeles

City of Los Angeles Deferred Compensation Plan

# MERCER



*All services provided by Mercer Investment Consulting, Inc.*

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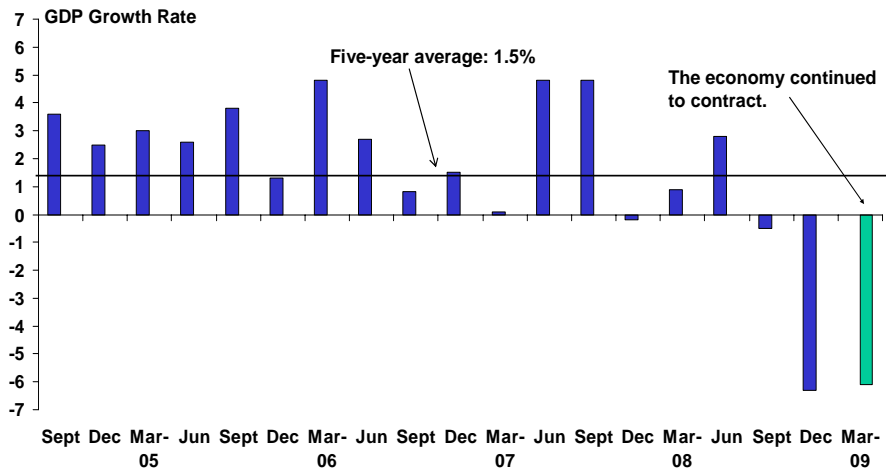
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SD/SA/ES/RH/OL/BB

# Economic Environment

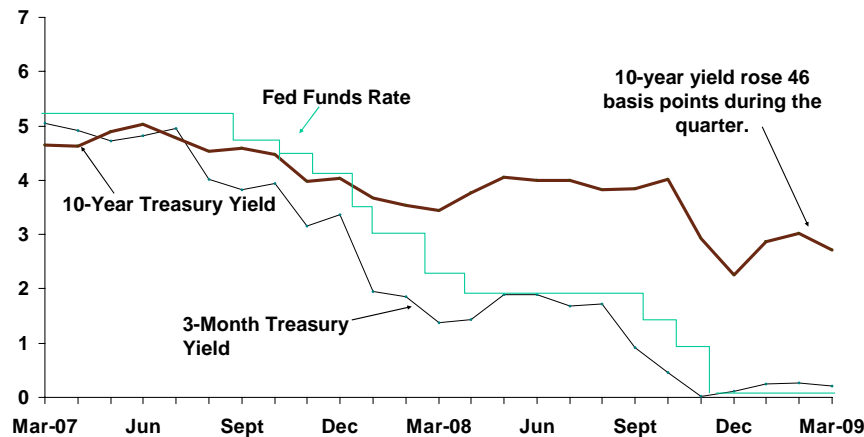
For Periods Ending March 2009

## Economic Profile



- The economic slowdown continued in the first quarter as employment plummeted, consumer spending remained on hold, and business investment declined. The government’s initial estimate of GDP showed that the economy contracted 6.1% in the first quarter.
- The unemployment rate spiked to 8.5% in March, a 25-year high. So far in 2009, 2.1 million jobs have been lost; the figure is 5.1 million since the beginning of 2008.
- After declining sharply in the fourth quarter, consumer spending appears to have stabilized. Although retail sales declined in March, they did improve in the first two months of the year. Consumer confidence rose slightly in March but held near-historic lows as consumers remained uneasy about the labor market and economy.
- Home prices fell for the 30th straight month in January and have plunged 29% since their peak in the second quarter of 2006. The number of foreclosures rose sharply in February despite an increasing number of mortgage modifications.

## Interest Rates and Inflation

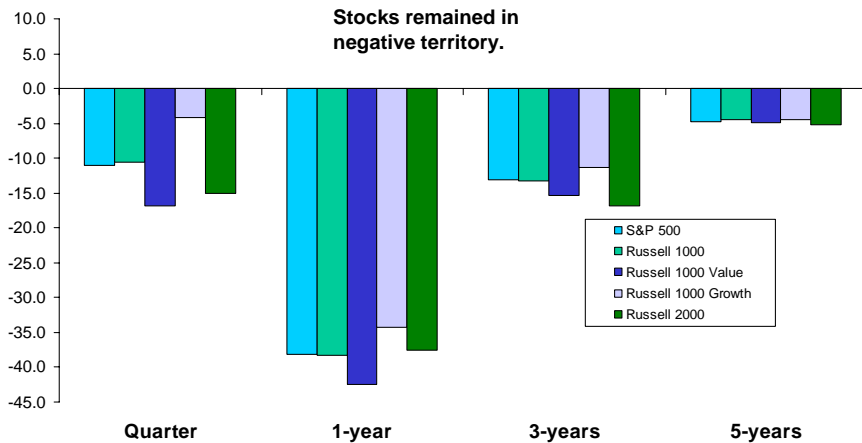


- The Fed kept the federal funds rate to a range of 0% to 0.25% and began buying government and agency bonds in an effort to ease credit and keep interest rates low.
- Over the quarter, the 2-year Treasury yield increased 5 basis points to 0.81% and the 10-year Treasury yield rose 46 basis points to 2.71%. The 2- to 10-year yield slope widened by 41 basis points.
- The 3-month T-bill yield increased 10 basis points to 0.21%, while the yield on 30-year Treasuries rose 87 basis points to 3.56%.
- Consumer prices decreased 0.4% on a year-over-year basis because of a drop in oil prices. This marked the first 12-month decline since August 1955. Core CPI was up 1.8%.

# Equity Market Performance

For Periods Ending March 2009

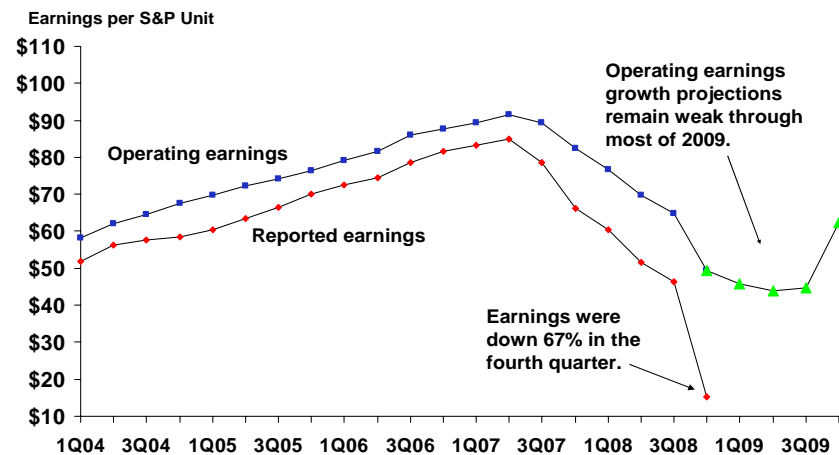
## Domestic Equity Market Performance



- The stock market rallied in March as banks showed a profit and investors were reassured by the government's efforts to stabilize the financial system and economy. Despite the rally, stocks posted their sixth consecutive quarterly loss as the S&P 500 Index fell 11.0%, while the Russell 1000 Index lost 10.5%.
- Small cap stocks underperformed large cap stocks during the quarter, declining 15.0%. Mid cap stocks held up best, falling 9.0%.
- Growth outperformed value by a wide margin across all market capitalizations. Losses were least severe for mid cap growth stocks, which fell 3.4%. Small cap value stocks, down 19.6%, were hardest hit.
- Financials and industrials were the weakest-performing sectors during the quarter, falling 27.2% and 20.4% respectively. Information technology, up 3.9%, was the only sector to advance.

Sector	Qtr Return	Weight
Energy	-11.0	12.5
Materials	-2.0	3.7
Consumer Discretionary	-6.6	9.4
Consumer Staples	-10.3	12.1
Health Care	-6.9	14.7
Financials	-27.2	11.3
Information Technology	3.9	18.2
Telecommunication Services	-6.2	3.8
Utilities	-11.4	4.4
Industrials	-20.4	9.9

Source: Returns and security data for the Russell indices are provided by Russell/Mellon Analytical Services. Russell indices are trademarks/service marks of the Frank Russell Company. Russell® is a trademark of the Frank Russell Company.

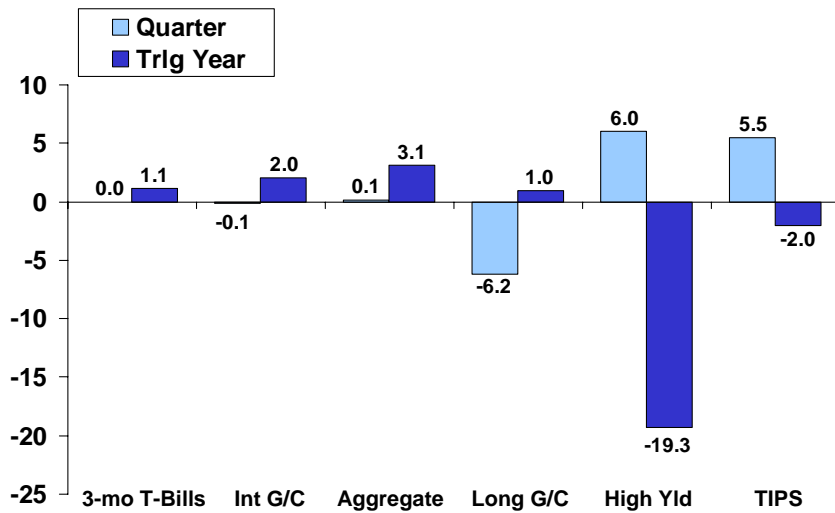


Source: Standard & Poor's

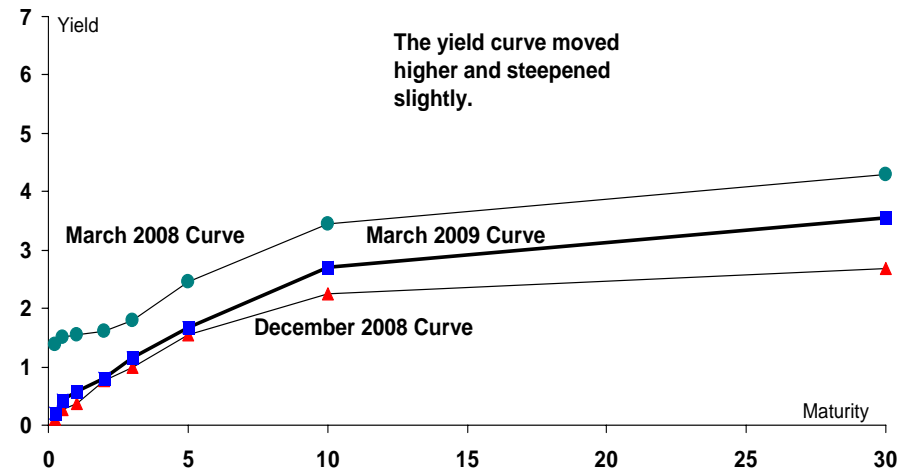
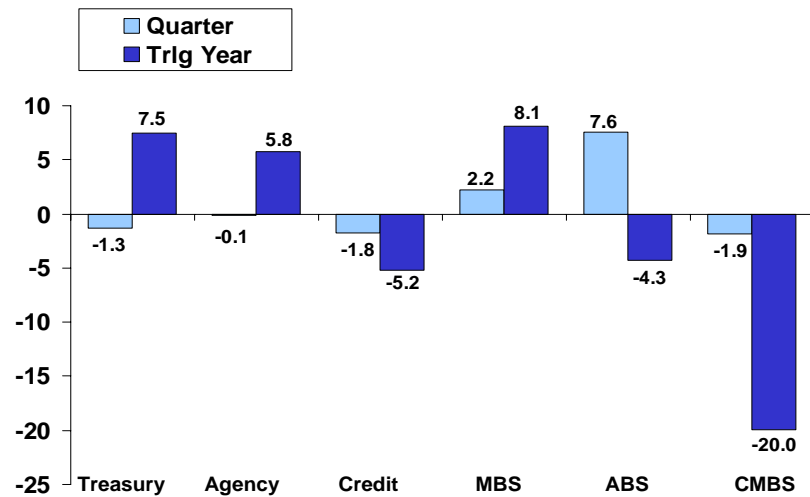
# Fixed Income Market Performance

For Periods Ending March 2009

## Fixed Income Market Performance



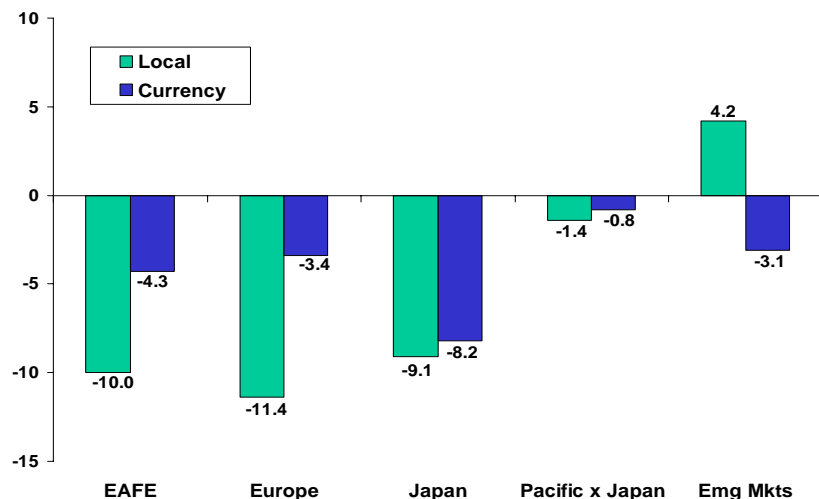
- The investment-grade bond market experienced widespread volatility as the government enacted plans to stem the credit crisis. Barclays Capital Aggregate Bond Index edged up 0.1% during the quarter.
- Treasuries declined 1.3% during the quarter as yields moved higher. Long-term Treasuries suffered a 5.2% loss.
- The Barclays Capital Credit Index was down 1.8% for the quarter. In general, long-term bonds underperformed intermediate-term maturity issues by a wide margin. By quality, BAA rated securities offered the best results, gaining 1.2%. On average, credit spreads narrowed 4 basis points during the quarter.
- The Barclays Capital MBS Index, up 2.2%, benefited from the Fed's mortgage-buying program. Helped by the TALF program, the ABS sector posted the best results, gaining 7.6%. The CMBS sector declined 1.9%.



## Other Markets

For Periods Ending March 2009

### International Equity Market Performance



- International equity markets rallied in March but remained down for the quarter as the MSCI EAFE Index fell 13.9% in US dollar terms. The Index was down 10.0% in local currency terms.
- The Pacific region declined 12.7% in the first quarter. Japan posted the weakest results, losing 16.6%. The Pacific ex Japan region was down 2.2%.
- Stocks in the European region fell 14.5% for the quarter, with all countries reporting losses. Among the major economies, Germany was hardest hit, losing 19.4%.
- The MSCI EM Index edged up 1.0% during the quarter, following a 14.4% gain in March. Latin America was the strongest-performing region, gaining 4.9%. EM Asia was up 1.7%, while EM Europe declined 6.6%.

### Other Asset Classes

#### High Yield Bonds

- The Barclays Capital High Yield Bond Index posted a solid 6.0% gain for the quarter. During the quarter, the average yield spread versus Treasuries narrowed 162 basis points.
- Long-term bonds held a slight edge over intermediate-term issues. BA rated bonds performed best, gaining 9.0%, followed by CAA rated bonds, which gained 4.8%.

#### Real Estate

- Equity REITS, as measured by the FTSE NAREIT Index, plunged 31.9% during the quarter.
- The latest data available for the private real estate market showed a fourth-quarter loss of 8.3% for the NCREIF Property Index, the lowest quarterly return since the inception of the index in 1978.

#### Inflation Indexed Bonds

- Treasury Inflation-Protected Securities (TIPS) were up 5.5% for the quarter, outperforming Treasuries by 684 basis points.

#### Commodities

- The S&P GSCI Index fell 10.6% during the quarter. The energy sector posted the weakest results, declining 14.7%. The Industrial Metals Index and Precious Metals Index were up 6.0% and 5.2% respectively.

#### International Bonds

- The Citigroup Non-US Government Bond Index declined 5.7% in US dollar terms during the quarter. Among the major economies, Japanese bonds were the weakest performers, losing 8.8%.
- The Barclays Capital Emerging Markets Index posted solid results, gaining 4.8%. The Emerging Americas, up 1.1%, was the weakest-performing region.

## Market Returns Summary

For Periods Ending March 31, 2009

		<u>QTR</u>	<u>YTD</u>	<u>1 YR</u>	<u>3 YRS*</u>	<u>5 YRS*</u>	<u>10 YRS*</u>
<b>Equity</b>	S&P 500	-11.0	-11.0	-38.1	-13.1	-4.8	-3.0
	Russell 1000 Value	-16.8	-16.8	-42.4	-15.4	-4.9	-0.6
	Russell 1000 Growth	-4.1	-4.1	-34.3	-11.3	-4.4	-5.3
	Russell MidCap	-9.0	-9.0	-40.8	-15.5	-3.5	2.3
	Russell MidCap Value	-14.7	-14.7	-42.5	-16.7	-3.8	3.1
	Russell MidCap Growth	-3.4	-3.4	-39.6	-14.9	-3.9	-0.9
	Russell 2000	-15.0	-15.0	-37.5	-16.8	-5.2	1.9
	Russell 2000 Value	-19.6	-19.6	-38.9	-17.5	-5.3	4.9
	Russell 2000 Growth	-9.7	-9.7	-36.4	-16.2	-5.4	-1.6
	Russell 3000	-10.8	-10.8	-38.2	-13.6	-4.6	-2.3
	<i>Mercer Large Cap Value Equity Peer Group median**</i>	-12.2	-12.2	-38.3	-12.9	-3.2	1.6
	<i>Mercer Large Cap Growth Equity Peer Group median**</i>	-4.3	-4.3	-34.5	-11.1	-3.0	-1.7
	<i>Mercer Small Cap Value Equity Peer Group median**</i>	-14.3	-14.3	-37.1	-15.4	-3.3	7.4
<i>Mercer Small Cap Growth Equity Peer Group median**</i>	-8.1	-8.1	-36.7	-16.1	-4.6	2.3	
<b>Fixed Income</b>	Citigroup 3-Month T-Bill	0.0	0.0	1.1	3.4	3.1	3.2
	Barclays Capital Int. Gov't/Credit	-0.1	-0.1	2.0	5.6	3.7	5.4
	Barclays Capital Gov't/Credit	-1.3	-1.3	1.8	5.5	3.7	5.6
	Barclays Capital Aggregate	0.1	0.1	3.1	5.8	4.1	5.7
	Barclays Capital Intermediate Government	-0.1	-0.1	6.0	7.6	4.8	5.8
	Barclays Capital Long Gov't/Credit	-6.2	-6.2	1.0	4.9	3.9	6.3
	Barclays Capital Mortgages	2.2	2.2	8.1	7.6	5.6	6.2
	Barclays Capital TIPS	5.5	5.5	-2.0	5.7	4.1	7.3
	Barclays Capital High Yield	6.0	6.0	-19.3	-4.7	-0.1	2.6
	<i>Mercer Core Fixed Income Peer Group median**</i>	0.6	0.6	1.0	4.6	3.6	5.6
	<b>International</b>	MSCI EAFE	-13.9	-13.9	-46.2	-14.1	-1.8
MSCI Emerging Markets		1.0	1.0	-46.9	-7.9	6.3	8.1
Citigroup Non-US Gov't Bond		-5.7	-5.7	-6.4	7.4	4.4	5.5
Citigroup Non-US Gov't Bond - Hedged		0.1	0.1	5.8	5.7	5.0	5.2
<i>Mercer International Equity Universe median**</i>		-12.3	-12.3	-45.5	-13.2	-0.7	2.1
<b>Miscellaneous</b>	NCREIF Property Index***	-8.3	-8.3	-6.5	8.1	11.7	10.5
	FTSE NAREIT	-31.9	-31.9	-58.2	-25.0	-8.6	3.9
	Merrill Lynch Inv. Grade Convertible	3.7	3.7	-10.2	-0.2	1.0	2.8
	Goldman Sachs Commodity Index	-10.6	-10.6	-56.5	-18.2	-6.3	5.0
<b>Inflation</b>	CPI	0.5	0.5	-0.4	2.1	2.6	2.6
<b>Index at 12/31/08</b>		<b>Dow Jones</b>	<b>NASDAQ</b>	<b>S&amp;P 500</b>	<b>Russell 2000</b>	<b>Wilshire 5000</b>	
		8,776.39	1,577.03	903.25	499.45	9,087.17	
<b>Index at 3/31/09</b>		<b>Dow Jones</b>	<b>NASDAQ</b>	<b>S&amp;P 500</b>	<b>Russell 2000</b>	<b>Wilshire 5000</b>	
		7,608.92	1,528.59	797.87	422.75	8,113.14	

\* Annualized

\*\* Preliminary

\*\*\* The NCREIF Property returns are one quarter in arrears.

## Domestic Equity – Largest Positive & Negative Contributors to S&P 500

For First Quarter 2009

**S&P 500 Quarterly Return = -11.01%**

### 25 Largest Positive Contributors

Stock	Return (%)	End of Quarter Weight	Cap Rank
INTL BUSINESS MACHINES CORP	15.75%	1.81%	8
APPLE INC	23.16%	1.30%	13
SCHERING-PLOUGH	38.80%	0.56%	39
GOLDMAN SACHS GROUP INC	26.27%	0.68%	30
GOOGLE INC	13.14%	1.17%	17
AMAZON.COM INC	43.21%	0.44%	49
WYETH	15.59%	0.80%	27
MORGAN STANLEY	43.85%	0.34%	61
MONSANTO CO	18.50%	0.63%	32
CORNING INC	39.90%	0.29%	74
FREPORT-MCMORAN COP&GOLD	55.93%	0.22%	109
QUALCOMM INC	9.12%	0.89%	23
SPRINT NEXTEL CORP	95.08%	0.14%	170
BEST BUY CO INC	35.72%	0.22%	108
ROHM AND HAAS CO	28.60%	0.21%	113
INTEL CORP	3.65%	1.16%	18
CISCO SYSTEMS INC	2.88%	1.36%	12
ALTRIA GROUP INC	8.50%	0.46%	45
CME GROUP INC	18.95%	0.23%	102
SUN MICROSYSTEMS INC	91.62%	0.08%	251
PRAXAIR INC	14.03%	0.29%	73
MASTERCARD INC	17.31%	0.23%	100
ALLERGAN INC	18.61%	0.20%	117
TJX COMPANIES INC	25.26%	0.15%	159
NEWMONT MINING CORP	10.22%	0.30%	69

### 25 Largest Negative Contributors

Stock	Return (%)	End of Quarter Weight	Cap Rank
WELLS FARGO & CO	-50.34%	0.84%	25
GENERAL ELECTRIC CO	-35.32%	1.48%	9
EXXON MOBIL CORP	-14.19%	4.68%	1
BANK OF AMERICA CORP	-51.49%	0.61%	34
PROCTER & GAMBLE CO	-23.27%	1.92%	6
PFIZER INC	-21.10%	1.28%	14
CITIGROUP INC	-62.19%	0.19%	122
JOHNSON & JOHNSON	-11.28%	2.02%	5
U S BANCORP	-41.38%	0.36%	58
CONOCOPHILLIPS	-23.45%	0.81%	26
JPMORGAN CHASE & CO	-14.44%	1.39%	11
AT&T INC	-10.11%	2.07%	4
PHILIP MORRIS INTERNATIONAL	-16.98%	0.98%	22
WAL-MART STORES INC	-6.58%	2.84%	2
AFLAC INC	-57.06%	0.13%	186
CHEVRON CORP	-8.13%	1.87%	7
HEWLETT-PACKARD CO	-11.44%	1.07%	20
METLIFE INC	-34.68%	0.26%	84
CATERPILLAR INC	-36.56%	0.23%	98
UNITED TECHNOLOGIES CORP	-19.06%	0.56%	37
DEVON ENERGY CORP	-31.75%	0.28%	81
VERIZON COMMUNICATIONS INC	-9.54%	1.19%	16
PNC FINANCIAL SVCS GROUP INC	-39.01%	0.18%	134
DISNEY (WALT) CO	-19.96%	0.47%	44
AMGEN INC	-14.25%	0.70%	29

Data Source: Compustat

Report Date: April 16, 2009



## Summary – Investment Option Array

### Theoretical Risk/Return Chart



† According to Mercer’s Survey on Savings Plans, Mercer Research and Bernstein Research.

## Summary – Plan Highlights

	Performance: 3-Year & 5-Year Periods Ending 3/31/09	Recommendation for Action	Consequences for Failing to Remedy Underperformance
<b>Bond Funds</b>			
Vanguard Total Bond Market Index	Satisfactory		
PIMCO Total Return	Satisfactory		
<b>Balanced Fund</b>			
Hartford Advisers	Unsatisfactory	Terminate. Assets will be mapped to the Moderate Profile Fund.	Terminate.
<b>Large-Cap Funds</b>			
Vanguard Institutional Index	Satisfactory		
Hartford Capital Appreciation	Satisfactory		
Hartford Stock Fund	Unsatisfactory	Terminate. Assets will be mapped to the Vanguard Institutional Index Fund.	Terminate.
American Funds Investment Company of America	Satisfactory		
American Funds Growth Fund of America	Satisfactory		
<b>Mid-Cap Fund</b>			
Lazard Mid Cap	Unsatisfactory	On monitor status since the fourth quarter of 2007. Performance has been lackluster. The fund is not meeting its long-term performance objectives.	Place on watch status.
<b>Small-Cap Fund</b>			
SSgA Russell 2000 Index	Satisfactory		
<b>International Funds</b>			
DWS EAFE Equity Index	Satisfactory		
Fidelity Diversified International	Satisfactory		

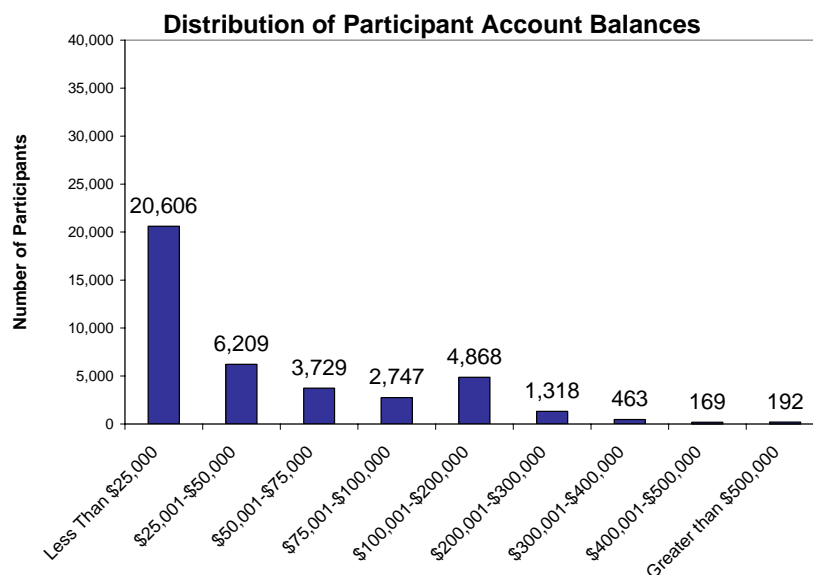
## The Board's policies for fund review/removal:

- (A) All variable investment funds will be monitored quarterly. The consultant will evaluate the relative performance of each fund against its peers and benchmark for the following time periods:
1. Quarter
  2. Year-to-Date
  3. One Year
  4. Three Years
  5. Five Years
- (B) The consultant will focus primarily on the evaluation of 3-year and 5-year performance for the purpose of assigning a performance designation of *Satisfactory* or *Unsatisfactory*.
- (C) A *Satisfactory* designation will be given to those funds that have met or exceeded their respective mandates. An actively managed fund will generally be found to have exhibited satisfactory performance if it meets or exceeds the return of its benchmark index and universe median over 3-year and 5-year periods. A passively managed index fund will generally be found to have exhibited satisfactory performance if it substantially replicates the performance of the underlying index and does not exhibit significant tracking error as established by the consultant.
- (D) An *Unsatisfactory* designation will be given to those funds that underperform their respective mandates and/or have significant qualitative concerns. An actively managed fund will generally be found to have exhibited unsatisfactory performance if its returns are below the return of its benchmark index and universe median over 3-year and 5-year periods. A passively managed index fund will generally be found to have exhibited unsatisfactory performance if its returns do not substantially replicate the performance of the underlying index and exhibit significant tracking error as established by the consultant.
- (E) If a fund is determined to be *Unsatisfactory*, the consultant will recommend that it be placed on either "monitor" or "watch" status. The assignment of the category will be based on the severity of deviance found in one or more of the following evaluative factors:
1. Performance against the benchmark, peer group or contracted performance targets falling below the applicable targeted range
  2. Style drift or investment guideline violations
  3. Organizational changes in ownership or portfolio management personnel that, in the judgment of the consultant, could adversely affect performance
- (F) "Monitor" status means that areas of concern have been identified for one or more of the factors identified under (E), but not to a degree that places the fund in direct danger of elimination. "Watch" status means that areas of significant concern have been identified in one or more of the factors identified under (E), to a degree that places the fund under close scrutiny.
- (G) A fund placed on "watch" status will have a minimum of two and not more than six quarters in which to correct its noted deviance, based on the recommendation by the consultant and adoption of that recommendation by the Board. The specific timeframe for resolution of an issue or issues will be established by the Board and communicated in writing to the investment manager. Based on its ongoing performance the consultant may, in subsequent reviews, recommend elimination of the fund at the conclusion of the adopted timeframe.
- (H) Removal from "watch" status will occur in one of two ways: (1) by action of the Board and notice to the investment manager that the Board is satisfied with improved performance or corrective measures taken; or (2) by action of the Board and notice of termination given to the investment manager.

## Summary – Plan Highlights

### Deferred Compensation Plan Assets

- At quarter-end, assets in the Deferred Compensation Plan totaled \$2,219.8 million, decreasing \$60.1 million (-2.6%) from \$2,279.9 million at the previous quarter-end.
- In general, equity markets declined during a volatile equity market environment; emerging markets were a notable exception with positive performance. Fixed income markets had mixed results. Contributions (including other deposits) for the quarter totaled \$57.5 million compared to withdrawals of \$36.0 million; the remainder of the decrease in assets is attributable to depreciation.
- As of March 31, 2009, there were 40,539 participants (40,301 had an account balance). The average account balance of participants with a balance was \$55,081; the median balance of these participants was \$23,703. The distribution of participant balances is shown below; 51.1% of participants had a balance less than \$25,000 and 0.5% had a balance greater than \$500,000.



\*Data provided by Great-West

- Hartford Life General Account held the highest percentage of the Plan’s assets at 20.1% of total assets (versus 18.4% at the end of the fourth quarter). Washington Mutual Liquid Account (12.7%), Vanguard Institutional Index (10.1%), Galliard Stable Value (7.5%), American Funds Growth Fund of America A (7.3%) and Hartford Capital Appreciation HLS IA (7.0%) were the most popular investment options.
- Assets invested in the Pre-Mixed (lifecycle) Portfolios totaled \$125.3 million at quarter end; this was a decrease of \$7.2 million from \$132.5 million at the prior quarter end.

## Summary – Plan Highlights

### For the 3-Month Period

- Each of the following funds matched or outperformed its index and, where applicable, its universe median:
  - Hartford Life General Account
  - PIMCO Total Return Instl
  - Hartford Advisers HLS IA
  - American Funds Investment Company of America A
  - Hartford Capital Appreciation HLS IA
  - Hartford Stock HLS IA
  - American Funds Growth Fund of America A
  - Fidelity Diversified International
  
- Each of the following funds underperformed its index and, where applicable, its universe median:
  - Galliard Stable Value
  - Lazard Mid Cap Instl
  
- The Vanguard Total Bond Market Index Instl, Vanguard Institutional Index Plus and SSgA Russell 2000 Index funds tracked their respective indices as expected. The DWS EAFE Equity Index Instl lagged its index by approximately 120 basis points; this is attributable to fair-value pricing, which can lead to amplified tracking error during periods of economic volatility. Please see the Key Observations for further discussion.
  
- Each of the Profile funds (customized risk-profile funds ranging from Ultra Conservative to Ultra Aggressive) matched or outperformed its respective custom index, with the exception of the Ultra Aggressive Profile fund, which trailed its index by 20 basis points.

## Summary – Plan Highlights

### For the Long-Term Periods (3 and 5 years where applicable)

- Each of the following funds outperformed its index and, where applicable, its universe median:
  - Galliard Stable Value
  - Hartford Life General Account
  - PIMCO Total Return Instl
  - American Funds Investment Company of America A
  - Fidelity Diversified International
  
- Each of the following funds underperformed its index and, where applicable, its universe median:
  - Hartford Advisers HLS IA
  - Hartford Stock HLS IA
  - Lazard Mid Cap Instl
  
- American Funds Growth Fund of America A outperformed the index for the 5-year period and outperformed the universe median for both long-term periods.
- Hartford Capital Appreciation HLS IA underperformed both the index and universe median for the 3-year period, but outperformed both benchmarks for the 5-year period.
- Each of the Profile funds (customized risk-profile funds ranging from Ultra Conservative to Ultra Aggressive) with long-term performance tracked its respective custom index.
- For the 3- and 5-year periods, the Vanguard Total Bond Market Index Fund, Vanguard Institutional Index Fund, SSgA Russell 2000 Index Fund and DWS EAFE Equity Index funds tracked their respective indices as expected.

## Summary – Plan Highlights

### Key Observations & Recommendations

- Consistent with the City’s goal of consolidating and reducing the number of investment options, Galliard has been selected as the Plan’s sole stable value manager effective July 1, 2009. The Hartford General Account will no longer be available to participants as of July 1, 2009. Assets in the Hartford General Account will be liquidated and the cash transferred to Galliard on July 2, 2009. The new offering will be called the City of Los Angeles Stable Value Fund.
- Effective June 26, 2009, the Washington Mutual CD investment option will no longer be available, and no future contributions or transfers into this investment option will be permitted. Existing CDs will remain in place, but as they mature cash will be deposited to the FDIC investment option.
- The Hartford Advisers HLS, Hartford Capital Appreciation HLS and Hartford Stock HLS funds will be moved to an NAV platform June 26, 2009. Hartford Stock HLS and Hartford Advisers HLS funds are scheduled to be liquidated in early November 2009. Assets in the Hartford Advisers HLS fund will be mapped to the Moderate Profile fund, while assets in the Hartford Stock HLS fund will be mapped to the Vanguard Institutional Index fund.
- Lazard Mid Cap
  - The fund trailed the index for all periods evaluated except the 1-year period, when it outperformed. The fund placed below, but near, the median for all periods evaluated. During the first quarter, the fund’s underperformance was largely attributable to unfavorable overweight and stock selection in the industrials sector; Foster Wheeler declined 25.3%. Also detracting from performance were unfavorable underweight allocation and stock selection within the information technology sector. Additionally, stock selection in consumer staples negatively impacted performance, as notable individual detractor Molson Coors Brewing Co. declined 29.5%.
  - Mercer assigned a provisional designation to the Mid Cap Equity products in February 2009 based on the firm’s changes to the research structure. These include co-portfolio manager Gary Buesser’s departure from the Mid Cap Team to a new role focusing on the firm’s pilot accounting validation program. While recognizing this may strengthen the centralized US Equity Research Team, we are concerned that the move could have a negative impact on the team’s dedicated fundamental research, as co-portfolio managers Chris Blake, Robert Failla and Buesser previously preferred their own fundamental research to that of the US Equity Research Team. Mercer is not familiar with Peter Nesvold and Michael De Bernardais (from Lazard’s Small Cap Equity Team), who are now covering Buesser’s responsibilities within the industrials sector.
  - Mercer recommends keeping this fund on monitor status, pending the outcome of our on-site visit in July.

## Summary – Plan Highlights

### Key Observations & Recommendations

- DWS EAFE Equity Index
  - The fund lagged the index by 120 basis points for the quarter; however, it tracked the index within approximately 20 basis points for all other periods evaluated. As we have noted in prior quarters, the fund’s cost to buy and sell securities, the flow of money into and out of the fund, and the potential out-/under-performance of the stocks selected may lead to greater share price volatility and higher tracking error. The continued volatility in the global markets resulted in higher tracking error for DWS and most other international equity index managers because of the fair value pricing of securities. The pricing differentials that result typically correct themselves, usually the next trading day, when market prices reflect fair value.



## Summary – Plan Highlights

### Investment Manager Updates

#### ***Pacific Investment Management Co. (PIMCO) – Research View Dated April 21, 2009***

In April, Mercer met with Chris Dialynas (portfolio manager), who provided a quarterly fixed income update.

- PIMCO is developing a preference these days for less-complicated instruments than it has had in the past, and has decreased its derivatives notional exposure. We doubt that this is a long-term movement; rather we believe that it takes advantage of a unique market opportunity wherein cash is trading cheap relative to synthetics. The firmwide macroeconomic outlook is negative for 2009. PIMCO's forecast is for low growth and low inflation, which has the firm in a defensive duration posture for US portfolios (emphasizing long duration in all other regions of the world) as well as a slight overweight to TIPS and munis. It should be noted, however, that in previous discussions with PIMCO we were told that the firm believed that volatility will continue, whereas now the firm is saying that volatility has peaked.
- PIMCO is recognizing the demand for Long Credit mandates and is making an observable shift in that direction. Given the negative basis between cash bonds and single-name CDS, PIMCO views the new-issue market as being the most appealing in credit strategies. The quality focus is on A or better in the investment-grade-only portfolios.
- PIMCO is neutral to underweight emerging markets, favoring commodity-rich countries like Brazil and Russia. Currency positioning is relatively neutral, but PIMCO admits that this will be an important point of discussion at the secular forum.

#### ***Pacific Investment Management Co. (PIMCO) – News Item Dated February 24, 2009***

- Mercer has learned that PIMCO named Mark Kiesel global head of the Corporate Bond Portfolio Management Group. In addition to his previous role as portfolio manager and head of the investment grade corporate team, he now oversees PIMCO's global corporate credit effort, with all corporate bond management teams (investment grade, high yield, loans, and credit derivatives) reporting to him. Additionally, as a backup portfolio manager, he has direct involvement with high yield accounts.
- No ratings changes are warranted at this time; we believe this to be a positive incremental development for PIMCO. Mercer interprets the change as an effort to coordinate the firm's global corporate credit strategies further and to maintain consistent portfolio positioning that is in line with the firm's top-down views. We are encouraged that PIMCO is taking the need for consistent application of its approach seriously and attempting to minimize dispersion across regions. This is especially important in light of recent comments that PIMCO expects bottom-up security selection to play an increasingly important role in the idea generation and portfolio construction processes.
- We will continue to monitor PIMCO closely, especially on the topics of Kiesel's ability to balance his ongoing portfolio manager assignments with his newly expanded role, and the extent to which PIMCO's investment approach and active risk budget migrate to bottom-up relative value trades and away from top-down and curve- and sector-driven strategies.

## Summary – Plan Highlights

### Investment Manager Updates

#### ***Pacific Investment Management Co. (PIMCO) – News Item Dated February 24, 2009***

Mercer met with PIMCO's Mohamed El-Erian (CEO and co-CIO), Andrew Balls (managing director and head of European Portfolio Management), and Joe McDevitt (managing director and head of PIMCO's London office) in February. PIMCO asked to hold this meeting so that more of us could acquaint ourselves with senior management and hear their latest mission statement. Prior to this meeting we posed several questions to their presentation team to gain greater clarity surrounding four issues that gave us cause for concern: dispersion of returns between US and non-US accounts; staff retention; risk management; and capacity.

- PIMCO accepted that the dispersion of returns was not only unhealthy between US and non-US accounts but also within regional accounts. To address this they have decided to alter their approach slightly and change some of their personnel. Several high-profile European portfolio managers have now been moved to more business- or client-facing roles. Additionally, Bill Powers decided to relocate to Newport Beach after his three-month tenure in London. The biggest change was the promotion of Andrew Balls to head of European Portfolio Management, replacing Powers, and his new status as a permanent member of the Global Investment Committee. PIMCO believe this will address portfolio managers' sizing positions differently, which they saw as one of the biggest reasons for performance differences.
- When answering questions on staff retention, PIMCO was evasive as ever, citing different reasons various people have left. Reading between the lines it was obvious that they have had to make some difficult decisions and have let people go because of performance reasons, and that there were a few individuals they would rather have kept. This is not necessarily a negative, but sometimes we wish PIMCO was more transparent in explanations about staffing changes. PIMCO did go on to inform us that they had recently established a system with Allianz, whereby new managing directors and potentially new staff members were able to gain access to a profit-sharing scheme similar to the old system, which proved very lucrative for the "old guard." They believe this will help them retain the staff they want while attracting new talent.
- PIMCO also mentioned that they will begin to incorporate more micro-positioning within all their portfolios. This will be at the expense of their top-down macro views. El-Erian explained that because PIMCO had correctly called the global economic slowdown and a secular shift lower in yields, their new point of focus will be on analyzing sector and issuer dispersion. Mercer was informed that the portfolios' risk budget will focus less on duration, curve and country risk and more on asset and idiosyncratic risk. In addition to their focus on relative-value versus macro positioning, EL-Erian indicated that they also intended to employ fewer derivative strategies and more physical bonds throughout the portfolio construction process. Given the proposed changes to their investment focus, PIMCO has commissioned an increased focus on their risk systems to accommodate an analysis of risk to default and possibly rating migration. We welcome these changes and will be interested to see how PIMCO accounts for idiosyncratic risk within their systems.

## Summary – Plan Highlights

### Investment Manager Updates

- PIMCO ignored our requests for further details regarding capacity. They continue to believe that their size is an advantage. We believe that this is the case when sourcing new issues directly from a borrower. However, we would argue that this is not the case when developing an exit strategy or buying secondary issues from the street across their large and varied account base. El-Erian mentioned that their move to become slightly more regionally centric should address some of these concerns.

#### ***Wellington Management Company (Hartford Advisers) – News Item Dated April 14, 2009***

- Wellington has announced that Jim Valone, portfolio manager and chair of the Emerging Markets Debt team, has been appointed to the role of co-director of Fixed Income effective immediately. In this role, Valone and co-director Diane Nordin oversee Wellington's fixed income platform, ensuring that investment teams are properly resourced, and developing and executing broader business strategy. Valone will remain the chair of the Emerging Markets Debt Strategy Group, and retain his existing portfolio management responsibilities. There are no changes to key decision makers or the composition of existing strategy groups.
- This change has no effect on our Wellington fixed income ratings. There have been no changes to key decision makers for any fixed income strategies, and we are not concerned about Valone's being stretched to the extent that the emerging market debt capability is compromised.

#### ***Fidelity Management & Research Company (Fidelity Diversified International) – News Items Dated June 3, 2009 and March 27, 2009***

- In late March 2009, Mercer learned that Fidelity Management & Research Co. (Fidelity) reopened its Diversified International strategy. Fidelity had stated that the majority of the assets invested in the fund are earmarked for transfer to post-retirement funds in light of the mature shareholder base. In light of these expected redemptions, it has opened the doors for new assets. Since the fund has been closed to new investors, it has not generated new assets to offset current and expected redemptions. We followed up to receive additional details on the nature of these withdrawals. We note that it took Fidelity a long time to return to us with answers to some of our questions, and the firm's answers are not entirely clear at this point.

#### *Shareholder Base*

- We asked to better understand how the fund's shareholder base is divided. The client base of Diversified International is mainly made up of defined contribution plan participants (over 50%, potentially more), Fidelity mutual fund clients, or other retail clients who purchased units via a third-party broker. The client base also includes a few small defined benefit plans and is used in the Freedom Funds (a multi-manager product), but they represent a smaller portion of the fund's assets. We were not able to obtain the exact split between the various client groups.

## Summary – Plan Highlights

### Investment Manager Updates

- Fidelity has drawn on its record-keeping data, which lists the age of defined contribution plan participants, to estimate that many assets may be transferring to post-retirement funds over the next few years. We were left with the impression that other client groups were not considered in the analysis of potential retirement outflows, but we note that these groups are collectively smaller than the defined contribution clients.
- Anecdotally, we also note that most of the research we read suggests that plan participants are postponing retirement following the drop in funds from the large recent market decline, and in light of the modest government pension funds available. We wonder whether actual cash outflows from the Diversified International fund will be as notable as expected.

### *Time Line of Cash Flows*

- Again, Fidelity did not provide many answers regarding the expected timeline for the withdrawal of the retirement money. We received the impression that the firm expects this to be a gradual shift rather than a large withdrawal. Within an individual defined contribution plan, there are many plan participants who each individually time the entry and exit into the funds they have chosen. Further, that the Diversified International fund has a diversified base of defined contribution plan sponsors, with no single client representing a large portion of assets, would support this notion of a gradual shift. The large diversification, both at the plan participant level and the plan sponsor level, suggest that a gradual exit would be expected.

### *Capacity Management: Short Term versus Long Term*

- The questions regarding the timeline of potential cash outflows highlight the risks of pooled fund investing and the importance of cash and capacity management.
- Pooled fund investing offers many advantage, most notably the reduction and sharing of various costs with other clients invested in the pooled fund. However, those same benefits carry a cost: if there are large client outflows, particularly in instances when asset levels are high (as is the case with the Diversified International fund), all pooled fund unit holders share in the various costs (both clients exiting and clients remaining in the fund), including the market price impact cost, of the large sale. Hence, when investing in pooled funds, it is preferable to choose a fund with a diversified number of clients and with asset levels that are conservatively managed to reduce the risk of such large outflows.
- While the fact that Fidelity expects a large outflow of clients that are approaching retirement has highlighted this concern, we note that this risk is ongoing in a pooled vehicle that carries such a large amount of assets (\$28 billion). This concern is somewhat muted by the fact that it is unusual for individual plan participants within various defined contribution plans to retire at the same time.
- A typical mutual fund practice is to implement measures to stabilize or offset cash outflows somehow. Since Fidelity is expecting large cash outflows in the future, it has reopened the strategy to new cash inflows in the hopes that the effects will cancel each other out (or will be reduced in magnitude). While this approach may help reduce costs of cash outflows on remaining unitholders over the short term, it does not address the larger issue that assets on the whole are quite large.

## Summary – Plan Highlights

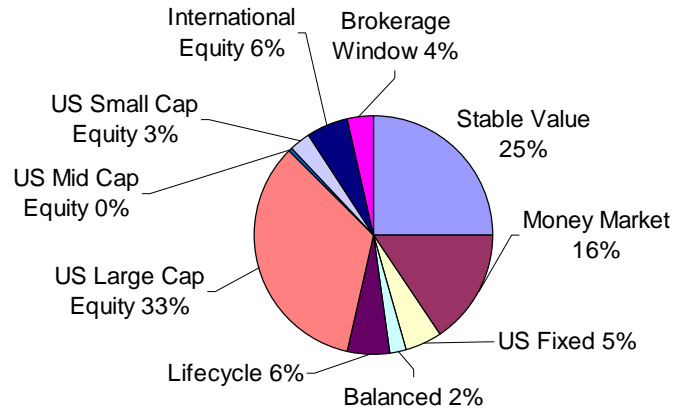
### Investment Manager Updates

#### *Conclusion*

- Mercer continues to have a negative view of Fidelity’s capacity management, or lack thereof. Furthermore, although we cannot confirm this, we are of the opinion that the decision to reopen the Diversified International fund is at least in part driven by a market opportunity to do so, since many peers have re-opened their products in response to lowered asset values. Even at its current level of \$28 billion, the strategy holds a large amount of assets and we do not view the decision to reopen the fund positively.
- Mercer is conducting a due diligence review of the Diversified International fund at the end of July 2009, at which time we will discuss these issues in greater detail with the portfolio manager.

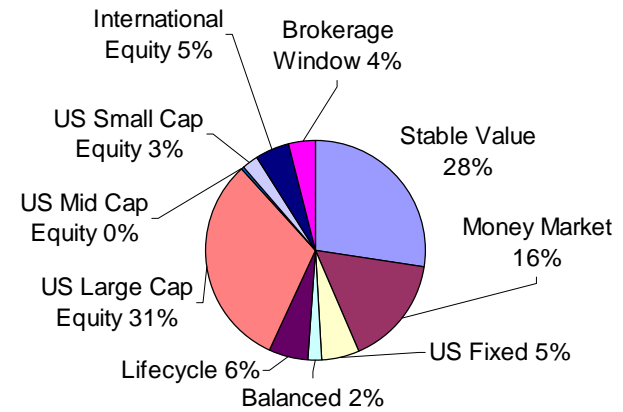
## Summary – Asset Allocation

**Prior Asset Allocation - December 31, 2008**



**\$2,279,918,897**  
as of December 31, 2008

**Current Asset Allocation - March 31, 2009**



**\$2,219,801,708**  
as of March 31, 2009

## Summary – Asset Allocation

Investment Option	Asset Class	Fund Balance	% of Plan	% Chg vs. Prior
Galliard Stable Value Fund	Stable Value	\$167,264,570	7.5%	0.9%
Hartford Life General Account	Stable Value	\$445,947,012	20.1%	1.7%
Vanguard Total Bond Market Index Inst	Domestic Fixed	\$60,475,395	2.7%	0.2%
Washington Mutual CD's	Domestic Fixed	\$73,356,696	3.3%	0.2%
Washington Mutual Liquid Account	Domestic Fixed	\$282,211,221	12.7%	0.3%
PIMCO Total Return Instl	Domestic Fixed	\$61,184,138	2.8%	0.2%
Hartford Advisers HLS IA	Balanced	\$46,755,271	2.1%	-0.1%
Ultra Conservative	Lifecycle	\$6,504,036	0.3%	0.0%
Conservative Profile	Lifecycle	\$21,265,274	1.0%	0.0%
Moderate Profile	Lifecycle	\$38,935,014	1.8%	-0.1%
Aggressive Profile	Lifecycle	\$53,741,327	2.4%	-0.1%
Ultra Aggressive Profile	Lifecycle	\$4,846,564	0.2%	0.0%
Vanguard Institutional Index Instl PI	US Large Cap Equity Index	\$224,093,167	10.1%	-1.1%
American Funds Invt Co of Amer A	US Large Cap Equity	\$100,875,477	4.5%	-0.5%
Hartford Capital Appreciation HLS IA	US Large Cap Equity	\$155,775,726	7.0%	-0.4%
Hartford Stock HLS IA	US Large Cap Equity	\$54,815,498	2.5%	-0.2%
American Funds Growth Fund of Amer A	US Large Cap Equity	\$161,168,471	7.3%	-0.2%
Lazard U.S. Mid Cap Equity Instl	US Mid Cap Equity	\$9,700,457	0.4%	0.0%
SSgA Russell 2000 Index Fund - Series C	US Small Cap Equity Index	\$55,642,354	2.5%	-0.3%
DWS EAFE Equity Index Inst	International Equity Index	\$20,482,630	0.9%	-0.1%
Fidelity Diversified International	International Equity	\$89,939,043	4.1%	-0.5%
Schwab PCRA Self-Directed Brokerage Account Option	Brokerage Window	\$84,822,367	3.8%	0.2%
<b>Total Plan</b>		<b>\$2,219,801,708</b>	<b>100%</b>	

## Summary – Investment Expense Analysis

Fund	Style	Fund Balance	Estimated Fund Expense	Fund Net Expense Ratio	Average Net Expense Ratio	Net Expense Diff.
Galliard Stable Value Fund	Stable Value	\$167,264,570	\$217,444	0.13%**	0.35%	-0.22%
Vanguard Total Bond Market Index Inst	US Fixed	\$60,475,395	\$42,333	0.07%	0.23%	-0.16%
PIMCO Total Return Instl	US Fixed	\$61,184,138	\$281,447	0.46%	0.64%	-0.18%
Hartford Advisers HLS IA	Balanced	\$46,755,271	\$294,558	0.63%	0.98%	-0.35%
Ultra Conservative	Lifecycle	\$6,504,036	\$9,106	0.14%	0.95%	-0.81%
Conservative Profile	Lifecycle	\$21,265,274	\$21,265	0.10%	0.95%	-0.85%
Moderate Profile	Lifecycle	\$38,935,014	\$42,829	0.11%	0.95%	-0.84%
Aggressive Profile	Lifecycle	\$53,741,327	\$69,864	0.13%	0.95%	-0.82%
Ultra Aggressive Profile	Lifecycle	\$4,846,564	\$7,755	0.16%	0.95%	-0.79%
Vanguard Institutional Index Instl PI	US Large Cap Equity Index	\$224,093,167	\$67,228	0.03%	0.29%	-0.26%
American Funds Invt Co of Amer A	US Large Cap Equity	\$100,875,477	\$595,165	0.59%	0.89%	-0.30%
Hartford Capital Appreciation HLS IA	US Large Cap Equity	\$155,775,726	\$1,043,697	0.67%	0.91%	-0.24%
Hartford Stock HLS IA	US Large Cap Equity	\$54,815,498	\$268,596	0.49%	0.91%	-0.42%
American Funds Growth Fund of Amer A	US Large Cap Equity	\$161,168,471	\$999,245	0.62%	0.95%	-0.33%
Lazard U.S. Mid Cap Equity Instl	US Mid Cap Equity	\$9,700,457	\$84,394	0.87%	1.01%	-0.14%
SSgA Russell 2000 Index Fund - Series C	US Small Cap Equity Index	\$55,642,354	\$111,285	0.20%	0.32%	-0.12%
DWS EAFE Equity Index Inst	International Equity Index	\$20,482,630	\$96,268	0.47%	0.46%	0.01%
Fidelity Diversified International	International Equity	\$89,939,043	\$935,366	1.04%	1.09%	-0.05%
<b>Total</b>		<b>\$1,333,464,412***</b>	<b>\$5,187,844</b>	<b>0.39%****</b>		

\* Average longest share class net expense ratio as defined by the respective Mercer Mutual Fund Universe. Average stable value management fee derived by screening Mercer's proprietary Global Investment Manager Database (GIMD) for stable value funds. Average institutional expense ratio of lifecycle funds is defined by screening Morningstar Group for passive and active target maturity institutional funds. This number is an average of all lifecycle funds.

\*\* Management fee.

\*\*\* Total excludes assets in Hartford Life General Account, Washington Mutual CDs, Washington Mutual Liquid Account and the Schwab PCRA Self-Directed Brokerage Account Option.

\*\*\*\* Average weighted expense ratio.



## Summary – Compliance Table

Periods ending March 31, 2009

✓ = Outperformed or matched performance ✗ = Underperformed T = Tracking the index	1 Quarter		1 Year		3 Years		5 Years		Comments
	I	U	I	U	I	U	I	U	
I – Index U – Universe Median									
Galliard Stable Value Fund	✗	N/A	✓	N/A	✓	N/A	✓	N/A	Retain. Galliard was selected as the Plan's single stable value provider effective 7/1/09. This fund will be renamed the City of LA Stable Value fund.
Hartford Life General Account	✓	N/A	✓	N/A	✓	N/A	✓	N/A	This fund will no longer be available to participants effective 7/1/09. Assets will be liquidated and cash transferred to Galliard on 7/2/09.
Vanguard Total Bond Market Index Inst	T	N/A	T	N/A	T	N/A	T	N/A	Retain.
PIMCO Total Return Instl	✓	✓	✗	✓	✓	✓	✓	✓	Retain.
Hartford Advisers HLS IA	✓	✓	✗	✗	✗	✗	✗	✗	Terminate. Assets will be mapped to the Moderate Profile fund.
Ultra Conservative	✓	N/A	✓	N/A	N/A	N/A	N/A	N/A	Retain. Added to the plan during 1Q08.
Conservative Profile	✓	N/A	✓	N/A	✓	N/A	✓	N/A	Retain.
Moderate Profile	✓	N/A	✓	N/A	✓	N/A	✓	N/A	Retain.
Aggressive Profile	✓	N/A	✓	N/A	✓	N/A	✓	N/A	Retain.
Ultra Aggressive Profile	✗	N/A	✓	N/A	N/A	N/A	N/A	N/A	Retain. Added to the plan during 1Q08.
Vanguard Institutional Index Instl PI	T	N/A	T	N/A	T	N/A	T	N/A	Retain.

✓ = Outperformed or matched performance ✗ = Underperformed T = Tracking the index	1 Quarter		1 Year		3 Years		5 Years		Comments
	I	U	I	U	I	U	I	U	
I – Index U – Universe Median									
American Funds Invt Co of Amer A	✓	✓	✓	✓	✓	✓	✓	✓	Retain. Performance has improved; the fund outperformed the benchmark and ranked in or near the top quartile of the universe for all periods evaluated.
Hartford Capital Appreciation HLS IA	✓	✓	✗	✗	✗	✗	✓	✓	Retain. The fund is meeting half of its long-term performance objectives. Performance improved for the recent quarter, with the fund outperforming the index and ranking in the top quartile of the universe.
Hartford Stock HLS IA	✓	✓	✗	✗	✗	✗	✗	✗	Terminate. Assets will be mapped to the Vanguard Institutional Index fund.
American Funds Growth Fund of Amer A	✓	✓	✗	✗	✗	✓	✓	✓	Retain. We are watching for any impact caused by asset growth.
Lazard U.S. Mid Cap Equity Instl	✗	✗	✓	✗	✗	✗	✗	✗	Monitor. The fund is not meeting its long-term performance objectives. The strategy's focus on valuation and quality companies can lead to periods of underperformance and higher tracking error. We are monitoring the impact of personnel changes and will be conducting an on-site visit in July.
SSgA Russell 2000 Index Fund - Series C	T	N/A	T	N/A	T	N/A	T	N/A	Retain. Tracking the index within 30 basis points for all periods.
DWS EAFE Equity Index Inst	✗	N/A	T	N/A	T	N/A	T	N/A	Retain. The fund lagged the index by approximately 120 basis points for the quarter; however, it tracked within 20 basis points for all other periods evaluated. Fair value pricing can lead to amplified tracking error during periods of economic volatility.
Fidelity Diversified International	✓	✓	✓	✓	✓	✓	✓	✓	Retain. We are following the impact of the fund's reopening to new investors and plans in March 2009.

## Summary – Performance Summary

Periods ending March 31, 2009

**Red** numbers indicate the fund underperformed the primary index and, where applicable, universe median  
**Blue** numbers indicate the fund matched or performed between the primary index and universe median  
**Green** numbers indicate the fund outperformed both the primary index and universe median  
**Black** numbers indicate the fund tracked the index

	Market Value	% of Plan	Annualized Yield for Quarter
<b>Washington Mutual Certificates of Deposit</b>	<b>\$73,356,696</b>	<b>3.3%</b>	
Washington Mutual Certificates of Deposit – 1 Year			2.3%
Washington Mutual Certificates of Deposit – 2 Year			1.7%
Washington Mutual Certificates of Deposit – 3 Year			1.9%
Washington Mutual Certificates of Deposit – 4 Year			2.1%
Washington Mutual Certificates of Deposit – 5 Year			2.2%
<b>Washington Mutual Liquid Account</b>	<b>\$282,211,221</b>	<b>12.7%</b>	1.7%

### Stable Value

	Market Value	% of Plan	1 Quarter	1 Year	3 Years	5 Years
<b>Galliard Stable Value Fund<sup>1</sup></b>	<b>\$167,264,570</b>	<b>7.5%</b>	<b>1.1%</b>	<b>4.8%</b>	<b>4.8%</b>	<b>4.6%</b>
Ryan Labs GIC 3 Yr Master			1.2%	4.8%	4.5%	4.0%
Citigroup 3-Month T-Bill			0.0%	1.1%	3.4%	3.1%
<b>Hartford Life General Account</b>	<b>\$445,947,012</b>	<b>20.1%</b>	<b>1.0%</b>	<b>4.3%</b>	<b>4.2%</b>	<b>4.2%</b>
Citigroup 3-Month T-Bill			0.0%	1.1%	3.4%	3.1%

### Domestic Fixed

	Market Value	% of Plan	1 Quarter	1 Year	3 Years	5 Years
<b>Vanguard Total Bond Market Index Inst</b>	<b>\$60,475,395</b>	<b>2.7%</b>	<b>0.4%</b>	<b>3.3%</b>	<b>5.9%</b>	<b>4.2%</b>
Barclays Capital US Aggregate			0.1%	3.1%	5.8%	4.1%
<b>PIMCO Total Return Instl</b>	<b>\$61,184,138</b>	<b>2.8%</b>	<b>1.5%</b>	<b>3.0%</b>	<b>6.6%</b>	<b>4.9%</b>
Barclays Capital US Aggregate			0.1%	3.1%	5.8%	4.1%
<i>Mercer Mutual Fund US Fixed Core Universe Median</i>			0.4%	-2.9%	2.8%	2.4%
<i>Fund Rank in Universe</i>			20	16	3	1

<sup>1</sup> The inception date of Galliard Stable Value fund is July 1, 2008. Returns prior to the inception date are linked to the Wells Fargo Stable Return fund.  
 Mercer

## Balanced

	Market Value	% of Plan	1 Quarter	1 Year	3 Years	5 Years
<b>Hartford Advisers HLS IA</b>	<b>\$46,755,271</b>	<b>2.1%</b>	<b>-4.6%</b>	<b>-29.4%</b>	<b>-9.0%</b>	<b>-3.1%</b>
S&P 500 60% / 40% BC Aggregate			-6.5%	-23.4%	-5.6%	-1.0%
<i>Mercer Mutual Fund US Balanced Universe Median</i>			-5.0%	-25.0%	-6.8%	-1.3%
<i>Fund Rank in Universe</i>			43	77	76	78

## Lifecycle

	Market Value	% of Plan	1 Quarter	1 Year	3 Years	5 Years
<b>Ultra Conservative</b>	<b>\$6,504,036</b>	<b>0.3%</b>	<b>-1.5%</b>	<b>-3.7%</b>	<b>NA</b>	<b>NA</b>
Ultra Conservative Profile Custom Index <sup>1</sup>			-1.9%	-5.1%	NA	NA
<b>Conservative Profile</b>	<b>\$21,265,274</b>	<b>1.0%</b>	<b>-3.8%</b>	<b>-12.8%</b>	<b>-1.1%</b>	<b>1.5%</b>
Conservative Profile Custom Index <sup>2</sup>			-4.0%	-13.7%	-1.4%	1.2%
<b>Moderate Profile</b>	<b>\$38,935,014</b>	<b>1.8%</b>	<b>-7.1%</b>	<b>-23.8%</b>	<b>-6.0%</b>	<b>-0.7%</b>
Moderate Profile Custom Index <sup>3</sup>			-7.2%	-24.3%	-6.2%	-0.8%
<b>Aggressive Profile</b>	<b>\$53,741,327</b>	<b>2.4%</b>	<b>-9.8%</b>	<b>-31.9%</b>	<b>-10.0%</b>	<b>-2.4%</b>
Aggressive Profile Custom Index <sup>4</sup>			-9.8%	-32.2%	<b>-10.1%</b>	-2.4%
<b>Ultra Aggressive Profile</b>	<b>\$4,846,564</b>	<b>0.2%</b>	<b>-12.6%</b>	<b>-39.6%</b>	<b>NA</b>	<b>NA</b>
Ultra Aggressive Profile Custom Index <sup>5</sup>			-12.4%	-39.6%	NA	NA

**Red** numbers indicate the fund underperformed the primary index and, where applicable, universe median  
**Blue** numbers indicate the fund matched or performed between the primary index and universe median  
**Green** numbers indicate the fund outperformed both the primary index and universe median  
**Black** numbers indicate the fund tracked the index

<sup>1</sup> 35.0% Citigroup 3-Month T-Bill Index / 50% Barclays Capital US Aggregate Index / 5% S&P 500 Index / 5% Russell 2000 Index / 5% MSCI EAFE (NWHT) Index

<sup>2</sup> 15.0% Citigroup 3-Month T-Bill Index / 50% Barclays Capital US Aggregate Index / 25% S&P 500 Index / 5% Russell 2000 Index / 5% MSCI EAFE (NWHT) Index

<sup>3</sup> 5.0% Citigroup 3-Month T-Bill Index / 35% Barclays Capital US Aggregate Index / 40% S&P 500 Index / 10% Russell 2000 Index / 10% MSCI EAFE (NWHT) Index

<sup>4</sup> 20% Barclays Capital US Aggregate Index / 50% S&P 500 Index / 15% Russell 2000 Index / 15% MSCI EAFE (NWHT) Index

<sup>5</sup> 60% S&P 500 Index / 20% Russell 2000 Index / 20% MSCI EAFE (NWHT) Index

## Domestic Equity

	Market Value	% of Plan	1 Quarter	1 Year	3 Years	5 Years
<b>Vanguard Institutional Index Instl PI</b> S&P 500	\$224,093,167	10.1%	-11.0%	-38.0%	-13.0%	-4.7%
			-11.0%	-38.1%	-13.1%	-4.8%
<b>American Funds Invt Co of Amer A</b> Russell 1000 Value <i>Mercer Mutual Fund US Equity Large Cap Value Universe Median</i> <i>Fund Rank in Universe</i>	\$100,875,477	4.5%	-8.4%	-34.3%	-11.0%	-3.2%
			-16.8%	-42.4%	-15.4%	-4.9%
			-12.9%	-39.1%	-14.2%	-4.8%
			9	14	17	28
<b>Hartford Capital Appreciation HLS IA</b> S&P 500 <i>Mercer Mutual Fund US Equity Large Cap Core Universe Median</i> <i>Fund Rank in Universe</i>	\$155,775,726	7.0%	-7.3%	-43.1%	-13.5%	-2.1%
			-11.0%	-38.1%	-13.1%	-4.8%
			-9.8%	-37.5%	-13.2%	-4.5%
			18	88	54	13
<b>Hartford Stock HLS IA</b> S&P 500 <i>Mercer Mutual Fund US Equity Large Cap Core Universe Median</i> <i>Fund Rank in Universe</i>	\$54,815,498	2.5%	-6.9%	-39.8%	-14.8%	-5.9%
			-11.0%	-38.1%	-13.1%	-4.8%
			-9.8%	-37.5%	-13.2%	-4.5%
			14	71	74	78
<b>American Funds Growth Fund of Amer A</b> Russell 1000 Growth <i>Mercer Mutual Fund US Equity Large Cap Growth Universe Median</i> <i>Fund Rank in Universe</i>	\$161,168,471	7.3%	-4.0%	-36.5%	-11.6%	-2.3%
			-4.1%	-34.3%	-11.3%	-4.4%
			-4.7%	-35.9%	-12.5%	-4.4%
			42	57	38	14
<b>Lazard U.S. Mid Cap Equity Instl</b> Russell Midcap <i>Mercer Mutual Fund US Equity Mid Cap Core Universe Median</i> <i>Fund Rank in Universe</i>	\$9,700,457	0.4%	-9.3%	-39.3%	-15.6%	-4.6%
			-9.0%	-40.8%	-15.5%	-3.5%
			-8.8%	-38.5%	-15.2%	-4.5%
			58	55	57	56
<b>SSgA Russell 2000 Index Fund - Series C</b> Russell 2000	\$55,642,354	2.5%	-15.0%	-37.4%	-17.0%	-5.5%
			-15.0%	-37.5%	-16.8%	-5.2%

**Red** numbers indicate the fund underperformed the primary index and, where applicable, universe median  
**Blue** numbers indicate the fund matched or performed between the primary index and universe median  
**Green** numbers indicate the fund outperformed both the primary index and universe median  
**Black** numbers indicate the fund tracked the index

## International Equity

	Market Value	% of Plan	1 Quarter	1 Year	3 Years	5 Years
<b>DWS EAFE Equity Index Inst</b> MSCI EAFE NET WHT	\$20,482,630	0.9%	<b>-15.1%</b> -13.9%	<b>-46.5%</b> -46.5%	<b>-14.7%</b> -14.5%	<b>-2.4%</b> -2.2%
<b>Fidelity Diversified International</b> MSCI EAFE NET WHT <i>Mercer Mutual Fund Intl Equity Universe Median</i> <i>Fund Rank in Universe</i>	\$89,939,043	4.1%	<b>-11.8%</b> -13.9% -12.6% 43	<b>-46.5%</b> -46.5% -47.0% 45	<b>-14.4%</b> -14.5% -14.5% 49	<b>-2.0%</b> -2.2% -2.0% 51

## Brokerage Window

	Market Value	% of Plan
<b>Schwab PCRA Self-Directed Brokerage Account Option</b>	\$84,822,367	3.8%

**Red** numbers indicate the fund underperformed the primary index and, where applicable, universe median  
**Blue** numbers indicate the fund matched or performed between the primary index and universe median  
**Green** numbers indicate the fund outperformed both the primary index and universe median  
**Black** numbers indicate the fund tracked the index

## Fund Profile

### Domestic Fixed - Washington Mutual Liquid Account

<b>Investment Philosophy</b>																																												
<p>Washington Mutual Bank manages assets invested in savings accounts. Assets are invested in short-term debt securities. This savings option is liquid, meaning that deposits and withdrawals may be made at any time without penalty or restriction. The interest rate is stated at the beginning of each calendar quarter and remains at that rate for all deposits during that calendar quarter. Plan assets are backed by the Federal Deposit Insurance Corporation (FDIC), subject to limitations, and the Local Agency Security Program (LASP). To reduce risk, California law requires collateralization, through the Treasurer's Office, for participant assets that exceed the FDIC limits.</p>																																												
<b>Financial Strength Rating/Outlook for JPMorgan Chase Bank, N.A. and Chase Bank USA, N.A. (Short-Term Deposits/Debt)</b>																																												
Moody's	Standard & Poor's	Fitch																																										
P-1	A-1+	F1+																																										
<b>Key Facts and Figures as of March 31, 2009</b>		<b>Historical Rates as of March 31, 2009</b>																																										
<ul style="list-style-type: none"> <li>▪ <b>Total Fund Assets:</b> \$355.6 Million</li> <li>▪ <b>Total participant count with assets in excess of FDIC limits (\$250,000):</b> 176</li> <li>▪ <b>Total market value of assets in excess of FDIC limits held by these participants:</b> \$63,847,488</li> </ul>		<table border="1"> <caption>Historical Rates Data (Estimated)</caption> <thead> <tr> <th>Quarter</th> <th>Liquid Account (%)</th> <th>Citi 3Mo T-Bill (%)</th> </tr> </thead> <tbody> <tr><td>1Q03</td><td>0.5</td><td>0.3</td></tr> <tr><td>3Q03</td><td>0.4</td><td>0.2</td></tr> <tr><td>1Q04</td><td>0.3</td><td>0.2</td></tr> <tr><td>3Q04</td><td>0.6</td><td>0.3</td></tr> <tr><td>1Q05</td><td>2.0</td><td>0.5</td></tr> <tr><td>3Q05</td><td>3.2</td><td>0.8</td></tr> <tr><td>1Q06</td><td>4.2</td><td>1.0</td></tr> <tr><td>3Q06</td><td>5.0</td><td>1.2</td></tr> <tr><td>1Q07</td><td>5.1</td><td>1.2</td></tr> <tr><td>3Q07</td><td>5.2</td><td>1.1</td></tr> <tr><td>1Q08</td><td>5.5</td><td>1.0</td></tr> <tr><td>3Q08</td><td>2.5</td><td>0.4</td></tr> <tr><td>1Q09</td><td>1.0</td><td>0.0</td></tr> </tbody> </table>	Quarter	Liquid Account (%)	Citi 3Mo T-Bill (%)	1Q03	0.5	0.3	3Q03	0.4	0.2	1Q04	0.3	0.2	3Q04	0.6	0.3	1Q05	2.0	0.5	3Q05	3.2	0.8	1Q06	4.2	1.0	3Q06	5.0	1.2	1Q07	5.1	1.2	3Q07	5.2	1.1	1Q08	5.5	1.0	3Q08	2.5	0.4	1Q09	1.0	0.0
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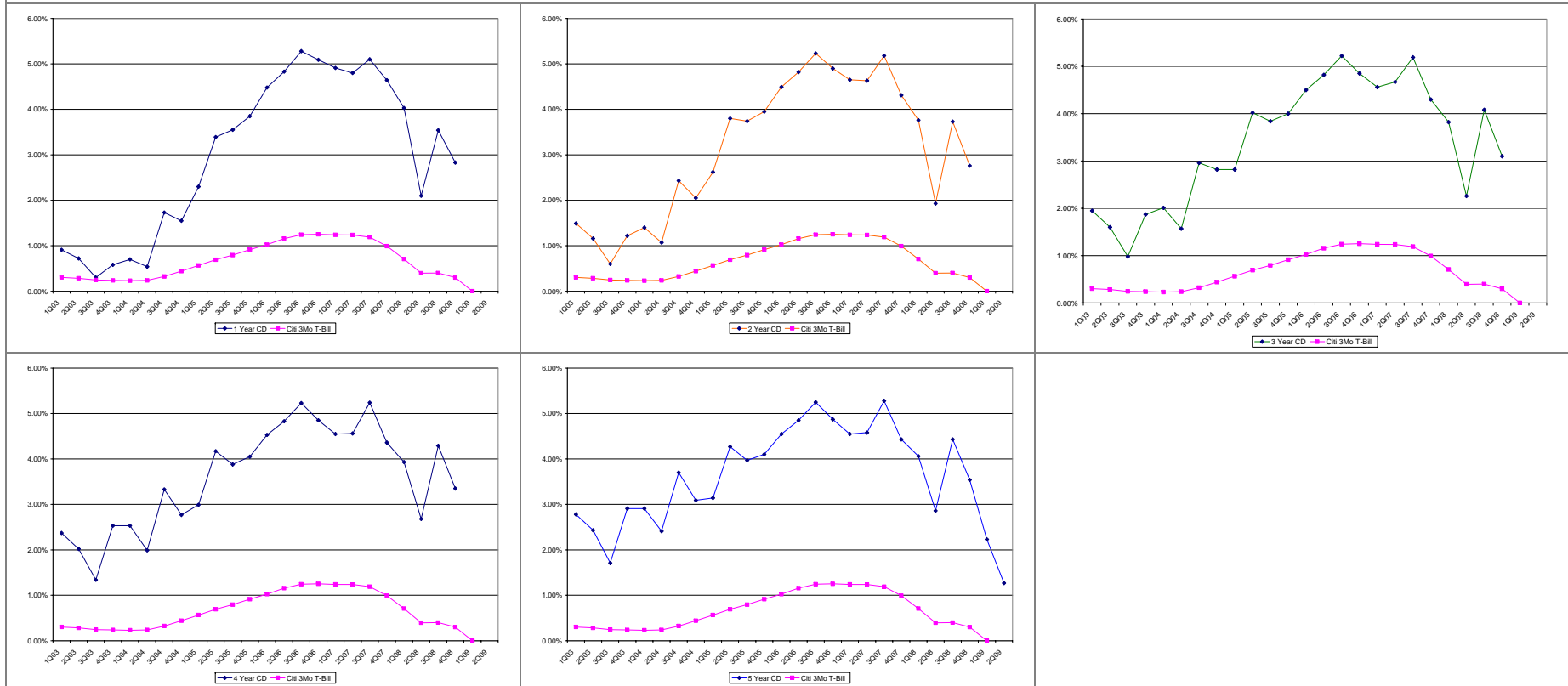
# Fund Profile

## Domestic Fixed - Washington Mutual CDs

### Investment Philosophy

This savings option is not liquid. The participant selects a term (1 – 5 years), and each calendar quarter, WaMu provides stated interest rates for the various terms selected. The deposits made during that quarter continue to receive the stated interest rate for the entire term of the CD. Early-withdrawal penalties do apply should the participant wish to withdraw funds prior to the maturity date.

### History of Rates for Certificates of Deposit as of March 31, 2009





## Fund Profile

### Stable Value - Galliard Stable Value Fund

<b>Share Class: N/A</b>		<b>Benchmark: Ryan Labs GIC 3 Yr Master</b>																											
<b>Investment Philosophy</b>																													
<p>Galliard seeks safety of principal and consistency of returns, with minimal volatility. 100% of the fund is invested in book value investment instruments: GICs, BICs, security-backed contracts (i.e., synthetics) and certain money market instruments, with a focus on highly rated instruments and broad diversification among contract issuers and underlying securities. The fund emphasizes security-backed investment contracts (synthetics) to enhance credit quality, diversification and investment returns, while structuring portfolio liquidity to provide for daily participant transactions. The target weighted average duration of the fund is within a range of 2.5 to 3.5 years.</p>																													
<b>Fund Characteristics</b> as of March 31, 2009		<b>Observations</b>																											
	<b>1Q09</b>	<b>4Q08</b>	<ul style="list-style-type: none"> <li>Average credit quality of the wrap contracts was affected by the downgrades of ING, Pacific Life and State Street</li> <li>Decline in crediting rates was due to shorter duration and lower re-investment rates in the underlying portfolios</li> <li>Market value to book value ratio remains relatively strong at 97.6%</li> </ul>																										
Market Value to Book Value Ratio	97.6%	96.8%																											
Average Credit Quality	Aa3/AA-	Aa3/AA																											
Average Duration	2.64	2.68																											
<b>Underlying Portfolio Composition</b> as of March 31, 2009		<b>Fund Composition</b> as of March 31, 2009																											
<table border="1"> <caption>Underlying Portfolio Composition</caption> <thead> <tr> <th>Fund Name</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Galliard Fixed Income Fund D</td> <td>14.6%</td> </tr> <tr> <td>Wells Fargo Stable Return Fund</td> <td>18.8%</td> </tr> <tr> <td>Galliard Short AAA Fund</td> <td>22.4%</td> </tr> <tr> <td>Galliard Intermediate Bond Fund</td> <td>22.1%</td> </tr> <tr> <td>Galliard Income Bond Fund</td> <td>22.2%</td> </tr> </tbody> </table>		Fund Name	Percentage	Galliard Fixed Income Fund D	14.6%	Wells Fargo Stable Return Fund	18.8%	Galliard Short AAA Fund	22.4%	Galliard Intermediate Bond Fund	22.1%	Galliard Income Bond Fund	22.2%	<table border="1"> <caption>Fund Composition</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Mortgage-backed</td> <td>58.0%</td> </tr> <tr> <td>Corporates</td> <td>19.4%</td> </tr> <tr> <td>Treasury &amp; Agency</td> <td>9.1%</td> </tr> <tr> <td>ABS</td> <td>8.6%</td> </tr> <tr> <td>Cash and equivalents</td> <td>3.1%</td> </tr> <tr> <td>Taxable Municipal</td> <td>1.9%</td> </tr> </tbody> </table>		Category	Percentage	Mortgage-backed	58.0%	Corporates	19.4%	Treasury & Agency	9.1%	ABS	8.6%	Cash and equivalents	3.1%	Taxable Municipal	1.9%
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<b>Key Facts and Figures</b>																													
Portfolio Manager: Galliard Capital Management, Inc.		Total Fund Assets: \$167.3 Million	Expense Ratio (Net): 0.13% GIMD Average Expense Ratio (Net): 0.35%																										

## Stable Value - Hartford Life General Account

<b>Share Class: N/A</b>		<b>Benchmark: Citigroup 3-Month T-Bill</b>																																																											
<b>Investment Philosophy</b>																																																													
<p>The primary investment objective of Hartford Life's General Account is to maximize economic value consistent with acceptable risk parameters, including the management of credit risk and interest rate sensitivity of invested assets, while generating sufficient after-tax income to support policyholder and corporate obligations. The General (Declared Rate) Account is available through a group annuity contract or group funding agreement. The General (Declared Rate) Account investment choice is part of Hartford's General Account, which includes its company assets. General Account rates are guaranteed by the claims-paying ability of Hartford Life Insurance Company. Hartford credits interest on contributions made to the General Account at a rate declared for the calendar quarter in which they are received. The assets in the General (Declared Rate) Account are pooled together. The fund is managed to a duration of 4 to 4.5 years.</p>																																																													
<b>Financial Strength Ratings/Outlook for Hartford Life Insurance Co. as of March 30, 2009 (Date of Last Rating Agency Action)</b>																																																													
<b>Moody's</b>	<b>Standard &amp; Poor's</b>	<b>Fitch</b>	<b>A.M. Best</b>																																																										
A3 (from A1 in 4Q08) (Negative Outlook)	A (Negative Outlook)	A (Negative Outlook)	A (Negative Outlook)																																																										
<b>Fund Composition as of March 31, 2009<sup>1</sup></b>		<b>Credited Rate as of March 31, 2009</b>																																																											
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<sup>1</sup> US Government allocation includes Municipals. ABS allocation includes Non-Agency CMBS  
Mercer

## Fund Profile

### Domestic Fixed - Passive - Vanguard Total Bond Market Index Inst

<b>Share Class: Inst</b>		<b>Benchmark: Barclays Capital US Aggregate</b>																							
<b>Investment Philosophy</b>																									
The fund seeks to track the performance of the Barclays Capital U.S. Aggregate Bond Index. The fund maintains a broadly diversified exposure to the investment-grade US bond market. The fund is passively managed using index sampling. This intermediate-duration portfolio provides moderate current income with high credit quality.																									
<b>Portfolio Analysis &amp; Key Observations</b>		<b>Tracking Error</b>																							
<p><b>Positive Impact on Performance</b></p> <ul style="list-style-type: none"> <li>Short-term bonds outperformed the index as yields steepened</li> <li>Top-performing sectors included ABS (7.6% return) and MBS (2.2% return), along with utilities (3.7% return) and industrials (1.3% return) within corporates</li> </ul> <p><b>Negative Impact on Performance</b></p> <ul style="list-style-type: none"> <li>Investment-grade credit sectors all underperformed except BAA</li> <li>Worst-performing sectors included US Treasury (-1.3% return) and CMBS (-1.9% return), along with financials (-7.8% return) within corporates</li> </ul>		<p>5 YEAR PERIOD - VANGUARD TOTAL BOND MARKET INDEX INST VS. BARCLAYS CAPIT</p> <table border="1"> <caption>Approximate Tracking Error Data</caption> <thead> <tr> <th>Date</th> <th>Rolling 1-Year Tracking Error</th> </tr> </thead> <tbody> <tr><td>Apr-04</td><td>0.20%</td></tr> <tr><td>Oct-04</td><td>0.20%</td></tr> <tr><td>Apr-05</td><td>0.12%</td></tr> <tr><td>Oct-05</td><td>0.15%</td></tr> <tr><td>Apr-06</td><td>0.20%</td></tr> <tr><td>Oct-06</td><td>0.22%</td></tr> <tr><td>Apr-07</td><td>0.22%</td></tr> <tr><td>Oct-07</td><td>0.20%</td></tr> <tr><td>Apr-08</td><td>0.28%</td></tr> <tr><td>Oct-08</td><td>0.78%</td></tr> </tbody> </table>		Date	Rolling 1-Year Tracking Error	Apr-04	0.20%	Oct-04	0.20%	Apr-05	0.12%	Oct-05	0.15%	Apr-06	0.20%	Oct-06	0.22%	Apr-07	0.22%	Oct-07	0.20%	Apr-08	0.28%	Oct-08	0.78%
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<b>Key Facts and Figures</b>																									
Portfolio Manager: Multiple		Total Fund Assets: \$40,400 Million	Expense Ratio (Net): 0.07%																						
Portfolio Manager Average Tenure: 8.7 Years		Total Share Class Assets: \$12,379 Million	Mercer Average Expense Ratio: 0.23%																						

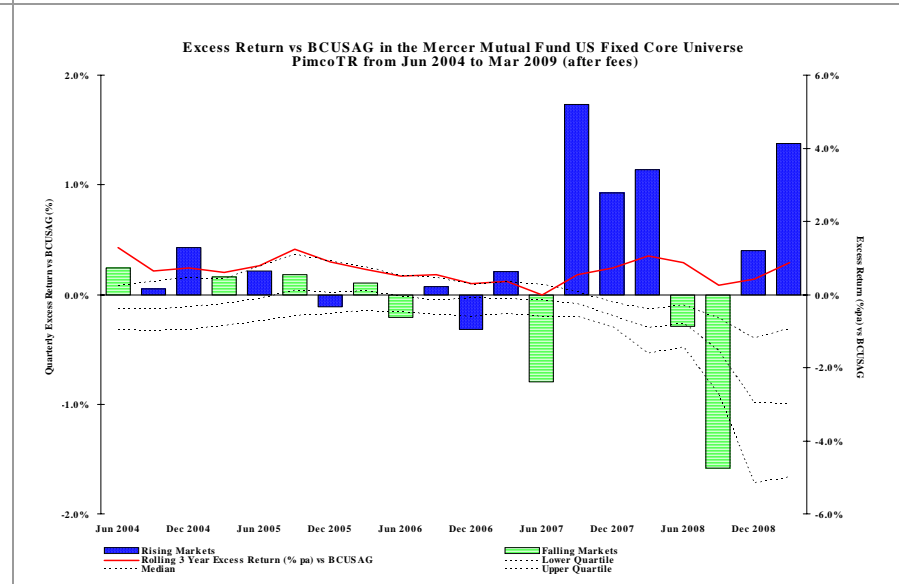
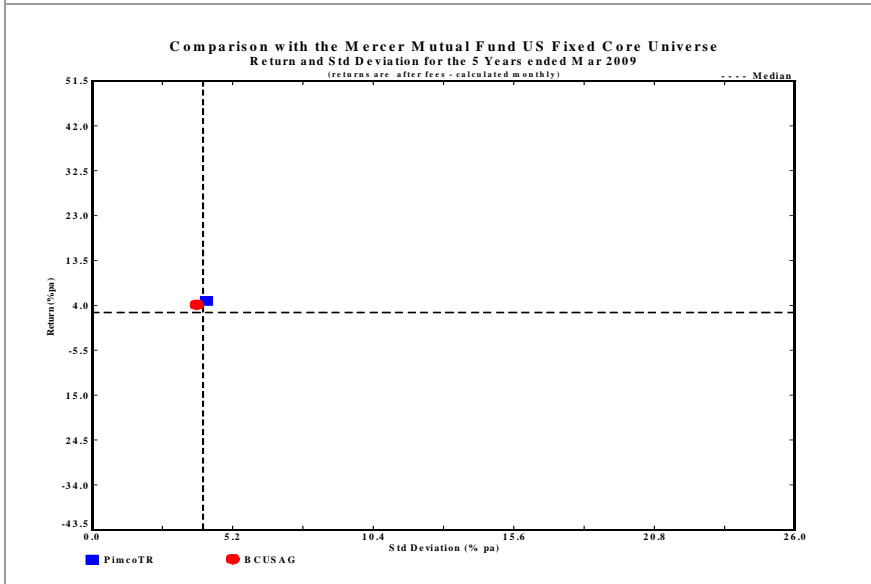
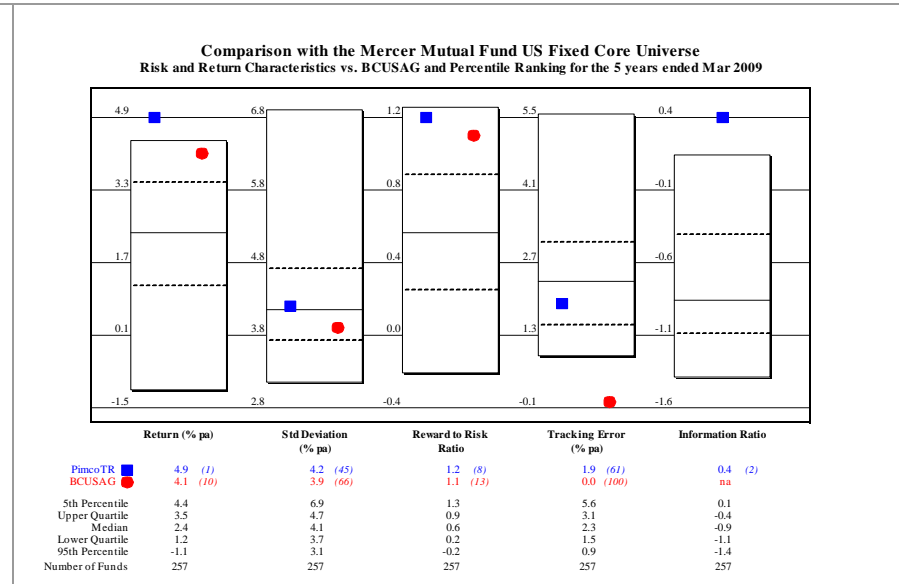
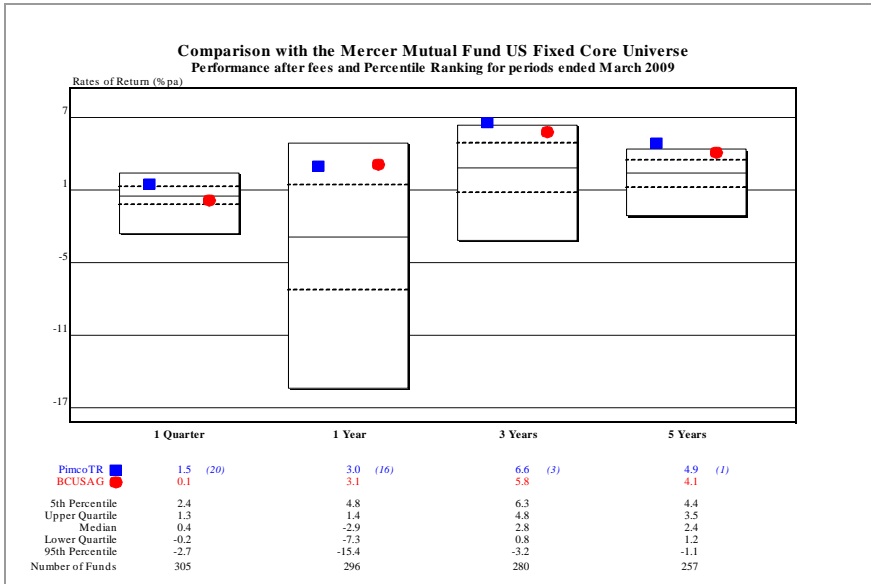
## Fund Profile

### Domestic Fixed - PIMCO Total Return Instl

<b>Share Class: Inst</b>		<b>Benchmark: Barclays Capital US Aggregate</b>																									
<b>Investment Philosophy</b>																											
<p>The fund seeks to achieve its investment objective by investing under normal circumstances at least 65% of its total assets in a diversified portfolio of fixed income instruments of varying maturities. The average portfolio duration of this fund normally varies within a 3- to 6-year time frame. The fund invests primarily in investment-grade debt securities, but may invest up to 10% of its total assets in high yield securities (“junk bonds”) rated B or higher by Moody’s or S&amp;P or, if unrated, determined by PIMCO to be of comparable quality. The fund may invest up to 20% of its total assets in securities denominated in foreign currencies, and may invest beyond this limit in US dollar–denominated securities of foreign issuers. Currently, the fund will normally hedge at least 75% of its exposure to foreign currency to reduce the risk of loss due to fluctuations in currency exchange rates.</p>																											
<b>Portfolio Analysis &amp; Key Observations</b>		<b>Sector Allocation as of March 31, 2009</b>																									
<p><b>Positive Impact on Performance</b></p> <ul style="list-style-type: none"> <li>▪ Holdings with short maturities in US, UK, and Europe</li> <li>▪ Overweight to high-quality Agency MBS</li> <li>▪ Holdings in high-quality consumer ABS</li> <li>▪ Exposure to municipal bonds</li> </ul> <p><b>Negative Impact on Performance</b></p> <ul style="list-style-type: none"> <li>▪ Holdings in non-Agency MBS and financial companies</li> </ul>		<table border="1"> <caption>Sector Allocation Data (Estimated from Chart)</caption> <thead> <tr> <th>Sector</th> <th>PIMCO Total Return Instl (%)</th> <th>Barclays Capital US Aggregate (%)</th> </tr> </thead> <tbody> <tr> <td>Treasury Agency</td> <td>28</td> <td>36</td> </tr> <tr> <td>Corporate</td> <td>17</td> <td>18</td> </tr> <tr> <td>Asset Backed</td> <td>0</td> <td>1</td> </tr> <tr> <td>Muni</td> <td>2</td> <td>0</td> </tr> <tr> <td>Non US</td> <td>5</td> <td>0</td> </tr> <tr> <td>Mortgage Related</td> <td>66</td> <td>42</td> </tr> <tr> <td>Other</td> <td>0</td> <td>4</td> </tr> </tbody> </table>		Sector	PIMCO Total Return Instl (%)	Barclays Capital US Aggregate (%)	Treasury Agency	28	36	Corporate	17	18	Asset Backed	0	1	Muni	2	0	Non US	5	0	Mortgage Related	66	42	Other	0	4
Sector	PIMCO Total Return Instl (%)	Barclays Capital US Aggregate (%)																									
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Non US	5	0																									
Mortgage Related	66	42																									
Other	0	4																									
<b>Key Facts and Figures</b>																											
Portfolio Manager: William H. Gross Portfolio Manager Average Tenure: 21.9 Years		Total Fund Assets: \$144,369 Million Total Share Class Assets: \$80,550 Million																									
		Expense Ratio (Net): 0.46% Mercer Average Expense Ratio: 0.64%																									

# Fund Profile

## Domestic Fixed - PIMCO Total Return Instl



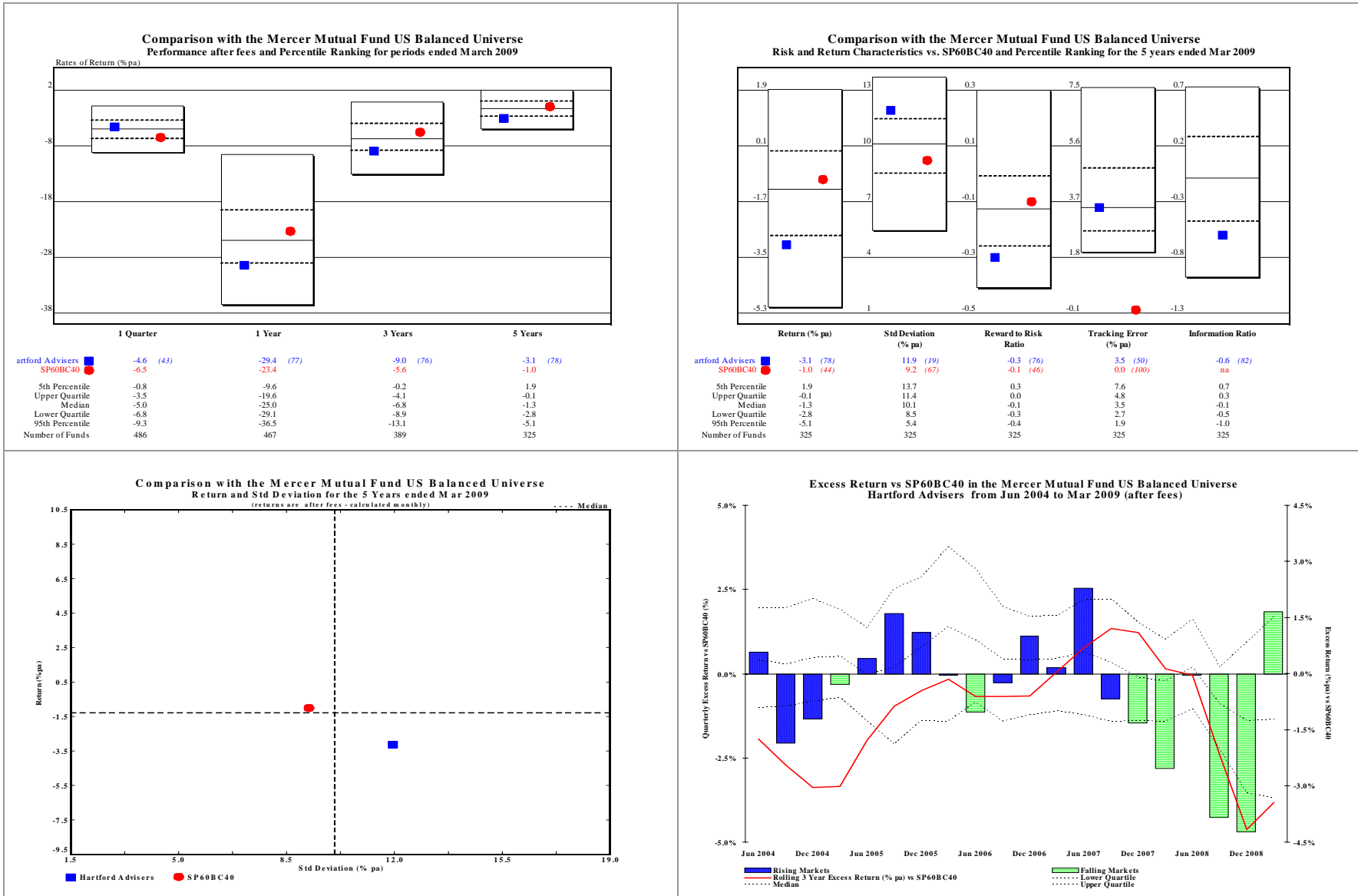
## Fund Profile

### Balanced - Hartford Advisers HLS IA

<b>Share Class: Inst</b>		<b>Benchmark: S&amp;P 500 60% / 40% BC Aggregate</b>									
<b>Investment Philosophy</b>											
The fund seeks maximum long-term return by allocating its assets among stocks, bonds and money market instruments.											
<b>Portfolio Analysis &amp; Key Observations</b>		<b>Asset Allocation as of March 31, 2009</b>									
<p><b>Positive Impact on Performance</b></p> <ul style="list-style-type: none"> <li>Overweight allocation in information technology and consumer discretionary</li> <li>Within the fixed income portfolio, slight underweight to Treasury and Agency; overweight to ABS</li> <li>Top 10 holdings Goldman Sachs Group (26.3% return), Apple (23.2% return), Google (13.1% return), and Qualcomm (9.1% return)</li> </ul> <p><b>Negative Impact on Performance</b></p> <ul style="list-style-type: none"> <li>Overweight allocation in financials; underweight in materials</li> <li>Within the fixed income portfolio, underweight to MBS</li> <li>Top 10 holdings Comcast (-18.9% return), JPMorgan Chase &amp; Co. (-14.4% return) and Exxon Mobil (-14.2% return)</li> </ul>		<p>A pie chart illustrating the asset allocation of the fund as of March 31, 2009. The chart is divided into three segments: Domestic Equity (68%), Fixed Income (30%), and Cash &amp; Equivalents (2%). A legend to the left of the chart identifies the colors: light orange for Domestic Equity, dark orange for Fixed Income, and light blue for Cash &amp; Equivalents.</p> <table border="1"> <thead> <tr> <th>Asset Class</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Domestic Equity</td> <td>68%</td> </tr> <tr> <td>Fixed Income</td> <td>30%</td> </tr> <tr> <td>Cash &amp; Equivalents</td> <td>2%</td> </tr> </tbody> </table>		Asset Class	Percentage	Domestic Equity	68%	Fixed Income	30%	Cash & Equivalents	2%
Asset Class	Percentage										
Domestic Equity	68%										
Fixed Income	30%										
Cash & Equivalents	2%										
<b>Key Facts and Figures</b>											
Portfolio Manager: Multiple		Total Fund Assets: \$3,505 Million	Expense Ratio (Net): 0.63%								
Portfolio Manager Average Tenure: 3.9 Years		Total Share Class Assets: \$3,196 Million	Mercer Average Expense Ratio: 0.98%								

# Fund Profile

## Balanced - Hartford Advisers HLS IA



## Fund Profile

### Lifecycle – Pre-Mixed Funds Target Allocations\*

	Ultra Conservative Profile	Conservative Profile	Moderate Profile	Aggressive Profile	Ultra Aggressive Profile
<b>Stable Value</b>					
Stable Value (Galliard)	35.0%	15.0%	5.0%	–	–
<b>Total Stable Value</b>	<b>35.0%</b>	<b>15.0%</b>	<b>5.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>US Fixed Income</b>					
Vanguard Institutional Bond	50.0%	50.0%	35.0%	20.0%	–
<b>Total US Fixed Income</b>	<b>50.0%</b>	<b>50.0%</b>	<b>35.0%</b>	<b>20.0%</b>	<b>0.0%</b>
<b>US Equity</b>					
<b>US Large Cap Equity</b>					
Vanguard Institutional Index	5.0%	25.0%	40.0%	50.0%	60.0%
<i>Sub-Total US Large Cap Equity</i>	<i>5.0%</i>	<i>25.0%</i>	<i>40.0%</i>	<i>50.0%</i>	<i>60.0%</i>
<b>US Mid/Small Cap Equity</b>					
Russell 2000 Index Series C	5.0%	5.0%	10.0%	15.0%	20.0%
<i>Sub-Total US Mid/Small Equity</i>	<i>5.0%</i>	<i>5.0%</i>	<i>10.0%</i>	<i>15.0%</i>	<i>20.0%</i>
<b>Total US Equity</b>	<b>10.0%</b>	<b>30.0%</b>	<b>50.0%</b>	<b>65.0%</b>	<b>80.0%</b>
<b>Non-US Equity</b>					
DWS EAFE Equity Index Fund Instl	5.0%	5.0%	10.0%	15.0%	20.0%
<b>Total Non-US Equity</b>	<b>5.0%</b>	<b>5.0%</b>	<b>10.0%</b>	<b>15.0%</b>	<b>20.0%</b>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\* Allocations are rebalanced quarterly  
Mercer



## Fund Profile

### Domestic Equity - Passive - Vanguard Institutional Index Instl Pl

<b>Share Class: Inst</b>		<b>Benchmark: S&amp;P 500</b>
<b>Investment Philosophy</b>		
The fund attempts to provide investment results that parallel the performance of the S&P 500 Index. Given this objective, the portfolio is expected to provide investors with long-term growth of capital and income as well as a reasonable level of current income.		
<b>Portfolio Analysis &amp; Key Observations</b>		<b>Tracking Error</b>
<p><b>Positive Impact on Performance</b></p> <ul style="list-style-type: none"> <li>Top-performing sectors were technology (4.0% return), materials (-2.8% return) and telecommunications (-8.5% return)</li> <li>Top individual contributors to performance: IBM (15.8% return), Apple (23.2% return), Schering-Plough (38.8% return), Goldman Sachs (26.3% return) and Google (13.1% return)</li> </ul> <p><b>Negative Impact on Performance</b></p> <ul style="list-style-type: none"> <li>The worst-performing sectors included financials (-29.5% return), industrials (-21.8% return) and energy (-12.1% return)</li> <li>Top individual detractors from performance: Wells Fargo (-50.3% return), General Electric (-35.3% return), Exxon Mobil (-14.2% return), Bank of America (-51.5% return) and Procter &amp; Gamble (-23.3% return)</li> </ul>		<p>5 YEAR PERIOD - VANGUARD INSTITUTIONAL INDEX INSTL PL VS. S&amp;P 500</p> <p>— Rolling 1-Year Tracking Error</p>
<b>Key Facts and Figures</b>		
Portfolio Manager: Donald M. Butler Portfolio Manager Average Tenure: 4.0 Years	Total Fund Assets: \$97,900 Million Total Share Class Assets: \$17,144 Million	Expense Ratio (Net): 0.03% Mercer Average Expense Ratio: 0.29%

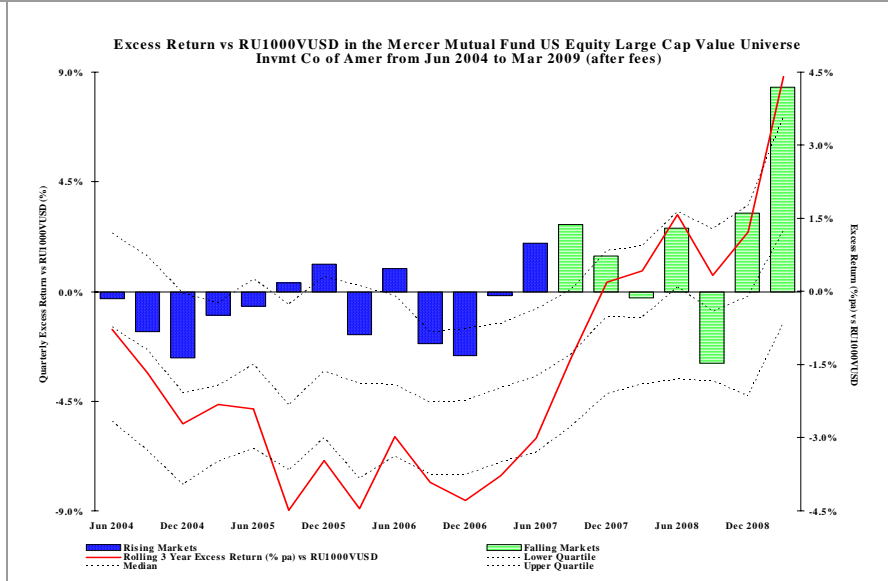
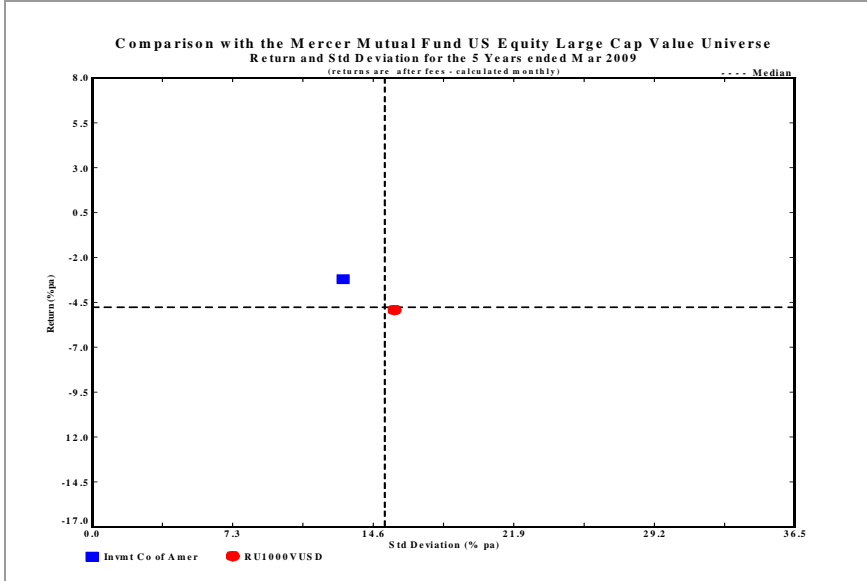
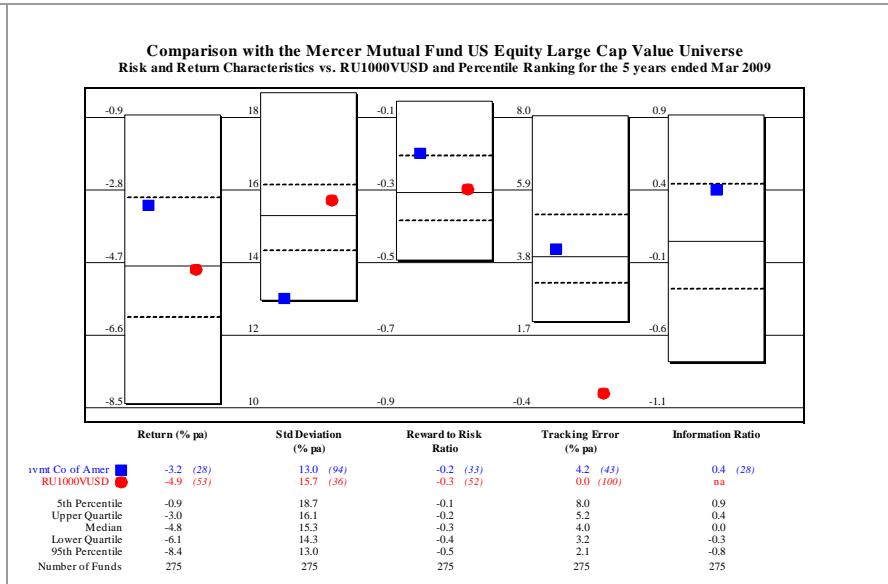
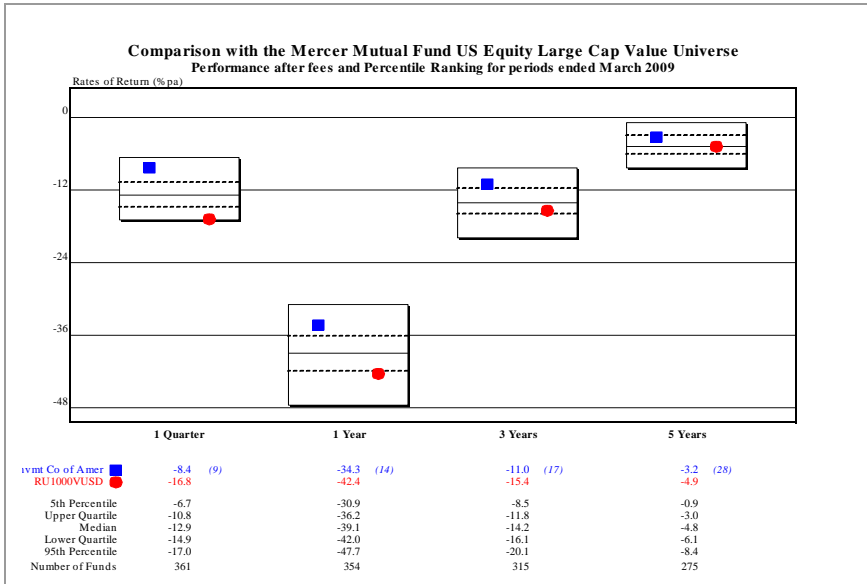
## Fund Profile

### Domestic Equity - American Funds Inv't Co of Amer A

<b>Share Class: A</b>		<b>Benchmark: Russell 1000 Value</b>	
<b>Investment Philosophy</b>			
CR&M's investment philosophy is that extensive global research and a flat organizational structure encouraging participatory decision-making will produce superior investment portfolios. The goal is for each portfolio manager to invest according to his own convictions in order to produce a portfolio that is diversified by portfolio management style. The fund utilizes a value-oriented, bottom-up approach to investment management.			
<b>Portfolio Analysis &amp; Key Observations</b>		<b>Style Analysis</b>	
<p><b>Positive Impact on Performance</b></p> <ul style="list-style-type: none"> <li>Overweight allocation in telecommunications; underweight in industrials</li> <li>Top 10 holdings Oracle (1.9% return) and Target (0.2% return)</li> </ul> <p><b>Negative Impact on Performance</b></p> <ul style="list-style-type: none"> <li>Underweight allocation in information technology and materials</li> <li>Overweight allocation in utilities and financials</li> <li>Top 10 holdings Philip Morris Intl. (-17.0% return), Royal Dutch Shell (-14.8% return), AT&amp;T (-10.1% return), Verizon Communications (-9.5% return) and Merck &amp; Co. (-10.8% return)</li> </ul>		<p>5 YEAR PERIOD - ROLLING 3 YEARS ENDING MAR 31, 2009</p> <p>100% 80% 60% 40% 20% 0%</p> <p>Jun-04 Dec-04 Jun-05 Dec-05 Jun-06 Dec-06 Jun-07 Dec-07 Jun-08 Dec-08</p> <p>■ Russell 1000 Value ■ Russell 1000 Growth ■ Russell 2000 Value ■ Russell 2000 Growth</p>	
<b>Key Facts and Figures</b>			
Portfolio Manager: Multiple	Total Fund Assets: \$46,678 Million	Expense Ratio (Net): 0.59%	
Portfolio Manager Average Tenure: 14.0 Years	Total Share Class Assets: \$37,853 Million	Mercer Average Expense Ratio: 0.89%	

# Fund Profile

## Domestic Equity - American Funds Invst Co of Amer A



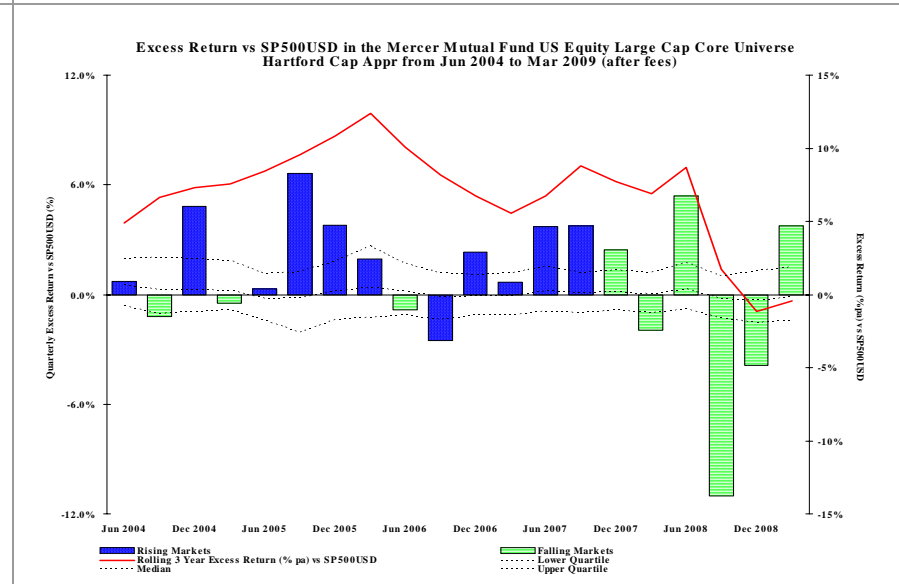
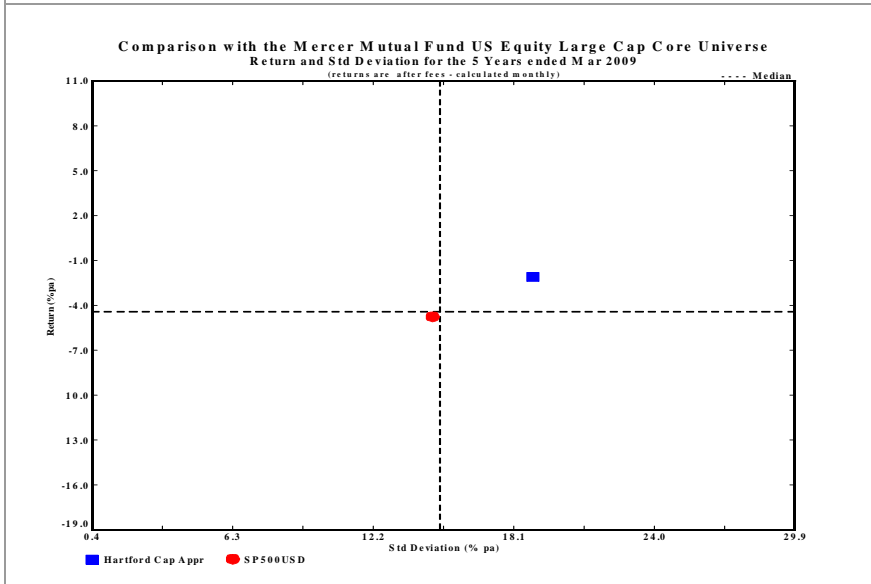
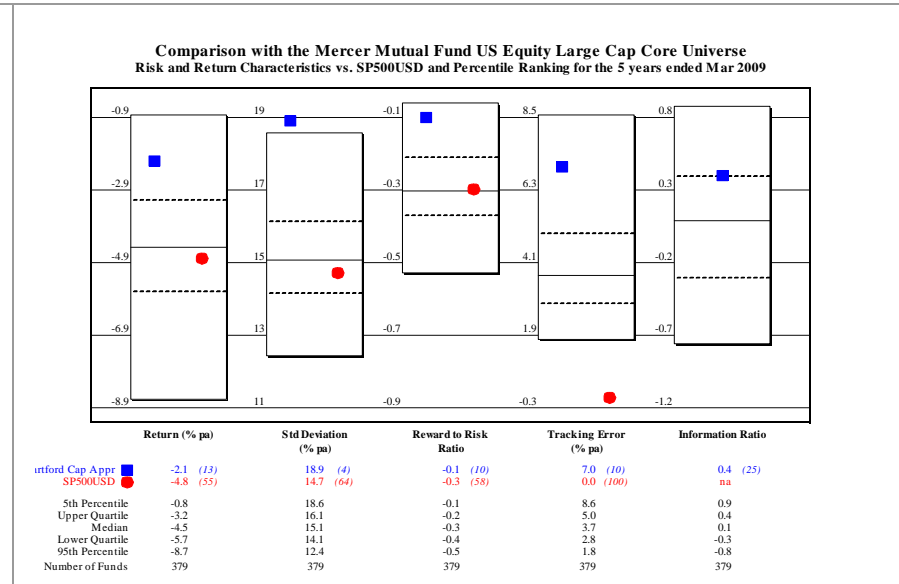
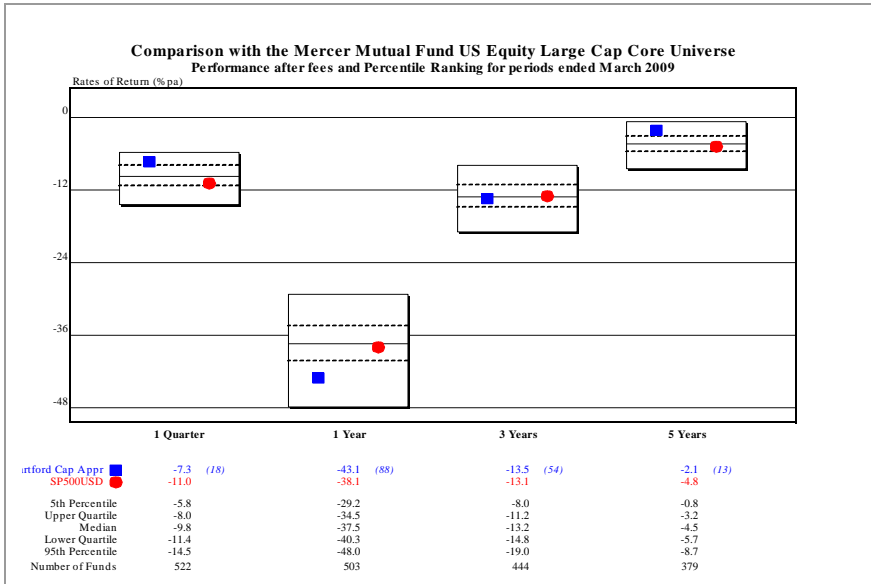
## Fund Profile

### Domestic Equity - Hartford Capital Appreciation HLS IA

<b>Share Class: Inst</b>		<b>Benchmark: S&amp;P 500</b>
<b>Investment Philosophy</b>		
The fund seeks growth of capital by investing in companies of all sizes solely on the basis of potential for capital appreciation, employing a bottom-up investing approach.		
<b>Portfolio Analysis &amp; Key Observations</b>		<b>Style Analysis</b>
<p><b>Positive Impact on Performance</b></p> <ul style="list-style-type: none"> <li>Overweight allocation in materials, health care and consumer discretionary; underweight in industrials</li> <li>Top 10 holdings Schering-Plough (38.8% return), Goldman Sachs Group (26.3% return), Teva Pharmaceuticals (6.2% return), Cisco Systems (2.9% return) and Oracle (1.9% return)</li> </ul> <p><b>Negative Impact on Performance</b></p> <ul style="list-style-type: none"> <li>Overweight allocation in financials</li> <li>Top 10 holdings Raytheon Co. (-23.7% return), Ace Ltd. (-22.7% return) and UnitedHealth Group (-21.2% return)</li> </ul>		<p>5 YEAR PERIOD - ROLLING 3 YEARS ENDING MAR 31, 2009</p> <p>Legend:  <span style="color: lightblue;">■</span> Russell 1000 Value  <span style="color: darkblue;">■</span> Russell 1000 Growth  <span style="color: lightorange;">■</span> Russell 2000 Value  <span style="color: darkorange;">■</span> Russell 2000 Growth</p>
<b>Key Facts and Figures</b>		
Portfolio Manager: Multiple Portfolio Manager Average Tenure: 4.4 Years	Total Fund Assets: \$6,575 Million Total Share Class Assets: \$5,967 Million	Expense Ratio (Net): 0.67% Mercer Average Expense Ratio: 0.91%

# Fund Profile

## Domestic Equity - Hartford Capital Appreciation HLS IA



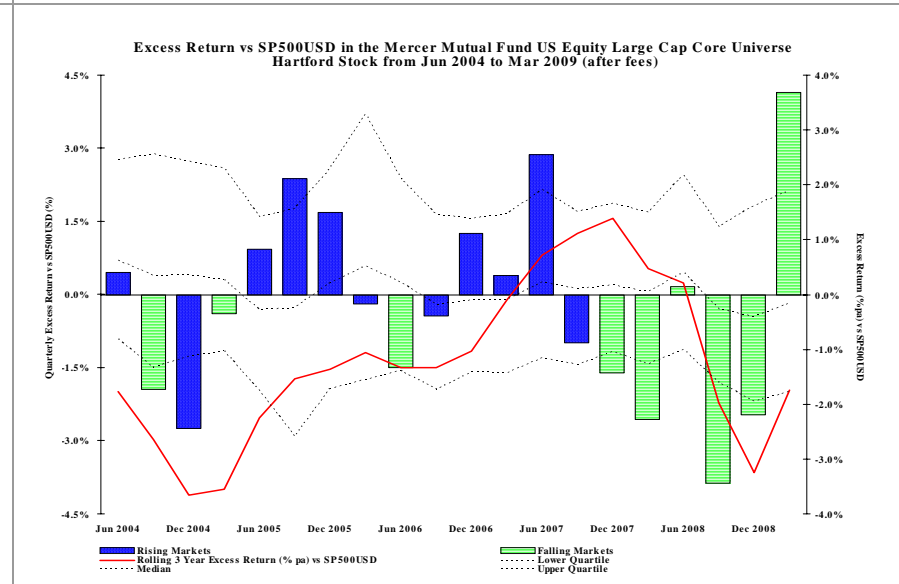
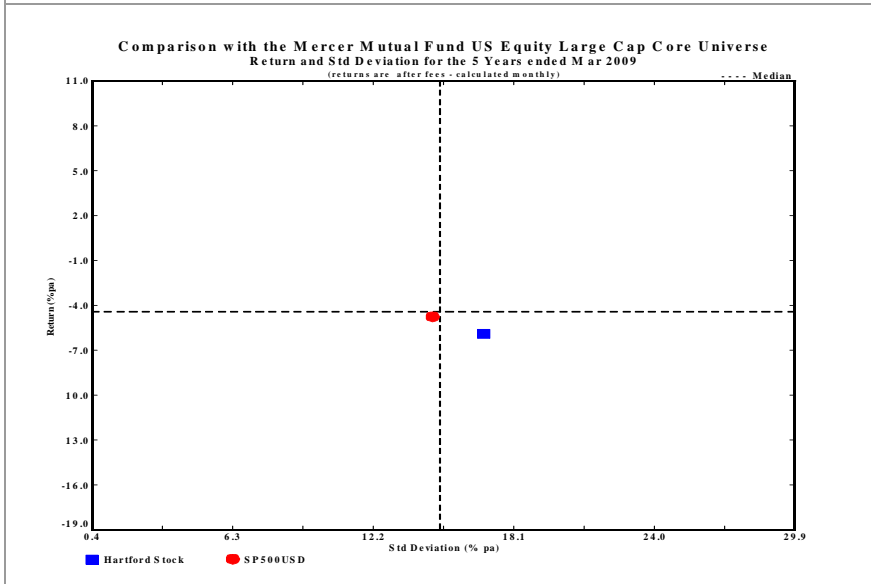
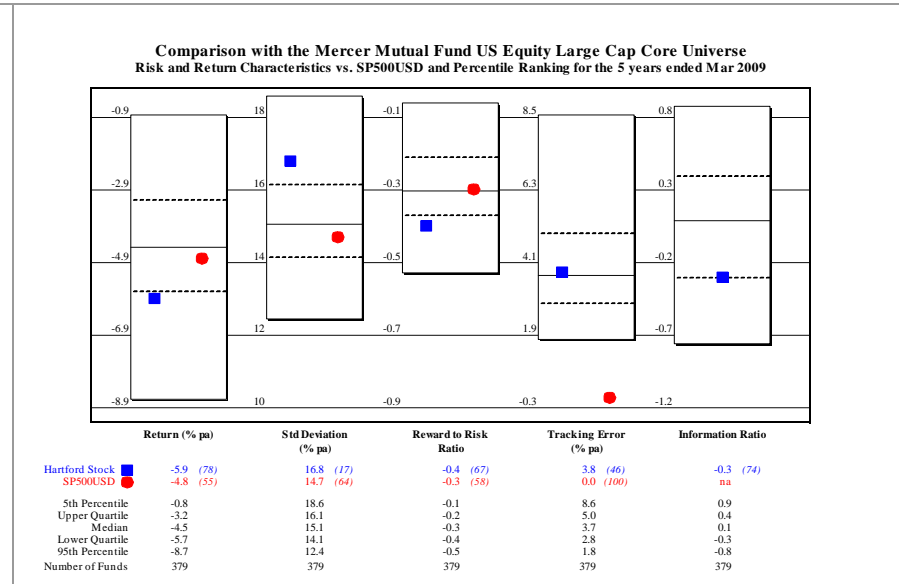
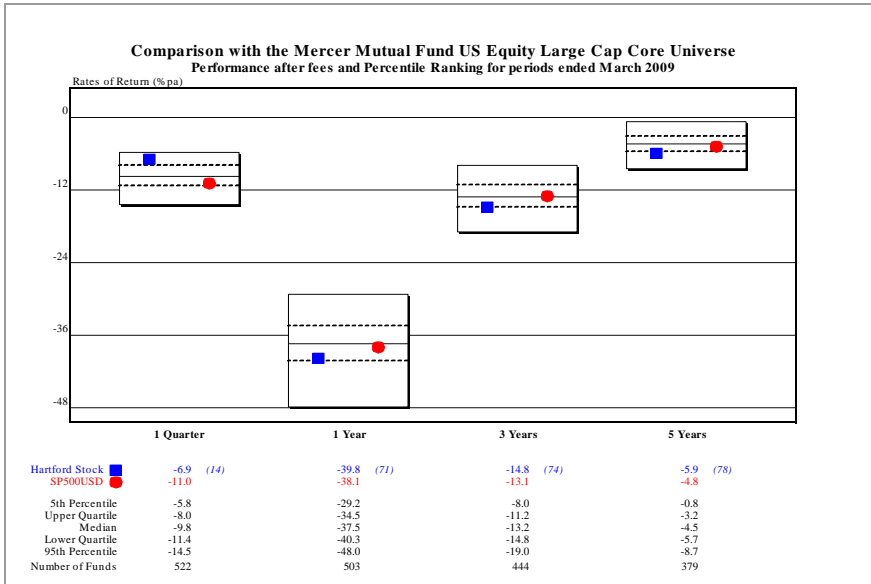
## Fund Profile

### Domestic Equity - Hartford Stock HLS IA

<b>Share Class: Inst</b>		<b>Benchmark: S&amp;P 500</b>
<b>Investment Philosophy</b>		
Blending top-down sector analysis and bottom-up security selection, the US Core Equity team aims to provide returns above the S&P 500 Index by investing in large-cap quality companies with long-term growth potential.		
<b>Portfolio Analysis &amp; Key Observations</b>		<b>Style Analysis</b>
<p><b>Positive Impact on Performance</b></p> <ul style="list-style-type: none"> <li>Overweight allocation in information technology and consumer discretionary</li> <li>Top 10 holdings Goldman Sachs Group (23.3% return), Apple (23.2% return), Google (13.1% return), and Qualcomm (9.1% return)</li> </ul> <p><b>Negative Impact on Performance</b></p> <ul style="list-style-type: none"> <li>Overweight allocation in financials; underweight in materials</li> <li>Top 10 holdings Comcast (-18.9% return), JPMorgan Chase &amp; Co. (-14.4% return) and Exxon Mobil (-14.2% return)</li> </ul>		<p>5 YEAR PERIOD - ROLLING 3 YEARS ENDING MAR 31, 2009</p> <p>Legend:  <span style="color: blue;">■</span> Russell 1000 Value  <span style="color: darkblue;">■</span> Russell 1000 Growth  <span style="color: orange;">■</span> Russell 2000 Value  <span style="color: darkorange;">■</span> Russell 2000 Growth</p>
<b>Key Facts and Figures</b>		
Portfolio Manager: Multiple	Total Fund Assets: \$1,838 Million	Expense Ratio (Net): 0.49%
Portfolio Manager Average Tenure: 3.7 Years	Total Share Class Assets: \$1,725 Million	Mercer Average Expense Ratio: 0.91%

# Fund Profile

## Domestic Equity - Hartford Stock HLS IA



## Fund Profile

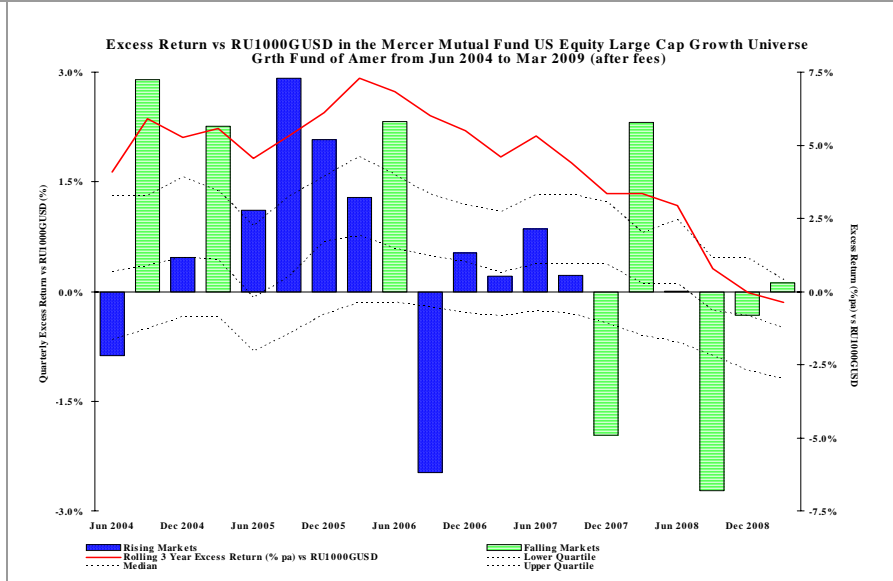
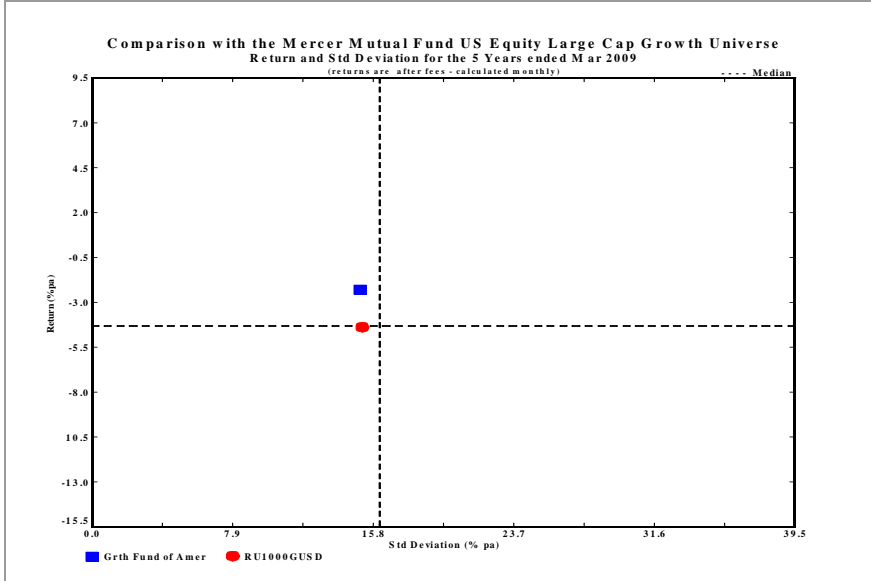
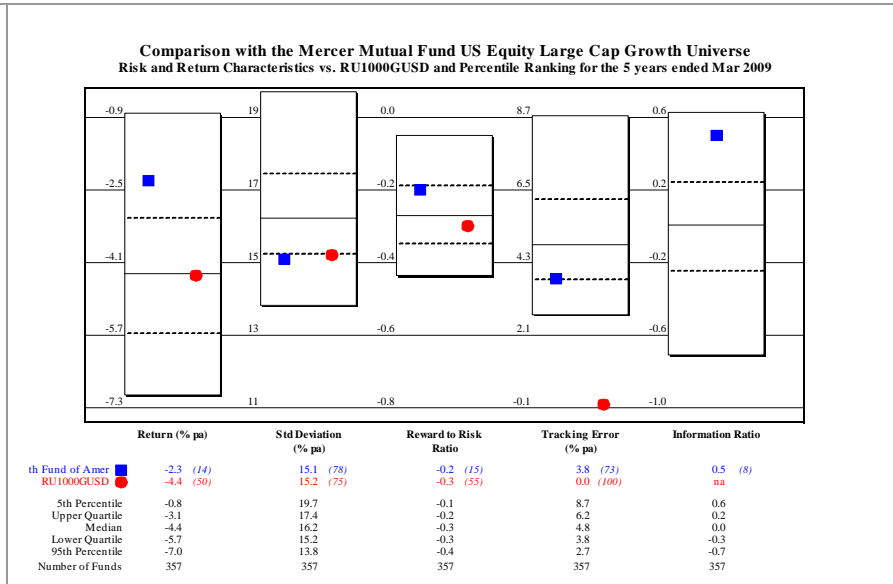
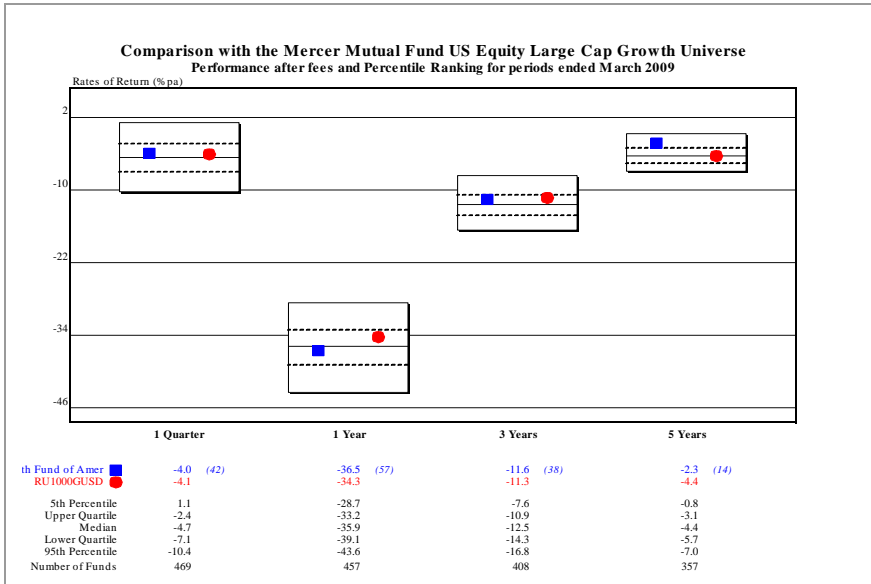
### Domestic Equity - American Funds Growth Fund of Amer A

<b>Share Class: A</b>		<b>Benchmark: Russell 1000 Growth</b>
<b>Investment Philosophy</b>		
<p>The fund seeks to provide long-term growth of capital through a diversified portfolio of common stocks. The fund has the flexibility to invest wherever the best growth opportunities may be. It emphasizes companies that appear to offer opportunities for long-term growth, and may invest in cyclical companies, turnarounds and value situations. The fund may invest up to 15% of assets in securities of issuers domiciled outside the US, and it may invest up to 10% of assets in debt securities rated below investment-grade.</p>		
<b>Portfolio Analysis &amp; Key Observations</b>		<b>Style Analysis</b>
<p><b>Positive Impact on Performance</b></p> <ul style="list-style-type: none"> <li>Underweight to consumer staples, industrials and utilities</li> <li>Overweight to materials</li> <li>Top 10 holdings Google (13.1% return), Oracle (1.9% return), Cisco Systems (2.9% return), and Apple (23.2% return)</li> </ul> <p><b>Negative Impact on Performance</b></p> <ul style="list-style-type: none"> <li>Underweight to industrials</li> <li>Overweight to financials</li> <li>Top 10 holdings Philip Morris International (-17.0% return), Roche Holding (-11.3% return), Berkshire Hathaway (-10.2% return)</li> </ul>		<p>5 YEAR PERIOD - ROLLING 3 YEARS ENDING MAR 31, 2009</p> <p>The chart displays the percentage composition of the fund's performance relative to four benchmarks from June 2004 to December 2008. The benchmarks are: Russell 1000 Value (light blue), Russell 1000 Growth (dark blue), Russell 2000 Value (light orange), and Russell 2000 Growth (dark orange). The fund's performance is consistently dominated by the Russell 1000 Growth benchmark, which accounts for approximately 60-80% of the total. The Russell 1000 Value benchmark accounts for about 10-20%, while the Russell 2000 benchmarks account for the remaining 10-20%.</p>
<b>Key Facts and Figures</b>		
Portfolio Manager: Multiple	Total Fund Assets: \$110,922 Million	Expense Ratio (Net): 0.62%
Portfolio Manager Average Tenure: 12.3 Years	Total Share Class Assets: \$48,911 Million	Mercer Average Expense Ratio: 0.95%



# Fund Profile

## Domestic Equity - American Funds Growth Fund of Amer A



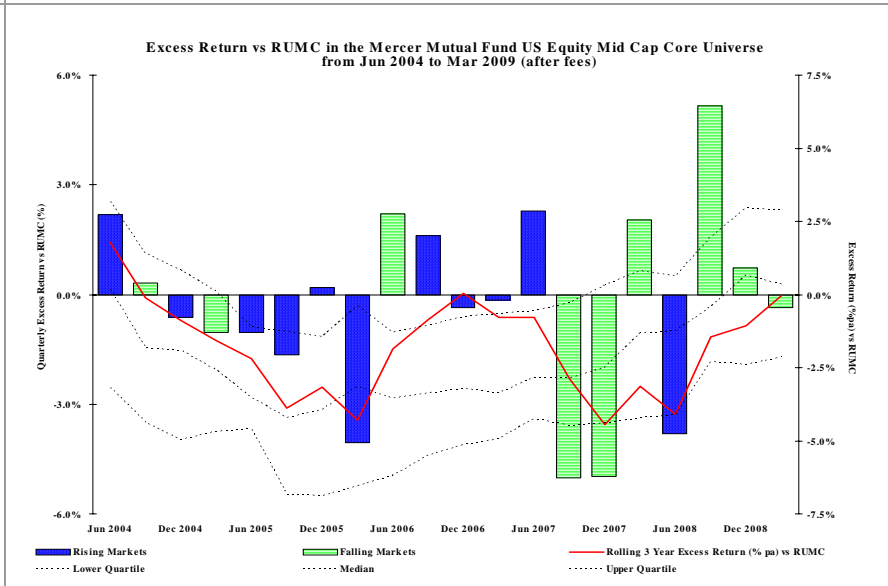
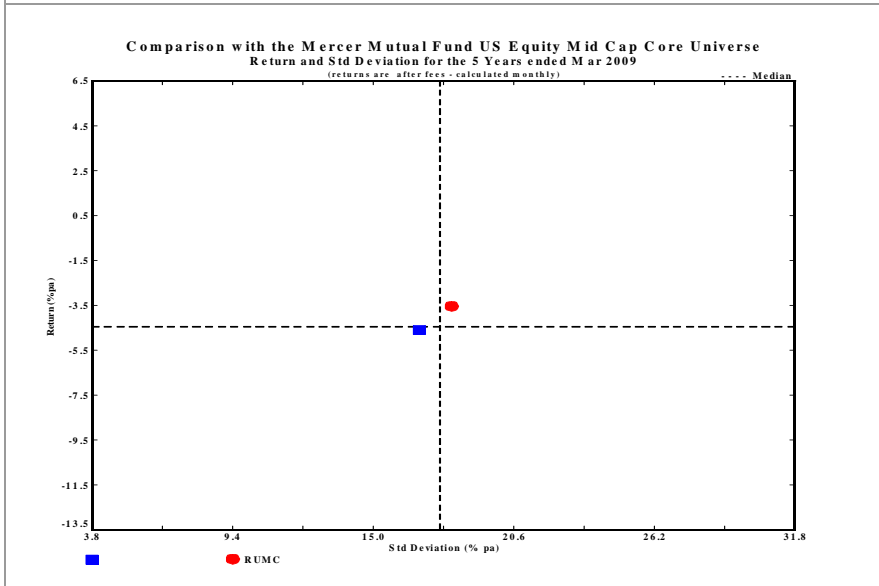
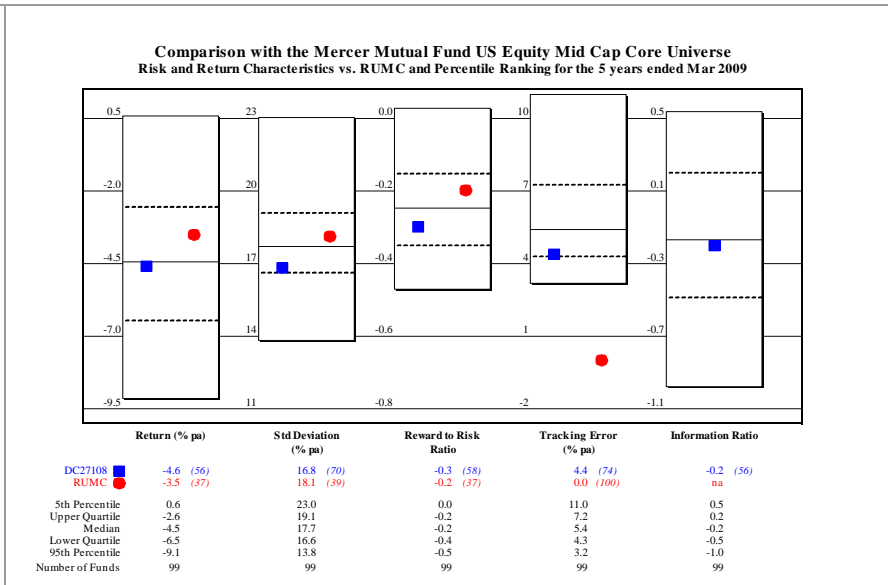
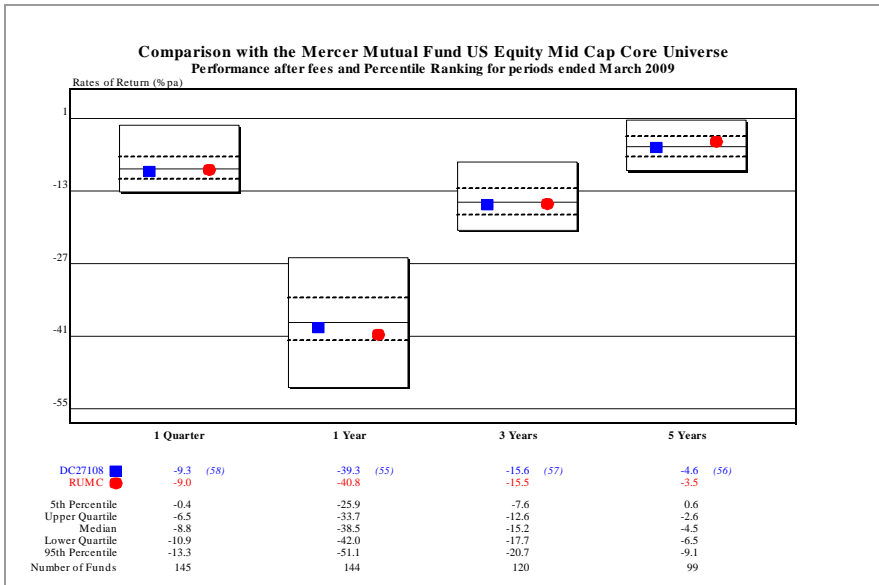
## Fund Profile

### Domestic Equity - Lazard U.S. Mid Cap Equity Instl

<b>Share Class: Inst</b>		<b>Benchmark: Russell Midcap</b>
<b>Investment Philosophy</b>		
<p>The Mid Cap Equity strategy is based on bottom-up stock selection with an emphasis on undervalued sectors and industries. Lazard seeks inexpensively priced companies that are financially productive with a catalyst that should create sustainable returns over the long term. The firm focuses on financial productivity and the long-term sustainability of returns rather than just price-to-earnings multiples and earnings projections. In-house fundamental research and financial analysis is key to the stock selection process. Macro, political, and economic factors are also considered.</p>		
<b>Portfolio Analysis &amp; Key Observations</b>		<b>Style Analysis</b>
<p><b>Positive Impact on Performance</b></p> <ul style="list-style-type: none"> <li>▪ Underweight allocation and stock selection in financials; overweight and stock selection in materials</li> <li>▪ Underweight allocation in utilities</li> <li>▪ Top 10 holdings Hospira (15.1% return), Symantec (10.5% return) and Abercrombie &amp; Fitch (-4.0% return)</li> </ul> <p><b>Negative Impact on Performance</b></p> <ul style="list-style-type: none"> <li>▪ Overweight allocation and stock selection in industrials; underweight allocation and stock selection in information technology</li> <li>▪ Stock selection in consumer staples</li> <li>▪ Individual detractor Foster Wheeler (-25.3% return); top 10 holdings Public Storage (-29.8% return), Molson Coors Brewing Co. (-29.5% return), Omnicare (-11.7% return), Ameriprise Financials (-11.4% return)</li> </ul>		<p>5 YEAR PERIOD - ROLLING 3 YEARS ENDING MAR 31, 2009</p> <p>The chart displays the performance of the fund over a 5-year period ending March 31, 2009, using a rolling 3-year period. The y-axis represents the percentage of performance relative to benchmarks, ranging from 0% to 100%. The x-axis shows dates from Jun-04 to Dec-08. The fund's performance is represented by a dark blue area, which is consistently higher than the Russell 2000 Value (light orange) and Russell 2000 Growth (dark orange) benchmarks. It is also generally higher than the Russell 1000 Value (light blue) benchmark, though it falls below it in late 2008. The Russell 1000 Growth benchmark (medium blue) is consistently the highest of the four benchmarks shown.</p>
<b>Key Facts and Figures</b>		
Portfolio Manager: Multiple	Total Fund Assets: \$145 Million	Expense Ratio (Net): 0.87%
Portfolio Manager Average Tenure: 6.5 Years	Total Share Class Assets: \$105 Million	Mercer Average Expense Ratio: 1.01%

# Fund Profile

## Domestic Equity - Lazard U.S. Mid Cap Equity Instl



## Fund Profile

### Domestic Equity - Passive - SSgA Russell 2000 Index Fund - Series C

<b>Share Class: C</b>		<b>Benchmark: Russell 2000</b>
<b>Investment Philosophy</b>		
<p>SSgA's passive equity process objective is to remain fully invested in the equity market at all times. To accomplish this, SSgA holds a small amount of unleveraged exchange-traded Russell 2000 index futures contracts to maintain full exposure. The portfolio tends to hold approximately 1% to 3% of the strategy's value in suitable CFTC-approved index futures contracts. This position in futures allows SSgA to accommodate cash flows into and out of the portfolio on a daily basis and to equitize dividend receivables to achieve closer tracking.</p>		
<b>Portfolio Analysis &amp; Key Observations</b>		<b>Tracking Error as of March 31, 2009</b>
<p><b>Top-Performing Russell 2000 Index Sectors</b></p> <ul style="list-style-type: none"> <li>Information technology (-1.4% return), consumer discretionary (-5.3% return), telecommunication services (-6.2% return), consumer staples (-10.4% return), utilities (-11.2% return), and health care (-11.3% return)</li> </ul> <p><b>Worst-Performing Russell 2000 Index Sectors</b></p> <ul style="list-style-type: none"> <li>Financials (-25.5% return), industrials (-23.5% return), energy (-20.4% return) and materials (-16.5% return)</li> </ul>		<p align="center"><b>Tracking Error in Mutual Fund US Equity Small Cap Index from Jun 2004 to Mar 2009</b> SSgA Ru2000C versus RU2000USD (after fees)</p> <p align="center">Data Source: Morningstar</p>
<b>Key Facts and Figures</b>		
Portfolio Manager: Multiple Portfolio Manager Average Tenure: 13.0 Years	Total Fund Assets: \$79.2 Million	Expense Ratio (Net): 0.20% Mercer Average Expense Ratio (Net): 0.38%

## Fund Profile

### International Equity - DWS EAFE Equity Index Inst

<b>Share Class: Inst</b>		<b>Benchmark: MSCI EAFE NET WHT</b>	
<b>Investment Philosophy</b>			
Portfolio management invests in a statistically selected sample of the securities found in the MSCI EAFE Index, with typically 80% of the fund in index securities and select derivative instruments relating to the index.			
<b>Portfolio Analysis &amp; Key Observations</b>		<b>Tracking Error as of March 31, 2009</b>	
<p><b>Top-Performing EAFE Countries</b></p> <ul style="list-style-type: none"> <li>Norway (3.3% return), Hong Kong (-0.5% return), Australia (-1.5% return), New Zealand (-2.7% return) and Canada (-3.4% return)</li> </ul> <p><b>Worst-Performing EAFE Countries</b></p> <ul style="list-style-type: none"> <li>Finland (-21.9% return), Italy (-20.6% return), Germany (-19.4% return), Spain (-18.3% return) and Japan (-16.6% return)</li> </ul>		<p>5 YEAR PERIOD - DWS EAFE EQUITY INDEX INST VS. MSCI EAFE NET WHT</p> <p>— Rolling 1-Year Tracking Error</p>	
<b>Key Facts and Figures</b>			
Portfolio Manager: Shaun Murphy		Total Fund Assets: \$208 Million	Expense Ratio (Net): 0.47%
Portfolio Manager Average Tenure: 1.9 Years		Total Share Class Assets: \$224 Million	Mercer Average Expense Ratio: 0.46%

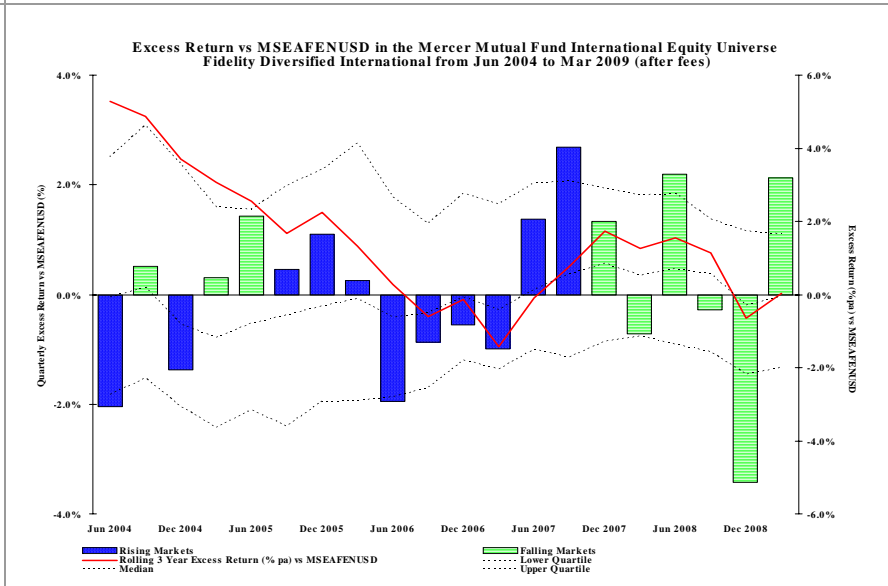
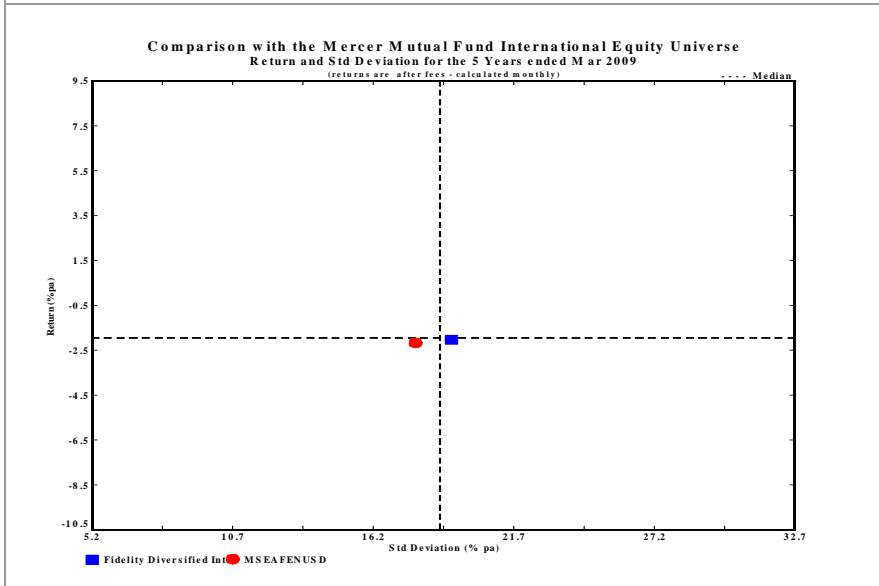
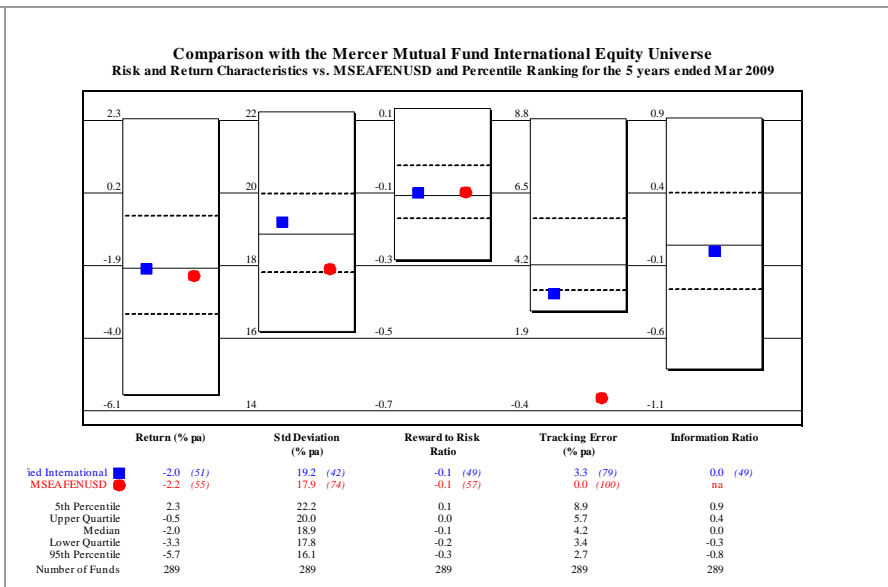
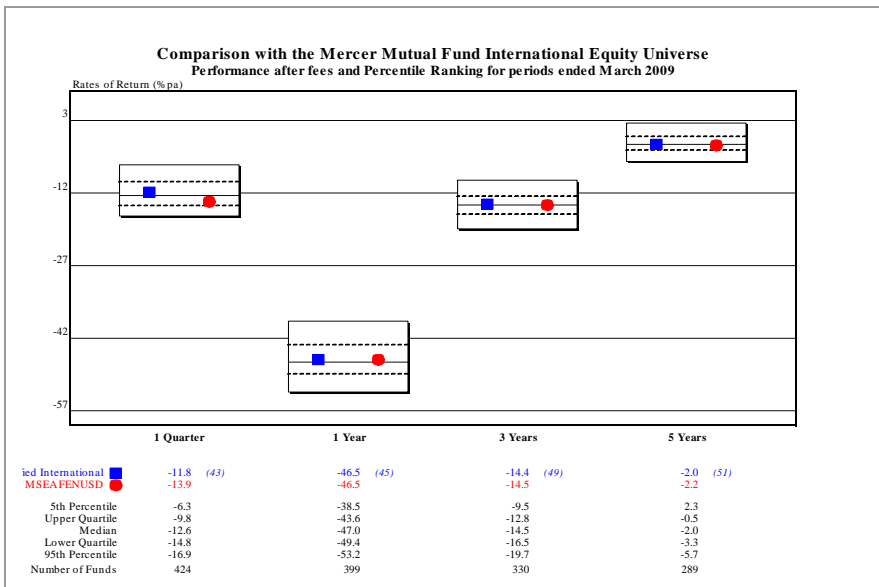
## Fund Profile

### International Equity - Fidelity Diversified International

<b>Share Class: No Load</b>		<b>Benchmark: MSCI EAFE NET WHT</b>																																	
<b>Investment Philosophy</b>																																			
The fund seeks capital growth by typically investing in non-US securities, allocating investments across countries and regions by considering the size of the market in each country and region relative to the size of the international market as a whole.																																			
<b>Portfolio Analysis &amp; Key Observations</b>		<b>Country Analysis</b> as of March 31, 2009																																	
<p><b>Positive Impact on Performance</b></p> <ul style="list-style-type: none"> <li>Stock selection within health care, information technology, energy and consumer staples</li> <li>Underweight to Japan</li> <li>Out-of-index exposure to the US and Canada; emerging market exposure to India and South Korea</li> <li>Individual contributors: Genentech (14.6% return) and Infosys (8.4% return)</li> </ul> <p><b>Negative Impact on Performance</b></p> <ul style="list-style-type: none"> <li>Stock selection within financials and utilities</li> <li>Underweight to Australia and UK</li> <li>Individual detractors: Orix (-42.0% return) and E.ON (-28.2% return)</li> </ul>		<table border="1"> <caption>Country Allocation Data (Estimated from Chart)</caption> <thead> <tr> <th>Country</th> <th>Fidelity Diversified International</th> <th>MSCI EAFE NET WHT</th> </tr> </thead> <tbody> <tr> <td>United Kingdom</td> <td>16.5</td> <td>20.5</td> </tr> <tr> <td>Japan</td> <td>13.5</td> <td>24.5</td> </tr> <tr> <td>Switzerland</td> <td>11.5</td> <td>8.5</td> </tr> <tr> <td>United States</td> <td>10.0</td> <td>0.0</td> </tr> <tr> <td>Germany</td> <td>8.0</td> <td>8.0</td> </tr> <tr> <td>France</td> <td>7.5</td> <td>10.5</td> </tr> <tr> <td>Canada</td> <td>7.0</td> <td>0.0</td> </tr> <tr> <td>Spain</td> <td>4.5</td> <td>4.5</td> </tr> <tr> <td>Australia</td> <td>3.0</td> <td>7.0</td> </tr> <tr> <td>Italy</td> <td>2.0</td> <td>3.5</td> </tr> </tbody> </table>	Country	Fidelity Diversified International	MSCI EAFE NET WHT	United Kingdom	16.5	20.5	Japan	13.5	24.5	Switzerland	11.5	8.5	United States	10.0	0.0	Germany	8.0	8.0	France	7.5	10.5	Canada	7.0	0.0	Spain	4.5	4.5	Australia	3.0	7.0	Italy	2.0	3.5
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Australia	3.0	7.0																																	
Italy	2.0	3.5																																	
<b>Key Facts and Figures</b>																																			
Portfolio Manager: William Bower	Total Fund Assets: \$24,996 Million	Expense Ratio (Net): 1.04%																																	
Portfolio Manager Average Tenure: 8.0 Years	Total Share Class Assets: \$22,519 Million	Mercer Average Expense Ratio: 1.09%																																	

# Fund Profile

## International Equity - Fidelity Diversified International



## Appendix – Disclosures

### **Mercer Investment Consulting Relationships**

- The parent corporation of Mercer Investment Consulting, Inc. (“Mercer”), Mercer (US) Inc., from time to time provides employee benefit consulting services to various investment organizations. We believe these relationships in no way affect the objectivity of our analysis.

### **Universe Notes**

- Mercer determines the time periods and specific mutual funds included in each Mercer Mutual Fund Universe. The quarterly returns used to arrive at the open-end mutual fund universe distributions are obtained from Morningstar, Inc., Chicago, IL.
- Mercer Manager Universes are constructed using the composite portfolios submitted by investment managers to the Research Unit for evaluation. Each portfolio is reviewed and, based on Mercer’s professional judgment, placed within the appropriate universe which contains similarly managed portfolios. Universes are calculated by sorting the returns from highest to lowest for each unique time period independently. The highest return is assigned the rank of zero (0), and the lowest the rank of 100. Depending on the number of observations between these two points, the remaining results are normalized to create percentile rankings. Percentile rankings for managers and indices in performance floating bar exhibits may not match universe percentiles due to rounding.

### **Data Sources**

- Although all data is gathered from sources believed to be reliable, data accuracy and completeness cannot be guaranteed by either the data providers or by Mercer.
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### **Miscellaneous Notes**

- Returns for periods greater than one year are annualized. Returns are calculated net of investment management fees, unless noted.