

Second Quarter 2010

Defined Contribution Performance Evaluation

City of Los Angeles

City of Los Angeles Deferred Compensation Plan

MERCER



All services provided by Mercer Investment Consulting, Inc.

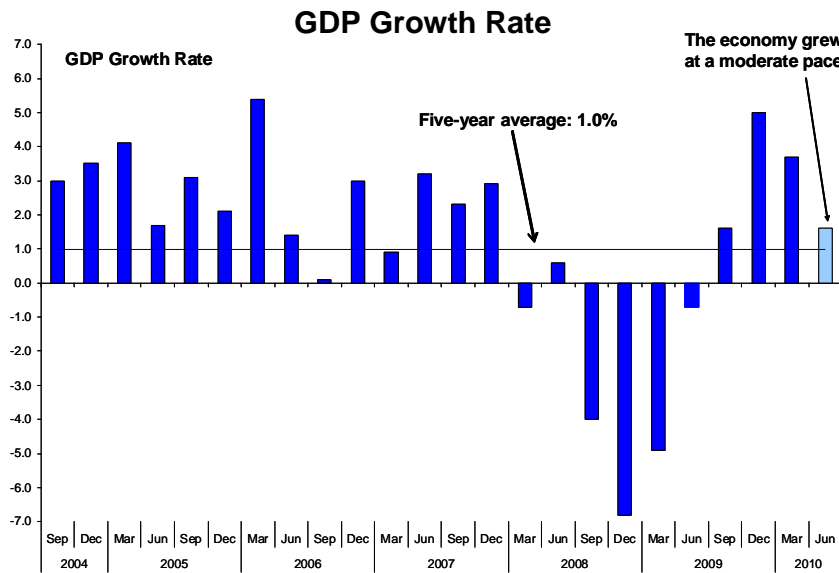
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Economic Environment

For Periods Ending June 2010

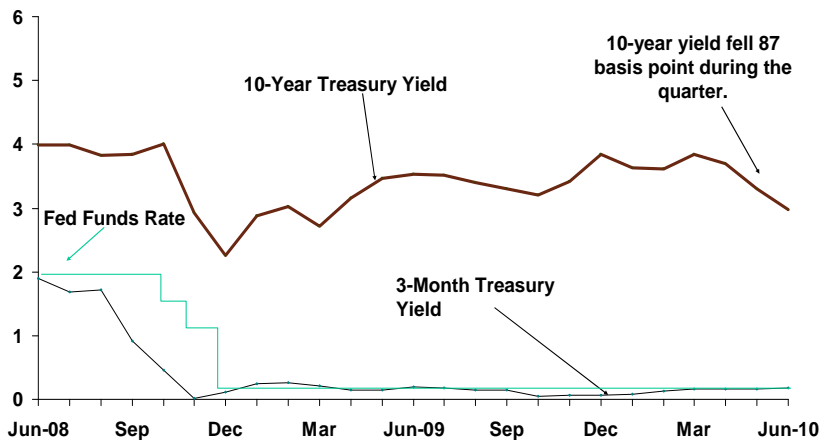
Economic Profile



- The economy grew at a slower-than-expected pace during the quarter as industrial production and consumer spending weakened. Revised estimate from the Bureau of Economic Analysis shows GDP measured at an annual rate of 1.6% in the second quarter.
- The unemployment rate fell slightly to 9.5%. The decrease was due primarily to a drop in labor participation as discouraged workers gave up the job hunt. Private sector job growth remained tepid.
- Retail sales fell for the second straight month in June as shoppers grew cautious. Consumer confidence fell sharply in June amid concerns over bleak job prospects and fears of an economic slowdown.
- Home prices increased 3.8% on a year-over-year basis in April, but the housing market remained sluggish as mortgage applications plunged to the lowest level in more than 13 years and new home sales fell to a record low.

Interest Rates and Inflation

Treasury Yields



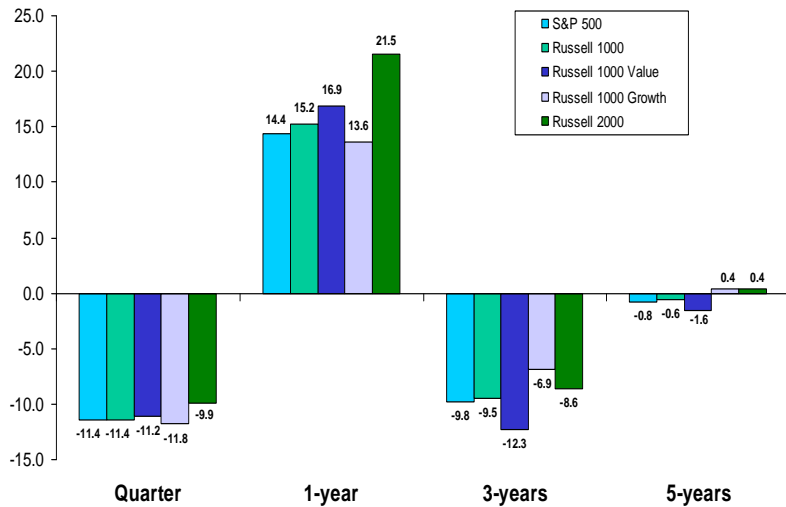
- The Fed maintained the target range for the federal funds rate at 0% to 0.25%.
- Short-term rates edged up as the 3-month T-bill yield increased 2 basis points, ending the quarter at 0.18%.
- The yield on 10-year Treasuries dropped below 3% for the first time since April 2009, ending the quarter at 2.97%. The 2-year yield fell 41 basis points to 0.61%. The 2- to 10-year yield slope narrowed by 46 basis points.
- The yield on 30-year Treasuries fell 81 basis points to 3.91% as investors sought the safety of US government debt.
- Consumer prices fell during the quarter primarily due to lower energy prices. On a year-over-year basis, the CPI increased 1.1%. Core CPI was up 0.9% from a year ago.

Equity Market Performance

For Periods Ending June 2010

Domestic Equity Market Performance

Market Index Performance



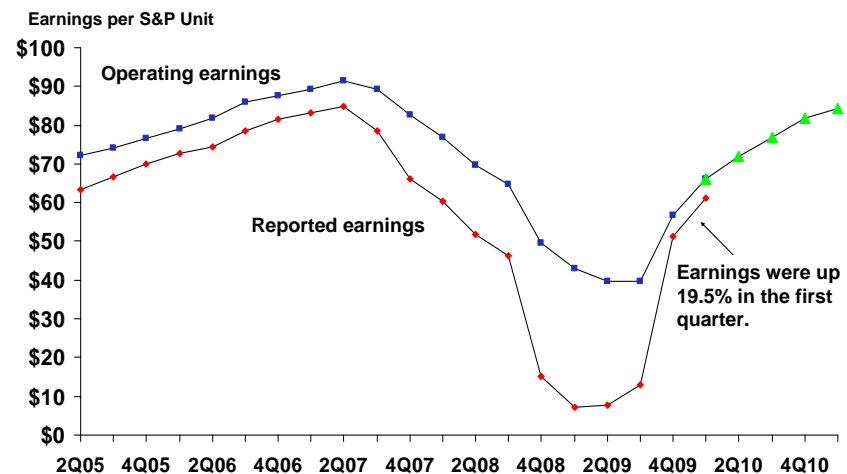
- The stock market stalled during the quarter amid concerns over weak economic data, slowing growth in China and Europe's debt problems. Both the S&P 500 Index and the Russell 1000 Index fell 11.4% during the quarter.
- Overall, higher quality stocks with strong balance sheets and higher dividend yields outperformed lower quality, higher beta stocks.
- Losses were slightly less severe for small cap and mid stocks, both of which fell 9.9%.
- Mid and large cap value stocks held up better than their growth counterparts, while growth fared better than value in the small cap space. Large cap growth stocks, down 11.8%, were the weakest performers. Small cap growth, down 9.2%, fared best.
- All sectors within the Russell 1000 Index posted negative returns during the quarter. Materials and financial stocks were the weakest performers. Defensive sectors held up best.

Russell 1000 Sector Returns

Sector	Qtr Return	Weight*
Consumer Discretionary	-11.0	10.7
Consumer Staples	-8.5	10.3
Energy	-12.6	10.3
Financials	-13.3	16.7
Health Care	-11.4	12.2
Industrials	-12.2	10.9
Information Technology	-12.2	18.4
Materials	-15.3	3.8
Telecommunication Services	-5.0	2.9
Utilities	-3.8	3.8

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. *May not add to 100% due to rounding.

S&P 500 Trailing 4-Quarter Earnings per Unit



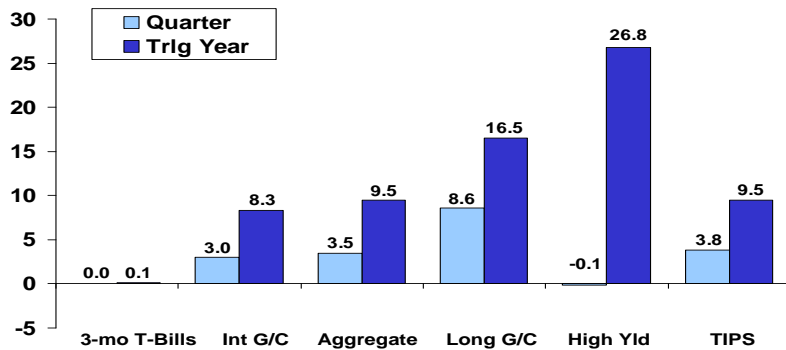
Source: Standard & Poor's

Fixed Income Market Performance

For Periods Ending June 2010

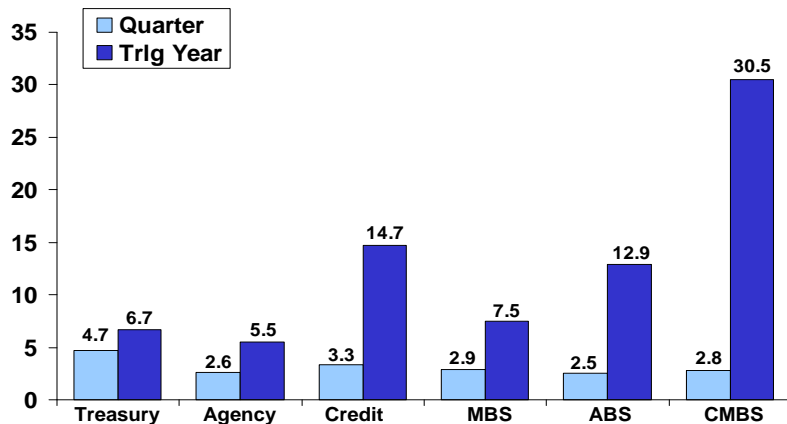
Fixed Income Market Performance

Performance by Maturity and Sector

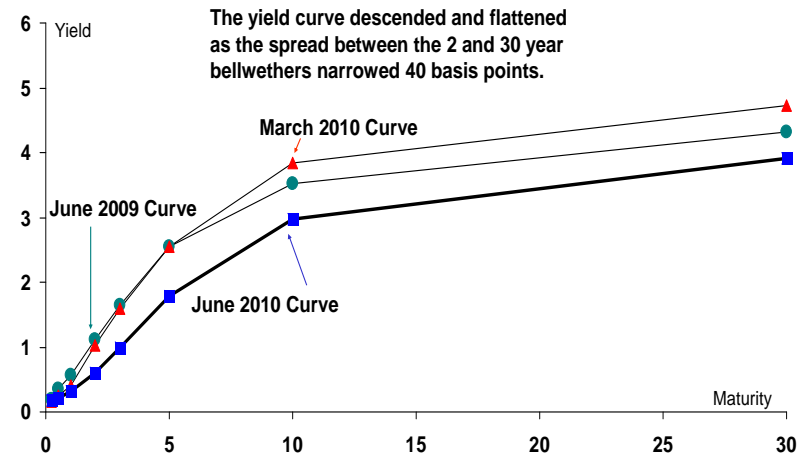


- The bond market posted solid results during the quarter as the Barclays Capital Aggregate Bond Index gained 3.5%.
- Treasuries, up 4.7% for the quarter, outperformed all spread sectors as deflationary concerns and a flight-to-quality drove down yields.
- The Barclays Capital Credit Index was up 3.3% for the quarter. Long-term bonds outperformed intermediate issues. By quality, A rated securities were the strongest performers during the quarter. Credit spreads widened amid concerns over Europe’s sovereign crisis and US financial reform legislation.
- The MBS sector, up 2.9% for the quarter, benefited from favorable supply/demand conditions. The CMBS and ABS sectors returned 2.8% and 2.5% respectively.

Performance by Issuer



Treasury Yield Curves

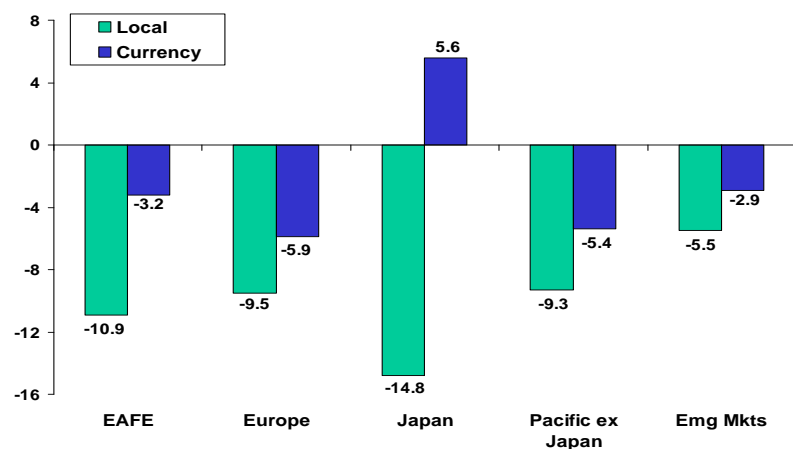


Other Markets

For Periods Ending June 2010

International Equity Market Performance

Regional Performance for the Quarter



- International equity markets underperformed US markets during the quarter as the MSCI EAFE Index lost 13.8% in US dollar terms. The Index was down 10.9% in local currency terms. The euro continued to fall versus the dollar, while the yen appreciated.
- The Pacific region fell 11.6% during the quarter. Australia, down 19.0%, was the weakest performing country. The Pacific ex Japan region lost 14.2%.
- Stocks in the European region were down 14.8% for the quarter as the majority of countries posted double-digit losses. Greece suffered the largest loss, plummeting 40.4%.
- Emerging market stocks were down 8.3% for the quarter. Eastern Europe, down 17.2%, was the weakest-performing region. Weak performance in Brazil and Mexico resulted in a loss of 11.9% for the Latin American region. Losses were less severe for Asian stocks, which fell 5.1%.

Other Asset Classes

High Yield Bonds

- The Barclays Capital High Yield Bond Index saw its first monthly decline in 14 months in May and ended the quarter down 0.1%. During the quarter, the average yield spread versus Treasuries widened 129 basis points.
- Long-term bonds outperformed intermediate-term issues. Higher-quality bonds fared better than lower-rated issues amid increased risk aversion.

Real Estate

- Equity REITs held up better than the broad stock market during the quarter, as the FTSE NAREIT Equity REIT Index declined 4.1%.
- The latest data available for the private real estate market showed a first-quarter gain of 0.8% for the NCREIF Property Index.

Inflation Indexed Bonds

- Treasury Inflation-Protected Securities (TIPS) were up 3.8% for the quarter underperforming Treasuries by 86 basis points.

Commodities

- The S&P GSCI Index declined 10.4% in the second quarter. Industrial metals was the weakest sector as fears of a global economic slowdown drove the index down 18.0%. Precious metals was the best-performing sector, gaining 11.1%.

International Bonds

- The Citigroup Non-U.S. Government Bond Index declined 1.3% as most countries in the European region lost ground.
- The Barclays Capital Emerging Markets Index gained 1.0% in the second quarter as all regions except Emerging Europe posted positive results.

Market Returns Summary

For Periods Ending June 2010

Market Returns (%) for Periods Ending June 30, 2010

		QTR	YTD	1 YR	3 YRS*	5 YRS*	10 YRS*
Equity	S&P 500	-11.4	-6.7	14.4	-9.8	-0.8	-1.6
	Russell 1000 Value	-11.2	-5.1	16.9	-12.3	-1.6	2.4
	Russell 1000 Growth	-11.8	-7.7	13.6	-6.9	0.4	-5.1
	Russell MidCap	-9.9	-2.1	25.1	-8.2	1.2	4.2
	Russell MidCap Value	-9.6	-0.9	28.9	-9.4	0.7	7.6
	Russell MidCap Growth	-10.2	-3.3	21.3	-7.5	1.4	-2.0
	Russell 2000	-9.9	-2.0	21.5	-8.6	0.4	3.0
	Russell 2000 Value	-10.6	-1.6	25.1	-9.9	-0.5	7.5
	Russell 2000 Growth	-9.2	-2.3	18.0	-7.5	1.1	-1.7
	Russell 3000	-11.3	-6.1	15.7	-9.5	-0.5	-0.9
	<i>Merger Large Cap Value Equity Peer Group median**</i>	-11.9	-6.5	14.7	-10.1	-0.4	3.9
	<i>Merger Large Cap Growth Equity Peer Group median**</i>	-11.7	-7.7	12.6	-7.0	0.8	-2.5
	<i>Merger Small Cap Value Equity Peer Group median**</i>	-9.4	-0.4	26.1	-6.8	2.5	9.8
	<i>Merger Small Cap Growth Equity Peer Group median**</i>	-8.7	-2.2	20.4	-7.9	1.8	1.1
Fixed Income	Citigroup 3-Month T-Bill	0.0	0.1	0.1	1.4	2.6	2.6
	Barclays Capital Int. Gov't/Credit	3.0	4.6	8.3	7.0	5.3	6.1
	Barclays Capital Gov't/Credit	3.9	5.5	9.7	7.4	5.3	6.5
	Barclays Capital Aggregate	3.5	5.3	9.5	7.6	5.5	6.5
	Barclays Capital Intermediate Government	3.3	4.4	5.7	7.1	5.3	5.8
	Barclays Capital Long Gov't/Credit	8.6	10.2	16.5	9.4	5.6	8.1
	Barclays Capital MBS	2.9	4.5	7.5	8.2	6.3	6.5
	Barclays Capital TIPS	3.8	4.4	9.5	7.6	5.0	7.5
	Barclays Capital High Yield	-0.1	4.5	26.8	6.5	7.2	7.3
	<i>Merger Core Fixed Income Peer Group median**</i>	3.2	5.7	12.4	8.2	6.1	6.9
International	MSCI EAFE	-13.8	-12.9	6.4	-12.9	1.4	0.6
	MSCI Emerging Markets	-8.3	-6.0	23.5	-2.2	13.1	10.3
	Citigroup Non-US Gov't Bond	-1.3	-3.3	1.5	7.7	5.0	6.4
	Citigroup Non-US Gov't Bond - Hedged	1.6	2.7	4.9	6.0	4.4	5.2
	<i>Merger International Equity Universe median**</i>	-12.4	-11.0	9.1	-11.2	2.9	2.6
Miscellaneous	NCREIF Property Index***	0.8	-1.4	-9.6	-4.3	4.2	7.1
	FTSE NAREIT (Equity REITS)	-4.1	5.6	53.9	-9.0	0.2	9.9
	Merrill Lynch Inv. Grade Convertible	-4.3	-2.7	11.3	2.9	5.2	2.7
	Goldman Sachs Commodity Index	-10.4	-11.2	-5.4	-12.5	-8.1	0.9
Inflation	CPI	-0.4	-0.1	1.1	1.5	2.3	2.4

Index at 3/31/10	Dow Jones	NASDAQ	S&P 500	Russell 2000	Wilshire 5000
	10,856.63	2,397.96	1,169.43	678.64	12,222.29
Index at 6/30/10	Dow Jones	NASDAQ	S&P 500	Russell 2000	Wilshire 5000
	9,774.02	2,109.24	1,030.71	609.49	10,823.31

* Annualized

** Preliminary

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

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

For Second Quarter 2010

S&P 500 Quarterly Return = -11.43%

25 Largest Positive Contributors

Stock	Return (%)	End of Quarter Weight	Cap Rank
APPLE INC	7.03%	2.36%	2
NEWMONT MINING CORP	21.23%	0.31%	69
SANDISK CORP	21.48%	0.10%	231
NETAPP INC	14.66%	0.14%	169
AKAMAI TECHNOLOGIES INC	29.12%	0.07%	306
SALESFORCE.COM INC	15.27%	0.11%	199
EOG RESOURCES INC	5.84%	0.26%	88
SPRINT NEXTEL CORP	11.58%	0.13%	177
FIDELITY NATIONAL INFO SVCS	14.42%	0.10%	216
AUTOZONE INC	11.63%	0.09%	244
STERICYCLE INC	20.33%	0.06%	348
PUBLIC SERVICE ENTRP GRP INC	6.13%	0.16%	143
HERSHEY CO	11.96%	0.08%	267
O'REILLY AUTOMOTIVE INC	14.03%	0.07%	317
AMERISOURCEBERGEN CORP	9.79%	0.09%	245
AMERICAN TOWER CORP	4.44%	0.18%	129
EQUITY RESIDENTIAL	6.36%	0.12%	186
M & T BANK CORP	7.02%	0.10%	217
CUMMINS INC	5.13%	0.13%	170
SUNOCO INC	17.03%	0.04%	411
AVALONBAY COMMUNITIES INC	8.13%	0.08%	279
DR PEPPER SNAPPLE GROUP INC	6.31%	0.09%	242
EMC CORP/MA	1.44%	0.39%	53
DISCOVERY COMMUNICATIONS INC	5.68%	0.10%	235
HASBRO INC	7.37%	0.06%	338

25 Largest Negative Contributors

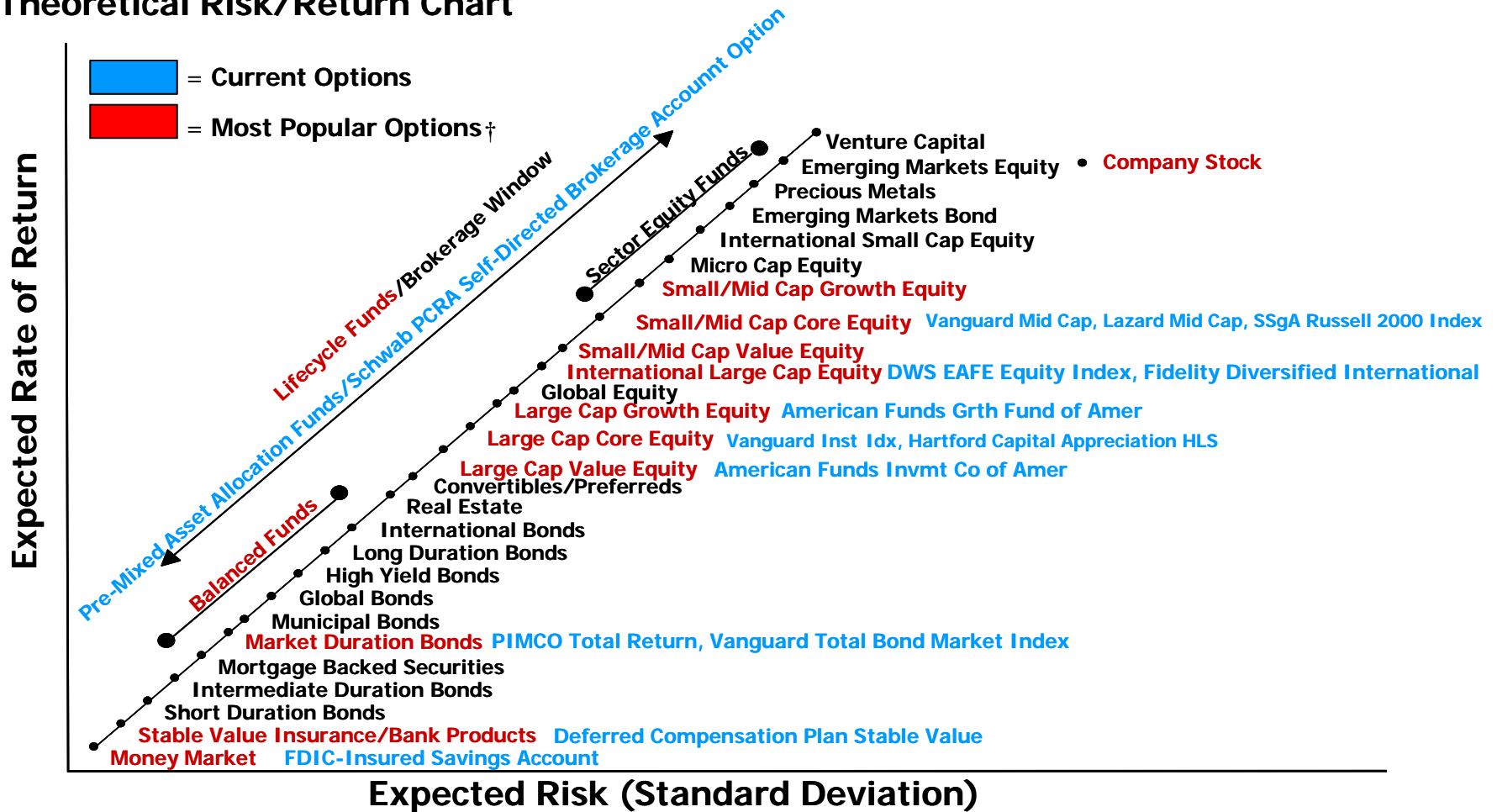
Stock	Return (%)	End of Quarter Weight	Cap Rank
MICROSOFT CORP	-21.43%	2.08%	3
EXXON MOBIL CORP	-14.80%	3.00%	1
GENERAL ELECTRIC CO	-20.77%	1.59%	9
BANK OF AMERICA CORP	-19.50%	1.48%	11
JPMORGAN CHASE & CO	-18.19%	1.50%	10
EXPRESS SCRIPTS INC	-53.79%	0.27%	80
GOOGLE INC	-21.54%	1.13%	18
WELLS FARGO & CO	-17.74%	1.37%	14
WAL-MART STORES INC	-13.54%	1.84%	5
DANAHER CORP	-53.55%	0.25%	92
CISCO SYSTEMS INC	-18.13%	1.25%	15
GENERAL MILLS INC	-49.82%	0.24%	97
PFIZER INC	-16.85%	1.18%	17
HEWLETT-PACKARD CO	-18.57%	1.04%	23
ORACLE CORP	-16.53%	1.11%	21
GOLDMAN SACHS GROUP INC	-23.07%	0.70%	30
ANADARKO PETROLEUM CORP	-50.45%	0.18%	131
JOHNSON & JOHNSON	-9.42%	1.68%	7
CHEVRON CORP	-10.51%	1.40%	13
INTEL CORP	-12.74%	1.11%	20
QUALCOMM INC	-21.73%	0.55%	37
MONSANTO CO	-35.28%	0.26%	83
AMAZON.COM INC	-19.53%	0.50%	39
PHILIP MORRIS INTERNATIONAL	-12.12%	0.87%	25
COCA-COLA CO	-8.87%	1.19%	16

Data Source: Compustat

Report Date: July 20, 2010

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 6/30/2010	Recommendation for Action	The Board's Policy for Failing to Remedy Underperformance
Stable Value Funds			
Deferred Compensation Plan Stable Value	Satisfactory		
Bond Funds			
Vanguard Total Bond Market Index	Satisfactory		
PIMCO Total Return	Satisfactory		
Large-Cap Funds			
American Funds Investment Company of America	Satisfactory		
Vanguard Institutional Index	Satisfactory		
Hartford Capital Appreciation	Satisfactory		
American Funds Growth Fund of America	Satisfactory		
Mid-Cap Fund			
Vanguard Mid-Cap Index	Satisfactory		
Lazard Mid Cap	Unsatisfactory	On watch since 2Q09. Downgraded by Mercer to B+(T) ¹ in July 2009. While the fund is not meeting its long-term performance objectives, near-term performance has improved and brought up long-term results.	Termination
Small-Cap Fund			
SSgA Russell 2000 Index	Satisfactory		
International Funds			
DWS EAFE Equity Index	Satisfactory		
Fidelity Diversified International	Satisfactory		

¹ A B+ rating is an intermediate category between an A and B rating. Mercer believes a B+ strategy has an above average probability of beating the benchmark. Occasionally, a B+ rating may indicate potential downward re-assessment because of uncertainty regarding the strategy or organization. The (T) or tracking error designation is assigned to a strategy if the potential for high tracking error relative to the benchmark has been demonstrated by past performance, and/or because the nature of the investment process is such that a significantly higher than average tracking error could be expected.

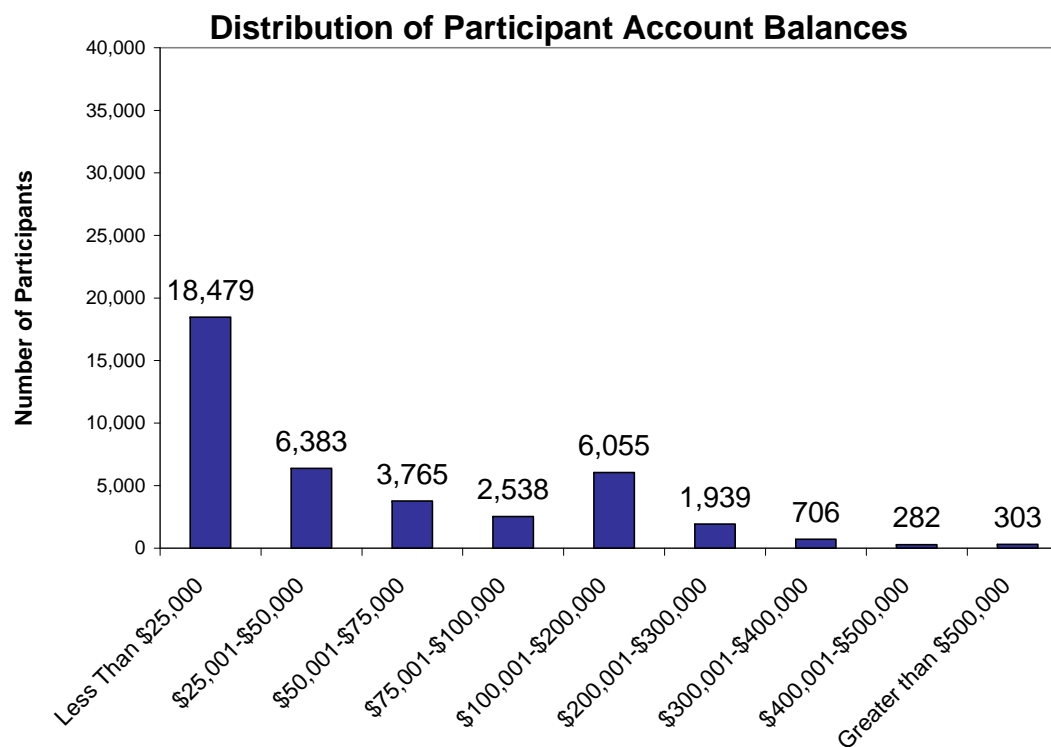
The Board's Policies for Fund Review/Removal

- (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 the fund's 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 \$2,750.7 million, decreasing \$172.8 million (5.9%) from \$2,923.5 million at the previous quarter-end.
- During the quarter, equity markets declined, with domestic markets outperforming international; emerging markets held up better than their developed counterparts. Higher quality stocks tended to outperform lower quality stocks. In contrast to equities, fixed income markets advanced.
- Contributions (including other deposits) for the quarter totaled \$60.5 million compared to withdrawals of \$62.1 million; the remainder of the decrease in assets was attributable mainly to depreciation.
- As of June 30, 2010, there were 40,870 participants (40,450 of these had an ending account balance). The average account balance of participants with a balance was \$68,003. The median account balance was \$30,250. The distribution of participant balances is shown below; 45.7% of participants had a balance less than \$25,000 and 0.7% had a balance greater than \$500,000.



Summary – Plan Highlights

Deferred Compensation Plan Assets

- The Deferred Compensation Plan (DCP) Stable Value portfolio held the highest percentage of the Plan's assets at 23.8% of total assets. Vanguard Institutional Index (13.2%), FDIC-Insured Savings Account Option (10.6%), Hartford Capital Appreciation HLS IA (8.7%) and American Funds Growth Fund of America A (7.4%) each held greater than 5.0% of Plan assets.
- Assets invested in the Profile funds (5 customized risk-profile funds ranging from Ultra Conservative to Ultra Aggressive) totaled \$266.4 million (9.7%) at quarter end; this was a decrease of \$9.3 million from \$275.7 million at the prior quarter end.
- Assets in the Vanguard Total Bond Market Instl fund were moved into the lower-costing Plus share class on June 7, 2010.

Performance for the 3-Month Period

- Each of the following funds matched or outperformed its index and, where applicable, its universe median:
 - DCP Stable Value
 - American Funds Growth Fund of America A
 - Lazard Mid Cap Instl
- PIMCO Total Return Instl and American Funds Investment Company of America A underperformed their respective indices but outperformed their universe medians.
- Fidelity Diversified International outperformed its index but underperformed its universe median.
- Hartford Capital Appreciation HLS IA underperformed both its index and universe median.
- The Vanguard Total Bond Market Index Instl Plus, Vanguard Institutional Index Plus, Vanguard Mid-Cap Index Instl, SSgA Russell 2000 Index funds tracked their respective indices as expected. DWS EAFE Equity Index Instl underperformed its index by approximately 70 basis points.
- Each of the Profile funds tracked its respective custom index within 30 basis points.

Summary – Plan Highlights

Performance 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:
 - DCP Stable Value
 - PIMCO Total Return Instl
 - American Funds Investment Company of America A
 - Hartford Capital Appreciation HLS IA
- American Funds Growth Fund of America A underperformed the index and universe median for the 3-year period. It outperformed both benchmarks for 5 years.
- For both long-term periods, Fidelity Diversified International outperformed the index but underperformed the universe median.
- Lazard Mid Cap Instl underperformed its index and its universe median for the 3- and 5-year periods.
- For the 3- and 5-year periods, the Vanguard Total Bond Market Index Instl Plus, Vanguard Institutional Index Plus, Vanguard Mid-Cap Index Instl, SSgA Russell 2000 Index and DWS EAFE Equity Index Instl funds tracked within an appropriate range their respective indices as expected.
- Each of the Profile funds with long-term performance tracked its respective custom index within 30 basis points.

Summary – Plan Highlights

Key Observations & Recommendations

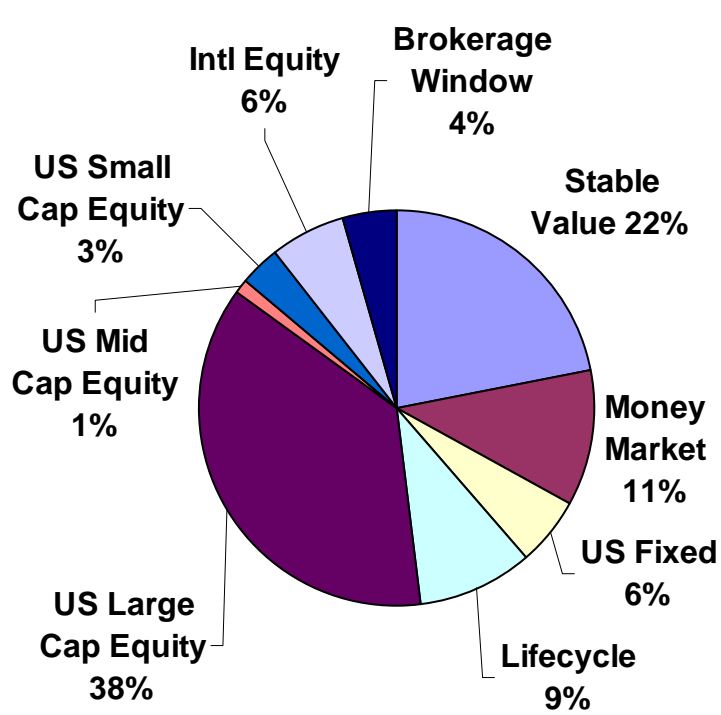
- DCP Stable Value
 - The Fund outperformed the 3-Year Constant Maturity Treasury + 50 bps Index for all periods evaluated. The fund's market-to-book value ratio was 103.2% at quarter-end, increasing from the prior quarter-end ratio of 102.1%. Underlying fixed income performance was positive, although only 2 (Wells Fargo Stable Return fund and the Galliard Short AAA) of the 6 underlying Galliard funds outperformed their indices. PacificLife, one of six wrap providers, was downgraded by Standard & Poor during the quarter to A+. All other wrap providers' financial ratings remained unchanged. During the quarter, the Fund's allocation to the Broad Market strategy was transitioned to an intermediate strategy, to conform with wrap provider guidelines. Additionally, effective July, State Street increased fees on its wrap contracts to 20 basis points, which will cause a slight decrease in the blended yield offered to participants.
- Lazard Mid Cap
 - The Fund matched or exceeded the index for the quarter and YTD. It ranked in the top half of the universe for all periods less than 3 years. Recent performance has brought up long-term returns, although the Fund remains below both benchmarks. During the quarter, the majority of the Fund's outperformance was due to stock selection, specifically in information technology and materials.
 - Mercer downgraded the Fund to a B+(T) rating after meeting in July 2009 with portfolio managers Chris Blake and Rob Failla. In following up on the team's changes, including the departure of portfolio manager Gary Buesser, we concluded that we can no longer consider this strategy as best in class. Our discussion regarding Buesser's transfer, which was a loss to the team, highlighted the lack of transparency regarding the coverage of names. This was in conflict with changes made to the firm's structure under Director of Global Research Melissa Cook to improve the communication between centralized research and the analysts, and to tie remuneration to the performance of the individual analysts. A meeting with Lazard's CEO also raised some firm wide questions, in particular regarding the utilization of analyst resources as well as the impact that differing compensation structures could have on the teams. While we are encouraged by the Fund's performance near-term, we are waiting for a sustained period of improved performance. We recommend keeping the Fund on Watch based on the changes in the research structure and investment team.

Summary – Plan Highlights

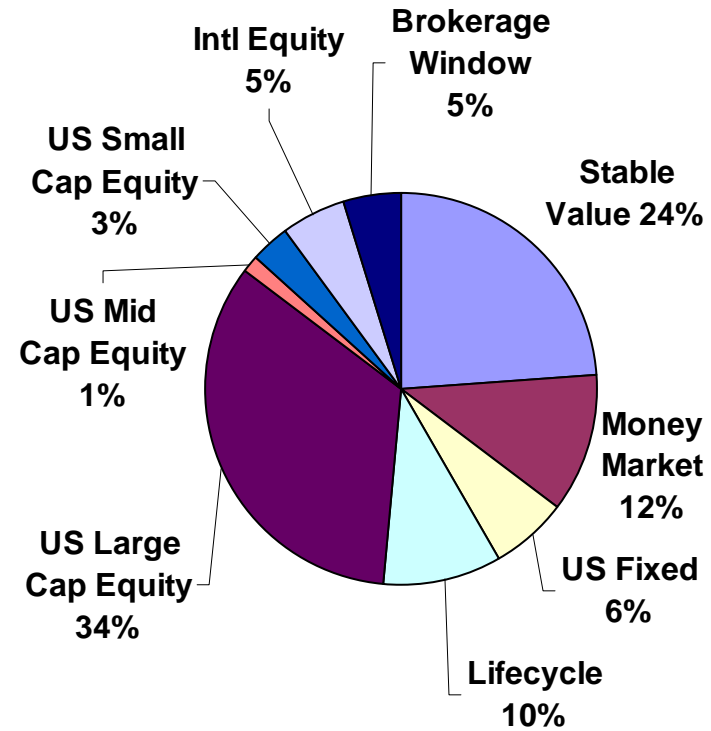
Key Observations & Recommendations

- American Funds Growth Fund of America
 - The Fund outperformed the Russell 1000 Growth index for the 5-year period only. It outperformed the Mercer Mutual Fund US Equity Large Cap Growth Universe median for all periods evaluated excluding the 1- and 3-year. Detracting from performance for the recent quarter was an overweight allocation to the financials and materials sectors, as well as underweight to the consumer staples and industrials sectors. Mercer has identified the following issues to watch: the growth of assets under management, the increase in the number of portfolio managers assigned to deal with asset growth, and the division of the equity investment team into two units. Since the team of approximately 100 investment professionals split in two, each sub-group has grown to approximately 80 people. We are concerned that the firm has no timely fix for its capacity and growth issues. We will be following these issues closely, and looking for any related impact on performance.
 - During the quarter, the Fund's Board decided to increase the permissible allocation outside the US and Canada from 15% to 25%.
- Fidelity Diversified International
 - The Fund ranked below the universe median for all periods evaluated, and underperformed the index for the 1- and 5-year periods. Performance for the quarter and the 3-year period exceeded the index. During the recent quarter, below benchmark exposure to Japan detracted from performance, as did overweight allocation in energy and stock selection in the utilities sector. We are following the March 2009 reopening of the Fund to investors for any negative impact. Mercer views the breadth of research coverage and reasonable quality of research provided by Fidelity's analysts positively. Portfolio manager Bill Bower is the key decision maker, and Mercer's rating is contingent on Bower's continued leadership of this strategy.

Summary- Asset Allocation



Prior Asset Allocation
\$2,923,503,170
as of March 31, 2010



Current Asset Allocation
\$2,750,731,848
as of June 30, 2010

Summary- Asset Allocation

Investment Option	Asset Class	Fund Balance	% of Plan	% Chg vs. Prior
Deferred Compensation Stable Value Fund (Net)	Stable Value	\$654,911,303	23.8%	1.8%
Washington Mutual (Chase) Liquid Savings Account	Money Market	\$292,579,231	10.6%	0.7%
Washington Mutual (Chase) CD's	Money Market	\$26,378,079	1.0%	-0.1%
Vanguard Total Bond Market Index Fund Inst Plus	US Fixed	\$70,974,209	2.6%	0.2%
PIMCO Total Return Fund Institutional	US Fixed	\$103,202,579	3.8%	0.4%
Ultra Conservative	Lifecycle	\$10,783,233	0.4%	0.0%
Conservative Profile	Lifecycle	\$32,357,055	1.2%	0.1%
Moderate Profile	Lifecycle	\$117,352,155	4.3%	0.0%
Aggressive Profile	Lifecycle	\$90,172,277	3.3%	0.1%
Ultra Aggressive Profile	Lifecycle	\$15,693,573	0.6%	0.1%
American Funds Investment Co of America A	US Large Cap Equity	\$123,988,862	4.5%	-0.4%
Vanguard Institutional Index Fund Inst Plus	US Large Cap Equity	\$364,087,652	13.2%	-1.0%
Hartford Capital Appreciation HLS IA	US Large Cap Equity	\$238,851,608	8.7%	-1.0%
American Funds Growth Fund of America A	US Large Cap Equity	\$204,529,731	7.4%	-0.7%
Vanguard Mid-Cap Index Fund Institutional	US Mid Cap Equity	\$17,965,749	0.7%	0.1%
Lazard US Mid Cap Equity Portfolio Institutional	US Mid Cap Equity	\$20,558,757	0.7%	0.0%
SSgA Russell Small Cap Index Non-Lending Series Fund	US Small Cap Equity	\$91,327,044	3.3%	0.0%
DWS EAFE Equity Index Fund Institutional	International Equity	\$27,446,552	1.0%	-0.1%
Fidelity Diversified International Fund	International Equity	\$120,248,942	4.4%	-0.5%
Schwab PCRA Self-Directed Brokerage Account Option	Brokerage Window	\$127,323,257	4.6%	0.1%
Total Plan		\$2,750,731,848	100%	

Summary – Investment Expense Analysis

Fund	Style	Fund Balance	Estimated Fund Expense	Fund Net Expense Ratio	Median Net Expense Ratio ²	Net Expense Diff.
Deferred Compensation Stable Value Fund (Net)	Stable Value	\$654,911,303	\$589,420	0.09% ³	0.30%	-0.21%
Vanguard Total Bond Market Index Fund Inst Plus	US Fixed	\$70,974,209	\$35,487	0.05%	0.15%	-0.10%
PIMCO Total Return Fund Institutional	US Fixed	\$103,202,579	\$474,732	0.46%	0.67%	-0.21%
Ultra Conservative	Lifecycle	\$10,783,233	\$9,705	0.09%	1.04%	-0.95%
Conservative Profile	Lifecycle	\$32,357,055	\$35,593	0.11%	1.04%	-0.93%
Moderate Profile	Lifecycle	\$117,352,155	\$140,823	0.12%	1.05%	-0.93%
Aggressive Profile	Lifecycle	\$90,172,277	\$142,472	0.16%	1.09%	-0.93%
Ultra Aggressive Profile	Lifecycle	\$15,693,573	\$26,679	0.17%	1.09%	-0.92%
American Funds Investment Co of America A	US Large Cap Equity	\$123,988,862	\$818,326	0.66%	0.96%	-0.30%
Vanguard Institutional Index Fund Inst Plus	US Large Cap Equity	\$364,087,652	\$109,226	0.03%	0.28%	-0.25%
Hartford Capital Appreciation HLS IA	US Large Cap Equity	\$238,851,608	\$1,600,306	0.67%	0.95%	-0.28%
American Funds Growth Fund of America A	US Large Cap Equity	\$204,529,731	\$1,554,426	0.76%	1.00%	-0.24%
Vanguard Mid-Cap Index Fund Institutional	US Mid Cap Equity	\$17,965,749	\$14,373	0.08%	0.41%	-0.33%
Lazard US Mid Cap Equity Portfolio Institutional	US Mid Cap Equity	\$20,558,757	\$182,973	0.89%	1.10%	-0.21%
SSgA Russell Small Cap Index Non-Lending Series	US Small Cap Equity	\$91,327,044	\$54,796	0.06%	0.35%	-0.29%
DWS EAFE Equity Index Fund Institutional	International Equity	\$27,446,552	\$142,722	0.52%	0.53%	-0.01%
Fidelity Diversified International Fund	International Equity	\$120,248,942	\$1,214,514	1.01%	1.21%	-0.20%
Total⁴		\$2,304,451,281	\$7,146,573	0.31%⁵		

² Median institutional share class net expense ratio as defined by the respective Mercer Mutual Fund Universe and Lipper institutional share class categorizations. Median stable value management fee derived by screening Mercer’s proprietary Global Investment Manager Database (GIMD) for stable value fund fees. Profile funds are compared to the median institutional expense ratio of the corresponding Mercer Mutual Fund Target Risk universe.

³ Management fee.

⁴ Total excludes assets in the FDIC Insured Savings Account Option, Washington Mutual (Chase) CD options and Schwab PCRA Self-Directed Brokerage Account.

⁵ Average weighted expense ratio.

Summary- Compliance Table

Periods ending June 30, 2010

- ✓ = Outperformed or matched performance
- ✗ = Underperformed
- T = Tracking the index within an appropriate range
- = Prior Quarter

	1 Quarter				1 Year				3 Years				5 Years				Comments
	I	U	I	U	I	U	I	U	I	U	I	U	I	U	I	U	
I – Index U – Universe Median																	
Deferred Compensation Stable Value Fund (Net)	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Retain.
Vanguard Total Bond Market Index Fund Inst Plus	T	NA	T	NA	T	NA	T	NA	T	NA	T	NA	T	NA	T	NA	Retain.
PIMCO Total Return Fund Institutional	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Retain.
Ultra Conservative	✓	N/A	✓	N/A	✓	N/A	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Retain.
Conservative Profile	✓	N/A	✓	N/A	✓	N/A	✓	N/A	✓	N/A	✓	N/A	✓	N/A	✓	N/A	Retain.
Moderate Profile	✓	N/A	✓	N/A	✓	N/A	✓	N/A	✓	N/A	✓	N/A	✓	N/A	✓	N/A	Retain.
Aggressive Profile	✓	N/A	✓	N/A	✗	N/A	✗	N/A	✓	N/A	✓	N/A	✓	N/A	✓	N/A	Retain.
Ultra Aggressive Profile	✓	N/A	✓	N/A	✗	N/A	✗	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Retain.
American Funds Investment Co of America A	✗	✓	✗	✗	✗	✗	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	Retain.
Vanguard Institutional Index Fund Inst Plus	✗	✓	T	NA	✓	✓	T	NA	✓	✓	T	NA	✓	✓	T	NA	Retain.

Summary- Compliance Table, continued

Periods ending June 30, 2010

- ✓ = Outperformed or matched performance
- ✗ = Underperformed
- T = Tracking the index within an appropriate range
- = Prior Quarter

	1 Quarter				1 Year				3 Years				5 Years				Comments
Hartford Capital Appreciation HLS IA	✗	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Retain.
American Funds Growth Fund of America A	✓	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✓	✓	✓	✓	Retain. We are watching for any impact caused by asset growth and the division of the investment team into two units.
Vanguard Mid-Cap Index Fund Institutional	T	NA	T	NA	T	NA	T	NA	T	NA	T	NA	T	NA	T	NA	Retain.
Lazard US Mid Cap Equity Portfolio Institutional	✓	✓	✗	✓	✗	✓	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	On Watch since the second quarter 2009. Mercer downgraded the Fund to B+(T) in July 2009 because of changes in the research structure and investment team. Near-term performance has improved, with the Fund beating both benchmarks for periods less than 3 years.
SSgA Russell Small Cap Index Non-Lending Series Fund	T	NA	T	NA	T	NA	T	NA	T	NA	T	NA	T	NA	T	NA	Retain.
DWS EAFE Equity Index Fund Institutional	✗	NA	T	NA	✗	NA	T	NA	T	NA	T	NA	T	NA	T	NA	Retain. The fund lagged the index by 130 bps for the 1-year period; however, it tracked the index within an acceptable range for all other periods evaluated.
Fidelity Diversified International Fund	✓	✗	✗	✗	✗	✗	✗	✗	✓	✗	✓	✗	✗	✗	✓	✗	Retain. We are following the impact of the Fund's reopening to new investors in March 2009. We met with Fidelity in July and reaffirmed the strategy's rating.

Summary – Performance

Periods ending June 30, 2010

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 within an appropriate range

Money Market

	Market Value	% of Plan	Recommend
Washington Mutual (Chase) Liquid Savings Account	\$292,579,231	10.6%	Retention
Washington Mutual (Chase) CD's	\$26,378,079	1.0%	Retention

Stable Value

	Market Value	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	Recommend
Deferred Compensation Stable Value Fund – Net⁶	\$654,911,303	23.8%	0.9%	1.8%	3.8%	4.4%	4.5%	Retention
Deferred Compensation Stable Value Fund – Gross⁷			0.9%	1.8%	3.9%	NA	NA	
3 Yr Constant Maturity Treasury Index + 50 bps			0.5%	1.0%	2.0%	2.6%	3.6%	
iMoneyNet All Taxable+100bps			0.3%	0.5%	1.0%	2.5%	3.6%	
<i>Mercer Stable Value Universe Median</i>			0.9%	1.9%	3.9%	4.2%	4.5%	
<i>Fund Rank in Universe – Net</i>			48	52	52	38	40	
<i>Fund Rank in Universe – Gross</i>			47	51	50	NA	NA	

Domestic Fixed

	Market Value	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	Recommend
Vanguard Total Bond Market Index Fund Inst Plus	\$70,974,209	2.6%	3.6%	5.4%	9.4%	7.7%	5.6%	Retention
Barclays Capital US Aggregate			3.5%	5.3%	9.5%	7.6%	5.5%	
<i>Mercer Mutual Fund US Fixed Core Universe Median</i>			1.8%	5.4%	9.5%	7.7%	5.6%	
<i>Fund Rank in Universe</i>			7	34	68	24	23	
PIMCO Total Return Fund Institutional	\$103,202,579	3.8%	2.8%	5.8%	13.4%	11.1%	7.5%	Retention
Barclays Capital US Aggregate			3.5%	5.3%	9.5%	7.6%	5.5%	
<i>Mercer Mutual Fund US Fixed Core Universe Median</i>			2.6%	4.9%	11.4%	6.3%	4.8%	
<i>Fund Rank in Universe</i>			41	21	35	2	2	

⁶ 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.

⁷ Gross performance unavailable for periods prior to July 1, 2008.

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 within an appropriate range

Lifecycle⁸

	Market Value	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	Recommend
Ultra Conservative	\$10,783,233	0.4%	0.4%	2.3%	8.4%	NA	NA	
Ultra Conservative (Current Allocation – Hypothetical)			0.4%	2.3%	8.5%	4.1%	4.7%	Retention
Ultra Conservative Profile Custom Index ⁹			0.1%	1.9%	7.8%	3.3%	4.3%	
Conservative Profile	\$32,357,055	1.2%	-2.2%	0.4%	10.5%	1.2%	3.7%	
Conservative Profile (Current Allocation – Hypothetical)			-2.2%	0.4%	10.7%	1.2%	4.1%	Retention
Conservative Profile Custom Index ¹⁰			-2.4%	0.2%	10.3%	0.9%	3.5%	
Moderate Profile	\$117,352,155	4.3%	-5.7%	-2.1%	12.8%	-2.8%	2.5%	
Moderate Profile (Current Allocation – Hypothetical)			-5.6%	-2.0%	13.1%	-2.9%	2.8%	Retention
Moderate Profile Custom Index ¹¹			-5.9%	-2.3%	12.7%	-3.1%	2.4%	
Aggressive Profile	\$90,172,277	3.3%	-7.9%	-3.7%	14.2%	-6.2%	1.4%	
Aggressive Profile (Current Allocation – Hypothetical)			-7.7%	-3.5%	14.6%	-5.4%	2.1%	Retention
Aggressive Profile Custom Index ¹²			-7.9%	-3.7%	14.3%	-6.5%	1.2%	
Ultra Aggressive Profile	\$15,693,573	0.6%	-10.1%	-5.3%	15.5%	NA	NA	
Ultra Aggressive Profile (Current Allocation – Hypothetical)			-9.7%	-4.9%	16.0%	-8.1%	1.2%	Retention
Ultra Aggressive Profile Custom Index ¹³			-9.9%	-5.2%	15.9%	-10.2%	-0.1%	

⁸ Allocation to the profile funds changed June 1, 2009 with the inclusion of a US mid cap equity component. Hypothetical performance of the profile funds using the allocation adopted June 1, 2009, for periods before June 1, 2009 is shown at the request of the Board for comparison purposes. The hypothetical performance may not match actual historical performance for periods after June 1, 2009 because of rounding differences or changes in performance share class.

⁹ For periods after June 1, 2009, the following composite index is used: 35.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 50.0% Barclays Capital US Aggregate Index / 5% S&P 500 Index / 2.5% MSCI US Mid Cap 450 Index/ 2.5% Russell 2000 Index / 5% MSCI EAFE (NWHT) Index. Prior to June 1, 2009, the following composite index is used: 35.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 50.0% Barclays Capital US Aggregate Index / 5.0% S&P 500 Index / 5.0% Russell 2000 Index / 5.0% MSCI EAFE (NWHT) Index.

¹⁰ For periods after June 1, 2009, the following composite index is used: 15.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 50.0% Barclays Capital US Aggregate Index / 12.5% S&P 500 Index / 5% MSCI US Mid Cap 450 Index/ 5.0% Russell 2000 Index / 12.5% MSCI EAFE (NWHT) Index. Prior to June 1, 2009, the following composite index is used: 15.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 50% Barclays Capital US Aggregate Index / 25% S&P 500 Index / 5% Russell 2000 Index / 5% MSCI EAFE (NWHT) Index.

¹¹ For periods after June 1, 2009, the following composite index is used: 10.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 30.0% Barclays Capital US Aggregate Index / 25.0% S&P 500 Index / 10.0% MSCI US Mid Cap 450 Index/ 10.0% Russell 2000 Index / 15.0% MSCI EAFE (NWHT) Index. Prior to June 1, 2009, the following composite index is used: 5.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 35.0% Barclays Capital US Aggregate Index / 40.0% S&P 500 Index / 10.0% Russell 2000 Index / 10.0% MSCI EAFE (NWHT) Index.

¹² For periods after June 1, 2009, the following composite index is used: 5.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 20.0% Barclays Capital US Aggregate Index / 25.0% S&P 500 Index / 15.0% MSCI US Mid Cap 450 Index/ 15.0% Russell 2000 Index / 20.0% MSCI EAFE (NWHT) Index. For periods prior to June 1, 2009, the following composite index is used: 20% Barclays Capital US Aggregate Index / 50% S&P 500 Index / 15% Russell 2000 Index / 15% MSCI EAFE (NWHT) Index

¹³ For periods after June 1, 2009, the following composite index is used: 10.0% Barclays Capital US Aggregate Index / 25.0% S&P 500 Index / 20.0% MSCI US Mid Cap 450 Index/ 20.0% Russell 2000 Index / 25.0% MSCI EAFE (NWHT) Index. For periods prior to June 1, 2009, the following composite index is used: 60.0% S&P 500 Index / 20.0% Russell 2000 Index / 20.0% MSCI EAFE (NWHT) Index.

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 within an appropriate range

Domestic Equity

	Market Value	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	Recommend
American Funds Investment Co of America A Russell 1000 Value <i>Mercer Mutual Fund US Equity Large Cap Value Universe Median</i> <i>Fund Rank in Universe</i>	\$123,988,862	4.5%	-11.6%	-8.7%	9.9%	-9.4%	-0.1%	Retention
			-11.1%	-5.1%	16.9%	-12.3%	-1.6%	
			-12.4%	-7.3%	13.3%	-11.9%	-1.5%	
			28	88	87	19	23	
Vanguard Institutional Index Fund Inst Plus S&P 500 <i>Mercer Mutual Fund US Equity Large Cap Core Universe Median</i> <i>Fund Rank in Universe</i>	\$364,087,652	13.2%	-11.4%	-6.6%	14.5%	-9.7%	-0.7%	Retention
			-11.4%	-6.7%	14.4%	-9.8%	-0.8%	
			-12.2%	-7.8%	12.1%	-9.6%	-0.8%	
			29	24	24	53	48	
Hartford Capital Appreciation HLS IA S&P 500 <i>Mercer Mutual Fund US Equity Large Cap Core Universe Median</i> <i>Fund Rank in Universe</i>	\$238,851,608	8.7%	-13.5%	-8.9%	14.9%	-8.9%	2.8%	Retention
			-11.4%	-6.7%	14.4%	-9.8%	-0.8%	
			-12.2%	-7.8%	12.1%	-9.6%	-0.8%	
			84	81	20	36	2	
American Funds Growth Fund of America A Russell 1000 Growth <i>Mercer Mutual Fund US Equity Large Cap Growth Universe Median</i> <i>Fund Rank in Universe</i>	\$204,529,731	7.4%	-11.7%	-8.0%	10.4%	-8.5%	0.8%	Retention
			-11.7%	-7.6%	13.6%	-6.9%	0.4%	
			-12.2%	-8.5%	11.3%	-7.8%	-0.5%	
			31	36	61	62	19	
Vanguard Mid-Cap Index Fund Institutional Vanguard Spliced Mid Cap Index ¹⁴ <i>Mercer Mutual Fund US Equity Mid Cap Core Universe Median</i> <i>Fund Rank in Universe</i>	\$17,965,749	0.7%	-9.9%	-2.1%	27.0%	-8.5%	1.2%	Retention
			-9.9%	-2.1%	27.0%	-8.5%	1.2%	
			-10.1%	-2.9%	21.1%	-8.9%	0.4%	
			48	30	10	47	40	
Lazard US Mid Cap Equity Portfolio Institutional Russell Midcap <i>Mercer Mutual Fund US Equity Mid Cap Core Universe Median</i> <i>Fund Rank in Universe</i>	\$20,558,757	0.7%	-9.2%	-2.1%	23.4%	-10.2%	-0.1%	Watch
			-9.9%	-2.1%	25.1%	-8.2%	1.2%	
			-10.1%	-2.9%	21.1%	-8.9%	0.4%	
			35	30	26	65	58	
SSgA Russell Small Cap Index Non-Lending Series Fund¹⁵ Russell 2000 <i>Mercer Mutual Fund US Equity Small Cap Core Universe Median</i> <i>Fund Rank in Universe</i>	\$91,327,044	3.3%	-9.9%	-2.0%	21.2%	-8.8%	0.1%	Retention
			-9.9%	-1.9%	21.5%	-8.6%	0.4%	
			-9.2%	-1.9%	21.4%	-8.9%	0.7%	
			68	51	52	49	57	

¹⁴ S&P MidCap 400 Index through May 16, 2003; MSCI US Mid Cap 450 Index thereafter.

¹⁵ The fund's name was changed to SSgA Russell Small Cap Index Non-Lending Series Fund in January 2008. Transition to S share class occurred March 4 2010.

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 within an appropriate range

International Equity

	Market Value	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	Recommend
DWS EAFE Equity Index Fund Institutional ¹⁶	\$27,446,552	1.0%	-14.7%	-13.8%	4.6%	-13.7%	0.6%	Retention
MSCI EAFE NET WHT			-14.0%	-13.2%	5.9%	-13.4%	0.9%	
<i>Mercer Mutual Fund Intl Equity Universe Median</i>			-12.9%	-11.4%	8.1%	-12.6%	1.8%	
<i>Fund Rank in Universe</i>			82	82	79	64	68	
Fidelity Diversified International Fund	\$120,248,942	4.4%	-13.7%	-13.2%	5.6%	-13.2%	0.8%	Retention
MSCI EAFE NET WHT			-14.0%	-13.2%	5.9%	-13.4%	0.9%	
<i>Mercer Mutual Fund Intl Equity Universe Median</i>			-12.9%	-11.4%	8.1%	-12.6%	1.8%	
<i>Fund Rank in Universe</i>			65	75	72	59	66	

Brokerage Window

	Market Value	% of Plan
Schwab PCRA Self-Directed Brokerage Account Option	\$127,323,257	4.6%

¹⁶ DWS EAFE Equity Index may not track the index because the manager uses fair-value pricing in the calculation of the fund's NAV, while the MSCI EAFE Index uses the closing prices of the securities in their local markets.

Fund Profile

Stable Value - Deferred Compensation Stable Value Fund

Vehicle: Separate Account					Benchmark: 3 Year CMT Index + 50 bps / iMoneyNet + 100 bps	
Investment Philosophy						
<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>						
Fund Characteristics as of June 30, 2010					Observations	
	2Q10	1Q10	4Q09	3Q09	<ul style="list-style-type: none"> The current blended yield remained at 3.78% Average credit quality of the wrap contracts remained at A1/AA- The Galliard Fixed Income Fund D, Intermediate AAA Fund and Intermediate Bond Fund underperformed their respective benchmarks Market value to book value ratio increased from the prior quarter 	
Market Value to Book Value Ratio	103.2%	102.1%	101.1%	101.5%		
Avg. Credit Quality	A1/AA-	A1/AA-	A1/AA-	Aa3/AA-		
Average Duration	2.42	2.75	2.76	2.67		
Underlying Portfolio Composition as of June 30, 2010					Fund Composition as of June 30, 2010	
Key Facts and Figures						
Portfolio Manager: Galliard Capital Management Inception: July 2008			Total Fund Assets: \$684.6 Million (Includes assets in the Profile funds)		Expense Ratio (Net): 0.09% Mercer Median Expense Ratio (Net): 0.30%	

Fund Profile

Domestic Fixed - Passive - Vanguard Total Bond Market Index Fund Inst Plus - VBMPX

Share Class: Inst Plus		Benchmark: Barclays Capital US Aggregate																							
Investment Philosophy																									
<p>The fund seeks to track the performance of the Barclays Capital US 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.</p>																									
Portfolio Analysis & Key Observations		Tracking Error																							
<p>The following comments relate to the Barclays Capital US Aggregate Index</p> <p>Positive Impact on Performance</p> <ul style="list-style-type: none"> Higher quality bonds outperformed lower quality bonds Strongest performing sectors included utilities (4.8%) and industrials (4.2% return) within the corporate sector, along with fixed-rate mortgage-backed securities (2.9% return) <p>Negative Impact on Performance</p> <ul style="list-style-type: none"> Weakest performing sectors included financials (1.8% return) within the corporate sector, commercial mortgage-backed securities (2.8% return), and asset-backed securities (2.5% return) 		<p>5 Year Period - Vanguard Total Bond Market Index Fund Inst vs. Barclays Capital US Aggre...</p> <table border="1"> <caption>Rolling 1-Year Tracking Error Data (Estimated)</caption> <thead> <tr> <th>Date</th> <th>Rolling 1-Year Tracking Error</th> </tr> </thead> <tbody> <tr><td>Jul-05</td><td>0.12%</td></tr> <tr><td>Jan-06</td><td>0.15%</td></tr> <tr><td>Jul-06</td><td>0.22%</td></tr> <tr><td>Jan-07</td><td>0.25%</td></tr> <tr><td>Jul-07</td><td>0.23%</td></tr> <tr><td>Jan-08</td><td>0.22%</td></tr> <tr><td>Jul-08</td><td>0.25%</td></tr> <tr><td>Jan-09</td><td>0.75%</td></tr> <tr><td>Jul-09</td><td>0.78%</td></tr> <tr><td>Jan-10</td><td>0.35%</td></tr> </tbody> </table>		Date	Rolling 1-Year Tracking Error	Jul-05	0.12%	Jan-06	0.15%	Jul-06	0.22%	Jan-07	0.25%	Jul-07	0.23%	Jan-08	0.22%	Jul-08	0.25%	Jan-09	0.75%	Jul-09	0.78%	Jan-10	0.35%
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Jan-10	0.35%																								
Key Facts and Figures																									
Portfolio Manager: Kenneth E. Volpert; Gregory Davis		Total Fund Assets: \$82,855 Million	Expense Ratio (Net): 0.05%																						
Portfolio Manager Average Tenure: 10.0 Years		Total Share Class Assets: \$5,374 Million	Mercer Median Expense Ratio (Net): 0.15%																						

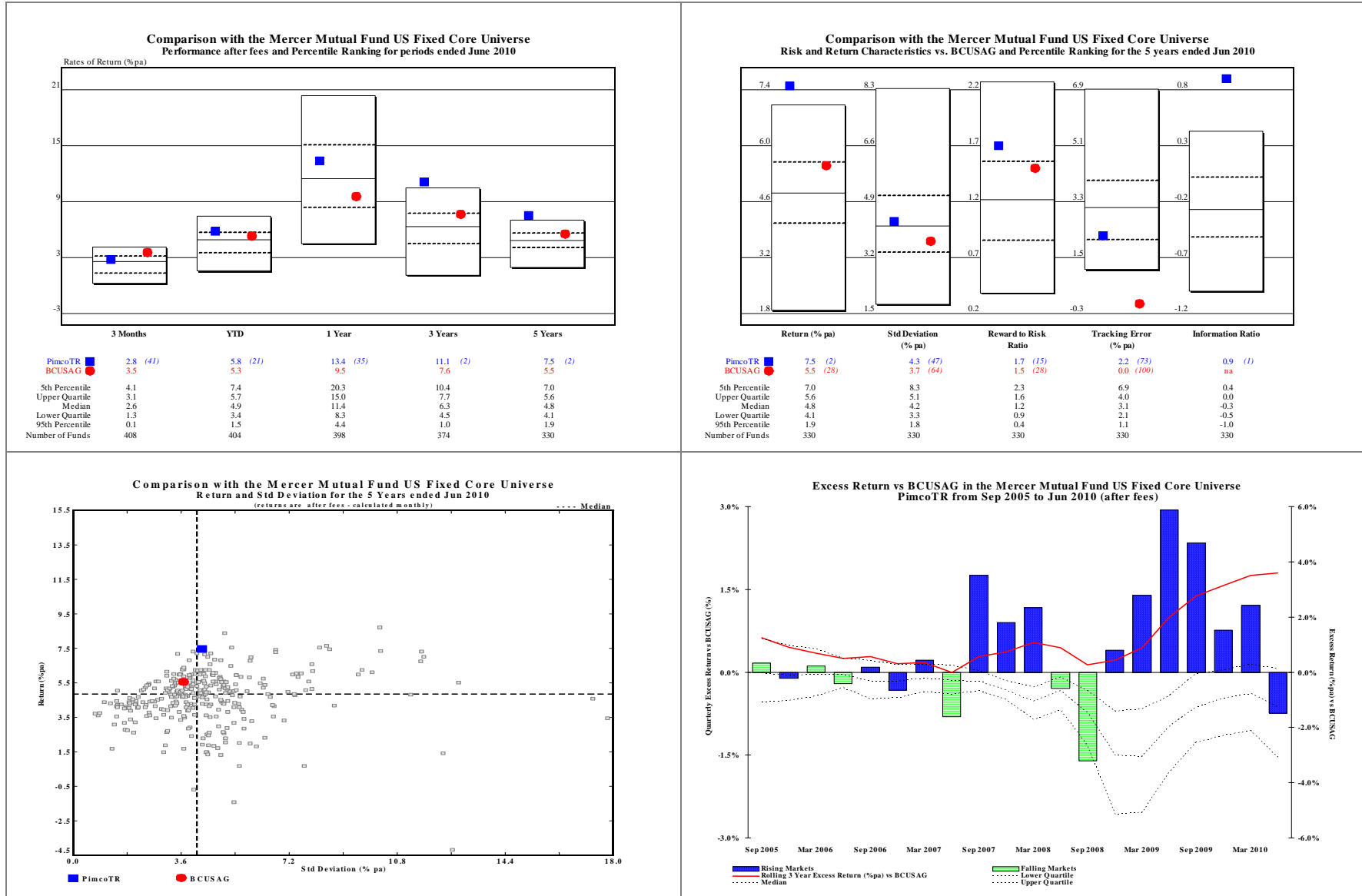
Fund Profile

Domestic Fixed - PIMCO Total Return Fund Institutional - PTTRX

Share Class: Institutional		Benchmark: Barclays Capital US Aggregate																						
Investment Philosophy																								
<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&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>																								
Portfolio Analysis & Key Observations		Sector Allocation as of June 30, 2010																						
<p>Positive Impact on Performance</p> <ul style="list-style-type: none"> ▪ CMBS and non-Agency MBS holdings ▪ Security selection in Agency Mortgages ▪ Duration positioning <p>Negative Impact on Performance</p> <ul style="list-style-type: none"> ▪ Overweight to the financials sector ▪ Underweight to Agency Mortgages ▪ Exposure to Municipals (primarily BABS) ▪ Emphasis on short-to-intermediate maturities ▪ Exposure to emerging market bonds and currencies <p>Portfolio Positioning</p> <ul style="list-style-type: none"> ▪ During the quarter PIMCO significantly reduced its Non-US Developed Market exposure in favor of US Treasuries and government related paper. On a duration weighted basis, the portfolio had a 51% allocation to US government securities as of June 30, 2010 (versus 28% as of March 31, 2010). Non-US (Developed) moved from 18% down to 3% over the same time period. Emerging markets exposure increased during the quarter while cash & equivalents decreased. 		<table border="1"> <caption>Sector Allocation as of June 30, 2010</caption> <thead> <tr> <th>Sector</th> <th>PIMCO Total Return Fund Institutional (%)</th> <th>Barclays Capital US Aggregate (%)</th> </tr> </thead> <tbody> <tr> <td>Treasury Agency</td> <td>63.0</td> <td>40.0</td> </tr> <tr> <td>Corporate</td> <td>19.0</td> <td>18.0</td> </tr> <tr> <td>Asset Backed</td> <td>0.5</td> <td>0.5</td> </tr> <tr> <td>Muni</td> <td>3.0</td> <td>0.0</td> </tr> <tr> <td>Mortgage Related</td> <td>16.0</td> <td>37.0</td> </tr> <tr> <td>Other</td> <td>14.0</td> <td>4.0</td> </tr> </tbody> </table>		Sector	PIMCO Total Return Fund Institutional (%)	Barclays Capital US Aggregate (%)	Treasury Agency	63.0	40.0	Corporate	19.0	18.0	Asset Backed	0.5	0.5	Muni	3.0	0.0	Mortgage Related	16.0	37.0	Other	14.0	4.0
Sector	PIMCO Total Return Fund Institutional (%)	Barclays Capital US Aggregate (%)																						
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Asset Backed	0.5	0.5																						
Muni	3.0	0.0																						
Mortgage Related	16.0	37.0																						
Other	14.0	4.0																						
Key Facts and Figures																								
Portfolio Manager: William H. Gross	Total Fund Assets: \$233,952 Million	Expense Ratio (Net): 0.46%																						
Portfolio Manager Average Tenure: 23.0 Years	Total Share Class Assets: \$133,928 Million	Mercer Median Expense Ratio (Net): 0.67%																						

Fund Profile

Domestic Fixed - PIMCO Total Return Fund Institutional - PATTRX



Fund Profile

Lifecycle – Pre-Mixed Funds Target Allocations¹⁷

	2Q 2010 Fund Return (%)	2Q 2010 Benchmark Return (%)	Excess Return (%)	Ultra Conservative Profile	Conservative Profile	Moderate Profile	Aggressive Profile	Ultra Aggressive Profile
Stable Value								
DCP Stable Value	0.9%	0.5%	0.4%	35.0%	15.0%	10.0%	5.0%	0.0%
Total Stable Value				35.0%	15.0%	10.0%	5.0%	0.0%
US Fixed Income								
Vanguard Total Bond Market Idx Instl	3.6%	3.5%	0.1%	50.0%	50.0%	30.0%	20.0%	10.0%
Total US Fixed Income				50.0%	50.0%	30.0%	20.0%	10.0%
US Equity								
US Large Cap Equity								
Vanguard Instl Index Instl Plus	-11.4%	-11.4%	0.0%	5.0%	12.5%	25.0%	25.0%	25.0%
<i>Sub-Total US Large Cap Equity</i>				5.0%	12.5%	25.0%	25.0%	25.0%
US Mid/Small Cap Equity								
Vanguard Mid Cap Index Instl	-9.9%	-9.9%	0.0%	2.5%	5.0%	10.0%	15.0%	20.0%
SSgA Russell Sm Cap NL Series S	-9.9%	-9.9%	-0.0%	2.5%	5.0%	10.0%	15.0%	20.0%
<i>Sub-Total US Mid/Small Equity</i>				5.0%	10.0%	20.0%	30.0%	40.0%
Total US Equity				10.0%	22.5%	45.0%	55.0%	65.0%
Non-US Equity								
DWS EAFE Equity Index Fund Instl	-14.7%	-14.0%	-0.7%	5.0%	12.5%	15.0%	20.0%	25.0%
Total Non-US Equity				5.0%	12.5%	15.0%	20.0%	25.0%
Total				100.0%	100.0%	100.0%	100.0%	100.0%

¹⁷ Allocations are rebalanced quarterly
Mercer

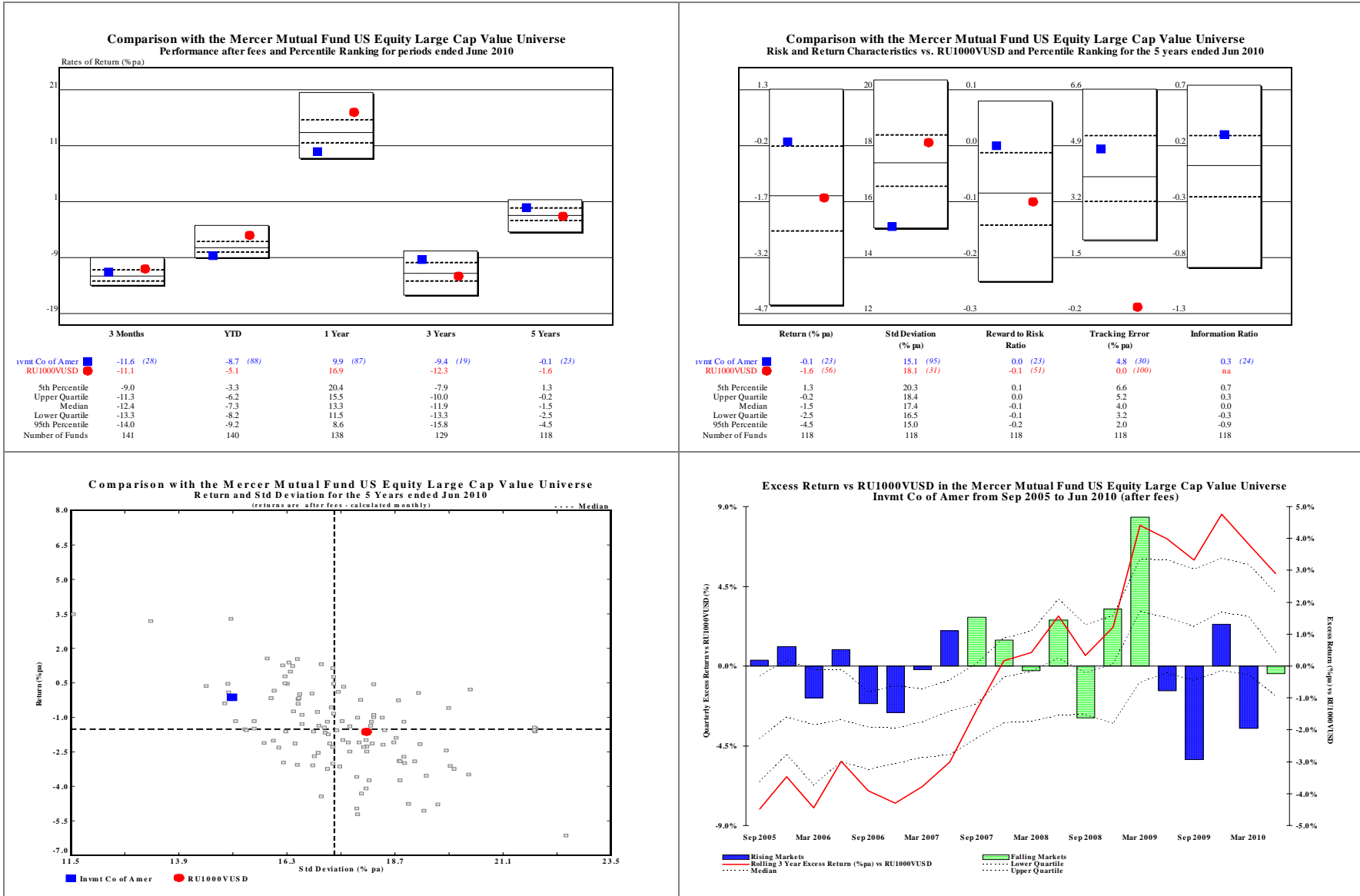
Fund Profile

Domestic Equity - American Funds Investment Co of America A - AIVSX

Share Class: A		Benchmark: Russell 1000 Value
Investment Philosophy		
<p>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.</p>		
Portfolio Analysis & Key Observations		Style Analysis
<p>Positive Impact on Performance:</p> <ul style="list-style-type: none"> ▪ Underweight in financials ▪ Cash allocation of 7.3% ▪ Top 10 holdings ConocoPhillips (-3.0% return), AT&T (-4.9% return) and Merck & Co. (-5.4% return) <p>Negative Impact on Performance</p> <ul style="list-style-type: none"> ▪ Underweight exposure to the utilities sector ▪ Overweight allocations to the information technology and industrials sectors ▪ Top 10 holdings Google (-21.5% return), Microsoft (-21.0% return) and Hewlett-Packard (-18.4% return) 		<p>5 Year Period - Rolling 3 Years ending Jun 30, 2010</p> <p>The chart displays the percentage of assets in four categories over time. The Y-axis ranges from 0% to 100%. The X-axis shows dates from Sep-05 to Mar-10. The categories are: Russell 1000 Value (light blue), Russell 1000 Growth (dark blue), Russell 2000 Value (light orange), and Russell 2000 Growth (dark orange). The Russell 1000 Value category starts at approximately 65% in Sep-05 and declines to about 38% by Mar-10. The Russell 1000 Growth category starts at approximately 35% and increases to about 62% by Mar-10. The Russell 2000 Value and Russell 2000 Growth categories remain at 0% throughout the period.</p>
Key Facts and Figures		
Portfolio Manager: R. Michael Shanahan; James B. Lovelace; Donald D. O'Neal Portfolio Manager Average Tenure: 14.8 Years	Total Fund Assets: \$54,018 Million Total Share Class Assets: \$42,830 Million	Expense Ratio (Net): 0.66% Mercer Median Expense Ratio (Net): 0.96%

Fund Profile

Domestic Equity - American Funds Investment Co of America A - AIVSX



Fund Profile

Domestic Equity - Passive - Vanguard Institutional Index Fund Inst Plus - VIIIX

Share Class: Inst Plus		Benchmark: S&P 500
Investment Philosophy		
<p>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. The Fund employs a "passive management" - or indexing - investment approach designed to track the performance of the Standard & Poor 500 Index, a widely recognized benchmark of US stock market performance that is dominated by the stocks of large US companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.</p>		
Portfolio Analysis & Key Observations		Tracking Error
<p>The following comments relate to the performance of the S&P 500 Index</p> <p>Positive Impact on Performance</p> <ul style="list-style-type: none"> Top performing sectors were utilities (-3.7% return), telecommunication services (-4.2% return), and consumer staples (-8.1% return) Individual contributors to performance: Akamai Technologies (22.4% return), Newmont Mining (21.4% return), SanDisk (21.5% return), NetApp (14.7% return), and Apple (7.0% return) <p>Negative Impact on Performance</p> <ul style="list-style-type: none"> Weakest performing sectors were materials (-15.0% return) and financials (-13.3% return) Individual detractors from performance: Microsoft (-21.1% return), General Electric (-20.3% return), Bank of America (-19.4% return), JPMorgan Chase (-18.1% return), and Exxon Mobil (-14.2% return) 		<p>5 Year Period - Vanguard Institutional Index Fund Inst Plus vs. S&P 500</p> <p>— Rolling 1-Year Tracking Error</p>
Key Facts and Figures		
Portfolio Manager: Donald M. Butler	Total Fund Assets: \$67,131 Million	Expense Ratio (Net): 0.03%
Portfolio Manager Average Tenure: 10.0 Years	Total Share Class Assets: \$23,746 Million	Mercer Median Expense Ratio (Net): 0.28%

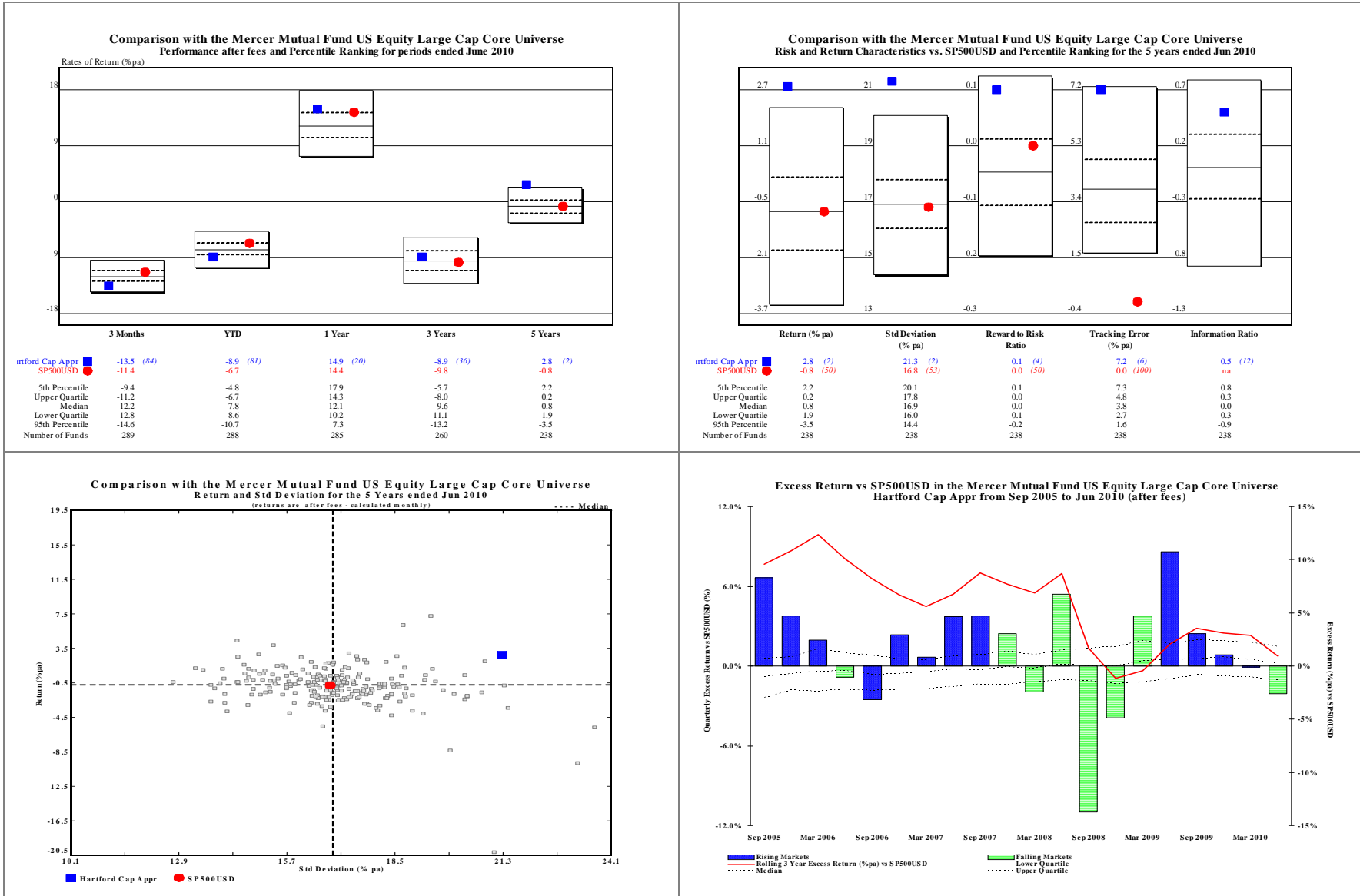
Fund Profile

Domestic Equity - Hartford Capital Appreciation HLS IA - HIACX

Share Class: Inst		Benchmark: S&P 500
Investment Philosophy		
<p>Wellington Management Company, LLP is an independent and unaffiliated sub-adviser to The Hartford. Hartford Capital Appreciation HLS Fund is a total return-oriented strategy; the investment process seeks capital appreciation without regard to market capitalization; for example, smaller company stocks with high earnings growth potential and larger-cap stocks with attractive valuations and catalysts for appreciation. Investment decisions, while based primarily on company-by-company fundamental analysis, may also be shaped by secular and industry themes. The portfolio managers emphasize differences between the firm's outlook and Wall Street consensus. The portfolio typically has international exposure and can hold up to 35% in international securities. The portfolio typically will be reasonably diversified, typically holding between 325 and 400 stocks, with no one holding accounting for more than 5% of the portfolio at the time of purchase.</p>		
Portfolio Analysis & Key Observations		Style Analysis
<p>Positive Impact on Performance</p> <ul style="list-style-type: none"> ▪ Stock selection in industrials ▪ Top 10 holding ACE Ltd. (-1.6% return) <p>Negative Impact on Performance</p> <ul style="list-style-type: none"> ▪ Stock selection in consumer discretionary, information technology, energy and health care ▪ Overweight allocation to smaller capitalization stocks ▪ Top 10 holdings Goldman Sachs (-22.9% return), General Electric Co. (-20.2% return) and Ford Motor Co. (-19.8% return) 		<p>5 Year Period - Rolling 3 Years ending Jun 30, 2010</p> <p>Legend: ■ Russell 1000 Value ■ Russell 1000 Growth ■ Russell 2000 Value ■ Russell 2000 Growth</p>
Key Facts and Figures		
Portfolio Manager: Saul J. Pannell; Nicolas M. Choumenkovitch; Paul E. Marrkand; Peter I. Higgins; Jeffrey L. Kripke; Kent M. Stahl; David W. Palmer; Donald J. Kilbride Portfolio Manager Average Tenure: 5.2 Years	Total Fund Assets: \$8,600 Million	Expense Ratio (Net): 0.67% Mercer Median Expense Ratio (Net): 0.95%

Fund Profile

Domestic Equity - Hartford Capital Appreciation HLS IA - HIACX



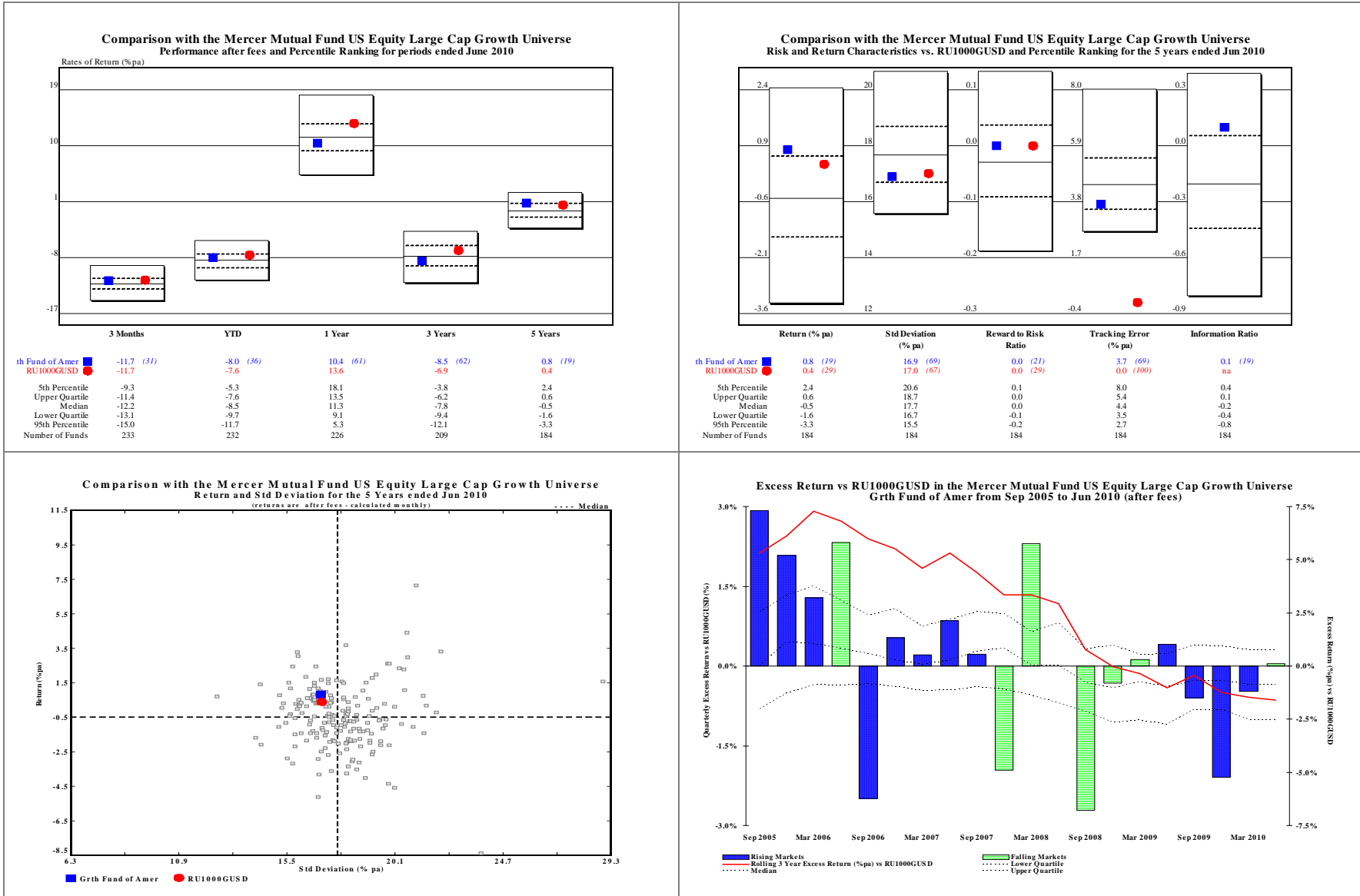
Fund Profile

Domestic Equity - American Funds Growth Fund of America A - AGTHX

Share Class: A		Benchmark: Russell 1000 Growth	
Investment Philosophy			
<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 25% 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>			
Portfolio Analysis & Key Observations		Style Analysis	
<p>Positive Impact on Performance</p> <ul style="list-style-type: none"> Overweight allocation in telecommunications 9.8% allocation to cash Top 10 holdings Barrick Gold (19.0% return), Apple (7.0% return) and Union Pacific (-4.7% return) <p>Negative Impact on Performance</p> <ul style="list-style-type: none"> Overweight allocations to financials and materials; underweight to consumer staples and industrials Top 10 holdings Google (-21.5% return), Microsoft (-21.0% return) and Cisco Systems (-18.1% return) 		<p>5 Year Period - Rolling 3 Years ending Jun 30, 2010</p> <p>Legend: ■ Russell 1000 Value ■ Russell 1000 Growth ■ Russell 2000 Value ■ Russell 2000 Growth</p>	
Key Facts and Figures			
Portfolio Manager: James E. Drasdo; James F. Rothenberg; Gordon Crawford Portfolio Manager Average Tenure: 13.9 Years		Total Fund Assets: \$140,518 Million Total Share Class Assets: \$58,395 Million	
		Expense Ratio (Net): 0.76% Mercer Median Expense Ratio (Net): 1.00%	

Fund Profile

Domestic Equity - American Funds Growth Fund of America A - AGTHX



Fund Profile

Domestic Equity - Passive - Vanguard Mid-Cap Index Fund Institutional - VMCIX

Share Class: Institutional		Benchmark: Vanguard Spliced Mid Cap Index																							
Investment Philosophy																									
The fund attempts to provide investment results that parallel the performance of the MSCI U.S. Mid Cap 450 Index. The fund is passively managed using a full-replication approach and consists of mid-capitalization stocks diversified across investment styles. The fund remains fully invested.																									
Portfolio Analysis & Key Observations		Tracking Error																							
<p>The following comments relate to the performance of the MSCI US Mid Cap 450 Index.</p> <ul style="list-style-type: none"> All ten sectors in the index declined in the second quarter The best performing sector was the utilities sector (-3.6%) The worst performing sectors included materials (-15.5%), energy (-13.0%) and industrials (-11.6%) 		<p>5 Year Period - Vanguard Mid-Cap Index Fund Institutional vs. Vanguard Spliced Mid Cap I...</p> <table border="1"> <caption>Rolling 1-Year Tracking Error Data</caption> <thead> <tr> <th>Date</th> <th>Tracking Error (%)</th> </tr> </thead> <tbody> <tr><td>Sep-05</td><td>0.15%</td></tr> <tr><td>Mar-06</td><td>0.14%</td></tr> <tr><td>Sep-06</td><td>0.15%</td></tr> <tr><td>Mar-07</td><td>0.10%</td></tr> <tr><td>Sep-07</td><td>0.04%</td></tr> <tr><td>Mar-08</td><td>0.02%</td></tr> <tr><td>Sep-08</td><td>0.05%</td></tr> <tr><td>Mar-09</td><td>0.02%</td></tr> <tr><td>Sep-09</td><td>0.07%</td></tr> <tr><td>Mar-10</td><td>0.11%</td></tr> </tbody> </table>		Date	Tracking Error (%)	Sep-05	0.15%	Mar-06	0.14%	Sep-06	0.15%	Mar-07	0.10%	Sep-07	0.04%	Mar-08	0.02%	Sep-08	0.05%	Mar-09	0.02%	Sep-09	0.07%	Mar-10	0.11%
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Key Facts and Figures																									
Portfolio Manager: Donald M. Butler	Total Fund Assets: \$19,947 Million	Expense Ratio (Net): 0.08%																							
Portfolio Manager Average Tenure: 12.0 Years	Total Share Class Assets: \$6,213 Million	Mercer Median Expense Ratio (Net): 0.41%																							

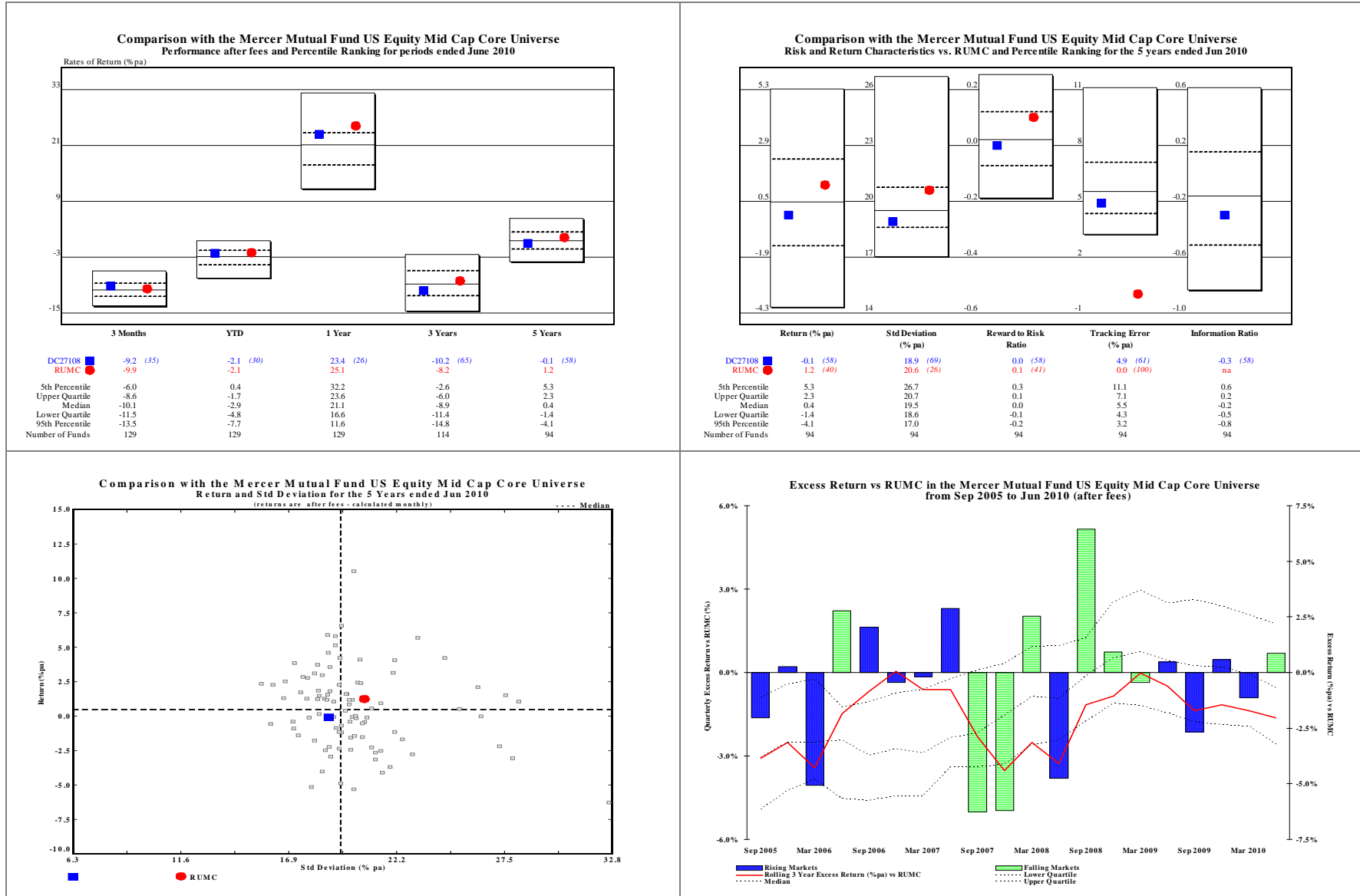
Fund Profile

Domestic Equity - Lazard US Mid Cap Equity Portfolio Institutional - LZMIX

Share Class: Institutional		Benchmark: Russell Midcap	
Investment Philosophy			
<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>			
Portfolio Analysis & Key Observations		Style Analysis	
<p>Positive Impact on Performance</p> <ul style="list-style-type: none"> Stock selection in information technology, materials and consumer discretionary Top 10 holdings Ball Corp. (-0.8% return), Analog Devices (-2.6% return) and Newell Rubbermaid (-3.4% return) <p>Negative Impact on Performance</p> <ul style="list-style-type: none"> Stock selection in energy Stock selection and underweight allocation in utilities Top 10 holdings Ameriprise Financial (-20.0% return), Rockwell Collins (-14.8% return), and Ingram Micro Inc. (-13.4% return) 		<p>5 Year Period - Rolling 3 Years ending Jun 30, 2010</p> <p>Legend: ■ Russell 1000 Value ■ Russell 1000 Growth ■ Russell 2000 Value ■ Russell 2000 Growth</p>	
Key Facts and Figures			
Portfolio Manager: Andrew D. Lacey; Christopher H. Blake; Robert A. Failla Portfolio Manager Average Tenure: 7.7 Years		Total Fund Assets: \$174 Million Total Share Class Assets: \$113 Million Expense Ratio (Net): 0.89% Mercer Median Expense Ratio (Net): 1.10%	

Fund Profile

Domestic Equity - Lazard US Mid Cap Equity Portfolio Institutional - LZMIX



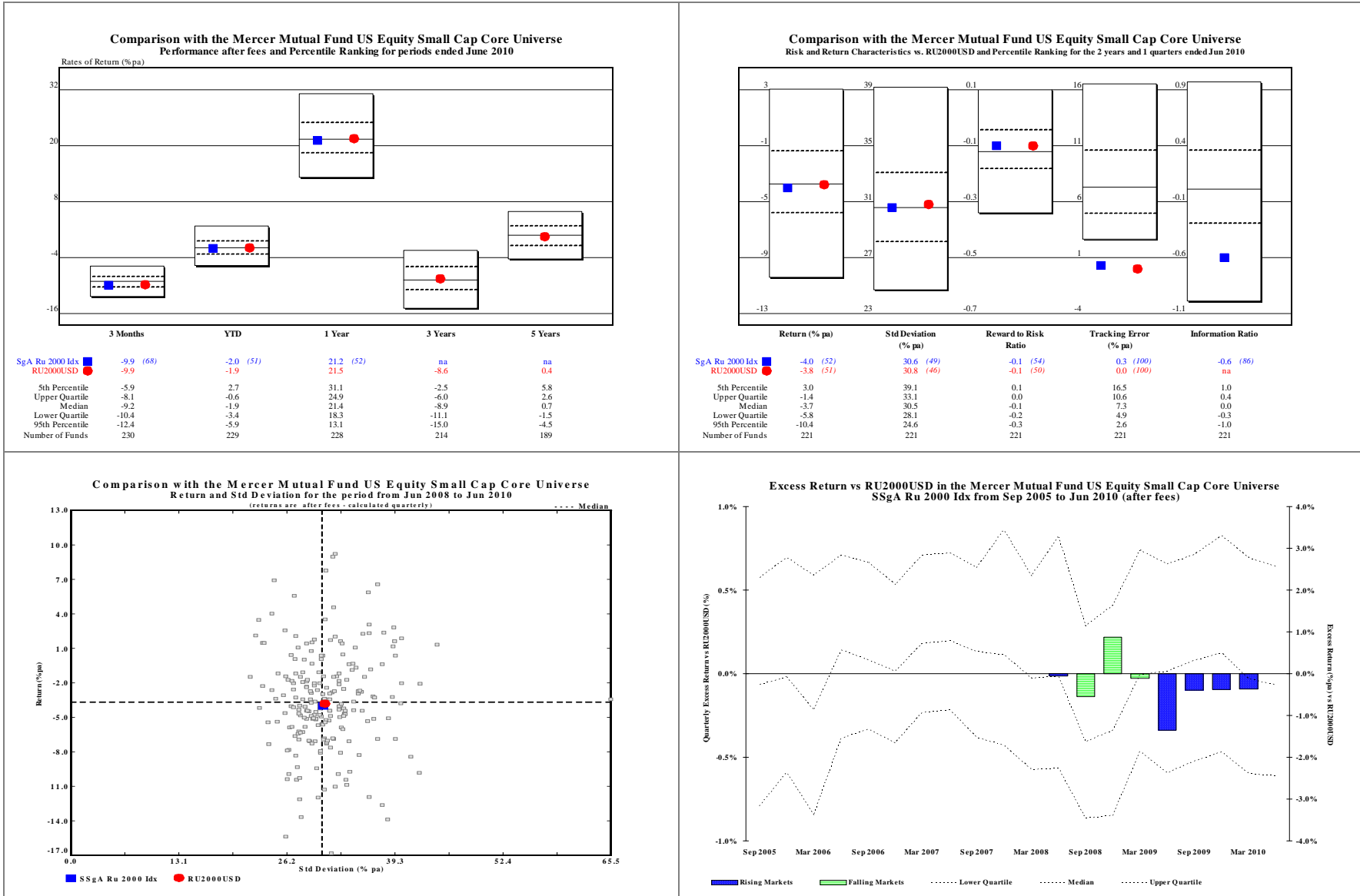
Fund Profile

Domestic Equity - SSgA Russell Small Cap Index Non-Lending Series Fund

Share Class: S		Benchmark: Russell 2000	
Investment Philosophy			
<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>			
Portfolio Analysis & Key Observations		Style Analysis	
<ul style="list-style-type: none"> ▪ The following comments relate to the performance of the Russell 2000 Index: ▪ All ten sectors posted negative returns during the quarter ▪ The utilities (-3.2% return), consumer staples (-6.4% return) and industrials (-7.7% return) sectors held up best ▪ Energy (-13.8% return), consumer discretionary (-13.6% return) and materials (-13.1% return) sectors declined the most 		<p style="text-align: center;">Tracking Error in Mutual Fund US Equity Small Cap Core from Sep 2005 to Jun 2010 SSGAR2 versus Russell 2000 (after fees)</p> <p style="text-align: center;">Created on 2 Sep 2010. Data Source: Lipper, Inc.</p>	
Key Facts and Figures			
Portfolio Manager: SSgA		Total Fund Assets: \$5,797 Million	Expense Ratio (Net): 0.06%
Inception: July 1999		Total Share Class Assets: \$855 Million	Mercer Median Expense Ratio (Net): 0.35%

Fund Profile

Domestic Equity - SSgA Russell Small Cap Index Non-Lending Series Fund



Fund Profile

International Equity - Passive - DWS EAFE Equity Index Fund Institutional - BTAEX

Share Class: Institutional		Benchmark: MSCI EAFE NET WHT	
Investment Philosophy			
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.			
Portfolio Analysis & Key Observations		Tracking Error	
<p>The following comments relate to the MSCI EAFE Index</p> <p>Positive Impact on Performance</p> <ul style="list-style-type: none"> Top performing sectors included consumer staples (-7.2% return), telecommunication services (-9.5% return) and health care (-9.7% return) Top 10 holdings Nestle (-2.7% return) and Vodafone (-5.9% return) <p>Negative Impact on Performance</p> <ul style="list-style-type: none"> Weakest performing sectors included energy (-22.5% return), materials (-18.1% return) and financials (-17.0% return) Top 10 holdings BP (-48.7% return), BHP Billiton (-20.5% return) and Total (-19.8% return) 		<p>5 Year Period - DWS EAFE Equity Index Fund Institutional vs. MSCI EAFE NET WHT</p> <p>— Rolling 1-Year Tracking Error</p>	
Key Facts and Figures			
Portfolio Manager: Shaun Murphy		Total Fund Assets: \$294 Million	Expense Ratio (Net): 0.52%
Portfolio Manager Average Tenure: 3.0 Years			Mercer Median Expense Ratio (Net): 0.53%

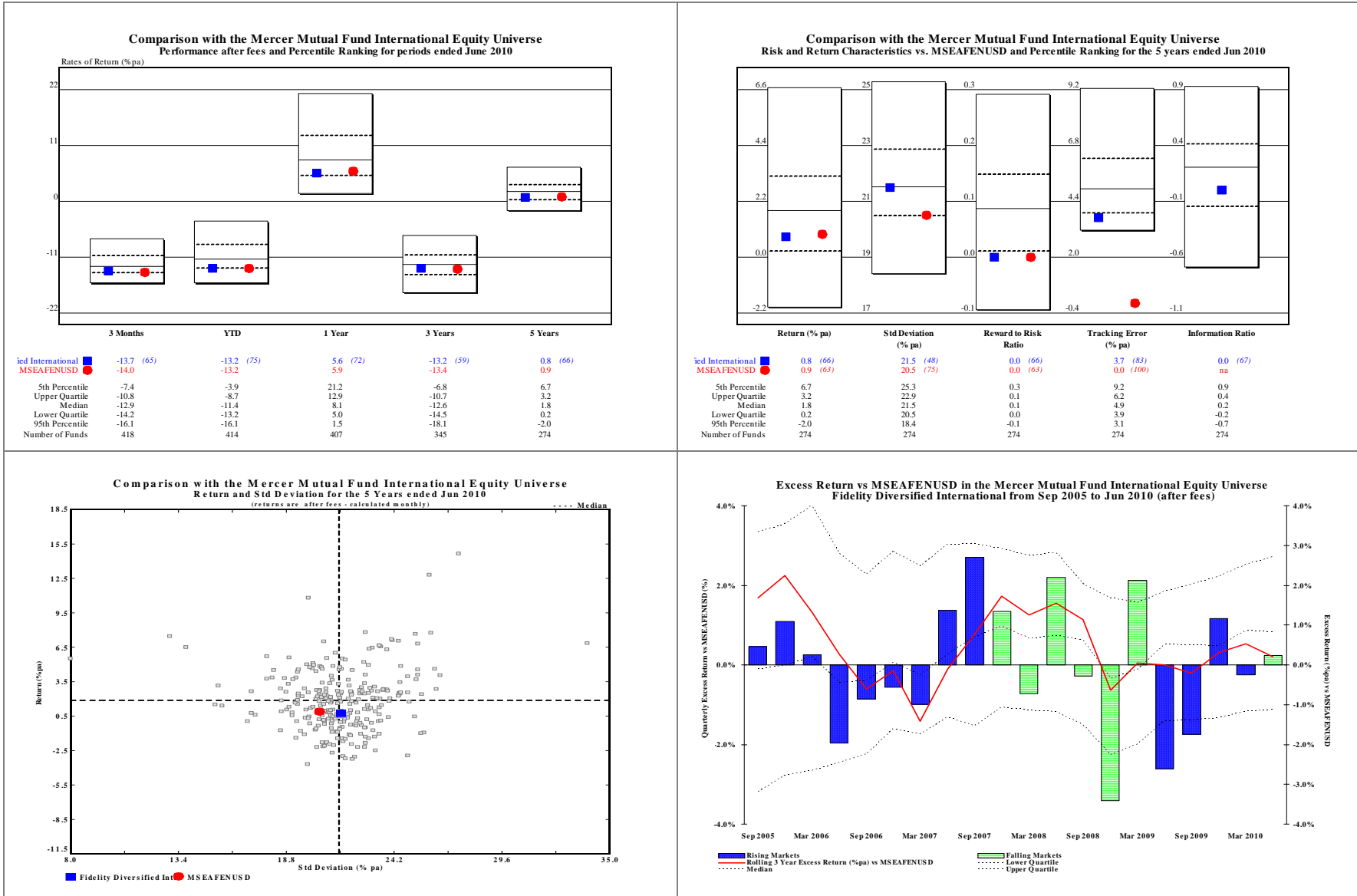
Fund Profile

International Equity - Fidelity Diversified International Fund - FDIVX

Share Class:		Benchmark: MSCI EAFE NET WHT																																		
Investment Philosophy																																				
The fund seeks capital growth by typically investing in non-U.S. 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.																																				
Portfolio Analysis & Key Observations		Country Analysis as of June 30, 2010																																		
<p>Positive Impact on Performance</p> <ul style="list-style-type: none"> Underweight allocation to Australia; overweight to Denmark Stock selection in materials Out-of-benchmark exposure to Canada and US Emerging market exposure Top 10 holdings Novo Nordisk (4.5% return), Nestle (-2.7% return) and Vodafone Group (-5.9% return) <p>Negative Impact on Performance</p> <ul style="list-style-type: none"> Underweight allocation to Japan Overweight allocation in energy Stock selection within utilities Top 10 holdings BHP Billiton (-20.5% return), Banco Santander (-18.0% return) and Sanofi-Aventis (-14.7% return) 		<table border="1"> <caption>Country Allocation Data (Estimated from Chart)</caption> <thead> <tr> <th>Country</th> <th>Fidelity Diversified International Fund</th> <th>MSCI EAFE NET WHT</th> </tr> </thead> <tbody> <tr> <td>United Kingdom</td> <td>18.5</td> <td>21.0</td> </tr> <tr> <td>Japan</td> <td>14.5</td> <td>23.5</td> </tr> <tr> <td>United States</td> <td>12.5</td> <td>0.0</td> </tr> <tr> <td>France</td> <td>8.5</td> <td>9.5</td> </tr> <tr> <td>Switzerland</td> <td>8.5</td> <td>7.5</td> </tr> <tr> <td>Germany</td> <td>6.5</td> <td>7.5</td> </tr> <tr> <td>Canada</td> <td>4.5</td> <td>0.0</td> </tr> <tr> <td>Spain</td> <td>3.5</td> <td>3.5</td> </tr> <tr> <td>Netherlands</td> <td>3.0</td> <td>2.5</td> </tr> <tr> <td>Australia</td> <td>2.5</td> <td>8.0</td> </tr> </tbody> </table>		Country	Fidelity Diversified International Fund	MSCI EAFE NET WHT	United Kingdom	18.5	21.0	Japan	14.5	23.5	United States	12.5	0.0	France	8.5	9.5	Switzerland	8.5	7.5	Germany	6.5	7.5	Canada	4.5	0.0	Spain	3.5	3.5	Netherlands	3.0	2.5	Australia	2.5	8.0
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Netherlands	3.0	2.5																																		
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Key Facts and Figures																																				
Portfolio Manager: William Bower		Total Fund Assets: \$30,871 Million	Expense Ratio (Net): 1.01%																																	
Portfolio Manager Average Tenure: 9.3 Years		Total Share Class Assets: \$24,666 Million	Mercer Median Expense Ratio (Net): 1.21%																																	

Fund Profile

International Equity - Fidelity Diversified International Fund - FDIVX



Appendix

Investment Manager Updates

Capital Research and Management Company (Growth Fund of America) Dated May 4, 2010

Capital Research, the investment adviser to the American Funds, recently reviewed and amended guideline limits on how much each of its funds can invest outside the United States and Canada. The Growth Fund of America, specifically, changed from 15% outside the US and Canada to 25% outside the US on May 1, 2010.

Capital Research made these changes to ensure that the funds' limits are appropriate in light of the increasingly global and integrated nature of the world economy and the investment objectives of the fund. This is also an attempt to simplify the investment guideline language on international exposure. We do not view this change as significant in terms of the investment process or philosophy, thus this news will not impact the B rating currently assigned. We do not anticipate a significant change in the international weightings as a result of this change, but the allocations may increase incrementally over time.

PIMCO – Fixed Income – Research Note Dated June 28, 2010

Mercer recently met with PIMCO for a US Fixed Income update. While Mercer has a high degree of confidence in PIMCO's ability to consistently generate investment ideas and implement them in portfolios with well-balanced risks, Mercer is unsure of the utility of investing in multiple PIMCO fixed income strategies. Many of the firm's best ideas are the result of rigorous research and debate in the Investment Committee and on-going secular and cyclical forums. These top-down thematic trades permeate the model portfolios at the foundation of broad multisector accounts as well as single-sector strategies. Therefore, clients with allocations to one or more of the US multisector portfolios and additional allocations to PIMCO's investment grade credit, high yield, mortgage, global fixed income, and other specialist strategies, are layering on the same or highly correlated trades.

PIMCO remains vague on the topic of a succession or contingency plan for co-CIO Bill Gross, maintaining that he has absolutely no intention of leaving the firm. Mercer agrees that the likelihood of Gross departing PIMCO willingly or retiring in the next three to five years is very low. In the dual role of CEO and co-CIO, Mercer is concerned that Mohamed El-Erian faces distractions that other IC members and portfolio managers do not, and believes he is at an elevated risk of burn out, despite his assurances to the contrary. Mercer would prefer more formal separation of investment and operational/business management responsibilities and finds it odd that the firm cannot identify a business leader who does not also happen to be the number two investor. That said, PIMCO has built a deeply staffed and highly experienced executive office to relieve the business management burden. COO Doug Hodge plays an important role in managing the firm.

PIMCO's AUM could hamper its flexibility to correct ill-timed or adverse positioning decisions, particularly with respect to various credit segments and emerging market external debt. PIMCO assures that its volume of assets is manageable because it places more emphasis than most on long-term fundamentals and broad diversification, and uses synthetic instruments extensively.

Fidelity Management & Research Co. (FMRCo) – News Item May 4, 2010

We have been informed that Christine Thompson has been appointed to a newly created role in Fidelity's Fixed Income Division as Bond Group Chief Investment Officer (CIO), reporting to Chris Sullivan, President of the Bond Group. The CIO role will directly oversee the investment grade bond portfolio management team and have responsibility for the overall investment process. Thompson's previously managed the Municipal Bond Portfolio Management Team at Fidelity; her management responsibilities will be split between the existing municipal portfolio managers and Kevin Ramundo, a senior credit research analyst, who has been promoted to portfolio manager.

Mercer View

This appointment was designed to reduce the number of Sullivan's direct reports, which will now stand at six (heads of trading, credit research, quantitative research, institutional portfolio management, and investment services). Thompson will have 13 portfolio managers as direct reports, all of whom formerly reported to Sullivan. While we are not familiar with Thompson, we doubt that this appointment will bring material change to the process or team. That is, we still view Sullivan as the de facto fixed income CIO.

Appendix – Disclosures

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