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City of Los Angeles

City of Los Angeles Deferred Compensation Plan

Defined Contribution Performance Evaluation

Third Quarter 2011

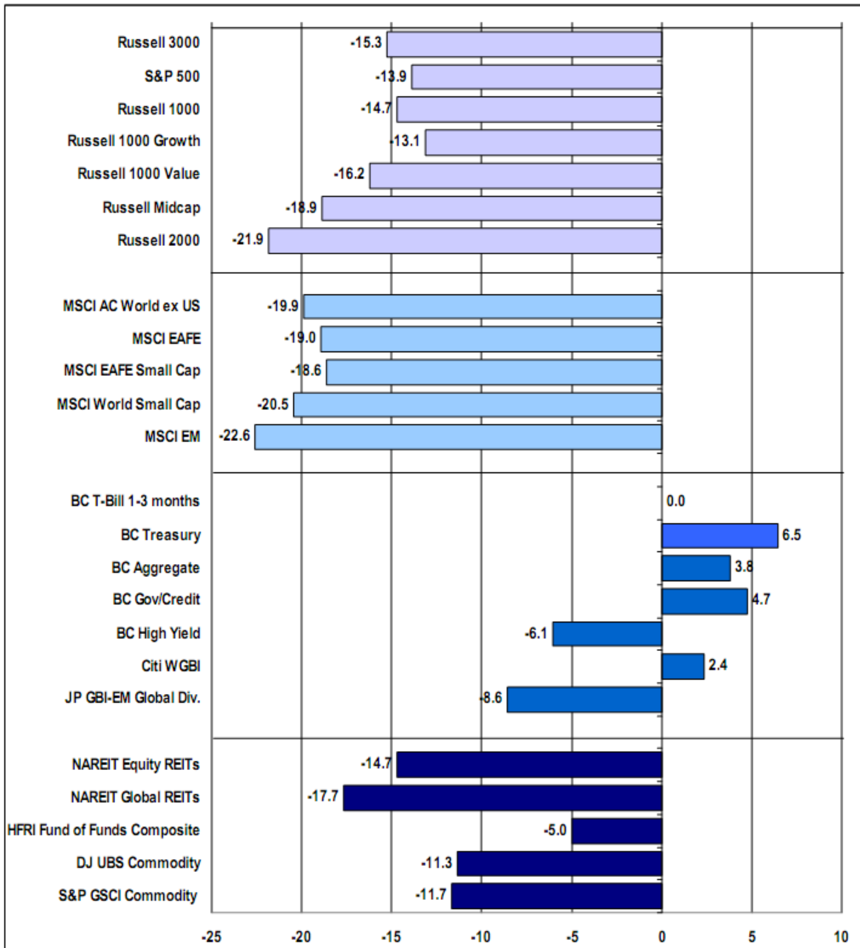
Services provided by Mercer Investment Consulting, Inc.

MARSH & McLENNAN COMPANIES

Contents

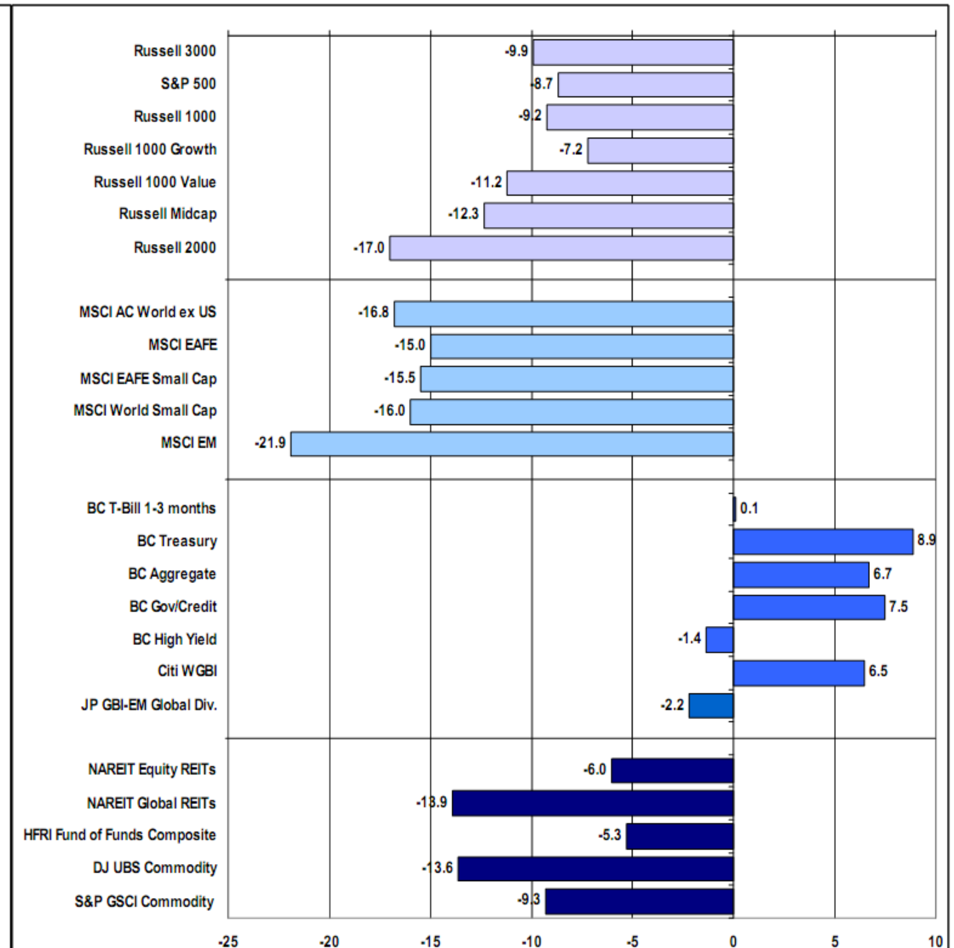
Performance Summary: Quarter in Review

Market Performance
Third Quarter 2011



Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg

Market Performance
Year to Date through September 2011



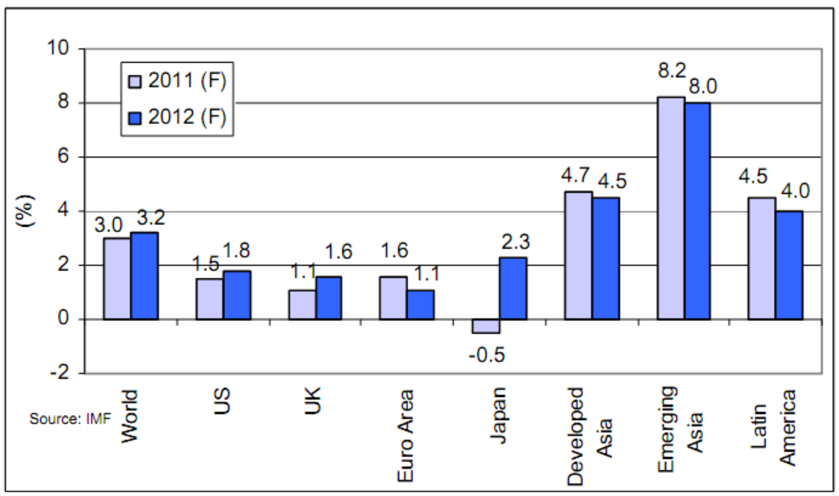
Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg

Macro Environment: Economic Review

	3Q Growth (%)	Contribution to 3Q Growth (%)
Personal Consumption Expenditures	2.4	1.7
Residential Fixed Investment	2.4	0.1
Non-Residential Fixed Investment	16.3	1.5
Government Consumption	0.0	0.0
Change in Inventories	-	(1.1)
Trade Balance	-	0.2
GDP		2.5

Source: Bureau of Economic Analysis

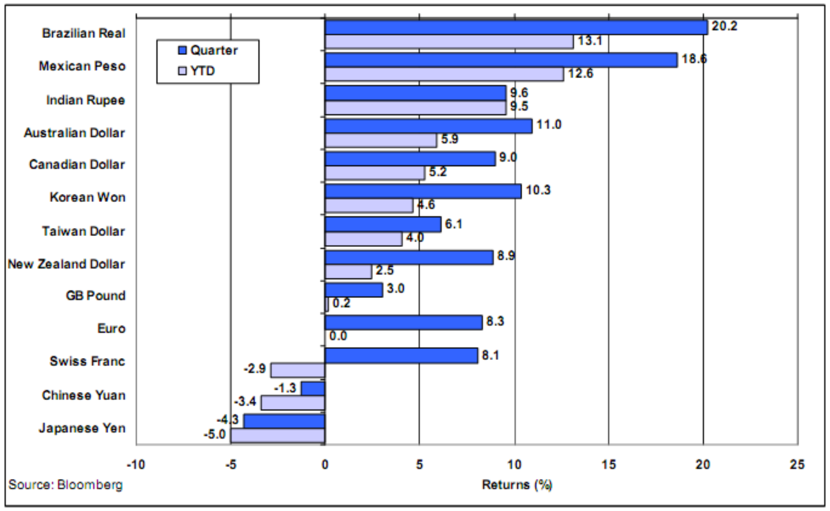
World Economic Growth



- The economy expanded at an annualized rate of 2.5% during the third quarter. Analysts polled by Bloomberg in October expected 2.0% growth in the fourth quarter.
- Many economists are forecasting a greater risk of a recession as fiscal stimulus is removed from the economy. The silver lining is that if a recession does occur, it would probably be mild because many of the excesses that were present in 2007 have been purged.
- Regardless of whether the economy enters a technical recession, we will likely remain in a prolonged period of slow growth. The economy must face the headwinds of unsustainable fiscal policies, excessive household debt, and worsening demographics.
- The eurozone debt crisis deepened during the quarter, with Spain and Italy coming under further pressure. The health of European banks, which have substantial exposure to peripheral debt, was questioned as well. Europe may already be in recession.
- A comprehensive solution to the euro area debt crisis will be hard to reach, as it likely would require greater European fiscal integration.
- Growth in emerging market economies continues to be robust. However, if the developed world slips back into recession, growth is likely to slow because EM economies remain reliant on exports.
- Emerging economies have clear structural advantages over the developed world, but must transition from export and investment to household consumption.

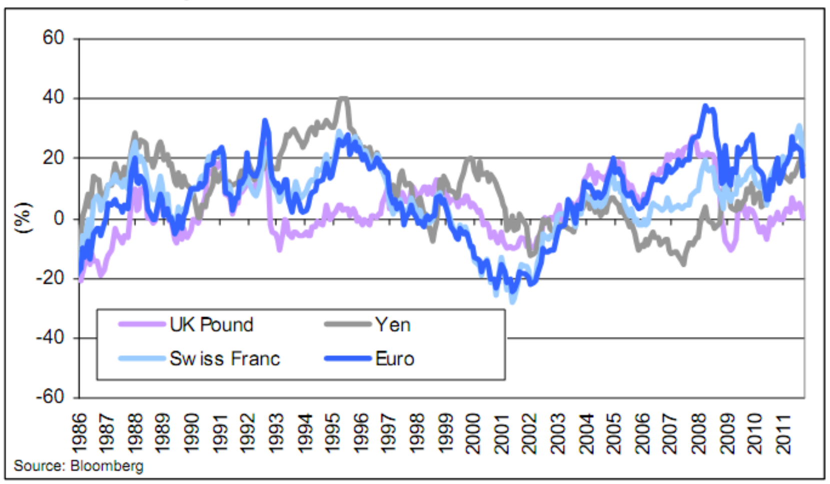
Macro Environment: Currencies

Performance of the Dollar



- Since the dollar remains the primary reserve currency, it tends to rally during financial crises. This was borne out in the third quarter as the buck appreciated against most other currencies.
- The dollar spiked by 8.3% against the euro, although it slipped by 4.3% against the yen. It was particularly strong against many emerging market currencies. It rallied by 20.2% against the Brazilian real and by 10.3% against the Korean won. Commodity currencies, including the Canadian and Australian dollars, were also socked.

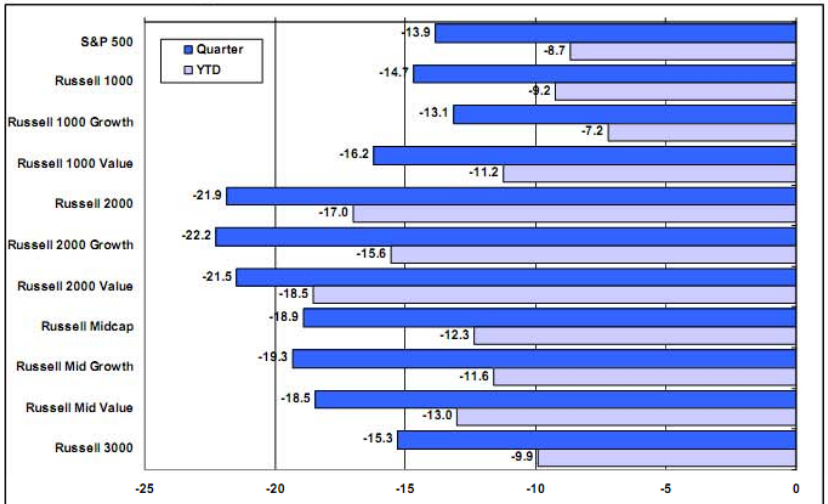
Currency Valuation versus US Dollar (Based on Relative PPP)



- The outlook for the dollar against most developed currencies is ambiguous. The US still runs a large current account deficit, and the Fed has been more aggressive than other central banks in expanding its balance sheet. Further, the Fed is likely to be very slow in lifting rates. Conversely, the dollar is undervalued against most developed currencies on the basis of relative purchasing power parity.
- We still believe the strategic outlook for emerging market currencies is positive. Over time, these currencies should appreciate relative to the developed world's currencies.

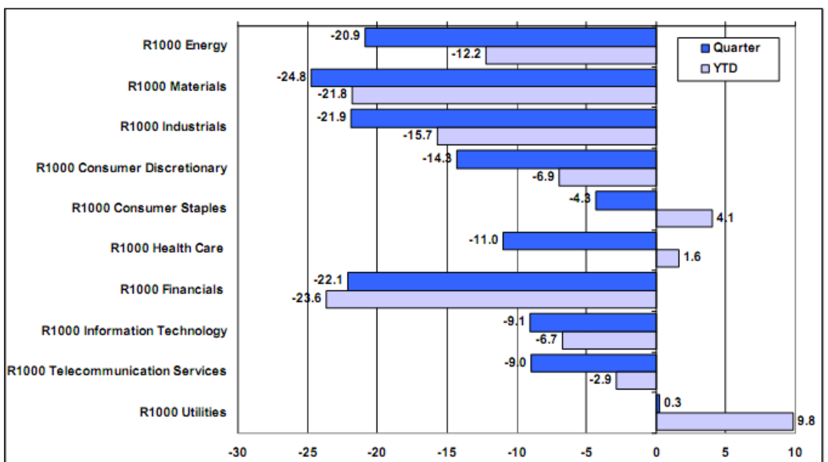
Asset Class: US Equities – Style, Sector, Cap Performance

Style and Capitalization Market Performance



Source: Standard & Poor's, Russell, Bloomberg

Sector Performance



Source: Russell GICs Sector

Broad Market

- Equities declined during the quarter due to concerns about a US recession and the sovereign debt crisis in Europe. Domestically, the Russell 3000 index shed 15.3% during Q3 and 9.9% YTD.

Market Cap

- **Large Caps:** The S&P 500 dropped 13.9% during the quarter. Large caps outperformed small and mid caps during Q3.
- **Mid Caps:** The Russell Midcap index declined 18.9%, trailing the S&P 500 by 500 basis points.
- **Small Caps:** The Russell 2000 index tumbled 21.9%. Small caps underperformed large caps by 800 basis points during the quarter.

Style

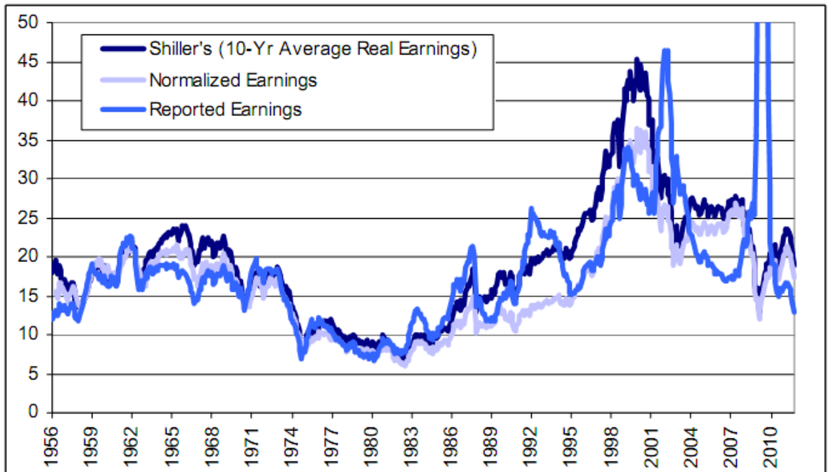
- **Value vs. Growth:** Within large caps, growth stocks outperformed value stocks as the Russell 1000 Growth index fell 13.1% vs. a 16.2% drop in the Russell 1000 Value index. Large cap value stocks were hurt by the underperformance of financials. Within mid caps and small caps, value stocks actually slightly outperformed growth stocks.

Sector

- Defensive sectors such as utilities and consumer staples held up relatively well during the quarter. For the year-to-date, these sectors remain positive. Health care stocks have also maintained a gain for the year.
- Cyclical sectors underperformed during the quarter. The materials sector shed 24.1% and financial stocks declined 21.2%.

Asset Class: US Equities – Valuation Review

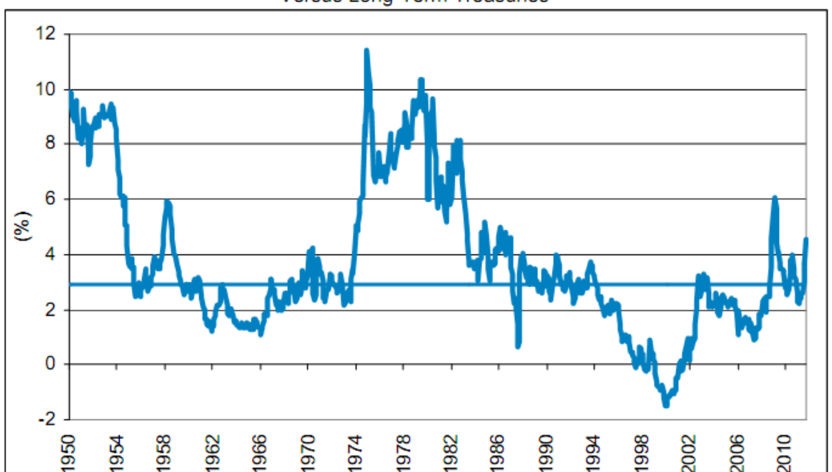
S&P500 – P/E Ratio



Source: S&P, Federal Reserve, Mercer

S&P500 – Estimated Equity Risk Premium

Versus Long-Term Treasuries



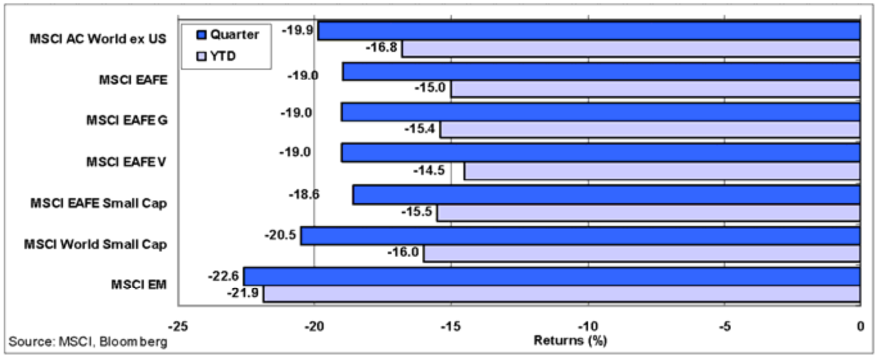
Source: S&P, Federal Reserve, Mercer

- The downturn in stocks has improved the valuation picture for equities.
- Based on trailing earnings the S&P 500 looks fairly cheap, trading at a P/E of just 12.9. The S&P is trading at only 10.7x forward operating earnings.
- The margin on sales for the S&P 500 stands at 8.8%, more than 50% higher than the historical average of 5.8%. Profits as a share of GDP are at a record high.
- Corporations are in relatively strong shape financially and have been slow to invest and hire during the recovery.
- However, profit margins are unlikely to maintain such a high level over a full economic cycle, and we are concerned about the achievability of current forecasts given the economic outlook.
- Based on Shiller's P/E [1)], the S&P 500 is trading at 19x earnings. On margin-adjusted earnings, the S&P is trading at a P/E of 17, which is around fair value.
- Valuations versus bonds look reasonably attractive due to ultra-low interest rates.

[1)] Definitions:
Shiller's P/E= Current S&P 500 price/average 10-year real earnings
Normalized P/E= Current S&P 500 price/(current trailing twelve month sales * 6.6% profit margin)

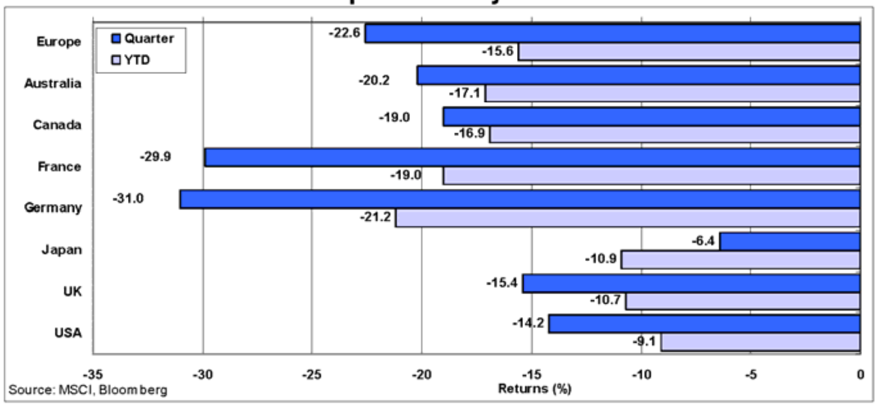
Asset Class: International Equities – Performance Review

International Equity Performance



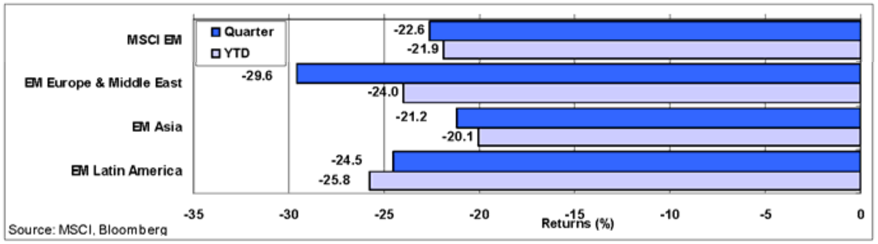
- **International equities** underperformed domestic stocks during the quarter. European and emerging markets equities were hit particularly hard. The MSCI ACWI-ex US index fell 19.9% during the quarter and is down 16.8% on the year.
- **International small cap** stocks outperformed international large cap stocks. The MSCI EAFE Small Cap index dropped 18.6% during Q3.

Developed Country Performance



- **International developed** stocks as represented by the MSCI EAFE index dropped 19.0% in US$ terms and 15.7% in local currency terms. European stocks declined 22.6% in US$ terms and 17.6% in local currency terms. EMU countries fell 28.4% in US$ terms. Japanese stocks held up relatively well during the quarter, losing just 6.4% in US$ terms.

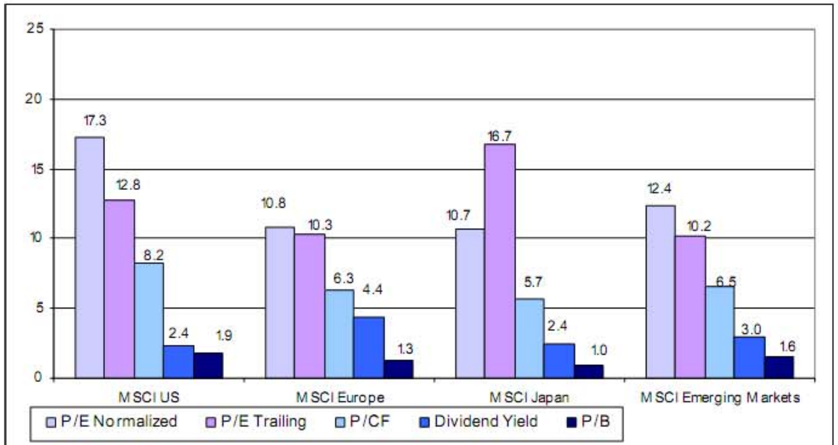
Emerging Market Performance



- **Emerging market** stocks were crushed during the quarter on concerns about global growth. EM equities shed 15.0% in local currency terms, which was similar to the 13.9% drop in the S&P 500. However, EM currencies plummeted, leading to a 22.6% fall in US$ terms. EM equities have underperformed the S&P 500 by 1720 basis points over the last 12 months.

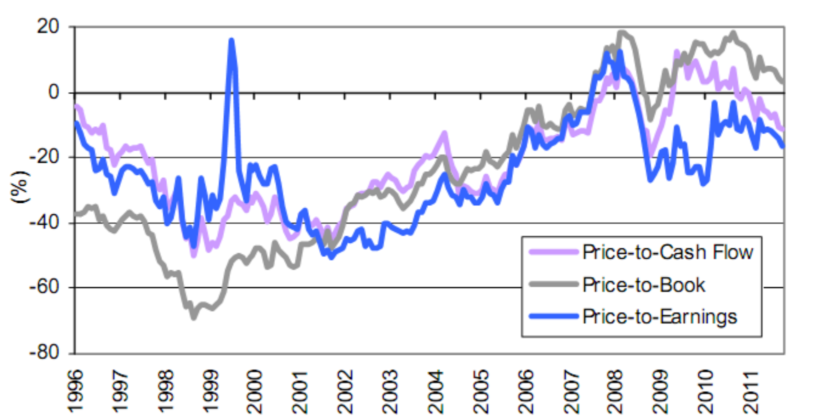
Asset Class: International Equities – Valuation Review

Global Valuations



Source: MSCI, Bloomberg

Premium / (Discount) of MSCI Emerging Markets to MSCI World

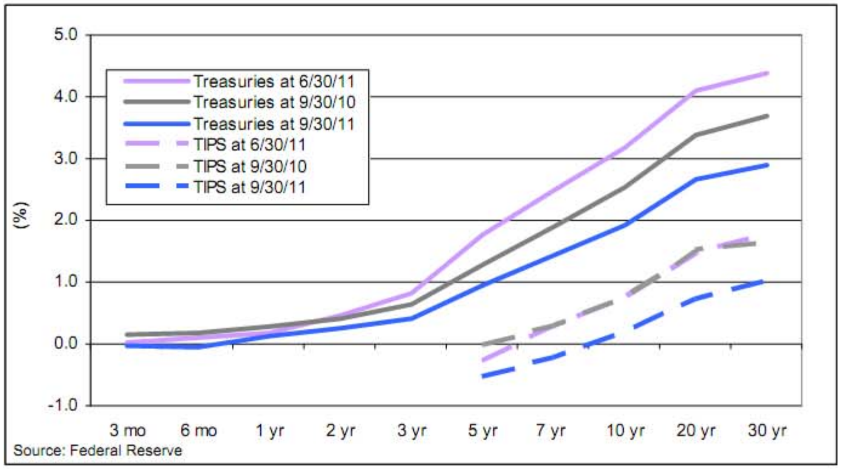


Source: MSCI, Bloomberg

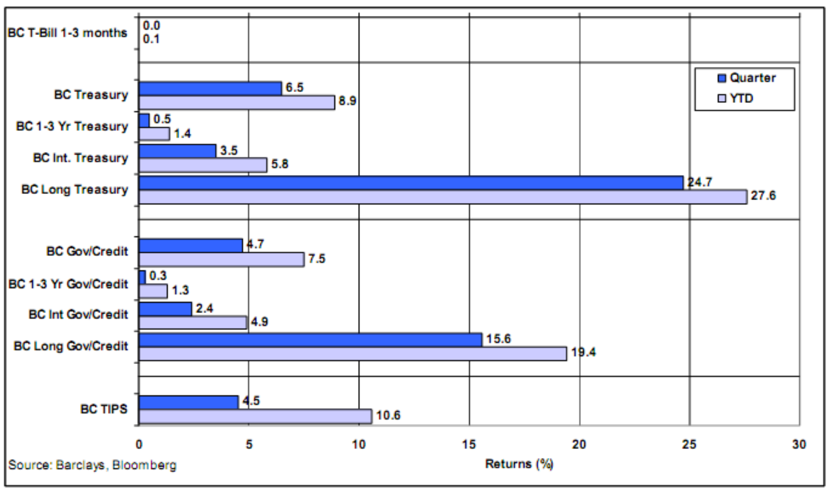
- The valuation picture for international equities has improved.
- The key risk factor is the European sovereign situation, and the risk that policy mismanagement could lead to bank failures. Although this "tail risk" may seem unlikely, the European problems of competitiveness are structural in nature, and will not be solved quickly. Thus, this source of worry is likely to remain with markets for some time to come.
- While macro risks are higher overseas, valuations seem to be pricing in a fair amount of bad news. European stocks are trading at a P/E of just 10.3.
- Japan is dealing with massive long-term debt and demographic issues; however, Japanese stocks also appear reasonably valued, trading at 5.7x cash flows and 1.0x book value.
- The rest of the world looks like a better value than the US.
- Valuations on emerging markets have improved due to their recent underperformance. Emerging markets are trading at a P/E of just 10.2x. They are trading at a sizable discount to the developed world on P/CF and P/E.
- While EM stocks have higher volatility than domestic stocks and could be vulnerable in the shorter term, the structural case for EM outperformance (growth potential, attractive demographics, and better financial management) remains strong.

Asset Class: Fixed Income – Interest Rates and Yield Curve

Treasury Yield Curve



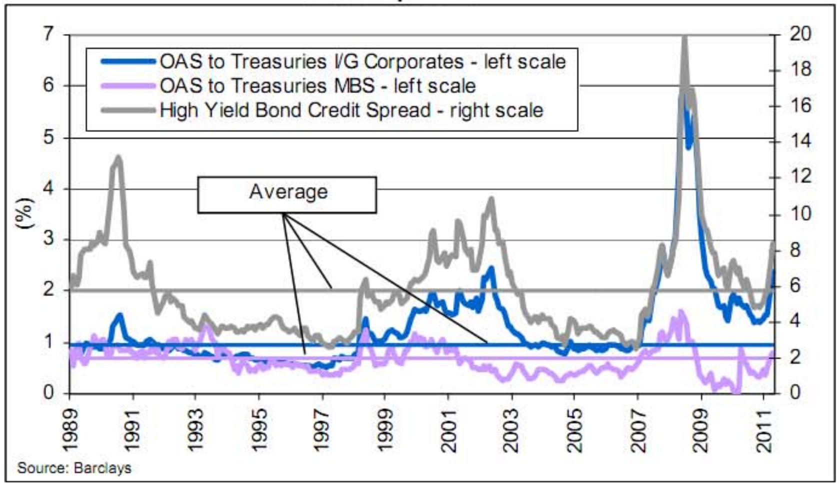
Bond Performance by Duration



- Despite S&P's downgrade, Treasury yields plummeted during the quarter on a flight to safety.
- The FOMC stated that they are unlikely to raise the Fed Funds Target Rate until mid-2013 at the earliest, suggesting that cash rates are likely to remain stuck at zero.
- The Fed also announced a plan to purchase $400B in long-term Treasuries using existing short-term holdings. Dubbed "Operation Twist", the plan seeks to flatten the yield curve by pushing down Intermediate- and Long-term rates. For example, the spread between 2-year and 5-year Treasuries fell from 1.3% at the start of the quarter to 0.7% at quarter end.
- The yield on the 10-Year Treasury fell from 3.2% to 1.9% during the quarter and the 30-Year Treasury yield plummeted from 4.4% to 2.9%.
- It was a strong quarter for Treasuries, with long duration bonds performing extremely well.
- The **Barclays Long Treasury** index rose by 24.7% during the quarter.
- The **Barclays Intermediate Treasury** index gained 3.5% during the quarter.
- **Short-Duration Treasuries** (Barclays 1-3 Year Treasury index) returned 0.5% for the quarter.
- **TIPS** rose 4.5% during Q3. The inflation break-even rate on 10-Year TIPS fell from 2.5% to just 1.8%. TIPS are up 10.6% year-to-date.

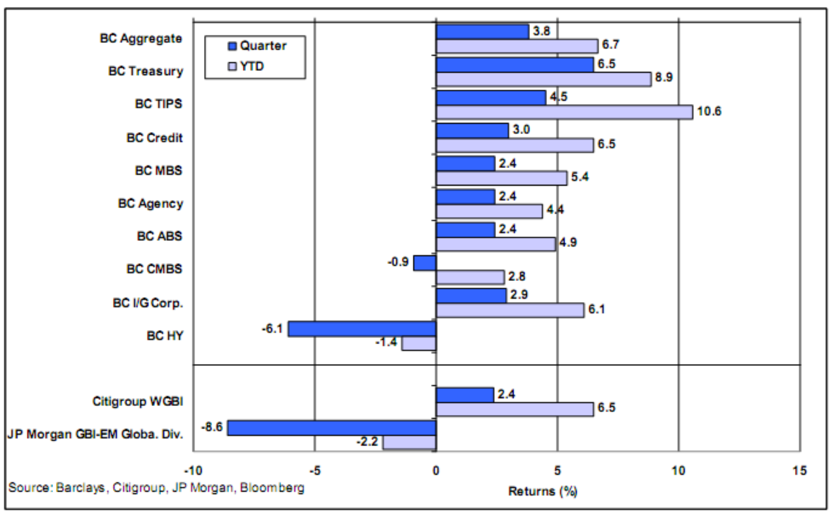
Asset Class: Fixed Income – Credit and Non-US Bonds

Credit Spreads



- Credit spreads widened substantially during the quarter as investors sought the safety of Treasuries.

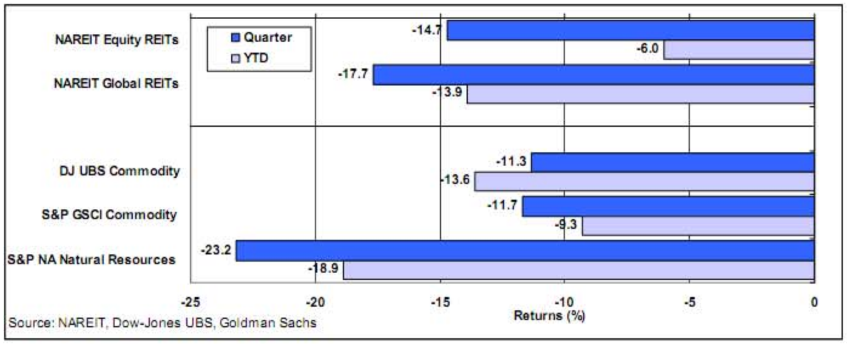
Sector, Credit, and Global Bond Performance



- **US Agency and MBS:** The Barclays Agency index and the Barclays MBS index both rose 2.4% during the quarter.
- **U.S. Credit:** The option-adjusted spread on the Barclays Credit index widened from 1.4% to 2.2% during Q3. Credit bonds currently yield 3.6%. The Barclays Credit index returned 3.0%, trailing Treasuries by 350 basis points.
- **US High Yield:** High yield spreads widened from 5.2% to 8.1% during the quarter. For the quarter, HY bonds declined 6.1%. HY bonds currently yield 9.5%.
- **Global Bonds:** The Citigroup World Government Bond index gained 2.4% in unhedged terms. A rally in the dollar weighed on returns.
- **Local Currency EMD:** Emerging market currencies were hurt during September, pushing local currency bonds to a loss of 8.6% for the quarter.

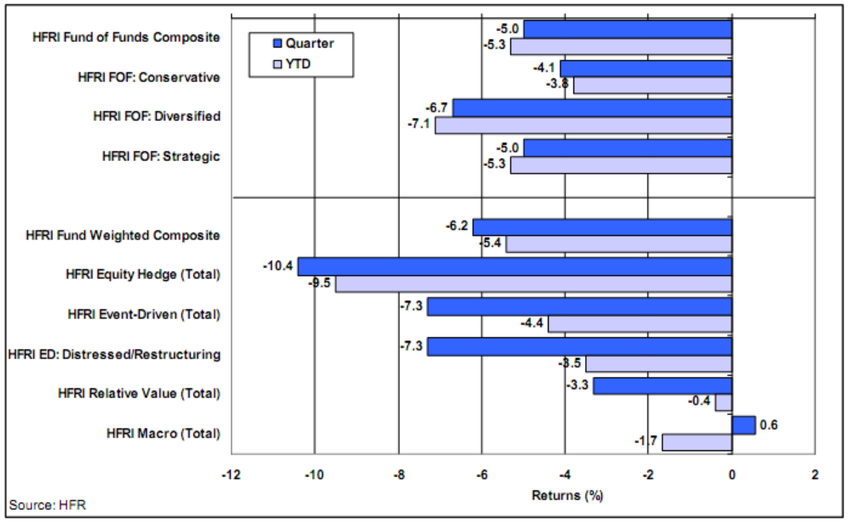
Asset Class: Alternatives – Performance Review

Real Asset Performance



- Global **REITs** declined 17.7%, with US REITs falling 14.7%.
- **Commodities** tumbled during the quarter due to concerns about global economic growth. The DJ-UBS Commodity index fell 11.3%.

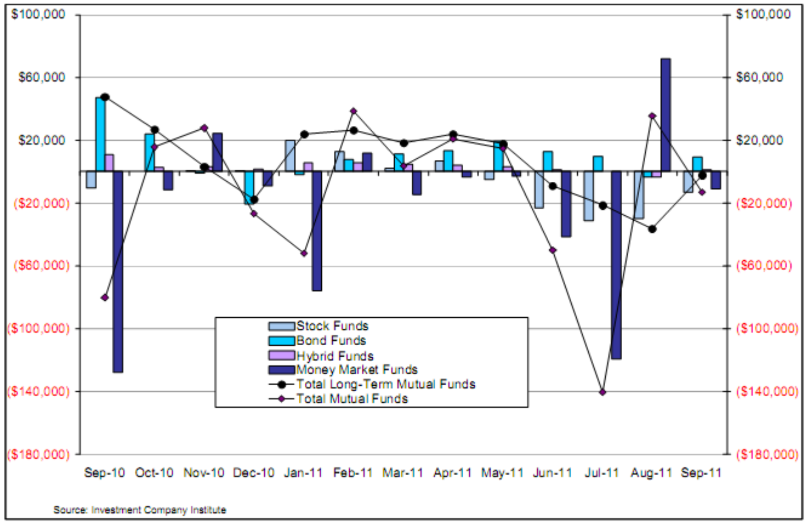
Hedge Fund Performance



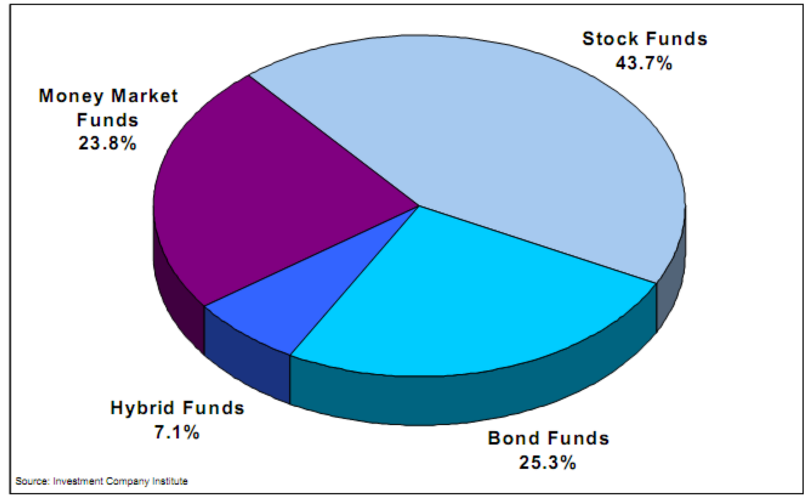
- **Hedge funds** held up better than stocks, but trailed bonds. The HFRI Fund of Funds Composite index declined 5.0%, while the S&P 500 tumbled 13.9% and the Barclays Aggregate index rose 3.8%.

Mutual Fund Environment

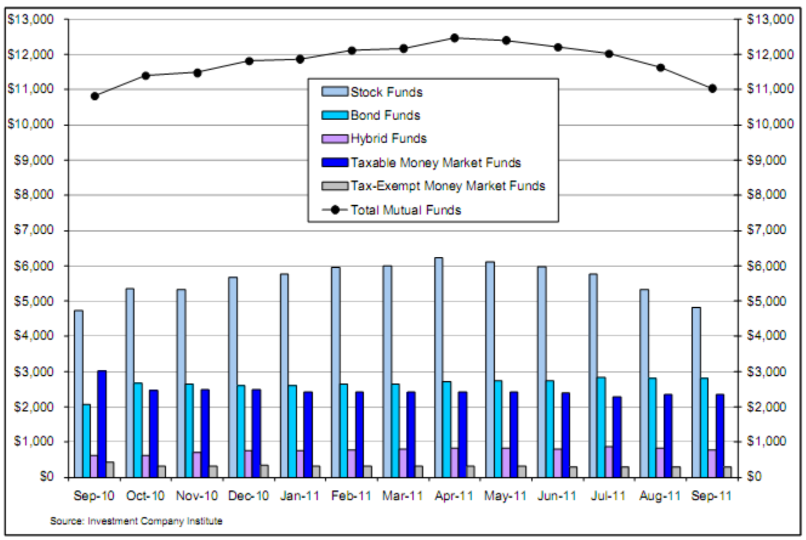
Net New Flows ($Millions)



Mutual Fund Asset Allocation



Total Net Assets ($Billions)



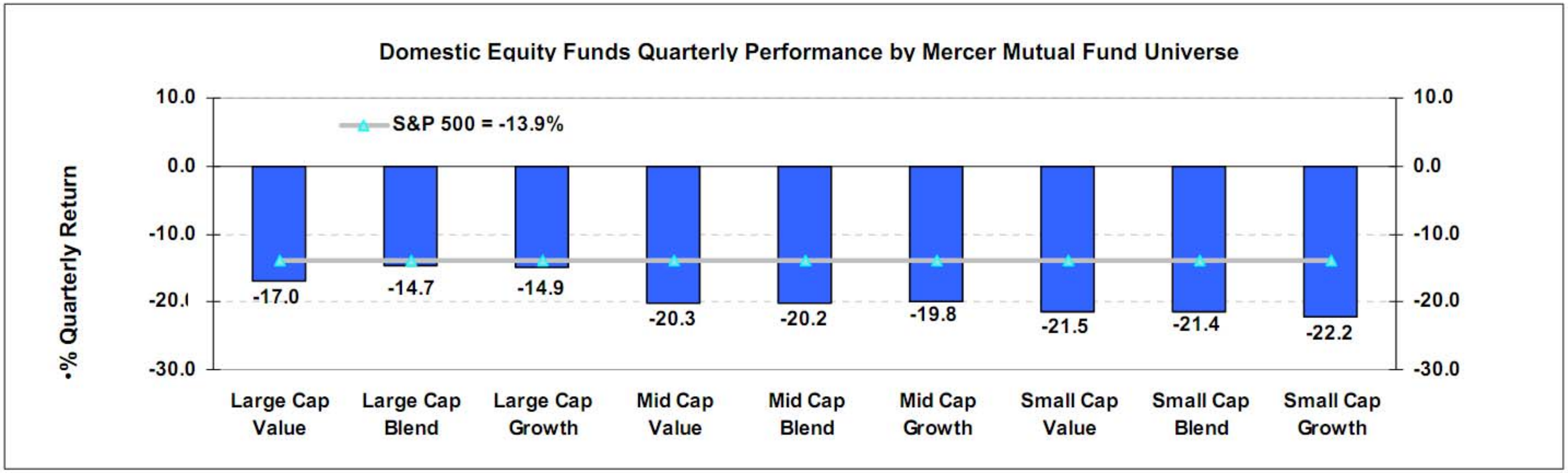
- Domestic equity funds suffered double-digit losses across the market cap and style spectrum in the third quarter. In general, large cap funds mitigated losses better than mid and small cap funds. International equity funds also declined sharply, with those invested in the emerging markets posting the steepest loss. Overall, domestic bond funds posted positive returns, though results were mixed. Long duration bond funds saw strong gains, while high yield bond funds lost significant ground. International bond funds also lost ground.
- During the quarter, mutual funds had net outflows of $117.5 billion. Investors withdrew $73.3 billion from stock funds, $57.9 billion from money market funds, and $2.2 billion from hybrid funds. Investors added $15.9 billion to bond funds.
- During the past three months, total mutual fund assets decreased 9.6%, ending the quarter at $11.0 trillion.

Domestic Equity Mutual Funds

Domestic equity	3Q	YTD	One Year	Three Years	Five Years	Ten Years
Mercer Combined Eq. Univ. Median Return	-17.6	-12.3	-1.7	1.4	-0.8	4.0
Index Performance						
S&P 500 Index	-13.9	-8.7	1.1	1.2	-1.2	2.8
Russell Midcap	-18.9	-12.3	-0.9	4.0	0.6	7.4
Russell 2000	-21.9	-17.0	-3.5	-0.4	-1.0	6.1
Mercer Domestic Eq. Univ. Medians						
Large Cap Value	-17.0	-12.1	-2.9	-1.1	-3.0	2.9
Large Cap Blend	-14.7	-10.2	-1.2	0.4	-1.5	2.6
Large Cap Growth	-14.9	-10.0	0.6	2.4	0.3	2.6
Mid Cap Value	-20.3	-15.4	-4.2	2.5	-1.3	6.5
Mid Cap Blend	-20.2	-14.3	-3.1	2.3	0.1	5.5
Mid Cap Growth	-19.8	-12.7	0.0	4.3	1.9	5.9
Small Cap Value	-21.5	-17.6	-4.8	0.9	-0.9	7.6
Small Cap Blend	-21.4	-15.9	-2.5	1.4	-0.9	6.2
Small Cap Growth	-22.2	-14.6	-1.0	2.7	0.5	5.5

Index Performance

- The median domestic equity mutual fund was down 17.6% in the third quarter, resulting in a 1.7% loss for the trailing year. Large cap funds fared better than small and mid cap funds during the quarter. Growth funds outperformed value in the large and mid cap space, but trailed their value counterparts in the small cap segment.
- For the trailing year, growth funds outperformed value funds across all market cap categories. Large cap growth funds held up best, posting a small gain.

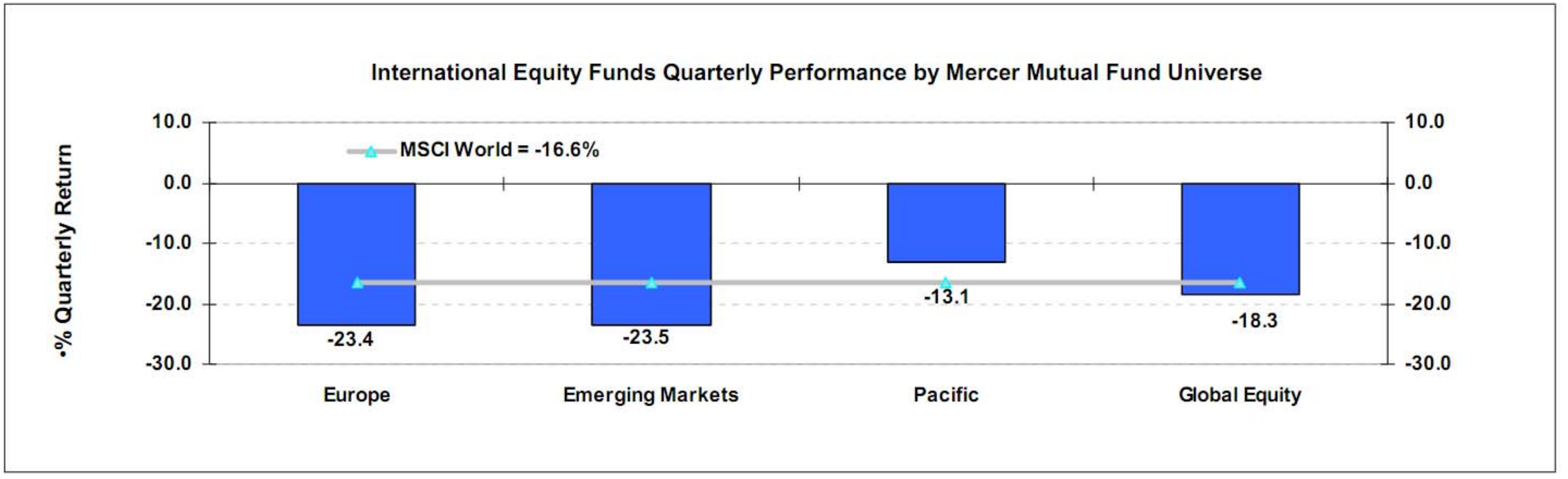


International Equity Mutual Funds

International Equity	3Q	YTD	One Year	Three Years	Five Years	Ten Years
Mercer Int'l Eqty. Universe Median Return	-20.7	-17.1	-10.7	-0.8	-3.0	5.5
Index Performance						
MSCI EAFE	-19.0	-15.0	-9.4	-1.1	-3.5	5.0
MSCI EAFE Ex-Japan	-22.2	-16.1	-11.8	-1.4	-3.1	5.7
MSCI World	-16.6	-12.2	-4.3	-0.1	-2.2	3.7
MSCI Emerging	-22.6	-21.9	-16.1	6.3	4.9	16.1
Mercer Int'l Eqty. Universe Medians						
Europe	-23.4	-19.0	-14.0	-4.1	-4.8	5.2
Emerging Markets	-23.5	-23.5	-17.7	4.1	3.2	15.3
Pacific	-13.1	-12.8	-5.8	4.2	-2.0	6.9
Global Equity	-18.3	-14.1	-6.0	0.9	-1.7	4.6

Index Performance

- The median international equity fund lost 20.7% during the quarter and 10.7% for the trailing year. Pacific region funds outperformed European region funds by a wide margin over both time periods.
- Emerging markets equity funds were down 23.5% during the quarter and 17.7% over the trailing year, underperforming non-US developed markets funds.

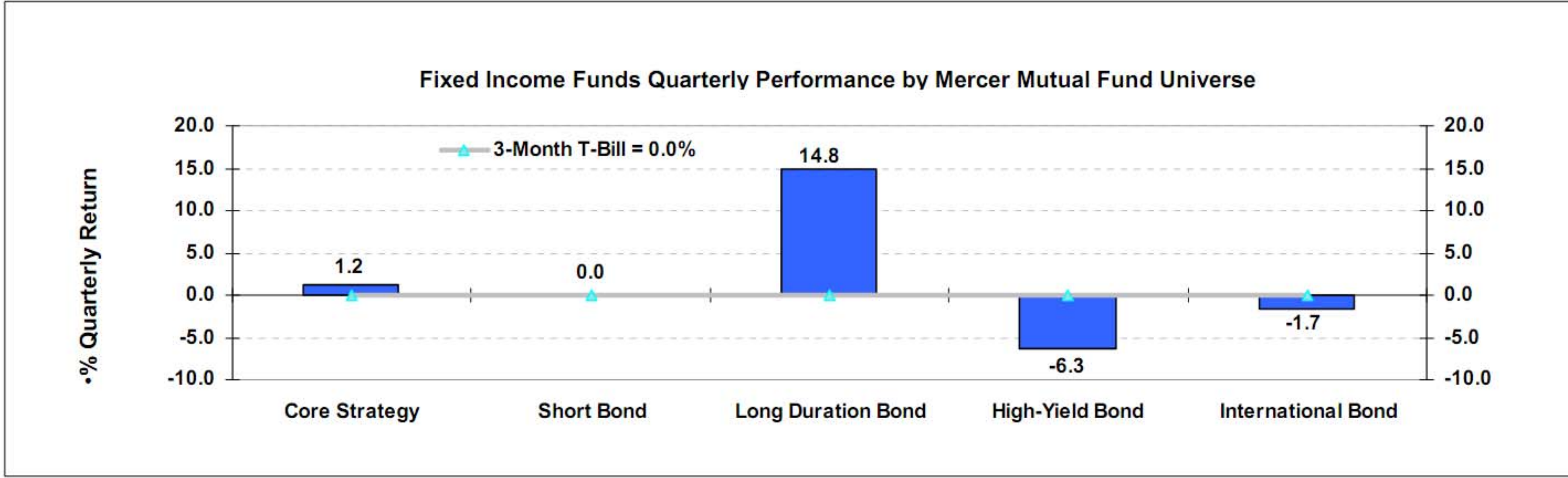


Fixed Income Mutual Funds

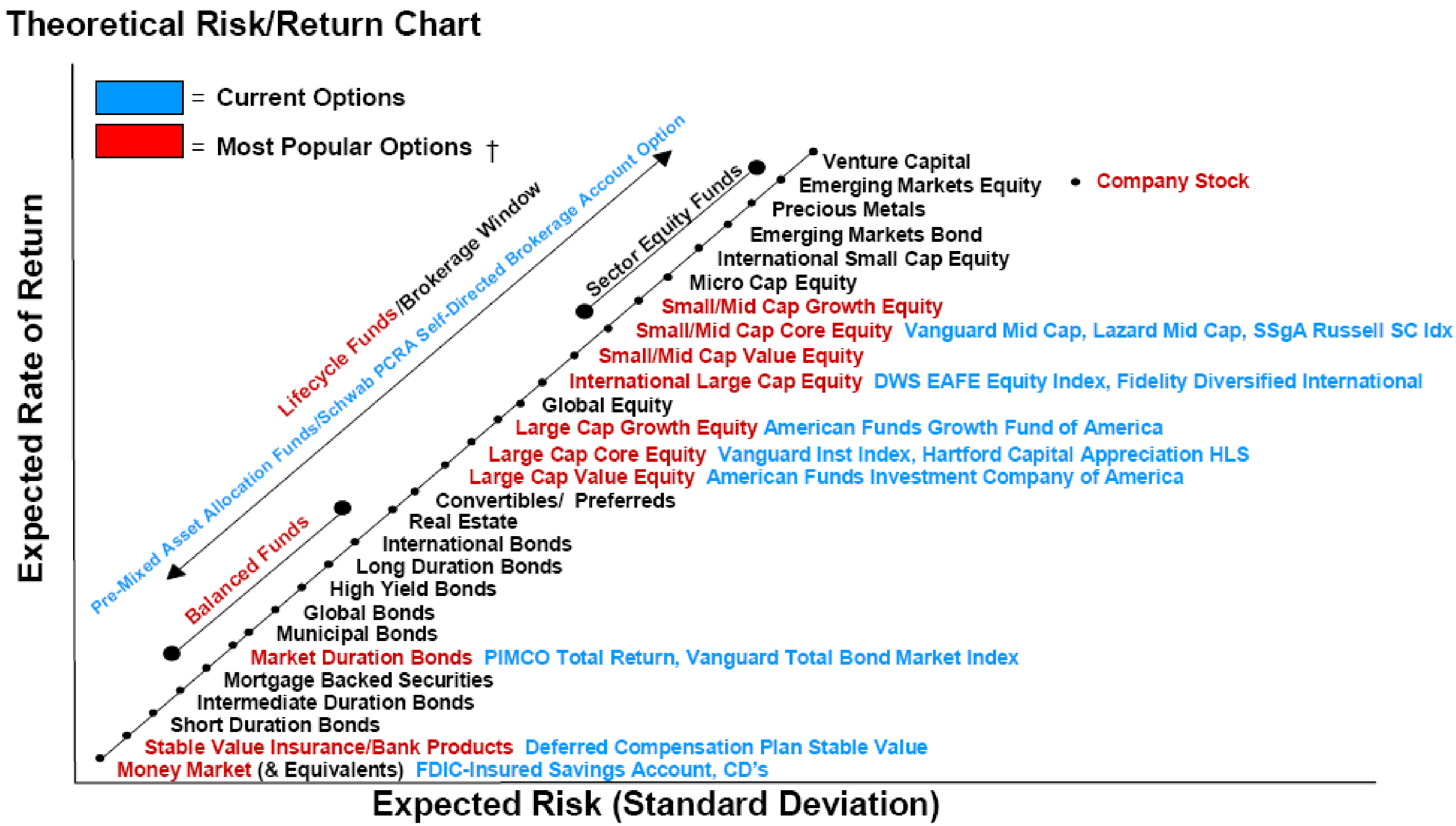
Fixed Income	3Q	YTD	One Year	Three Years	Five Years	Ten Years
Mercer Combined FI Univ. Median Return	2.4	5.4	2.9	7.2	4.4	4.5
Index Performance						
Barclays Capital Aggregate	3.8	6.7	5.3	8.0	6.5	5.7
Barclays Capital Gov't/Credit	4.7	7.5	5.1	8.4	6.5	5.7
Barclays Capital High Yield	-6.1	-1.4	1.8	13.8	7.1	8.8
Citigroup Non-U.S. Gov't Bond	0.9	5.7	4.1	8.1	7.8	8.0
Citigroup 3-Month T-Bill	0.0	0.1	0.1	0.2	1.6	1.9
Mercer Fixed Income Universe Medians						
Core Strategy	1.2	4.2	3.3	7.9	5.6	5.0
Short Bond	0.0	1.1	1.1	3.8	3.6	3.2
Long Duration Bond	14.8	18.4	11.6	13.3	9.9	8.8
High-Yield Bond	-6.3	-2.1	1.0	10.6	5.5	7.3
International Bond	-1.7	3.5	1.7	7.8	6.2	7.0

Index Performance

- The median domestic bond fund gained 2.4% during the quarter, resulting in a gain of 2.9% for the trailing year. Long duration bond funds outperformed core strategy and short bond funds by a wide margin over both time periods.
- High yield bond funds, down 6.3%, struggled during the quarter and posted the weakest performance in the US market over the trailing year.
- International bond funds lost 1.7% during the quarter and were up 1.7% for the trailing year, underperforming the median domestic bond fund.



Summary – Investment Option Array



† According to Mercer's Survey on Savings Plans and Mercer Research

Summary – Plan Highlights

	Performance: 3-Year & 5-Year and/or Qualitative Concerns	Recommended Action	Fund to be retained in the new investment menu
Stable Value Funds			
Deferred Compensation Plan Stable Value	Satisfactory	No action	Yes
Bond Funds			
Vanguard Total Bond Market Index	Satisfactory	No action	Yes
PIMCO Total Return	Satisfactory	No action	Yes
Large-Cap Funds			
American Funds Inv. Co. of America	Satisfactory	**No current action; the Board has already decided to eliminate this fund based on its investment menu consolidation. Its removal will occur in Phase I of the Investment Menu Implementation (first quarter 2012).**	No
Vanguard Institutional Index	Satisfactory	No action	Yes
Hartford Capital Appreciation	Satisfactory	**No current action; the Board has already decided to eliminate this fund based on its investment menu consolidation, and its removal will occur in Phase I of the Investment Menu Implementation (first quarter 2012).**	No
American Funds Growth Fund of America	Unsatisfactory	On Monitor since March 2011 due to quantitative (3- and 5-year underperformance) and qualitative issues (asset growth and organizational structure). **The recommendation to keep on monitor is based on existing policies for fund removal. The Board, however, has already taken action to eliminate this fund based on its investment menu consolidation. Its removal will occur in Phase I of the Investment Menu Implementation (first quarter 2012).**	No
Mid-Cap Funds			
Vanguard Mid-Cap Index	Satisfactory	No action	Yes
Lazard Mid Cap	Unsatisfactory	Terminate. On Watch since 3Q09. We are concerned with its inconsistent performance and organizational issues with the firm. **The recommendation to terminate is based on existing policies for fund removal. The Board acted to eliminate this fund and map proceeds to the index option during Phase I of the Investment Menu implementation in early 2012. Procurements for active mid-cap complements will be completed by late 2012.**	No
Small-Cap Fund			
SSgA Russell 2000 Index	Satisfactory	No action	Yes
International Funds			
DWS EAFE Equity Index	Satisfactory	**No current action; however, the Board has already decided to eliminate this fund based on its investment menu consolidation, and its removal from the Plan is scheduled to occur in late 2012.**	No
Fidelity Diversified International	Unsatisfactory	On Monitor since March 2011 due to quantitative reasons (underperformance over the 3- and 5-year periods) and qualitative concerns. **The recommendation to keep on monitor is based on existing policies for fund removal. It is possible that this strategy will be considered in the procurement process for the developed international equity component of the DCP International Equity option which will occur in 2012.**	Eligible to compete in 2012 search

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.

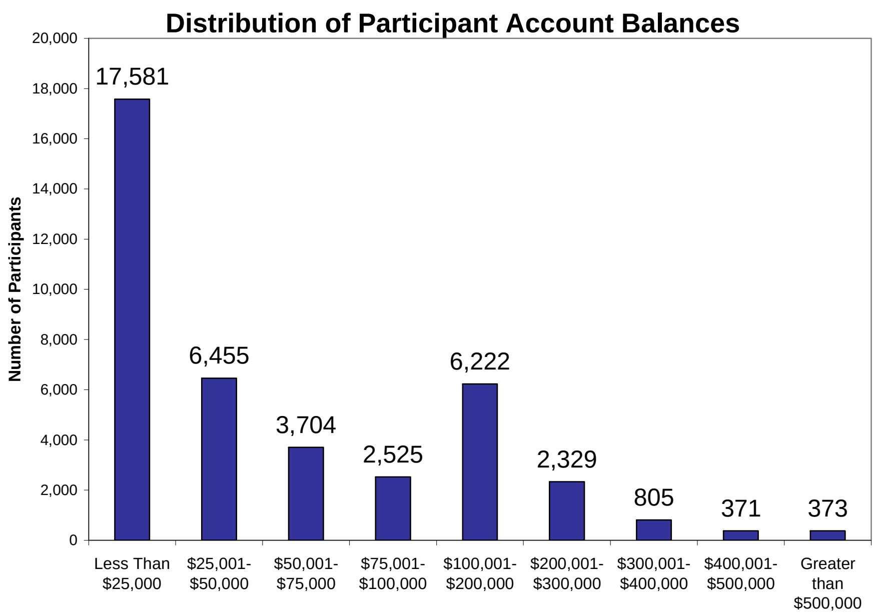
(G) A fund placed on "watch" status will have a minimum of two and not more than six quarters in which to correct its noted deviance, based on the recommendation by the consultant and adoption of that recommendation by the Board. The specific timeframe for resolution of an issue or issues will be established 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 $2,987.6 million, decreasing $301.6 million (9.2%) from $3,289.2 million at the previous quarter-end.
- Contributions (including other deposits) for the quarter totaled $69.5 million compared to withdrawals (including fees) of $51.9 million. Investment losses subtracted $324.1 million from total assets.
- As of September 30, 2011, there were 40,590 participants (40,365 of these had an ending account balance). The average account balance was $74,016[1], while the median account balance was $32,978. The distribution of participant balances is shown below; 43.6% of participants had a balance less than $25,000 and 0.9% had a balance greater than $500,000.



[1] Based on participants with an ending account balance

Summary – Plan Highlights

Deferred Compensation Plan Assets

- The Deferred Compensation Plan (DCP) Stable Value portfolio held the highest percentage of Plan assets at 24.7%, followed by Vanguard Institutional Index (13.2%), FDIC-Insured Savings Account (10.0%), Hartford Capital Appreciation HLS IA (7.6%), American Funds Growth Fund of America (6.6%) and Schwab PCRA Self-Directed Brokerage Account (5.2%). All other funds each held less than 5.0% of Plan assets.
- Assets in the Profile funds (5 customized risk-profile funds ranging from Ultra Conservative to Ultra Aggressive) totaled $331.7 million (11.1%) at quarter end; this was an decrease of $35.3 million from $366.9 million at the prior quarter end.

Performance for the 3-Month Period

- The following funds outperformed their respective indices and universe medians:

  DCP Stable Value

  American Funds Investment Company of America
- Each of the following funds underperformed its index and universe median:

  PIMCO Total Return Fund

  Hartford Capital Appreciation HLS

  American Funds Growth Fund of America
- The Lazard US Mid Cap Equity Portfolio underperformed its index by 10 basis points, but outperformed the universe median by 120 basis points.
- The Fidelity Diversified International Fund underperformed its index by 140 basis points but outperformed the universe median by 30 basis points.
- All index funds tracked their respective indices within an appropriate range.
- Each of the Profile funds, except for the Ultra Aggressive Profile, which underperformed its index by 20 basis points, tracked its respective custom index within 10 basis points.

Summary – Plan Highlights

Performance for the Long-Term Periods (3 and 5 years where applicable)

- The following funds outperformed their respective indices and universe medians:

  DCP Stable Value

  PIMCO Total Return

  American Funds Investment Company of America

- Each of the following funds underperformed its index and universe median:

  American Funds Growth Fund of America

  Lazard Mid Cap Equity

  Fidelity Diversified International

- For the 3-year period, the Hartford Capital Appreciation HLS IA underperformed its index by 50 basis points, but outperformed the universe median by 30 basis points.

- For the 3- and 5-year periods, the Vanguard Total Bond Market Index, Vanguard Institutional Index, Vanguard Mid-Cap Index, SSgA Russell 2000 Index NL Series and DWS EAFE Equity Index funds tracked their respective indices within an appropriate range.

- All Profile funds matched or exceeded the long-term performance of their respective custom benchmark with the exception of the Ultra Aggressive Profile, which underperformed its index by 20 basis points for the 3-year period.

Summary – Plan Highlights

Key Observations & Recommendations

American Funds Growth Fund of America

- The fund underperformed the index and universe median for all periods evaluated. During the quarter, the fund underperformed the Russell 1000 Growth Index by 300 basis points and placed at the 73rd percentile of its universe. An overweight allocation to the financials sector as well as underweight allocations to the consumer staples and information technology sectors weighed on returns for the recent quarter. On a regional basis, an out-of-benchmark exposure to Europe also detracted from results.
- The resources that CR&M has dedicated to the research process are impressive and the large team of experienced portfolio managers and research analysts are positives for the strategy, but we question the level of cohesion between analysts and portfolio managers. This is further complicated by the firm's decision to split the equity team into two units. There is a lack of transparency of what is truly driving performance, as we do not have visibility to the underlying portfolio managers' slices of the portfolio. In addition, assets under management in some strategies have reached sizeable levels and without capacity constraints, we believe the fund will be challenged to continue to add value for investors.
- **We recommend keeping the fund on Monitor because of underperformance and qualitative issues surrounding the strategy. The fund will not be included in the new investment menu approved by the Board.**

Lazard Mid Cap Equity Portfolio

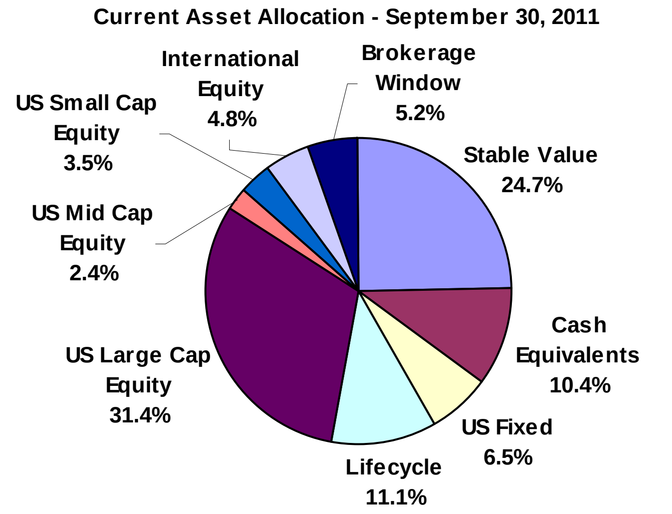
- The fund underperformed the Russell Mid Cap Index for all periods evaluated. The fund also underperformed the Mercer Mutual Fund US Equity Mid Cap Core Universe for all periods examined with the exception of the recent quarter. An underweight allocation to the utilities sector coupled with stock selection within the financials and health care sectors hurt performance for the recent quarter.
- Mercer met with Lazard in September 2011 to discuss the mid cap strategy and reaffirmed its B+(T) rating, which indicates a slightly-above average prospect for outperforming a suitable benchmark, on a risk-adjusted basis, over a full market cycle. The (T) designation signals that the strategy may exhibit high tracking error. Mercer initially downgraded the fund to a B+(T) rating in 2009. While we were disappointed in the decision to transition Gary Busser from the mid cap investment management team to the accounting validation team, as the firm's accounting specialist, Busser is responsible for keeping current on potential changes to accounting standards and communicating these changes and their significance to the team. Mercer views the use of the accounting validation team as a differentiator in its research process. Additionally, we learned that Peter Nesvold, an industrials analyst, also left that month. While there are two other analysts covering industrial names, we will need to monitor the turnover within the team
- **The fund has been on Watch since the third quarter 2009, and given many of the qualitative concerns we have for the strategy as well as performance issues, it will be terminated in 2012.**

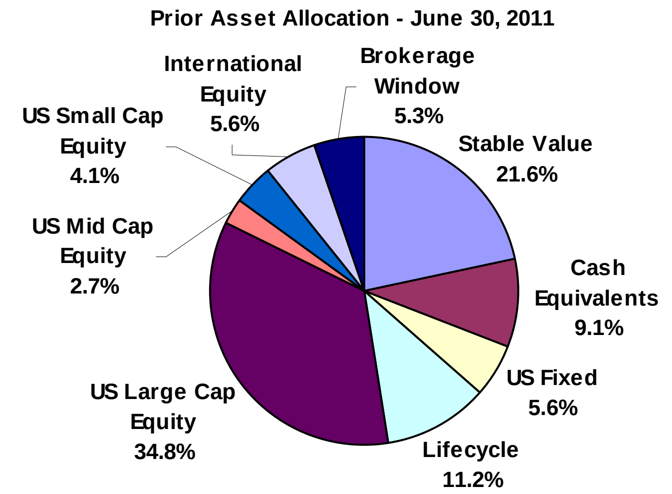
Fidelity Diversified International

- Fidelity underperformed the MSCI EAFE Index for all periods evaluated. The fund outperformed the Mercer Mutual Fund International Equity Universe for the recent quarter but underperformed for all other periods. During the quarter, the fund trailed its index by approximately 140 basis points. Underweight allocations to the utilities, consumer staples and health care sectors detracted from performance. On a regional basis, underweight allocation to Japan as well as out-of-benchmark exposure to the emerging markets also hampered returns for the quarter. **We recommend keeping this fund on Monitor because of capacity issues and lackluster performance.**

Summary – Asset Allocation

Investment Option	Current Balance	Prior Balance	% of Plan	% Chg vs. Prior
Stable Value	**$737,402,286**	**$711,576,821**	**24.7%**	**3.0%**
Deferred Compensation Stable Value Fund (Net)	$737,402,286	$711,576,821	24.7%	3.0%
Cash Equivalents	**$311,443,811**	**$300,078,750**	**10.4%**	**1.3%**
FDIC-Insured Savings Account	$299,399,418	$284,831,445	10.0%	1.4%
JPMorgan Chase Certificates of Deposit	$12,044,393	$15,247,305	0.4%	-0.1%
Domestic Fixed	**$193,796,169**	**$183,344,721**	**6.5%**	**0.9%**
Vanguard Total Bond Market Index Fund Inst Plus	$83,070,325	$73,453,555	2.8%	0.5%
PIMCO Total Return Fund Institutional	$110,725,843	$109,891,166	3.7%	0.4%
Lifecycle	**$331,688,965**	**$366,947,856**	**11.1%**	**-0.1%**
Ultra Conservative	$18,873,965	$17,704,691	0.6%	0.1%
Conservative Profile	$45,893,693	$46,569,815	1.5%	0.1%
Moderate Profile	$130,440,389	$147,097,825	4.4%	-0.1%
Aggressive Profile	$111,164,320	$126,580,072	3.7%	-0.1%
Ultra Aggressive Profile	$25,316,598	$28,995,453	0.8%	0.0%
Domestic Equity	**$1,114,051,851**	**$1,368,156,419**	**37.3%**	**-4.3%**
American Funds Growth Fund of America R-6	$195,883,991	$241,014,782	6.6%	-0.8%
Vanguard Institutional Index Fund Inst Plus	$393,603,981	$461,801,543	13.2%	-0.9%
Hartford Capital Appreciation HLS IA	$226,765,757	$295,593,864	7.6%	-1.4%
American Funds Investment Co of America R-6	$122,603,138	$146,647,886	4.1%	-0.4%
Vanguard Mid-Cap Index Fund Institutional	$43,618,682	$54,761,607	1.5%	-0.2%
Lazard US Mid Cap Equity Portfolio Institutional	$26,648,468	$33,551,502	0.9%	-0.1%
SSgA Russell Small Cap Index Non-Lending Series	$104,927,833	$134,785,236	3.5%	-0.6%
International Equity	**$143,974,458**	**$185,018,636**	**4.8%**	**-0.8%**
DWS EAFE Equity Index Fund Institutional	$27,774,537	$35,634,654	0.9%	-0.2%
Fidelity Diversified International Fund	$116,199,921	$149,383,982	3.9%	-0.7%
Brokerage Window	**$155,285,396**	**$174,103,320**	**5.2%**	**-0.1%**
Schwab PCRA Self-Directed Brokerage Account	$155,285,396	$174,103,320	5.2%	-0.1%
Total Plan	**$2,987,642,935**	**$3,289,226,523**	**100%**	





Summary – Investment Expense Analysis

Fund	Style	Fund Balance	Estimated Fund Expense	Fund Net Expense Ratio	Median Net Expense Ratio[1]	Net Expense Diff.	Revenue Sharing	Fees after rebate of revenue sharing
FDIC-Insured Savings Account	Cash Equivalents	$299,399,418	N/A	N/A	N/A	N/A	N/A	N/A
JPMorgan Chase Certificates of Deposit	Cash Equivalents	$12,044,393	N/A	N/A	N/A	N/A	N/A	N/A
Deferred Compensation Stable Value Fund (Net)	Stable Value	$737,402,286	$663,662	0.09%	0.35%	-0.26%	0.00%	0.09%
Vanguard Total Bond Market Index Fund Inst Plus	US Fixed	$83,070,325	$41,535	0.05%	0.20%	-0.15%	0.00%	0.05%
PIMCO Total Return Fund Institutional	US Fixed	$110,725,843	$509,339	0.46%	0.55%	-0.09%	0.00%	0.46%
Ultra Conservative	Lifecycle	$18,873,965	$16,987	0.09%	0.85%	-0.76%	0.00%	0.09%
Conservative Profile	Lifecycle	$45,893,693	$50,483	0.11%	0.85%	-0.74%	0.00%	0.11%
Moderate Profile	Lifecycle	$130,440,389	$156,528	0.12%	0.90%	-0.78%	0.00%	0.12%
Aggressive Profile	Lifecycle	$111,164,320	$155,630	0.14%	0.97%	-0.83%	0.00%	0.14%
Ultra Aggressive Profile	Lifecycle	$25,316,598	$43,038	0.17%	0.97%	-0.80%	0.00%	0.17%
American Funds Investment Co of America R-6	US Large Cap Equity	$122,603,138	$367,809	0.30%	0.77%	-0.47%	0.00%	0.30%
Vanguard Institutional Index Fund Inst Plus	US Large Cap Equity	$393,603,981	$78,721	0.02%	0.21%	-0.19%	0.00%	0.02%
Hartford Capital Appreciation HLS IA	US Large Cap Equity	$226,765,757	$1,519,331	0.67%	0.83%	-0.16%	0.15%	0.52%
American Funds Growth Fund of America R-6	US Large Cap Equity	$195,883,991	$666,006	0.34%	0.89%	-0.55%	0.00%	0.34%
Vanguard Mid-Cap Index Fund Institutional	US Mid Cap Equity	$43,618,682	$34,895	0.08%	0.30%	-0.22%	0.00%	0.08%
Lazard US Mid Cap Equity Portfolio Institutional	US Mid Cap Equity	$26,648,468	$242,501	0.91%	0.99%	-0.08%	0.10%	0.81%
SSgA Russell Small Cap Index Non-Lending Series	US Small Cap Equity	$104,927,833	$62,957	0.06%	0.31%	-0.25%	0.00%	0.06%
DWS EAFE Equity Index Fund Institutional	International Equity	$27,774,537	$141,650	0.51%	0.51%	0.00%	0.00%	0.51%
Fidelity Diversified International Fund	International Equity	$116,199,921	$1,034,179	0.89%	1.06%	-0.17%	0.25%	0.64%
Schwab PCRA Self-Directed Brokerage Account	Brokerage Window	$155,285,396	N/A	N/A	N/A	N/A	N/A	N/A
Total		**$2,987,642,935**	**$5,785,251**	**0.23%**[2]	**0.55%**	**-0.32%**	**0.03%**	**0.27%**[3]

[1] 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.
[2] Total Net Expense Ratio excludes assets in the FDIC-Insured Savings Account, JPMorgan Chase Certificates of Deposit, and Schwab Self-Directed Brokerage Account.
[3] Total includes a $39.75 per participant fee (approx. $1.6 million or 0.05%) charged by Great-West. Assumed participant count is 40,365.

Summary – Compliance Table

Periods ending September 30, 2011

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

I – Index **U – Universe Median**	**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**	
Deferred Compensation Stable Value Fund (Net)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Retain.
Vanguard Total Bond Market Index Fund Inst Plus	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	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	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	Retain.
American Funds Investment Co of America R6*	✓	✓	✓	✓	✗	✗	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	Fund to be consolidated into new core DCP Large-Cap Fund.
Vanguard Institutional Index Fund Inst Plus	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	Retain.
Hartford Capital Appreciation HLS IA	✗	✗	✗	✗	✗	✗	✓	✓	✗	✓	✗	✗	✓	✓	✓	✓	Fund to be consolidated into new core DCP Large-Cap Fund.
American Funds Growth Fund of America R6*	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	On Monitor given performance issues and qualitative concerns. Fund to be consolidated into new core DCP Large-Cap Fund.

* The 3- and 5-year periods reflect the A share class due to its longer performance history

I – Index U – Universe Median	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	
Vanguard Mid-Cap Index Fund Institutional	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	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. Fund to be consolidated into index option.
SSgA Russell Small Cap Index Non-Lending Series Fund	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	Retain.
DWS EAFE Equity Index Fund Institutional	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	T	N/A	Retain.
Fidelity Diversified International Fund	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	On Monitor due to performance and capacity concerns.

Summary – Performance Summary

Periods ending September 30, 2011

	Market Value	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	Recommend
Cash Equivalents								
FDIC-Insured Savings Account (Blended Rate – 0.407% APY)[1]	**$299,399,418**	**10.0%**	**0.1%**	**0.3%**	**0.4%**	**NA**	**NA**	**Retention**
JPMorgan Chase Certificates of Deposit	**$12,044,393**	**0.4%**	**NA**	**NA**	**NA**	**NA**	**NA**	**Retention**
Stable Value								
Deferred Compensation Stable Value Fund (Net)[2]	**$737,402,286**	**24.7%**	**0.8%**	**2.4%**	**3.3%**	**3.9%**	**4.2%**	**Retention**
3 Yr Constant Maturity Treasury Index			0.1%	0.6%	0.8%	1.2%	2.2%	
iMoneyNet All Taxable+100bps			0.3%	0.8%	1.0%	1.2%	2.6%	
Mercer Stable Value Universe Median			*0.7%*	*2.1%*	*3.1%*	*3.4%*	*4.0%*	
Fund Rank in Universe			*25*	*40*	*39*	*23*	*28*	
Domestic Fixed								
Vanguard Total Bond Market Index Fund Inst Plus[3]	**$83,070,325**	**2.8%**	**4.0%**	**6.7%**	**5.3%**	**8.0%**	**6.6%**	**Retention**
Barclays Capital US Aggregate			3.8%	6.7%	5.3%	8.0%	6.5%	
Mercer MF US Fixed Core Universe Median			*1.3%*	*4.2%*	*3.5%*	*8.0%*	*5.6%*	
Fund Rank in Universe			6	9	12	51	25	
PIMCO Total Return Fund Institutional	**$110,725,843**	**3.7%**	**-1.1%**	**1.9%**	**0.9%**	**9.9%**	**7.8%**	**Retention**
Barclays Capital US Aggregate			3.8%	6.7%	5.3%	8.0%	6.5%	
Mercer MF US Fixed Core Universe Median			*1.3%*	*4.2%*	*3.5%*	*8.0%*	*5.6%*	
Fund Rank in Universe			*88*	*71*	*84*	*24*	*6*	

[1] The blended rate is as of 9/30/2011. The banks have an equal 1/3 weighting each in the fund; their declared rates are as follows: Bank of America = 0.07%, Bank of the West = 1.00% and City National Bank = 0.15%

[2] The inception date of the Galliard Stable Value fund is July 1, 2008. Returns prior to the inception date are linked to the Wells Fargo Stable Return fund.

[3] Due to its longer history, performance of Vanguard Total Bond Market Index Fund Inst is shown.

Fund: Outperformed Benchmark Underperformed Benchmark Matched or Tracked Within Fees **Universe Ranking:** 0% - 50% 51% - 75% 76% - 100%

	Market Value	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	Recommend
Lifecycle[4]								
Ultra Conservative	**$18,873,965**	**0.6%**	**-0.5%**	**2.3%**	**3.6%**	**5.8%**	**NA**	**Retention**
Ultra Conservative Profile Custom Index[5]			*-0.9%*	*1.7%*	*2.8%*	*5.0%*	*4.2%*	
Conservative Profile	**$45,893,693**	**1.5%**	**-4.3%**	**-0.7%**	**2.3%**	**5.2%**	**3.7%**	**Retention**
Conservative Profile Custom Index[6]			*-4.5%*	*-1.1%*	*1.9%*	*4.9%*	*3.5%*	
Moderate Profile	**$130,440,389**	**4.4%**	**-9.5%**	**-5.1%**	**0.8%**	**3.9%**	**2.0%**	**Retention**
Moderate Profile Custom Index[7]			*-9.6%*	*-5.4%*	*0.5%*	*3.8%*	*1.9%*	
Aggressive Profile	**$111,164,320**	**3.7%**	**-13.0%**	**-8.2%**	**-0.8%**	**2.4%**	**0.4%**	**Retention**
Aggressive Profile Custom Index[8]			*-12.9%*	*-8.3%*	*-0.8%*	*2.4%*	*0.4%*	
Ultra Aggressive Profile	**$25,316,598**	**0.8%**	**-16.4%**	**-11.3%**	**-2.4%**	**0.6%**	**NA**	**Retention**
Ultra Aggressive Profile Custom Index[9]			*-16.2%*	*-11.2%*	*-2.2%*	*0.8%*	*-1.3%*	

4 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.

5 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.

6 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.

7 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.

8 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.

9 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.

Fund: Outperformed Benchmark Underperformed Benchmark Matched or Tracked Within Fees **Universe Ranking:** 0% - 50% 51% - 75% 76% - 100%

	Market Value	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	Recommend
Domestic Equity								
American Funds Investment Co of America R-6	**$122,603,138**	**4.1%**	**-14.3%**	**-10.8%**	**-3.0%**	**NA**	**NA**	**Retention**
American Funds Investment Co of America A			**-14.4%**	**-11.1%**	**-3.3%**	**0.5%**	**-1.8%**	
Russell 1000 Value			-16.2%	-11.2%	-1.9%	-1.5%	-3.5%	
Mercer MF US Equity Large Cap Value Universe Median			*-16.9%*	*-12.1%*	*-2.9%*	*-1.0%*	*-2.9%*	
Fund Rank in Universe – R-6 Shares			*16*	*33*	*51*	*NA*	*NA*	
Fund Rank in Universe – A Shares			*16*	*35*	*54*	*19*	*23*	
Vanguard Institutional Index Fund Inst Plus	**$195,883,991**	**13.2%**	**-13.9%**	**-8.7%**	**1.1%**	**1.3%**	**-1.1%**	**Retention**
S&P 500			-13.9%	-8.7%	1.1%	1.2%	-1.2%	
Mercer MF US Equity Large Cap Core Universe Median			*-14.7%*	*-10.2%*	*-1.1%*	*0.4%*	*-1.5%*	
Fund Rank in Universe			*34*	*31*	*28*	*33*	*42*	
Hartford Capital Appreciation HLS IA	**$226,765,757**	**7.6%**	**-20.6%**	**-18.8%**	**-8.3%**	**0.7%**	**-0.9%**	**Retention**
S&P 500			-13.9%	-8.7%	1.1%	1.2%	-1.2%	
Mercer MF US Equity Large Cap Core Universe Median			*-14.7%*	*-10.2%*	*-1.1%*	*0.4%*	*-1.5%*	
Fund Rank in Universe			*96*	*97*	*96*	*44*	*36*	
American Funds Growth Fund of America R-6	**$195,883,991**	**6.6%**	**-16.1%**	**-12.1%**	**-3.0%**	**NA**	**NA**	**Monitor**
American Funds Growth Fund of America A			**-16.2%**	**-12.4%**	**-3.4%**	**0.6%**	**-1.0%**	
Russell 1000 Growth			-13.1%	-7.2%	3.8%	4.7%	1.6%	
Mercer MF US Equity Large Cap Growth Universe Median			*-15.0%*	*-10.0%*	*0.6%*	*2.4%*	*0.3%*	
Fund Rank in Universe – R-6 Shares			*73*	*77*	*86*	*NA*	*NA*	
Fund Rank in Universe – A Shares			*75*	*80*	*88*	*77*	*77*	
Vanguard Mid-Cap Index Fund Institutional	**$43,618,682**	**1.5%**	**-19.1%**	**-12.6%**	**-0.7%**	**4.7%**	**0.5%**	**Retention**
Vanguard Spliced Mid Cap Index[10]			-19.1%	-12.5%	-0.6%	4.7%	0.5%	
Mercer MF US Equity Mid Cap Core Universe Median			*-20.2%*	*-14.3%*	*-3.1%*	*2.4%*	*0.2%*	
Fund Rank in Universe			*35*	*34*	*30*	*21*	*39*	

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

Fund: Outperformed Benchmark Underperformed Benchmark Matched or Tracked Within Fees **Universe Ranking:** 0% - 50% 51% - 75% 76% - 100%

	Market Value	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	Recommend
Lazard US Mid Cap Equity Portfolio Institutional	**$26,648,468**	**0.9%**	**-19.0%**	**-15.4%**	**-5.8%**	**2.0%**	**-1.5%**	**Terminate**
Russell Midcap			-18.9%	-12.3%	-0.9%	4.0%	0.6%	
Mercer MF US Equity Mid Cap Core Universe Median			*-20.2%*	*-14.3%*	*-3.1%*	*2.4%*	*0.2%*	
Fund Rank in Universe			*35*	*60*	*78*	*55*	*74*	
SSgA Russell Small Cap Index Non-Lending Series Fund	**$104,927,833**	**3.5%**	**-21.9%**	**-16.9%**	**-3.5%**	**-0.5%**	**NA**	**Retention**
Russell 2000			-21.9%	-17.0%	-3.5%	-0.4%	-1.0%	
Mercer MF US Equity Small Cap Core Universe Median			*-21.6%*	*-14.9%*	*-0.6%*	*1.9%*	*0.0%*	
Fund Rank in Universe			*53*	*72*	*70*	*80*	*NA*	

	Market Value	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	Recommend
International Equity								
DWS EAFE Equity Index Fund Institutional[11]	**$27,774,537**	**0.9%**	**-20.2%**	**-15.7%**	**-10.5%**	**-2.1%**	**-3.8%**	**Retention**
MSCI EAFE NET WHT			-19.0%	-15.0%	-9.4%	-1.1%	-3.5%	
Mercer MF Intl Equity Universe Median			*-20.7%*	*-17.1%*	*-10.7%*	*-0.8%*	*-2.9%*	
Fund Rank in Universe			*39*	*33*	*47*	*68*	*67*	
Fidelity Diversified International Fund	**$116,199,921**	**3.9%**	**-20.4%**	**-17.8%**	**-11.0%**	**-3.1%**	**-3.7%**	**Monitor**
MSCI EAFE			-19.0%	-14.6%	-8.9%	-0.7%	-3.0%	
Mercer MF Intl Equity Universe Median			*-20.7%*	*-17.1%*	*-10.7%*	*-0.8%*	*-2.9%*	
Fund Rank in Universe			*42*	*59*	*55*	*80*	*64*	
Brokerage Window								
Schwab PCRA Self-Directed Brokerage Account	**$155,285,396**	**5.2%**	**NA**	**NA**	**NA**	**NA**	**NA**	**Retention**

[11] 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: Outperformed Benchmark Underperformed Benchmark Matched or Tracked Within Fees **Universe Ranking:** 0% - 50% 51% - 75% 76% - 100%

Performance of New DCP Investment Menu Composite Benchmarks

Periods ending September 30, 2011

	3 Months	YTD	1 Year	3 Years	5 Years
DCP Bond Fund Index (100% BC Aggregate Bond Index)	**3.8%**	**6.7%**	**5.3%**	**8.0%**	**11.1%**
DCP Large-Cap Stock Fund Index (100% S&P 500 Index)	**-13.9%**	**-8.7%**	**1.1%**	**1.2%**	**-2.0%**
DCP Mid-Cap Stock Fund Composite Index	**-18.9%**	**-12.3%**	**-0.8%**	**4.0%**	**0.9%**
Russell Midcap Index (50%)	*-18.9%*	*-12.3%*	*-0.9%*	*4.0%*	*0.9%*
Russell Midcap Value Index (25%).	*-18.5%*	*-13.0%*	*-2.4%*	*2.0%*	*-1.4%*
Russell Midcap Growth Index (25%)	*-19.3%*	*-11.6%*	*0.8%*	*5.9%*	*2.7%*
DCP Small-Cap Stock Fund Composite Index	**-21.9%**	**-17.0%**	**-3.6%**	**-0.3%**	**-1.6%**
Russell 2000 Index (34%)	*-22.2%*	*-17.4%*	*-4.0%*	*-0.5%*	*-1.9%*
Russell 2000 Value Index (33%)	*-21.9%*	*-18.9%*	*-6.5%*	*-2.9%*	*-5.2%*
Russell 2000 Growth Index (33%)	*-21.5%*	*-14.7%*	*-0.1%*	*2.4%*	*1.9%*
DCP International Fund Composite Index	**-19.5%**	**-16.0%**	**-9.5%**	**1.6%**	**-2.5%**
MSCI EAFE Index (65%)	*-19.0%*	*-14.6%*	*-8.9%*	*-1.0%*	*-5.6%*
MSCI EM Index (17.5%)	*-22.5%*	*-21.7%*	*-15.6%*	*6.7%*	*8.9%*
MSCI EAFE Small Cap Index (17.5%)	*-18.5%*	*-15.2%*	*-5.2%*	*5.8%*	*-3.0%*

Fund Profile

Stable Value - Deferred Compensation Stable Value Fund (Net)

Vehicle: Separate Account

Benchmark: 3 Year CMT Index + 50 bps

Investment Philosophy

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.

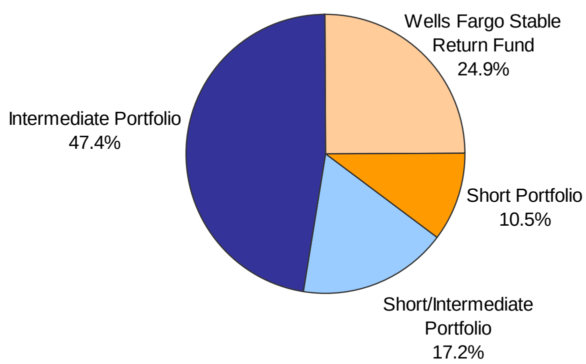
Fund Characteristics

	3Q11	**2Q11**	**1Q11**	**4Q10**
Mkt Value/BV Ratio	103.9%	103.4%	102.7%	102.9%
Avg. Credit Quality	Aa3/AA-	A1/AA-	A1/AA-	A1/AA-
Effective Duration	2.81	2.59	2.69	2.69

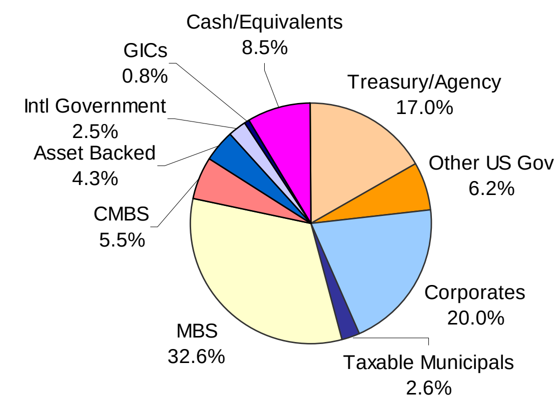
Observations

- The current blended yield is at 3.29%
- Ratings remain unchanged since the prior quarter for all 6 contract issuers (ING Life, JPMorgan Chase, Monumental, Pacific Life, Prudential Life, and State Street Bank)

Portfolio Composition as of September 30, 2011



Underlying Asset Allocation as of September 30, 2011



Key Facts and Figures

Portfolio Manager: Galliard Capital Management	Total Fund Assets: $774 Million	Expense Ratio (Net): 0.09%
Inception: July 2008		Mercer Median Expense Ratio (Net): 0.35%

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

The fund seeks to track the performance of the Barclays Capital US Aggregate Float Adjusted Index. The fund maintains a broadly diversified exposure to the investment-grade U.S. bond market. The fund is passively managed using index sampling. This intermediate-duration portfolio provides moderate current income with high credit quality.

Portfolio Analysis & Key Observations

The following comments relate to the performance of the Barclays Capital US Aggregate Bond Index, which returned 3.8% for the quarter

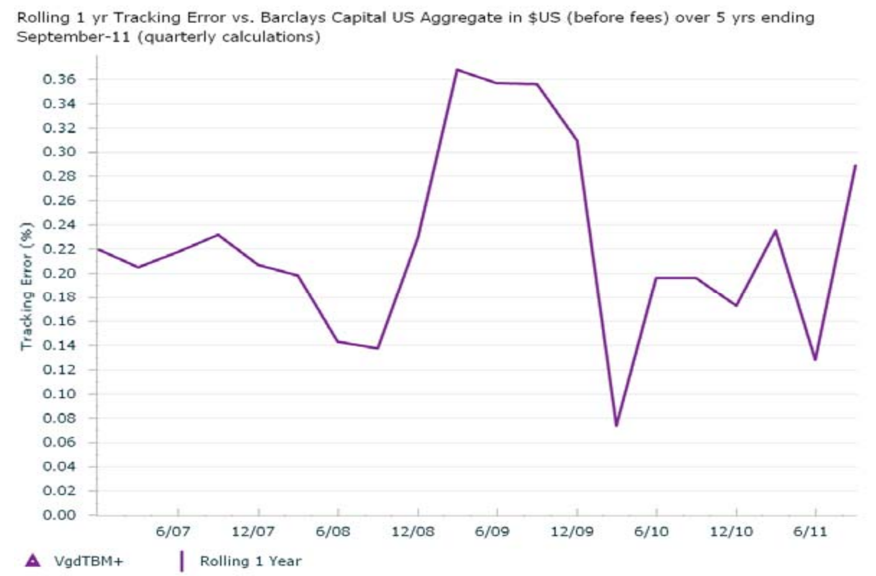
Positive Impact on Performance

- Long-term bonds significantly outperformed intermediate- and short-term bonds
- Within corporates, higher-quality issues (Aaa-rate corporate bonds returned +3.8%) generally outperformed lower-quality issues (Baa-rated corporate bonds returned +2.4%)
- Strongest performing sector within investment-grade corporates was utilities (+7.1% return)

Negative Impact on Performance

- Asset-backed (+2.4% return), fixed-rate mortgage-backed (+2.2% return) and commercial mortgage-backed securities (-0.9% return) underperformed the broader fixed income market

Tracking Error



Key Facts and Figures

Portfolio Manager: Kenneth E. Volpert; Gregory Davis	Total Fund Assets: $95,776 Million	Expense Ratio (Net): 0.05%
Portfolio Manager Average Tenure: 11.0 Years	Total Share Class Assets: $8,642 Million	Mercer Median Expense Ratio (Net): 0.20%

Fund Profile

Domestic Fixed - PIMCO Total Return Fund Institutional - PTTRX

Share Class: Institutional | **Benchmark: Barclays Capital US Aggregate**

Investment Philosophy

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. As of December 2010, the fund can invest up to 10% of its total assets in securities that share characteristics of debt and equity securities (such as convertible bonds and preferred equities).

Portfolio Analysis & Key Observations

Positive Impact on Performance

- Exposure to non-U.S. developed interest rates, especially falling rates in core Europe
- Underweight to agency mortgage-backed securities which underperformed like-duration Treasuries

Negative Impact on Performance

- Overweight to bonds of financial companies, hurt by continued fears of a global economic slowdown
- Underweight to longer maturities as the 2-30 year portion of the yield curve flattened as 30-year yields fell
- Overweight to emerging markets, an exposure to EM currencies and an exposure to high-yield Build America Bonds

Sector Allocation as of September 30, 2011

Key Facts and Figures

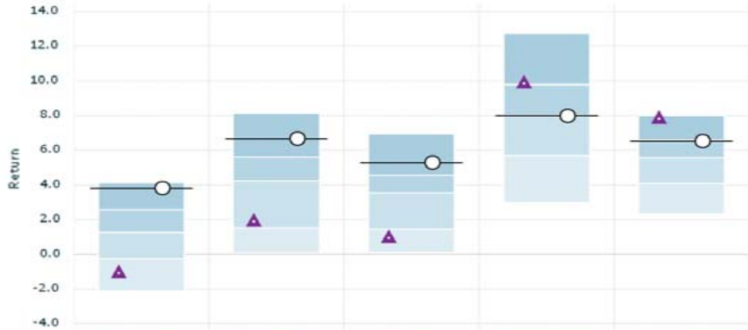
Portfolio Manager: William H. Gross	Total Fund Assets: $242,224 Million	Expense Ratio (Net): 0.46%
Portfolio Manager Average Tenure: 24.0 Years	Total Share Class Assets: $143,223 Million	Mercer Median Expense Ratio (Net): 0.55%

Fund Profile

Domestic Fixed - PIMCO Total Return Fund Institutional - PTTRX

Return in $US over 3 mths, 9 mths, 1 yr, 3 yrs, 5 yrs ending September-11

Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking)



	3 mths (%)	YTD 9 mths	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)
▲ PimcoTR	-1.1*(88)*	1.9*(71)*	0.9*(84)*	9.9*(24)*	7.8*(6)*
○ BCUSAG	3.8*(7)*	6.7*(9)*	5.3*(12)*	8.0*(51)*	6.5*(28)*
5th Percentile	4.1	8.1	6.9	12.7	8.0
Upper Quartile	2.6	5.6	4.6	9.8	6.6
Median	1.3	4.2	3.5	8.0	5.6
Lower Quartile	-0.2	1.5	1.5	5.7	4.1
95th Percentile	-2.1	0.1	0.1	3.0	2.3
Number	398	398	391	359	333

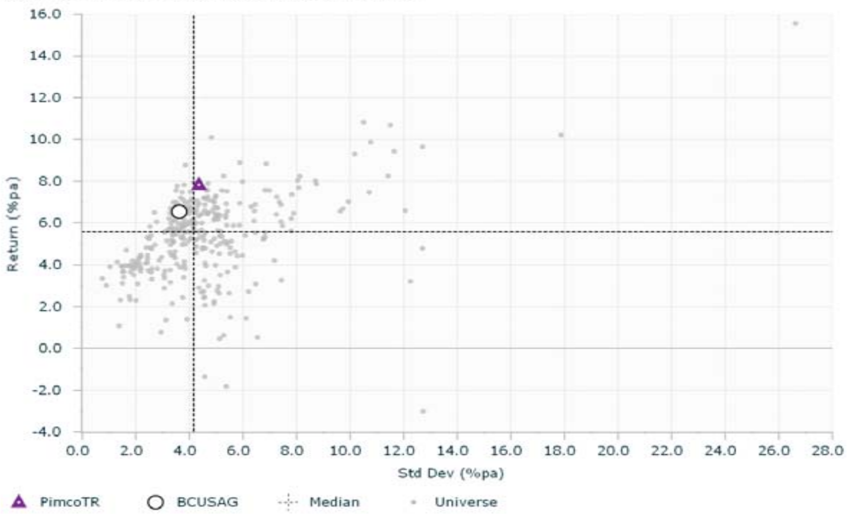
Performance characteristics vs. Barclays Capital US Aggregate in $US over 5 yrs ending September-11 (monthly calculations)

Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking)

	Ret (%pa)	Std Dev (%pa)	Ret/SD	TE (%pa)	IR
▲ PimcoTR	7.8*(6)*	4.4*(45)*	1.8*(20)*	2.7*(64)*	0.5*(5)*
○ BCUSAG	6.5*(28)*	3.6*(67)*	1.8*(20)*	0.0*(100)*	-
5th Percentile	8.0	9.1	2.2	7.5	0.4
Upper Quartile	6.6	5.1	1.7	4.2	0.0
Median	5.6	4.2	1.4	3.2	-0.4
Lower Quartile	4.1	3.4	1.0	2.1	-0.8
95th Percentile	2.3	1.8	0.5	1.1	-1.2
Number	333	333	333	333	333

Return and Std Deviation in $US over 5 yrs ending September-11 (monthly calculations)

Comparison with the Mutual Fund US Fixed Core universe



Quarterly Excess Return vs. Barclays Capital US Aggregate with rolling 3 yr line in $US over 5 yrs ending September-11

Comparison with the Mutual Fund US Fixed Core universe

Fund Profile

Profile Funds – Target Allocations

	3Q 2011 Fund Return (%)	*3Q 2011 Benchmark Return (%)*	*Excess Return (%)*	*Ultra Conservative Profile*	*Conservative Profile*	*Moderate Profile*	*Aggressive Profile*	*Ultra Aggressive Profile*
Stable Value								
DCP Stable Value	0.8%	0.1%	0.7%	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 Mkt Idx Instl Plus	4.0%	3.8%	0.2%	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	-13.9%	-13.9%	0.0%	5.0%	12.5%	25.0%	25.0%	25.0%
Sub-Total US Large Cap Equity				*5.0%*	*12.5%*	*25.0%*	*25.0%*	*25.0%*
US Mid/Small Cap Equity								
Vanguard Mid Cap Index Instl	-19.1%	-19.1%	0.0%	2.5%	5.0%	10.0%	15.0%	20.0%
SSgA Russell Sm Cap NL Series S	-21.9%	-21.9%	0.1%	2.5%	5.0%	10.0%	15.0%	20.0%
Sub-Total US Mid/Small Equity				*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	-20.2%	-19.0%	-1.2%*	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%**

* Underperformance mainly due to fair value pricing.

Fund Profile

Domestic Equity - American Funds Investment Co of America R-6 - RICGX

Share Class: R-6 | **Benchmark: Russell 1000 Value**

Investment Philosophy

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.

Portfolio Analysis & Key Observations

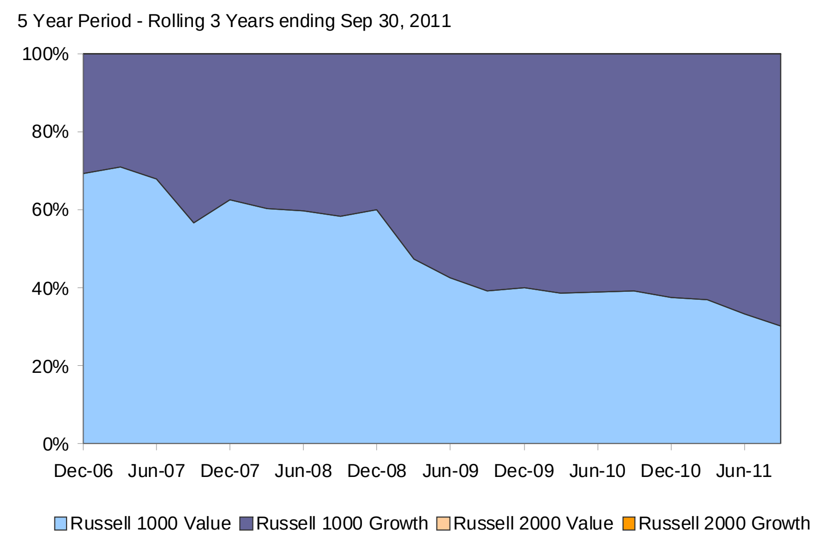
Positive Impact on Performance

- Overweight allocation to the consumer staples and information technology sectors; underweight allocation to the financials sector
- Cash allocation of 6.9% in a generally negative equity environment
- Top 10 holdings Apple Inc. (+13.6% return), Abbot Laboratories (-1.9% return) and Microsoft Corp. (-3.7% return)

Negative Impact on Performance

- Overweight allocation to the industrials sector; underweight allocation to the health care and utilities sectors
- Stock selection within the materials sector
- Top 10 holdings Dow Chemical (-36.9% return)

Style Analysis



Key Facts and Figures

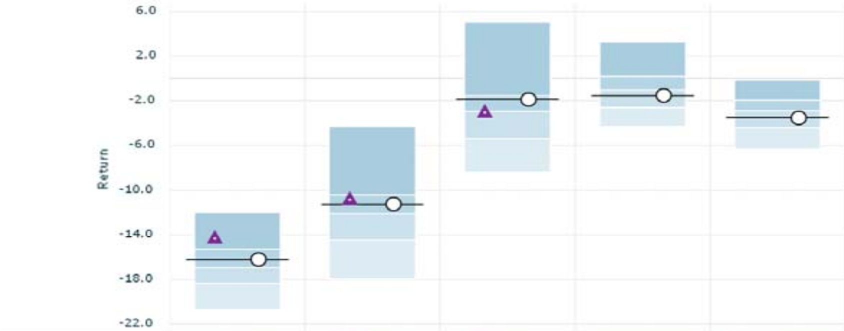
Portfolio Manager: R. Michael Shanahan; James B. Lovelace; Donald D. O'Neal Portfolio Manager Average Tenure: 15.8 Years	Total Fund Assets: $51,043 Million Total Share Class Assets: $2,244 Million	Expense Ratio (Net): 0.30% Mercer Median Expense Ratio (Net): 0.77%

Fund Profile

Domestic Equity - American Funds Investment Co of America R-6 - RICGX

Return in $US over 3 mths, 9 mths, 1 yr, 3 yrs, 5 yrs ending September-11

Comparison with the Mutual Fund US Equity Large Cap Value universe (Percentile Ranking)



	3 mths (%)	YTD 9 mths	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)
▲ AFICOAR	-14.3(16)	-10.8(33)	-3.0(51)	-	-
○ RU1000VUSD	-16.2(41)	-11.2(37)	-1.9(32)	-1.5(58)	-3.5(60)
5th Percentile	-12.0	-4.3	5.0	3.3	-0.1
Upper Quartile	-15.3	-10.4	-1.5	0.2	-1.9
Median	-16.9	-12.1	-2.9	-1.0	-2.9
Lower Quartile	-18.3	-14.5	-5.4	-2.6	-4.4
95th Percentile	-20.7	-18.0	-8.4	-4.3	-6.3
Number	131	130	128	120	112

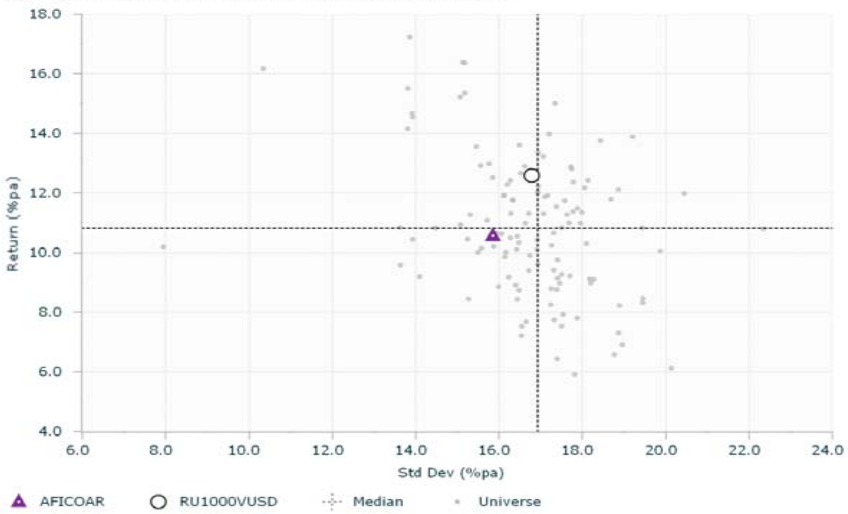
Performance characteristics vs. Russell 1000 Value in $US over 2 yrs and 5 mths ending September-11 (monthly calculations)

Comparison with the Mutual Fund US Equity Large Cap Value universe (Percentile Ranking)

	Ret (%pa)	Std Dev (%pa)	Ret/SD	TE (%pa)	IR
▲ AFICOAR	10.6(54)	15.9(78)	0.7(43)	3.7(31)	-0.5(49)
○ RU1000VUSD	12.6(20)	16.8(52)	0.7(22)	0.0(100)	-
5th Percentile	15.2	19.4	1.1	6.3	0.5
Upper Quartile	12.2	17.7	0.7	4.0	-0.1
Median	10.8	16.9	0.6	3.0	-0.6
Lower Quartile	9.2	16.1	0.5	2.4	-1.1
95th Percentile	7.3	13.9	0.4	1.8	-1.7
Number	122	122	122	122	122

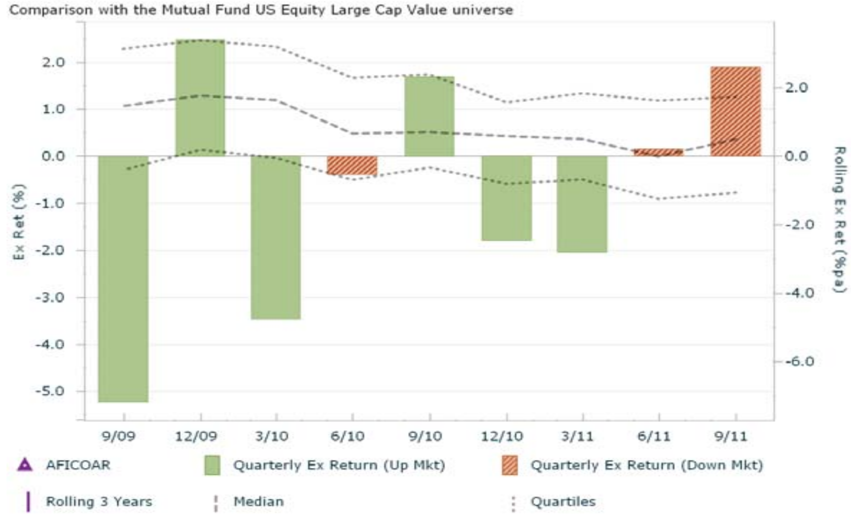
Return and Std Deviation in $US over 2 yrs and 5 mths ending September-11 (monthly calculations)

Comparison with the Mutual Fund US Equity Large Cap Value universe



Quarterly Excess Return vs. Russell 1000 Value with rolling 3 yr line in $US over 2 yrs and 1 quarter ending September-11

Comparison with the Mutual Fund US Equity Large Cap Value universe



Fund Profile

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

Share Class: Inst Plus | **Benchmark: S&P 500**

Investment Philosophy

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.

Portfolio Analysis & Key Observations

The following comments relate to the performance of the S&P 500 Index, which returned -13.9% for the quarter

Positive Impact on Performance

- Top performing sector was utilities (+1.5% return)

Negative Impact on Performance

- Weakest performing sectors were materials (-24.5% return), financials (-22.8% return), industrials (-21.0% return), and energy (-20.5% return)

Tracking Error

Key Facts and Figures

Portfolio Manager: Donald M. Butler	Total Fund Assets: $137,300 Million	Expense Ratio (Net): 0.02%
Portfolio Manager Average Tenure: 11.0 Years	Total Share Class Assets: $32,673 Million	Mercer Median Expense Ratio (Net): 0.21%

Fund Profile

Domestic Equity - Hartford Capital Appreciation HLS IA - HIACX

Share Class: Inst	**Benchmark: S&P 500**

Investment Philosophy

Wellington Management Company, LLP is an independent and unaffiliated sub-adviser to the Hartford Capital Appreciation HLS IA fund. 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

Portfolio Analysis & Key Observations

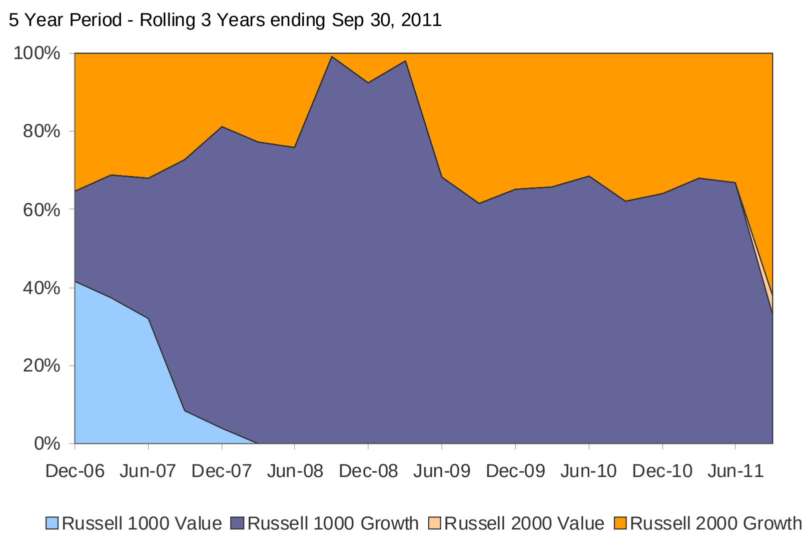
Positive Impact on Performance

- Overweight allocation to the information technology sector
- Individual contributors Dollar General (+11.4% return) and Daiichi Sankyo (+10.2% return)

Negative Impact on Performance

- Overweight allocations to the materials, industrials, financials and telecommunications sectors; underweight allocations to the consumer staples and utilities sectors
- Individual detractors Dow Chemical (-36.9% return) and Vallourec (-52.1% return)

Style Analysis



Key Facts and Figures

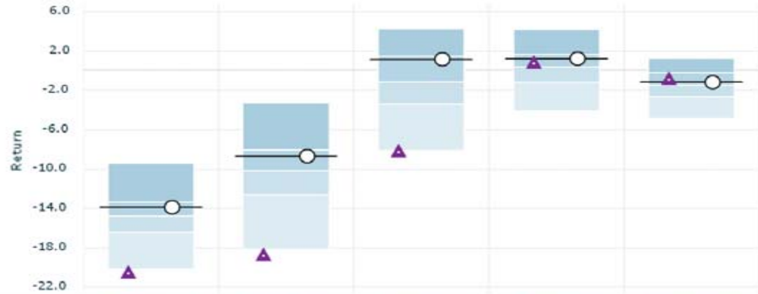
Portfolio Manager: Wellington Management Co.	Total Fund Assets: $8,811 Million	Expense Ratio (Net): 0.67%
Portfolio Manager Average Tenure: 4.4 Years		Mercer Median Expense Ratio (Net): 0.83%

Fund Profile

Domestic Equity - Hartford Capital Appreciation HLS IA - HIACX

Return in $US over 3 mths, 9 mths, 1 yr, 3 yrs, 5 yrs ending September-11

Comparison with the Mutual Fund US Equity Large Cap Core universe (Percentile Ranking)



	3 mths (%)	YTD 9 mths	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)
▲	-20.6(96)	-18.8(97)	-8.3(96)	0.7(44)	-0.9(36)
○	-13.9(34)	-8.7(31)	1.1(28)	1.2(34)	-1.2(43)
5th Percentile	-9.4	-3.3	4.3	4.2	1.3
Upper Quartile	-13.3	-8.1	1.5	1.6	-0.2
Median	-14.7	-10.2	-1.1	0.4	-1.5
Lower Quartile	-16.4	-12.6	-3.4	-1.2	-2.6
95th Percentile	-20.2	-18.1	-8.1	-4.1	-4.8
Number	321	319	318	299	272

▲ Hartford Cap Appr ○ SP500USD

Performance characteristics vs. S&P 500 in $US over 5 yrs ending September-11 (monthly calculations)

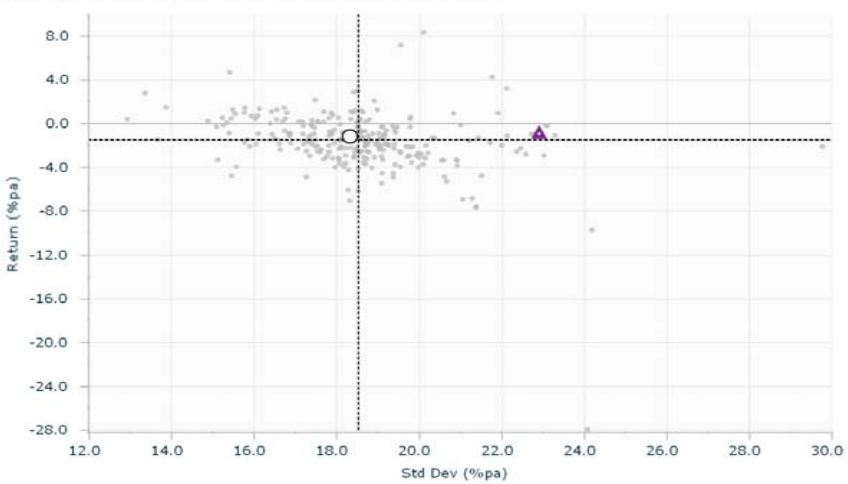
Comparison with the Mutual Fund US Equity Large Cap Core universe (Percentile Ranking)

	Ret (%pa)	Std Dev (%pa)	Ret/SD	TE (%pa)	IR
▲	-0.9(36)	22.9(3)	0.0(31)	7.2(10)	0.0(40)
○	-1.2(43)	18.3(57)	-0.1(44)	0.0(100)	-
5th Percentile	1.3	22.1	0.1	8.2	0.6
Upper Quartile	-0.2	19.4	0.0	5.3	0.2
Median	-1.5	18.5	-0.1	4.0	-0.1
Lower Quartile	-2.6	17.5	-0.1	2.9	-0.4
95th Percentile	-4.8	15.5	-0.3	1.7	-1.0
Number	272	272	272	272	272

▲ Hartford Cap Appr ○ SP500USD

Return and Std Deviation in $US over 5 yrs ending September-11 (monthly calculations)

Comparison with the Mutual Fund US Equity Large Cap Core universe



Quarterly Excess Return vs. S&P 500 with rolling 3 yr line in $US over 5 yrs ending September-11

Comparison with the Mutual Fund US Equity Large Cap Core universe

Fund Profile

Domestic Equity - American Funds Growth Fund of America R-6 - RGAGX

Share Class: R-6	**Benchmark: Russell 1000 Growth**

Investment Philosophy

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.

Portfolio Analysis & Key Observations

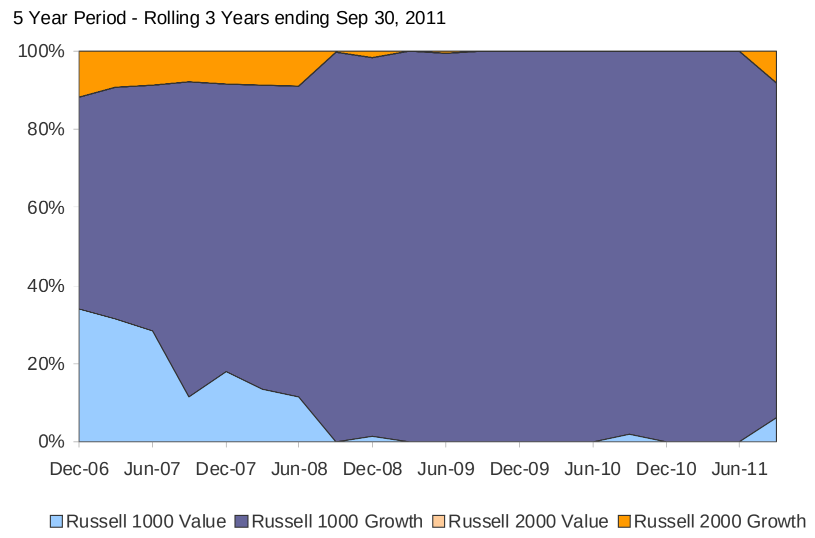
Positive Impact on Performance

- Underweight allocation to the industrials sector
- 9.0% cash allocation in a generally negative equity environment
- Top 10 holdings Apple (+13.6% return), Amazon.com (+5.7% return) and Google (+1.7% return)

Negative Impact on Performance

- Overweight allocation to the financials sector; underweight allocation to the consumer staples and information technology sectors
- Out-of-benchmark exposure to Europe
- Top 10 holdings Comcast (-17.1% return) and DirecTV (-16.8% return)

Style Analysis



Key Facts and Figures

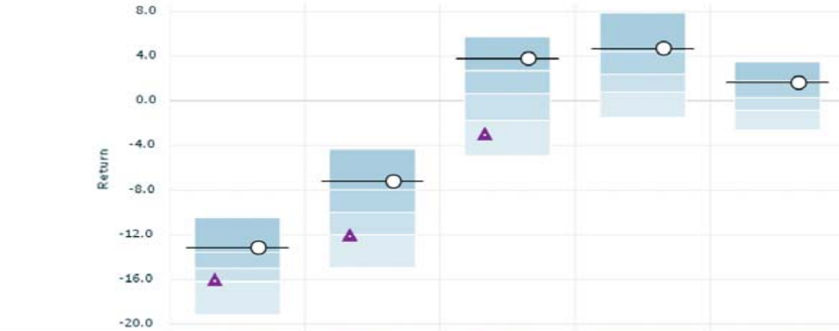
Portfolio Manager: James E. Drasdo; James F. Rothenberg; Gordon Crawford Portfolio Manager Average Tenure: 14.9 Years	Total Fund Assets: $122,615 Million Total Share Class Assets: $9,369 Million	Expense Ratio (Net): 0.34% Mercer Median Expense Ratio (Net): 0.89%

Fund Profile

Domestic Equity - American Funds Growth Fund of America R-6 - RGAGX

Return in $US over 3 mths, 9 mths, 1 yr, 3 yrs, 5 yrs ending September-11

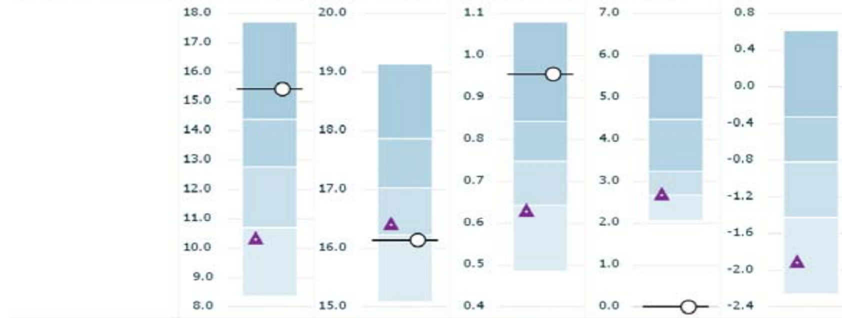
Comparison with the Mutual Fund US Equity Large Cap Growth universe (Percentile Ranking)



	3 mths (%)	YTD 9 mths	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)
AFGFOAR	-16.1(73)	-12.1(77)	-3.0(86)	-	-
RU1000GUSD	-13.1(19)	-7.2(18)	3.8(17)	4.7(24)	1.6(26)
5th Percentile	-10.5	-4.3	5.7	7.9	3.5
Upper Quartile	-13.5	-7.9	2.7	4.4	1.7
Median	-15.0	-10.0	0.6	2.4	0.3
Lower Quartile	-16.2	-12.0	-1.7	0.8	-0.8
95th Percentile	-19.2	-15.0	-4.9	-1.5	-2.6
Number	209	206	204	188	179

Performance characteristics vs. Russell 1000 Growth in $US over 2 yrs and 5 mths ending September-11 (monthly calculations)

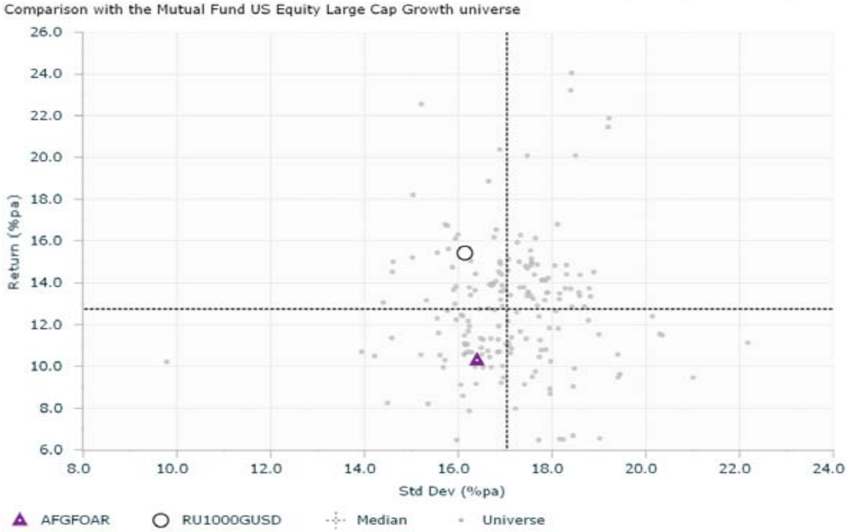
Comparison with the Mutual Fund US Equity Large Cap Growth universe (Percentile Ranking)



	Ret (%pa)	Std Dev (%pa)	Ret/SD	TE (%pa)	IR
AFGFOAR	10.3(83)	16.4(70)	0.6(78)	2.7(75)	-1.9(90)
RU1000GUSD	15.4(12)	16.1(79)	1.0(11)	0.0(100)	-
5th Percentile	17.7	19.1	1.1	6.0	0.6
Upper Quartile	14.4	17.9	0.8	4.5	-0.3
Median	12.8	17.0	0.7	3.2	-0.8
Lower Quartile	10.7	16.2	0.6	2.7	-1.4
95th Percentile	8.4	15.1	0.5	2.0	-2.3
Number	188	188	188	188	188

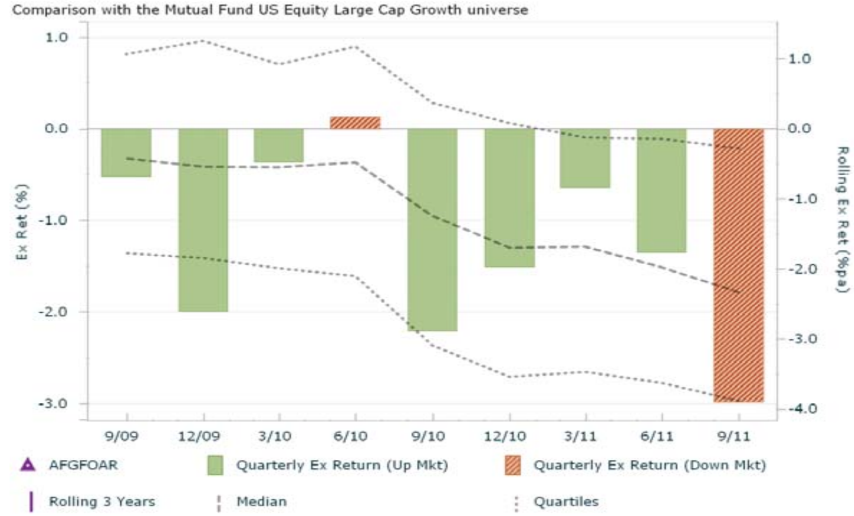
Return and Std Deviation in $US over 2 yrs and 5 mths ending September-11 (monthly calculations)

Comparison with the Mutual Fund US Equity Large Cap Growth universe



Quarterly Excess Return vs. Russell 1000 Growth with rolling 3 yr line in $US over 2 yrs and 1 quarter ending September-11

Comparison with the Mutual Fund US Equity Large Cap Growth universe



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 seeks to track the investment performance of the Morgan Stanley Capital International (MSCI) US Mid Cap 450 Index, an unmanaged benchmark representing medium-sized US companies. Using full replication, the portfolio holds all stocks in the same capitalization weighting as the Index. Prior to May 16, 2003, the fund replicated the S&P 400 Index.

Portfolio Analysis & Key Observations

The following comments relate to the performance of the MSCI Mid Cap 450 Index, which returned -19.1% for the quarter

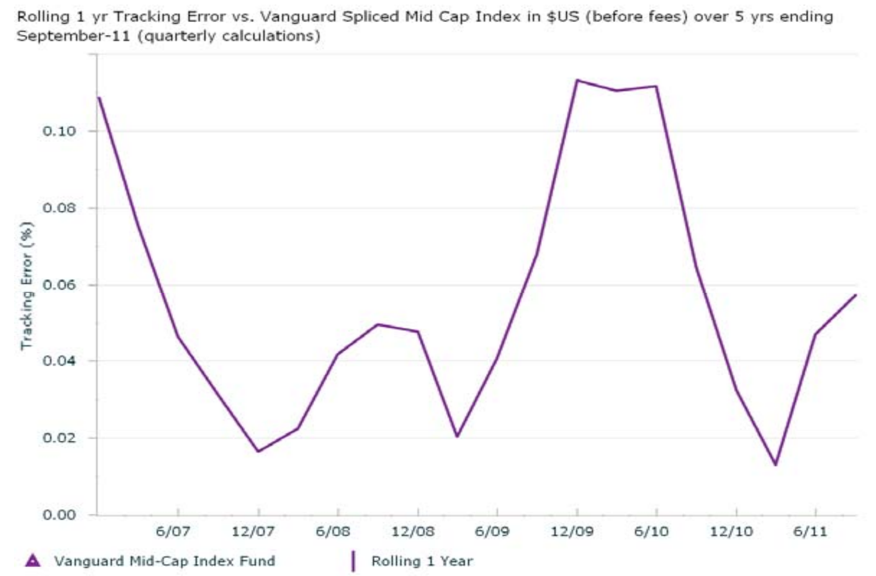
Positive Impact on Performance

- The top performing sectors were utilities (-3.7% return), consumer staples (-5.7% return) and health care (-17.6% return)

Negative Impact on Performance

- All ten sectors in the Mid-Cap Index reported negative returns during the quarter
- The weakest performing sectors were materials (-26.2% return), telecommunication services (-25.0% return) and energy (-24.5% return)

Tracking Error



Key Facts and Figures

Portfolio Manager: Donald M. Butler	Total Fund Assets: $18,000 Million	Expense Ratio (Net): 0.08%
Portfolio Manager Average Tenure: 13.0 Years	Total Share Class Assets: $5,602 Million	Mercer Median Expense Ratio (Net): 0.30%

Fund Profile

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

Share Class: Institutional	**Benchmark: Russell Midcap**

Investment Philosophy

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.

Portfolio Analysis & Key Observations

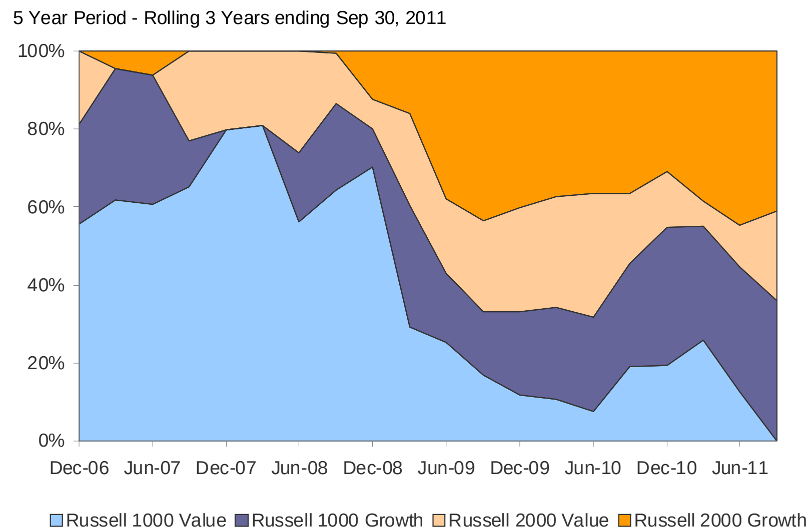
Positive Impact on Performance

- Stock selection within the information technology and industrials sectors
- Allocation to cash of 2.4%
- Individual contributors Motorola Mobility Holdings (+71.4% return) and Corrections Corp. of America (+4.8% return)

Negative Impact on Performance

- Underweight allocation to the utilities sector
- Stock selection within the financials and health care sectors
- Individual detractors Warner Chilcott (-40.7% return) and Ameriprise (-31.4% return)

Style Analysis



Key Facts and Figures

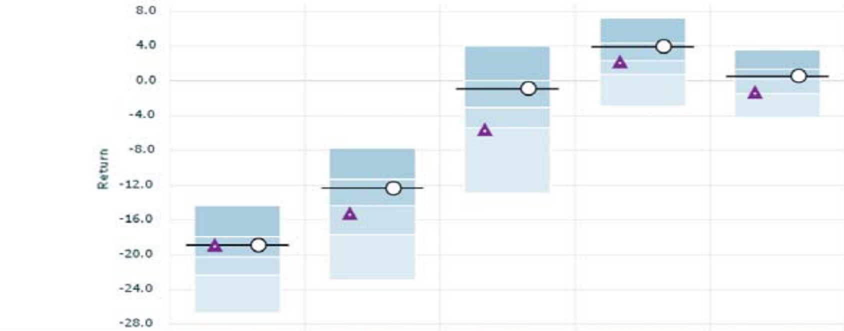
Portfolio Manager: Andrew D. Lacey; Christopher H. Blake; Robert A. Failla Portfolio Manager Average Tenure: 6.8 Years	Total Fund Assets: $133 Million Total Share Class Assets: $88 Million	Expense Ratio (Net): 0.91% Mercer Median Expense Ratio (Net): 0.99%

Fund Profile

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

Return in $US over 3 mths, 9 mths, 1 yr, 3 yrs, 5 yrs ending September-11

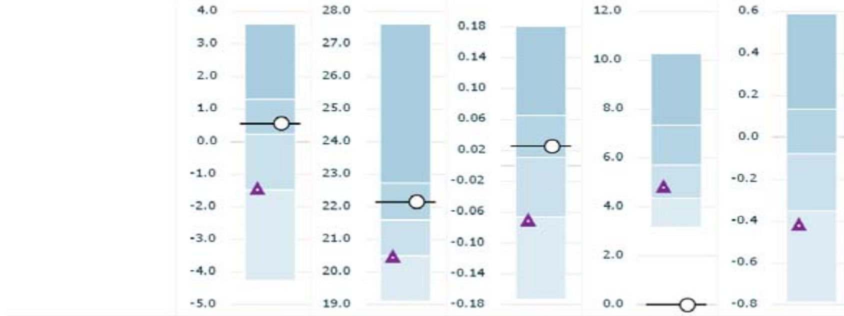
Comparison with the Mutual Fund US Equity Mid Cap Core universe (Percentile Ranking)



	3 mths (%)	YTD 9 mths	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)
▲ LUMCEPI	-19.0*(35)*	-15.4*(60)*	-5.8*(78)*	2.0*(55)*	-1.5*(74)*
○ RUMC	-18.9*(33)*	-12.3*(31)*	-0.9*(31)*	4.0*(30)*	0.6*(38)*
5th Percentile	-14.3	-7.7	4.0	7.3	3.6
Upper Quartile	-18.0	-11.3	0.0	4.3	1.3
Median	-20.2	-14.3	-3.1	2.4	0.2
Lower Quartile	-22.4	-17.6	-5.4	0.8	-1.5
95th Percentile	-26.7	-22.9	-12.9	-2.9	-4.3
Number	101	101	100	92	80

Performance characteristics vs. Russell Midcap in $US over 5 yrs ending September-11 (monthly calculations)

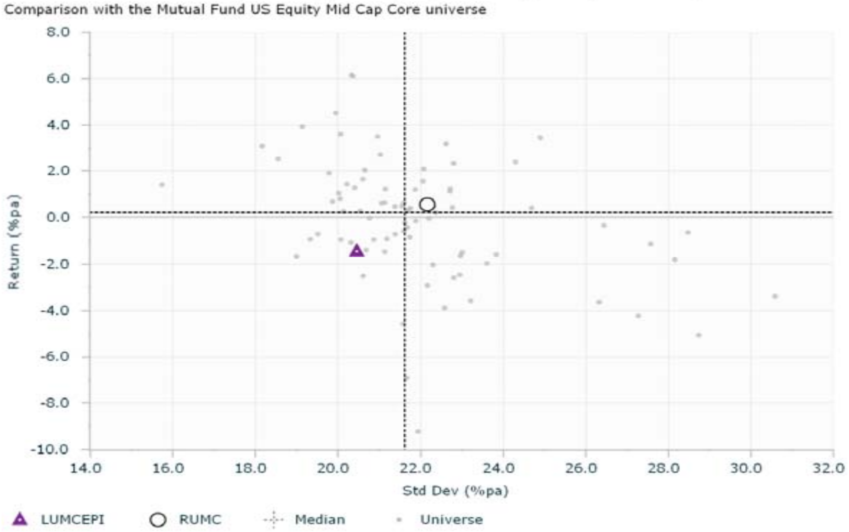
Comparison with the Mutual Fund US Equity Mid Cap Core universe (Percentile Ranking)



	Ret (%pa)	Std Dev (%pa)	Ret/SD	TE (%pa)	IR
▲ LUMCEPI	-1.5*(74)*	20.5*(75)*	-0.1*(80)*	4.8*(68)*	-0.4*(78)*
○ RUMC	0.6*(38)*	22.2*(36)*	0.0*(39)*	0.0*(100)*	-
5th Percentile	3.6	27.6	0.2	10.3	0.6
Upper Quartile	1.3	22.7	0.1	7.4	0.1
Median	0.2	21.6	0.0	5.7	-0.1
Lower Quartile	-1.5	20.5	-0.1	4.4	-0.4
95th Percentile	-4.3	19.1	-0.2	3.2	-0.8
Number	80	80	80	80	80

Return and Std Deviation in $US over 5 yrs ending September-11 (monthly calculations)

Comparison with the Mutual Fund US Equity Mid Cap Core universe



Quarterly Excess Return vs. Russell Midcap with rolling 3 yr line in $US over 5 yrs ending September-11

Comparison with the Mutual Fund US Equity Mid Cap Core universe

Fund Profile

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

Share Class: S | **Benchmark: Russell 2000**

Investment Philosophy

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.

Portfolio Analysis & Key Observations

The following comments relate to the performance of the Russell 2000 Index which returned -21.9% for the quarter

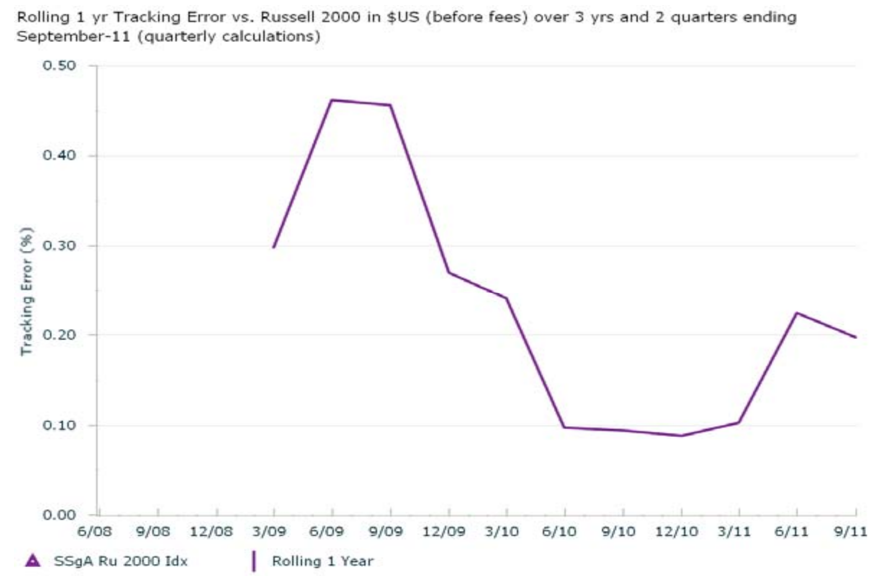
Positive Impact on Performance

- Top performing sectors were utilities (-3.2% return), consumer staples (-11.3% return) and financials (-17.7% return)

Negative Impact on Performance

- Worst performing sectors were energy (-32.5% return), materials (-28.3% return) and telecommunications (-27.5% return)

Tracking Error



Key Facts and Figures

Portfolio Manager: SSgA	Total Fund Assets: $1,052 Million	Expense Ratio (Net): 0.06%
Portfolio Manager Tenure: Since July 1999		Mercer Median Expense Ratio (Net): 0.31%

Fund Profile

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

Share Class: Institutional	**Benchmark: MSCI EAFE**

Investment Philosophy

The fund seeks to replicate as closely as possible, before the deduction of expenses, the performance of the Morgan Stanley Capital International EAFE Index, which emphasizes stocks of companies in major markets in Europe, Australasia and the Far East. The manager 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

The following comments relate to the performance of the MSCI EAFE Index, which returned -19.0% return for the quarter

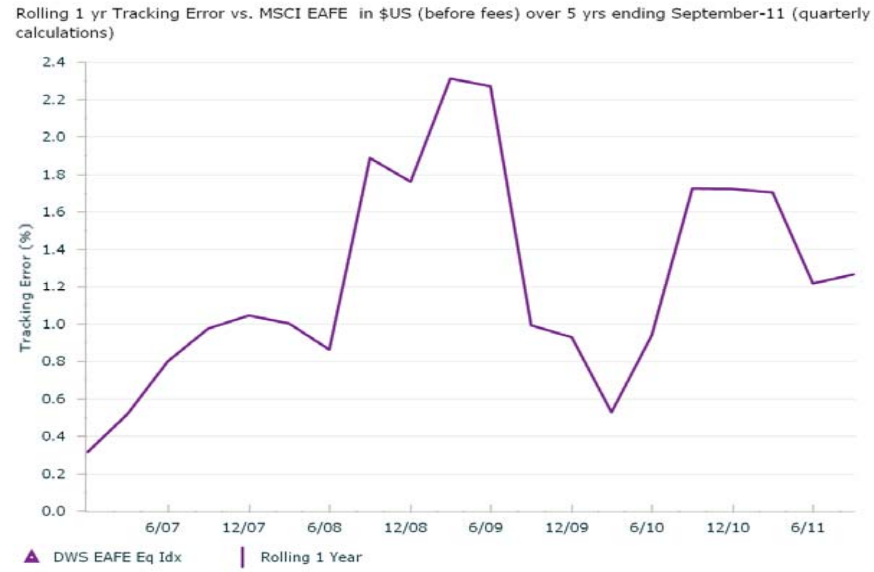
Positive Impact on Performance

- All sectors in the MSCI EAFE Index experienced negative returns in the third quarter; the smallest losses in the quarter were within the consumer staples (-9.3%), health care (-10.3%) and telecommunications (-11.0%) sectors
- Top contributors Grupo Elektra S.A. de C.V. (+48.9% return), Autonomy Corp Plc (+45.0% return), Japan Tobacco Inc. (+24.4% return), China Mobile Ltd (+9.1% return) and Takeda Pharmaceutical Co. Ltd (+6.3% return)

Negative Impact on Performance

- Weakest performing sectors included materials (-27.9%), financials (-23.8%) and industrials (-23.3%)
- Top detractors BNP Paribas S.A. (-47.8% return), Rio Tinto Plc (-37.0% return), Siemens AG (-33.5% return), BHP Billiton Ltd (-30.1% return) and HSBC Holdings Plc. (-21.3% return)

Tracking Error



Key Facts and Figures

Portfolio Manager: Shaun Murphy	Total Fund Assets: $272 Million	Expense Ratio (Net): 0.51%
Portfolio Manager Average Tenure: 4.0 Years	Total Share Class Assets: $272 Million	Mercer Median Expense Ratio (Net): 0.51%

Fund Profile

International Equity - Fidelity Diversified International Fund - FDIVX

Share Class: N/A	**Benchmark: MSCI EAFE**

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

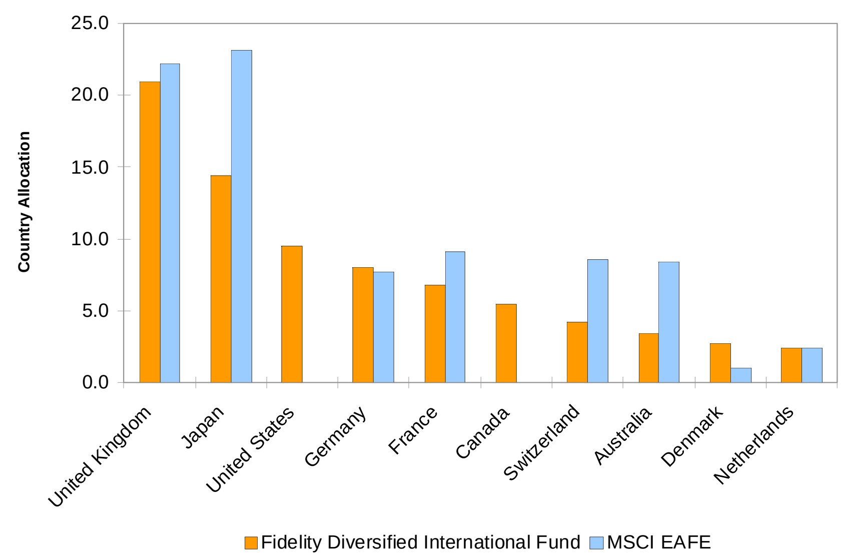
Positive Impact on Performance

- Overweight allocation to the information technology sector; underweight allocation to the financials sector
- Underweight allocation to France and Sweden; out-of-benchmark exposure the United States
- Top 10 holdings GlaxoSmithKline (-1.9% return), Vodafone (-2.4% return) and Reckitt Benckiser Group (-6.1% return)

Negative Impact on Performance

- Underweight allocations to the utilities, consumer staples and health care sectors
- On a regional basis, underweight allocation to Japan
- Out-of-benchmark allocation to Emerging Markets (12.7% allocation)
- Top 10 holdings BHP Billiton (-30.1% return), HSBC Holdings (-21.3% return) and Novo Nordisk (-20.1% return)

Country Analysis as of September 30, 2011



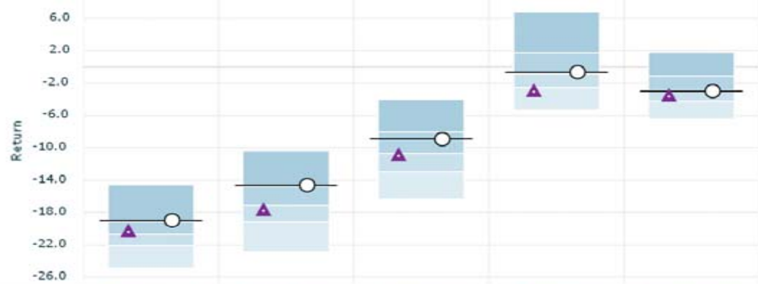
Key Facts and Figures

Portfolio Manager: William Bower	Total Fund Assets: $23,785 Million	Expense Ratio (Net): 0.89%
Portfolio Manager Average Tenure: 10.0 Years	Total Share Class Assets: $16,300 Million	Mercer Median Expense Ratio (Net): 1.06%

Fund Profile

International Equity - Fidelity Diversified International Fund - FDIVX

Return in $US over 3 mths, 9 mths, 1 yr, 3 yrs, 5 yrs ending September-11
Comparison with the Mutual Fund World ex US/EAFE Equity universe (Percentile Ranking)

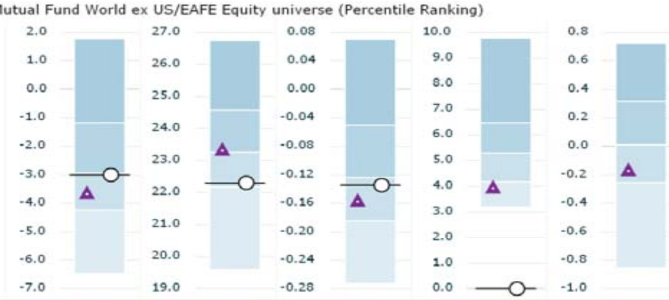


	3 mths (%)	YTD 9 mths	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)
▲	-20.4(42)	-17.8(59)	-11.0(55)	-3.1(80)	-3.7(64)
○	-19.0(23)	-14.6(22)	-8.9(33)	-0.7(48)	-3.0(50)
5th Percentile	-14.6	-10.3	-4.0	6.7	1.8
Upper Quartile	-19.2	-14.8	-8.0	1.7	-1.2
Median	-20.7	-17.1	-10.7	-0.8	-2.9
Lower Quartile	-22.1	-19.2	-12.9	-2.5	-4.2
95th Percentile	-24.9	-22.9	-16.3	-5.3	-6.5
Number	412	408	397	365	298

▲ Fidelity Diversified International ○ MSEAFEUSD

Performance characteristics vs. MSCI EAFE in $US over 5 yrs ending September-11 (monthly calculations)

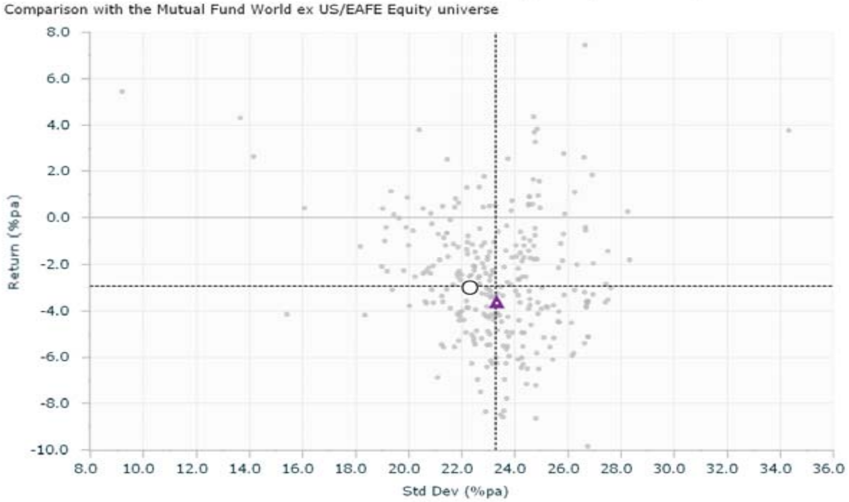
Comparison with the Mutual Fund World ex US/EAFE Equity universe (Percentile Ranking)



	Ret (%pa)	Std Dev (%pa)	Ret/SD	TE (%pa)	IR
▲	-3.7(64)	23.3(48)	-0.2(65)	3.9(81)	-0.2(69)
○	-3.0(50)	22.3(72)	-0.1(55)	0.0(100)	-
5th Percentile	1.8	26.7	0.1	9.8	0.7
Upper Quartile	-1.2	24.6	-0.1	6.5	0.3
Median	-2.9	23.3	-0.1	5.3	0.0
Lower Quartile	-4.2	22.2	-0.2	4.2	-0.3
95th Percentile	-6.5	19.6	-0.3	3.2	-0.9
Number	298	298	298	298	298

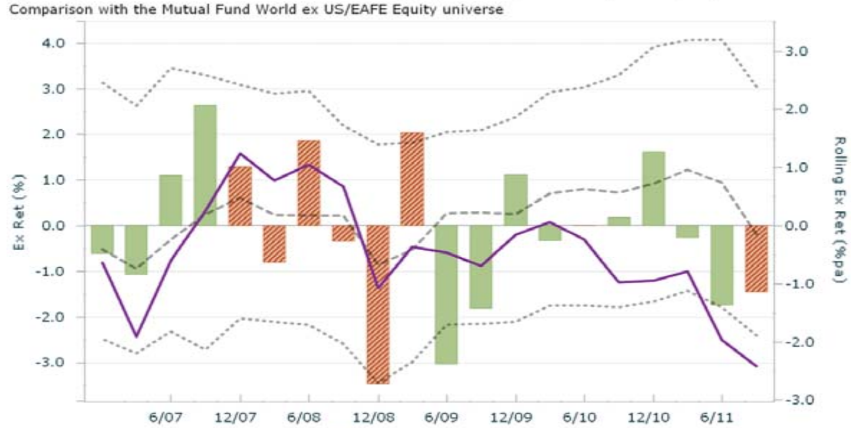
▲ Fidelity Diversified International ○ MSEAFEUSD

Return and Std Deviation in $US over 5 yrs ending September-11 (monthly calculations)
Comparison with the Mutual Fund World ex US/EAFE Equity universe



▲ Fidelity Diversified International ○ MSEAFEUSD Median Universe

Quarterly Excess Return vs. MSCI EAFE with rolling 3 yr line in $US over 5 yrs ending September-11
Comparison with the Mutual Fund World ex US/EAFE Equity universe



▲ Fidelity Diversified International
Quarterly Ex Return (Up Mkt)
Quarterly Ex Return (Down Mkt)
Rolling 3 Years
Median
Quartiles

Appendix A – Investment Manager Updates

DWS Investments

‘Watch’ (W) Assigned to All Strategy Ratings Following Announced Strategic Review – November 24, 2011

In an announcement issued on 22 November 2011, Deutsche Bank (DB) divulged plans to conduct a strategic review of its global asset management division (a copy of the announcement is included below). While there has been a deluge of speculation and analysis in the media over the potential results of such a review, the official details are understandably vague at present. The review will apparently evaluate the business impact of changes across both the regulatory and competitive landscapes and explore the growth prospects for the asset management business on a bank platform.

Official announcement from DB (22 November 2011):

> *Deutsche Bank is reviewing the structure of its global Asset Management division*
>
> Deutsche Bank (XETRA: DBKGn.DE / NYSE: DB) announced today that it is conducting a strategic review of its global Asset Management division. While the Bank remains committed to asset management, this review is part of the Bank’s continual effort to maintain an optimal business mix and be among the market leaders in each of its businesses.
>
> The strategic review of the Asset Management division is focusing in particular on how recent regulatory changes and associated costs and changes in the competitive landscape are impacting the business and its growth prospects on a bank platform.
>
> All strategic options are being considered. The review covers all of the Asset Management division globally except for the DWS franchise in Germany, Europe and Asia, which the Bank has already determined is a core part of its retail offering in those markets.
>
> Kevin Parker, Global Head of Asset Management and a member of the Deutsche Bank Group Executive Committee, said: "The outcome of this review will be driven first and foremost by our fiduciary duty to, and the interests of, our clients. Our aim is to find the best strategic option to maximize the performance and potential of the Asset Management division.

Mercer View

It is unclear at this stage what the announced strategic review will mean for individual strategies managed across the business, but profitability characteristics are likely to be a significant feature of the decision-making process. There is mounting pressure on DB to improve its capital position, which may be a key motivation for the strategic review and could suggest the potential sale of segments of the asset management business. DB’s asset management franchise has struggled with high people turnover and organizational instability across various parts of the business over the last few years, and has been through a number of reorganizations of investment teams and product offerings since 2005. We have discussed these issues in many of our previous research notes on strategies managed by DB Advisors/Deutsche Asset Management/DWS Investments/RREEF, and have reflected this in ‘=’ factor ratings for Business Management in many of our strategy reviews.

Although the announcement states that the DWS franchise in Europe and Asia will not be part of the strategic review, we have decided to apply the ‘Watch’ (W) suffix to ratings across the firm’s strategy range given that there is likely to be an elevated level of uncertainty across the asset management business under the pall of such an exercise. We will of course assess the impact of the strategic review on each of our strategy ratings as further relevant details become available.

Fidelity Management & Research Company – FMRCo.

Diversified International Update – September 13, 2011

Issues to Watch

Bower has committed to dedicated analyst Ashish Swarup for two years. Swarup was selected to help Bower find ideas in the emerging markets, a current region of interest. Will he seek alternative support if his interests have shifted at the end of this period? How much control does he have over his supporting resources?

Highlights

We are comfortable that the Diversified International strategy is appropriately rated.

Bower is fully devoted to the strategy; he does not manage other strategies for the firm. His overall philosophy is rather broad and, in this context, has not changed, although the influences that drive the stock selection change with market opportunities. The portfolio continues to hold an extraordinarily high number of securities (367 as of March 2011), but Bower was easily able to identify the themes driving the stock selection and imparted a reasonable degree of knowledge about the rationale for holding firms we discussed.

The most notable change relates to Bower's supporting resources. Matt Malgari, a long-time analyst (having pre-dated Bower on the strategy) left the firm to join a sell-side research company. Malgari spent much of his time developing high level views Bower could use in identifying investment opportunities. However, we never received the impression his views had a significant influence. In the recent meeting, Bower suggested Malgari was a strong advocate for the view that country factors mattered. Bower suggested this philosophy provided useful insights during the financial crisis, but he confirmed country exposures continued to be a pure residual of the stock selection.

Bower told us that he prefers 'opportunistic' support in managing the portfolio, as his needs change over time. Given this, we wonder if he felt saddled with Malgari, or if he merely took advantage of Malgari's departure to adopt new thinking in terms of type of support he needed. We never detected a close working relationship between Bower and Malgari, so don't view Malgari's departure as a significant detraction. Currently, Bower's primary support comes from two analysts. Ramona Persaud helps him assess stocks within the financial sector. This is a benefit to Bower as he still maintains his long-term underweight to financials, but this gap has been narrowing. Ashish Swarup helps him identify opportunities within the emerging markets, a region of current interest to Bower. In any event, the team changes appear reactive.

Persaud has an indefinite commitment and assists other portfolio manages, but Swarup has a two-year dedicated commitment to the Diversified International strategy. Bower suggests he will reassess Swarup's value at the end of the contract and determine what resources are needed at that time. We wonder how proactive Bower is in identifying future needs and in shaping his team accordingly. How much freedom does he have in building a supporting team?

In terms of the assets in the strategy, Bower reports the fund has experienced net losses for two reasons: (1) recent performance and (2) the EAFE benchmark, as investors are craving ACWI mandates. Although the emerging markets exposure is the highest it has ever been (14% vs. 5% or less historically), and Bower expects this to continue for some time, he suggested the company has no plans to move to an ACWI benchmark.

Lazard Asset Management

Update on Mid Cap Equity Strategy – September 20, 2011

Issues to Watch

Within the last two years, Gary Busser was transitioned to the accounting validation team, and the team lost an Industrials analyst. We will review any potential further employee changes at future meetings.

Lazard has shown a tendency to let assets in the product grow large enough so that it negatively affects the team's ability to trade positions in some of the smaller cap names. In addition, liquidity for some of the smaller cap names may be affected by the asset levels in the Strategic Equity product. Currently, we are not concerned by this, but will continue to review it in future meetings.

Highlights

The meeting provided an update on the firm and the U.S. Mid Cap Equity strategy managed by Lazard. Below are important highlights from our meeting.

We continue to be impressed with the Lazard U.S. Equity team and the quality of the research conducted by the portfolio managers and research analysts. The main differentiator between Lazard’s Strategic Equity, Mid Cap Equity, and Small-Mid Cap Equity is the lead portfolio manager. They are Chris Blake, Rob Failla, and Dan Breslin, respectively. Of the three lead portfolio managers, we have the greatest confidence in Chris Blake and his investment capabilities. His investment acumen and ability to articulate the investment thesis on holdings and explain portfolio positioning leads to our differentiated rating for the Strategic Equity strategy.

During the meeting, Ron Temple informed us that Lazard recently tweaked its compensation structure for the firm’s investment professionals. Approximately 2/3 or the compensation for the investment professionals is based on a quantitative assessment of the individual’s performance within the context of the overall firm and team performance. Performance will be assessed against the backdrop of an individual’s 3- and 5- year performance with more emphasis placed on the 3-year figure. The other 1/3 of compensation is driven by qualitative factors including mentoring and collaborating across the U.S. team. Going forward, 20% to 40% of the team’s bonus compensation will be deferred. Rather than having the deferred compensation invested exclusively in Lazard stock, 25% to 50% will be invested in mutual fund assets managed by Lazard. We view the modified compensation structure favorably and believe it better aligns the interests of the team with those of the clients.

As noted in the research note posted on October 15, 2010, the team’s Industrials analyst, Peter Nesvold left the firm, as expected. Additionally, the team added depth to its Health Care coverage with the addition on Henry (Ross) Seiden and expects to extend an offer to a current intern who is expected to join the team by the end of the year. We view the added depth favorably, but would like to meet with the new additions to the team in future meetings.

We had the opportunity to meet with two Financials analysts, Miriam Kim and Dmitri Batsev, and a Consumer Discretionary analyst, Jerry Liu. With regards to Financials, the team seems to be doing more work on how the macro economic environment impacts its industries and the implications for the companies it owns. While we believe the team has historically incorporated the macro framework into its research process, it was evident that more work has been done recently given the economic environment. Kim and Batsev noted that they are not worried about solvency within the banks, but that it is an extremely difficult environment for them to make money given where interest rates are and that there while they have plenty of money to loan due to increased deposits, there is more competition for fewer loans.

We were informed that Lazard recently hired a REIT team to join the firm. While this will be a completely separate team from the ones we have met with, we view this positively as it should provide a resource for the analysts when researching REITs for the portfolio.

Although we were initially disappointed in the decision to transition Gary Busser to the accounting validation team, it appears that this decision was made to better utilize his talents and to align them with his interests. Along with scrutinizing the financial statements and disclosures of investment opportunities, Busser is the firm's accounting specialist responsible for keeping current on potential changes to the accounting standards and apprising the team on the changes and what they mean. Although each analyst is responsible for analyzing the financial statements, we view the use of the accounting validation team employed by Lazard as a differentiating component to its research process. The team noted that the primary benefit of having an accounting validation team is the avoidance of bad companies.

PIMCO, Allianz Global Investors Capital (AGIC), RCM

Allianz Revamps Asset Management Arms – September 6, 2011

Allianz SE has announced that it will be pairing up its two asset management arms (PIMCO and Allianz Global Investors) into a new holding company called Allianz Asset Management AG, effective January 1, 2012. Under the new reorganization, Allianz Global Investors Capital (AGIC), Allianz Global Investors Distributors (AGID), and RCM will fall under the Allianz Global Investors (AGI) umbrella while PIMCO will continue to act as its own individual entity.

PIMCO is headed by founder Bill Gross and Chief Executive Officer, Mohamed El-Erian.

AGIC's acting CEO Marna Whittington will be retiring at the end of 2011. She will be replaced by AGID's CEO Brian Gaffney at that time.

Mercer View

This news does not affect any of the rated strategies from the aforementioned companies because neither philosophy nor investment process will be affected. We would expect all teams to be afforded the same levels of autonomy that they had prior to the reorganization. Moving away from a more boutique-like structure to a two-pillar structure appears to allow all of the firms involved a better opportunity at servicing its customer base through a more efficient distribution of its products. Specifically, the new structure appears to reflect a desire by PIMCO to take sole responsibility for distributing all of its products and funds globally.

We will be sure to address this topic in further detail during all future meetings with the firm and report our findings at that time.

Appendix B – Disclosures

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