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City of Los Angeles

City of Los Angeles Deferred Compensation Plan

Defined Contribution Performance Evaluation

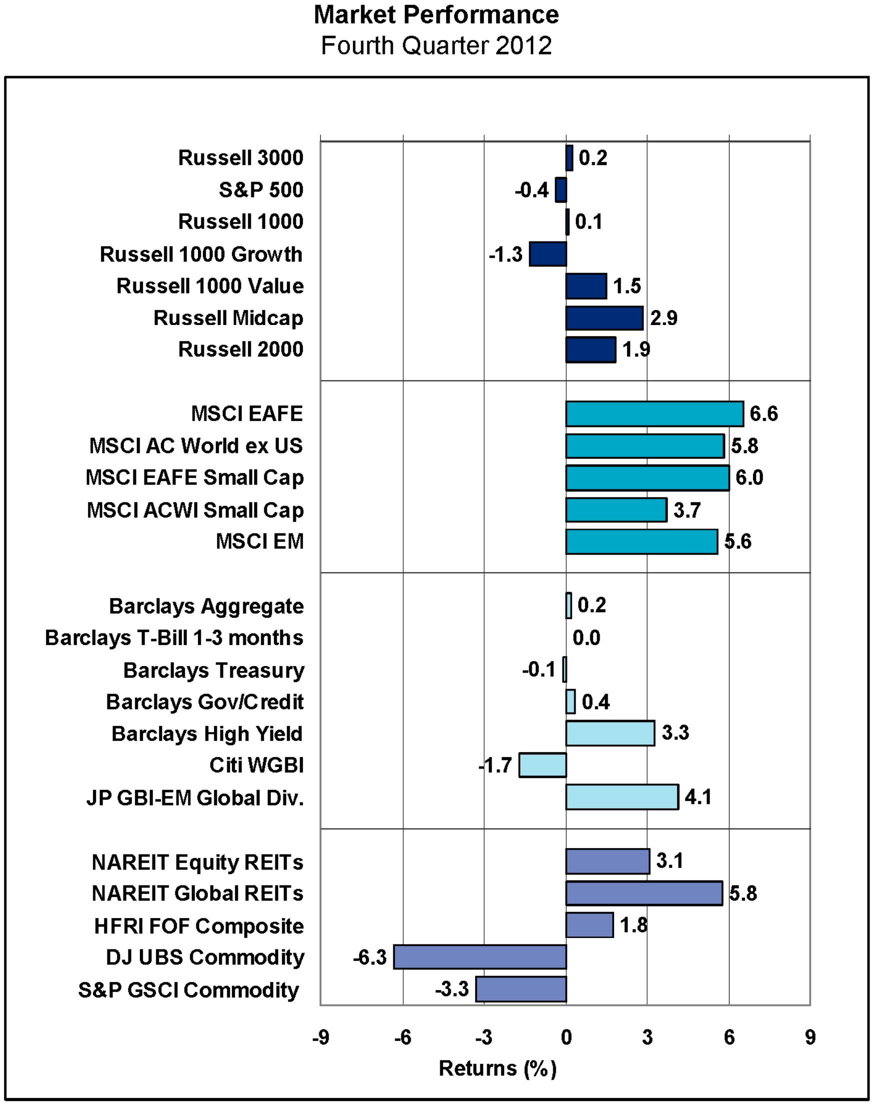
Fourth Quarter 2012

Services provided by Mercer Investment Consulting, Inc.

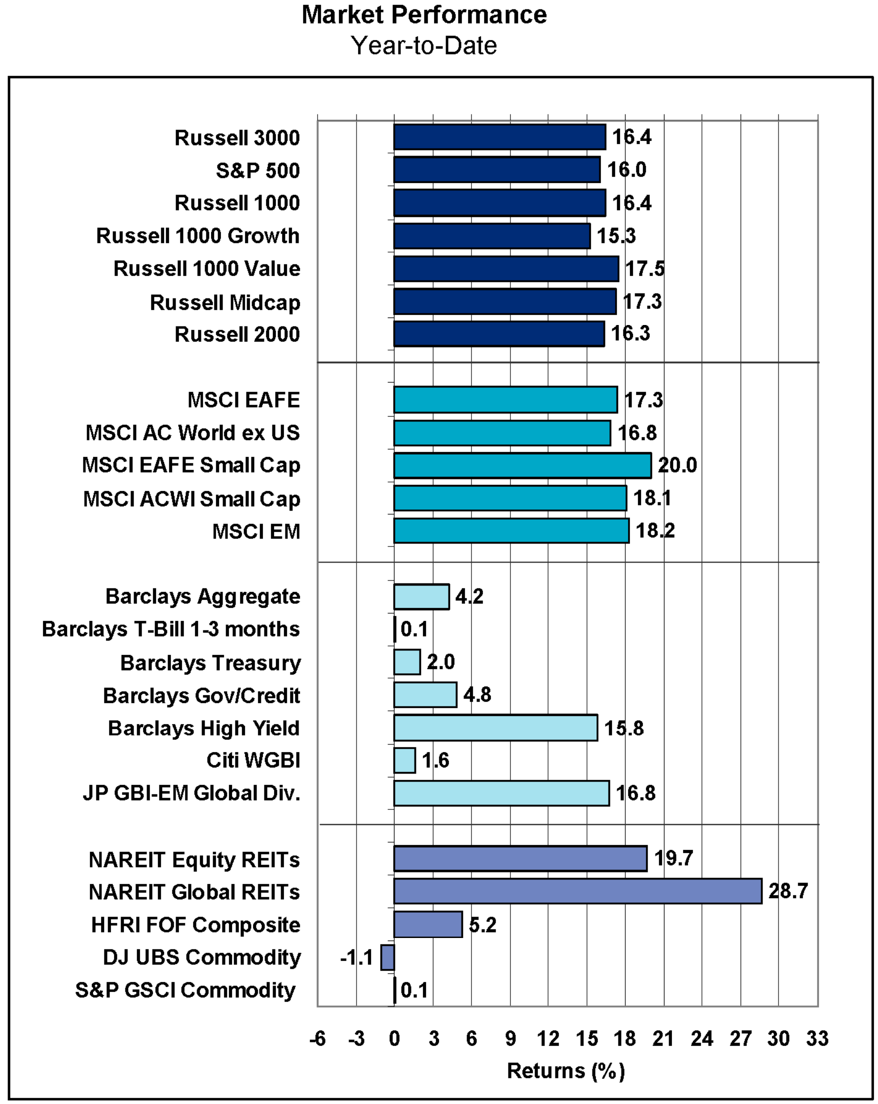
MARSH & McLENNAN COMPANIES

Contents

Performance Summary: Quarter in Review



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



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

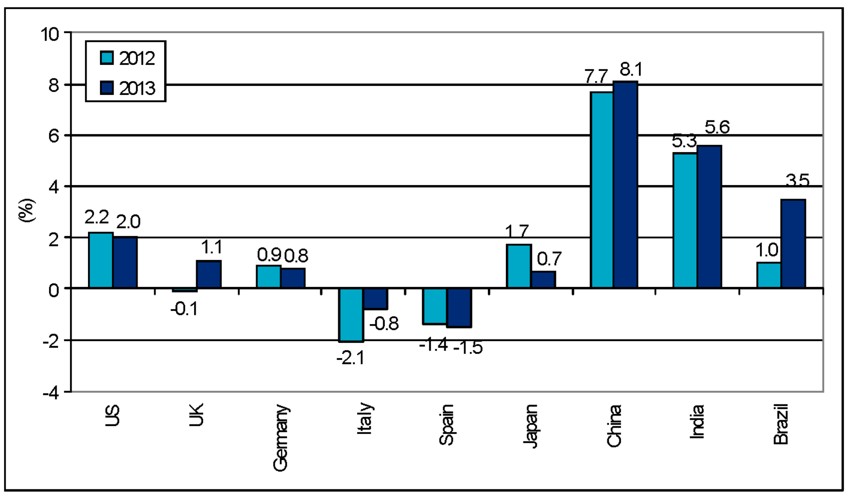
Macro Environment: Economic Review

US GDP Growth

	4Q Growth (%)	Contribution to 4Q Growth (%)	2012 Growth (%)	Contribution to 2012 Growth (%)
Personal Consumption Expenditures	2.2	1.5	1.9	1.3
Residential Fixed Investment	15.3	0.4	11.9	0.3
Non-Residential Fixed Investment	9.4	0.8	7.7	0.8
Government Consumption	(6.6)	(1.3)	(1.7)	(0.3)
Change in Inventories	-	(1.3)	-	0.2
Trade Balance	-	(0.3)	-	0.0
GDP		(0.1)		2.2

Source: Bureau of Economic Analysis

World Economic Growth
(Projections as of December 2012)

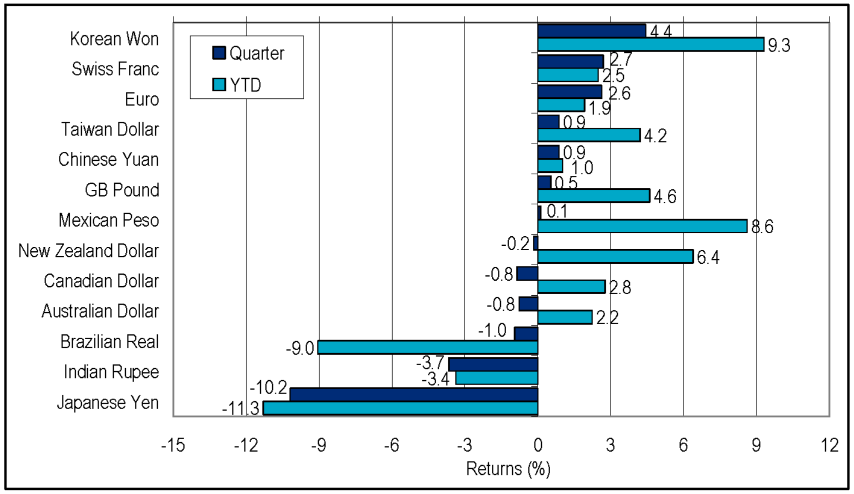


Source: Bloomberg

- The economy unexpectedly shrank at an annualized rate of 0.1% in the fourth quarter. A sharp drop in defense spending, exports, and inventories contributed to the decline in GDP. However, these are the most volatile components of the economy. On the positive side, the housing market continued to recover and business investment grew at its fastest rate since Q4 2011 despite uncertainty surrounding the fiscal cliff. Looking forward, employment and economic growth are likely to remain modest in 2013.
- The economy added an average of only 149k jobs per month in the fourth quarter, a similar pace as in the first three quarters of the year. The unemployment rate improved from 8.5% to 7.8% in 2012, but a decline in the labor force accounted for a significant portion of the improvement.
- The economy will avoid the full brunt of the feared fiscal cliff. However, higher taxes will result in a fiscal drag of about 1% of GDP in 2013, largely as the result of the expiration of the payroll tax cut. The consensus forecast for 2013 growth is just 2.0%.
- The willingness of the ECB to act as a lender of last resort helped to ease financial stress in the Eurozone, reducing the risk of an eminent break-up. Two-year Spanish bond yields fell from 6.6% in July to 2.7% at year-end, and the credit spread on banks declined. However, the structural issues are largely unresolved and the region remains in a shallow recession. The ECB's actions have reduced near-term risk and bought policy makers time, but the crisis is likely to remain a source of uncertainty and the recent calm could lead to complacency.
- Fear of a hard landing in China was another source of worry in 2012. The Chinese economy grew an estimated 7.7% in 2012, its slowest rate since 1998. However, the slowdown appears to be ending, reducing fears of a hard landing. While weak developed world growth will continue to weigh on the economy through trade links, economists project that the economy will expand 8.1% this year.

Macro Environment: Currencies

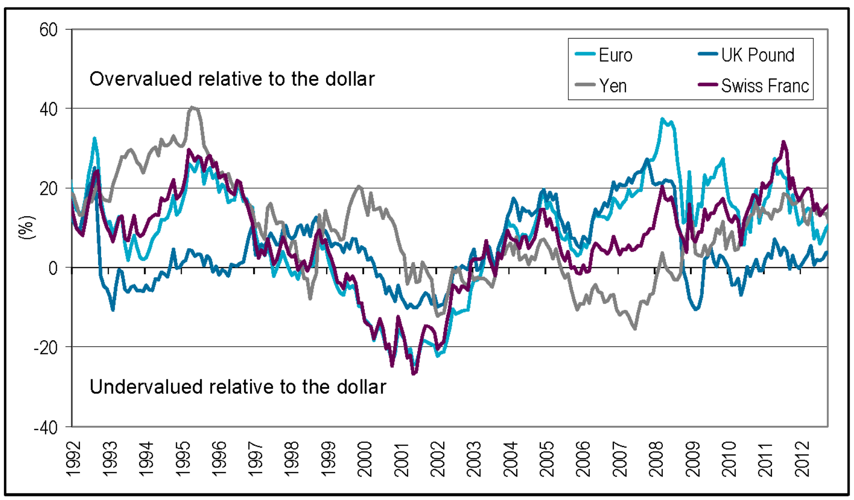
Performance of Foreign Currencies versus the US Dollar



Source: Bloomberg

- On a trade-weighted basis, the dollar declined 0.8% in the fourth quarter and finished the year down 2.0%. The euro appreciated by 2.6% against the dollar, reflecting the further easing of financial tensions. The most notable action was for the yen, which plunged 10.2% in Q4 as newly elected Prime Minister Shinzo Abe introduced fiscal stimulus and pressured the Bank of Japan to increase its inflation target. It was generally a good year for emerging market currencies, with the Indian rupee and Brazilian real being notable exceptions.

Currency Valuation versus US Dollar (Based on Relative PPP)

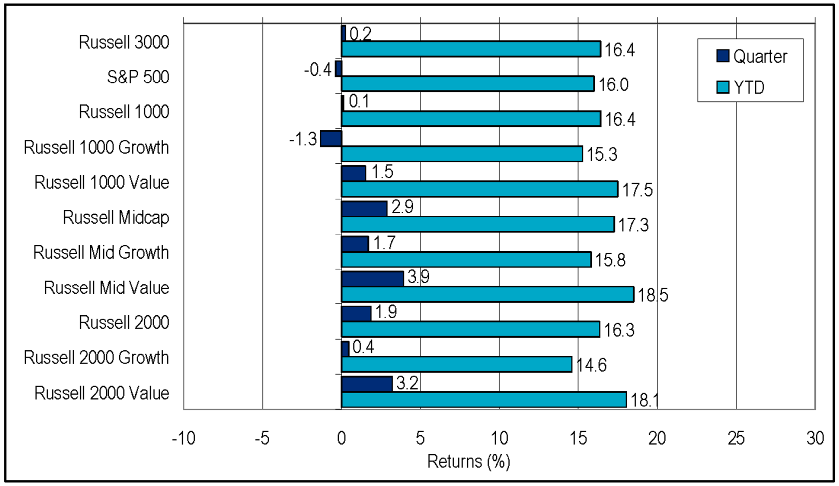


Source: Bloomberg

- Central bank policies are likely to continue to heavily influence currency markets in 2013. While the Fed pursued an aggressive QE program in 2012, the negative effect on the dollar was relatively muted as other major central banks also took part in easing. The outlook for the dollar relative to other developed currencies is mixed given global monetary policies and weak economic growth.
- While the short-term performance of emerging market currencies is likely to remain highly sensitive to macro sentiment, the long-term outlook is positive as they are experiencing faster economic growth and have lower levels of debt.

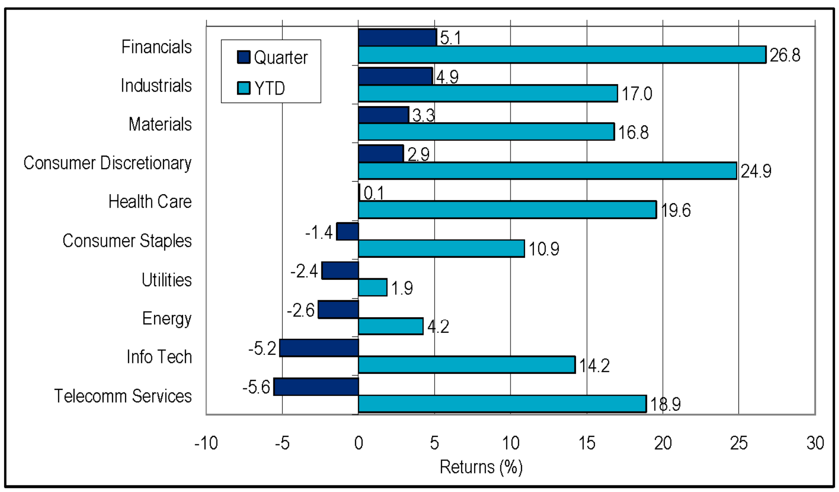
Asset Class: US Equities – Style, Sector, Cap Performance

Style and Capitalization Market Performance



Source: Standard & Poor's, Russell, Bloomberg

Sector Performance



Source: Russell 1000 GICs Sector

Broad Market

- US equity markets were flat for the quarter, but enjoyed strong performance for the year. The Russell 3000 index returned 0.2% during the fourth quarter and gained 16.4% in 2012.

Market Cap

- **Large Caps:** The S&P 500 declined 0.4% in Q4, but gained 16.0% for the year.
- **Mid Caps:** The Russell Midcap index rose 2.9% for the quarter. Mid caps outperformed small caps and large caps in 2012.
- **Small Caps:** The Russell 2000 index gained 1.9% in the fourth quarter. For the year small caps gained 16.3%.

Style

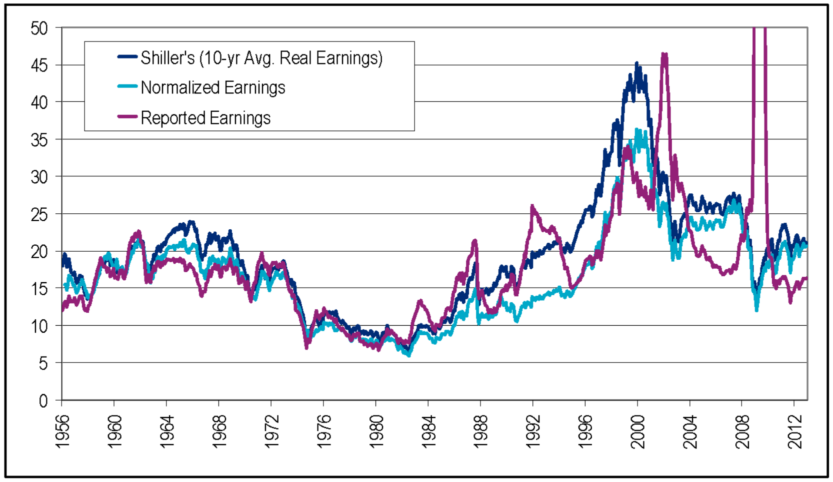
- **Value vs. Growth:** Value stocks outperformed growth stocks across all capitalization segments during the fourth quarter. Mid cap value was the best performing style for the quarter and the year, gaining 3.9% and 18.5%, respectively.

Sector

- In the fourth quarter, the financial, industrial, material and consumer discretionary sectors outpaced the Russell 1000, while the telecommunication services, information technology, energy and utilities sectors lagged. Financial stocks were the top performer for the year, returning 26.8%.

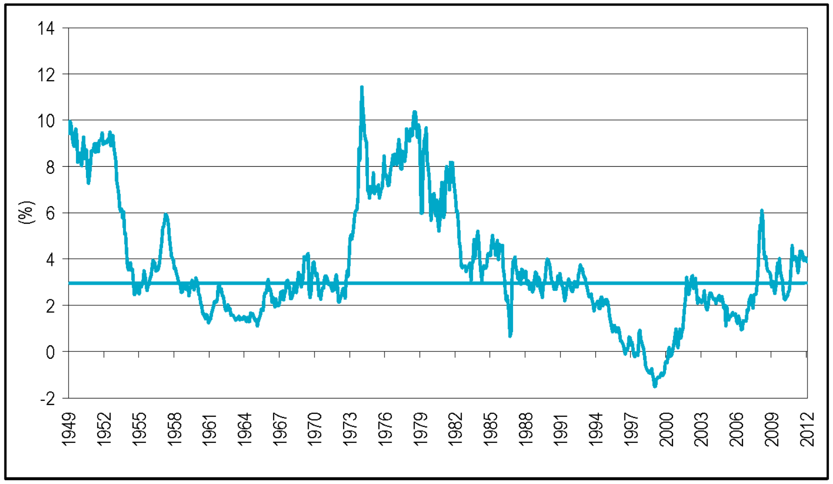
Asset Class: US Equities – Valuation Review

S&P500 – P/E Ratio



Source: S&P, Federal Reserve, Mercer

S&P500 – Estimated Equity Risk Premium[1]
Versus Long-Term Treasuries



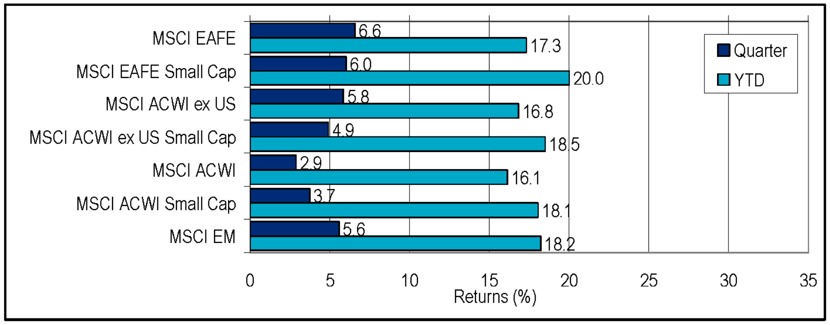
Source: S&P, Federal Reserve, Mercer

- Valuations remained relatively unchanged during the fourth quarter, but increased for 2012. The P/E ratio on trailing reported earnings finished the year at 16.4, which is close to historical averages. However, cyclically-adjusted earnings paint a less favorable picture. Based on normalized earnings, which assume profit margins decline, the P/E ratio on the index stood at 20.7, which is above the historical median of 16.5 (since 1956). Based on average 10-year real earnings (Shiller's methodology), the P/E finished the quarter at 21.1 compared to a median of 18.8 (since 1956).
- Profit margins are likely to decline from current levels; however, margins could stay above the long-term average in the near-term. Productivity gains have lost steam, signaling that companies have mostly exhausted cost cutting as a source of profit growth. Top-line growth has stagnated and future growth will need to come from investment and hiring, which will likely put downward pressure on margins. However, interest rates are at historical lows and should boost profitability as companies re-finance higher rate debt and slash interest costs. Companies also continue to buyback high levels of stock which can increase earnings per share growth without aggregate profit growth.
- The case for equities is aided when viewed in light of ultra low bond yields. Based on the normalized P/E ratio of 20.7, the S&P 500 is priced to provide a real return of 4.5% to 5%. This compares quite favorably to Treasury and corporate bonds. We estimate that the equity risk premium over long-term Treasuries stood at 3.9% at quarter-end, above the historical average.

[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)
Equity Risk Premium= Earnings yield (1/PE) minus the real yield on long-term Treasuries

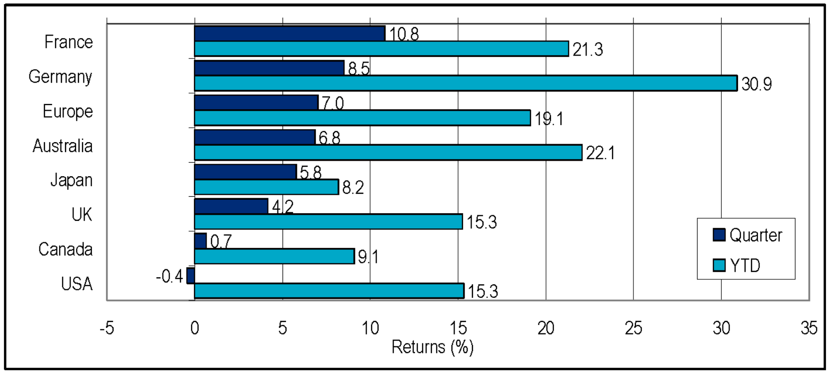
Asset Class: International Equities – Performance Review

International Equity Performance



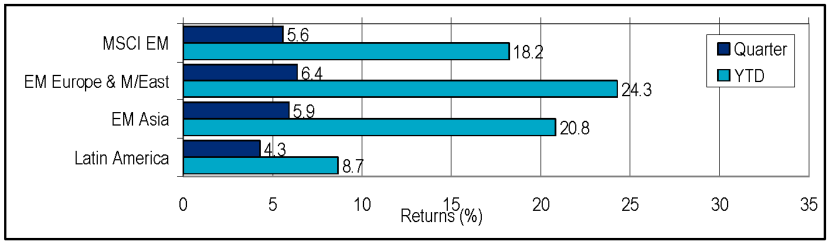
Source: MSCI, Bloomberg

Developed Country Performance



Source: MSCI, Bloomberg

Emerging Market Performance

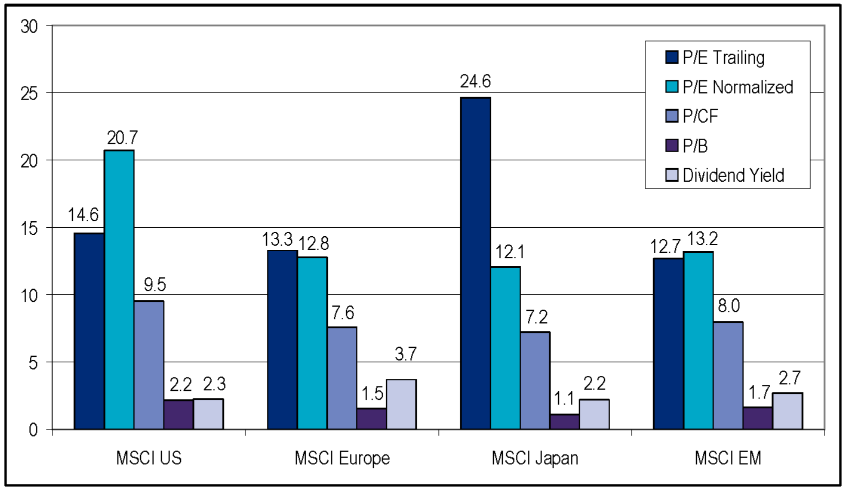


Source: MSCI, Bloomberg

- **International equities** outperformed domestic equities for the quarter and the year. The MSCI ACWI ex-US index rose 5.8% versus a 0.2% gain for the Russell 3000 in Q4. For the calendar year, US equities trailed international equities by 0.4%.
- **International developed small cap stocks** trailed international developed large cap stocks by 60 basis points in Q4. For 2012, international small caps returned 20.0%, besting large caps by 270 basis points.
- **International developed stocks** rose 6.6% in Q4, outperforming the S&P 500 by 700 basis points. For the year, the MSCI EAFE index outperformed US stocks by 130 basis points. European stocks surged as financial stress and left-tail risks in the region continued to recede. European equities jumped 7.0% during Q4. After a dismal 2011, European stocks gained 19.1% for the year, outperforming the S&P 500 by 310 basis points. Japanese stocks rallied as the yen declined sharply. Japan returned 17.6% in local currency terms in the fourth quarter, but gained only 5.8% in USD terms. For the year, Japan rose 21.6% in local terms, but lagged the rest of the world in USD terms with an 8.2% return.
- **Emerging markets** rebounded sharply in 2012, rising 18.2% and outperforming the S&P by 220 basis points. Performance across regions was mixed with Asian stocks rising a robust 20.8%, while Latin American equities returned just 8.7%.

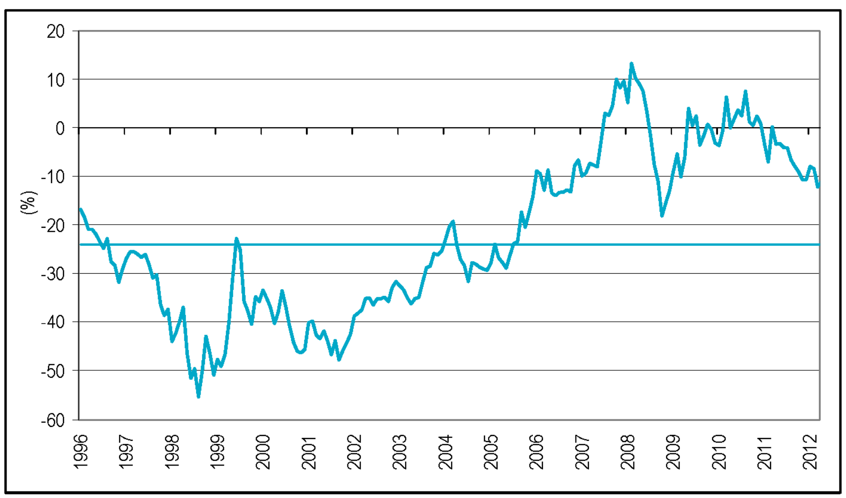
Asset Class: International Equities – Valuation Review

Global Valuations



Source: MSCI, Bloomberg

Valuation of MSCI Emerging Markets to MSCI World
(Based on Average of P/E, P/B and P/CF)

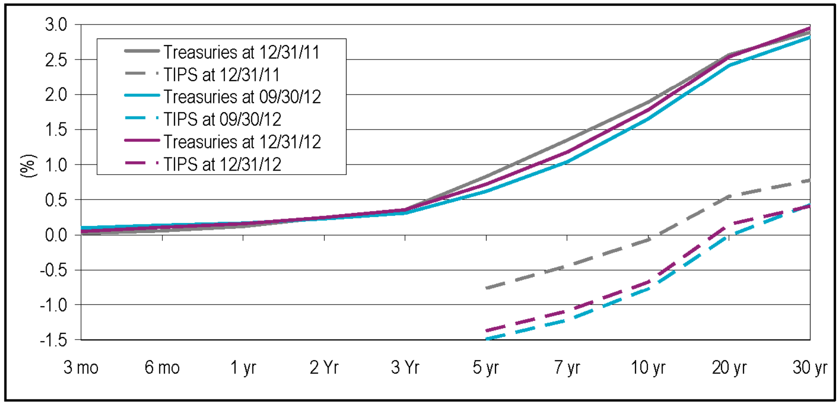


Source: MSCI, Bloomberg

- Earnings for European firms declined 6% in 2012. Europe is likely to remain in a recession for at least the first half of 2013, which will be an ongoing headwind. Nevertheless, it appears that the earnings trough may have been reached in this cycle, as EPS grew an estimated 2.7% during the fourth quarter as profit margins ticked up slightly. In contrast, earnings for US companies appear to be topping.
- Based on 10-year average real earnings, European stocks traded at a P/E of just 13, a 25% discount relative to their historical median and a 39% discount to US stocks.
- The local performance of Japanese stocks is negatively correlated to the yen as larger manufacturing exporters represent nearly half of the market. The government's new stimulus package as well as additional easing and potential inflation targeting from the Bank of Japan could serve to further weaken the yen and boost economic growth.
- Japanese stocks trade at just 1.1x book value and only 7.2x cash flows, significant discounts to the US market. Assuming profitability returns to pre-2008 levels, Japan is valued at a P/E of just 12.1. However, based on trailing 10-year average earnings, Japan appeared expensive in absolute terms, trading at a P/E of 19.
- The macro outlook for EM economies appears to be improving as the slowdown in China appears to have ended. EM stocks appear to be pricing in reasonable economic and profit assumptions. Based on P/B and P/CF, EM stocks are trading 7% below their historical median since 1996. Based on our measure of normalized earnings, EM equities traded at a P/E of just 13, a 40% discount to the US. Emerging market equities could underperform in a "risk-off" environment. However, the structural growth outlook for EM economies remains attractive as they are not exposed to same debt issues as the developed world.

Asset Class: Fixed Income – Interest Rates and Yield Curve

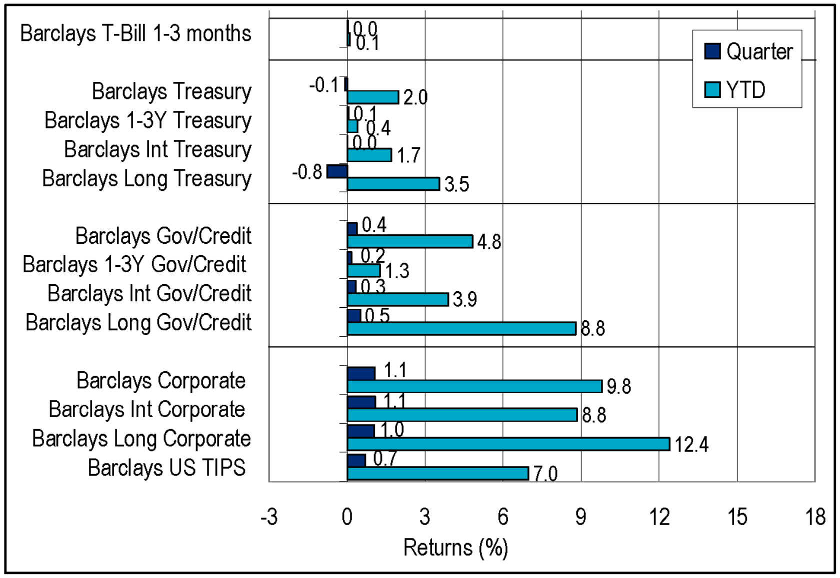
Treasury Yield Curve



Source: Federal Reserve

- The Fed expanded QE3 at its December meeting to include $45B a month in longer-term Treasury purchases on top of its existing $40B monthly MBS purchases. This puts the Fed on a pace to expand its balance by more than a third in 2013, or $1 trillion. In addition, the Fed shifted its policy guidance from time-based to economic data-based.
- Despite the expansion of QE3, the yield on the 10-year Treasury increased slightly during the fourth quarter, rising from 1.65% to 1.78%. The real yield on 10-year TIPS rose from -0.77% to -0.67%, while inflation breakeven rates relatively unchanged.

Bond Performance by Duration

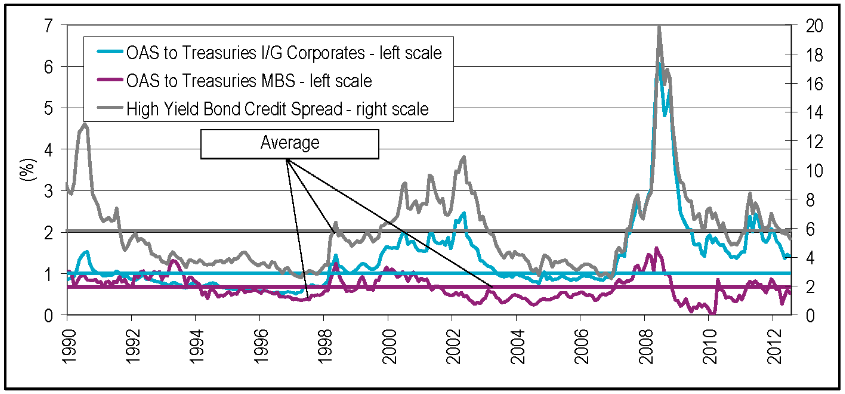


Source: Barclays, Bloomberg

- **US Bond** markets were mixed during the fourth quarter as long-term Treasuries declined, while corporate bonds rose as credit spreads declined.
- **Long-Duration Bonds** suffered as the yield on the 30-year Treasury rose from 2.82% to 2.95% in the fourth quarter. The Long Treasury index lost 0.8% for the quarter. The Long Government/Credit and Corporate indexes performed better as credit spreads continued to tighten, returning 0.5% and 1.0%, respectively, for the quarter.
- **Corporate bonds** outperformed **Treasuries** by 120 basis points for the quarter. Long corporate bonds were top performer in 2012, returning 12.4%.
- **TIPS** rose 0.7% during the fourth quarter despite the increase in real yields. TIPS outperformed Treasuries for the year as inflation breakeven rates rose.

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

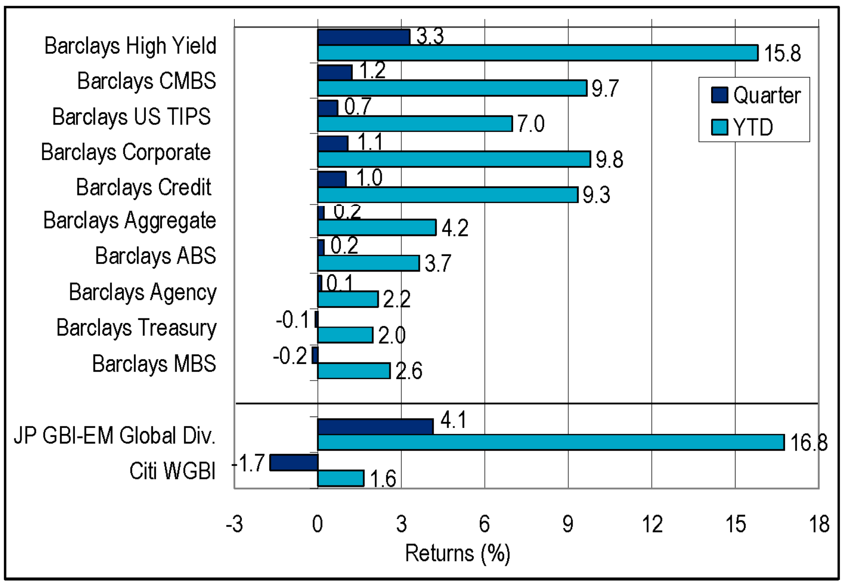
Credit Spreads



Source: Barclays

- Credit spreads narrowed significantly in 2012 as investors sought out yield. The yield on the Barclays Corporate index fell by 103 basis points to a near record low 2.8% in 2012, mostly driven by improvements in the financial sector. However, the option-adjusted spread to Treasuries of 1.4% remains above the 1% historical median. The yield on high yield bonds finished 2012 at a record low 6.1%, while the option-adjusted spread of 5.1% remained only 0.2% above historical averages.

Sector, Credit, and Global Bond Performance

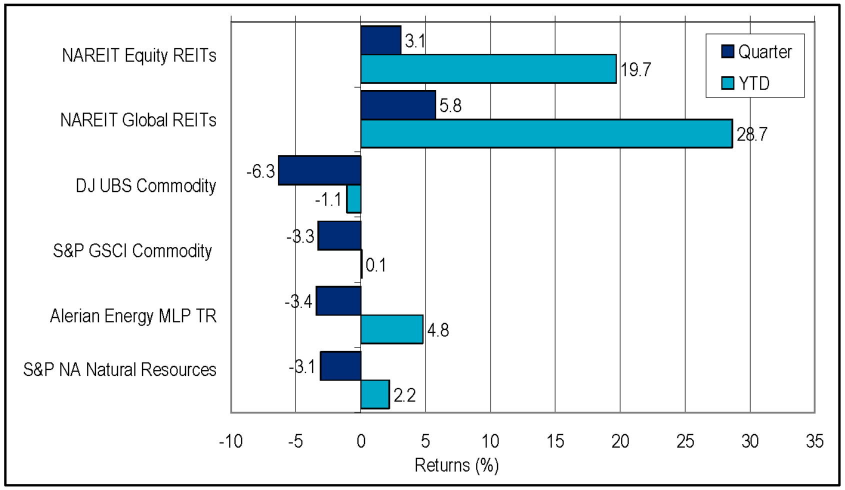


Source: Barclays, Citigroup, JP Morgan, Bloomberg

- **US CMBS, Corporate, Credit, ABS and Agency** indexes returned between 1.2% and 0.1% in the fourth quarter.
- **US Treasury and MBS** indexes posted negative returns of 0.1% and 0.2%, respectively, in the fourth quarter, but were still positive for the year.
- **High Yield Bonds** benefited from Fed policy and investor appetite for yield, gaining 3.3% during the fourth quarter and 15.8% for the year.
- The **Citigroup World Government Bond** index lost 1.7% for the quarter as the dollar rose sharply against the yen.
- **Local Currency Emerging Market Debt** gained 4.1% as EM currencies appreciated relative to the dollar. Local currency bonds gained 16.8% in 2012.

Asset Class: Alternatives – Performance Review

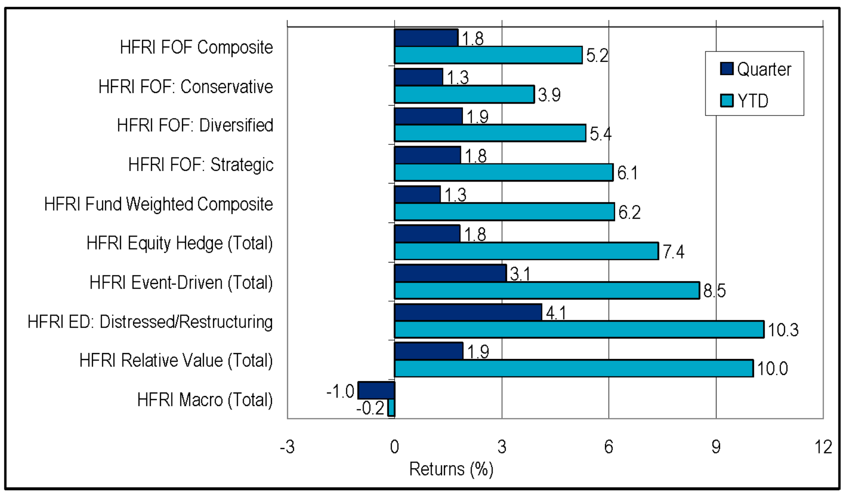
Real Asset Performance



Source: NAREIT, Dow-Jones, UBS, Goldman Sachs

- **US and Global REITs** posted gains of 3.1% and 5.8%, respectively, in the quarter, benefiting from their relative high yield. Global REITs performed strongly in 2012, soaring 28.7%.
- **Commodities:** Energy prices declined in the fourth quarter despite improved macro sentiment. The S&P GSCI shed 3.3% while the DJ-UBS Commodity index, which has a lower weighting to energy, pulled back 6.3%. For the year, the DJ UBS index fell 1.1%, while the S&P GSCI managed to post a small gain of 0.1%. Natural resource stocks underperformed the broad market, contracting by 3.1% in Q4 and returning just 2.2% for the year.

Hedge Fund Performance



Source: HFR

- **Hedge funds** outperformed US stocks and bonds in the fourth quarter. The HFRI Fund of Funds Composite index returned 1.8%, while the Russell 3000 Index and the Barclays Aggregate index both gained 0.2%. For the year, hedge funds trailed the Russell 3000 but outperformed the Barclays Aggregate Index.
- Macro strategies were the worst performer for both the quarter and the year, while distressed managers were the best performer for both periods.

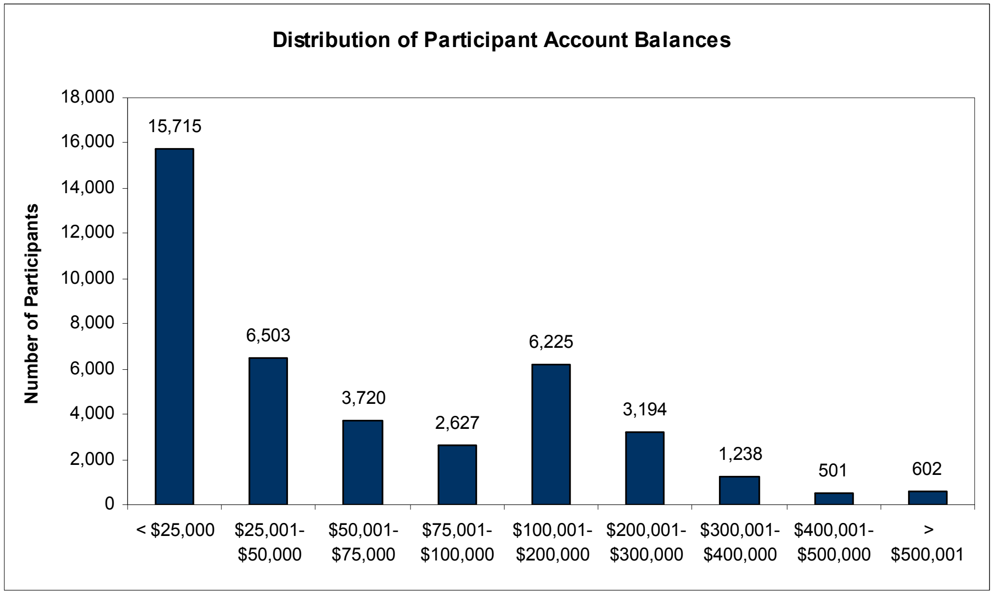
Summary – Investment Option Array

	Tier I Asset Allocation Risk-Profile Funds	Tier II Core Options	Tier III Specialty Options
Conservative			
		Capital Preservation FDIC-Insured Savings Account JP Morgan Chase Certificates of Deposit	
		DCP Stable Value (100% Galliard Separate Account)	
	DCP Ultra Conservative	**DCP Bond Fund** (50% Vanguard Total Bond Market Index Fund + 50% PIMCO Total Return Fund)	
	DCP Conservative	**DCP Large-Cap Stock Fund** (100% Vanguard Institutional Index Fund)	
	DCP Moderate	**DCP Mid-Cap Stock Fund*** (100% Vanguard Mid-Cap Index Fund)	
	DCP Aggressive	**Small-Cap Equity***** (100% SSgA Russell Small Cap Index Non-Lending Series)	
	DCP Ultra Aggressive	**International Equity**** DWS EAFE Equity Index Fund Fidelity Diversified International Fund	**Brokerage Window** Schwab PCRA Self-Directed Brokerage Account
Aggressive			

* DCP Mid-Cap Stock approved structure is 50% Mid Cap Core + 25% Mid Cap Value + 25% Mid Cap Growth upon completion of Phase II implementation
** Upon completion of Phase II new DCP International Equity Fund with approved structure of 65% International Developed + 17.5% Emerging Markets + 17.5% International Small Cap
***Upon completion of Phase II new DCP Small-Cap Stock with approved structure is 34% Small Cap Core + 33% Small Cap Value + 33% Small Cap Growth

Summary – Plan Highlights, Key Observations and Recommendations

Deferred Compensation Plan Assets



- At quarter-end, assets in the Deferred Compensation Plan totaled $3,578.7 million, increasing $39.2 million (1.1%) from $3,539.5 million at the previous quarter-end as a result of investment gains and net cash inflows. Contributions (including other deposits) for the quarter totaled $72.2 million compared to withdrawals (including fees) of $57.9 million. Investment gains totaled $25.1 million.

- As of December 31, 2012, there were 40,325 participants with ending account balances. The average account balance was $88,746, while the median account balance was $40,266. The distribution of participant balances is shown to the right; 39.0% of participants had a balance less than $25,000 and 1.5% had a balance greater than $500,000.

- The Deferred Compensation Plan (DCP) Large Cap Stock Fund held the highest percentage of Plan assets (31.0%), followed by the DCP Stable Value Fund (23.6%), FDIC-Insured Savings Account (8.5%), DCP Bond Fund (6.2%), and Schwab PCRA Self-Directed Brokerage Account (6.0%). All other funds each held less than 5.0% of Plan assets.

- Assets in the Profile funds (5 customized risk-based Profile funds ranging from Ultra Conservative to Ultra Aggressive) totaled $478.8 million (13.4%) at quarter end; this was an increase of $22.6 million from $456.2 million at the prior quarter end.

Performance

- The Plan's investments are generally meeting performance objectives, and we are recommending no changes at this time. The Fidelity Diversified International Fund was a notable detractor, trailing its index and peer group median by 160 and 130 basis points, respectively, during the quarter. The drivers of underperformance include stock selection in information technology and materials, an underweight and stock selection in the financials sector, and an overweight and stock selection in the consumer staples and consumer discretionary sectors. An underweight allocation to utilities and stock selection in health care benefited performance. From a regional standpoint, stock selection in Japan, U.S., and Canada detracted relative returns while stock selection in the Asia Pacific ex-Japan aided performance. For the 1-year period, the fund outperformed its benchmark by 210 basis points due to stock selection in the information technology, health care, consumer discretionary, consumer staples, telecommunication services, and industrials sectors. An underweight to utilities also added value. Stock selection in energy and materials dragged performance as did an underweight to financials.

Summary – Plan Highlights, Key Observations and Recommendations

Key Observations and Recommendations

- On April 20, 2012, Phase I of the Investment Menu Implementation was completed. The following changes took place:
  - DCP Bond Fund was formed, which is 50% Vanguard Total Bond Market Index Fund and 50% PIMCO Total Return Fund
  - The Vanguard Institutional Index Fund was transitioned to the newly formed DCP Large-Cap Stock Fund, which is 100% passively managed
  - The Hartford Capital Appreciation, American Funds Growth Fund of America, and American Funds Investment Company of America were terminated and assets were mapped to the newly created DCP Large-Cap Stock Fund
  - Investments in the Vanguard Mid-Cap Index Fund were mapped to the newly created DCP Mid-Cap Stock Fund as part of Phase I. Future procurements for active mid value and mid growth managers will occur this year
  - The Lazard US Mid Cap Equity Fund was terminated and assets were mapped to the DCP Mid-Cap Stock Fund

- The next phase of the new line-up configuration will be the procurement process for new managers to build out the DCP Mid-Cap, Small-Cap, and International Stock Funds.

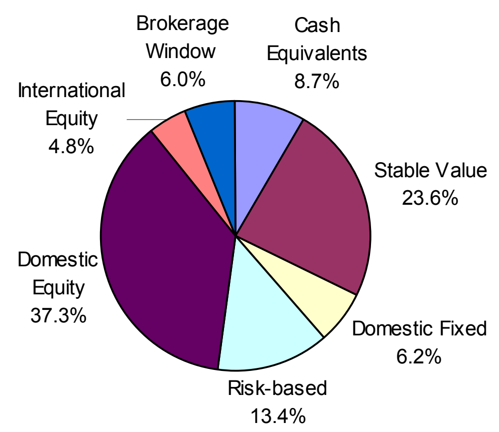
- On November 1, 2012 Bank of the West reduced its declared rate to 0.75% from 1.00%. Bank of the West, Bank of America, and City National Bank have weightings of 50%, 25%, and 25%, respectively. For the quarter ending December 31, 2012 their declared rates were as follows: Bank of America = 0.14%, Bank of the West = 0.75% and City National Bank = 0.15% yielding a 0.45% APR.

- On January 31, 2013, the Vanguard Mid-cap Index Fund (currently 100% of the DCP Mid-Cap Stock Fund) changed its benchmark from the MSCI US Mid Cap 450 Index to CRSP US Mid Cap Index.

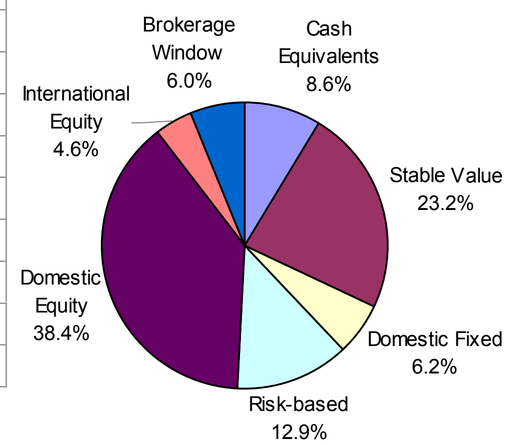
Summary – Asset Allocation

Investment Option	Current Balance	Prior Balance	% of Plan	% Chg vs. Prior
Cash Equivalents	**$311,862,880**	**$304,920,066**	**8.7%**	**0.1%**
FDIC-Insured Savings Account	$305,937,996	$296,354,124	8.5%	0.2%
JPMorgan Chase Certificates of Deposit	$5,924,884	$8,565,942	0.2%	-0.1%
Stable Value	**$843,972,051**	**$821,127,274**	**23.6%**	**0.4%**
Deferred Compensation Stable Value Fund (Net)	$843,972,051	$821,127,274	23.6%	0.4%
Domestic Fixed	**$221,796,739**	**$220,856,218**	**6.2%**	**0.0%**
DCP Bond Fund	$221,796,739	$220,856,218	6.2%	0.0%
Risk-based	**$478,781,878**	**$456,215,737**	**13.4%**	**0.5%**
Ultra Conservative	$35,155,868	$32,641,812	1.0%	0.1%
Conservative Profile	$68,440,050	$63,602,667	1.9%	0.1%
Moderate Profile	$174,157,130	$169,507,145	4.9%	0.1%
Aggressive Profile	$156,399,799	$151,715,332	4.4%	0.1%
Ultra Aggressive Profile	$44,629,032	$38,748,781	1.2%	0.2%
Domestic Equity	**$1,334,780,236**	**$1,360,727,103**	**37.3%**	**-1.1%**
DCP Large Cap Stock Fund	$1,107,862,635	$1,137,094,385	31.0%	-1.2%
DCP Mid Cap Stock Fund	$88,678,741	$87,417,024	2.5%	0.0%
SSgA Russell Small Cap Index Non-Lending Series Fund	$138,238,861	$136,215,693	3.9%	0.0%
International Equity	**$172,756,851**	**$163,003,839**	**4.8%**	**0.2%**
DWS EAFE Equity Index Fund Institutional	$33,176,947	$30,898,281	0.9%	0.1%
Fidelity Diversified International Fund	$139,579,904	$132,105,558	3.9%	0.2%
Brokerage Window	**$214,734,272**	**$212,608,893**	**6.0%**	**0.0%**
Schwab PCRA Self-Directed Brokerage Account	$214,734,272	$212,608,893	6.0%	0.0%
Total Plan	**$3,578,684,906**	**$3,539,459,130**	**100%**	

Current Asset Allocation - December 31, 2012



Prior Asset Allocation - September 30, 2012



Summary – Investment Expense Analysis

Analysis reflects investment expenses only and does not include an evaluation of plan recordkeeping costs.

Fund	Style	Fund Balance	Estimated Fund Expense	Fund Net Expense Ratio	Median Net Expense Ratio[1]	Net Expense Diff.	Expense Reimbursement	Investment Management Fee
FDIC-Insured Savings Account	Cash Equivalents	$305,937,996	N/A	N/A	N/A	N/A	N/A	N/A
JPMorgan Chase Certificates of Deposit	Cash Equivalents	$5,924,884	N/A	N/A	N/A	N/A	N/A	N/A
Deferred Compensation Stable Value Fund (Net)	Stable Value	$843,972,051	$2,363,122	0.28%	0.47%	-0.19%	0.00%	0.28%
DCP Bond Fund	US Fixed	$221,796,739	$576,672	0.26%	0.53%	-0.27%	0.00%	0.26%
Ultra Conservative	Risk-based	$35,155,868	$66,796	0.19%	0.85%	-0.66%	0.00%	0.19%
Conservative Profile	Risk-based	$68,440,050	$150,568	0.22%	0.85%	-0.63%	0.00%	0.22%
Moderate Profile	Risk-based	$174,157,130	$313,483	0.18%	0.88%	-0.70%	0.00%	0.18%
Aggressive Profile	Risk-based	$156,399,799	$281,520	0.18%	0.95%	-0.77%	0.00%	0.18%
Ultra Aggressive Profile	Risk-based	$44,629,032	$80,332	0.18%	0.95%	-0.77%	0.00%	0.18%
DCP Large Cap Stock Fund	US Large Cap Equity	$1,107,862,635	$221,573	0.02%	0.20%	-0.18%	0.00%	0.02%
DCP Mid Cap Stock Fund	US Mid Cap Equity	$88,678,741	$70,943	0.08%	0.28%	-0.20%	0.00%	0.08%
SSgA Russell Small Cap Index Non-Lending Series Fund	US Small Cap Equity	$138,238,861	$82,943	0.06%	0.30%	-0.24%	0.00%	0.06%
DWS EAFE Equity Index Fund Institutional	International Equity	$33,176,947	$165,885	0.50%	0.40%	0.10%	0.00%	0.50%
Fidelity Diversified International Fund	International Equity	$139,579,904	$1,409,757	1.01%	1.04%	-0.03%	0.25%	0.76%
Schwab PCRA Self-Directed Brokerage Account	Brokerage Window	$214,734,272	N/A	N/A	N/A	N/A	N/A	N/A
Total		**$3,578,684,906**	**$5,783,593**	**0.19%**[2]			**0.01%**	**0.18%**[2]
Total with Fixed Per Participant Fee		**$3,578,684,906**	**$8,077,125**	**0.26%**[3]				

[1] Median institutional share class net expense ratio as defined by the respective Mercer Mutual Fund Universe and Lipper institutional share class categorizations. The median stable value management fee is 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 excludes assets in the FDIC-Insured Savings Account, JPMorgan Chase Certificates of Deposit, and Schwab Self-Directed Brokerage Account.
[3] Total estimated annual asset-based fee is $2,293,532, reflecting a quarterly per participant fee of 0.025% on the first $125,000 of balance. The number of participants with less than a $125k balance during the quarter was 30,608, and total assets for this group amounted to $1,078,907,138. There were 9,717 participants with balances in excess of $125k with an aggregate balance of $1,214,625,000. The total participant count is 40,325.

Summary – Compliance with Investment Policy Performance Standards

Periods ending December 31, 2012

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

I – Index U – Universe Median	3 Years				5 Years				Comments
	I	U	I	U	I	U	I	U	
Deferred Compensation Stable Value Fund (Net)	✓	✓	✓	✓	✓	✓	✓	✓	Retain.
DCP Bond Fund	✓	✓	✓	✓	✓	✓	✓	✓	Retain. Fund inception was on April 20, 2012 with 50% allocated to PIMCO Total Return Fund Institutional and 50% allocated to Vanguard Total Bond Market Index Fund Inst Plus.
Ultra Conservative Profile	✓	N/A	✓	N/A	N/A	N/A	N/A	N/A	No changes to allocations.
Conservative Profile	✓	N/A	T	N/A	✓	N/A	✓	N/A	No changes to allocations.
Moderate Profile	T	N/A	T	N/A	T	N/A	T	N/A	No changes to allocations.
Aggressive Profile	T	N/A	T	N/A	T	N/A	✗	N/A	No changes to allocations. Slight underperformance due to fees and rebalancing effects.
Ultra Aggressive Profile	T	N/A	T	N/A	N/A	N/A	N/A	N/A	No changes to allocations.
DCP Large Cap Stock Fund	T	N/A	T	N/A	T	N/A	T	N/A	Retain.
DCP Mid Cap Stock Fund	T	N/A	T	N/A	T	N/A	T	N/A	Retain.
SSgA Russell Small Cap Index Non-Lending Series Fund	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	Fund will be eliminated upon completion of investment menu consolidation.
Fidelity Diversified International Fund	✓	✗	✓	✓	✗	✗	✓	✗	Fund under-performing but this investment category will be addressed once investment procurements and restructuring are completed over course of next twelve months.

Summary – Performance

Periods ending December 31, 2012

	% of Plan	3 Months	1 Year	3 Years	5 Years	Recommendation
Cash Equivalents						
FDIC-Insured Savings Account (Blended Rate – 0.45% APY)[1]	**8.5%**	**0.1%**	**0.4%**	**0.4%**	**NA**	**Retention**
JPMorgan Chase Certificates of Deposit	**0.2%**	**NA**	**NA**	**NA**	**NA**	**Retention**
Stable Value						
Deferred Compensation Stable Value Fund (Net)[2]	**23.6%**	**0.7%**	**2.9%**	**3.3%**	**3.8%**	**Retention**
3 Yr Constant Maturity Treasury +50bps		0.2%	0.9%	1.2%	1.7%	
iMoneyNet All Taxable+100bps		0.3%	1.0%	1.0%	1.5%	
Mercer Stable Value Universe Median		*0.6%*	*2.4%*	*3.1%*	*3.5%*	
Fund Rank in Universe		*15*	*15*	*32*	*27*	
Domestic Fixed						
DCP Bond Fund	**6.2%**	**0.7%**	**7.3%**	**7.0%**	**7.1%**	**Retention**
Barclays US Aggregate		0.2%	4.2%	6.2%	6.0%	
Mercer MF US Fixed Core Universe Median		*0.6%*	*6.4%*	*6.7%*	*5.9%*	
Fund Rank in Universe		*47*	*40*	*42*	*23*	
Vanguard Total Bond Market Index Fund Inst Plus[3]		**0.1%**	**4.2%**	**6.2%**	**5.9%**	**Retention**
Barclays US Aggregate		0.2%	4.2%	6.2%	6.0%	
PIMCO Total Return Fund Institutional		**1.2%**	**10.4%**	**7.8%**	**8.4%**	**Retention**
Barclays US Aggregate		0.2%	4.2%	6.2%	6.0%	
Mercer MF US Fixed Core Universe Median		*0.6%*	*6.4%*	*6.7%*	*5.9%*	
Fund Rank in Universe		*22*	*13*	*25*	*7*	
Risk-based[4]						
Ultra Conservative	**1.0%**	**1.0%**	**6.5%**	**6.0%**	**NA**	**No changes to allocations**
Ultra Conservative Profile Custom Index[5]		0.6%	4.9%	5.1%	3.9%	

[1] The blended rate is as of 12/31/2012. Bank of the West, Bank of America, and City National Bank have weightings of 50%, 25%, and 25%, respectively; their declared rates at the end of the quarter are as follows: Bank of America = 0.14%, Bank of the West = 0.75% and City National Bank = 0.15%. On November 1, 2012 Bank of the West reduced the declared rate to 0.75%.
[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 shorter track record for Institutional Plus shares, performance for Institutional shares is shown for the 3-year period and longer.
[4] Allocation to the profile funds changed June 1, 2009 with the inclusion of a US mid cap equity component.
[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.

Fund: Outperformed Benchmark Underperformed Benchmark Tracked Benchmark **Universe Ranking:** 0% - 50% 50% - 75% 75% - 100%

	% of Plan	3 Months	1 Year	3 Years	5 Years	Recommendation
Conservative Profile	**1.9%**	**1.5%**	**9.3%**	**7.2%**	**4.4%**	**No changes to allocations**
Conservative Profile Custom Index[6]		1.1%	8.1%	6.7%	3.9%	
Moderate Profile	**4.9%**	**1.7%**	**12.1%**	**8.4%**	**3.4%**	**No changes to allocations**
Moderate Profile Custom Index[7]		1.4%	11.3%	8.2%	3.1%	
Aggressive Profile	**4.4%**	**2.2%**	**13.9%**	**8.9%**	**2.2%**	**No changes to allocations**
Aggressive Profile Custom Index[8]		2.0%	13.3%	8.8%	2.5%	
Ultra Aggressive Profile	**1.2%**	**2.7%**	**15.7%**	**9.5%**	**NA**	**No changes to allocations**
Ultra Aggressive Profile Custom Index[9]		2.5%	15.4%	9.5%	1.8%	
Domestic Equity						
DCP Large Cap Stock Fund[10]	**31.0%**	**-0.4%**	**16.0%**	**10.9%**	**1.7%**	**Retention**
S&P 500		-0.4%	16.0%	10.9%	1.7%	
DCP Mid Cap Stock Fund[11]	**2.5%**	**2.8%**	**16.0%**	**12.6%**	**3.2%**	**Retention**
DCP Mid Cap Stock Fund Composite Index		2.8%	16.0%	12.7%	3.2%	
SSgA Russell Small Cap Index Non-Lending Series Fund	**3.9%**	**1.8%**	**16.2%**	**12.2%**	**3.4%**	**Retention**
Russell 2000		1.9%	16.4%	12.3%	3.6%	
International Equity						
DWS EAFE Equity Index Fund Institutional	**0.9%**	**7.4%**	**18.3%**	**3.7%**	**-3.7%**	**Retention**
MSCI EAFE NET WHT		6.6%	17.3%	3.6%	-3.7%	
Fidelity Diversified International Fund	**3.9%**	**5.0%**	**19.4%**	**4.1%**	**-4.0%**	**Investment category will be addressed once investment procurements and restructuring are completed over course of next twelve months.**
MSCI EAFE NET WHT		6.6%	17.3%	3.6%	-3.7%	
Mercer MF Intl Equity Universe Median		*6.3%*	*18.6%*	*4.7%*	*-2.8%*	
Fund Rank in Universe		*79*	*39*	*61*	*68*	

[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.

[10] The fund is 100% allocated to the Vanguard Institutional Index Fund Inst Pl. Performance is shown and will be updated accordingly with the addition of underlying funds.

[11] The fund is 100% allocated to the Vanguard Mid Cap Index Fund Instl. Performance is shown and will be updated accordingly with the addition of underlying funds. For the Composite Index, the S&P MidCap 400 Index used through May 16, 2003; MSCI US Mid Cap 450 Index through January 31, 2013; CRSP US Mid Cap Index, thereafter.

Fund: Outperformed Benchmark Underperformed Benchmark Tracked Benchmark **Universe Ranking:** 0% - 50% 50% - 75% 75% - 100%

Summary – Performance of DCP Investment Menu Composite Benchmarks

Periods ending December 31, 2012

	3 Months	1 Year	3 Years	5 Years
DCP Stable Value Index (100% 3-Yr CMT + 50bps)	**0.7%**	**2.9%**	**3.3%**	**3.8%**
DCP Bond Fund Index (100% BC Aggregate Bond Index)	**0.2%**	**4.2%**	**6.2%**	**5.9%**
DCP Large-Cap Stock Fund Index (100% S&P 500 Index)	**-0.4%**	**16.0%**	**10.9%**	**1.7%**
DCP Mid-Cap Stock Fund Composite Index	**2.8%**	**17.2%**	**13.2%**	**3.6%**
Russell Midcap Index (50%)	*2.9%*	*17.3%*	*13.2%*	*3.6%*
Russell Midcap Value Index (25%)	*3.9%*	*18.5%*	*13.4%*	*3.8%*
Russell Midcap Growth Index (25%)	*1.7%*	*15.8%*	*12.9%*	*3.2%*
DCP Small-Cap Stock Fund Composite Index	**1.8%**	**16.3%**	**12.2%**	**3.6%**
Russell 2000 Index (34%)	*1.9%*	*16.3%*	*12.2%*	*3.6%*
Russell 2000 Value Index (33%)	*3.2%*	*18.1%*	*11.6%*	*3.5%*
Russell 2000 Growth Index (33%)	*0.5%*	*14.6%*	*12.8%*	*3.5%*
DCP International Fund Composite Index	**6.3%**	**18.0%**	**4.4%**	**-2.6%**
MSCI EAFE Index (65%)	*6.6%*	*17.3%*	*3.6%*	*-3.7%*
MSCI EM Index (17.5%)	*5.6%*	*18.2%*	*4.7%*	*-0.9%*
MSCI EAFE Small Cap Index (17.5%)	*6.0%*	*20.0%*	*7.2%*	*-0.9%*

Fund Profile

Stable Value - Deferred Compensation Stable Value Fund (Net)

Share Class: Separate Account | **Benchmark: 3 Yr Constant Maturity Treasury Index + 50 bps**

Investment Philosophy

Galliard seeks safety of principal and consistency of returns, with minimal volatility while maintaining a stable crediting rate. The fund is 100% 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 with a target of 3 years.

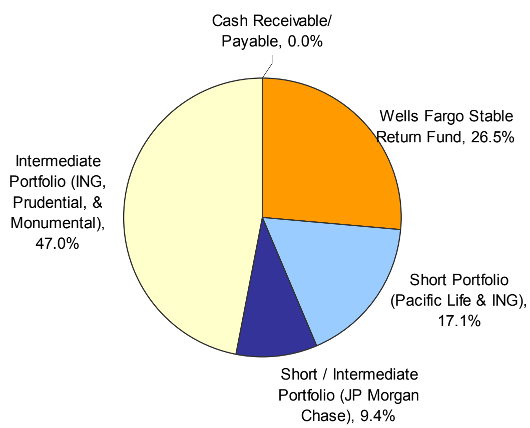
Fund Characteristics

	4Q12	3Q12	2Q12	1Q12
Mkt/Book Value Ratio	103.9%	104.4%	104.0%	103.9%
Avg. Credit Quality	A1/AA-	A1/A+	A1/A+	A1/A+
Effective Duration (yrs)	2.62	2.47	2.62	2.75
Crediting Rate	2.7%	2.9%	3.0%	3.1%

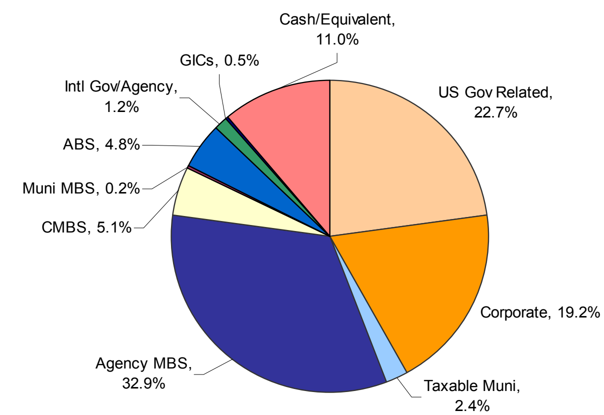
Fund Observations

- The Fund had net inflows of $19.7 million during the quarter, representing an increase of 2.3% in total stable value assets
- Number of contract issuers: 5
- Credit quality remains strong with 79.3% of fixed income in AAA rated securities and 0.1% in BBB rated or below
- Duration distribution ranged between 2.0 – 3.5 years

Fund Composition as of December 31, 2012



Underlying Fixed Income Asset Allocation as of December 31, 2012 (% of MV)



Key Facts and Figures

Portfolio Manager: Galliard Capital Management

Inception (in Plan): July 2008

Expense Ratio (Net): 0.28% (0.06% Investment Management Fees / 0.03% Sub-Advisor Fee / 0.137% Wrap Fee / .056% Other Fees)

Mercer Median Expense Ratio (Net): 0.47%

Fund Profile

Domestic Fixed - DCP Bond Fund

Share Class: N/A	**Benchmark: Barclays US Aggregate**

Investment Philosophy

The DCP Bond Fund is a multi-manager strategy using passive and active management. The fund has a 50% allocation to the Vanguard Total Bond Market Index Fund and 50% to the PIMCO Total Return Fund.

Performance Characteristics as of December 31, 2012

Performance characteristics vs. Barclays US Aggregate in $US (after fees) over 5 yrs ending December-12 (monthly calculations)

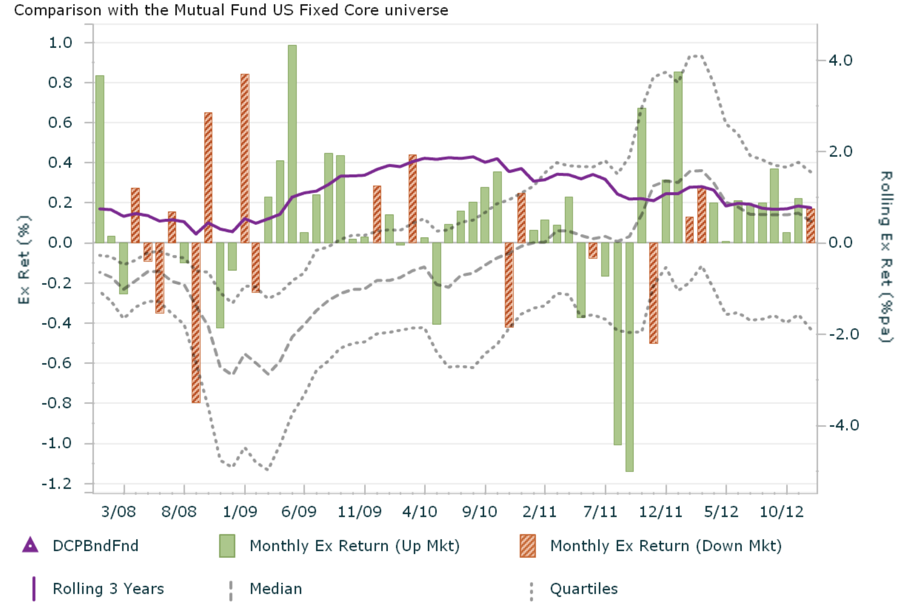
Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking)

	Ret (%pa)	Std Dev (%pa)	Ret/SD	TE (%pa)	IR
DCPBndFnd	7.2*(23)*	3.6*(64)*	2.0*(8)*	1.4*(90)*	0.9*(4)*
BCUSAG	6.0*(49)*	3.5*(67)*	1.7*(26)*	0.0*(100)*	-
5th Percentile	8.8	9.5	2.1	7.5	0.8
Upper Quartile	7.1	5.2	1.7	4.0	0.3
Median	5.9	4.1	1.4	3.1	0.0
Lower Quartile	4.1	3.3	1.1	2.1	-0.6
95th Percentile	2.0	1.7	0.6	1.1	-1.3
Number	326	326	326	326	326

Excess Return

Monthly Excess Return vs. Barclays US Aggregate with rolling 3 yr line in $US (after fees) over 5 yrs ending December-12

Comparison with the Mutual Fund US Fixed Core universe



Key Facts and Figures

Expense Ratio (Net): 0.26%

Mercer Median Expense Ratio (Net): 0.53%

Fund Profile

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

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

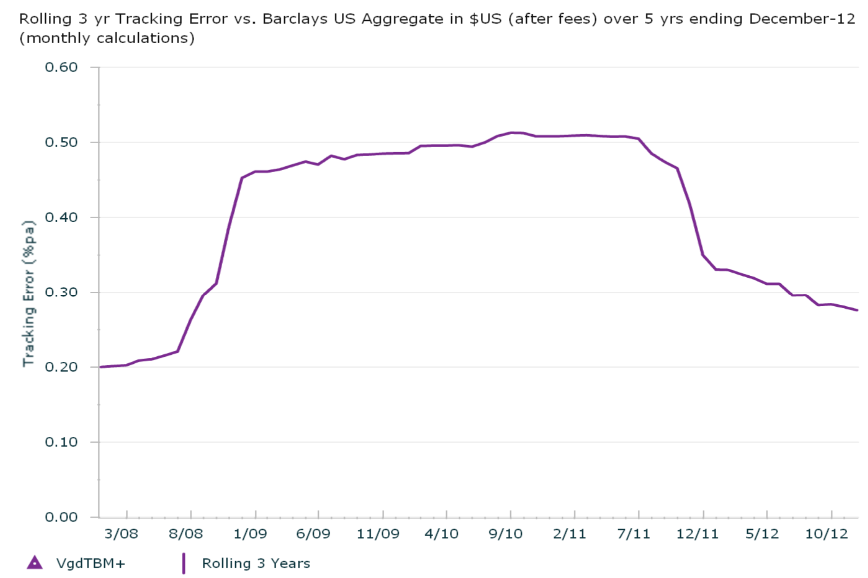
Investment Philosophy

The fund is designed to provide investors with a low-cost method of consistently capturing the return of the U.S. bond market, as defined by the Spliced Barclays US Aggregate Float Adjusted Bond Index. The target index for Vanguard Total Bond Market Index Fund, the Spliced Barclays US Aggregate Float Adjusted Bond Index, provides extensive coverage of the major sectors of the debt market. This unmanaged index consists of government, corporate and mortgage-backed securities. The fund is passively-managed using sampling techniques. Securities are selected that will keep the Fund's characteristics in-line with those of the index. The key index characteristics that the fund strives to match are sector weightings, coupon, maturity, effective duration, convexity and quality. To ensure good tracking with the index, the Fund attempts to remain fully invested, while maintaining characteristics consistent with those of the index.

Sector Allocation as of December 31, 2012

Sector	Vanguard Total Bond Market Index Fund	Barclays US Aggregate Index
US Treasury/Agency	43.7%	41.2%
Mortgages	24.9%	29.6%
Industrials	12.5%	12.2%
Financials	7.6%	7.0%
Other	5.6%	0.0%
Utilities	2.6%	2.4%
CMBS	2.0%	1.8%
Non-Corporates	0.8%	5.4%
ABS	0.3%	0.4%

Tracking Error



Key Facts and Figures

Portfolio Manager (Advised Since): Kenneth E. Volpert (1992) and Gregory Davis (2008)	Total Fund Assets: $116,668 Million Total Share Class Assets: $16,294 Million	Expense Ratio (Net): 0.05% Mercer Median Expense Ratio (Net): 0.20%

Fund Profile

Domestic Fixed - PIMCO Total Return Fund Institutional - PTTRX

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

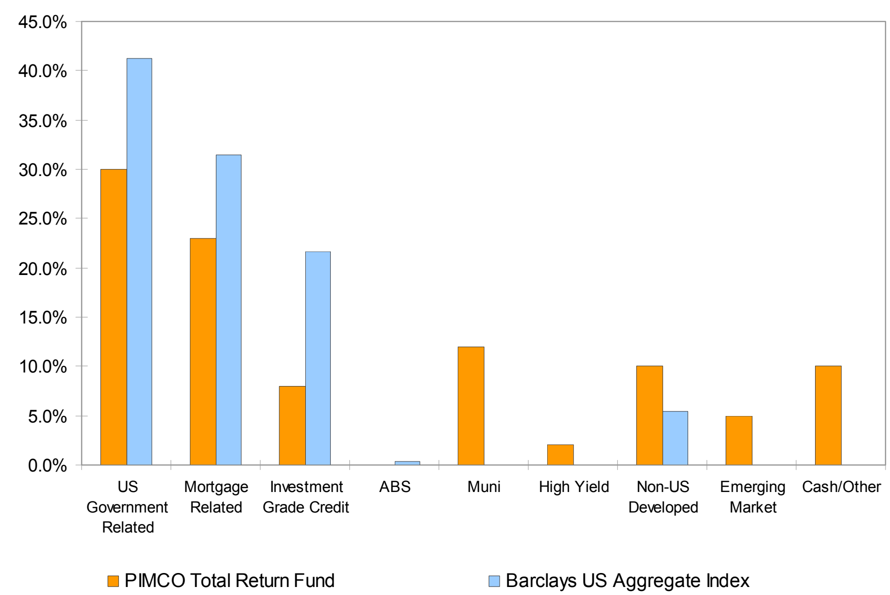
Investment Philosophy

PIMCO's approach to fixed income management is to position the portfolio with exposure to a series of moderate risks, ensuring that no single strategy overwhelms the portfolio. The firm continually evaluates new techniques for adding value. Emphasis is on long-term secular trends and the avoidance of extreme swings in portfolio duration. The Total Return strategy invests opportunistically in non-investment grade and non-dollar bonds, with up to 10% of total assets in high yield securities and 30% in securities denominated in foreign currencies. The Fund may invest beyond this limited in U.S. dollar-denominated securities of foreign issuers, but limits itself to no more than 15% in securities that are economically tied to emerging market countries.

Fund Characteristics as of December 31, 2012

- Effective Duration: 4.8 years
- Effective Maturity: 6.1 years
- SEC 30-Day Annual Yield: 1.6%
- Distribution Yield: 2.7%
- Average Coupon: 3.6%
- Net Currency Exposure: 0.8%

Sector Allocation (Duration Weighted) as of December 31, 2012



Key Facts and Figures

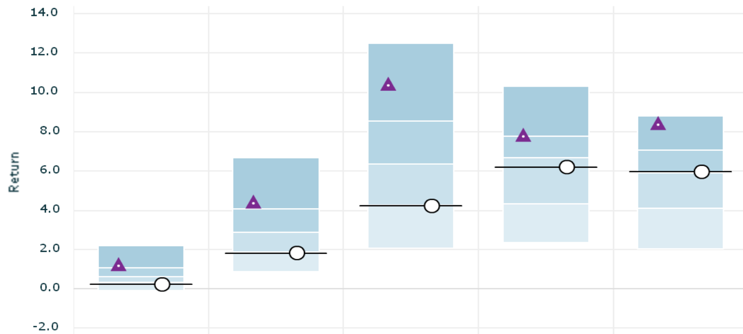
Portfolio Manager (Advised Since): William H. Gross (1987)	Total Fund Assets: $285,400 Million Total Share Class Assets: $175,137 Million	Expense Ratio (Net): 0.46% Mercer Median Expense Ratio (Net): 0.53%

Fund Profile

Domestic Fixed - PIMCO Total Return Fund Institutional - PTTRX

Return in $US (after fees) over 3 mths, 6 mths, 1 yr, 3 yrs, 5 yrs ending December-12

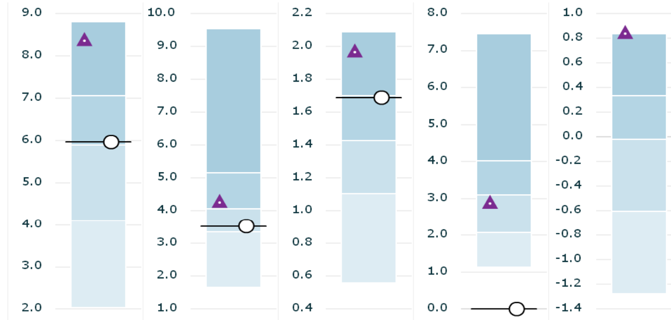
Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking)



	3 mths (%)	6 mths (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)
PimcoTR	1.2 *(22)*	4.4 *(22)*	10.4 *(13)*	7.8 *(25)*	8.4 *(7)*
BCUSAG	0.2 *(82)*	1.8 *(77)*	4.2 *(76)*	6.2 *(58)*	6.0 *(49)*
5th Percentile	2.2	6.7	12.5	10.3	8.8
Upper Quartile	1.1	4.1	8.5	7.8	7.1
Median	0.6	2.9	6.4	6.7	5.9
Lower Quartile	0.3	1.9	4.3	4.3	4.1
95th Percentile	-0.1	0.9	2.1	2.3	2.0
Number	394	390	384	346	326

Performance characteristics vs. Barclays US Aggregate in $US (after fees) over 5 yrs ending December-12 (monthly calculations)

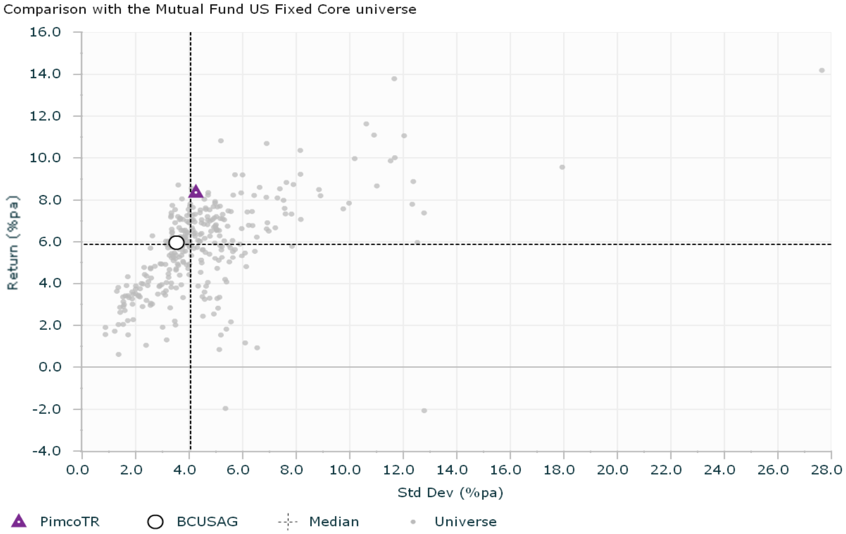
Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking)



	Ret (%pa)	Std Dev (%pa)	Ret/SD	TE (%pa)	IR
PimcoTR	8.4 *(7)*	4.3 *(45)*	2.0 *(8)*	2.9 *(60)*	0.8 *(5)*
BCUSAG	6.0 *(49)*	3.5 *(67)*	1.7 *(26)*	0.0 *(100)*	-
5th Percentile	8.8	9.5	2.1	7.5	0.8
Upper Quartile	7.1	5.2	1.7	4.0	0.3
Median	5.9	4.1	1.4	3.1	0.0
Lower Quartile	4.1	3.3	1.1	2.1	-0.6
95th Percentile	2.0	1.7	0.6	1.1	-1.3
Number	326	326	326	326	326

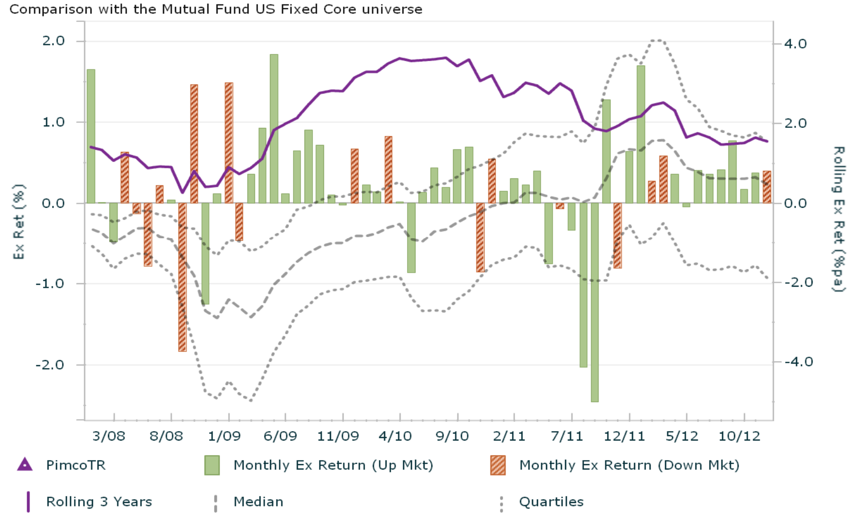
Return and Std Deviation in $US (after fees) over 5 yrs ending December-12 (monthly calculations)

Comparison with the Mutual Fund US Fixed Core universe



Monthly Excess Return vs. Barclays US Aggregate with rolling 3 yr line in $US (after fees) over 5 yrs ending December-12

Comparison with the Mutual Fund US Fixed Core universe



Risk-based Profile Funds

Profile Funds – Target Allocations

	4Q 2012 Fund Return (%)	*4Q 2012 Benchmark Return (%)*	*Excess Return (%)*	*Ultra Conservative Profile*	*Conservative Profile*	*Moderate Profile*	*Aggressive Profile*	*Ultra Aggressive Profile*
Stable Value								
DCP Stable Value	0.7%	0.2%	0.5%	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	0.1%	0.2%	-0.1%	50.0%	50.0%	30.0%	20.0%	10.0%
Total US Fixed Income				**50.0%**	**50.0%**	**30.0%**	**20.0%**	**10.0%**
US Equity								
Total US Large Cap Equity				***5.0%***	***12.5%***	***25.0%***	***25.0%***	***25.0%***
Vanguard Instl Index Instl Plus	-0.4%	-0.4%	0.0%	5.0%	12.5%	25.0%	25.0%	25.0%
Total US Mid/Small Cap Equity				***5.0%***	***10.0%***	***20.0%***	***30.0%***	***40.0%***
Vanguard Mid Cap Index Instl	2.8%	2.8%	0.0%	2.5%	5.0%	10.0%	15.0%	20.0%
SSgA Russell Sm Cap NL Series S	1.8%	1.9%	-0.1%	2.5%	5.0%	10.0%	15.0%	20.0%
Total US Equity				**10.0%**	**22.5%**	**45.0%**	**55.0%**	**65.0%**
Non-US Equity								
DWS EAFE Equity Index Fund Instl	7.4%	6.6%	0.8%	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%**

Fund Profile

Domestic Equity - DCP Large Cap Stock Fund (100% Vanguard Institutional Index Fund Inst Plus – VIIIX)

Share Class: Institutional Plus **Benchmark: S&P 500**

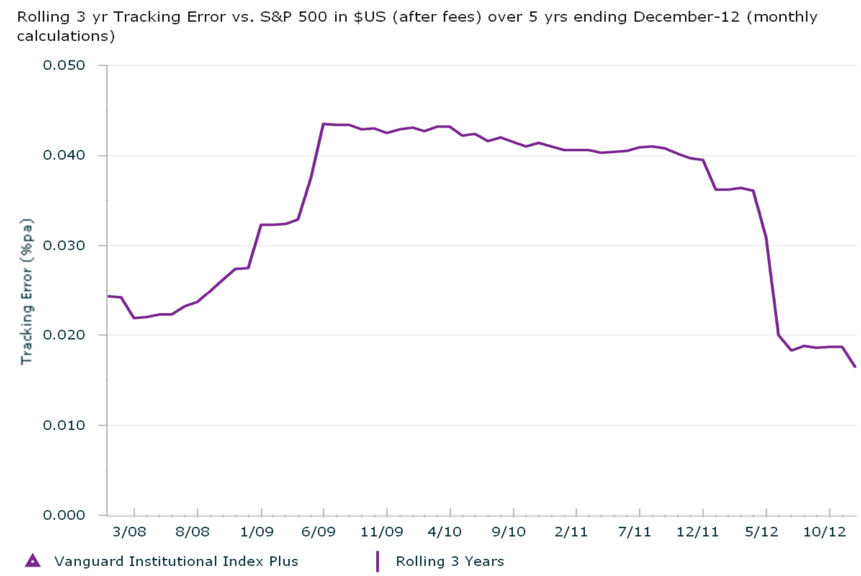
Investment Philosophy

The DCP Large Cap Stock Fund is 100% allocated to the Vanguard Institutional Index Fund which seeks to track the investment performance of the Standard & Poors 500 Index, an unmanaged benchmark representing U.S. large-capitalization stocks. Using full replication, the portfolio holds all stocks in the same capitalization weighting as the index. The Fund uses proprietary software to implement trading decisions that accommodate cash flow and maintain close correlation with index characteristics. Vanguards refined indexing process, combined with low management fees and efficient trading, has provided tight tracking net of expenses.

Sector Allocation as of December 31, 2012

Sector	Vanguard Institutional Index Fund	S&P 500 Index
Info Tech	19.1%	19.0%
Financials	15.6%	15.6%
Health Care	12.0%	12.0%
Consumer Disc	11.5%	11.5%
Energy	11.0%	11.0%
Consumer Staples	10.6%	10.6%
Industrials	10.1%	10.1%
Materials	3.6%	3.6%
Utilities	3.4%	3.4%
Telecom	3.1%	3.1%

Tracking Error



Key Facts and Figures

Portfolio Manager (Advised Since): Donald M. Butler (2000)	Total Fund Assets: $244,900 Million Total Share Class Assets: $49,286 Million	Expense Ratio (Net): 0.02% Mercer Median Expense Ratio (Net): 0.20%

Fund Profile

Domestic Equity – DCP Mid Cap Stock Fund (100% Vanguard Mid-Cap Index Fund Institutional – VMCIX)

Share Class: Institutional

Benchmark: Vanguard Spliced Mid Cap Index*

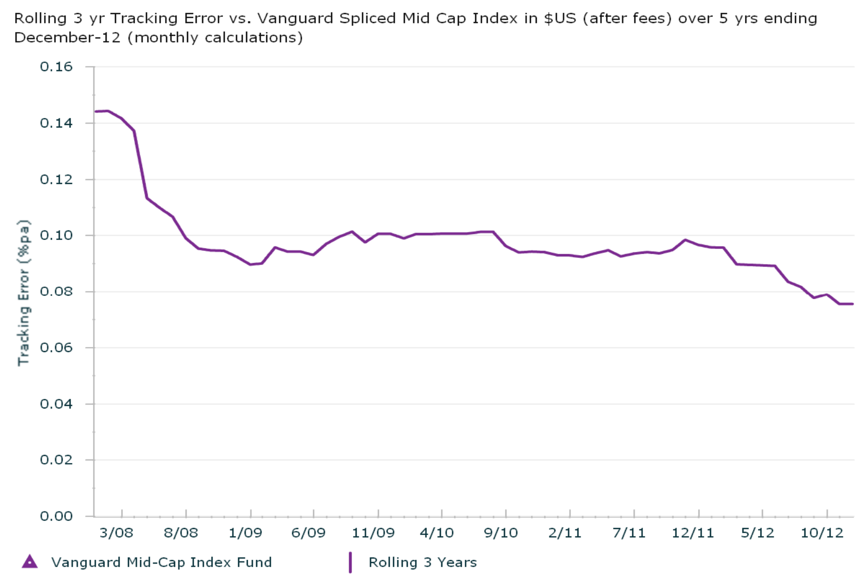
Investment Philosophy

The DCP Mid Cap Stock Fund is 100% allocated to the Vanguard Mid-Cap Index Fund which 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.

Sector Allocation as of December 31, 2012

Sector	Vanguard Mid-Cap Index Fund	MSCI US Mid Cap 450 Index
Consumer Disc	18.2%	18.5%
Financials	17.1%	16.6%
Info Tech	14.5%	14.7%
Industrials	12.6%	12.7%
Health Care	10.1%	10.6%
Energy	8.0%	6.7%
Materials	7.0%	6.1%
Utilities	5.9%	6.1%
Consumer Staples	5.6%	6.8%
Telecom	1.0%	1.2%

Tracking Error



Key Facts and Figures

Portfolio Manager (Advised Since): Donald M. Butler (1998)	Total Fund Assets: $32,028 Million Total Share Class Assets: $7,057 Million	Expense Ratio (Net): 0.08% Mercer Median Expense Ratio (Net): 0.28%

* S&P MidCap 400 Index through May 16, 2003; the MSCI US Mid Cap 450 Index through January 30, 2013; and the CRSP US Mid Cap Index thereafter.

Fund Profile

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

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

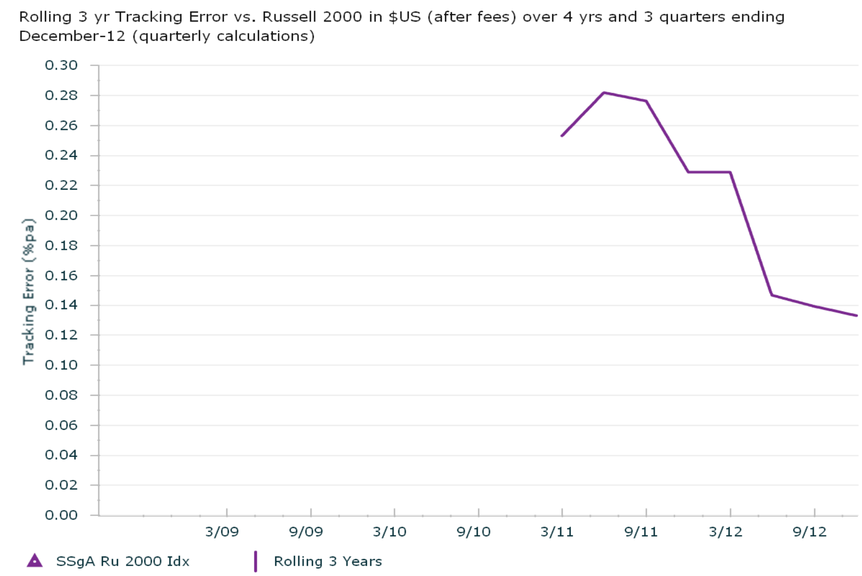
Investment Philosophy

As a passive manager, SSgA's aim is to achieve returns as close to the index as possible, but in a cost effective manner. Market anomalies will be exploited where they can be, at very low risk levels. SSgA manages the Russell 2000 Index strategy using the full replication process. With regard to the replication approach, securities in the benchmark are purchased in the weights they represent in the benchmark. However, SSgA does allow for small mis-weights in the portfolio, recognizing that the cost of trading to avoid small mis-weights may be greater than any potential improvement in tracking error.

Sector Allocation as of December 31, 2012

Sector	SSgA Russell Small Cap Index Non-Lending Series Fund	Russell 2000 Index
Info Tech	16.6%	16.6%
Financials	22.6%	22.6%
Health Care	12.1%	12.1%
Consumer Disc	14.1%	14.1%
Energy	6.1%	6.1%
Consumer Staples	3.5%	3.5%
Industrials	15.8%	15.7%
Materials	5.3%	5.3%
Utilities	3.4%	3.4%
Telecom	0.7%	0.7%

Tracking Error



Key Facts and Figures

Portfolio Manager: SSgA Portfolio Inception: August 1999	Total Strategy Assets: $10,000 Million	Expense Ratio (Net): 0.06% Mercer Median Expense Ratio (Net): 0.30%

Fund Profile

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

Share Class: Institutional | **Benchmark: MSCI EAFE NET WHT**

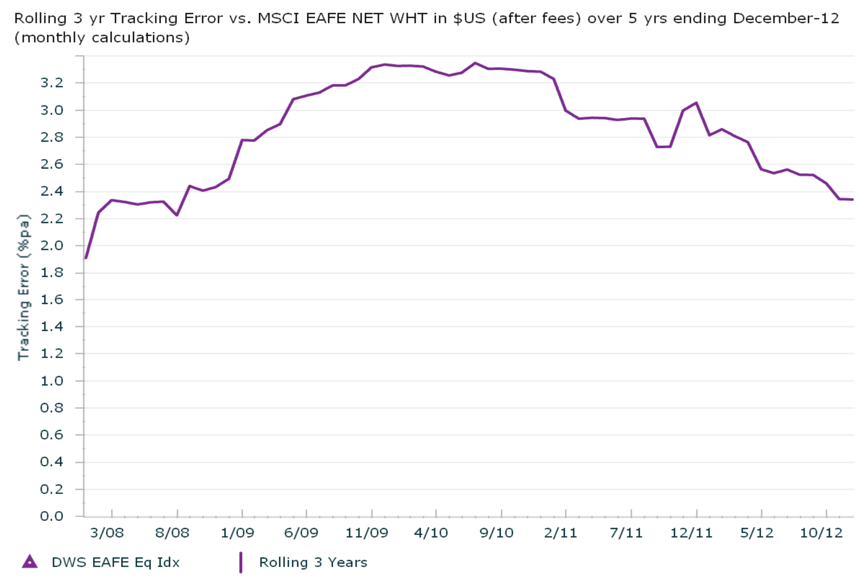
Investment Philosophy

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.

Sector Allocation as of December 31, 2012

Sector	DWS EAFE Equity Index Fund	MSCI EAFE NET WHT Index
Financials	24.49%	24.7%
Industrials	12.47%	12.6%
Consumer Staples	11.51%	11.6%
Consumer Disc	10.58%	10.7%
Materials	9.72%	9.8%
Health Care	9.70%	9.8%
Energy	7.62%	7.7%
Telecom	4.85%	4.9%
Info Tech	4.30%	4.3%
Utilities	3.82%	3.9%

Tracking Error



Key Facts and Figures

Portfolio Manager (Advised Since): Shaun Murphy (2007)	Total Fund Assets: $271 Million Total Share Class Assets: $271 Million	Expense Ratio (Net): 0.50% Mercer Median Expense Ratio (Net): 0.40%

Fund Profile

International Equity - Fidelity Diversified International Fund - FDIVX

Share Class:	**Benchmark: MSCI EAFE NET WHT**

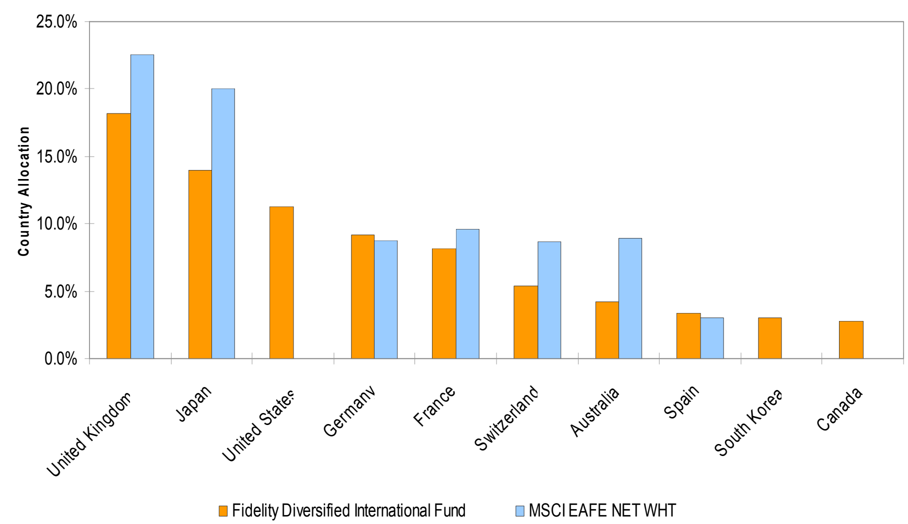
Investment Philosophy

The Fund seeks capital growth by typically investing in non-U.S. securities, allocating investments across countries and regions by considering the size of the market in each country and region relative to the size of the international market as a whole. It utilizes a fundamental, bottom-up process to uncover quality growth opportunities and is particularly interested in firms with strong returns on equity. The manager's strategy is benchmark sensitive and is not a top-down thematic approach, but it does identify general themes within sectors that help shape the portfolio. Country and sector weights are strictly a residual of bottom-up decision-making. The portfolio is characterized by a very large number of holdings and a high stock coverage ratio.

Sector Allocation* as of December 31, 2012

Sector	Fidelity Diversified International Fund	MSCI EAFE Index
Consumer Disc	16.3%	10.7%
Financials	16.1%	24.7%
Consumer Staples	14.2%	11.6%
Health Care	12.3%	9.8%
Info Tech	10.0%	4.3%
Materials	7.7%	9.8%
Industrials	7.4%	12.6%
Energy	6.0%	7.7%
Telecom	4.2%	4.9%
Utilities	0.3%	3.9%

Country Analysis as of December 31, 2012



Key Facts and Figures

Portfolio Manager (Advised Since): William Bower (2001)	Total Fund Assets: $22,923 Million Total Share Class Assets: $13,545 Million	Expense Ratio (Net): 1.01% Mercer Median Expense Ratio (Net): 1.04%

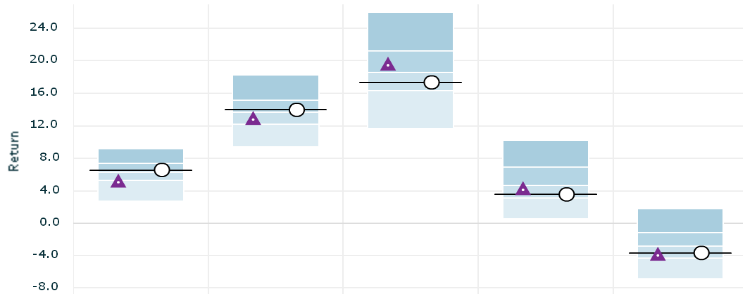
* Does not sum to 100% due to exclusion of 5.4% cash allocation

Fund Profile

International Equity - Fidelity Diversified International Fund - FDIVX

Return in $US (after fees) over 3 mths, 6 mths, 1 yr, 3 yrs, 5 yrs ending December-12

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

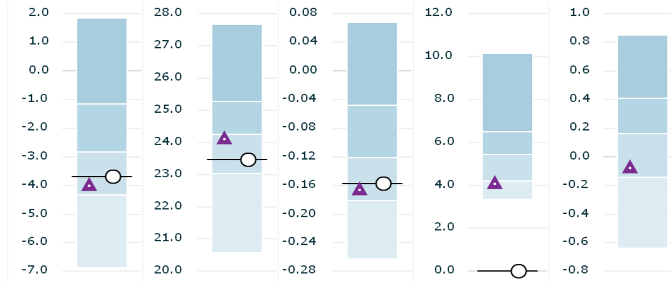


	3 mths (%)	6 mths (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)
▲	5.0 *(79)*	12.7 *(67)*	19.4 *(39)*	4.1 *(61)*	-4.0 *(68)*
○	6.6 *(43)*	13.9 *(46)*	17.3 *(66)*	3.6 *(70)*	-3.7 *(63)*
5th Percentile	9.2	18.3	25.9	10.2	1.8
Upper Quartile	7.4	15.1	21.2	6.9	-1.1
Median	6.3	13.7	18.6	4.7	-2.8
Lower Quartile	5.3	12.2	16.3	3.1	-4.3
95th Percentile	2.7	9.4	11.7	0.6	-6.9
Number	418	411	400	353	308

▲ Fidelity Diversified International ○ MSEAFENUSD

Performance characteristics vs. MSCI EAFE NET WHT in $US (after fees) over 5 yrs ending December-12 (monthly calculations)

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

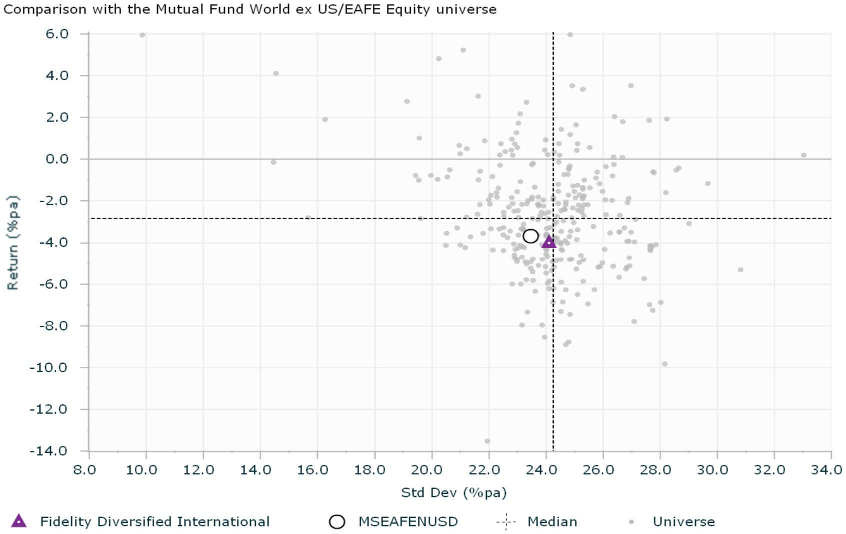


	Ret (%pa)	Std Dev (%pa)	Ret/SD	TE (%pa)	IR
▲	-4.0 *(68)*	24.1 *(52)*	-0.2 *(70)*	4.1 *(78)*	-0.1 *(70)*
○	-3.7 *(63)*	23.5 *(68)*	-0.2 *(65)*	0.0 *(100)*	-
5th Percentile	1.8	27.7	0.1	10.1	0.9
Upper Quartile	-1.1	25.3	0.0	6.5	0.4
Median	-2.8	24.2	-0.1	5.4	0.2
Lower Quartile	-4.3	23.0	-0.2	4.2	-0.1
95th Percentile	-6.9	20.6	-0.3	3.4	-0.6
Number	308	308	308	308	308

▲ Fidelity Diversified International ○ MSEAFENUSD

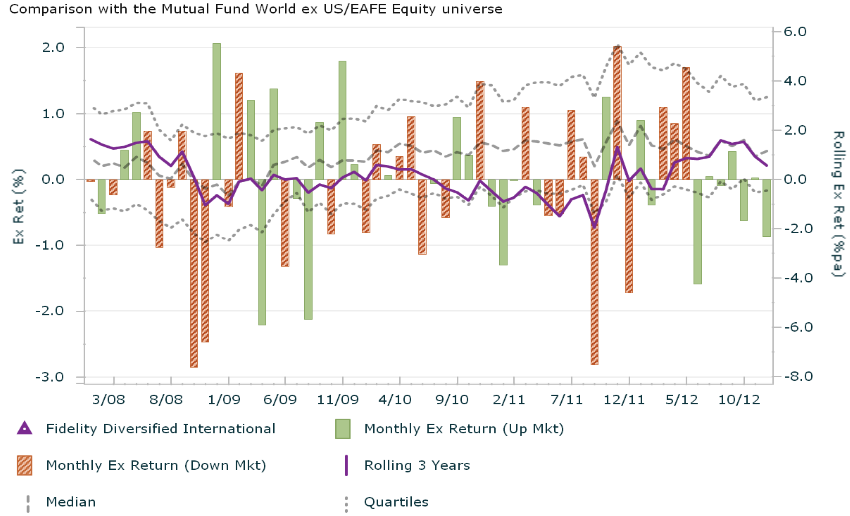
Return and Std Deviation in $US (after fees) over 5 yrs ending December-12 (monthly calculations)

Comparison with the Mutual Fund World ex US/EAFE Equity universe



Monthly Excess Return vs. MSCI EAFE NET WHT with rolling 3 yr line in $US (after fees) over 5 yrs ending December-12

Comparison with the Mutual Fund World ex US/EAFE Equity universe



Appendix A – Investment Manager Updates

Pacific Investment Management Company (PIMCO)

Multi-Sector, Mortgage, and Long Duration Update; Ratings Affirmed (no changes) – January 30, 2013

- *Meeting Highlights*:
  - Joshua Anderson, Brad Kinkelaar, and Qi Wang recently replaced Michael Gomez, Beth MacLean, and Mohit Mital as rotating members of the Investment Committee (IC). PIMCO's IC represents its most senior decision-makers that set top-down positioning for multi-sector funds. There is no set term for permanent or rotating members of the IC; PIMCO typically reshuffles it according to its secular outlook, ensuring rotating members have expert input on the sectors that the firm currently views as relatively attractive. Complete membership of the IC is included in the Further Detail section of this note.
  - In multi-sector portfolios, PIMCO has been reducing risk by selling spread sector exposure, including most out-of-benchmark sectors. In our meeting, Tony Crescenzi described this as "selling into strength" as risk sectors continued to rally throughout the second half of 2012. The reduced MBS and corporate allocations has mostly been used to fund Treasuries (~50/50 mix of nominals and TIPS), which now account for 30% of Total Return on a duration-weighted basis.
  - PIMCO continues to underweight US duration, but has recently reduced the underweight to ~0.3 years short down from -.08 years. The thesis on rates has changed little in the past year: US inflation will be higher, but real rates will remain negative. In full discretion portfolios, the firm is overweight countries with more attractive real yields and improving economic conditions/situations (Canada, Mexico, Brazil, Spain, and Italy) as they are less concerned with a "left tail" event given Fed and ECB actions. Curve positioning reflects opportunities for rolldown in the 0-3 and 5-10 year portions of the curve, with an underweight to the long end.
  - Within the corporate bond allocation, PIMCO continues to find financials attractive; this has been a theme at PIMCO since the credit crisis as the firm believes large money center banks to be "too big to fail" and expects an increasingly bondholder-friendly regulatory environment. However, the firm has started to reduce this overweight as the sector rallies. Also, the team does not believe European banks are in as good of shape as they continue to de-risk, so PIMCO continues to avoid them.
  - In all multi-sector and long duration portfolios, PIMCO maintains significant exposure to Build-America Bonds (BABs). In market value terms the BABs position has been as high as 7% and in contribution to duration terms, it has been as high as four years.
  - Although PIMCO has reduced the allocation to agency pass-throughs since Q3 2012 as recent Fed actions have left the sector fully priced (~23% vs. 30% in Sept 2012), they continue to find value in non-agency RMBS and new issue AAA-rated CMBS. PIMCO has recently made significant investments in the non-agency mortgage team (led by Dan Ivascyn) and analytics.
  - Within the agency MBS strategy, PIMCO has recently reduced exposure to "policy coupons" (3.0s and 3.5s) in favor of the middle of the stack. They have maintained an allocation to select CMOs (PACs and sequentials) with structural call protection and superior collateral.
- *Issues to Watch*:
  - Dispersion Across Vehicles/Accounts: Compared to most peer fixed income managers, PIMCO has historically had relatively high dispersion across accounts due to fund flows and client guidelines. In the past, we have generally assumed that most of these differences – especially those due to fund flows -- were effectively residuals that would sum to zero over the long run. Since its creation in March 2012, the performance of PIMCO's new Total Return ETF (BOND) has significantly outpaced the Total Return mutual fund (~400 bps within the first six months of BOND's existence). While we caution against using the first six months to draw conclusions about long-term excess return potential, we recognize that this level of dispersion is too large to ignore and/or dismiss as a function of random factors.

- Product Proliferation: PIMCO continues to launch sector funds such as Credit Absolute Return, which is a global long-short credit strategy with an absolute return approach to portfolio construction. We are monitoring the impact of these ventures on PIMCO's fixed income business, especially in market segments where we have concern with the firm's total exposure. Additionally, we are wary of the growing level of portfolio management responsibility being levied on the credit team's senior investment professionals.
- Scott Simon Retirement: Recently, PIMCO announced the retirement of mortgage PM and trader Scott Simon, effective May 2013. As head of PIMCO's agency MBS desk, Simon will be supplanted by Dan Hyman and Michael Cudzi, both Executive Vice Presidents on the mortgage team. While we view Simon as a talented investor and a seminal figure in PIMCO's agency MBS, we do not think his departure warrants a ratings change. Simon's approach, which emphasizes empirical relationships between nominal spreads across the coupon stack (rather than OAS) and technical factors, has been adopted by every senior member of the mortgage team we have met. That said, we will continue to monitor the team for turnover and/or a change in investment style.

State Street Global Advisors

US lawsuit filed relating to securities lending revenues – February 20, 2013

- Two separate lawsuits have been filed in the US against State Street Corporation, State Street Global Advisors and State Street Bank & Trust company (collectively "State Street") relating to securities lending. The claims allege that State Street has retained an exorbitant share of the revenue generated from securities lending for investors. State Street has stated that they believe these cases are without merit and intend to vigorously defend themselves against the allegations.
- *Mercer View*: The actual lending on the pooled products managed by State Street Global Advisors (SSgA) is itself outsourced to State Street Bank & Trust, in its capacity as lending agent. Pursuant to the securities lending agreement and in consideration for acting as lending agent, State Street Bank receives 40% of gross revenue generated by the lending activities – with all associated costs of the lending program paid by State Street Bank. The other 60% of gross revenue generated by the lending activities is returned to investors with no further reduction for oversight or expenses related to the program. We note that counterparty indemnity is also provided by State Street Bank for the program. State Street believe that given the level and quality of services provided, that the 60%/40% revenue split is reasonable, although they do reserve the right to review the split from time to time and as appropriate. We are not proposing to change the ratings of any of SSgA's strategies as a result of this announcement.

Vanguard

Update on Vanguard Index Changes; Recommend Removing Provisional Designation – October 19, 2012

- We have conducted further due diligence on CRSP's index methodology and characteristics and how these compare/contrast with those of the MSCI indices, which CRSP will be replacing in 2013. As a result of our conversations with Vanguard and research on the new index series, we are comfortable with the actions the firm has taken and have confidence in the firm's ability to closely track the CRSP indices. As a result, we propose removing the Provisional (P) ratings across the 15 affected U.S. stock index funds. The Vanguard Balanced Index Fund is currently rated N, and we do not recommend any changes to the rating at this time.
- *Meeting Highlights*:
  - Vanguard recently announced plans to transition a number of its U.S. stock and balanced index funds to new benchmarks developed by the University of Chicago's Center for Research in Security Prices (CRSP). This move stems from an effort to reduce costs through negotiating lower-cost index licensing deals for benchmarks covering certain segments of the stock market that the funds track. Vanguard anticipates these long-term pricing contracts with the index providers will result in significant cost savings over the next few decades, which should translate into lower

expense ratios for its index fund shareholders over time. The transition will not take place until 2013 and is expected to be completed within the first half of the year.

- Founded in 1960, CRSP has historically been a provider of research and historical market data and returns. The CRSP indices were officially launched on October 1, 2012. Vanguard is the first investment management firm to use CRSP's suite of benchmarks and has been engaged with CRSP since 2009 in the funding and development of the new index series. Approximately $367 billion in assets under management will be moved to track the new CRSP benchmarks.
- Overall, there appears to be a high degree of correlation between the methods used by MSCI and CRSP in constructing their indexes. However, there are two notable differences between the two index providers and their methodologies. The first difference is CRSP's market-cap segmentation approach, which uses breakpoints based on a cumulative market cap rather than a fixed number of securities.
- The second major difference is the usage of "packeting," an approach employed by CRSP to help cushion movements between adjacent indexes. CRSP defines a packet as 50% of the total holdings of a company. A packet is moved between indexes when a company passes completely through to the other side of a shared band between indexes into the core of the adjacent index. This approach allows holdings to be shared simultaneously between the two indexes, and Vanguard believes this should help in reducing index turnover and transaction costs during index rebalances, while still maintaining style purity.

Vanguard

Resignation of Sandip Bhagat, Head of Equity Investment Group – January 7, 2013

- Vanguard announced that Sandip Bhagat, Head of Equity Investment Group (EIG), has resigned from the firm to pursue other, undisclosed interests. Details of his resignation remain unclear, but no other employees of EIG have left or have indicated any intentions of leaving. Vanguard is in the process of seeking a replacement for Bhagat and expects to provide details within the next several weeks.
- *Mercer View*:
  - Bhagat's departure was unexpected and, interestingly, comes at a time when Tim Buckley has just formally assumed the role of Chief Investment Officer (CIO) at Vanguard, a title previously held by Gus Sauter. While it is unclear whether the CIO transition had any influence on Bhagat's departure, it is suspected that this development had been in the works for some time but was not broadly communicated internally until recently. It is also unclear who will assume Bhagat's position, though there is suspicion that the role will likely be filled by a senior employee of Vanguard.
  - As the Head of EIG, Bhagat had oversight of the firm's passive funds (both US-based and Dublin-based) and active US quantitative equity strategies (both standalone and those included in Vanguard's multi-manager funds), but according to Vanguard, he was not actively involved with the day-to-day operations or management of those portfolios. It is our understanding that Bhagat largely served in a strategic capacity and spent much of his time spearheading the build-out of a global investment team and trading platform. His departure is not expected to result in any changes to the underlying investment team or strategies within EIG. Mike Buek and Duane Kelly continue to lead the US-based passive equity team. Although the broader investment team remains intact, we would be concerned if we see additional senior level departures within EIG who do have direct portfolio management responsibilities.
  - This development does not alter our view of Vanguard as an organization or its strategies within the EIG umbrella, particularly the passive products. As a result, we are not recommending any changes to their Preferred Provider status. While Bhagat's departure is disappointing, the firm continues to be well resourced, exhibit a unique corporate structure, and possess competitive advantages through its scale. We will keep the field apprised of any new developments and will provide an update once details of Bhagat's replacement is known.

Appendix B – Disclosures

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