

# State of Maine 457 Plan

## Investment Performance Review as of June 30, 2012



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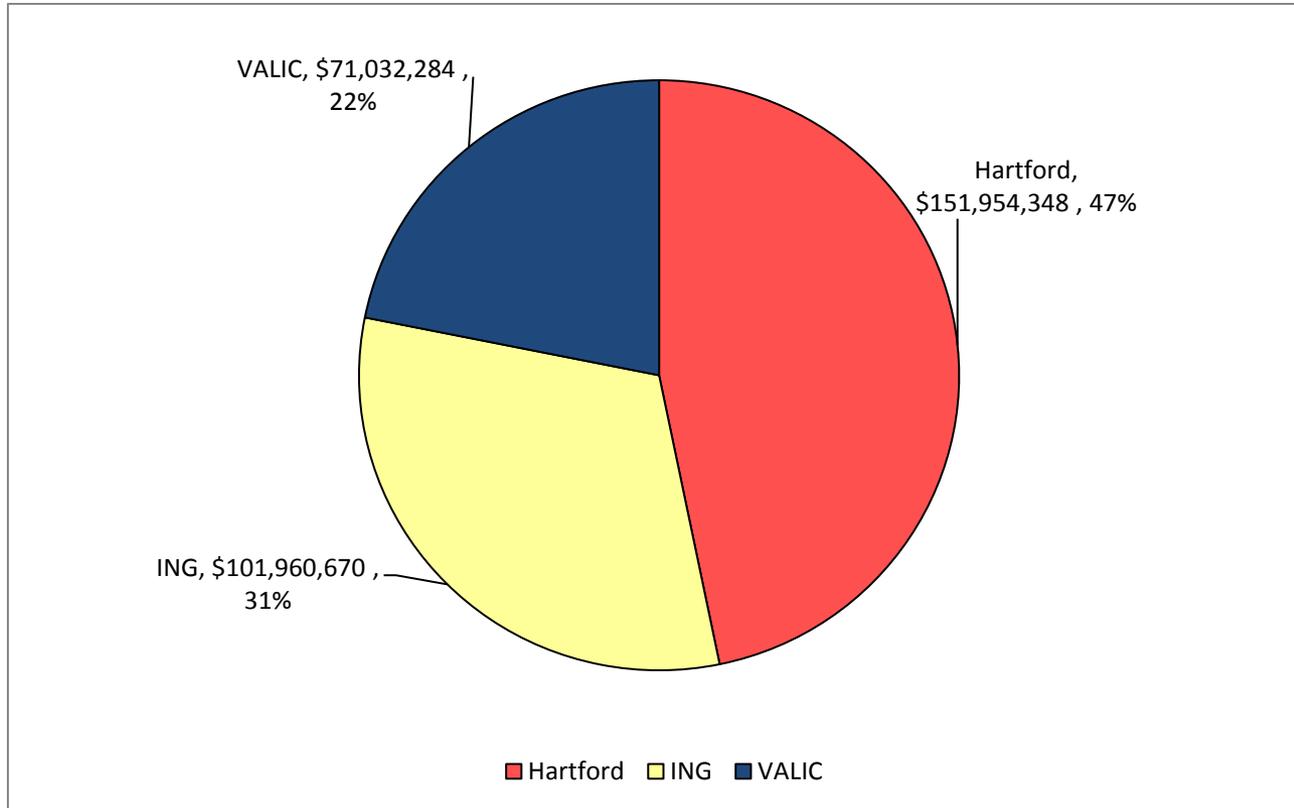
## Executive Summary

- The first estimate for 2Q GDP Growth was just 1.5% as consumers reduced spending and businesses invested at a slower pace. This is compared to a final estimate of 1Q 2012 GDP of 1.9% by the Bureau of Economic Analysis. Forecasts for the full year are estimating GDP to grow 2.2% in 2012, faster than the 1.7% recorded in 2011, but still slow by historical standards.
- US nonfarm payroll growth has declined significantly, from roughly 275,000 in January 2012 down to 80,000 in June. Private nonfarm payrolls averaged only 91,000 in the second quarter of 2012, significantly slower than the 226,000 average of the previous quarter. The unemployment rate remained 8.2%.
- CPI rose 1.7% over the past 12 months, which was the lowest rate since January 2011. Core CPI (excluding food and energy) for the last 12 months was 2.2%. The core rate has been above 2% consistently since August 2011.
- US equity markets declined in the second quarter, as the first quarter's optimism waned. Investors refocused on the continued fiscal troubles in Europe, weaker economic data out of the U.S., contraction in Japanese industrial production, and a weakening outlook for China. For the quarter, the S&P 500 returned -2.8%. A reversal of the first quarter left the technology and financial sectors accounting for most of the losses in the second quarter, returning -6.7% and -6.8%, respectively. As expected, the defensive sectors were the best performers with consumer staples (+2.9%), utilities (+6.5%), telecommunications (+14.1%) and health care (+1.9%) recording the only positive returns for the period.
- The same negative sentiment that gripped the US markets hurt international equity markets. The MSCI-EAFE returned -6.9%. The difference between regions was minor with Europe (-7.1%) and Japan (-7.3%) posting similar results while the Pacific Rim (-4.9%) was a relative outperformer. The health care (+1.0%) sector was the only positive performer while telecom was flat. The weakest performing sectors were materials (-13.0%) and technology (-14%) while industrials, consumer discretionary and energy each lost 9%. Emerging markets also declined, as investors sought to reduce risk. The MSCI Emerging Markets index returned -8.8% for the quarter, led by a -19% return for Brazil. Asia fared best among regions with a 7% loss.
- Long-term interest rates in the U.S. fell to historic lows during the second quarter with the yield of the 10-year U.S. Treasury bond declining to 1.45% and the yield on the 30-year U.S. Treasury bond falling to 2.75%. As yields dropped, the longest-duration bonds performed the best in the quarter. The net result was a 2.1% return for the Barclays Aggregate Index during the quarter, while the Barclays Long Term Gov./Credit returned 7.3%. For the quarter, U.S. Treasuries returned 2.8%. The Corporate bonds market returned 2.5% due to strong demand in a low interest rate environment, while MBS (+1.0%), CMBS (+0.9%) and ABS (+1.3%) lagged Treasuries. High Yield bonds returned 1.8%, while non-USD bond returns were slightly positive (+0.2%).

## Executive Summary- Policy Objectives

- We have included a summary Policy Objectives table for the Committee to consider as a top-level look at the Plan’s funds. The summary includes the following categories: primary and secondary (if applicable) index comparison, primary and secondary (if applicable) peer universe ranking, stability of the portfolio management team (we use a three year tenure as a key criteria), consistency of the investment style and the strength of the overall organization. The latter three criteria are based on our qualitative assessments.
- Each category is scored as follows:
  - Qualitative factors - a fund receives a rank of “+, =, or -”. These rankings represent Buck’s assessment of the consistency of the management team, investment process and organizational stability of each firm.  
Quantitative factors: These represent results as of the most recent quarter end. For the index comparisons, a fund receives a “+, = or -” based on its performance versus its benchmark. For passive funds, we consider performance equal to the benchmark if return is below the index by less than the expense ratio. For peer comparisons, a fund receives a “+” if it ranked in the top third, an “=” if it ranked in the top half and a “-” if it ranked in the bottom half of the universe.
- The information presented is intended to provide a “snap shot” of each fund at a given point in time. While we believe that this information is useful and informative as a monitoring tool, we do not see it as a scoring system that “locks in” a decision. We recommend using the table as a starting point to identify funds that may require deeper analysis to determine whether there is a problem that may warrant some type of action.
- The criteria listed are by no means the only factors that are considered when assessing a fund. For example, a much longer track record, say ten years, may be warranted for a fund with a long-term manager. Risk-adjusted returns, fees and performance consistency are also considered. As we have discussed in the past, we believe that performance monitoring requires a combination of art and science and this summary is just one step in the process.
- For information on the specific benchmark and universe objectives, see the Appendix beginning on page 35.
- **We dropped the active manager universe comparisons for index funds because:**
  - **Index funds were added to provide low cost exposure to key asset classes.**
  - **Relative ranking to a universe of actively managed funds is not a criteria we use to determine their plan status.**
  - **Index universes could be constructed but return range is narrow and some categories have few options.**

## Asset Allocation as of June 30, 2012



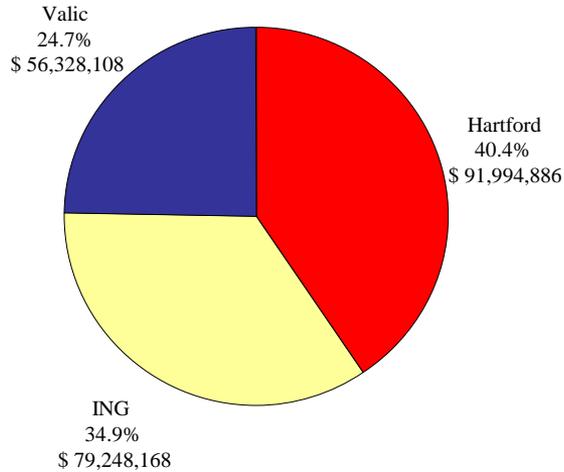
**Total Assets = \$ 324,947,302**

Note: Total Assets include investments in funds no longer available to new investors.

Historical Allocations

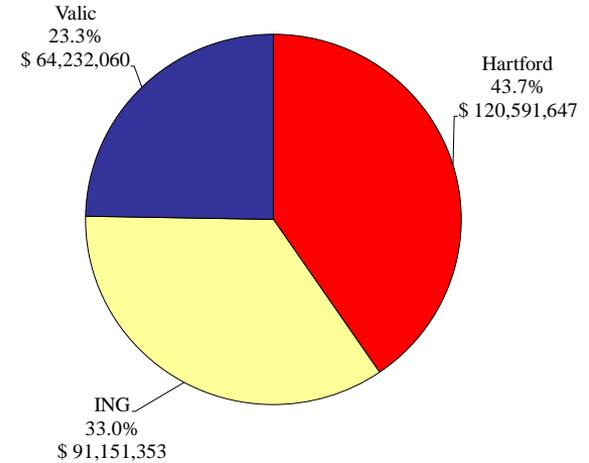
12/31/2008

Total Assets = \$ 227,481,163



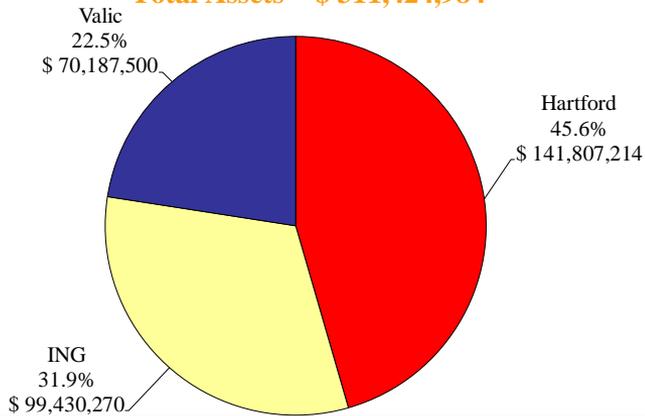
12/31/2009

Total Assets = \$ 275,975,060



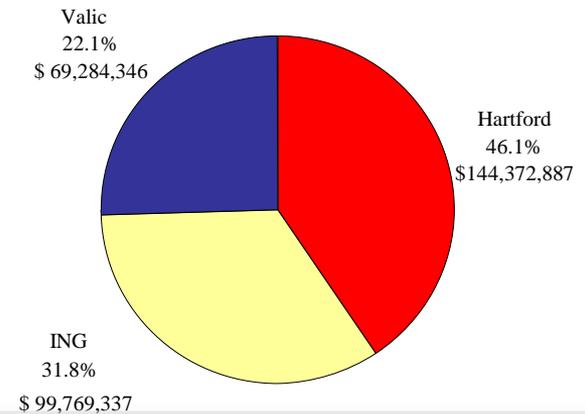
12/31/2010

Total Assets = \$ 311,424,984



12/31/2011

Total Assets = \$ 313,426,569



## Vendor Performance Comparison – Net of Fees as of June 30, 2012

The returns are calculated net of all fees. The Percentage rank is the funds ranking within its mutual fund style universe.

The funds are listed alphabetically by Vendor.

Hartford Fixed Account	Current guaranteed interest rate is 4.0%. The minimum guaranteed rate is 4.0%											
ING Fixed Account	Current guaranteed interest rate is 3.00%. The minimum guaranteed rate is 3.00%											
VALIC Fixed Account	Current guaranteed interest rate is 3.00%. The minimum guaranteed rate is 3.00%											
	Qtr	%	YTD	%	1 Year	%	2 Year	%	3 Year	%	5 Year	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	
<b>Intermediate-Term Fixed Income- Active</b>												
Hartford Total Return Bond HLS	1.95	49	3.52	47	7.78	21	6.18	42	8.56	42	5.62	72
ING- PIMCO Total Return Admin	2.66	7	5.49	5	6.42	58	5.95	49	8.16	49	8.70	4
VALIC- PIMCO Total Return Bond A	2.69	7	5.55	5	6.54	58	6.01	49	8.23	49	8.75	4
<i>Barclays Capital Aggregate Bond Index</i>	2.06		2.37		7.47		5.67		6.93		6.79	
<b>Intermediate-Term Fixed Income- Passive</b>												
ING -Vanguard Total Bond Market Index	2.16	--	2.43	--	7.57	--	5.60	--	6.85	--	6.82	--
VALIC- Dreyfus Bond Index Inv	1.95	--	2.17	--	7.04	--	5.19	--	6.29	--	6.30	--
<i>Barclays Capital Aggregate Bond Index</i>	2.06		2.37		7.47		5.67		6.93		6.79	
Hartford -SSgA Interm Bond Index	1.41	--	2.01	--	5.25	--	4.38	--	5.72	--	5.91	--
<i>Barclays Cap Interm Gov/Credit Index</i>	1.48		2.10		5.42		4.59		5.81		6.01	
<b>Inflation Protect Fixed Income - Active</b>												
Hartford- PIMCO Real Return A	3.65	8	5.25	6	11.35	19	9.37	14	10.51	7	8.80	6
ING- American Century Inflation Adj Bd Inv	3.08	30	3.97	28	11.60	11	9.17	24	9.28	35	8.22	25
VALIC- PIMCO Real Return A	3.65	8	5.25	6	11.35	19	9.37	14	10.51	7	8.80	6
<i>Barclays Capital US TIPS Index</i>	3.15		4.04		11.66		9.68		9.63		8.44	
<b>Global Fixed Income</b>												
ING- Templeton Global Bond Adv	-1.05	95	6.00	6	-1.10	85	6.04	54	8.64	28	9.14	8
VALIC - Templeton Global Bond A	-0.97	93	5.99	6	-1.10	85	6.05	54	8.64	28	9.13	8
<i>Citigroup Non-US WGBI</i>	0.20		-0.02		0.44		6.98		5.13		7.39	
<b>Balanced</b>												
Hartford -Janus Balanced	-2.83	72	6.29	33	2.04	35	9.69	63	10.13	76	4.89	2
Hartford -Oakmark Equity Income I	-3.49	90	4.14	91	-1.04	77	9.16	75	9.87	80	3.75	6
ING Van Kampen Equity Inc I	-1.21	18	6.40	26	0.93	51	11.19	33	12.24	30	1.42	48
VALIC - Amer Funds Amer Balanced A	-0.98	13	7.64	6	6.23	4	14.07	4	13.73	9	2.73	18
<i>60%/40% S&amp;P 500/ BC Agg Bond</i>	-0.77		6.73		6.70		12.95		12.90		3.26	

## Vendor Performance Comparison – Net of Fees as of June 30, 2012

The returns are calculated net of all fees. The Percentage rank is the funds ranking within its mutual fund style universe.

The funds are listed alphabetically by Vendor.

	Qtr	% Rank	YTD	% Rank	1 Year	% Rank	2 Year	% Rank	3 Year	% Rank	5 Year	% Rank
	Return	Rank										
<b>US Equity - Large Value</b>												
Hartford Dividend & Growth HLS	-2.74	32	7.35	44	2.94	26	15.23	28	14.34	39	0.58	14
ING -T. Rowe Price Value – Adv	-4.41	65	7.26	45	-0.65	65	13.56	50	14.61	42	-1.91	45
VALIC - Amer Funds Inv Co. of Amer A	-2.42	27	8.38	20	2.50	31	13.71	52	12.43	73	-0.80	29
VALIC - MFS Value A	-3.99	57	7.95	31	2.05	36	13.74	51	12.32	74	-0.68	27
<i>Russell 1000 Value Index</i>	-2.20		8.68		3.01		15.25		15.80		-2.19	
<b>US Equity – Large Blend Active</b>												
Hartford Capital App HLS	-7.77	95	7.46	61	-8.04	95	6.84	97	8.24	98	-3.46	89
Hartford -Neuberger Ber Socially Res Inv	-6.36	89	3.49	95	-5.48	91	11.38	85	14.09	52	-0.77	52
ING - Fidelity Contrafund	-3.58	40	10.76	5	5.85	9	16.39	28	16.27	12	2.67	5
ING -Neuberger Ber Socially Res Inv	-6.42	89	3.37	95	-5.72	92	11.15	86	13.80	55	-1.01	58
VALIC -Calvert Social Inv. Equity	-5.66	84	9.00	31	-1.63	75	15.44	44	14.75	43	2.43	5
VALIC -Pioneer A	-4.72	68	4.66	90	-4.46	87	12.17	78	12.23	78	-1.80	73
<i>S&amp;P 500 Index</i>	-2.75		9.49		5.45		17.39		16.40		0.22	
<b>US Equity – Large Blend Passive</b>												
Hartford - SSgA S&P 500 Index	-2.77	--	9.41	--	5.28	--	17.20	--	16.28	--	0.09	--
ING Stock Index	-2.73	--	9.41	--	5.22	--	--	--	16.14	--	-0.01	--
VALIC -Dreyfus S&P 500 Index Inv	-2.87	--	9.23	--	4.96	--	16.85	--	15.89	--	-0.21	--
<i>S&amp;P 500 Index</i>	-2.75		9.49		5.45		17.39		16.40		0.22	
Hartford- SSgA US Total Market Index	-3.07	--	9.39	--	3.85	--	17.14	--	16.82	--	0.42	--
<i>Wilshire 5000 Index</i>	-3.13		9.22		3.96		17.14		16.65		0.43	
ING - Vanguard Total Stock Market	-3.16	--	9.36	--	3.96	--	17.40	--	16.93	--	0.65	--
<i>MSCI US Broad Market Index</i>	-3.15		9.39		3.96		17.42		16.93		0.63	
<b>US Equity – Large Growth</b>												
Hartford- Amer Fds Gr Fund of Amer R3	-4.25	21	9.64	45	-0.42	64	12.58	84	11.74	86	-0.76	78
ING T. Rowe Price Growth Equity	-4.98	37	13.10	4	6.24	9	19.00	16	17.30	18	1.58	39
VALIC -Harbor Capital App Adm	-6.95	79	10.71	25	2.52	34	17.62	28	15.10	43	3.15	16
<i>Russell 1000 Growth Index</i>	-4.02		10.08		5.76		19.49		17.50		2.87	

## Vendor Performance Comparison – Net of Fees as of June 30, 2012

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	Qtr	%	YTD	%	1 Year	%	2 Year	%	3 Year	%	5 Year	%
	Return	Rank										
<b>US Equity – Mid Value</b>												
Hartford - Artisan Mid Cap Value	-5.71	81	3.15	95	-0.53	20	15.26	21	16.28	60	2.73	5
VALIC - Perkins Mid Cap Value	-5.68	80	3.67	91	-3.84	52	9.66	92	11.76	93	1.33	18
<i>Russell Mid Cap Value Index</i>	-3.26		7.78		-0.37		15.66		19.92		-0.13	
<b>US Equity – Mid Blend Passive</b>												
Hartford - SSgA S&P Mid Cap Index	-4.95	--	7.82	--	-2.49	--	16.46	--	19.15	--	2.36	--
VALIC - Dreyfus Mid Cap Index Inv	-5.11	--	7.54	--	-2.93	--	16.08	--	18.76	--	2.14	--
<i>S&amp;P 400 Index</i>	-4.93		7.90		-2.33		16.68		19.36		2.55	
ING - Vanguard Mid Capitalization Index Signal	-5.45	--	7.23	--	-2.77	--	16.11	--	19.60	--	0.66	--
<i>MSCI US Mid Cap 450 Index</i>	-5.46		7.23		-2.71		16.18		19.68		0.68	
<b>US Equity – Mid Growth</b>												
Hartford Mid Cap HLS	-4.35	19	11.40	8	-4.08	47	13.11	77	15.79	67	1.19	50
ING - TRP Mid Cap Growth Adv	-5.00	34	7.41	57	-1.43	31	16.43	41	18.79	27	3.57	23
VALIC - Turner Mid Cap Growth	-8.58	86	5.02	83	-11.72	94	13.53	74	17.16	50	0.39	60
<i>Russell Mid Cap Growth Index</i>	-5.60		8.10		-2.99		17.89		19.01		1.90	
<b>US Equity – Small Value</b>												
Hartford - Nuveen NWQ Sm Cap Val A	-1.55	3	6.73	42	3.09	7	19.25	1	22.55	5	-2.32	87
ING - Allianz NFJ Small Cap Value – I	-4.93	56	1.66	95	-3.35	50	13.21	52	16.90	60	2.54	6
<i>Russell 2000 Value Index</i>	-3.01		8.23		-1.44		13.78		17.43		-1.05	
<b>US Equity – Small Blend Active</b>												
VALIC -Neuberger Berman Genesis Trust	-3.11	16	3.42	89	-0.96	22	15.85	37	16.65	55	3.62	7
<i>Russell 2000 Index</i>	-3.47		8.53		-2.08		16.00		17.80		0.54	
<b>US Equity – Small Blend Passive</b>												
Hartford - SSgA Russell 2000 Index	-3.34	--	8.55	--	-2.02	--	15.99	--	17.81	--	0.57	--
ING Russell Small Cap Index I	-3.61	--	8.19	--	-2.21	--	15.90	--	17.59	--	--	--
<i>Russell 2000 Index</i>	-3.47		8.53		-2.08		16.00		17.80		0.54	
VALIC - Dreyfus Small Cap Stock Index	-3.67	--	7.88	--	1.22	--	17.69	--	19.50	--	1.74	--
<i>S&amp;P 600 Index</i>	-3.58		7.98		1.43		17.89		19.78		1.83	

## Vendor Performance Comparison – Net of Fees as of June 30, 2012

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The funds are listed alphabetically by Vendor.

	Qtr	%	YTD	%	1 Year	%	2 Year	%	3 Year	%	5 Year	%
	Return	Rank										
<b><i>US Equity – Small Growth</i></b>												
Hartford - Royce Value Plus Service	-7.97	89	5.92	71	-8.41	77	8.59	96	11.60	93	-2.73	93
ING Baron Small Cap Growth	-1.16	2	8.43	42	0.22	25	18.68	18	18.87	18	1.90	45
<i>Russell 2000 Growth Index</i>	-3.94		8.81		-2.71		18.16		18.09		1.99	
<b><i>International Equity- Active</i></b>												
Hartford - MFS Int'l New Discovery A	-4.07	5	10.29	1	-5.66	3	12.79	1	15.39	1	-0.50	1
ING Dodge & Cox Int'l	-8.40	85	3.19	66	-15.92	78	4.98	68	7.57	25	-5.23	38
VALIC - American Funds EuroPacific R3	-6.27	31	5.16	30	-13.19	37	5.69	60	6.83	41	-2.86	14
<i>MSCI-EAFE Index (net)</i>	-7.13		2.96		-13.83		5.98		5.96		-6.10	
<b><i>International Equity- Passive</i></b>												
Hartford - SSgA EAFE Index	-6.48	--	3.86	--	-13.39	--	6.22	--	6.17	--	-6.02	--
ING International Index I	-6.72	--	3.84	--	-13.60	--		--	6.00	--	--	--
VALIC - Dreyfus Int'l Stock Index Inv	-7.02	--	2.93	--	-14.09	--	5.92	--	5.53	--	-6.46	--
<i>MSCI-EAFE Index (net)</i>	-7.13		2.96		-13.83		5.98		5.96		-6.10	
<b><i>Global Equity</i></b>												
Hartford - Mutual Global Discovery A	-2.44	13	4.75	62	-3.26	20	8.31	71	8.23	80	-0.32	20
ING Oppenheimer Global Portfolio	-7.89	75	4.89	57	-10.70	76	9.85	53	11.40	39	-2.01	42
VALIC - Oppenheimer Global A	-8.19	81	4.52	67	-11.16	77	9.48	59	11.11	44	-2.40	44
<i>MSCI-World Index</i>	-4.86		6.29		-4.41		11.98		11.58		-2.40	

## Hartford

### Overall Comments

- The plan's quarterly results versus the indexes and peers has been weak. Hartford Total Return, Growth Fund of America and Hartford Mid Cap remain on the watch list at the end of the quarter. While some near term underperformance is a concern, we would not recommend and changes to the investment line up at this time.
  - As of June 30<sup>th</sup> only 30% of the funds outperformed or equaled their respective index over the three year annualized period, while 30% outperformed the median manager over the same time period. This period includes the market recovery since March 2009, which has been a difficult time for active managers in many sectors.
  - Versus each fund's style specific peer group the results improve for the five-year period. Over this period 60% of the fund's outperformed or equaled their respective index and ranked above the median manager.
  - We provide specific comments on certain funds where performance warrants closer attention or that are on watch list.

### Fixed Income

- Hartford Total Return Bond returned 2.0% vs. 2.1% for its index and ranked in the 49<sup>th</sup> percentile. This was the Wellington Management Company's first full quarter in charge of the fund.
  - While we continue to be comfortable with Wellington as a fixed income manager, from a procedural standpoint we recommend keeping the fund on the watch list given the magnitude of the change. We will monitor the transition and portfolio structure to ensure that the portfolio remains in keeping with its historical mandate.
- PIMCO Real Return returned 1.5%, versus 0.9% for the index, and placed in the 24<sup>th</sup> percentile.
  - Despite lagging the benchmark over the last year, long term results remain solid. The fund ranks in the top third of the universe for periods from one, three and five years and ahead of the index.

### Balanced

- Janus Balanced returned -2.8% vs. -0.8% for the balanced index and ranked in the 72<sup>nd</sup> percentile.
  - The fund still trails its index for the past year but leads the median fund.
  - Three year return is still hurt by weak results in 2010, where an underweight in equities detracted.
  - Five year results, which cover a full market cycle, remain very strong.

## Executive Summary – Fund Comments

### Balanced

- Oakmark struggled in the second quarter, returning -3.5% to -0.8% for the index.
  - The fund's three year result, which covers most of the market recovery off of the March 2009 bottom, has been solid in absolute terms (+9.9%) but has underperformed its benchmark and peer median. Five year results, which cover a full market cycle, are strong.
  - Although we are disappointed with recent performance, there is nothing that has changed about the way the fund is being managed and we see the reasons for the weakness as explainable within the context of the market environment and the fund's strategy. We continue to believe that Oakmark Equity & Income is a solid balanced fund and continue to include the fund in balanced-mandate searches for other Buck clients.

### Equity

- Growth Fund of America remains on the watch list.
  - Growth Fund of America (GFA) was placed on the watch list in mid 2011 and we see 2012 as a critical one. Minor changes at the portfolio counselor level as well as poor performance have been a concern.
  - Growth Fund of America returned -4.3% during the quarter, lagged the Russell 1000 Growth Index by just 0.2% and ranked in the 21<sup>st</sup> percentile of its growth universe. For the first six months, the fund returned 9.6% vs. 10.1% for the benchmark, and ranked at the 45<sup>th</sup> percentile.
  - Capital Guardian, the investment manager for the American Funds, announced an organizational change to their equity investment groups on July 17<sup>th</sup>. The organizational change is fairly minor, but included in the change was the departure of 2 portfolio managers. One of the managers is retiring after 40 years in the business. This reduces the number of managers from 12 to 10 by yearend.
  - We continue to have some concerns, especially as there are four other managers with 40 years of years of experience managing assets. Overall, the fund's results have improved this year. It remains on the watch list for 2012 at which point we will reassess its position in the plan.

## Executive Summary – Fund Comments

### Equity

- Hartford Mid Cap was placed on the watch list after 1Q 2011 due to a manager change.
  - The fund outperformed its index in the quarter, -4.4% vs. -5.6%, and ranked in the 19<sup>th</sup> percentile of its peer group. The fund's one year result lags the index but ranks above the median manager.
  - Management continues to rebound from a weak 3Q 2011, with three consecutive quarter of outperformance versus the Russell Mid Cap Growth Index. We recommend keeping the fund on the watch list.

### Other Comments

- Hartford Capital Appreciation lagged the S&P 500, -7.8% vs. -2.8% and placed in the bottom half of the peer group.
  - After outperforming the index in nine consecutive years (1999-2007) the fund experienced weak results in 2008 and 2011, where it lagged the index by 8.9% and 13.5% respectively. These results have hurt the fund's longer term performance.
  - The portfolio manager has only lagged the median manager three times since he began with the fund in 1991. In 2011 and 2012, weakness in financials, energy and consumer discretionary stocks have hurt results. The fund's 30% allocation in foreign stocks also has hurt recent performance, as foreign stocks have meaningfully lagged US stocks (over the past year, the S&P is up 5.5% while the MSCI EAFE index is down -13.8%). We estimate that the international exposure cost the fund 5-6% in relative terms over the past twelve months. While recent performance has been poor, the manager has experienced other periods where the fund lagged for two or more years and results rebounded each time. Nothing has changed in terms of the strategy that has generated the long-term results and we continue to advise patience.

## Executive Summary – Fund Comments

### Other Comments

- Neuberger Berman Socially Responsible lagged the S&P 500, -6.4% vs. -2.8% and placed in the bottom half of the peer group.
  - The fund's weak performance from 2011 has carried over into 2012. Weak stock selection in technology and energy have hurt results. The concentrated nature of the fund can compound weak stock selection. Results over the past year have been hurt primarily by a lack of exposure to Apple within technology and an emphasis on exploration and development companies in energy, like Newfield Exploration (-57%) and Cimarex (-38%), over names like Exxon Mobil and Chevron, which earned positive returns over the past year.
  - The fund's three and five year returns trail the index but are competitive with the peer group at the 52<sup>nd</sup> percentile.
  - We still believe the fund remains a reasonable socially responsible offering due to its longer tenured manager.
- Royce Value Plus lagged the Russell 2000 Growth, -8.0% vs. -3.9% ,and placed in the bottom quartile of the peer group.
  - The fund's weak 2Q results continued the trend from 2010 and 2011 and Royce trails the index over the past five years and its position relative to the peer group is weak, as well, ranking in the 93<sup>rd</sup> percentile. The fund's ten year return remains strong and ranks in the top decile of the peer group.
  - For the first half of the year, the fund lost ground relative to the index and its peer group. A strong July and August has narrowed the underperformance for 2012 to 0.5% (10.3% vs. 10.8%) and places the fund above the median manager.
  - Management's stock selection has hurt performance relative to the index and peers over the past three years. Just two sectors, technology and financials, accounting for nearly all of the relative weakness the fund has experienced during this period. Poor stock selection in technology, mainly semiconductor and equipment makers, and small cap bank exposure, where the manager underestimated the pace of recovery, were key detractors.
  - Results have been disappointing but are consistent with the overall Royce line up recently. Approximately two-thirds of Royce's equity funds lagged their peer median for the past three years and 75% trailed for the year. This is more indicative to us of a style that is out of favor. We continue to believe that Royce is a solid small cap shop with strong resources. While we are disappointed with recent performance, the fund is still being managed in the same way and we are willing to give management more time.

Current Offerings Total Assets by Fund - Hartford

Fund	Assets	% of Plan	Part/ W Contributions	# of Participants
Fixed Account	\$ 58,772,473	40.0%	1,269	2,226
Hartford Tot Return Bond HLS	\$ 2,753,457	1.9%	190	314
SSgA Intermediate Bond	\$ 935,513	0.6%	124	170
PIMCO Real Return A	\$ 871,657	0.6%	70	93
Janus Balanced	\$ 3,257,871	2.2%	435	650
Oakmark Equity Income I	\$ 6,872,277	4.7%	934	1,451
Hartford Dividend and Growth HLS	\$ 7,085,612	4.8%	815	1,259
Hartford Capital Appreciation HLS	\$ 22,282,647	15.2%	1,693	2,621
Neuberger Berman Soc Responsible Tr	\$ 759,938	0.5%	195	254
SSgA S&P 500 Index	\$ 4,698,666	3.2%	418	721
SSgA US Total Market Index	\$ 231,821	0.2%	64	81
Amer Fds Growth Fd of America R3	\$ 9,964,341	6.8%	906	1,527
Artisan Mid Cap Value	\$ 856,006	0.6%	281	395
SSgA S&P 400 Mid Cap Index	\$ 1,279,183	0.9%	412	539
Hartford MidCap HLS	\$ 9,577,696	6.5%	1,225	1,776
Nuveen NWQ Small Cap Value A	\$ 120,676	0.1%	45	55
SSgA Russell 2000 Index	\$ 1,112,052	0.8%	302	390
Royce Value Plus Service	\$ 429,046	0.3%	153	199
MFS Int'l New Discovery A	\$ 2,091,163	1.4%	733	980
SSgA EAFE Index	\$ 3,077,687	2.1%	875	1,200
Mutual Global Discovery A	\$ 8,854,867	6.0%	1,245	1,830
SDBA	\$ 1,161,359	0.8%	9	16
<b>Total Plan</b>	<b>\$ 147,046,007</b>	<b>100.0%</b>	<b>12393</b>	<b>18747</b>

Total Participants

2,218

3,743

Fund Expense Summary - Hartford						
Current Plan Assets and Funds	Assets	Asset Allocation	Expense Ratio <sup>1</sup>	Investment Cost on Assets	Revenue Sharing <sup>2</sup>	Revenue Share in \$\$
Fixed Account	\$ 58,772,473	40.0%	0.25%	\$ 146,931	0.00%	\$ -
Hartford Tot Return Bond HLS	\$ 2,753,457	1.9%	0.49%	\$ 13,492	0.25%	\$ 6,884
SSgA Intermediate Bond	\$ 935,513	0.6%	0.20%	\$ 1,871	0.14%	\$ 1,310
PIMCO Real Return A	\$ 871,657	0.6%	0.85%	\$ 7,409	0.40%	\$ 3,487
Janus Balanced	\$ 3,257,871	2.2%	0.84%	\$ 27,366	0.30%	\$ 9,774
Oakmark Equity Income I	\$ 6,872,277	4.7%	0.77%	\$ 52,917	0.25%	\$ 17,181
Hartford Dividend and Growth HLS	\$ 7,085,612	4.8%	0.67%	\$ 47,474	0.25%	\$ 17,714
Hartford Capital Appreciation HLS	\$ 22,282,647	15.2%	0.67%	\$ 149,294	0.25%	\$ 55,707
Neuberger Berman Soc Responsible Tr	\$ 759,938	0.5%	1.08%	\$ 8,207	0.25%	\$ 1,900
SSgA S&P 500 Index	\$ 4,698,666	3.2%	0.20%	\$ 9,397	0.18%	\$ 8,458
SSgA US Total Market Index	\$ 231,821	0.2%	0.23%	\$ 533	0.15%	\$ 348
Amer Fds Growth Fd of America R3	\$ 9,964,341	6.8%	0.97%	\$ 96,654	0.60%	\$ 59,786
Artisan Mid-Cap Value	\$ 856,006	0.6%	1.20%	\$ 10,272	0.35%	\$ 2,996
SSgA S&P 400 Mid Cap Index	\$ 1,279,183	0.9%	0.20%	\$ 2,558	0.15%	\$ 1,919
Hartford MidCap HLS	\$ 9,577,696	6.5%	0.71%	\$ 68,002	0.25%	\$ 23,944
Nuveen NWQ Small Cap Value A	\$ 120,676	0.1%	1.43%	\$ 1,726	0.55%	\$ 664
SSgA Russell 2000 Index	\$ 1,112,052	0.8%	0.20%	\$ 2,224	0.14%	\$ 1,557
Royce Value Plus Service	\$ 429,046	0.3%	1.45%	\$ 6,221	0.35%	\$ 1,502
MFS Int'l New Discovery A	\$ 2,091,163	1.4%	1.39%	\$ 29,067	0.65%	\$ 13,593
SSgA EAFE Index	\$ 3,077,687	2.1%	0.30%	\$ 9,233	0.15%	\$ 4,617
Mutual Global Discovery A	\$ 8,854,867	6.0%	1.31%	\$ 115,999	0.60%	\$ 53,129
SDBA	\$ 1,161,359	0.8%	0.00%	\$ -	0.00%	\$ -
<b>Total</b>	<b>\$ 147,046,007</b>	<b>100.0%</b>				<b>\$ 286,466</b>
<b>Total Expense (% of assets)</b>			<b>0.55%</b>	<b>\$ 806,847</b>	<b>0.20%</b>	
<b>Total Expense (% of assets w/o Fixed Account)</b>			<b>0.76%</b>			
<b>Summary: Plan Revenue</b>						
Number of Active Participants	2,218					
Number of Total Participants	3,743					
<b>Revenue Sharing</b>						<b>\$ 286,466</b>
<b>Frozen Assets Rev Share <sup>3</sup></b>	<b>\$ 4,908,341</b>	<b>0.41%</b>				<b>\$ 20,276</b>
<b>Total Revenue</b>						<b>\$ 306,742</b>
Buck Consultant Fee (Monthly)	\$13,471					\$161,652
<b>Total Net Revenue</b>						<b>\$ 145,090</b>
Per Participant Charge		\$ 81.95				

1. Fund expenses were provided by Morningstar and Hartford
2. Based on data received from the FSO. The total revenue sharing expense is a weighted average.
3. This figure includes revenue that the FSO may receive on funds that have been removed from the current line up. This is based on revenue sharing figures received from Hartford.

## Performance Objectives

Fund	Relative to Primary Index (1, 3, 5 Years)	Relative to Peer Universe (1, 3, 5 Years)	Management Consistency	Investment Style Consistency	Organizational Stability	Watch list (W) Terminate (T)
Hartford Total Return Bond HLS	+, +, -	+, =, -	= (3/12)	+	+	W
SSgA Intermediate Bond Index	=, =, =	n/a	+	+	+	
PIMCO Real Return A	-, +, +	+, +, +	+	+	+	
Janus Balanced	-, -, +	=, -, +	+	+	+	
Oakmark Equity Inc I	-, -, +	-, -, +	+	+	+	
Hartford Div & Growth HLS	-, -, +	+, =, +	+	+	+	
Hartford Capital App HLS	-, -, -	-, -, -	+	+	+	
Neuberger Berman Soc Responsibility Tr	-, -, -	-, -, -	+	+	+	
SSgA S&P 500 Index	-, -, -	n/a	+	+	+	
SSgA US Total Market Index	-, +, -	n/a	+	+	+	
Amer Funds Growth of America R3	-, -, -	-, -, -	+	+	+	W
Artisan Mid Cap Value	-, -, +	+, -, +	+	+	+	
SSgA S&P 400 Mid Cap Index	-, -, -	n/a	+	+	+	
Hartford Mid Cap HLS	-, -, -	=, -, =	- (5/11)	+	+	W
Nuveen NWQ Small Cap Value A	+, +, -	+, +, -	+	+	+	
SSgA Russell 2000 Index	+, +, +	n/a	+	+	+	
Royce Value Plus Svc	-, -, -	-, -, -	+	+	+	
MFS Int'l New Discovery A	+, +, +	+, +, +	+	+	+	
SSgA MSCI-EAFE	+, +, +	n/a	+	+	+	
Mutual Global Discovery A	+, -, +	+, -, +	= (12/09)	+	+	

**Key to table:**

**Relative to Benchmark:**

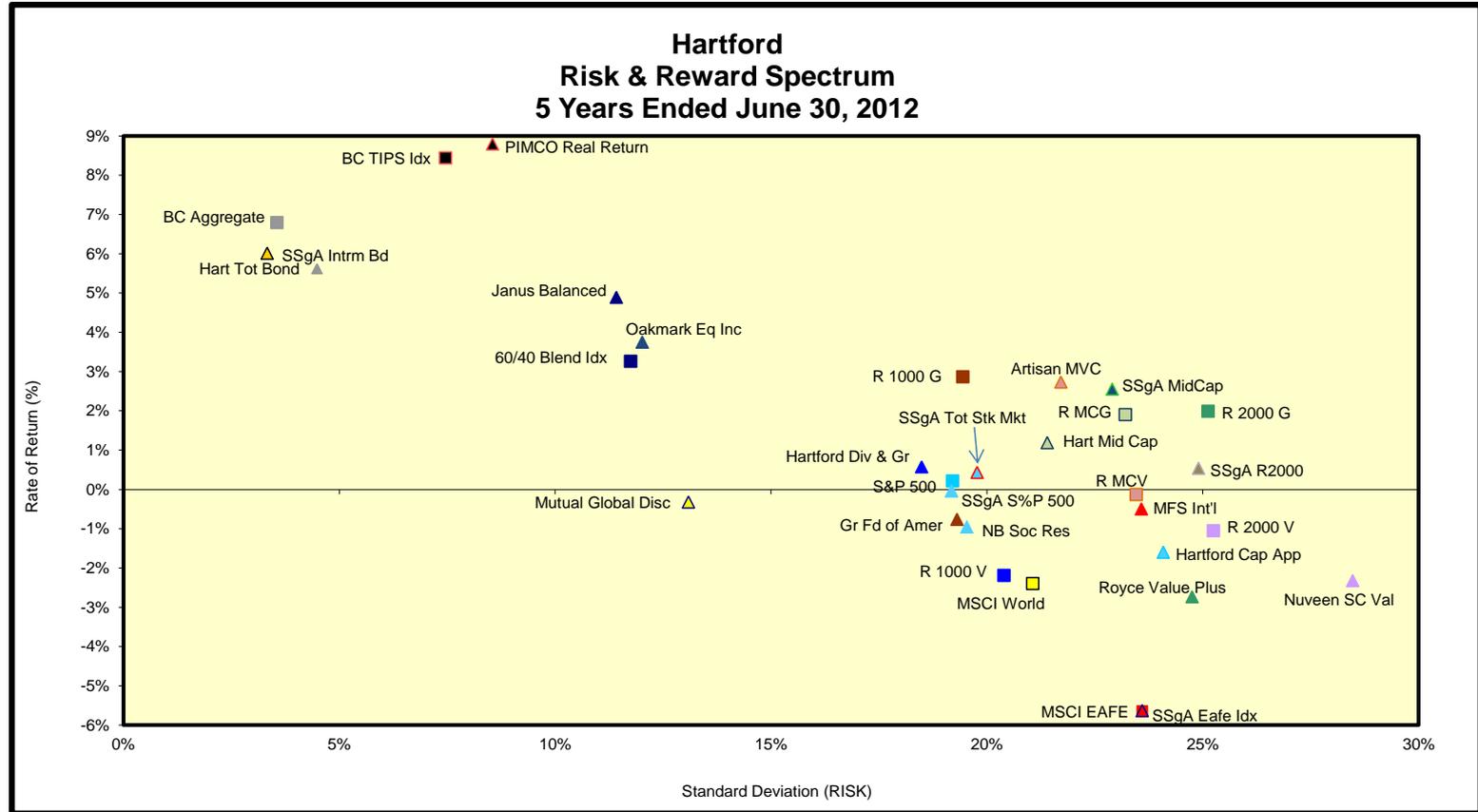
- + Outperformance
- = Equal Performance
- Underperformance

**Relative to Peer Group:**

- + Top Third Ranking
- = Top Half Ranking
- Bottom Half Ranking

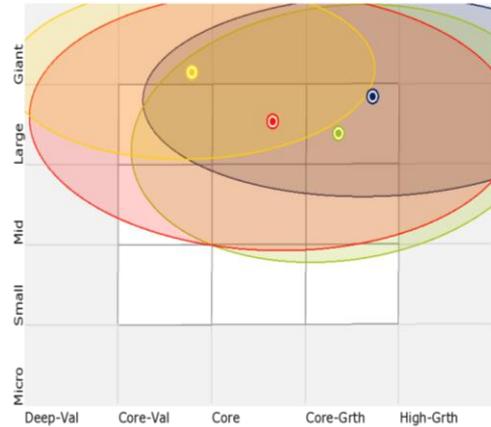
For index funds, we consider performance equal to benchmark if return difference is less than expense ratio

# 5 Year Risk/Return Chart



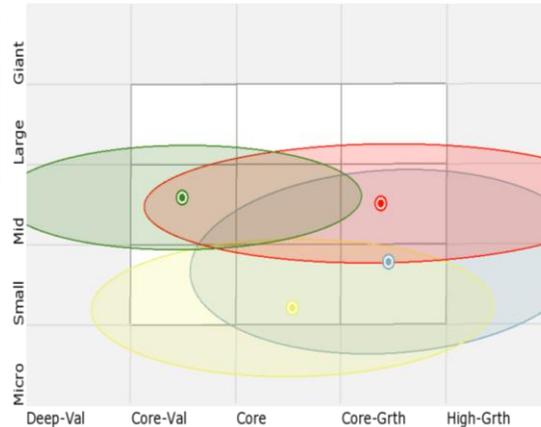
## U.S. Equity Style Box

Holdings-Based Style



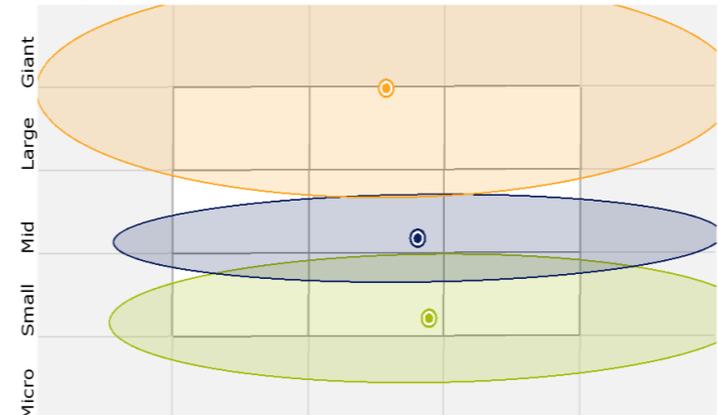
• Hartford Dividend & Growth HLS IA  
• American Funds Growth Fund of Amer R3

Holdings-Based Style



• Artisan Mid Cap Value Investor  
• Hartford MidCap HLS IA  
• Nuveen NWQ Small Cap Value A  
• Royce Value Plus Svc

Holdings-Based Style



• SSgA S&P 500 Index Instl  
• S&P MidCap 400 TR  
• Russell 2000 TR USD

Large Cap Funds

Mid & Small Cap Funds

Index Funds

### Common Holdings

	1	2	3	4	5	6	7	8	9	10
1 Hartford Dividend & Growth HLS IA		0.25	0.07	0.18	0.02	0.01	0.00	0.00	0.00	0.21
2 Hartford Capital Appreciation HLS IA	0.25		0.04	0.24	0.04	0.07	0.00	0.01	0.01	0.14
3 Neuberger Berman Socially Resp Inv	0.07	0.04		0.07	0.05	0.03	0.00	0.01	0.00	0.01
4 American Funds Growth Fund of A...	0.18	0.24	0.07		0.02	0.03	0.00	0.00	0.01	0.13
5 Artisan Mid Cap Value Investor	0.02	0.04	0.05	0.02		0.08	0.01	0.02	0.00	0.01
6 Hartford MidCap HLS IA	0.01	0.07	0.03	0.03	0.08		0.00	0.03	0.00	0.01
7 Nuveen NWQ Small Cap Value A	0.00	0.00	0.00	0.00	0.01	0.00		0.00	0.00	0.00
8 Royce Value Plus Svc	0.00	0.01	0.01	0.00	0.02	0.03	0.00		0.00	0.00
9 MFS International New Discovery A	0.00	0.01	0.00	0.01	0.00	0.00	0.00	0.00		0.00
10 Mutual Global Discovery A	0.21	0.14	0.01	0.13	0.01	0.01	0.00	0.00	0.00	

Note: Source is Morningstar. A portfolio's Ownership Zone is derived by plotting each stock in the fund's portfolio. A shaded area represents the center 75% of the fund's assets. A "centroid" plot in the middle of the Ownership Zone is the weighted average of all the fund's holdings. The top chart plots the centroid point over time to measure consistency.

The Common Holdings table measures the stock overlap between two funds or a fund and index. As an example, if two funds hold the same stock and one has a 5% position and the other 2%, the common holding between them is 2%. Adding up the overlap across the portfolio gives the common holdings percentage shown in the table. 1-Common Holdings is referred to as Active Share.

# ING Financial

## Overall Comments

- Quarterly results for actively managed funds have been weak versus the index and peers. Despite the recent results, we see no immediate need to make any changes to the investment line up at this time.
  - Only 30% of the funds outperformed or equaled their respective index over the three year annualized period, but 85% outperformed the median manager over the same three year period. This period includes the market recovery since March 2009, which has been a difficult time for active managers in many sectors.
  - The five year results improve as 62% outperformed or equaled their respective index while versus the style specific peer groups, 90% of the funds led the median manager.
  - We provide specific comments on certain funds where performance warrants closer attention or that are on watch list.

## Fixed Income

- PIMCO Total Return returned 2.7% for the quarter versus 2.1% for the Barclays Capital Aggregate Index.
  - Despite lagging the index over the past year and median peer, the fund's long term results remain strong.
- American Century Inflation-Adjusted Bond returned 3.1% versus 3.2% for the TIPS index, but placed in the top third of the peer group.
  - Despite lagging its index, American Century Inflation-Adjusted Bond performed well versus its peers and placed above the median manager over all annualized time periods.
- Templeton Global Bond returned -1.1% versus 0.2% for the index and ranked in the 95<sup>th</sup> percentile.
  - The fund leads the index and places in the 6<sup>th</sup> percentile on a year-to-date basis but trails its index by nearly 1.5% for the past year and lags the median fund. A higher allocation in emerging markets has hurt in periods when investors move away from riskier assets.
  - Three and five year which cover a longer period, remain very strong.

# ING Financial

## Balanced

- ING Van Kampen Equity Income returned -1.2% vs. -0.8% for the balanced index, but ranked in the 18<sup>th</sup> percentile of the peer group.
  - The fund still lags the index but ranks above the median managers over the three and five year periods, which is an improvement from last quarter.
  - While weaker relative results in 2011 have negatively impacted longer-term performance, we still think the fund remains a reasonable choice in the category.

## Equity

- While some funds have lagged their respective indexes in the near term, results are stronger versus the peer group. Only Neuberger Berman Socially Responsible lagged its index in all three annualized periods.
- Neuberger Berman Socially Responsible lagged the S&P 500, -6.4% vs. -2.8% and placed in the bottom half of the peer group.
  - The fund's weak performance from 2011 has carried over into 2012. Weak stock selection in technology and energy have hurt results. The concentrated nature of the fund can compound weak stock selection. Results over the past year have been hurt primarily by a lack of exposure to Apple within technology and an emphasis on exploration and development companies in energy, like Newfield Exploration (-57%) and Cimarex (-38%), over names like Exxon Mobil and Chevron, which earned positive returns over the past year.
  - The fund's three and five year returns trail the index but are competitive with the peer group at the 52<sup>nd</sup> percentile.
  - We still believe the fund remains a reasonable socially responsible offering due to its longer tenured manager.
- T. Rowe Price Value lagged its index -4.4% to -2.2% and placed in the 65<sup>th</sup> percentile.
  - The fund's manager has been in place just over two years and has performed in line with the median large cap value manager but lagged the index. Results in July and August have boosted the fund over the index and place the fund in the top quartile of the peer group.
- T Rowe Price Growth returned -5.0% vs. -4.0% for the Russell 1000 growth Index, but still ranked above the median manager.
  - Despite lagging its index, TRP Growth performed well versus its peers and placed above the median manager over all annualized time periods. Large cap growth has been a difficult sector for active managers to outperform the index.

## ING Financial

### Equity (continued):

- Allianz Small Cap returned -4.9% vs. -3.0% for the Russell 2000 Value Index and placed in the 56<sup>th</sup> percentile.
  - The fund trails the index 1.7% to 8.2% for the year-to-date period. Its overweight in energy, the index's weakest sector, and underweight in financials, which was the strongest sector, hurt performance. The year-to-date returns have had an impact on the most recent three and five year returns, which trail the index. The three year returns is still competitive with the median (52<sup>nd</sup> percentile) and the five year return is only 0.5% behind the index.
  - The fund's long-term track record (10 years) is solid and we continue to think the fund is a reasonable choice.
- ING Baron Small Cap Growth beat the Russell 2000 Growth, -1.2% vs. -3.9 % and placed in the 2<sup>nd</sup> percentile of the peer group.
  - Last quarter we mentioned that over time Baron has been changing into more of a mid cap growth strategy versus small growth and we questioned whether the Plan is getting the diversification benefits from offering Baron. The fund currently holds close to 60% of its assets in mid cap stocks versus 20% for the index. According to the style chart on page 26, the fund is close to the TRP Mid Cap Growth fund in the style box. When reviewing the holdings in the portfolios, however, there is very little overlap between the funds.
  - The firm now manages over \$7 billion in small cap assets and with this size the fund has been forced to buy into larger small caps and mid cap stocks. While Morningstar now groups the fund in the mid-growth territory, it has done so just barely, with one of its category's smallest average market caps. (It is at \$2.9 billion versus \$6.6 billion for the group average).
  - The Plan may not need both value and growth as the Plan offers a small cap index for participants to gain true small cap exposure at a low cost.
- Oppenheimer returned -7.9% to -4.9% for the MSCI World Index (gross) and ranked in the 75<sup>th</sup> percentile.
  - The fund has trailed the index and the universe over the past year by a meaningful amount and this has had a negative impact on the intermediate (three year) returns. Oppenheimer has still performed in line with the index, 11.4% to 11.6%, and beat the median fund over the most recent three years.
  - The fund has outperformed both index and universe over the 5- and 10-year period.

**Current Offerings Total Assets by Fund - ING Financial**

<b>Fund</b>	<b>Assets</b>	<b>% of Plan</b>	<b>Part w/ Contributions</b>	<b># of Participants</b>
Fixed Account	\$ 46,651,303	63.9%	469	1,166
PIMCO Total Return Admin	\$ 292,157	0.4%	59	82
Vanguard Total Bond Mkt Idx - Signal	\$ 1,983,368	2.7%	84	140
Amer Century Inflation-Adj Bond - Inv	\$ 501,874	0.7%	47	72
Templeton Global Bond - Advisor	\$ 426,735	0.6%	37	63
ING Van Kampen Equity & Inc	\$ 1,485,891	2.0%	110	189
T. Rowe Price Value - Adv	\$ 1,881,004	2.6%	226	359
Fidelity Contrafund	\$ 1,216,097	1.7%	226	292
ING Stock Index	\$ 2,373,762	3.3%	97	252
Neuberger Berman Socially Resp- Investor	\$ 395,710	0.5%	73	90
Vanguard Total Stock Index - Signal	\$ 2,591,895	3.6%	161	249
ING T.Rowe Price Growth Equity I	\$ 3,574,821	4.9%	179	388
Vanguard Mid-Cap Index Fund - Signal	\$ 888,488	1.2%	158	220
TRP Mid Cap Growth Adv	\$ 824,370	1.1%	179	227
Allianz NFJ Small Cap Val Fund - Inst	\$ 968,748	1.3%	137	198
ING Russell Sm Cap Index I	\$ 164,840	0.2%	86	100
ING Baron Small Cap Growth	\$ 2,053,013	2.8%	131	268
Dodge & Cox International Stock	\$ 245,727	0.3%	138	154
ING International Index Portfolio - I	\$ 98,229	0.1%	8	9
ING Oppenheimer Global Portfolio I	\$ 4,387,046	6.0%	259	518
<b>Total Plan</b>	<b>\$ 73,005,079</b>	<b>100%</b>	<b>2864</b>	<b>5036</b>

**Total Participants**

**727**

**1669**

Fund Expense Summary - ING							
Current Plan Assets and Funds	Assets	Asset Allocation	Expense Ratio <sup>1</sup>	Admin Expense Charge	Total Plan Expense <sup>2</sup>	Revenue Sharing <sup>3</sup>	Revenue Share in \$\$
Fixed Account	\$46,651,303	63.9%	0.26%	0.00%	0.26%	0.00%	\$ -
PIMCO Total Return Admin	\$292,157	0.4%	0.71%	0.25%	0.96%	0.25%	\$ 730
Vanguard Total Bond Mkt Idx - Signal	\$1,983,368	2.7%	0.10%	0.00%	0.10%	0.00%	\$ -
Amer Century Inflation-Adj Bond - Inv	\$501,874	0.7%	0.48%	0.00%	0.48%	0.25%	\$ 1,255
Templeton Global Bond - Advisor	\$426,735	0.6%	0.64%	0.25%	0.89%	0.15%	\$ 640
ING Van Kampen Equity Inc I	\$1,485,891	2.0%	0.66%	0.25%	0.91%	0.35%	\$ 5,201
T Rowe Price Value - Adv	\$1,881,004	2.6%	1.03%	0.25%	1.28%	0.35%	\$ 6,584
Fidelity Contrafund	\$1,216,097	1.7%	0.81%	0.25%	1.06%	0.25%	\$ 3,040
ING Stock Index	\$2,373,762	3.3%	0.26%	0.00%	0.26%	0.25%	\$ 5,934
Neuberger Berman Socially Resp- Investor	\$395,710	0.5%	0.90%	0.25%	1.15%	0.10%	\$ 396
Vanguard Total Stock Index-Signal	\$2,591,895	3.6%	0.06%	0.00%	0.06%	0.00%	\$ -
ING T.Rowe Price Growth Equity I	\$3,574,821	4.9%	0.73%	0.25%	0.98%	0.35%	\$ 12,512
Vanguard Mid-Cap Index Fund - Signal	\$888,488	1.2%	0.10%	0.00%	0.10%	0.00%	\$ -
TRP Mid Cap Growth Adv	\$824,370	1.1%	1.05%	0.25%	1.30%	0.35%	\$ 2,885
Allianz NFJ Small Cap Val Fund - Inst	\$968,748	1.3%	0.78%	0.25%	1.03%	0.10%	\$ 969
ING Russell Sm Cap Index I	\$164,840	0.2%	0.46%	0.00%	0.46%	0.10%	\$ 165
ING Baron Small Cap Growth	\$2,053,013	2.8%	1.00%	0.25%	1.25%	0.35%	\$ 7,186
Dodge & Cox International Stock	\$245,727	0.3%	0.64%	0.25%	0.89%	0.10%	\$ 246
ING International Index Portfolio - I	\$98,229	0.1%	0.51%	0.00%	0.51%	0.10%	\$ 98
ING Oppenheimer Global Portfolio I	\$4,387,046	6.0%	0.75%	0.25%	1.00%	0.35%	\$ 15,355
<b>Total \$\$</b>	<b>\$73,005,079</b>	<b>100.0%</b>	<b>\$ 280,273</b>	<b>\$ 44,378</b>	<b>\$ 324,651</b>		<b>\$ 63,195</b>
<b>Total Expense (% of assets)</b>			<b>0.38%</b>	<b>0.17%</b>	<b>0.44%</b>	<b>0.09%</b>	
<b>Total Expense (% of assets w/o Fixed Account)</b>			<b>0.60%</b>		<b>0.77%</b>		
<b>Summary: Plan Revenue</b>							
Number of Active Participants	727						
Number of Total Participants	1,669						
<b>Program Admin Charge</b>							<b>\$ 116,767</b>
<b>Revenue Sharing</b>							<b>\$ 63,195</b>
<b>Frozen Assets Rev Share <sup>4</sup></b>	<b>\$28,955,591</b>	<b>0.26%</b>		<b>\$ 72,389</b>			<b>\$ 74,170</b>
<b>Total Revenue</b>							<b>\$ 254,132</b>
Buck Consultant Fee (Monthly)	\$4,671						\$56,052
<b>Total Net Revenue</b>							<b>\$ 198,080</b>
Per Participant Charge			\$ 152.27				

1.Fund expenses were provided by ING.

2.The total plan costs reflect the basis point charge which includes the total fund operating expense plus the admin expense.

3.Based on data received from the FSO. The total revenue sharing expense is a weighted average.

4.This figure includes revenue or program admin charge that the FSO may receive on funds that have been removed from the current line up. This is based on revenue sharing figures received from ING.

## Performance Objectives

Fund	Relative to Primary Index (1, 3, 5 Years)	Relative to Peer Universe (1, 3, 5 Years)	Management Consistency	Investment Style Consistency	Organizational Stability	Watch list (W) Terminate (T)
PIMCO Total Return Admin	-, +, +	-, =, +	+	+	+	
Vanguard Tot Bond Mkt Idx - Sig	+, =, +	n/a	+	+	+	
Amer Century Infl-Adj Bond - Inv	-, -, -	+, +, +	+	+	+	
Templeton Global Bond - Advisor	-, +, +	-, +, +	+	+	+	
ING Van Kampen Eq Inc I	-, -, -	-, +, =	+	+	=	
T. Rowe Price Value Adv	-, -, +	-, =, =	= (12/09)	+	+	
Fidelity Contrafund	+, -, +	+, +, +	+	+	+	
Neuberger Ber Socially Resp- Inv	-, -, -	-, -, -	+	+	+	
ING Stock Index	-, -, -	n/a	+	+	+	
Vanguard Tot Stk Mkt Idx Sig	=, +, =	n/a	+	+	+	
ING TRP Growth Equity I	+, -, -	+, +, +	+	+	+	
Vanguard Mid Cap Index Sig	=, =, =	n/a	+	+	+	
TRP Mid Cap Growth Adv	+, -, +	+, +, +	+	+	+	
Allianz Small Cap Value - I	-, -, +	=, -, +	+	+	+	
ING Russell Sm Cap Index I	=, =, n/a	n/a	+	+	+	
ING Baron Small Cap Gr I	+, +, -	+, +, =	+	+	+	
Dodge & Cox International Stock	-, +, +	-, +, =	+	+	+	
ING International Index Port - I	=, -, n/a	n/a	+	+	+	
ING Oppenheimer Global Sec I	-, -, +	-, =, =	+	+	+	

**Key to table:**

**Relative to Benchmark:**

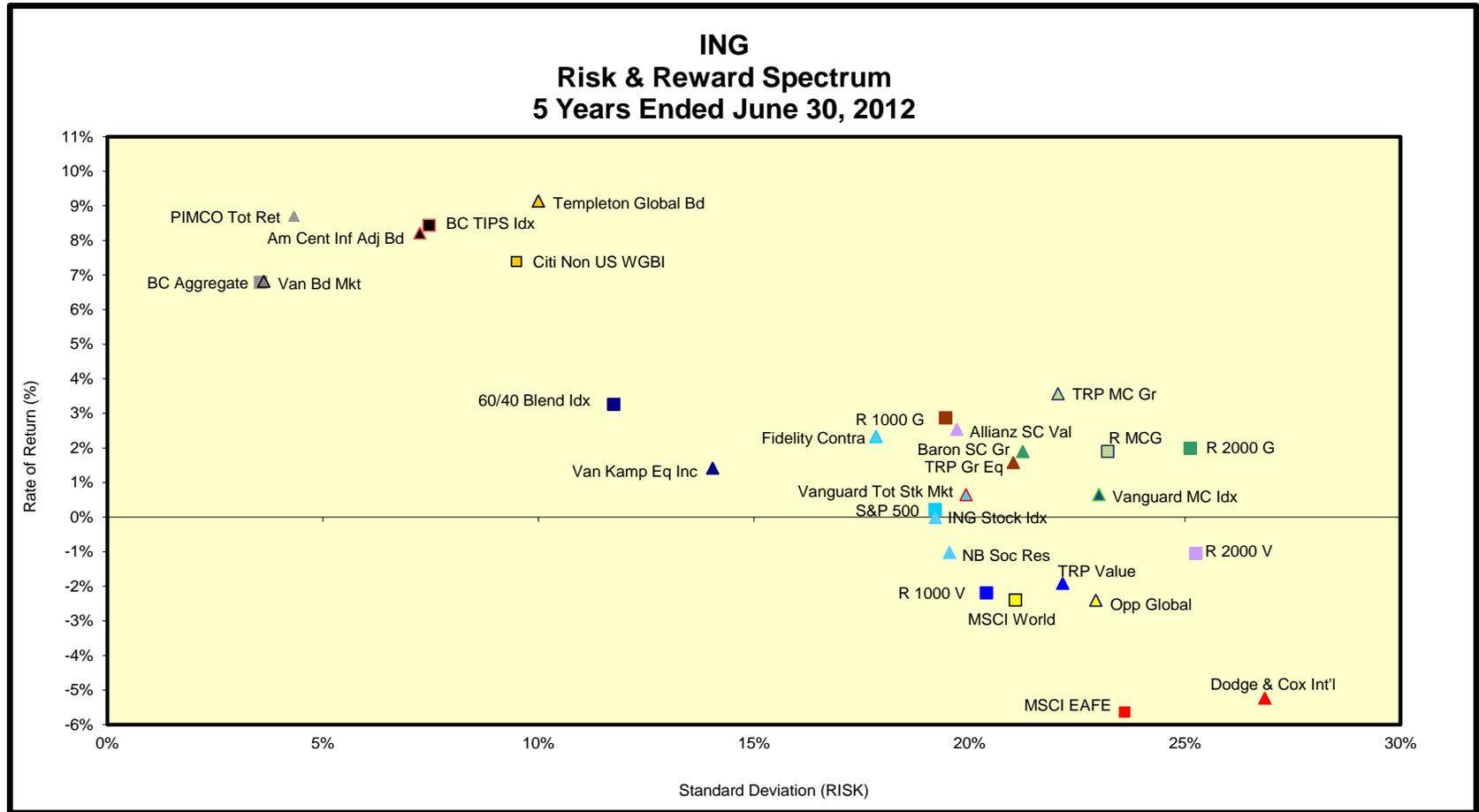
- + Outperformance
- = Equal Performance
- Underperformance

**Relative to Peer Group:**

- + Top Third Ranking
- = Top Half Ranking
- Bottom Half Ranking

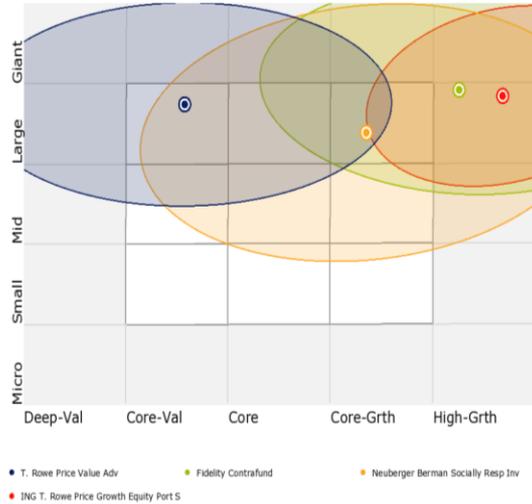
For index funds, we consider performance equal to benchmark if return difference is less than expense ratio

# 5 Year Risk/Return Chart



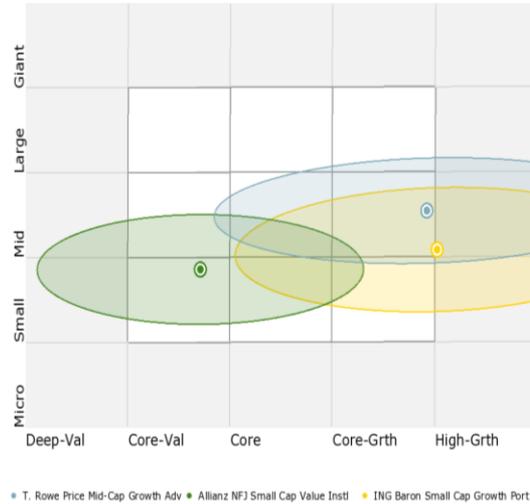
## U.S. Equity Style Box

Holdings-Based Style



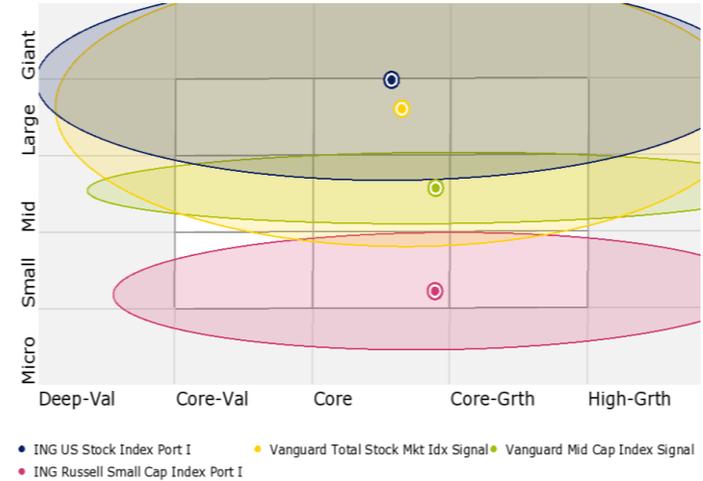
Large Cap Funds

Holdings-Based Style



Mid & Small Cap Funds

Holdings-Based Style



Index Funds

### Common Holdings

	1	2	3	4	5	6	7	8	9
1 T. Rowe Price Value Adv		0.09	0.09	0.06	0.04	0.00	0.00	0.01	0.07
2 Fidelity Contrafund	0.09		0.10	0.38	0.07	0.00	0.02	0.01	0.11
3 Neuberger Berman Socially Resp Inv	0.09	0.10		0.13	0.03	0.01	0.00	0.03	0.06
4 ING T. Rowe Price Growth Equity Po...	0.06	0.38	0.13		0.12	0.00	0.01	0.01	0.07
5 T. Rowe Price Mid-Cap Growth Adv	0.04	0.07	0.03	0.12		0.01	0.09	0.00	0.01
6 Allianz NFJ Small Cap Value Instl	0.00	0.00	0.01	0.00	0.01		0.01	0.00	0.00
7 ING Baron Growth Portfolio I	0.00	0.02	0.00	0.01	0.09	0.01		0.00	0.00
8 Dodge & Cox International Stock	0.01	0.01	0.03	0.01	0.00	0.00	0.00		0.10
9 Oppenheimer Global A	0.07	0.11	0.06	0.07	0.01	0.00	0.00	0.10	

Note: Source is Morningstar. A portfolio's Ownership Zone is derived by plotting each stock in the fund's portfolio. A shaded area represents the center 75% of the fund's assets. A "centroid" plot in the middle of the Ownership Zone is the weighted average of all the fund's holdings. The top chart plots the centroid point over time to measure consistency.

The Common Holdings table measures the stock overlap between two funds or a fund and index. As an example, if two funds hold the same stock and one has a 5% position and the other 2%, the common holding between them is 2%. Adding up the overlap across the portfolio gives the common holdings percentage shown in the table. 1-Common Holdings is referred to as Active Share.

# VALIC

## Overall Comments

- The second quarter results for actively managed funds have been weak. The funds in the Plan had a difficult quarter with just 20% outperforming the index and 35% versus the peer group.
  - 35% of the funds outperformed or equaled their respective index over the three year annualized period, while over 75% outperformed or equaled their respective index over the five year annualized period.
  - Versus each fund's style specific peer group, 64% outperformed the median manager over the three and over 85% over the five year annualized periods.
  - We provide specific comments on certain funds where performance warrants closer attention or that are on watch list.

## Fixed Income

- PIMCO Total Return returned 2.7% for the quarter versus 2.1% for the Barclays Capital Aggregate Index.
  - Despite lagging the index over the past year and median peer, the fund's long term results remain strong.
- PIMCO Real Return returned 1.5%, versus 0.9% for the index, and placed in the 24<sup>th</sup> percentile.
  - Despite lagging the benchmark over the last year, long term results remain solid. The fund ranks in the top third of the universe for periods from one, three and five years and ahead of the index. Templeton Global Bond returned -1.1% versus 0.2% for the index and ranked in the 95<sup>th</sup> percentile.
- Templeton Global Bond returned -1.1% versus 0.2% for the index and ranked in the 95<sup>th</sup> percentile.
  - The fund leads the index and places in the 6<sup>th</sup> percentile on a year-to-date basis but trails its index by nearly 1.5% for the past year and lags the median fund. A higher allocation in emerging markets has hurt in periods when investors move away from riskier assets.
  - Three and five year which cover a longer period, remain very strong.

## VALIC

### Balanced

- American Balanced returned -1.0% vs. the -0.8% for the balanced index and ranked in the 13<sup>th</sup> percentile.
  - The fund trails its index for one and five year periods but ranks in the top quartile or better in each time period shown.
  - The long tenured team and low expense ratio continue to make this an attractive offering.

### Equity

- There is some overlap in the funds which is illustrated on page 34.
- The plan offer two large value funds in MFS Value and American Fund Investment Co of America. During the first quarter the funds returned -4.0% and -2.4%, respectively, versus -2.2% for the index.
  - There are several similarities. Both funds have similar performance and both display less risk than the index.
    - Both firms focus on higher-quality companies and utilize a low turnover approach, regularly below 30%. Valuation is important for both firms but American Fund has a higher weighting toward companies that pay a dividend.
    - When evaluating overlap in common holdings the two portfolios have approximately 30% in common.
    - Investment Company of America has straddled the Value/Blend category for several years. We question whether the Plan is getting any benefit from offering both funds.
- Pioneer returned -4.7% versus -2.8% for the S&P 500 and placed in the 68<sup>th</sup> percentile of the large blend peer group.
  - The fund continued to struggle, as weak stock selection in technology has hurt results in 2012. The weakness coupled with weak returns in 2011 and 2009 have hurt long term results versus the index and peer group.
  - The fund's long term manager (+26 years) and strategy remains the same. The fund has a low turnover rate of about 12% and holds stocks for a long time. While the recent underperformance is a concern, we do not recommend making any changes at this time.

## VALIC

### Equity (continued)

- Harbor Capital Appreciation returned -7.0% vs. -4.0% for the Russell 1000 growth Index and lagged the median manager.
  - Despite lagging its index, Harbor has performed well versus its peers and placed above the median manager over all annualized time periods. Large cap growth has been a difficult sector for active managers to outperform the index.
- Janus Perkins Mid Cap Value lagged the Russell Mid Cap Value index -5.7% versus -3.3% and ranked in the 80<sup>th</sup> percentile of its mid value peers.
  - The fund's one year return lags the index but ranks near the median manager. The three year result also lags the index but places in the bottom decile of its peers. Weak results in the 2010 rally continue to hurt trailing returns. Longer-term, management's deep value style has added value but is prone to periods of underperformance. We do not recommend a change.
- Turner Mid Cap Growth returned -8.6% versus -5.6% for the index and ranked below the median manager.
  - The fund's long time manager is one of the benefits of the strategy but its volatility is one of the least attractive. The fund has historically performed well in up markets but poorly in down markets. Before the market decline in the 2<sup>nd</sup> half of 2011, the fund led the index and peers in most annualized time periods.
- Oppenheimer returned -8.2% to -4.9% for the MSCI World Index (gross) and ranked in the 81<sup>st</sup> percentile.
  - The fund has trailed the index and the universe over the past year by a meaningful amount and this had had a negative impact on the intermediate (three year) returns. Oppenheimer has still performed in line with the index, 11.1% to 11.6%, and beat the median fund over the most recent three years.
  - The fund has matched or outperformed both the index and universe over the 5- and 10-year period.

Current Offerings Total Assets by Fund - VALIC

Fund	Assets	% of Plan	Part w/ Contributions	# of Participants
Fixed Account	\$ 19,894,973	36.6%	478	1,029
Amer Cent Cap Preservation	\$ 47	0.0%	1	3
Dreyfus Bond Index	\$ 1,006,756	1.9%	80	153
PIMCO Total Return A	\$ 1,501,670	2.8%	114	223
PIMCO Real Return A	\$ 381,375	0.7%	32	55
Templeton Global Bond A	\$ 473,215	0.9%	46	68
American Balanced	\$ 3,780,027	7.0%	254	497
Investment Co. of America	\$ 1,525,005	2.8%	119	233
MFS Value A	\$ 2,170,255	4.0%	168	283
Calvert Social Inv. Equity	\$ 715,240	1.3%	30	56
Dreyfus S&P 500 Index	\$ 3,897,982	7.2%	248	514
Pioneer A	\$ 1,178,791	2.2%	81	164
Harbor Capital Appreciation Adm	\$ 1,207,250	2.2%	337	618
Janus Perkins Mid Cap Value A	\$ 182,023	0.3%	51	66
Dreyfus Mid Cap Index	\$ 930,591	1.7%	123	171
Turner Mid Cap Growth	\$ 2,212,482	4.1%	283	473
Dreyfus Small Cap Stk Index	\$ 229,797	0.4%	54	76
Neuberger Berman Genesis Tr	\$ 6,057,584	11.2%	480	831
American Funds Euro Pacific	\$ 3,532,829	6.5%	341	601
Dreyfus International Index	\$ 372,212	0.7%	47	61
Oppenheimer Global A	\$ 2,753,021	5.1%	249	458
SDBA	\$ 283,493	0.5%	1	10
<b>Total Plan</b>	<b>\$ 54,286,616</b>	<b>100%</b>	<b>3617</b>	<b>6643</b>

**Total Participants**

**719**

**1,597**

Fund Expense Summary - VALIC						
Current Plan Assets and Funds	Assets	Asset Allocation	Expense Ratio <sup>1</sup>	Investment Cost on Assets	Revenue Sharing <sup>2</sup>	Revenue Share in \$\$
Fixed Account	\$19,894,973	36.6%	0.50%	\$ 99,475	0.00%	\$ -
American Century Capital Preservation	\$47	0.0%	0.48%	\$ 0	0.25%	\$ 0
Dreyfus Bond Index	\$1,006,756	1.9%	0.40%	\$ 4,027	0.35%	\$ 3,524
Pimco Total Return A	\$1,501,670	2.8%	0.85%	\$ 12,764	0.35%	\$ 5,256
Pimco Real Return A	\$381,375	0.7%	0.85%	\$ 3,242	0.35%	\$ 1,335
Templeton Global Bond A	\$473,215	0.9%	0.89%	\$ 4,212	0.40%	\$ 1,893
Amer Funds American Balanced A	\$3,780,027	7.0%	0.62%	\$ 23,436	0.30%	\$ 11,340
Amer Funds Investment Co. of America A	\$1,525,005	2.8%	0.61%	\$ 9,303	0.30%	\$ 4,575
MFS Value A	\$2,170,255	4.0%	0.94%	\$ 20,400	0.40%	\$ 8,681
Calvert Social Inv. Equity A	\$715,240	1.3%	1.22%	\$ 8,726	0.50%	\$ 3,576
Dreyfus S&P 500 Index	\$3,897,982	7.2%	0.50%	\$ 19,490	0.40%	\$ 15,592
Pioneer A	\$1,178,791	2.2%	1.09%	\$ 12,849	0.55%	\$ 6,483
Harbor Capital Appreciation Adm	\$1,207,250	2.2%	1.02%	\$ 12,314	0.35%	\$ 4,225
Perkins Mid Cap Value A	\$182,023	0.3%	1.17%	\$ 2,130	0.35%	\$ 637
Dreyfus Mid Cap Index	\$930,591	1.7%	0.50%	\$ 4,653	0.40%	\$ 3,722
Turner Mid Cap Growth	\$2,212,482	4.1%	1.18%	\$ 26,107	0.35%	\$ 7,744
Dreyfus Small Cap Stk Index	\$229,797	0.4%	0.50%	\$ 1,149	0.40%	\$ 919
Neuberger Berman Genesis Tr	\$6,057,584	11.2%	1.14%	\$ 69,056	0.25%	\$ 15,144
American Funds Euro Pacific R3	\$3,532,829	6.5%	1.14%	\$ 40,274	0.60%	\$ 21,197
Dreyfus International Index	\$372,212	0.7%	0.60%	\$ 2,233	0.40%	\$ 1,489
Oppenheimer Global A	\$2,753,021	5.1%	1.16%	\$ 31,935	0.50%	\$ 13,765
SDBA	\$283,493	0.5%	0.00%	\$ -	0.00%	\$ -
<b>Total</b>	<b>\$ 54,286,616</b>	<b>100.0%</b>				<b>\$ 131,097</b>
<b>Total Expense (% of assets)</b>			<b>0.75%</b>	<b>\$ 407,775</b>	<b>0.24%</b>	
<b>Total Expense (% of assets w/o Fixed Account)</b>			<b>0.90%</b>			
<b>Summary: Plan Revenue</b>						
Number of Active Participants	719					
Number of Total Participants	1,597					
<b>Revenue Sharing</b>						<b>\$ 131,097</b>
<b>Frozen Assets Rev Share <sup>3</sup></b>	<b>\$ 16,745,668</b>	<b>0.27%</b>				<b>\$ 45,329</b>
<b>Total Revenue</b>						<b>\$176,426</b>
Buck Consultant Fee (Monthly)	\$4,650					\$55,800
<b>Total Net Revenue</b>						<b>\$120,626</b>
Per Participant Charge	\$110.47					

1. Fund expenses were provided by Morningstar.

2. Based on data received from the FSO. The total revenue sharing expense is a weighted average.

3. This figure includes revenue that the FSO may receive on funds that have been removed from the current line up. This is based on revenue sharing figures received from VALIC. This revenue number does not include the \$7.6 million in an old Fixed Account Plus.

## Performance Objectives

Fund	Relative to Primary Index (1, 3, 5 Years)	Relative to Peer Universe (1, 3, 5 Years)	Management Consistency	Investment Style Consistency	Organizational Stability	Watch list (W) Terminate (T)
Dreyfus Bond Market Index Inv	-, -, -	n/a	+	+	+	
PIMCO Total Return A	-, +, +	-, =, +	+	+	+	
PIMCO Real Return A	-, +, +	+, +, +	+	+	+	
Templeton Global Bond A	-, +, +	-, +, +	+	+	+	
Amer Funds Amer Bal A	-, +, -	+, +, +	+	+	+	
Amer Funds Inv Co. of Amer A	-, -, +	+, -, +	+	+	+	
MFS Value A	-, -, +	=, -, +	+	+	+	
Calvert Social Inv. Equity	-, -, +	-, =, +	+	+	+	
Dreyfus S&P 500 Index	=, -, =	n/a	+	+	+	
Pioneer A	-, -, -	-, -, -	+	+	+	
Harbor Capital App Adm	-, -, +	=, =, +	+	+	+	
Perkins Mid Cap Value A	-, -, +	-, -, +	+	+	+	
Dreyfus Mid Cap Index	-, -, =	n/a	+	+	+	
Turner Mid Cap Growth	-, -, -	-, =, -	+	+	+	
Dreyfus Small Cap Stock Index	=, =, =	n/a	+	+	+	
Neuberger Berman Genesis Adv	+, -, +	+, -, +	+	+	+	
Amer Funds Euro Pacific R3	+, +, +	=, =, +	+	+	+	
Dreyfus International Stock Index	=, -, =	n/a	+	+	+	
Oppenheimer Global A	-, -, =	-, =, =	+	+	+	

Key to table:

**Relative to Benchmark:**

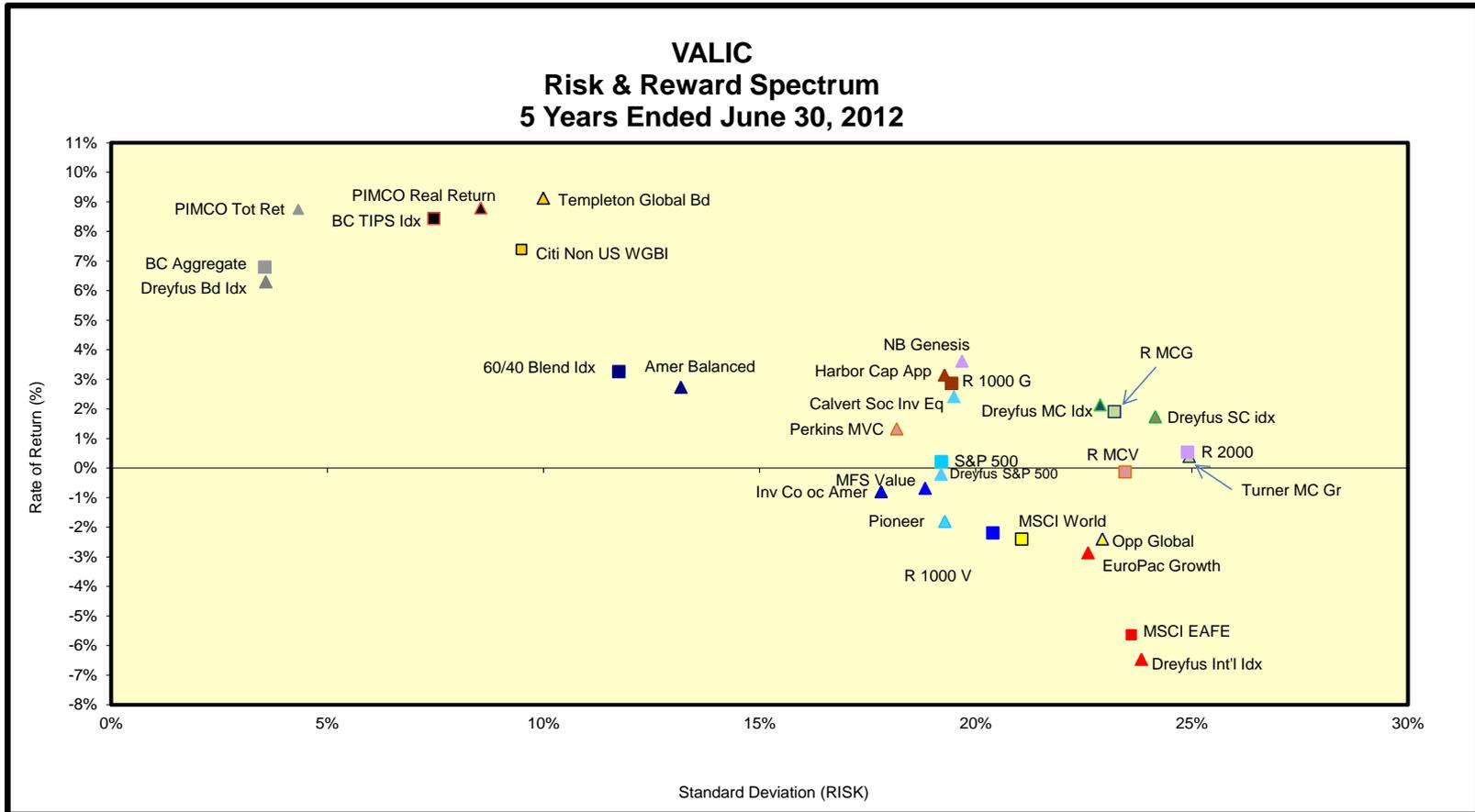
- + Outperformance
- = Equal Performance
- Underperformance

**Relative to Peer Group:**

- + Top Third Ranking
- = Top Half Ranking
- Bottom Half Ranking

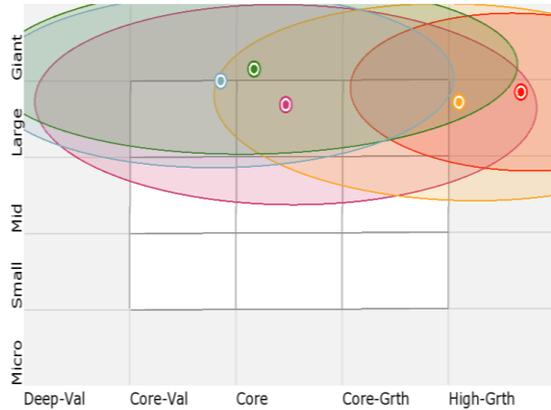
For index funds, we consider performance equal to benchmark if return difference is less than expense ratio

# 5 Year Risk/Return Chart



## U.S. Equity Style Box

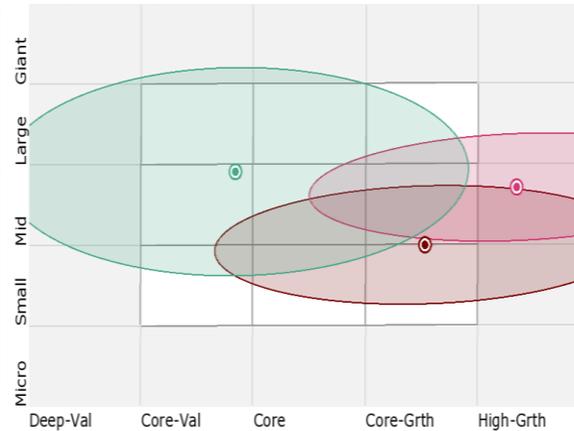
Holdings-Based Style



● MFS Value A     ● American Funds Invmt Co of America A     ● Calvert Equity A  
● Pioneer A     ● Harbor Capital Appreciation Adm

Large Cap Funds

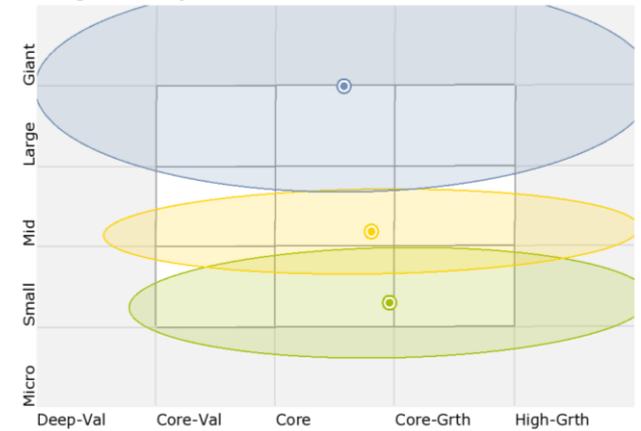
Holdings-Based Style



● Perkins Mid Cap Value A     ● Turner Midcap Growth Investor     ● Neuberger Berman Genesis Tr

Mid & Small Cap Funds

Holdings-Based Style



● Dreyfus S&P 500 Index     ● Dreyfus MidCap Index     ● Dreyfus Small Cap Stock Index

Index Funds

### Common Holdings

	1	2	3	4	5	6	7	8	9	10
1 MFS Value A		0.28	0.08	0.26	0.09	0.13	0.03	0.00	0.03	0.07
2 American Funds Invmt Co of Ameri...	0.28		0.15	0.27	0.12	0.07	0.00	0.00	0.06	0.06
3 Calvert Equity A	0.08	0.15		0.13	0.24	0.05	0.09	0.00	0.01	0.09
4 Pioneer A	0.26	0.27	0.13		0.15	0.17	0.07	0.00	0.02	0.09
5 Harbor Capital Appreciation Adm	0.09	0.12	0.24	0.15		0.03	0.16	0.01	0.04	0.10
6 Perkins Mid Cap Value A	0.13	0.07	0.05	0.17	0.03		0.02	0.01	0.02	0.04
7 Turner Midcap Growth Investor	0.03	0.00	0.09	0.07	0.16	0.02		0.05	0.00	0.02
8 Neuberger Berman Genesis Tr	0.00	0.00	0.00	0.00	0.01	0.01	0.05		0.00	0.00
9 American Funds EuroPacific Gr R3	0.03	0.06	0.01	0.02	0.04	0.02	0.00	0.00		0.12
10 Oppenheimer Global A	0.07	0.06	0.09	0.09	0.10	0.04	0.02	0.00	0.12	

Note: Source is Morningstar. A portfolio's Ownership Zone is derived by plotting each stock in the fund's portfolio. A shaded area represents the center 75% of the fund's assets. A "centroid" plot in the middle of the Ownership Zone is the weighted average of all the fund's holdings. The top chart plots the centroid point over time to measure consistency.

The Common Holdings table measures the stock overlap between two funds or a fund and index. As an example, if two funds hold the same stock and one has a 5% position and the other 2%, the common holding between them is 2%. Adding up the overlap across the portfolio gives the common holdings percentage shown in the table. 1-Common Holdings is referred to as Active Share.

Appendix – Hartford

HARTFORD LIFE INSURANCE COMPANY	Primary Benchmark	Primary Peer Universe
Hartford Tot Return Bond HLS	BC Aggregate	Intermediate Bond
SSgA Intermediate Bond Index	BC Intrm G/C Index	Intermediate Bond
PIMCO Real Return A	BC US TIPS	Inflation Protected Bond
Janus Balanced	60% S&P/40% BC Agg.	Balanced
Oakmark Equity Inc I	60% S&P/40% BC Agg.	Balanced
Hartford Div & Growth HLS	Russell 1000 Value	Large Value
Hartford Capital App HLS	S&P 500	Large Blend
Neuberger Berman Soc Respon Tr	S&P 500	Large Blend
SSgA S&P 500 Index	S&P 500	Large Blend
SSgA US Total Market Index	Wilshire 5000	Large Blend
Amer Funds Growth of Amer R3	Russell 1000 Growth	Large Growth
Artisan Mid Cap Value Inv	Russell Mid Cap Value	Mid Value
SSgA S&P 400 Mid Cap Index	S&P 400	Mid Blend
Hartford Mid Cap HLS	Russell Mid Cap Gr	Mid Growth
Nuveen NWQ Sm Cap Value A	Russell 2000 Value	Small Value
SSgA Russell 2000 Index	Russell 2000	Small Blend
Royce Value Plus Svc	Russell 2000 Growth	Small Growth
MFS Int'l New Discovery A	MSCI EAFE (net)	Foreign Stock
SSgA MSCI-EAFE	MSCI EAFE (net)	Foreign Stock
Franklin Mutual Global Discovery A	MSCI World	World Stock

Appendix – ING

ING FINANCIAL ADVISORS, LLC	Primary Benchmark	Primary Peer Universe
PIMCO Total Return Admin	BC Aggregate	Intermediate Bond
Vanguard Tot Bond Mkt Idx Signal	BC Aggregate	Intermediate Bond
Amer Century Infl-Adj Bond Inv	BC US TIPS Index	Inflation-Protected Bond
Templeton Global Bond Advisor	Citigroup World Govt Non \$US	Global Bond
T. Rowe Price Value Adv	Russell 1000 Value	Large Value
Fidelity Contrafund	S&P 500	Large Blend
Neuberger Ber Socially Resp Inv	S&P 500	Large Blend
ING Stock Index	S&P 500	Large Blend
Vanguard Tot Stk Mkt Idx Signal	MSCI US Broad Mkt Idx	Large Blend
ING TRP Growth Equity I	Russell 1000 Growth	Large Growth
Vanguard Mid Cap Index Signal	MSCI US Mid Cap 450	Mid Blend
TRP Mid Cap Growth Adv	Russell Mid Cap Gr.	Mid Growth
Allianz Small Cap Value Instl	Russell 2000 Value	Small Value
ING Opp Main St Small Cap I	Russell 2000	Small Blend
ING Baron Small Cap Gr I	Russell 2000 Growth	Small Growth
ING International Value I	MSCI EAFE (net)	Foreign Stock
ING International Index Port I	MSCI EAFE (net)	Foreign Stock
Oppenheimer Global Sec I	MSCI World	World Stock

Appendix – VALIC

VALIC	Primary Benchmark	Primary Peer Universe
Dreyfus Bond Mkt Index	BC Aggregate Index	Intermediate Bond
PIMCO Total Return A	BC Aggregate Index	Intermediate Bond
PIMCO Real Return A	BC US TIPS Index	Inflation-Protected Bond
Templeton Global Bond A	Citigroup World Govt Non \$US	Global Bond
Amer Funds Amer Bal A	60% S&P/40% BC Agg.	Balanced
Amer Funds Inv Co. of Amer A	Russell 1000 Value	Large Value
MFS Value A	Russell 1000 Value	Large Value
Calvert Social Inv. Equity	S&P 500	Large Blend
Dreyfus S&P 500 Index	S&P 500	Large Blend
Pioneer A	S&P 500	Large Blend
Harbor Capital Appreciation A	Russell 1000 Growth	Large Growth
Perkins Mid Cap Value A	Russell Mid Cap Value	Mid Value
Dreyfus Mid Cap Index	S&P 400	Mid Blend
Turner Mid Cap Growth Inv	Russell Mid Cap Gr.	Mid Growth
Dreyfus Small Cap Stk Index	Russell 2000	Small Blend
Neuberger Berman Genesis Trust	Russell 2000	Small Blend
Amer Funds Euro Pacific R3	MSCI EAFE (net)	Foreign Stock
Dreyfus International Stk Index	MSCI EAFE (net)	Foreign Stock
Oppenheimer Global A	MSCI World	World Stock

## Investment Policy

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## Investment Policy Statement

### **I. Introduction**

The purpose of this document is to define the investment structure, goals and monitoring process for the Internal Revenue Code Section 457 (“457 Plan”) sponsored by the State of Maine. To accomplish this it will establish the overall asset mix of the 457 Plan, and set guidelines and performance measurement standards for the 457 Plan.

The key elements of the investment policy are the risk spectrum of funds offered, the mix of specific funds, the number and type of options, the fund structure of the “variable” and “mutual fund” offerings, performance indices and objectives and security guidelines.

The 457 Plan will offer investment options that comply with this policy effective July 1, 2001. These investment options will be available to new participants on and after July 1, 2001. For participants prior to July 1, 2001, the prior investment options will be available through December 31, 2001. If no election is made for new investment options by December 31, 2001, the account balances will be mapped into similar investment option.

### **II. Asset Class Mix**

The investment funds offered by providers on both the variable annuity and mutual fund products should maintain a range of asset classes providing for an appropriate diversified portfolio for each participant. The number and type of funds will be reviewed annually. The consultant and the State of Maine will determine if additions or deletions to the asset classes should be made.

Each provider is limited to 16 investment options(called the core options) including no more than five variable annuity products and one general account product. In addition, each provider has the ability to offer a self directed account. A vendor may, if approved by the consultant and the State of Maine, offer additional investment options providing they are indexed to an acceptable market benchmark and that the vendor may not impose an administrative expense. The options offered by the providers will be selected from the asset classes listed below.

<b>Low Risk</b> Money market	<b>Risk Oriented</b> Growth Equity Index
<b>Moderate Risk</b> Income Long Bond	<b>Active Equity Income</b> Growth & Income Global Stock Funds
<b>Median Risk</b> Asset Allocation LifeStyle Balanced	<b>High Risk</b> Small and mid cap International

### III. Manager Structure

Investment managers will be selected based upon investment philosophy, performance, risk, people, fees and other criteria. Participants will have the opportunity to contribute across the variable annuity products or the mutual fund products consistent with their own portfolio and risk needs. The 457 Plan will offer a spectrum which is consistent with prudent standards and avoiding duplicative investments. The structure may use passive or active approaches.

Each manager's risk/return will be analyzed annually to measure volatility as measured by the standard deviation of annual returns, and the number of absolute negative periods will be compared to its index and to its universe.

### IV. Return Objective

The return performance standard will be comprised of benchmarks that are the best fit for the appropriate products, and measured to a broad universe of products with similar styles. The principal time horizon for performance measurement and selection will be three to five years using a time weighted rate of return net of fees and expenses.

### V. Fees

Fees for the plan are differentiated for the variable annuity assets and the mutual fund assets. The asset based fees will be netted from performance of the underlying investments when providing comparisons to peer funds and benchmark indexes. The long term objective is to minimize the loss of value to participant's accounts due to the fee burden. Particular attention will be toward constraining asset based fees when the relevant expense does not relate to asset size. Other charges such as those imposed per transaction or per account, will be shown separately.

The expense categories for each structure include but not limited to:

#### Variable/Wrapped

- Insurance Features
- Marketing (including 12 b-1)
- Administration
- Principal Protection Cancellation
- Investment Management

#### Mutual Fund/Unwrapped

- Investment Management
- Marketing (including 12 b-1)
- Administration

Expense categories may change over time.

## VI. Investment Guidelines

### Low Risk

#### Money Market/Stable Value

#### Managers Guidelines

- Maintain a high quality, investment grade portfolio
- Money market funds should target maturities under 1 year
- Stable Value funds should target average maturities under 5 years

#### Performance Guidelines

- Money market funds will be compared to a comparable maturity Treasury return and ranked in the Donoghue or equivalent universe
- Stable Value funds will be compared to a Treasury note of comparable maturity to the fund and to a stable value fund universe (Heuler or equivalent)

#### Fixed Interest Fund Guidelines

- The average portfolio quality should be single A
- Liquidity is important to maintain because of possible redemptions
- The duration of the portfolio should target the 7 year bond

#### Fixed Interest Performance Objectives

- Outperform the 7 year bond over a market cycle, or 3 years whichever is less
- Rank at the median or better of a broad universe of bond managers

### Moderate Risk/Fixed Income Managers

#### Moderate Risk/Fixed Income Manager Guidelines

- Investment must be U.S. dollar denominated obligations of the United States Government and its agencies and instrumentalities and U.S. corporations
- Mortgage-backed securities including collateralized mortgages (“CMO’s”)
- Asset backed securities (“ABS’s”)
- Municipal bonds

- Yankee bonds
- Eurobonds
- Fixed income securities must be rated at least Baa3/BBB or higher by Moodys or Standard & Poors, respectively at the time of purchase

### Moderate Risk/Fixed Income Manager Performance Objectives

- Exceed the return of the Lehman Aggregate Bond Index or the Lehman Government Corporate Bond Index (dependent on style) over a market cycle, or 3 years whichever is less
- Rank at the median or better of a broad universe of fixed income managers

### **Median Risk/Balanced Managers**

#### **Style Definitions**

- **Asset Allocation**  
Manager varies the investment proportions by each asset class on a tactical basis
- **Lifestyle**  
Asset allocation is set strategically to reflect a class of participants specific needs
- **Balanced**  
The fund has a target asset allocation reflecting a long term growth income focus

### Median Risk/Balanced Manager Guidelines (Asset Allocation, Life Style, Balanced)

- The equity portion of the balanced manager's portfolios may include the common stocks and convertible bonds of U.S. companies, ADR's, and equity securities of foreign companies trading in the U.S. markets and capable of settlement in the U.S.
- The fixed income portion of these portfolios may include U.S. dollar denominated obligations of the United States Government and U.S. corporations
- Mortgage backed securities including collateralized mortgage obligations ("CMO's")
- Asset backed securities ("ABS's")
- Municipal bonds
- Short term securities
- Yankee bonds
- Eurobonds
- Short term instruments

## Median Risk/Balanced Manager Performance Objectives

- Exceed the return of the blended benchmark defined to be 50% of the S&P 500 Index and 50% of the Lehman Aggregate Bond Index over a market cycle, or 3 years whichever is less
- Rank at the median or better of a broad universe of balanced managers

## **Risk Oriented**

### Risk Oriented Equity Manager Guidelines (Large Cap)

- Equities must be traded on NYSE, AMEX or the NASDAQ
- Short sales are prohibited
- No more than 5% at market value of a corporation's outstanding issues in a given security class may be purchased
- No more than 5% at market value of the U.S. equity portfolio may be in one issue
- Managers are selected based on their style of management such as value, growth and core and are expected to maintain that style

### Risk Oriented Equity Performance Objectives (Large Cap)

### U.S. Large Cap Equity Managers

- Exceed the return of the S&P 500 index over a market cycle, or 3 years whichever is less
- Rank at the median or better of a broad universe of large cap managers

## **High Risk (Small, Mid Cap and International)**

### High Risk Equity Manager Guidelines (Small & Mid Cap)

- Equities must be traded on NYSE, AMEX or the NASDAQ
- Short sales are prohibited
- No more than 5% at market value of a corporation's outstanding issues in a given security class may be purchased
- No more than 5% at market value of the U.S. equity portfolio may be in one issue
- Managers are selected based on their style of management such as value, growth and core and are expected to maintain that style

### U.S. Mid Cap Equity Managers Performance Objectives

- Exceed the return of the S&P 400 Midcap index over a market cycle, or 3 years whichever is less
- Rank at the median or better of a broad universe of mid cap managers

## U.S. Small Cap Equity Managers Performance Objectives

- Exceed the return of the Russell 2000 Index over a market cycle, or 3 years whichever is less
- Rank at the median or better of a broad universe of small cap managers

## **High Risk/Non-U.S. Equity Managers (International)**

### High Risk/Non U.S. Equity Manager Guidelines (International)

- Invests in non-U.S. dollar denominated securities and ADR's
- Invests in short term instruments
- Managers may hedge their currency risk, but not for speculation
- Up to 25% of the portfolio may be represented by investment in issues located in countries that are not included in the MSCI EAFE Index

### High Risk/Non U.S. Equity Manager Performance Objectives (International)

- Exceed the return of the MSCI EAFE Index over a market cycle, or 3 years whichever is less
- Rank at the median or better of a broad universe of international managers

## **VII. Control Procedures**

On a timely basis, but not less than annually, the Committee will meet to review whether each manager continues to conform to the criteria outlined in the previous section; specifically:

- The manager's adherence to the Fund's investment guidelines;
- Material changes in the manager's organization, investment philosophy and/or personnel; and,
- Any legal, SEC and/or other regulatory agency proceedings affecting the firm.

A watch list will be created for managers that fail to meet performance, organizational or regulatory requirements.

The consultants and vendors will review any specific fund named in a regulatory action as having participated in illegal after hours trading or allowed market timing or other practices which disadvantaged the Plan participants. Any such fund will immediately be considered for replacement and the Trustees will be presented with alternative investment options for the mapping of Plan participant assets.

## VIII. Roles and Responsibilities

### Administrator

- Collect data from vendors to provide reporting to Plan Sponsor
- Coordinate communication
- Recommend Investment Policy
- Recommend specific funds and asset mix to Plan Sponsor
- Provide full performance report to Plan Sponsor semiannually with summary reports quarterly

### Plan Sponsor

- Approve investment policy statement
- Review performance of underlying investment offerings semiannually
- Approve specific variable annuity funds and mutual funds for inclusion as investment

### Trustee

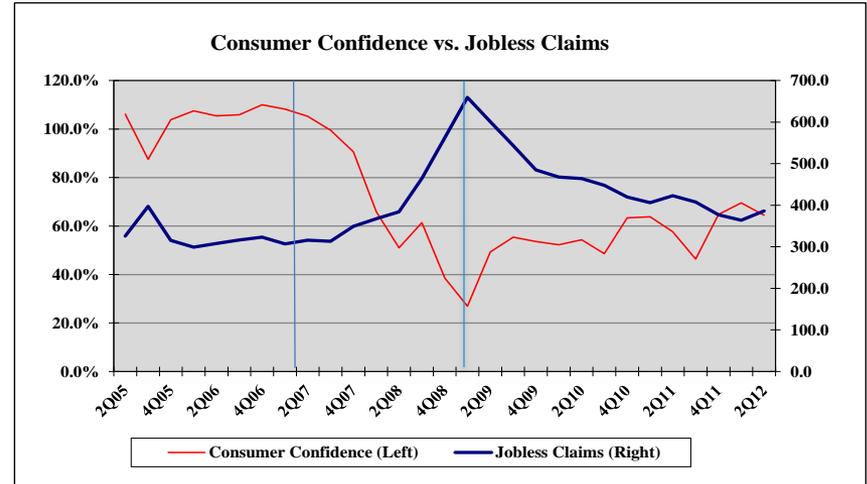
- Hold mutual fund shares on behalf of participants

## Capital Market Environment

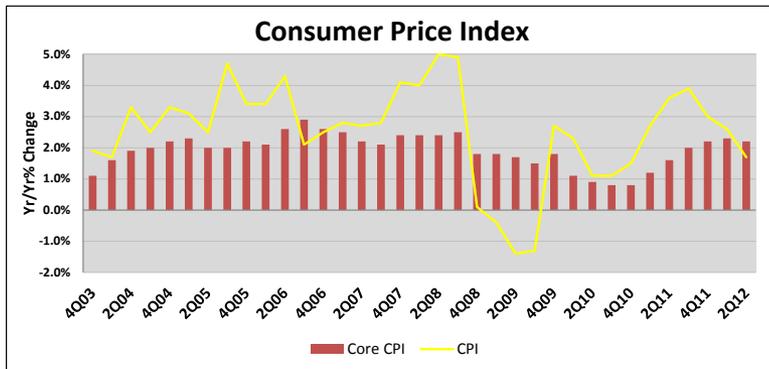
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# Capital Market Commentary - Economy

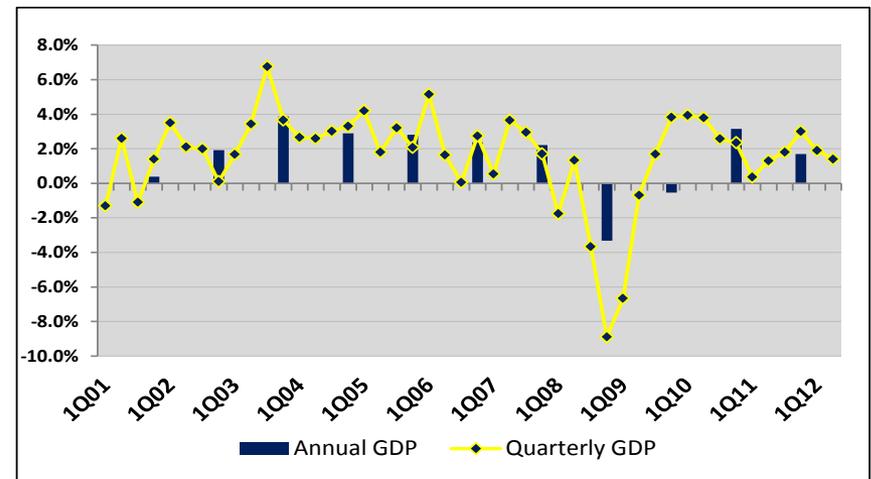
- US non-farm payroll growth declined significantly in the year-to-date period from roughly 275,000 in January down to 80,000 in June. Private non-farm payrolls averaged only 91,000 in the second quarter of 2012, significantly slower than the 226,000 average of the previous quarter. The unemployment rate remained at 8.2%.
- The first estimate for 2Q GDP Growth by the Bureau of Economic analysis came in at 1.5% (down from the final estimate of 1.9% for Q1 GDP), moving lower as consumers reduced spending and businesses invested at a slower pace although off of the low levels of early 2009.
- Continued strain in the labor market has pressured wages and weakened consumer confidence, pushing the Conference Board's Consumer Confidence Index to a five month low in June. It remains in a range associated with prior recessions.
- CPI rose 1.7% over the past 12 months, which was the lowest rate since January 2011. Core CPI (excluding food and energy) for the last 12 months was 2.2%.
- Economists noted the looming "fiscal cliff" at year end when roughly \$400 billion in tax cuts are to expire and \$105 billion in spending cuts are set to take effect. If left to continue as scheduled, the Congressional Budget Office estimates a -3.7% detraction from GDP would result.



The Period between the two blue lines represent the Recession Period  
Source : Bloomberg

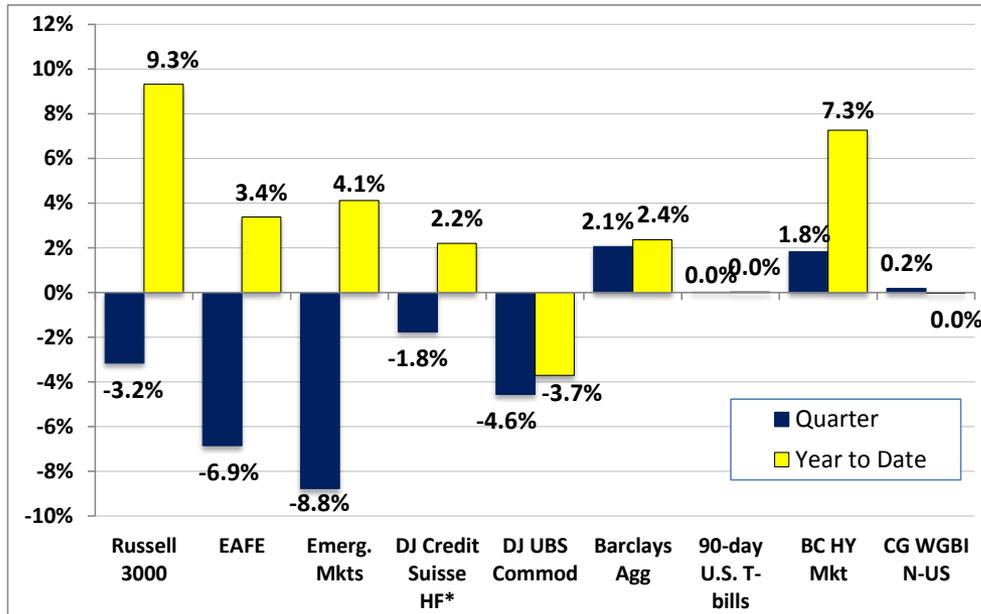


Source : Bureau of Labor Statistics. Unadjusted 12 month periods.



Source : Bloomberg

# Capital Market Performance

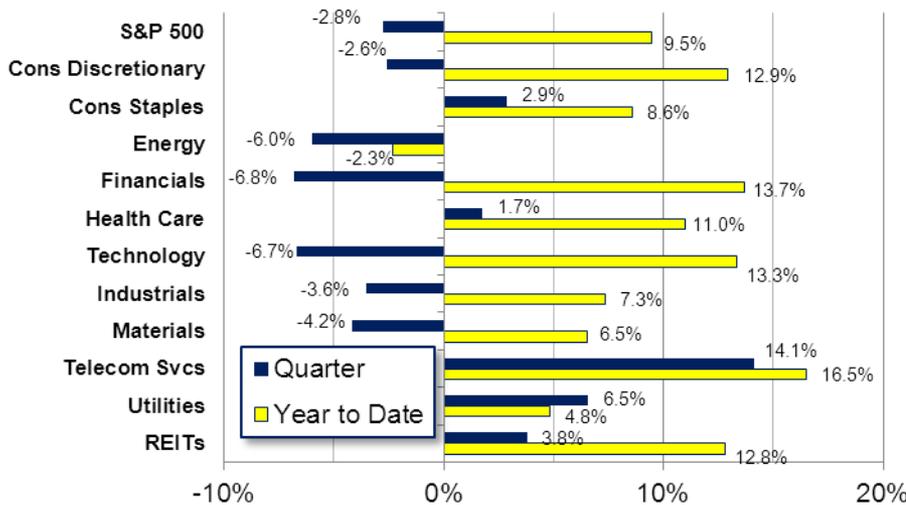
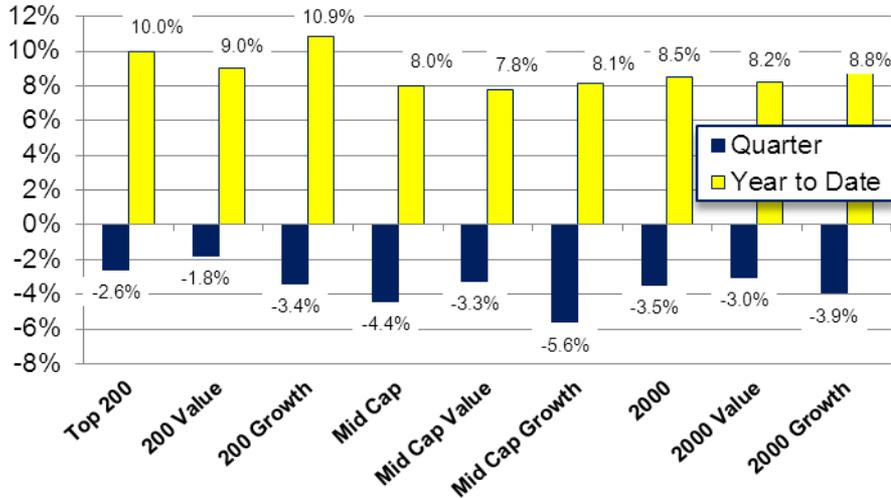


\*The Credit Suisse/Tremont Hedge Fund Index is an asset-weighted index of hedge funds and shown net of all performance fees and expenses. It is the exclusive property of Credit Suisse Tremont Index LLC.

- For the third year in a row, a midyear slowdown hit the U.S. stock market causing the Russell 3000 Index to decline -3.2%. Economic growth and job creation slowed significantly in the second quarter. Due to strong returns in the first quarter, however, the Russell 3000 Index is still higher by 9.3% over the year-to-date period.
- International equity markets remained volatile in the second quarter. Negative sentiment was driven by political headlines in Europe plus data indicating global economic softening. After losing all of the first quarter gains in April and May, the markets rebounded in June. The MSCI EAFE index declined -6.9% in the second quarter and Emerging Markets fell -8.8%. Year-to-date results are still positive but well below U.S. equity results.
- A flight-to-quality sent interest rates lower, and the yield on the 10-Year Treasury note reached a record low 1.45% on June 1. The yield curve flattened, and greater gains on bond prices were seen at the intermediate and long segments of the Treasury curve. 10- and 30-year Treasuries generated strong returns of 5.8% and 12.6%, respectively.
- The Barclays Aggregate Bond Index returned 2.1% with half of the gain coming from government debt. Corporate debt (+2.5%) outperformed the broader index but lagged the return from Treasuries. Lower-rated issues managed positive returns but still lagged the performance of higher-grade credits.
- Hedge funds outperformed equities but underperformed fixed income during the quarter. Dedicated Short Bias and Fixed Income Arbitrage produced positive returns of 3.4% and 1.7%, respectively. Long/Short Equity and Emerging Markets were the weakest performing strategies, declining -4.7% and -3.8%, respectively.

Source : Morningstar

# Domestic Equity Market Performance



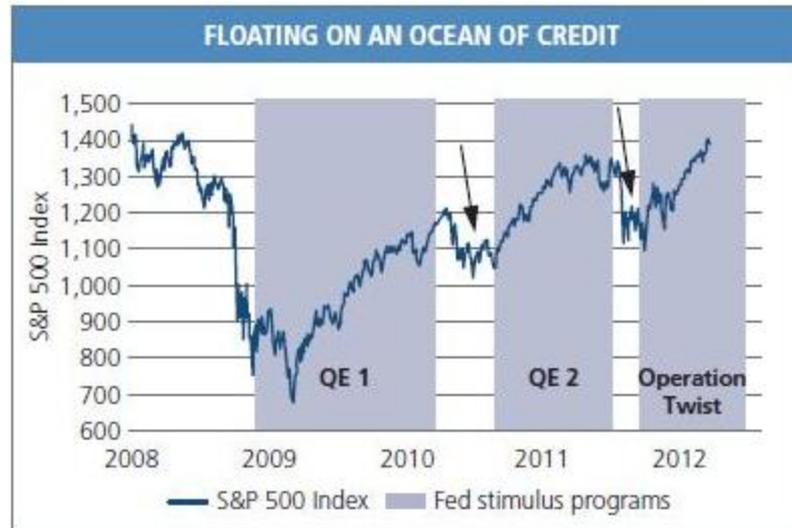
- Large cap equities did best during the quarter, returning -2.6%, while mid-cap fare the worst with a -4.4% return. In terms of style, value edged ahead of growth across all market capitalizations with mid-cap growth producing the most losses, hurt by individual constituents in the technology and consumer discretionary sectors. Large-cap also remains ahead over the year-to-date period.
- The S&P 500 Index declined by -2.8% during the second quarter as markets were in “give-back” mode, giving back a small portion of gains from the first quarter.
- Six of the ten sectors in the S&P 500 Index declined. In a complete reversal from the first quarter, the strongest performing sectors were the defensive telecom (14.1%) and utilities (6.5%) sectors.
- Financials performed the worst, coming in at -6.8%. In a quarter dominated by sector rotation, this result is not entirely surprising given the sizable gains experienced during the first quarter. Technology also suffered as a result of “risk-off” sentiment while energy stocks were hurt by falling energy prices.

Phase	Description	Top Performers
Early Cycle Phase	Investors anticipate recovery near end of recession	Financials, Consumer Discretionary, Info. Tech, Industrials
Mid-Cycle Phase	Prior to Fed's initial rate increase as economy expands	Info. Tech, Industrials, Energy, Materials
Late-Cycle Phase	Prior to recession, market anticipates a slowdown	Energy, Materials, Consumer Staples, Health Care
Recession Phase	Economic contraction	Consumer Staples, Health Care, Utilities, Telecom.

Note: The top performers are general expectations. It is not guaranteed that these sectors will perform as presented

## Market Dependency on the Fed?

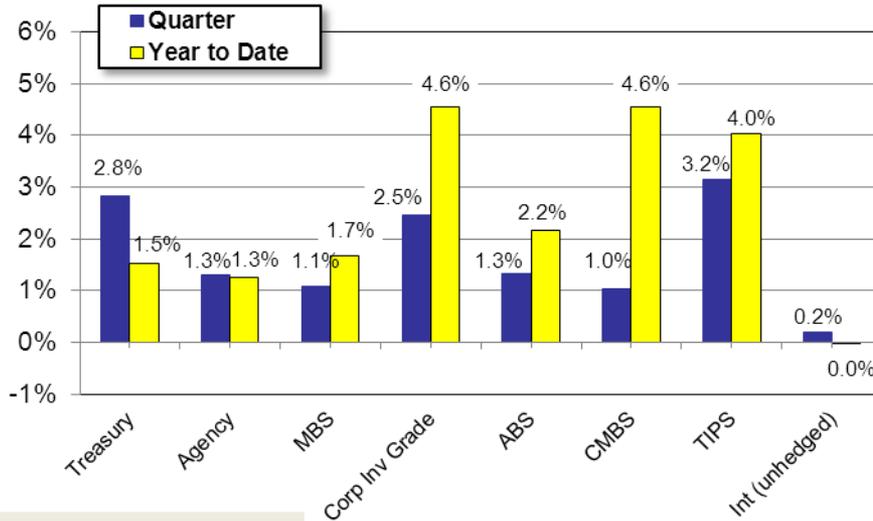
- Some market observers have noted that non-conventional Federal Reserve activity (Quantitative Easing, Operation Twist, etc.) are artificially depressing interest rates, which is leading to a corresponding artificial support of equity prices.
- A comparison of equity market movements (as represented by the S&P 500) with the timing of Federal Reserve activity shows equity market strength has correlated with Fed activity and weakened upon their expiration. Of course, correlation does not prove causation.



Data as of March 23, 2012. Shaded areas indicate Fed programs from date of announcement through termination.  
Source: LPI Financial, Bloomberg, as reproduced by PIMCO

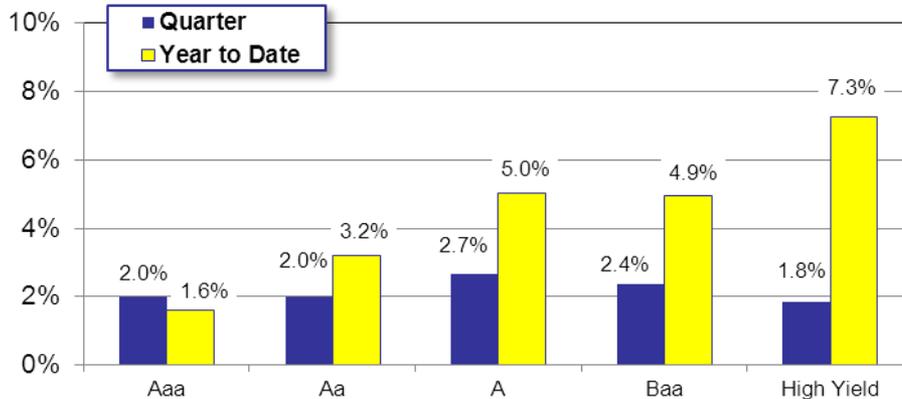
# Bond Market Performance – By Sector and Quality

## Returns By Sector



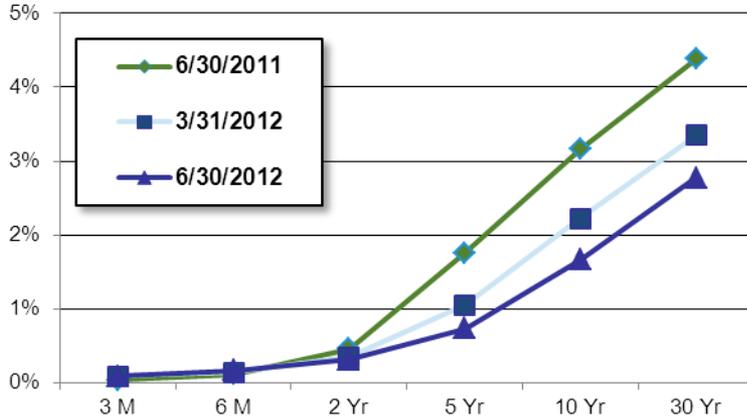
- The Barclays Capital US Aggregate Index returned a healthy 2.1% for the quarter, bringing the total year-to-date return to 2.4% through June.
- Bonds performed reasonably well as a group during the second quarter with U.S. nominal Treasuries and TIPS outperforming other sectors of the domestic bond market.
- Concerns of a slowing U.S. economy, turmoil in Europe, and reduced GDP growth forecasts in some emerging markets economies, increased demand for U.S. bonds for their perceived safety.
- Despite concerns of a slowdown in U.S. economic growth, credit-sensitive bonds produced positive returns during the second quarter with investment grade corporate bonds returning 2.5% and high yield corporate bonds returning 1.8%.
- In spite of falling energy prices, TIPS continued to deliver positive returns (3.2% during the quarter). Strong demand for TIPS, coupled with falling nominal U.S. treasury yields, suggest that the market is pricing increased risks of both left and right tail inflation scenarios, highlighting uncertainty.
- Non-US sovereign bonds (unhedged) returned (0.2%) for the quarter and underperformed U.S. Treasuries on renewed concerns relating to the viability of the euro common currency. Spain and Cyprus requested partial bailouts, and problems in Spain included a continuing recession, high levels of unemployment, and undercapitalized banks. Yields on 10-year Spanish government bonds exceeded the key 7% threshold in late June.

## Returns By Quality



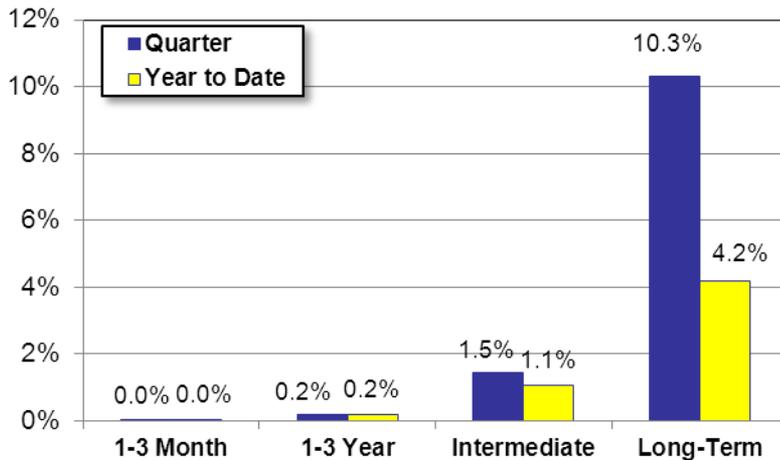
# Bond Market Performance – By Maturity

**Yield Curve – US Government Debt**



- The yield on the 10 Year Treasury Note fell dramatically from 2.22% to 1.66% on concerns of slowing global GDP growth and European uncertainty. Ten year treasury yields actually set a record low of 1.45% on June 1 before reverting higher at the end of the quarter (and that record has been eclipsed as yields have fallen further in July).
- The Federal Reserve announced in late June that “Operation Twist” would continue through at least the end of 2012. This program involves Fed purchases of longer dated bonds in an effort to reduce borrowing costs. These purchases are funded by the sale of short-term securities on the Fed’s balance sheet, and the net effect does not increase the size of the Fed’s balance sheet as was the case during two rounds of “quantitative easing.”
- Fed Chairman Ben Bernanke also said that the central bank may take additional action if the economy remains weak, suggesting at least the possibility of a third round of quantitative easing.
- Long-term U.S. government bonds returned 10.3% during the quarter, outperforming shorter maturities, as interest rates have continued to decline.

**Returns on US Government Debt – By Maturity**



**Country & Regional Returns**

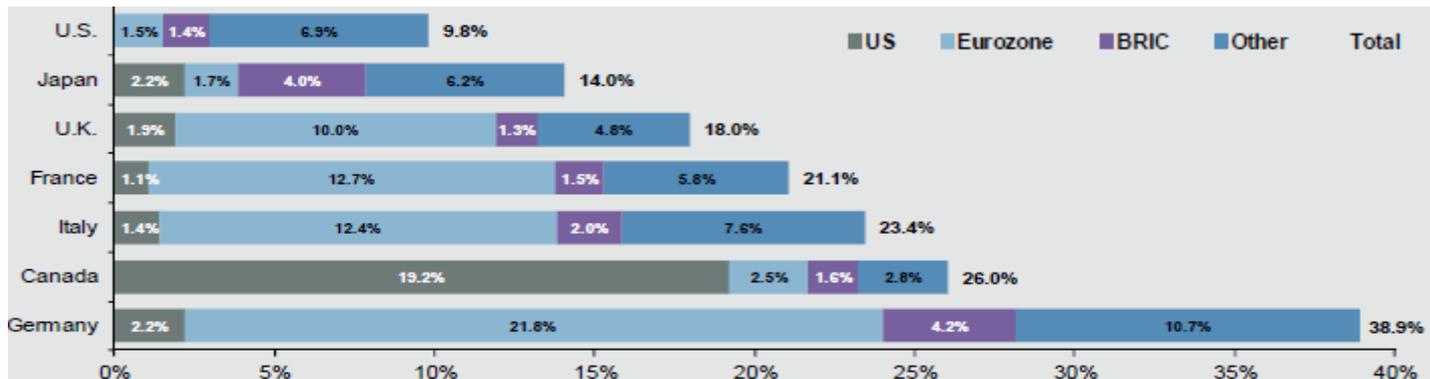
Quarter	USD	Local	Year-to-Date	USD	Local
Belgium	1.0%	6.0%	Belgium	20.2%	23.0%
Denmark	-3.0%	1.7%	Singapore	14.8%	12.2%
Singapore	-3.8%	-3.1%	Denmark	14.7%	17.3%
United Kingdom	-4.0%	-2.2%	Hong Kong	7.9%	7.7%
Ireland	-4.6%	0.2%	New Zealand	7.5%	4.4%
Hong Kong	-4.9%	-5.0%	Germany	6.9%	9.3%
Australia	-5.0%	-4.0%	Sweden	6.2%	6.9%
Switzerland	-5.7%	-1.2%	Ireland	4.8%	7.2%
Netherlands	-6.8%	-2.2%	Switzerland	4.3%	5.6%
Japan	-7.3%	-10.1%	Norway	4.2%	3.8%
Sweden	-7.5%	-3.8%	Australia	3.5%	3.6%
Canada	-7.6%	-5.7%	United Kingdom	3.4%	2.4%
New Zealand	-8.0%	-6.2%	Japan	3.2%	7.1%
France	-8.2%	-3.6%	France	3.1%	5.5%
Norway	-9.4%	-5.6%	Netherlands	1.4%	3.7%
Italy	-11.5%	-7.1%	Austria	-0.6%	1.7%
Germany	-11.7%	-7.4%	Canada	-1.5%	-1.4%
Spain	-11.9%	-7.5%	Italy	-3.6%	-1.4%
Austria	-14.6%	-10.4%	Finland	-6.9%	-4.8%
Portugal	-17.4%	-13.3%	Spain	-14.5%	-12.6%
Finland	-20.6%	-16.7%	Portugal	-16.0%	-14.1%
Greece	-27.5%	-23.9%	Greece	-17.7%	-15.8%
Europe	-7.1%	-3.6%	Europe	3.0%	3.9%
Pacific X-Japan	-4.9%	-4.1%	Pacific X-Japan	5.9%	5.5%
Japan	-7.3%	-10.1%	Japan	3.2%	7.1%
EAFE	-6.9%	-5.1%	EAFE	3.4%	4.7%

**International Equity Market Performance - By Country And Region (in US Dollars)**

- The MSCI EAFE Index returned -6.9% during the quarter as uncertainty returned to Europe. The possibility of Greek elections producing a government intent on defaulting on its financial obligations became a growing concern, as did the rising probability of a Greek exit from the Euro. Both governments and financial institutions drew up contingency plans for such an event.
- Although concerns in Greece eventually eased, Spain then drew focus as it sought financial assistance to recapitalize an ailing banking system, prompting its sovereign borrowing rates to revert to elevated levels.
- Questions still remain on the future of the ESM (European Stability Mechanism), the planned permanent bailout facility to take over the EFSF and EFSM. One of the primary obstacles is Germany, where resentment is growing among the populace that it is taking responsibility and paying for the excesses of other governments. Current market consensus is (though it is by no means certain) that Germany will come to the aid of Europe given that it is in its economic interest to do so. The chart below shows that the German economy is closely intertwined with Europe with 40% of German GDP derived from exports, more than half of which is to the Eurozone.

**Goods Exports as % of GDP**

Source: JP Morgan Asset Management



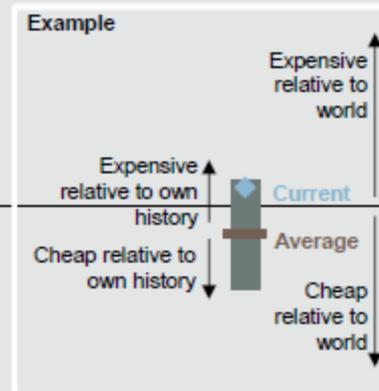
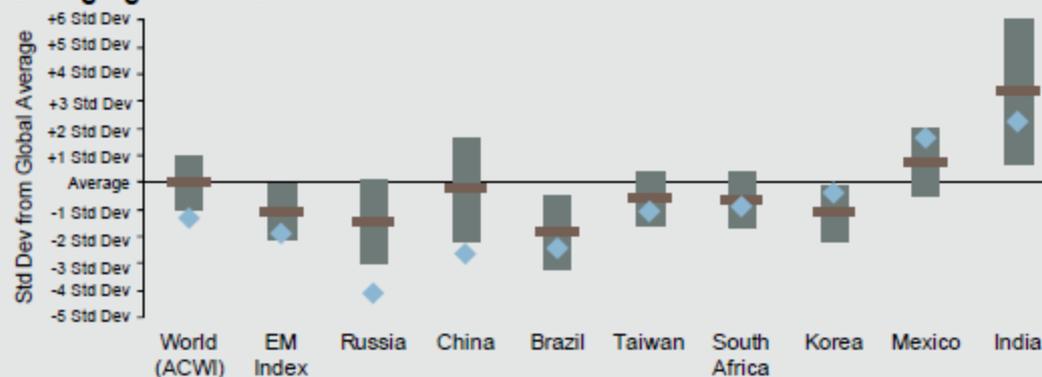
## Emerging Markets Performance - By Country And Region (in US Dollars)

### Country & Regional Returns

Quarter	USD	Local	Year-to-Date	USD	Local
Philippines	4.1%	2.2%	Turkey	28.7%	23.3%
Turkey	1.3%	2.8%	Philippines	26.6%	21.6%
Mexico	-1.1%	3.7%	Thailand	14.6%	15.3%
Malaysia	-3.6%	-0.1%	Mexico	14.3%	10.0%
Poland	-5.2%	1.5%	Hungary	13.8%	5.7%
China	-5.3%	-5.3%	Poland	11.5%	8.3%
Thailand	-5.4%	-2.6%	India	8.6%	14.2%
South Africa	-5.6%	0.6%	Chile	7.6%	4.1%
Indonesia	-7.0%	-4.4%	Korea	5.5%	4.9%
Hungary	-7.3%	-5.8%	South Africa	5.0%	6.4%
Korea	-8.6%	-7.6%	Malaysia	4.6%	4.8%
Chile	-8.7%	-6.1%	China	4.1%	4.0%
MSCI EM	-8.8%	-5.1%	MSCI EM	4.1%	5.1%
Taiwan	-9.5%	-8.3%	Taiwan	3.6%	2.3%
India	-9.5%	-0.9%	Russia	2.0%	2.8%
Russia	-14.0%	-6.6%	Indonesia	-3.2%	0.3%
Brazil	-18.8%	-10.1%	Brazil	-7.5%	0.1%
Em Mkts	-8.8%	-5.1%	Em Mkts	4.1%	5.1%
Asia	-7.3%	-5.5%	Asia	5.1%	5.4%
Latin America	-13.1%	-6.3%	Latin America	-0.4%	3.4%
EM Eur /Mid East	-10.3%	-3.9%	EM Eur /Mid East	7.1%	6.4%

### Current Valuations Relative to Historical

#### Emerging Market Countries



Source: JP Morgan Asset Management

# Market Indices - For Periods Ended June 30, 2012

	3 Months Return	6 Months Return	9 Months Return	1 Year Return	2 Years *Return	3 Years *Return	4 Years *Return	5 Years *Return	10 Years *Return
S&P 500 Index	-2.75	9.49	22.43	5.45	17.39	16.40	3.86	0.22	5.33
Wilshire 5000 Index	-3.13	9.22	22.36	3.96	17.14	16.65	3.96	0.43	6.04
Wilshire 4500 Index	-4.76	8.77	22.76	-2.53	16.39	18.77	4.97	1.47	8.57
NASDAQ	-4.78	13.28	22.56	6.99	19.17	18.09	7.42	3.39	N/A
MSCI EAFE Index	-6.85	3.38	6.87	-13.38	6.49	6.45	-4.47	-5.63	5.62
MSCI Emerging Markets Index	-8.77	4.12	8.75	-15.67	3.96	10.10	-0.93	0.21	14.42
MSCI World	-4.86	6.29	14.50	-4.41	11.98	11.58	-0.35	-2.40	5.74
Russell 1000 Index	-3.12	9.38	22.34	4.37	17.35	16.64	3.85	0.39	5.72
Russell Midcap Index	-4.40	7.97	21.26	-1.65	16.70	19.44	4.37	1.06	8.45
Russell 2000 Index	-3.47	8.53	25.32	-2.08	16.00	17.80	5.22	0.54	7.00
Russell 3000 Index	-3.15	9.32	22.57	3.84	17.24	16.73	3.96	0.39	5.81
Russell 1000 Growth Index	-4.02	10.08	21.75	5.76	19.49	17.50	5.20	2.87	6.03
Russell 1000 Value Index	-2.20	8.68	22.92	3.01	15.25	15.80	2.46	-2.19	5.28
Russell Midcap Growth Index	-5.60	8.10	20.26	-2.99	17.89	19.01	4.10	1.90	8.47
Russell Midcap Value Index	-3.26	7.78	22.19	-0.37	15.66	19.92	4.63	-0.13	8.17
Russell 2000 Growth Index	-3.94	8.81	25.13	-2.71	18.16	18.09	5.47	1.99	7.39
Russell 2000 Value Index	-3.01	8.23	25.52	-1.44	13.78	17.43	4.89	-1.05	6.50
NAREIT Equity REITs	3.71	14.91	32.40	12.92	22.82	32.41	7.11	2.60	10.32
Barclays Capital Intermediate G/C Bond Index	1.48	2.10	2.96	5.42	4.59	5.81	5.68	6.01	5.08
Barclays Capital Long Term G/C Bond Index	7.32	5.04	7.74	24.58	13.39	14.41	12.07	10.99	8.75
Barclays Capital Mortgage-Backed Securities	1.08	1.66	2.55	4.97	4.37	5.40	6.38	6.67	5.40
Barclays Capital Aggregate Bond Index	2.06	2.37	3.52	7.47	5.67	6.93	6.71	6.79	5.63
Barclays Capital U.S. TIPS	3.15	4.04	6.84	11.66	9.68	9.63	6.84	8.44	7.23
Barclays Capital U.S. Government	2.63	1.48	2.34	8.32	5.24	5.65	5.89	6.64	5.36
Barclays Capital U.S. Corporate Inv Grade	2.52	4.65	6.67	9.71	7.98	10.57	8.85	7.64	6.60
Barclays Capital U.S. Corporate High Yield	1.83	7.27	14.20	7.27	11.37	16.28	11.30	8.45	10.16
Citigroup Non-US WGBI USD	0.20	-0.02	-0.50	0.44	6.98	5.13	4.73	7.39	7.15
Citigroup 90-Day Treasury Bills	0.02	0.03	0.03	0.04	0.09	0.10	0.27	0.87	1.77

\* Returns greater than one year are annualized.

## Market Indices - Annual Returns

	2002 Return	2003 Return	2004 Return	2005 Return	2006 Return	2007 Return	2008 Return	2009 Return	2010 Return	2011 Return
S&P 500 Index	-22.10	28.68	10.88	4.91	15.79	5.49	-37.00	26.46	15.06	2.11
Wilshire 5000 Index	-20.86	31.64	12.48	6.38	15.77	5.62	-37.23	28.30	17.16	0.98
Wilshire 4500 Index	-17.80	43.85	18.08	10.03	15.29	5.39	-39.03	36.99	28.42	-4.09
NASDAQ	-31.23	50.69	9.15	2.12	10.38	10.65	-39.98	45.36	18.02	-0.51
MSCI EAFE Index	-15.66	39.17	20.70	14.02	26.86	11.63	-43.06	32.46	8.21	-11.73
MSCI Emerging Markets Index	-6.00	56.28	25.95	34.54	32.59	39.78	-53.18	79.02	19.20	-18.17
MSCI World	-19.54	33.76	15.25	10.02	20.65	9.57	-40.33	30.79	12.34	-5.02
Russell 1000 Index	-21.65	29.89	11.40	6.27	15.46	5.77	-37.60	28.43	16.10	1.50
Russell Midcap Index	-16.18	40.06	20.22	12.65	15.26	5.60	-41.46	40.48	25.47	-1.55
Russell 2000 Index	-20.48	47.25	18.33	4.55	18.37	-1.57	-33.79	27.17	26.85	-4.18
Russell 3000 Index	-21.54	31.06	11.95	6.12	15.72	5.14	-37.31	28.34	16.93	1.03
Russell 1000 Growth Index	-27.88	29.75	6.30	5.26	9.07	11.81	-38.44	37.21	16.71	2.64
Russell 1000 Value Index	-15.52	30.03	16.49	7.05	22.25	-0.17	-36.85	19.69	15.51	0.39
Russell Midcap Growth Index	-27.41	42.71	15.48	12.10	10.66	11.43	-44.32	46.29	26.38	-1.65
Russell Midcap Value Index	-9.65	38.07	23.71	12.65	20.22	-1.42	-38.44	34.21	24.75	-1.38
Russell 2000 Growth Index	-30.26	48.54	14.31	4.15	13.35	7.05	-38.54	34.47	29.09	-2.91
Russell 2000 Value Index	-11.43	46.03	22.25	4.71	23.48	-9.78	-28.92	20.58	24.50	-5.50
NAREIT Equity REITs	3.81	37.14	31.59	12.17	35.03	-15.69	-37.73	27.99	27.94	8.29
Barclays Capital Intermediate G/C Bond Index	9.84	4.31	3.04	1.58	4.08	7.39	5.08	5.24	5.89	5.80
Barclays Capital Long Term G/C Bond Index	14.81	5.87	8.56	5.33	2.71	6.60	8.44	1.92	10.16	22.49
Barclays Capital Mortgage-Backed Securities	8.75	3.07	4.70	2.61	5.22	6.90	8.34	5.89	5.37	6.23
Barclays Capital Aggregate Bond Index	10.25	4.10	4.34	2.43	4.33	6.97	5.24	5.93	6.54	7.84
Barclays Capital U.S. TIPS	16.57	8.40	8.46	2.84	0.41	11.64	-2.35	11.41	6.31	13.56
Barclays Capital U.S. Government	11.50	2.36	3.48	2.65	3.48	8.66	12.39	-2.20	5.52	9.02
Barclays Capital U.S. Corporate Inv Grade	10.12	8.24	5.39	1.68	4.30	4.56	-4.94	18.68	9.00	8.15
Barclays Capital U.S. Corporate High Yield	-1.41	28.97	11.13	2.74	11.85	1.87	-26.16	58.21	15.12	4.98
Citigroup Non-US WGBI USD	21.99	18.52	12.14	-9.20	6.94	11.45	10.11	4.39	5.21	5.17
Citigroup 90-Day Treasury Bills	1.70	1.07	1.24	3.00	4.76	4.74	1.80	0.16	0.13	0.08