



*The City of Grand Rapids – Police & Fire Retirement System
Executive Summary*

Quarter Ending December 31, 2011

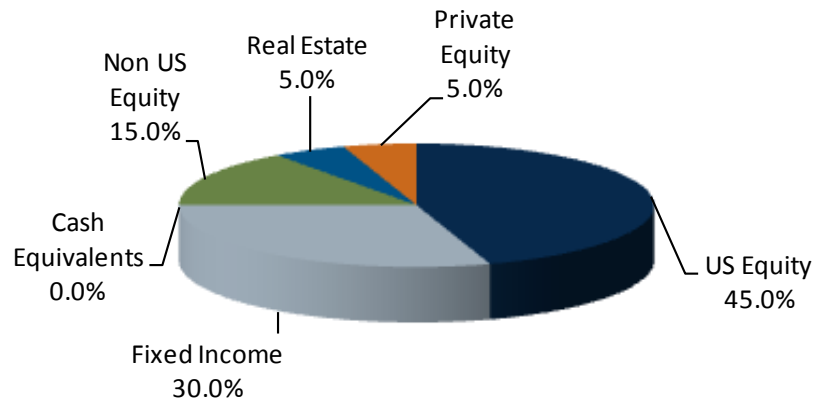
Asset Allocation



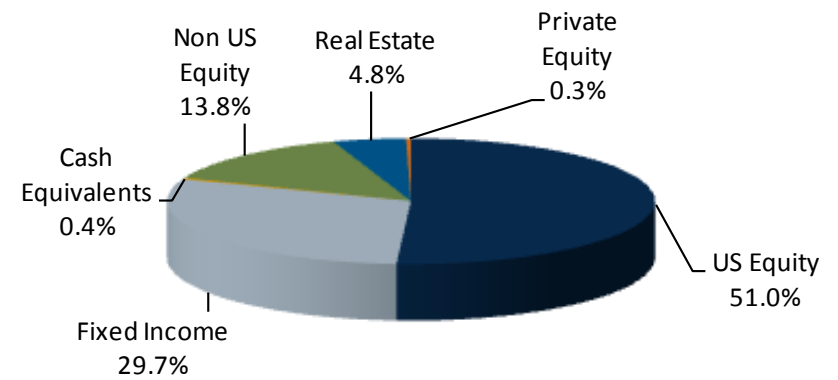
Police & Fire Retirement System

Total Fund Policy vs. Total Fund Actual *
As of December 31, 2011

Policy



Actual



Total Assets
\$303,248,000

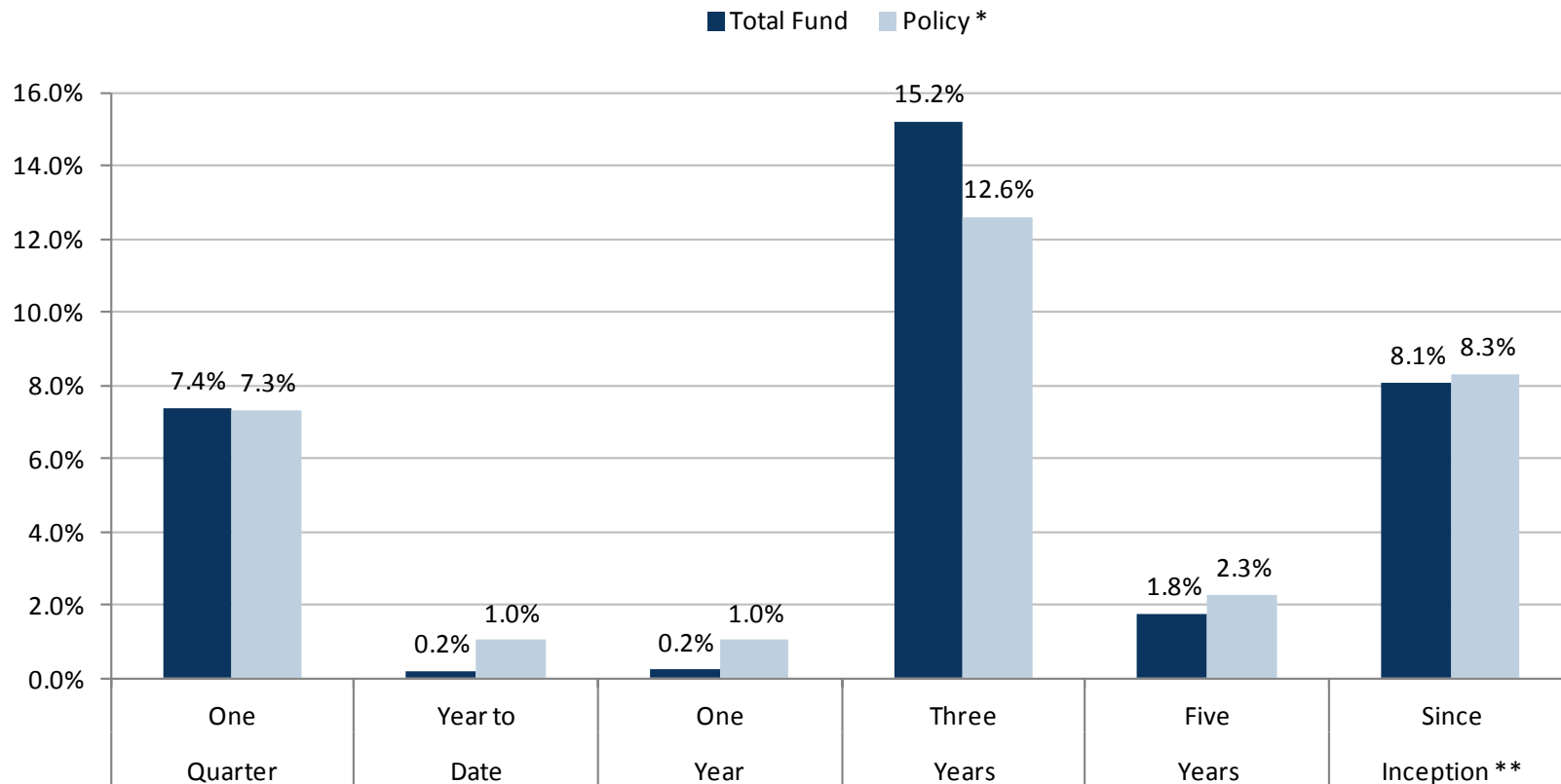
* As Allocated to Managers

Composite Investment Performance



Police & Fire Retirement System

Total Fund vs. Policy For Periods Ending December 31, 2011



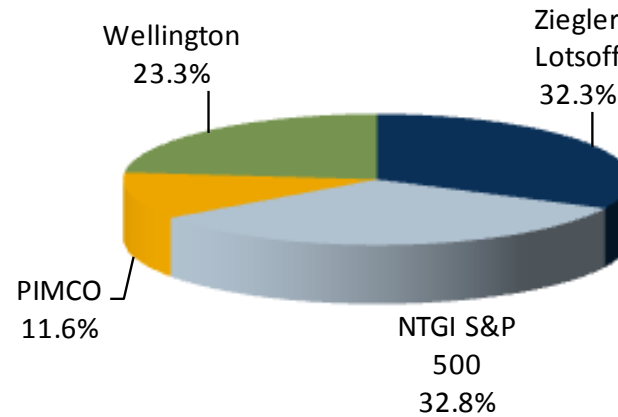
* 45.0% Wilshire 5000, 30.0% Barclays Aggregate, 15.0% MSCI ACWI ex US (N), 5.0% FTSE EPRA/NAREIT Developed Index, 5.0% Wilshire 5000 +2.5% as of April 1, 2010

** September 30, 1987

Investment Manager Allocation

US Equity

As of December 31, 2011



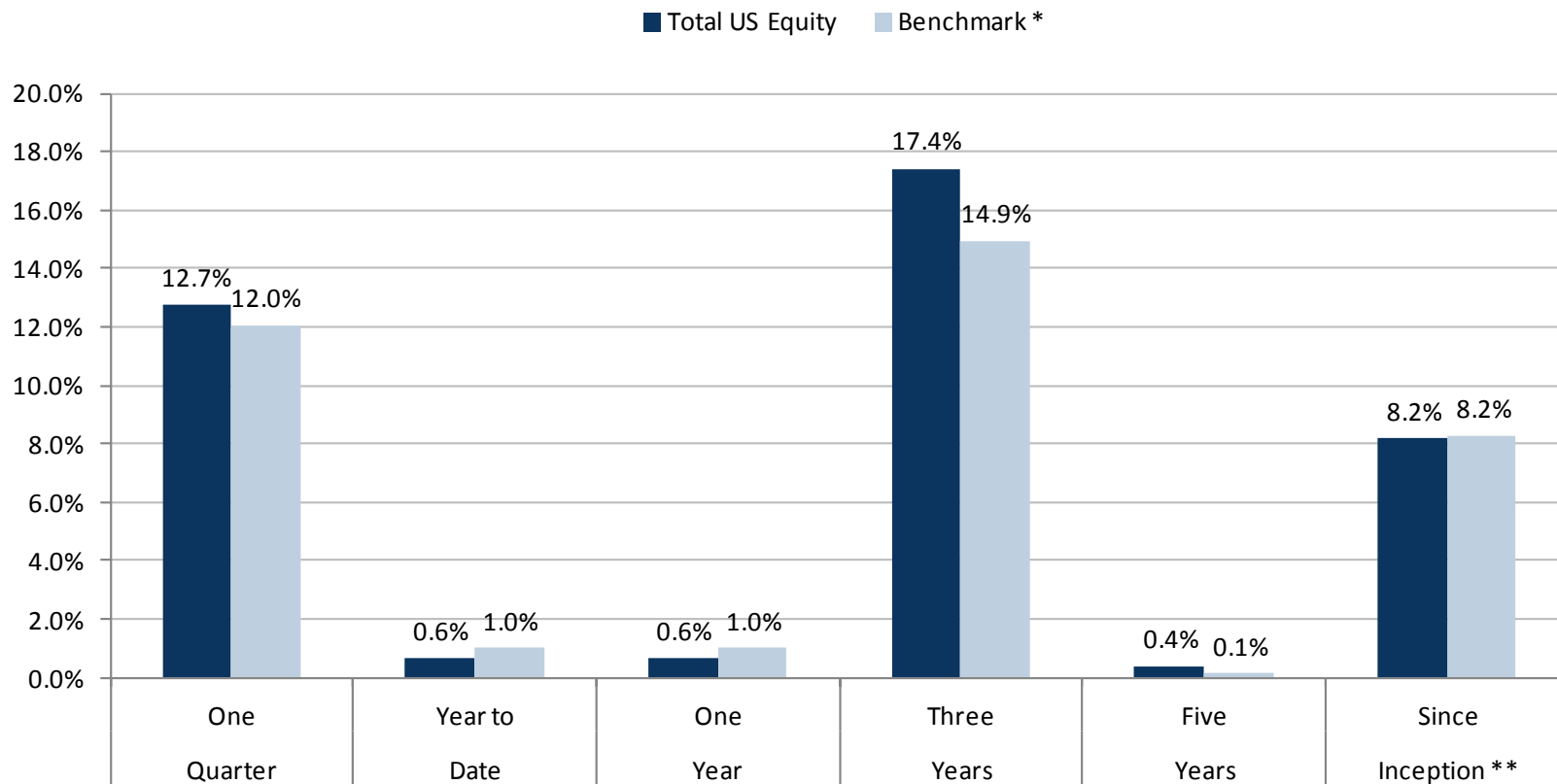
Total Assets
\$154,521,000

Composite Investment Performance



Police & Fire Retirement System

US Equity vs. Benchmark Quarter Ending December 31, 2011



* Wilshire 5000 Index
** September 30, 1987

Investment Manager Performance



Police & Fire Retirement System

US Equity Managers * Quarter Ending December 31, 2011

	Quarter		Year-to-date		One Year		Three Years		Five Years		Since Inception		Market Value 000s
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Date	
Ziegler Lotsoff	11.6%	47	1.0%	49	1.0%	49	15.2%	18	-1.1%	83	3.3%	Sep-04	\$49,897
S&P 500 Index	11.8%	42	2.1%	43	2.1%	43	14.1%	45	-0.3%	71	3.8%		
Value Added	-0.2%		-1.1%		-1.1%		1.1%		-0.9%		-0.5%		
NTGI S&P 500 Index	11.8%	41	2.2%	42	2.2%	42	14.2%	39	-0.3%	71	3.8%	Sep-98	\$50,628
Policy Index ^	11.8%	42	2.1%	43	2.1%	43	14.1%	45	-0.2%	71	3.8%		
Value Added	0.0%		0.0%		0.0%		0.1%		-0.1%		0.0%		
PIMCO StocksPLUS	12.8%	21	1.7%	47	1.7%	47	18.6%	2	0.2%	60	1.0%	Sep-00	\$17,993
S&P 500 Index	11.8%	42	2.1%	43	2.1%	43	14.1%	45	-0.3%	71	0.7%		
Value Added	1.0%		-0.4%		-0.4%		4.5%		0.4%		0.3%		
Wellington SmCap 2000	15.6%	46	-2.5%	56	-2.5%	56	23.8%	7	3.1%	23	9.2%	Sep-99	\$36,003
Russell 2000 Index	15.5%	53	-4.2%	76	-4.2%	76	15.6%	80	0.2%	70	6.0%		
Value Added	0.1%		1.6%		1.6%		8.1%		3.0%		3.3%		

* Rank represents percentile rank, gross of fee, within the appropriate Wilshire Compass Manager Style Universe

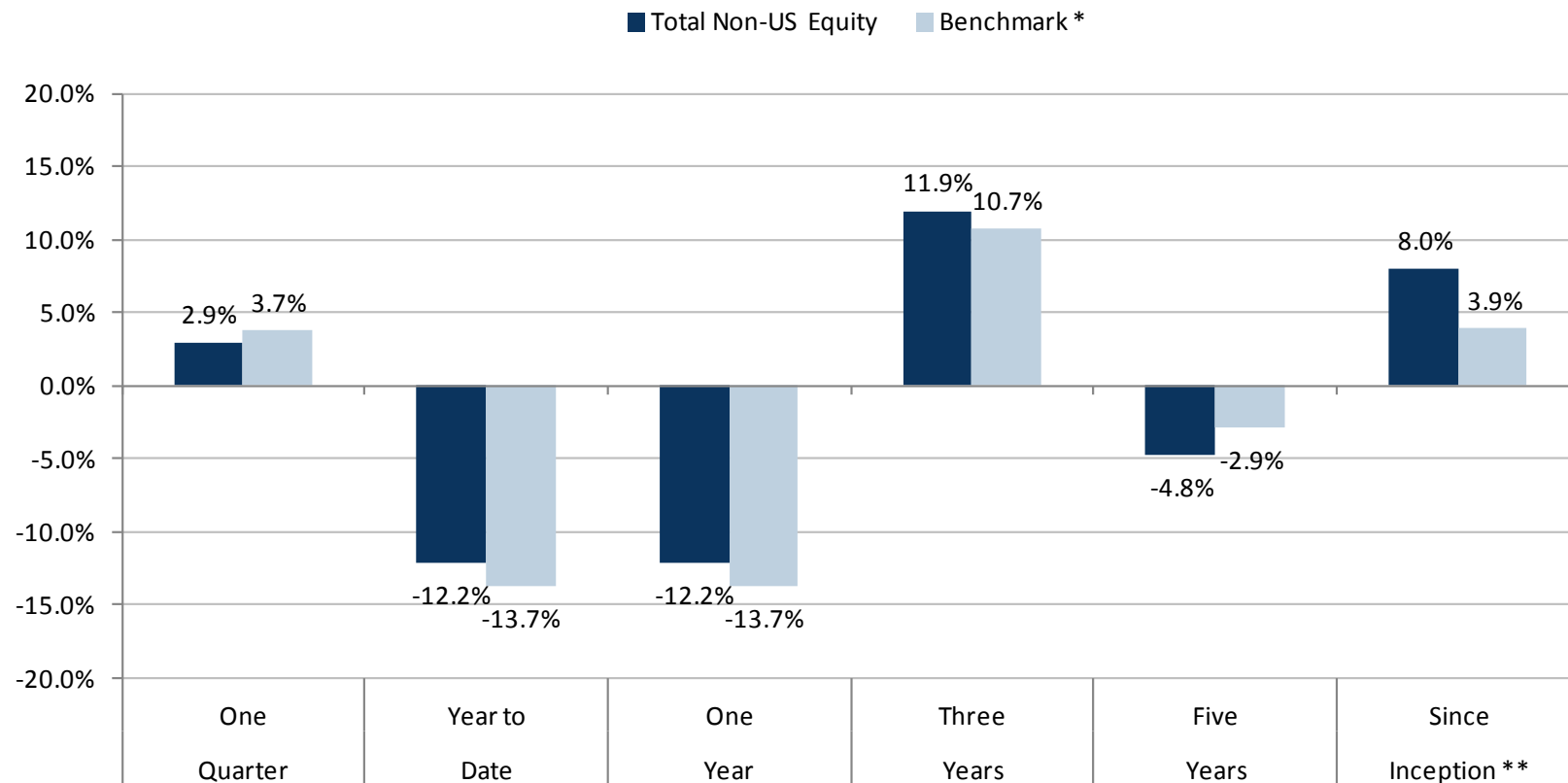
^ S&P 500 as of July 1, 2007, prior benchmark was Russell 1000

Composite Investment Performance



Police & Fire Retirement System

Non-US Equity vs. Benchmark Quarter Ending December 31, 2011



* MSCI ACWI ex US (N) Index as of October 1, 2006. Long-term return history is not reflective of current manager performance.

** December 31, 1989

Investment Manager Performance



Police & Fire Retirement System

Non-US Equity Manager *
 Quarter Ending December 31, 2011

	Quarter		Year-to-date		One Year		Three Years		Five Years		Since Inception		Market Value 000s
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Date	
Neuberger Berman	2.9%	92	-12.2%	75	-12.2%	75	11.9%	55	-4.8%	91	-2.0%	Jun-06	\$41,868
MSCI ACWI ex US	3.7%	88	-13.7%	84	-13.7%	84	10.7%	72	-2.9%	75	-0.1%		
<i>Value Added</i>	-0.8%		1.5%		1.5%		1.2%		-1.9%		-1.9%		

* Rank represents percentile rank, gross of fee, within the appropriate Wilshire Compass Manager Style Universe

Investment Manager Allocation

Fixed Income
As of December 31, 2011



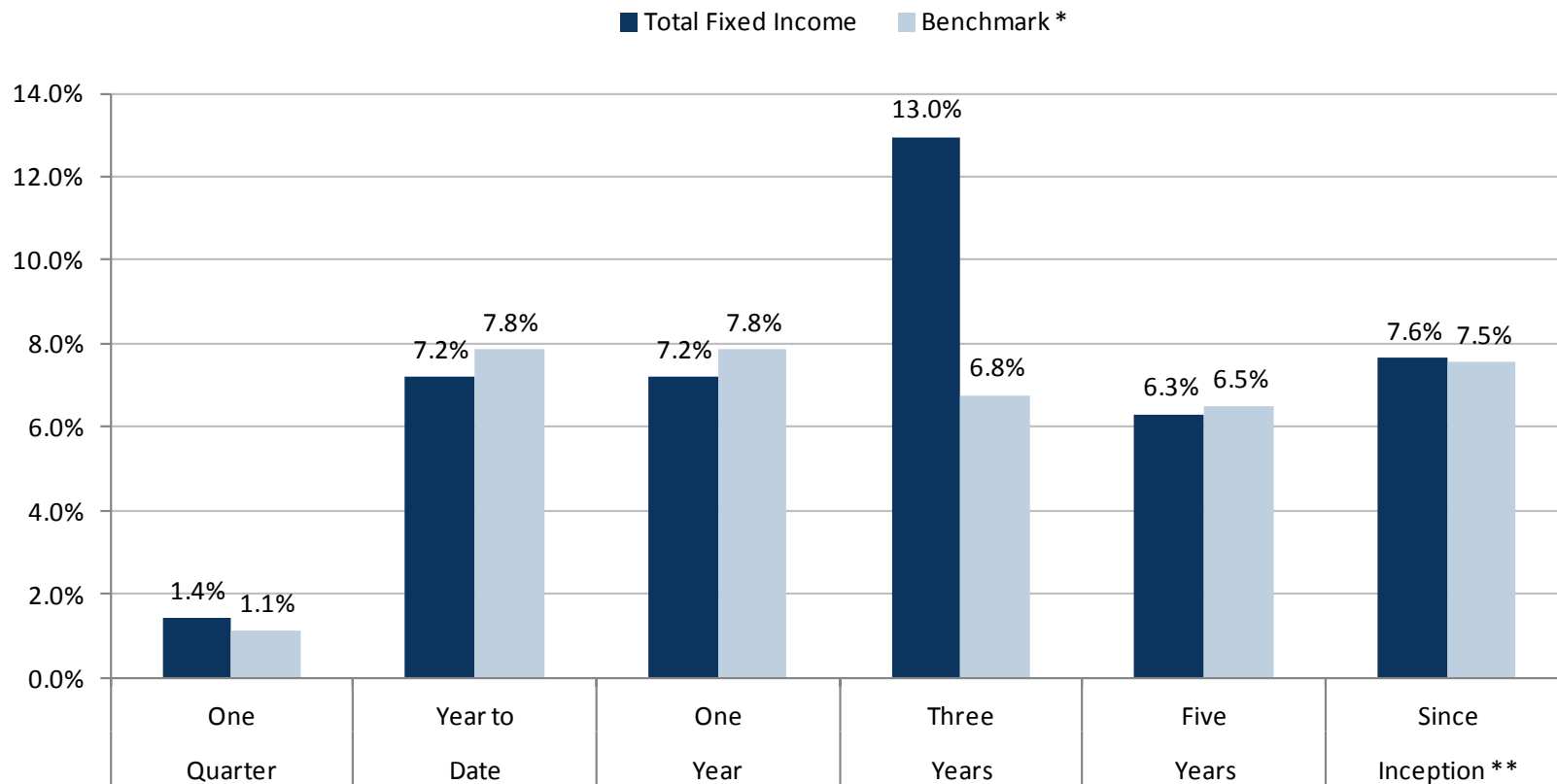
Total Assets
\$90,124,000

Composite Investment Performance



Police & Fire Retirement System

Fixed Income vs. Benchmark Quarter Ending December 31, 2011



* Barclays Aggregate Index

** September 30, 1987

Investment Manager Performance



Police & Fire Retirement System

Fixed Income Managers * Quarter Ending December 31, 2011

	Quarter		Year-to-date		One Year		Three Years		Five Years		Since Inception		Market Value 000s
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Date	
Baird Advisors	1.1%	50	7.6%	31	7.6%	31	9.1%	23	6.2%	56	5.3%	Mar-03	\$43,762
Barclays Agg Index	1.1%	52	7.8%	31	7.8%	31	6.8%	60	6.5%	54	5.3%		
Value Added	0.0%		-0.2%		-0.2%		2.3%		-0.3%		0.0%		
Western Asset	1.6%	15	6.7%	44	6.7%	44	16.8%	1	6.3%	52	5.5%	Mar-04	\$46,362
Barclays Agg Index	1.1%	52	7.8%	31	7.8%	31	6.8%	60	6.5%	54	5.3%		
Value Added	0.5%		-1.2%		-1.2%		10.1%		-0.2%		0.3%		

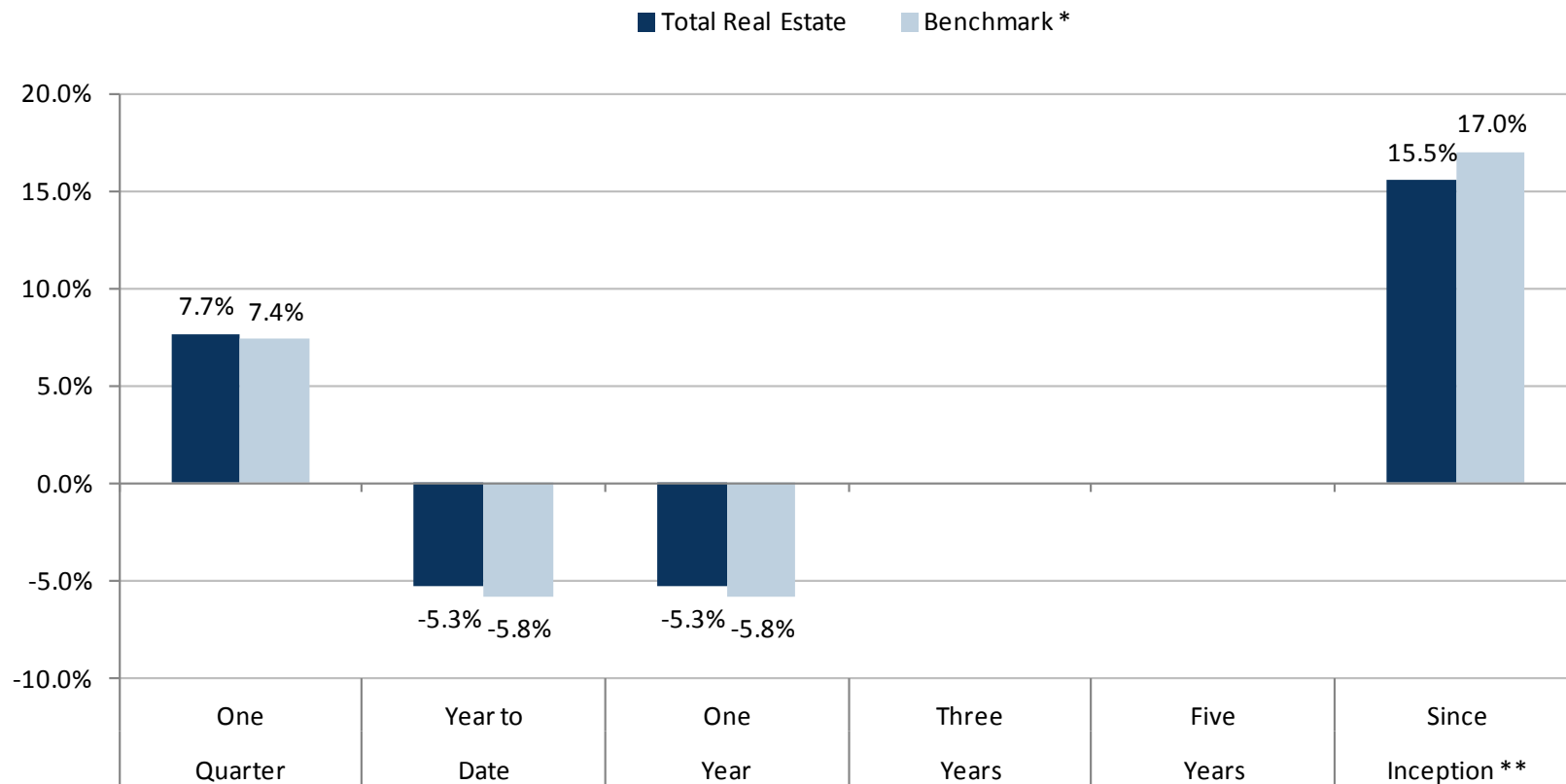
* Rank represents percentile rank, gross of fee, within the appropriate Wilshire Compass Manager Style Universe

Composite Investment Performance



Police & Fire Retirement System

Real Estate vs. Benchmark Quarter Ending December 31, 2011



* FTSE EPRA/NAREIT Developed Index

** June 30, 2009

Investment Manager Performance



Police & Fire Retirement System

Real Estate Manager*
 Quarter Ending December 31, 2011

	Quarter		Year-to-date		One Year		Three Years		Five Years		Since Inception		Market Value 000s
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Date	
CBRE Clarion	7.7%	28	-5.3%	20	-5.3%	20	NA	--	NA	--	15.5%	Jun-09	\$14,679
FTSE ERPA / NAREIT Dev.	7.4%	35	-5.8%	30	-5.8%	30	NA	--	NA	--	17.0%		
Value Added	0.3%		0.5%		0.5%						-1.5%		

* Rank represents percentile rank, gross of fee, within the appropriate Wilshire Compass Manager Style Universe

Investment Manager Performance



Police & Fire Retirement System

Private Partnerships Quarter Ending December 31, 2011

Partnership	Commitment Value	Inception Date	Capital Called Amount	%	Capital Distributed Amount	%	Fair Value	Total Value / Paid-In Capital ¹	Annualized IRR
Adams Street Direct 2010 Fund	\$500,000	April 27, 2010	\$167,236	33%	\$0	0%	\$174,466	1.04	4.28%
Adams Street Non-US Dev. 2010 Fund	\$1,500,000	April 27, 2010	\$254,305	17%	\$0	0%	\$233,832	0.92	-15.46%
Adams Street Non-US EM 2010 Fund	\$500,000	January 3, 2011	\$39,000	8%	\$0	0%	\$33,306	0.85	-29.38%
Adams Street US 2010 Fund	\$2,500,000	April 27, 2010	\$483,008	19%	\$0	0%	\$538,510	1.11	12.14%
Alternative Investments Composite	\$5,000,000	April 27, 2010	\$943,549	19%	\$0	0%	\$980,114	1.04	4.78%

¹ TVPI = Fair Value + Capital Distributed / Capital Called

Capital Market Update

U.S. Equity

The U.S. stock market bounced back from a negative return in the third quarter to post an impressive 12.0% total return during the fourth quarter, thus producing a modestly positive return of 1.0% for 2011. After three consecutive years of gains, the U.S. stock market is up nearly 52% during the past three years and 101% since the March 2009 low. Small cap stocks outpaced larger shares for the quarter but trailed for the year. Growth and value stocks performed roughly in line with the broader market during the quarter while value outperformed for 2011.

All broad market sectors posted gains during the fourth quarter, led by returns of the Energy and Industrials sectors. There was considerable performance dispersion across economic sectors for the year with seven of ten sectors delivering positive returns.

Housing issues remain at the center of consumer deleveraging in the U.S. economy. U.S. home prices have once again hit new lows in recent months after stabilizing between mid-2009 to mid-2010. The negative equity position of millions of homeowners, combined with persistently high jobless rates, continues to pressure borrowers to stop making payments, which increases the rate of home foreclosures.

Non-U.S. Equity

Non-U.S. equities far underperformed the U.S. during 2011 as natural disasters, political turmoil and sovereign debt crises took their toll on offshore stocks. European stocks managed a fourth-quarter rally as European Union leaders took steps toward addressing the economic woes threatening the existence of the Euro. With Japan still recovering from its devastating March earthquake and tsunami, the Asia-Pacific region provided negative results for the quarter. Emerging markets faced multiple challenges as populist uprisings, soft demand from developed markets and economic slowdowns in China and Brazil weighed on the market segment.

Fixed Income

With global economies in turmoil and equity markets highly volatile, risk-weary investors snapped up sovereign debt, driving yields to astonishingly low levels and returns to levels not seen since the early 1980s. The bellwether 10-Year U.S. Treasury closed 2011 with a yield of 1.9%, down 141 basis points from year-end 2010. Not surprisingly, the best-performing asset sector of the year was long-term U.S. Treasuries, with a 29.9% return. Lower-quality bonds broadly underperformed developed-market, government-related and higher-quality credits for the year.

Wilshire recently conducted a survey of more than 20 investment managers with multi-currency products to better understand market perception on several key issues related to the European market environment. The following 3 slides summarize our findings. A full summary is available from Wilshire Consulting.

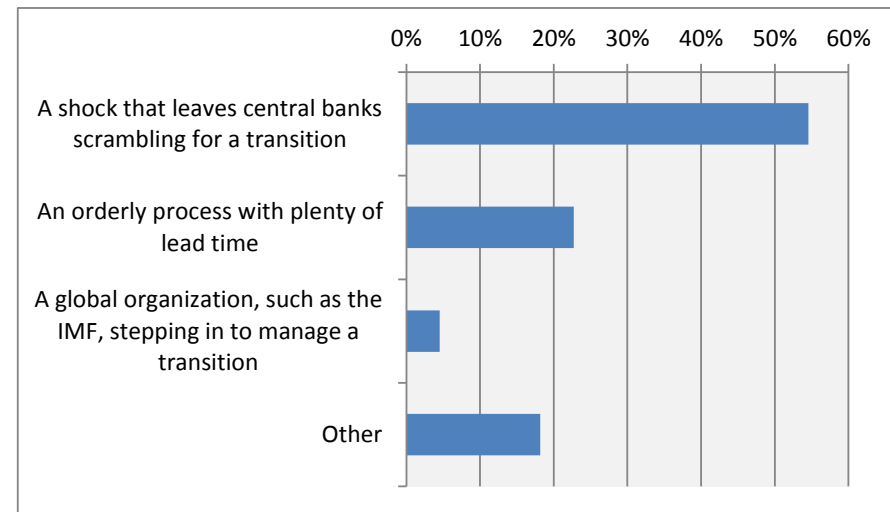
Question: What probability do you place on the following independent scenarios (over the next 5 years)?

- Respondents expect nearly 50% likelihood that the euro continues in its current structure
- Next is a 37% probability that a few of the weaker nations are removed from the euro

	Min	Avg	Med	Max
The euro continues in its current form/membership	0%	48%	48%	90%
The euro currency completely dissolves	0%	8%	10%	20%
A few countries are taken off the euro (assume these are the weakest members economically, i.e. Greece, Portugal)	3%	37%	30%	90%
Most of the countries are taken off the euro (only the strongest remain, i.e. Germany, France)	0%	13%	10%	40%

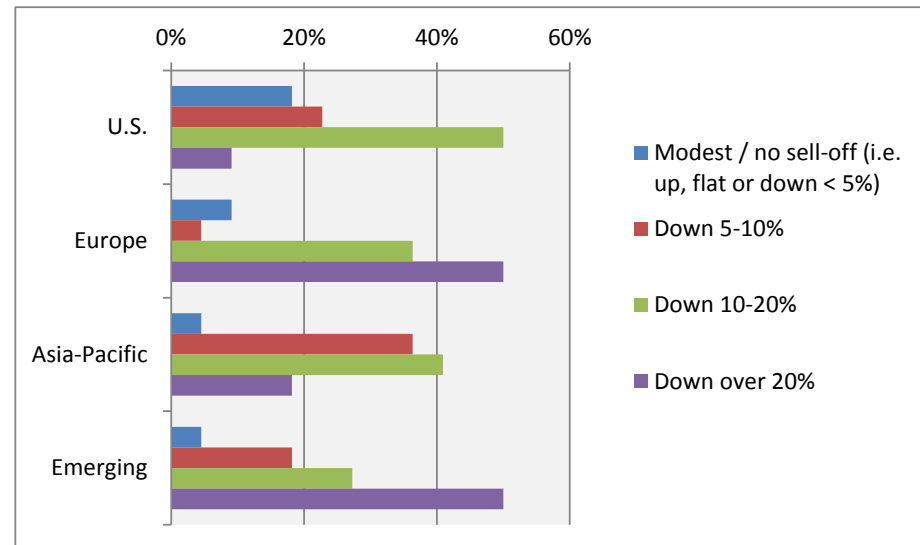
Question: Should the euro dissolve to any degree, how do you see it happening?

- 55% of respondents believe that any structural change would be the result of an unexpected shock



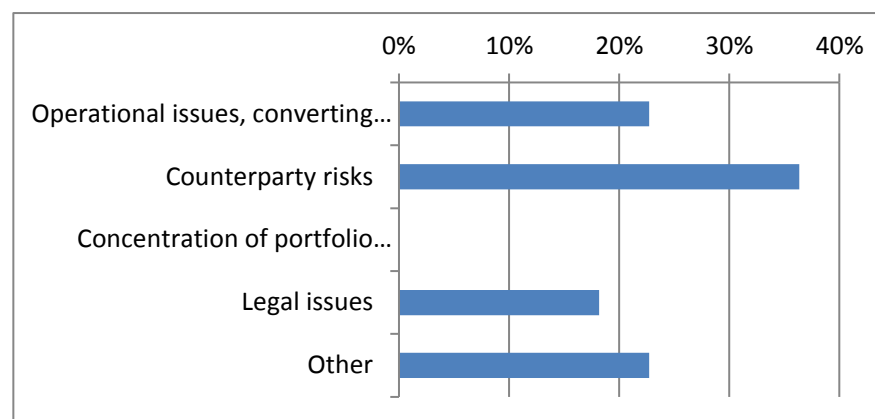
Question: What sort of short-term market sell-off in the following equity markets would you expect with any official break in the current euro structure?

- Within Europe and EM, the most likely expectation was for a bear market sell-off
- A severe sell-off was the least likely expectation in U.S. markets, with only 9% of respondents expecting such an outcome



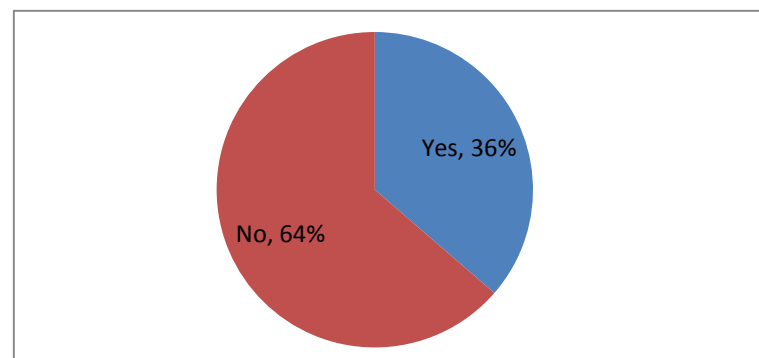
- Biggest concern of managers should the euro collapse is counterparty risks

Question: Other than the market's reaction, what do you see as the biggest risk of a euro collapse?



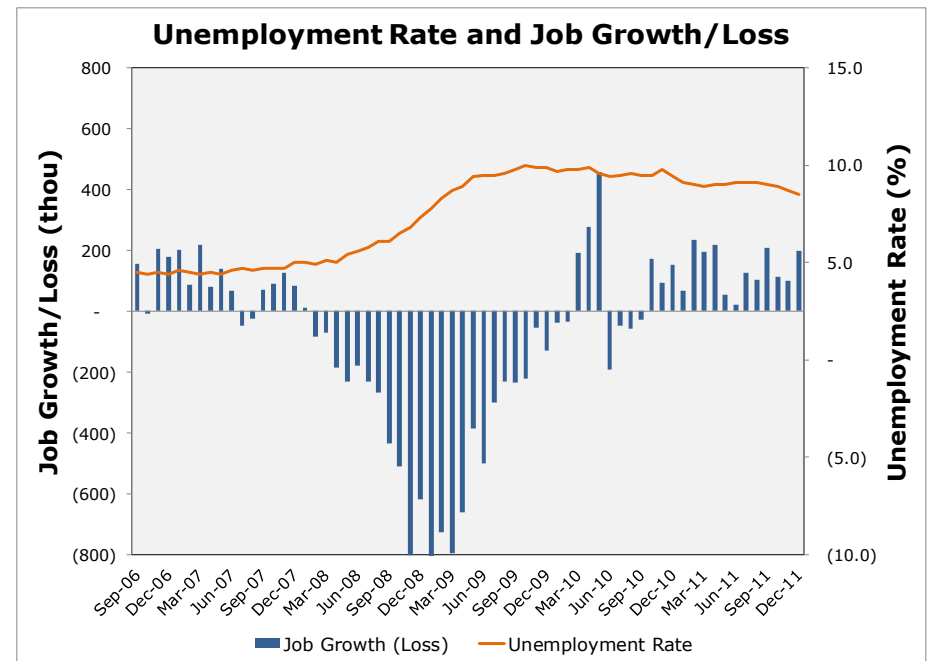
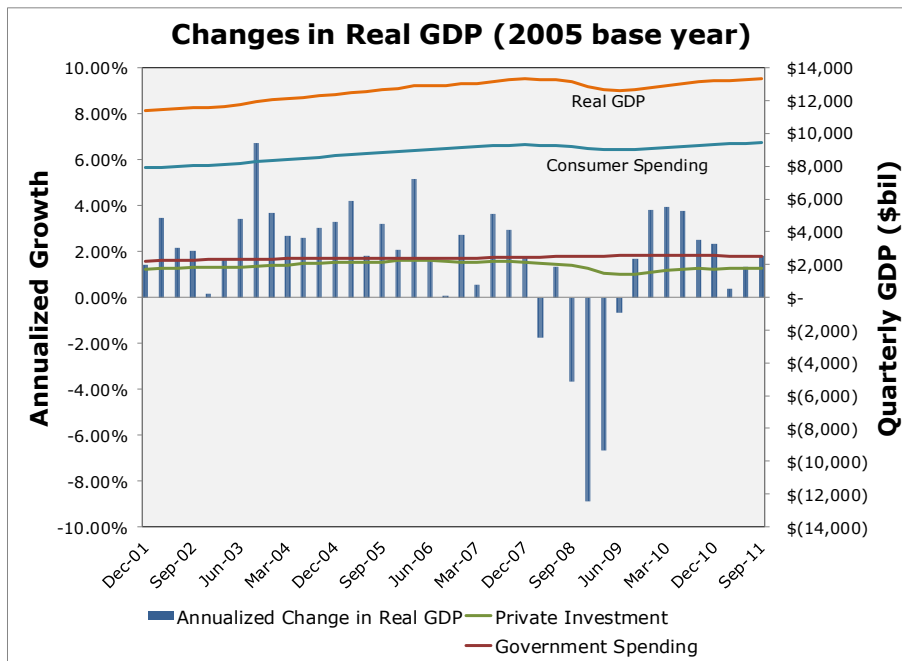
- Changes being considered:
 - Reexamining risk management tools
 - Evaluating sovereign credit risk
 - Euro corporations looking to refinance in the U.S.
 - Adjusting to client guidelines that reduce euro exposure
 - Increase portfolio stress testing

Question: Are you contemplating or already introducing changes to the portfolio management process as a result of the current questions surrounding the euro?



December 31, 2011	Key Economic Indicators			
CPI (all items) Seasonally adjusted	Monthly Change		Cumulative Change	
	Dec-11	0.0	3-Month	-0.1
	Nov-11	0.0	12-Month	3.0
	Oct-11	-0.1	10-Yr Annual	2.5
Breakeven Inflation	10-Year	2.0		
Consumer Sentiment Unv. of Michigan Survey	Dec-11	69.9		
	Nov-11	64.1		
	1-Yr Ago	74.5	10-Yr Avg	80.3
Manufacturing Inst. for Supply Mgmt Purchasing Mngrs' Idx	Dec-11	53.9	Change in Manufacturing Sector	
	Nov-11	52.7	>50	Expansion
	1-Yr Avg	55.3	<50	Contraction

Note: Seasonally adjusted CPI data is utilized to better reflect short-term pricing activity.

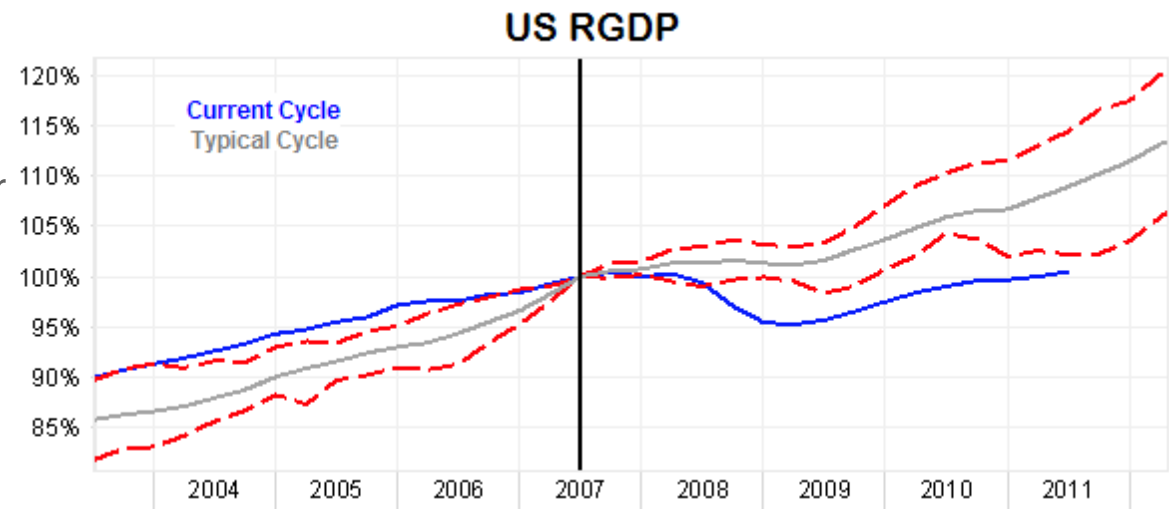


Data sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, Barclays Capital

Deleveraging Cycle

The next 4 slides come from an analysis done by Bridgewater Associates. Each chart shows the level of certain economic factors throughout the current recovery (in blue) versus the average cycle during the last 50 years (in gray). The red dotted lines provide a sense of the historical range of outcomes.

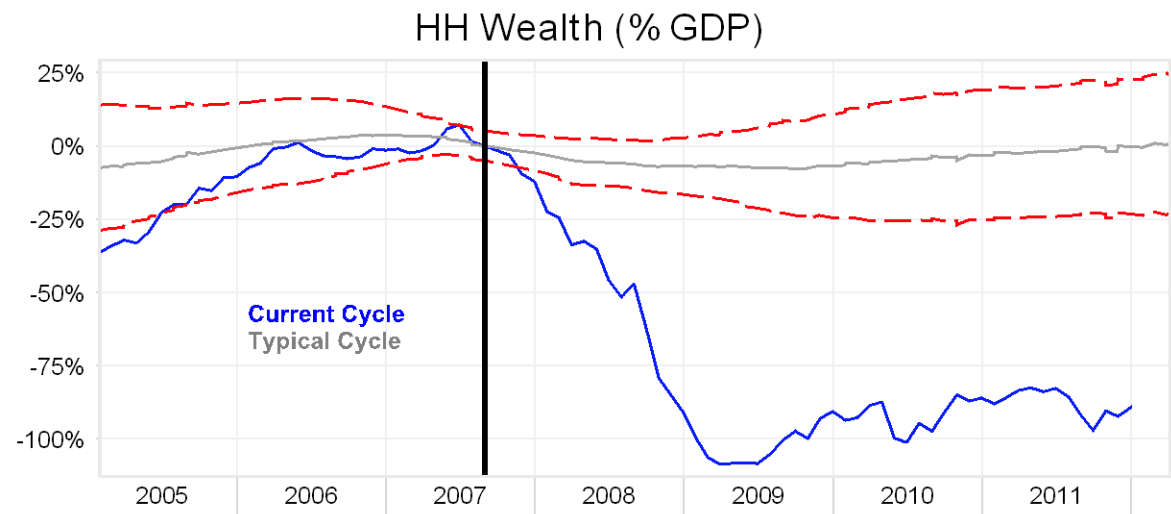
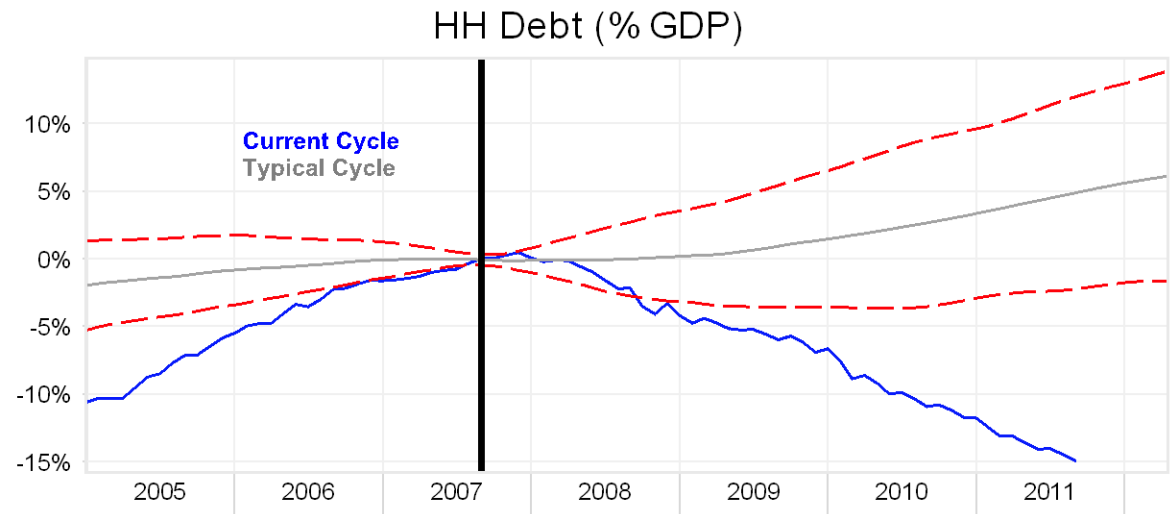
- Fall in real GDP has been much larger with a slower recovery



Data sources: Bridgewater Associates

Deleveraging Cycle

- After a typical recession, debt-financed spending supports a recovery
- Today, household debt is 15% of GDP lower than the height of the previous cycle
- Decrease in household wealth has been severe, particularly with respect to homes and equities

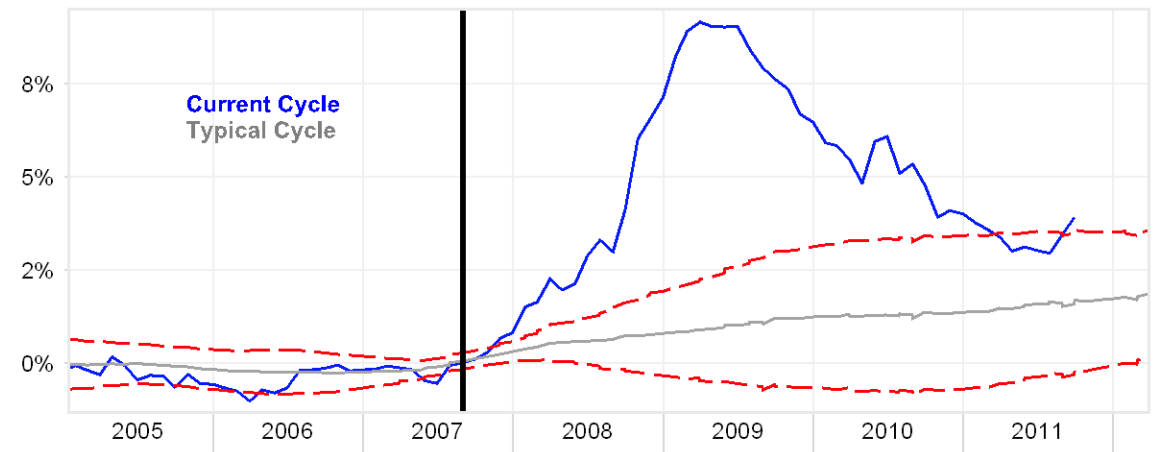


Data sources: Bridgewater Associates

Deleveraging Cycle

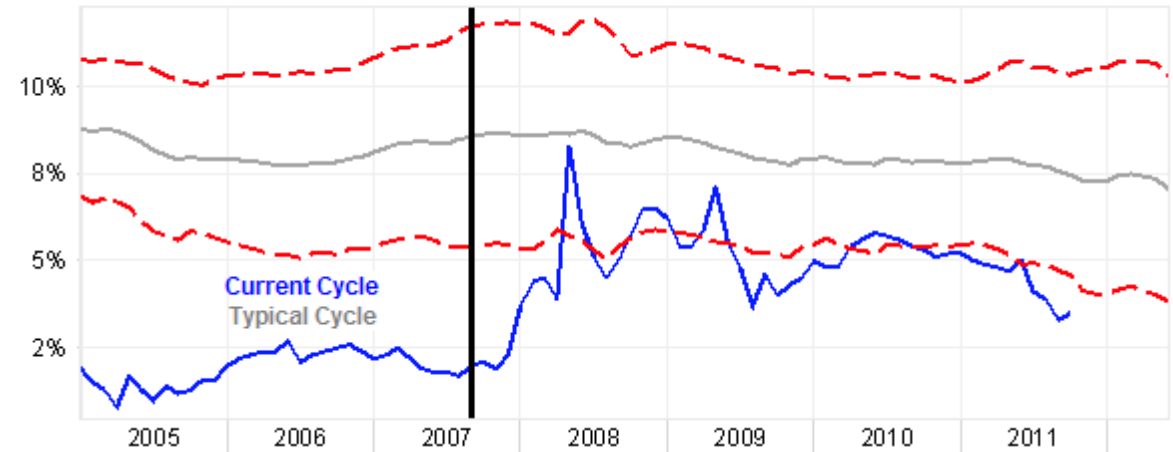
- Leverage increased dramatically as asset prices fell faster than debt levels were cut

HH Leverage (Debt % Net Wealth)



- Savings increased despite low rates – although the rate is still lower than typical cycles

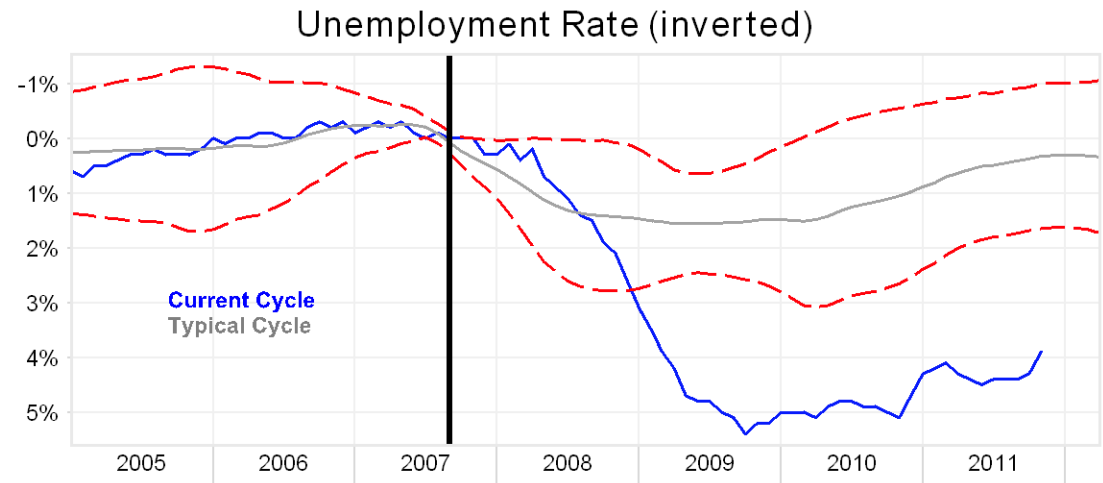
Savings Rate



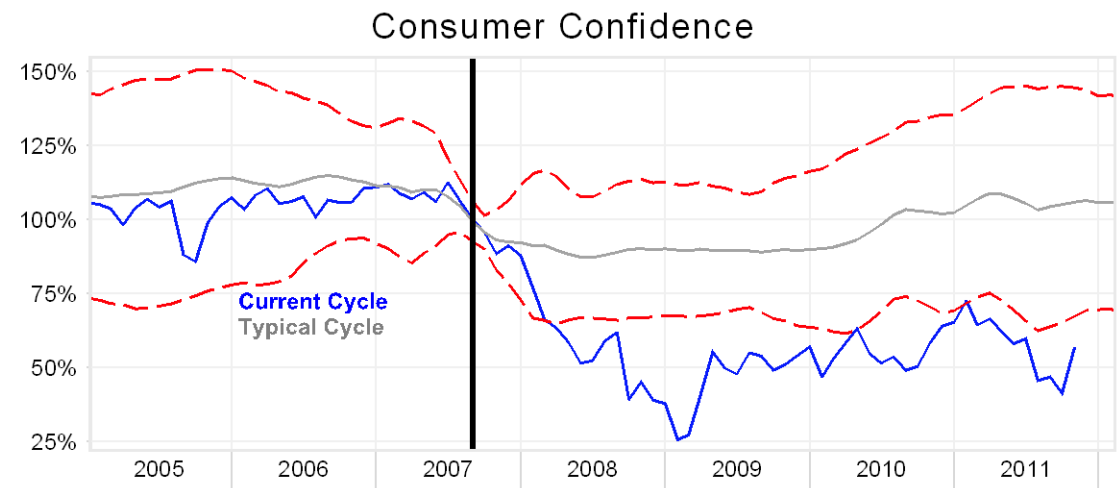
Data sources: Bridgewater Associates

Deleveraging Cycle

- Unemployment has been much more depressed



- Consumer confidence is also much worse than a typical cycle



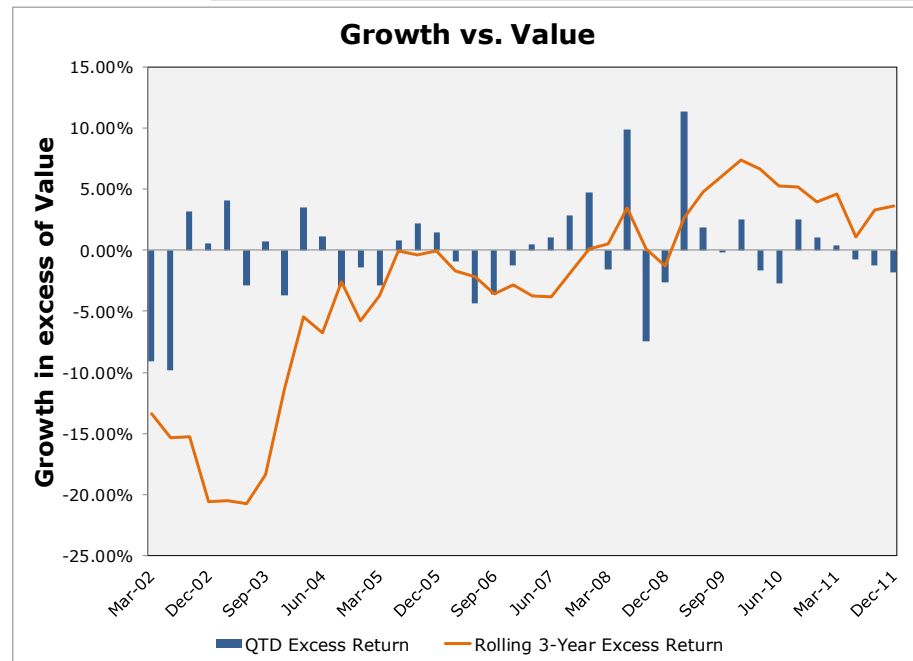
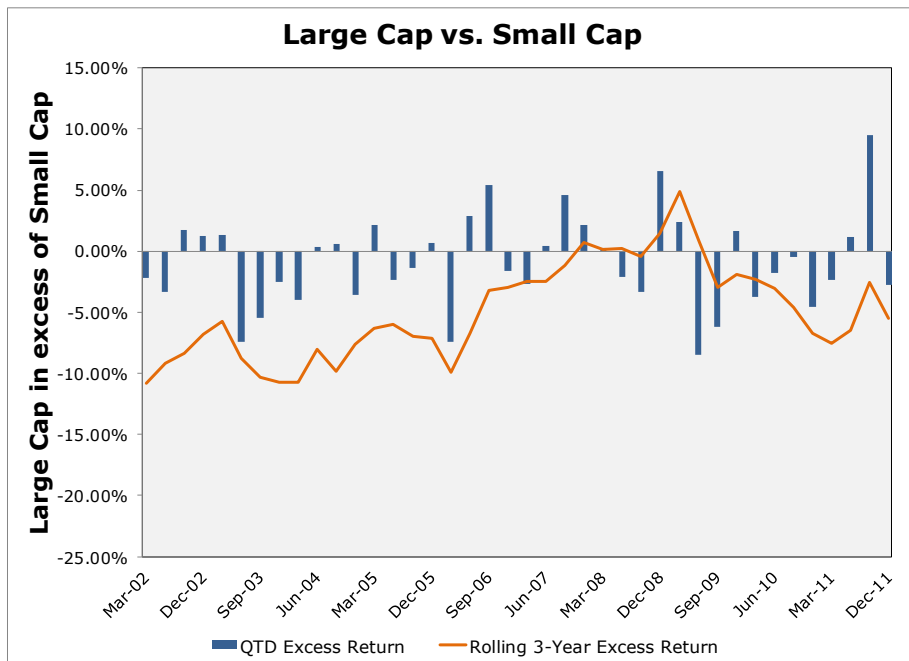
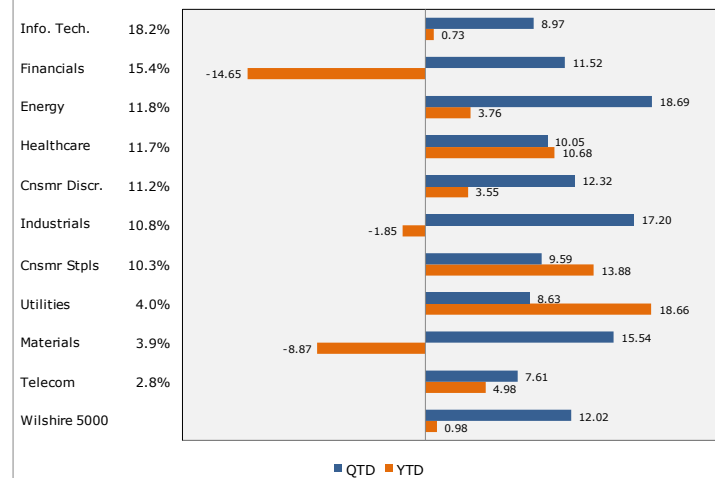
Data sources: Bridgewater Associates

U.S. Capital Markets: Equity



December 31, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Wilshire 5000	12.0	1.0	1.0	14.9	0.1	3.8
Wilshire U.S. Large Cap	11.7	1.6	1.6	14.2	0.0	3.4
Wilshire U.S. Small Cap	14.9	-3.4	-3.4	20.9	2.3	7.3
Wilshire U.S. Large Growth	10.7	-0.7	-0.7	16.1	1.6	2.6
Wilshire U.S. Large Value	12.7	3.7	3.7	12.3	-1.8	4.0
Wilshire U.S. Small Growth	13.6	-1.6	-1.6	23.6	3.7	6.7
Wilshire U.S. Small Value	16.1	-5.3	-5.3	18.1	0.9	7.8
Wilshire REIT Index	15.4	9.2	9.2	21.8	-2.0	10.2
MSCI USA Minimum Volatility Index	10.4	12.0	12.0	14.4	2.5	4.0
FTSE RAFI U.S. 1000 Index	12.4	0.1	0.1	19.5	1.1	n.a.

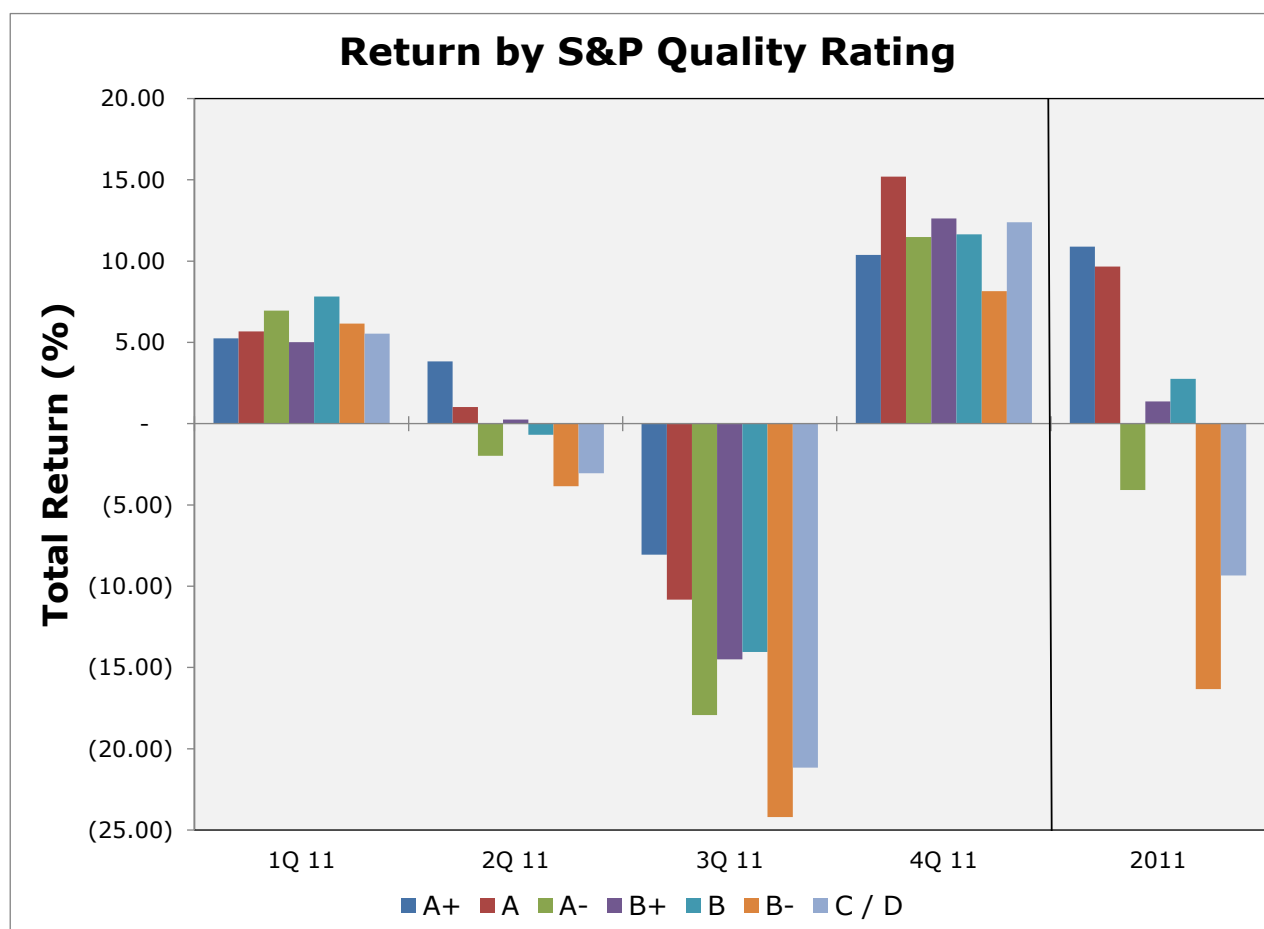
Wilshire 5000 Sector Weight & Return (%)



Data sources: Wilshire Compass, Wilshire Atlas

Returns by Quality Segment

Higher quality stocks far outperformed in 2011

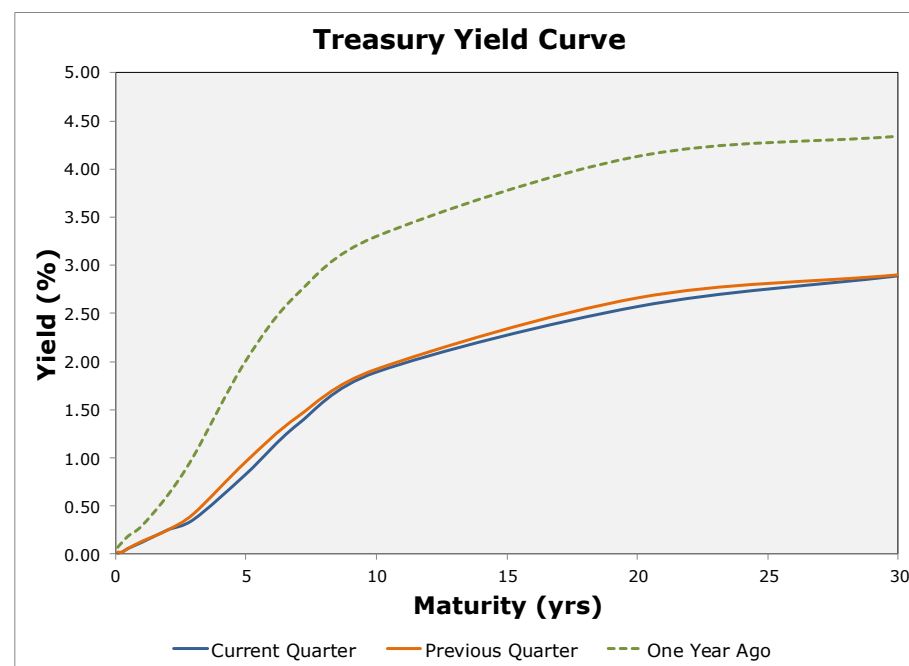
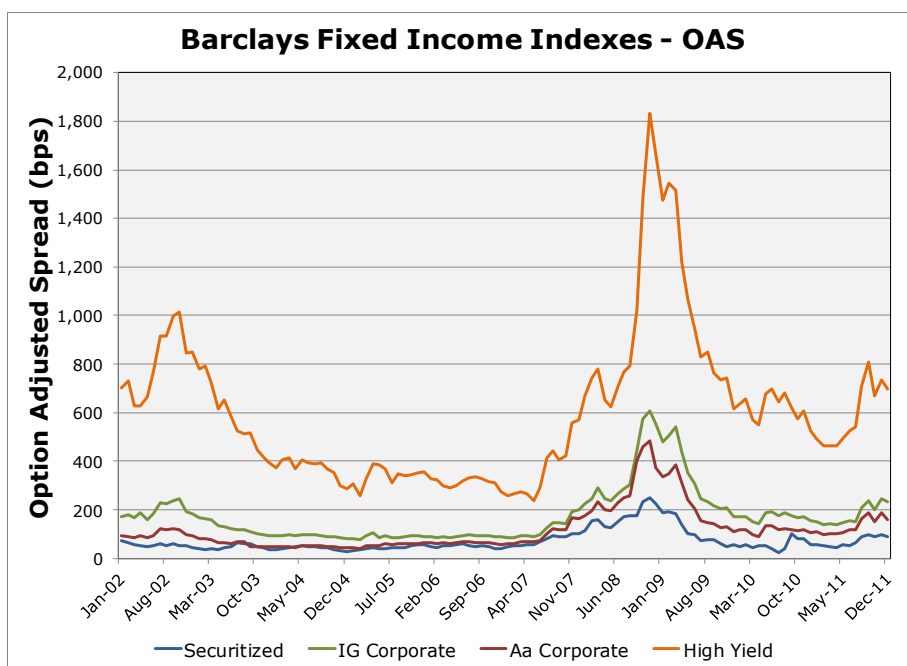


Data sources: Wilshire Atlas

U.S. Capital Markets: Fixed Income



December 31, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays Aggregate Bond Index	1.1	7.8	7.8	6.8	6.5	5.8
Barclays Treasury Index	0.9	9.8	9.8	3.9	6.8	5.7
Barclays Govt-Related Index	0.7	6.7	6.7	4.7	6.1	5.5
Barclays Securitized Index	1.0	6.2	6.2	6.8	6.4	5.6
Barclays Corporate IG Index	1.9	8.1	8.1	11.8	6.8	6.4
Barclays LT Govt/Credit Index	2.6	22.5	22.5	11.2	9.7	8.5
Barclays Long-Term Treasury Index	1.9	29.9	29.9	7.4	11.0	8.9
Barclays U.S. TIPS Index	2.7	13.6	13.6	10.4	8.0	7.6
Barclays High Yield Index	6.5	5.0	5.0	24.1	7.5	8.9
Treasury Bills	0.0	0.1	0.1	0.1	1.5	2.0

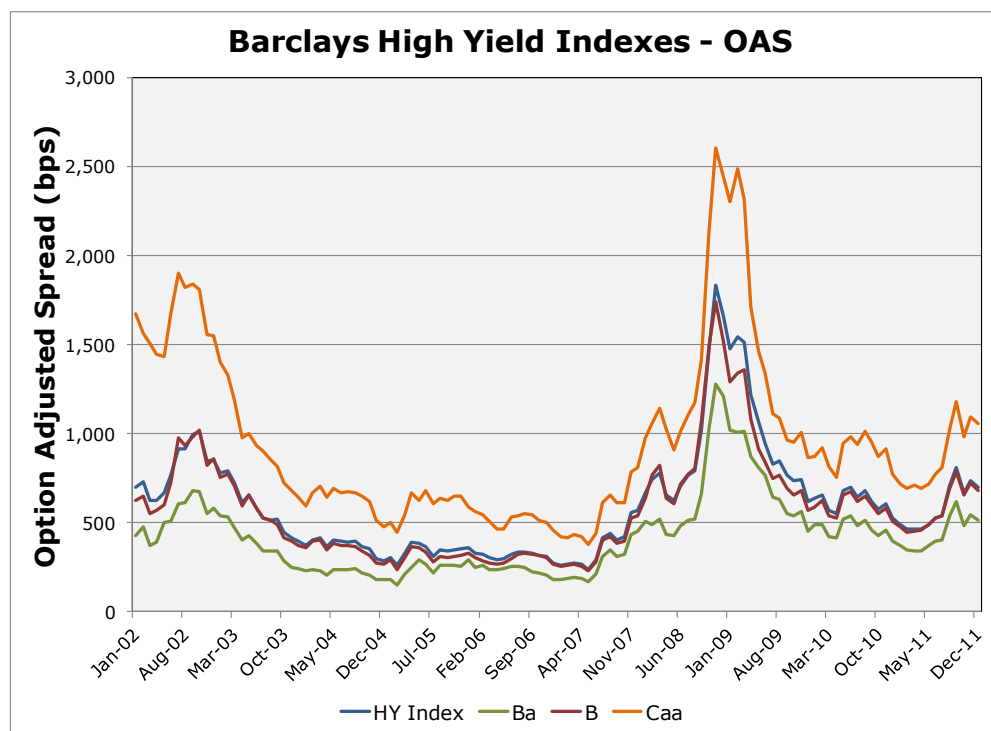


Data sources: Wilshire Compass, Barclays Capital, U.S. Treasury

High Yield by Quality



December 31, 2011	Weight	Qtr	Ytd	1 Yr	3 Yr
Barclays High Yield Index	100%	6.5	5.0	5.0	24.1
Quality Distribution					
Ba U.S. High Yield	40.1%	5.6	6.8	6.8	21.4
B U.S. High Yield	43.3%	6.4	5.4	5.4	20.2
Caa U.S. High Yield	14.5%	8.4	1.2	1.2	31.0
Ca to D U.S. High Yield	1.9%	10.5	-12.4	-12.4	39.6
Non-Rated U.S. High Yield	0.2%	9.0	6.8	6.8	14.8



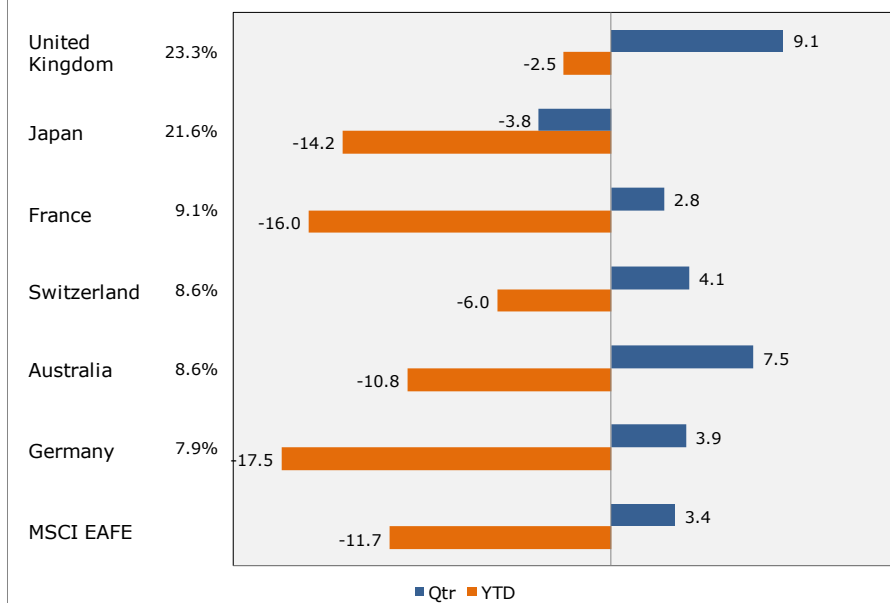
Data sources: Barclays Capital

Non-U.S. Capital Markets

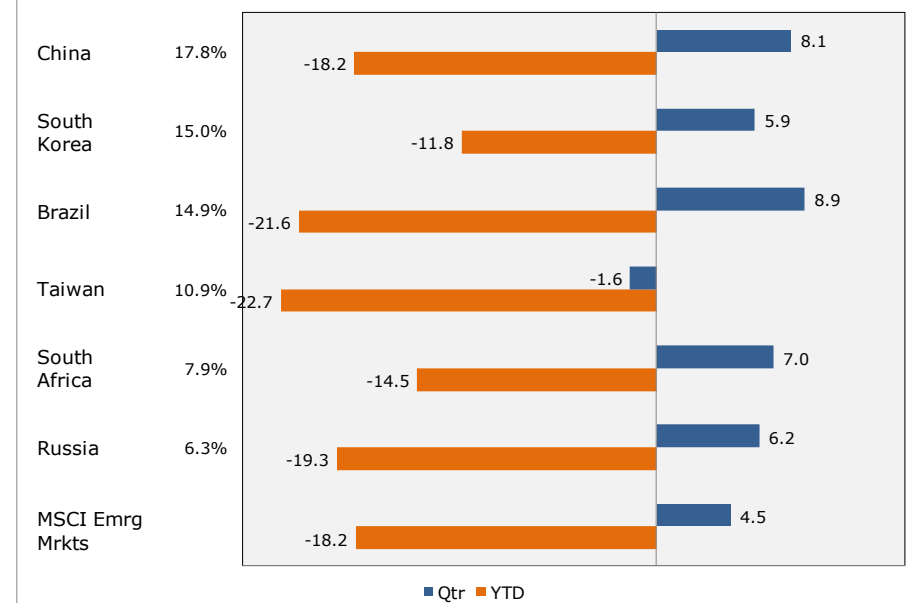


December 31, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (\$g)	3.8	-13.3	-13.3	11.2	-2.5	6.8
MSCI EAFE (\$g)	3.4	-11.7	-11.7	8.2	-4.3	5.1
MSCI Emerging Markets (\$g)	4.5	-18.2	-18.2	20.4	2.7	14.2
MSCI Frontier Markets (\$g)	-1.9	-18.4	-18.4	5.3	-5.3	n.a.
MSCI EAFE Minimum Volatility Idx	1.7	-0.3	-0.3	8.4	0.5	9.8
FTSE RAFI Developed ex-US Index	2.8	-14.3	-14.3	9.9	-3.2	n.a.
JPM Non US Global Bond	-0.2	5.9	5.9	5.5	7.8	8.6
JPM Non US Global Bond Hedged	0.8	6.0	6.0	3.9	4.9	4.7
JPM EMBI Global	5.1	8.5	8.5	15.9	8.1	11.0
Euro vs. Dollar	-3.2	-3.2	-3.2	-2.3	-0.4	3.8
Yen vs. Dollar	0.2	5.4	5.4	5.6	9.1	5.5
Pound vs. Dollar	-0.2	-0.7	-0.7	2.6	-4.5	0.6

MSCI EAFE: Largest Countries and Return



MSCI EM: Largest Countries and Return



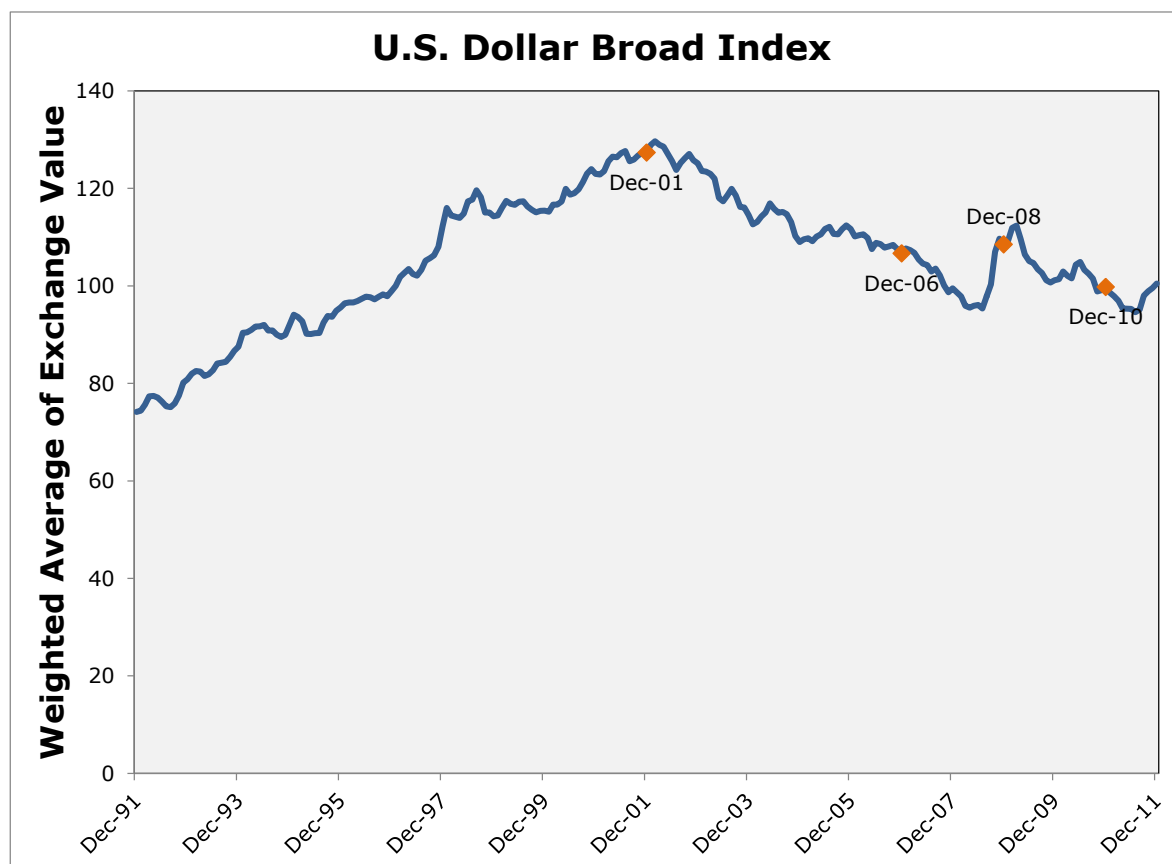
Data sources: Wilshire Compass, MSCI Barra

Currency Effects



U.S. Dollar has been generally falling in value versus a broad basket of currencies since February, 2002

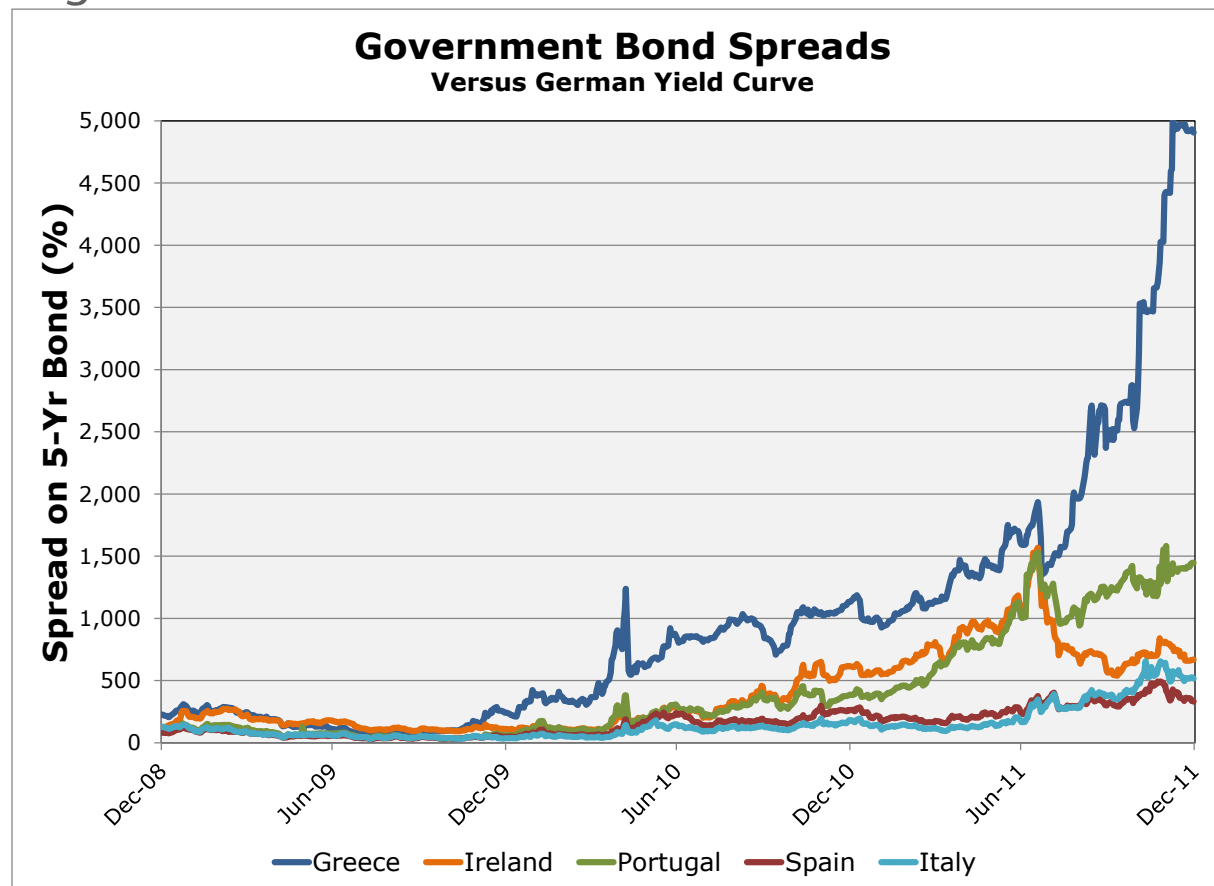
December 31, 2011	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (g) in US\$	-13.3	11.2	-2.5	6.8
MSCI ACWI ex-US (g) in Local Currency	-11.8	8.1	-4.0	3.0
Arithmetic Difference	-1.6	3.1	1.5	3.7



Data sources: Federal Reserve, Wilshire Compass

Sell-off in shorter-term Greek bonds due to possibility of default or forgiveness

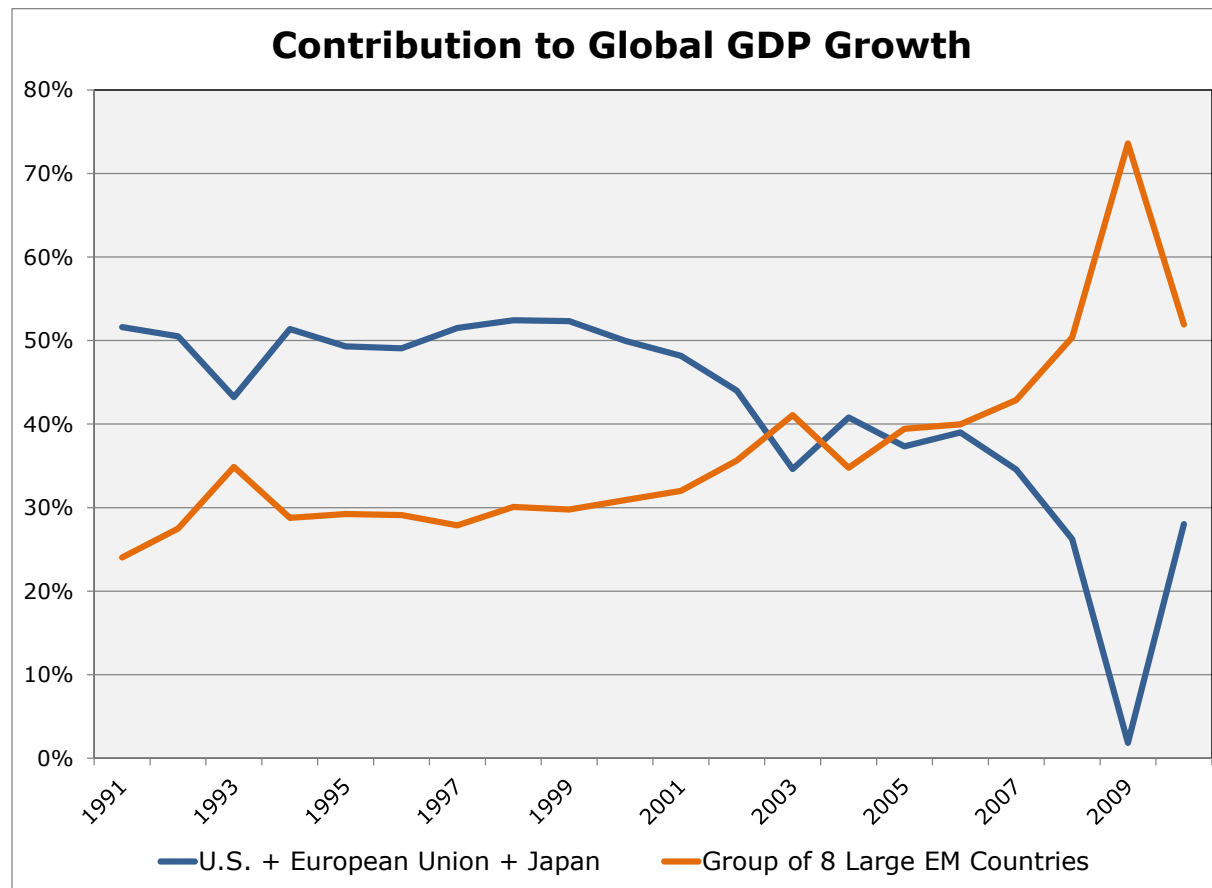
Little movement from sovereign debt downgrades, which include France, Italy, Spain and Portugal



Data sources: Barclays Capital

Emerging Markets Growth

Considering only economies that are expanding during various periods, emerging market countries have become a larger driver of global growth than developed countries



Data sources: The World Bank

Asset Class Performance



Annual Asset Class Returns - Best to Worst

2007	2008	2009	2010	2011
Emrg Mrkts 39.8%	Core Bond 5.2%	Emrg Mrkts 79.0%	REITs 28.6%	U.S. TIPS 13.6%
Commodities 16.2%	T-Bills 2.0%	High Yield 58.2%	Emrg Mrkts 19.2%	REITs 9.2%
U.S. TIPS 11.6%	U.S. TIPS -2.3%	Developed 32.5%	U.S. Equity 17.2%	Core Bond 7.8%
Developed 11.6%	High Yield -26.2%	REITs 28.6%	Commodities 16.8%	High Yield 5.0%
Core Bond 7.0%	Commodities -35.6%	U.S. Equity 28.3%	High Yield 15.1%	U.S. Equity 1.0%
U.S. Equity 5.6%	U.S. Equity -37.2%	Commodities 18.9%	Developed 8.2%	T-Bills 0.1%
T-Bills 5.0%	REITs -39.2%	U.S. TIPS 11.4%	Core Bond 6.5%	Developed -11.7%
High Yield 1.9%	Developed -43.1%	Core Bond 5.9%	U.S. TIPS 6.3%	Commodities -13.3%
REITs -17.5%	Emrg Mrkts -53.2%	T-Bills 0.2%	T-Bills 0.1%	Emrg Mrkts -18.2%

Annualized
5-Year

2007-2011
U.S. TIPS 8.0%
High Yield 7.5%
Core Bond 6.5%
Emrg Mrkts 2.7%
T-Bills 1.5%
U.S. Equity 0.1%
REITs -2.0%
Commodities -2.1%
Developed -4.3%

Data sources: Wilshire Compass

Note: Developed asset class is developed markets ex-U.S., ex-Canada.

Asset Allocation Update

2012 Return and Risk Assumptions at a Glance



- The matrix below represents Wilshire's ten-year, forward looking capital market assumptions used to model each asset class in this analysis
- Market, or "beta," assumptions; no "alpha" expectations were modeled in this analysis

Wilshire % Return, Risk & Correlation Matrix

	Equity						Fixed Income							Real Assets					Abs Return	US CPI
	US Stock	Dev ex-US Stock	Emg Stock	Global ex-US Stock	Global Stock	Private Markets	Cash	LT				ex-US Bond (Hdg)	Real Estate			Real Assets				
								Core Bond	Core Bond	LT Treas	TIPS		High Yield	US RES	Global RES		Private RE	Cmdty		
Expected Compound Return (%)	7.50	7.50	7.50	7.80	7.80	10.25	1.50	2.85	3.20	1.55	1.65	5.45	2.50	5.05	5.25	5.80	4.00	5.85	5.55	2.00
Expected Risk (%)	17.00	18.00	26.00	18.50	17.05	27.50	1.25	5.00	10.00	11.00	6.00	10.00	3.50	15.00	12.25	12.25	13.00	7.75	6.25	1.75
Cash Yield (%)	2.00	3.75	2.75	3.50	2.75	0.00	1.50	2.85	3.20	1.55	1.65	5.45	2.50	4.00	4.00	3.10	1.50	2.90	1.50	n.a.
Correlations:																				
US Stock	1.00																			
Dev ex-US Stock (USD)	0.80	1.00																		
Emerging Mkt Stock	0.70	0.68	1.00																	
Global ex-US Stock	0.83	0.96	0.84	1.00																
Global Stock	0.93	0.93	0.82	0.96	1.00															
Private Markets	0.75	0.65	0.63	0.69	0.75	1.00														
Cash Equivalents	-0.05	-0.09	-0.05	-0.08	-0.07	0.00	1.00													
Core Bond	0.29	0.12	0.00	0.09	0.18	0.32	0.20	1.00												
LT Core Bond	0.31	0.16	0.01	0.12	0.21	0.33	0.10	0.95	1.00											
LT Treasury	0.19	0.10	-0.05	0.06	0.12	0.24	0.12	0.92	0.97	1.00										
TIPS	-0.05	0.05	0.00	0.04	0.00	0.01	0.15	0.20	0.17	0.20	1.00									
High Yield Bond	0.55	0.40	0.50	0.46	0.52	0.34	-0.10	0.24	0.31	0.21	0.01	1.00								
Non-US Bond (Hdg)	0.16	0.26	-0.01	0.19	0.19	0.27	0.10	0.68	0.65	0.67	0.25	0.27	1.00							
US RE Securities	0.35	0.25	0.30	0.29	0.32	0.35	-0.05	0.15	0.18	0.14	0.15	0.45	0.00	1.00						
Global RE Securities	0.49	0.48	0.49	0.52	0.52	0.51	-0.03	0.14	0.19	0.14	0.17	0.49	0.06	0.91	1.00					
Private Real Estate	0.34	0.24	0.29	0.27	0.31	0.33	-0.03	0.24	0.24	0.19	0.16	0.48	0.08	0.82	0.76	1.00				
Commodities	0.00	0.20	0.24	0.23	0.14	0.05	-0.05	0.00	0.00	0.00	0.20	0.08	0.00	0.20	0.26	0.21	1.00			
Real Asset Basket	0.31	0.34	0.39	0.39	0.37	0.33	0.02	0.20	0.21	0.12	0.41	0.46	0.08	0.69	0.74	0.73	0.53	1.00		
Absolute Return	0.62	0.68	0.55	0.69	0.69	0.42	0.06	0.05	0.05	0.05	0.00	0.56	0.05	0.38	0.47	0.41	0.09	0.32	1.00	
Inflation (CPI)	-0.10	-0.15	-0.13	-0.15	-0.14	-0.10	0.10	-0.12	-0.12	-0.12	0.10	-0.08	-0.08	-0.10	-0.06	-0.07	0.20	0.13	-0.09	1.00

2012 Return and Risk Assumptions at a Glance



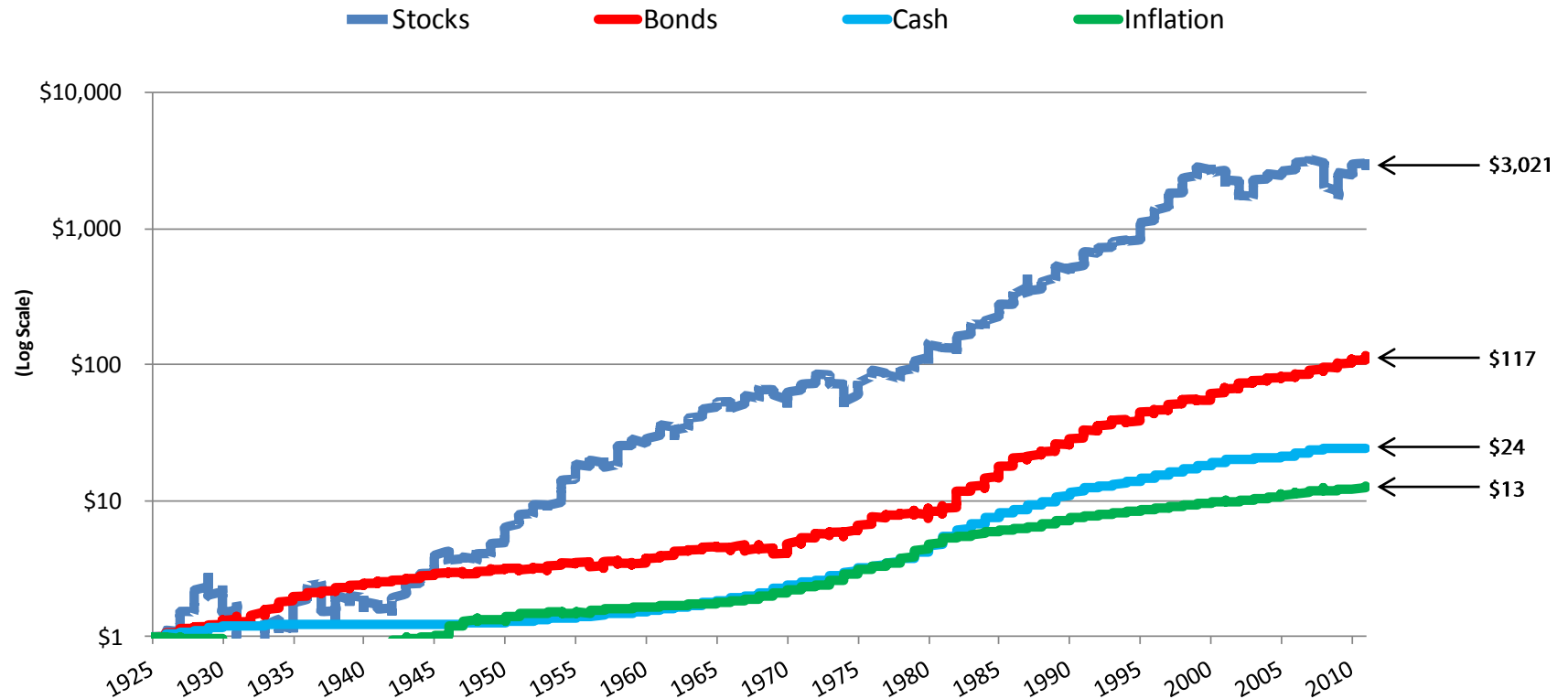
2011 vs. 2012 Comparison

	<u>Total Return</u>			<u>Risk</u>		
	2011	2012	Change	2011	2012	Change
<u>Investment Categories:</u>						
U.S. Stocks	7.25 %	7.50 %	0.25 %	16.00 %	17.00 %	1.00 %
Dev ex-U.S. Stocks	7.25	7.50	0.25	17.00	18.00	1.00
Emerging Mkt Stocks	7.25	7.50	0.25	24.00	26.00	2.00
Global Stocks	7.50	7.80	0.30	16.00	17.05	1.05
Private Markets	9.70	10.25	0.55	26.00	27.50	1.50
Cash Equivalents	2.50	1.50	-1.00	1.25	1.25	0.00
Core Bonds	3.75	2.85	-0.90	5.00	5.00	0.00
LT Core Bonds	4.75	3.20	-1.55	10.00	10.00	0.00
TIPS	3.25	1.65	-1.60	6.00	6.00	0.00
High Yield Bonds	5.50	5.45	-0.05	10.00	10.00	0.00
Non-U.S. Bonds (Hdg)	3.40	2.50	-0.90	4.00	3.50	-0.50
U.S. RE Securities	5.50	5.05	-0.45	15.00	15.00	0.00
Private Real Estate	6.30	5.80	-0.50	12.25	12.25	0.00
Commodities	4.25	4.00	-0.25	13.00	13.00	0.00
Real Asset Basket*	6.65	5.85	-0.80	8.10	7.75	-0.35
Absolute Return	6.15	5.55	-0.60	6.25	6.25	0.00
Inflation:	2.25	2.00	-0.25	1.75	1.75	0.00
<u>Total Returns minus Inflation:</u>						
U.S. Stocks	5.00	5.50	0.50			
U.S. Bonds	1.50	0.85	-0.65			
Cash Equivalents	0.25	-0.50	-0.75			
<u>Stocks minus Bonds:</u>	3.50	4.65	1.15			
<u>Bonds minus Cash:</u>	1.25	1.35	0.10			

Growth of a Dollar



December 31, 1925 – December 31, 2011

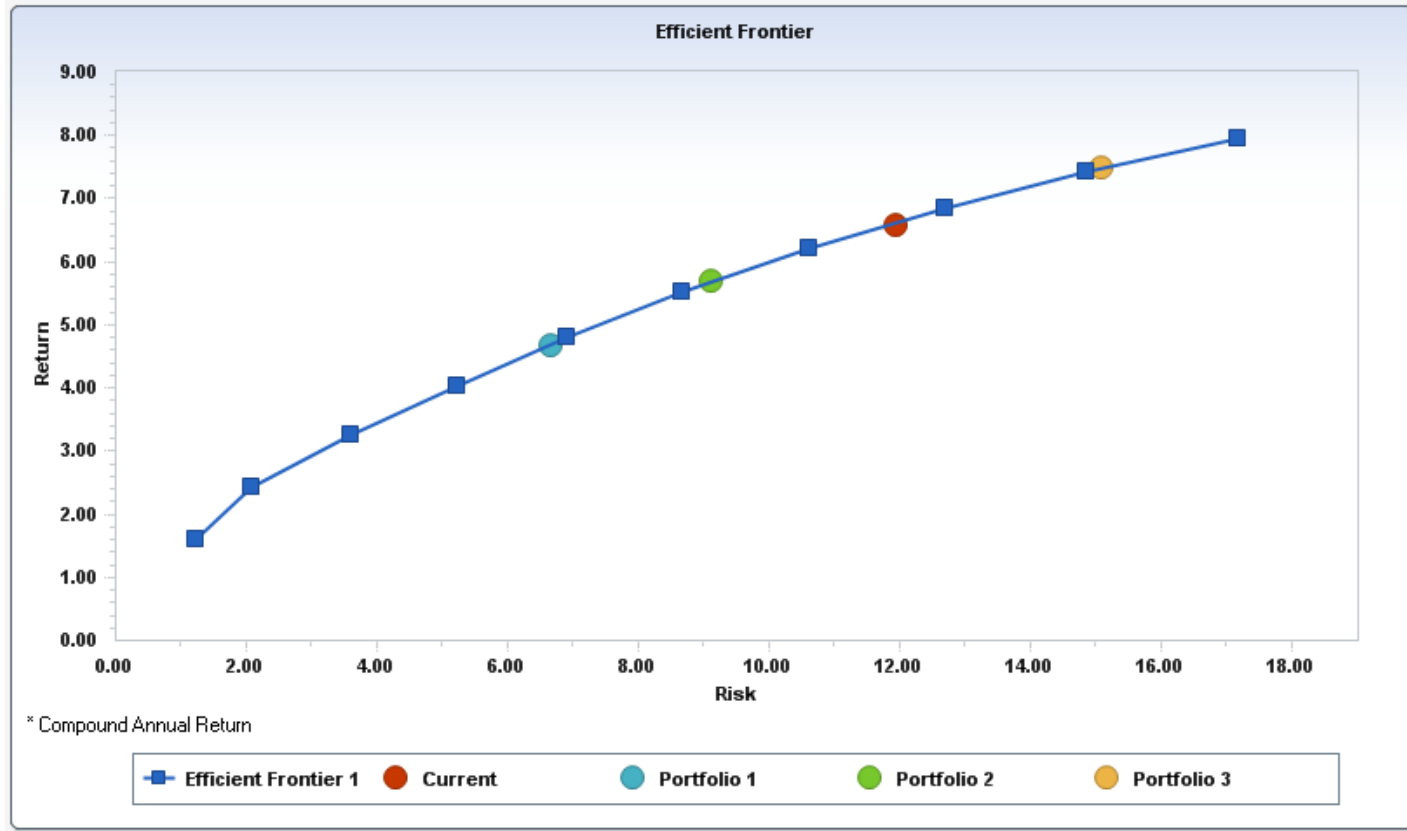


Annualized Return			
Stocks	Bonds	Cash	Inflation
9.77%	5.70%	3.77%	2.96%

* Stocks, bonds, inflation, and cash are represented by the S&P 500 Index, the Barclays U.S. Aggregate Index, the U.S. Consumer Price Index, and the 91-day T-bill Index, respectively.

** Graph is on a logarithmic scale.

Efficient Frontier



	Current Policy	Portfolio 1	Portfolio 2	Portfolio 3
U.S. Equity	45.0	10.0	20.0	40.0
Non-U.S. Equity	15.0	10.0	20.0	40.0
Private Markets	5.0	5.0	5.0	5.0
Core Fixed Income	30.0	70.0	50.0	10.0
Global REITS	5.0	5.0	5.0	5.0
Expected Return	6.6	4.7	5.7	7.5
Expected Risk	12.0	6.7	9.1	15.1