NEPC, LLC

JOHN R. KRIMMEL, CPA, CFA
SENIOR CONSULTANT

May 27, 2010

Ms. Lynn Wenguer
Pension Coordinator
City of Fort Lauderdale Police & Fire Retirement System
888 S. Andrews Ave. #202
Fort Lauderdale, FL 33316

RE: NEPC's Response to Investment Consulting Services Proposal

Dear Ms. Wenguer,

NEPC, LLC is pleased to submit for your review this proposal to provide investment consulting services to the City of Fort Lauderdale Police & Fire Retirement System. Since our inception in 1986, we have built an excellent investment consulting capability at NEPC. Importantly, we have also maintained our independence and objectivity and, as a result, have earned a reputation for capability, fairness and integrity. As you evaluate the goodness of fit between your needs and NEPC, please consider the following:

1. We are one of the largest independent investment consulting firms in the industry, servicing 283 retainer clients with $342 billion in assets. We have significant experience working with public funds and their unique needs, and service 49 public funds representing over $150 billion in assets.
2. We have extensive experience working with large public funds. We enjoy retainer relationships with the states of Arizona, South Carolina, Louisiana, New Hampshire, Texas, New Mexico, Oklahoma, Vermont and Wyoming. Some of our other public clients include Anne Arundel County, San Bernardino County, Baltimore County, Dallas Police and Fire, the New York City Firefighters, City of Detroit General Retirement System, City of Boston, City of Richmond, City of Orlando and San Jose Police and Fire.
3. Our client Dallas Police and Fire Pension System was recognized as Money Management Letter's 2010 Mid-Size Public Fund of the Year. Two of our clients, the State of South Carolina and San Jose Police and Fire, were recognized in 2009 as the Large Public Fund of the Year and Mid-Size Public Fund of the Year, respectively.
4. We are forward thinking and innovative in our asset allocation, strategy and manager recommendations - critical factors given the subdued market forecasts and heightened risks that we and many others anticipate over the next several years. Our proactive philosophy and asset allocation modeling for public clients are centered on risk management, liability driven investments (LDI) and total return. This has led to our collective client base outperforming national averages (as represented by the median fund in the $1.5 trillion ICC Universe) in 21 of the 24 years through 12/31/09 that we have been in existence. This commitment and the excellence of our research resources were recognized in 2009 when NEPC received the PLANSPONSOR magazine's prestigious "Alties" award as the Alternative Asset Consultant of the Year.

5. NEPC oversees some $50 billion in committed/invested alternative assets in 193 client relationships. Twenty of the 36 professionals in our dedicated Research Department are committed solely to alternative assets. During 2009 alone, we completed 169 alternatives searches encompassing over $3.7 billion.
6. Our staff is highly professional, stable and well credentialed, which provides significant expertise and continuity in servicing our clients. Many of our long term clients are still serviced by their original NEPC consulting teams. Importantly, our 49 senior consultants average 20 years of investment experience.
7. NEPC invests heavily in developing and maintaining state-of-the art systems and resources. Among other benefits, this allows our clients and us access to comprehensive performance database and report diagnostics, including proprietary access to manager search and due diligence databases.
8. Our firm pioneered the "cooperative" concept by founding the Wilshire Cooperative and, later, the Independent Consultants Cooperative (ICC). The ICC universe encompasses over 10% of all the country's institutional clients (902 master trusts, over 16,200 portfolios) and 20% of their assets ($1.5 trillion), making it easily the most robust diagnostic universe in our industry. In recognition of its breadth and depth relative to other offerings, both the Federal Reserve and the Employee Benefits Research Institute use the ICC universe to gain their insights into institutional investment patterns.
9. We have grown almost exclusively through referrals, an indication of our service commitment and the value that we add to the investment process.

This is a very exciting opportunity for us and we appreciate your consideration of our firm. We look forward to presenting our capabilities to you in person.

Best regards,

Enclosures

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NEPC, LLC

YOU DEMAND MORE. So do we.SM

City of Fort Lauderdale

Police & Fire Retirement System

Investment Consulting Services Proposal

From NEPC, LLC

May 2010

Mr. John R. Krimmel, CPA, CFA

Senior Consultant

One Main Street, Cambridge, MA 02142

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Investment Consulting Services Proposal for the

City of Fort Lauderdale Police & Fire Retirement System

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Tab 1

Investment Consulting Services Proposal for the

City of Fort Lauderdale Police & Fire Retirement System

Response to Questionnaire

C . ORGANIZATION

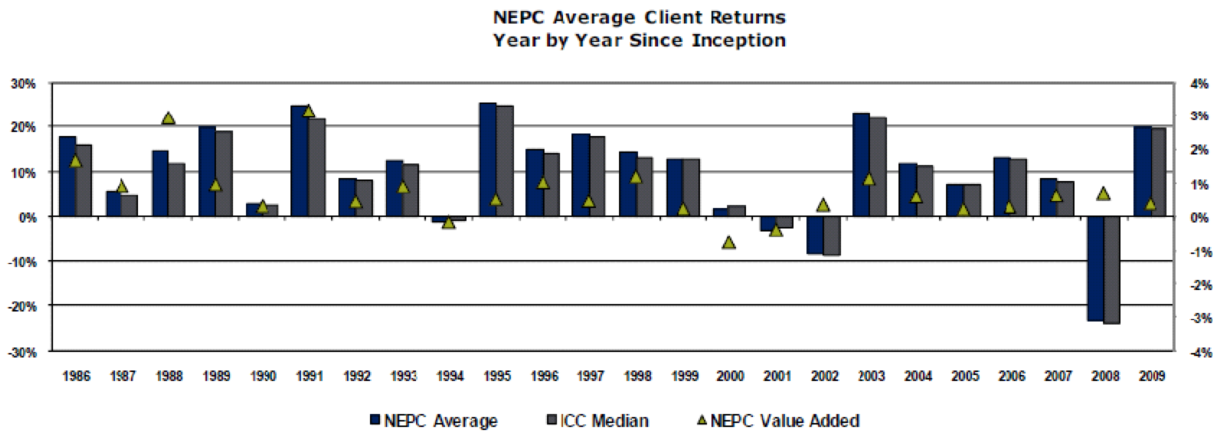
1. Describe your firm's strengths, highlighting the aspects of your service that make you unique from your competition. Which investment consulting services are the firm's specialties or areas of greatest expertise?

We believe the following six key factors distinguish NEPC from its competitors:

1. **True independence -** NEPC is an independent, employee-owned, full-service investment consulting firm. We don't manage assets, we have no proprietary products, and we are not affiliated with any investment funds. Consequently, we can provide advice that is unbiased, free of conflicts, and tailored to align with one thing—your goals.
2. **Informed innovation -** At NEPC, questioning leads to clarity, and clarity fosters breakthroughs. We respect conventional wisdom — when it's wise. Following a traditional path can be entirely appropriate in building a particular portfolio. That said, we don't shrink from breaking with standard methods when we think that a new direction offers a better approach. Expect our analysis to be thorough and our recommendations to be made with conviction.
3. **Robust customization** - Our clients demand more, and so do we. Each client is unique and, as a result, has unique investment goals. We listen closely and customize our solutions to pursue your goals with intelligence and rigor. In fact, customization is an aspect of collaboration, as we see it, and it's a hallmark of who we are. From investment policy development and risk control to asset allocation, investment manager searches and beyond, we tailor every step of the process to you.
4. **Industry-leading consultants** - A consulting firm has one key asset: its people. Our consultants have to earn clients' confidence, and ideally, enduring relationships develop. NEPC has cultivated and recruited exceptional professionals with diverse strengths — seasoned experts who understand the complexities you face and how to navigate them successfully.
5. **Research-driven process** - Superior advice is grounded in superior research. With one of the largest dedicated research teams in the industry and an increasing focus on innovative strategies, our expertise spans asset allocation, traditional investments, and alternative strategies. Our research professionals specialize in particular asset classes and excel in assessing asset managers and their investment capabilities as well as market trends and new products.
6. **Demonstrated results** - We are proud to disclose the results we achieve for clients. Our innovative, research- driven recommendations, delivered by an experienced staff, have resulted in 21 out of 24 years of outperforming the national averages and a high level of confidence in NEPC.* **Table 1** on the next page outlines performance in each of the last 24 years. While past performance is no guarantee of future results, we feel that this record is strong evidence of NEPC's

ability to develop investment programs that as a group consistently perform well in a variety of market environments.

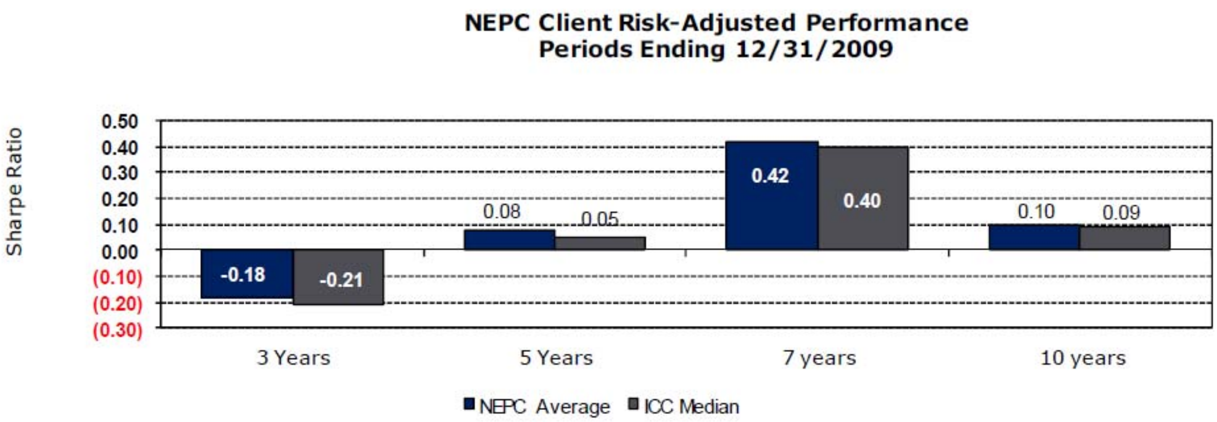
Table 1



Results are gross of manager fees. **Past performance is no guarantee of future results.**

While we are very proud of the investment returns of our clients, we also understand that risk is an important factor in any investment program. **Table 2** below shows the level of return earned per unit of risk (Sharpe Ratio) for NEPC's client base versus the overall ICC Median for the last three, five, seven, and ten-year periods. As the table shows, our clients' Sharpe Ratios have exceeded the median in each time period.

Table 2



Results are gross of manager fees. **Past performance is no guarantee of future results.**

While our record as illustrated above is excellent, we believe it understates the quality of performance earned by our clients. We say this because we enter the ongoing performance record of every discretionary client into the above comparisons after the first manager search is conducted or one year after we are retained, whichever event occurs first. Obviously, it takes more than one search to materially impact the performance of large investment programs; however, we wish to take a very conservative position in regard to the establishment of our performance record.

Also, NEPC's client results are embedded in the overall ICC universe, so our performance relative to the other firms in the universe is actually more pronounced.

Areas of expertise include asset allocation, which makes extensive use of risk budgeting techniques, asset liability matching strategies, and our alternative research capabilities. All of these items are expanded upon in greater detail later in this proposal.

**The national average is represented by the median fund in the $1.8 trillion ICC Universe.*

2. Summarize your organization's long-term strategy for business development.

We believe that measured, thoughtful growth is critical to a consulting organization especially when there is a clear focus on maintaining a high level of client satisfaction. This growth allows us to continually increase our investments in technology, research, and human capital and provides opportunities for advancement across the organization. NEPC's growth over the past several years, for example, has facilitated significant improvements in both our servicing margins and our dedicated research staff. For example, we have significantly reduced the average number of clients supported by our client-facing consultants and in the past 10 years alone, have halved the servicing load of our client-facing consultants to eight clients per consultant from 16 clients per consultant. Accordingly, our consultants have more time to commit to each client and indeed we saw the average number of meetings per client increase by over 25% in 2009 versus 2008. We have also been careful to retain talented staff in advance of reaching "capacity" to ensure that client satisfaction has remained high.

Our growth has also enabled NEPC to dramatically increase our dedicated research group to 24% of our overall professional head count, the most significant commitment in the industry among general consulting firms. This research staff has no explicit revenue support responsibilities, but rather focuses on the vetting of both traditional and alternative managers and strategies, asset association (currently five actuaries on staff), risk parity, scenario analysis, derivatives, overlays, and the like.

Our overall business plan has several important elements. Among its more important points are the following:

1. We do wish to grow, but at a controlled pace. This involves maintaining the proper balance between our human resources, products and services on the one hand, and the addition of new clients on the other. We are very sensitive to the servicing requirements of current and prospective clients and have regularly turned down new business opportunities until the necessary staff has been put into place. In 2009 we declined to pursue over 100 new business opportunities in order to maintain our service commitment to existing relationships.
2. As our business has grown, we have added professional, technical and administrative personnel, both "home grown" and from our competitors (20 of whom have now transitioned to NEPC) to ensure the continuation of our high service commitment and technical consulting capabilities. As a rule, we do not pursue one-time or project-based opportunities. We prefer to have full-retainer relationships with our clients and limit the number of clients serviced by a consulting team.
3. We wish to continue our success at attracting and retaining extraordinarily well-qualified personnel, and in creating a work environment that is academically, professionally and economically conducive for long-term career opportunities.

During the past ten years, for example, we have used much of the incrementally higher revenue that we have received to build one of the industry's finest alternative assets research staffs and to augment our already-strong research staff for traditional investments. We plan on continuing to expand our research and consulting staff as appropriate.

4. We will continue to expand our client education programs, so that our clients can gain the knowledge and patience necessary to be good, long-term institutional investors.

The appropriateness of our business objectives has repeatedly been confirmed by our client referrals and client appraisals, which have rated us among the top firms in the country in annual consultant surveys. Regrettably, we can no longer use these client surveys in competitive situations like this proposal. However, we can apprise you that the most respected independent research firm in the industry has recently advised us that in 2009 NEPC was once again accorded the top client rating among the 10-largest firms in the industry.

3. What percentage of your annual budget is allocated toward research and development?

With regard to research, we place a high priority on maintaining state-of-the-art technologies, databases, information networks, concept innovations, industry trend analyses, and other techniques and practices designed to enhance our knowledge and effectiveness on behalf of our clients. Technology and research account for approximately 80% of our discretionary budget. Over and above these commitments, State Street Bank, the hub of the Independent Consultants Cooperative founded by NEPC spends over $3 million per year on technology for the ICC. Additionally, NEPC commits close to $6.6 million per year to our research analyst functions and their related software and hardware support.

4. Does your organization anticipate any changes in ownership or organizational structure?

We do not anticipate any material changes in the future, other than the continued transition of the firm's equity to current and future key professionals.

5. Provide information that documents your firm's qualifications with respect to its independence, ability, capacity, skill, financial strength and number of years your firm has provided pension fund consulting services to public pension plans.

NEPC, LLC has been providing consulting services as its sole line of business since 1986. We have been consulting to public pension plans for over 24 years. NEPC's Chairman and CEO, Richard Charlton, founded the firm based on three main principles: maintain <u>independence</u>, provide <u>proactive advice</u> to our clients and service our clients with <u>seasoned professionals</u>. This focus has generated 24 consecutive years of controlled growth, primarily because we have maintained our principles and our clients have consistently outperformed their peers. Our clients in turn have accorded us industry-leading ratings relative to our ten-largest competitors and have referred us to the majority of our new business opportunities.

NEPC does not have any clients or associations that could present a conflict of interest and possibly compromise the objectivity of its advice to the Fund. We avoid the conflicts of interest that impact many consulting firms in our industry in the following ways:

- We do not manage money or provide any “designated fiduciary” services
- We do not accept any revenue from money managers
- We do not provide brokerage services
- We have no alliances or external affiliations
- We do not provide services of any kind to investment managers
- We do not offer actuarial services
- We do not accept or pay referral fees
- We do not split fees in any way
- We do not accept finders’ fees for placing managers
- We do not charge managers for inclusion in our manager search databases
- We do not accept or pay any soft dollars
- Our annual client conference is not subsidized by investment managers

Our business model has been designed to eliminate all potential conflicts of interests so that we can maintain our independence and objectivity.

With extensive experience and a clear understanding of the opportunities and challenges of defined benefit plans, we currently provide comprehensive consulting services to some 50 public fund clients with total assets in excess of $150 billion. We assess our clients’ progress against the largest Public Fund performance measurement universe in the industry.

To help our public fund clients build customized investment programs that meet their unique investment goals and fulfill their fiduciary obligations, we incorporate data from the plan’s actuarial valuation statements when performing our comprehensive asset liability studies. As a result, we can forecast the impact of changes to fund provisions, workforce, and actuarial assumptions on funding and contributions. Additionally, our risk budgeting and scenario analysis tools allow a plan sponsor to test alternative asset allocations under multiple economic environments to confidently build an investment program that meets their needs.

In response to our clients’ growing concern about liquidity, we’ve developed an analysis that enables us to examine our client’s current and projected liquidity needs, as well as profile the potential sources of these needs. We’re careful to define these liquidity needs not only as an actuarial forecast of contributions vs. benefit payments, but also a forecast of the liquidity needs required from an alternative asset program. This gives our clients a complete picture of their liquidity profile, which then becomes a key factor in determining how much exposure their portfolio can handle within illiquid asset classes.

Our clients demand more, and so do we. Each client is unique and, as a result, has unique investment goals. We listen closely and customize our solutions to pursue your goals with intelligence and rigor. In fact, customization is an aspect of collaboration, as we see it, and it’s a hallmark of who we are.

Superior advice is grounded in superior research. Following a traditional path can be entirely appropriate in building a particular portfolio. That said, we do not shrink from breaking with standard methods when we think that a new direction offers a better approach. Expect our analysis to be thorough and our recommendations to be made with conviction. Our client portfolios are typically broadly diversified across the global landscape, across and within both traditional and alternative asset classes and strategies. We proactively build investment programs with long term strategic asset allocations; however we will recommend clients make tactical asset allocation shifts when significant opportunities or risks exist in the markets. By demanding more, we strive for continuous improvement to position client portfolios for the future.

NEPC's full service retainer relationships are characterized by a trustworthy service commitment, featuring ready access to our staff and resources, state-of-the-art technology, and comprehensive solutions to our clients' investment needs. We help our clients achieve their investment goals and objectives through the design and implementation of diversified investment programs featuring innovative solutions to minimize funding requirements.

We service 283 retainer relationships with a group of 47 client service consultants. Therefore the average workload of our client service consultants is six clients, which is significantly below the industry average of fifteen.

6. Is providing investment advisory services your sole line of business? If not, describe what other services your firm provides and show the percentages of your organization's revenues attributable to the investment advisory service as well as the other lines of services.

NEPC's sole line of business is investment consulting; as such, 100% of our revenues are from providing consulting services to our clients.

7. Are you registered with the S.E.C.?

NEPC is a Registered Investment Advisor under the 1940 Act as well as a fiduciary as the Employee Retirement Income Security Act of 1974 defines the term.

8. Are you a member of the Association for Investment Management and Research (AIMR)?

No, but NEPC has adopted the Association for Investment Management and Research (now the CFA Institute) Code of Ethics and Standards of Professional Conduct. Additionally, NEPC has 48 employees with the CFA and/or the CAIA designation all of whom are members of AIMR.

9. Are you a member of the Florida Public Pension Trustees' Association (FPPTA) or the International Foundation of Employee Benefit Plans (IFEBP)?

NEPC is not a member of the Florida Public Pension Trustee Association at this time. However, Kevin Leonard who would be assigned to this account has in the past been a frequent speaker at the FPPTA educational conferences.

NEPC is an active member of several public fund/governmental professional organizations including the International Foundation of Employee Benefit Plans (IFEBP).

10. Is your firm registered with the Florida Secretary of State to do business in the state? Please provide your registration number.

NEPC is licensed to do business in states where we have offices, Massachusetts, Nevada, Michigan, New York, North Carolina, Ohio, California and Georgia. If hired, NEPC will examine the State of Florida's licensing requirements and complete any necessary registrations.

11. Is the firm or any of its principals or employees currently engaged in any litigation with the SEC, current or former client or employee or any other person or organization related to your business activities?

Through the end of calendar year 2008, after 23-years as an independent investment consulting firm, NEPC had never been party to any litigation. However, on February 26, 2009, one of NEPC's former clients, Fairfield Pension Fund ("Fairfield"), filed a lawsuit against NEPC and KPMG LLP as joint defendants, seeking to recoup losses suffered through a preexisting investment in a Madoff feeder fund which NEPC inherited upon being retained as the investment consultant to the subject investment program.

We regret that Fairfield has exposure to the Madoff hedge fund fraud, but wish to confirm that Fairfield's relationship with Mr. Madoff predated NEPC's retention there by over 10-years; that Fairfield's Trustees declined NEPC's offer to provide alternative asset (hedge fund) consulting services; and, that Fairfield had in place during NEPC's tenure with the Town explicit contracts with the overarching Madoff feeder funds for their due diligence on the Madoff hedge fund. Importantly, when NEPC was retained by Fairfield in 2006, NEPC formally recommended in a written report at our first meeting with the Fairfield Board Members that they significantly reduce Fairfield's exposure to Madoff, but the Trustees disregarded this advice. Given these facts, it is disappointing that Fairfield has chosen to sue NEPC. To be clear, we are confident that NEPC, at all times, fulfilled its responsibility to provide prudent and professional investment advice to the town's pension funds and their beneficiaries. As such, we will vigorously defend against the suit and believe we will prevail when all the facts are known.

More recently, NEPC has been named, along with New Mexico Educational Retirement Board Trustees, Staff, and other service providers, in a class action lawsuit brought by a private individual concerning the NMERB. We have submitted notice under our E&O and D&O policy and will vigorously defend against the suit and believe that we will prevail when all the facts are known.

12. Has the firm been fired, sanctioned or otherwise disciplined by the SEC or any other regulatory agency?

No.

13. Has the firm or any of its principals or employees been convicted of any crimes in Florida or any other State?

No.

D . CLIENTS AND REFERENCES

1. Please provide a summary of your firm's total clients and assets under investment consulting advisement. Indicate a breakdown by public pension funds, corporate pension funds, Taft Hartley funds, endowments and others. At a minimum, please include:

a. Total number of investment consulting clients
b. Number of clients and assets by category
c. Fund size of average client
d. Representative client list

NEPC services 283 retainer clients with $342 billion in total assets. Our clients include defined benefit and defined contribution public, Taft-Hartley, and corporate employee benefit plans, endowments, foundations, insurance assets, and private client investment programs. Our current client base is summarized below for your review.

Client Type	Number of Retainer Clients	Total Assets	Average Client Size	Median Client Size	Client Size Range
Corporate Clients	112	$123 billion	$1.1 billion	$516 million	$15 million to $13.0 billion
Taft-Hartley Clients	51	$24 billion	$467 million	$211 million	$13 million to $3.5 billion
Public Fund Clients	49	$150 billion	$3.0 billion	$1.1 billion	$54 million to $23.6 billion
Endowment/Foundation Clients	61	$43 billion	$708 million	$125 million	$6 million to $19.0 billion
Other (includes High-Net Worth)	10	$2 billion	$214 million	$110 million	$34 million to $858 million
Total Clients	**283**	**$342 billion**	**$1.2 billion**	**$283 million**	**$6 million to $23.6 billion**

Plan Type	Number of Plans	Total Assets	Average Plan Size	Median Plan Size	Plan Size Range
Defined Benefit Plans	217	$206 billion	$948 million	$220 million	$2 million to $23.6 billion
Defined Contribution Plans	107	$71 billion	$662 million	$169 million	$4 million to $12.5 billion
Endowment/Foundation Plans	101	$46 billion	$452 million	$56 million	$1 million to $19.0 billion
Taxable Plans	31	$2 billion	$75 million	$23 million	$1 million to $335 million
Insurance Plans	25	$10 billion	$407 million	$90 million	$2 million to $4.0 billion
Health and Welfare Plans	26	$1 billion	$45 million	$23 million	$4 million to $309 million
Other	32	$7 billion	$217 million	$40 million	$1 million to $920 million
Total Plans	**539**	**$342 billion**	**$635 million**	**$125 million**	**$1 million to $23.6 billion**

Please refer to Tab 2 for a representative list of NEPC's clients.

2. Provide a breakdown of clients gained and lost the past three years, including both fund size and type. Indicate reasons for any clients lost.

	NEPC Client Losses					
Reason for Termination	**2005**	**2006**	**2007**	**2008**	**2009**	**YTD 2010**
Did not accept fee increase	0	2	1	2	0	0
Decided not to use a consultant	2	2	2	0	0	1
Outsourced the plan to a 3rd party	1	0	3	3	2	0
Rebid the contract and hired someone else	3	3	3	8	8	0
Organization change at client (merger, bankruptcy, etc.)	5	1	3	2	4	1
Resigned by NEPC	1	0	0	0	0	0
Total # of Clients	12	8	12	15	14	2
% of Total # of Clients	5%	3%	5%	5%	5%	1%

NEPC has lost an average of eight institutional clients with assets in excess of $100 million over the last three years. Importantly, 40% of the losses were for reasons beyond our control, such as mergers, acquisitions and bankruptcies (9). The 14 remaining relationships rebid their contracts. Less than 2% of NEPC's clients have rebid their contracts annually over the last 10 years.

Client*	Total Assets ($millions)	Client Type	Reason for Loss
Blue Cross and Blue Shield Association	4,300	Corporate	Rebid contract
Brink's Company	942	Corporate	Outsourced plan
Citizens Financial Group	1,388	Corporate	Rebid contract
City of Lawrence, MA	130	Public	Transferred assets to Massachusetts PRIT Fund
City of New Haven, CT	203	Public	Moved to a brokerage firm for asset management and consulting
City University of New York	172	Endowment	Rebid contract
IBT Local 272	166	Taft-Hartley	Rebid contract
Indymac Bank	176	Corporate	Bankruptcy
Life Technologies	965	Corporate	Rebid contract
MA Bay Transportation Authority Retirement Fund	1,200	Corporate	Rebid contract
Massachusetts Medical Society	230	Corporate	Rebid contract
New Balance Foundation	101	Foundation	Top performing Foundation outsourced plan to broker
Oberlin College	840	Endowment	Rebid contract
Ohio University Foundation	283	Foundation	Rebid contract
Prince George's County Retirement System	1,100	Public	Rebid contract
Remington Arms Company	217	Corporate	Rebid contract
Rogers Corporation	122	Corporate	Reduction in the use of consultants
Sun Microsystems, Inc.	3,361	Corporate	Acquired by Oracle, Inc.
Texas Prepaid Higher Education Tuition Board	2,100	Public	Rebid contract
Town of Fairfield, CT	350	Public	Rebid contract
University of Massachusetts	611	Operating Assets	Transferred oversight to Endowment Investment Committee
US Bancorp	5,300	Corporate	Rebid contract

WMATA Retirement Plan	265	Public	Moved to passive management of plan.

* Lost clients above represent all institutional clients with assets in excess of $100 million.

Over the last three years NEPC has gained 59 retainer clients as follows:

Client Type	Market Value ($ millions)
Corporation	94
Corporation	3,533
Corporation	989
Corporation	1,367
Corporation	1,424
Corporation	709
Corporation	296
Corporation	135
Corporation	1,177
Corporation	2,835
Corporation	7,000
Corporation	1,923
Corporation	1,707
Corporation	1,724
Corporation	877
Corporation	374
Corporation	432
Corporation	15
Corporation	41
Corporation	612
Corporation	265
Corporation	75
Corporation	4,500
Corporation	964
Corporation	1,200
Corporation	73
Corporation	55
Corporation	900
Corporation	40
Non-Profit Organization	31
Non-Profit Organization	21
Non-Profit Organization	1,493
Non-Profit Organization	182

Non-Profit Organization	693
Non-Profit Organization	227
Non-Profit Organization	50
Non-Profit Organization	550
Non-Profit Organization	125
Non-Profit Organization	499
Non-Profit Organization	130
Public Fund	2,386
Public Fund	60
Public Fund	1,800
Public Fund	443
Public Fund	5,063
Public Fund	1,583
Public Fund	6,146
Public Fund	306
Public Fund	23,222
Public Fund	189
Public Fund	19,000
Public Fund	5,670
Public Fund	377
Taft-Hartley	118
Taft-Hartley	228
Taft-Hartley	439
Taft-Hartley	1,512
Taft-Hartley	863
Taft-Hartley	15
Taft-Hartley	116

3. Provide a list of at least six public employee retirement systems (primarily retirement plans of similar size as ours) for which your firm currently provides evaluation services, including system name and approximate value of investment portfolio. Also provide the address, telephone number, name and title of person who may be contacted for reference. Please obtain prior authorization for us to contact each reference.

Our clients are our only customers, and we have grown almost exclusively through their referrals over the years. While we submit client references per your request, we respectfully request that you not contact them without notifying us first.

Baltimore County Employees' Retirement System Mr. Robert Burros Investment Administrator Baltimore County Employees' Retirement System Office of Budget & Finance 400 Washington Avenue, Room 176 Towson, MD 21204 (410) 887-2490 rburros@baltimorecountymd.gov Total Assets: $2.1 billion Full service retainer client relationship established in August 2004.	**Brockton Contributory Retirement System** Mr. Harold P. Hanna, Jr. Executive Director 15 Christy's Dr, Suite 2 Brockton, MA 02301-1813 (508) 580-7847 hphanna@comcast.net Total Assets: $306 million Full service retainer client relationship established in January 2009.
The City of Dearborn General & Police & Fire Retirement Systems Mr. Jim O'Connor Chief Financial Officer City of Dearborn City Hall Annex West 4500 Maple Street Dearborn, MI 48126 (313) 943-2118 joconnor@ci.dearborn.mi.us Total Assets: $387 Full service retainer client, relationship established in December 1998.	**Massachusetts Water Resource Authority Retirement System** Ruth O'Meara Acting Executive Officer MWRA Retirement System 2 Griffin Way, 2nd Floor Chelsea, MA 02150 (617) 305-5596 ruth.omeara@mwra.state.ma.us Total Assets: $249 million Full service retainer client relationship established in February 1999.
New Castle County Employees' Pension Program Ms. Gayle Logan Pension & Benefits Manager New Castle County Department of Administration/Finance 87 Reads Way New Castle, DE 19720 -1648 (302) 395-5182 gmlogan@nccde.org Total Assets: $354 million Full service retainer relationship established in June 2006.	**Orlando General Employees Pension System** Mr. Christopher McCullion Treasurer City of Orlando, FL 400 S. Orange Ave., City Hall, 4th Floor P.O. Box 4990 Orlando, FL 32801 (407) 246-4274 christopher.mccullion@cityoforlando.net Total Assets: $1.6 billion Full service retainer client relationship established in October 2008.

City of Richmond, Virginia	St. Louis Public School Retirement System
Mr. Philip R. Langham Executive Director City of Richmond Retirement System 900 E. Broad Street 4th Floor, Room 400 Richmond, VA 23219 (804) 646-5958 Philip.Langham@Richmondgov.com Total Assets: $443 million Full service retainer client relationship established in August 2008.	Mr. Andrew Clark Executive Director St. Louis Public School 3641 Olive Street, Suite 300 St. Louis, MO 63108 (314) 534-7444 waclark@psrsstl.org Total Assets: $824 million Full service retainer client relationship established in March 1997.

E . PROFESSIONAL STAFF

1. Please provide a detailed listing of your firm's professional staff by category including consultants and analysts.

NEPC has a staff of 170 professional employees who are solely dedicated to the practice of investment consulting. Our 68 consultants include 47 consultants who work directly with clients and 21 consultants involved in asset allocation, traditional and alternative assets research. We are organized by practice teams to provide specialized consulting services to different fund types. NEPC has six consulting practice teams devoted to corporate pension funds, endowments and foundations, public pension funds, Taft-Hartley funds, healthcare institutions and defined contribution plans. 75 analysts function under the areas of consultant support, research across traditional and alternative asset classes and preparation of performance measurement, manager search, and asset allocation studies. 13 members of our staff are responsible for all aspects of compliance, financial reporting and marketing. Three members of our staff are responsible for our systems and 11 employees have administrative responsibilities.

2. Provide the name(s) and locations of the individuals(s) who will be responsible for this account if your firm is awarded this contract. Provide a brief biography of each member of the team, including titles, functions, academic credentials, professional affiliations, relevant work experience, and number of years with your firm and any history of discipline from any regulatory agency.

If we are chosen as your investment consultant, your service team will consist of Mr. John R. Krimmel, CPA, CFA who is based out of our Atlanta, GA office and Mr. Kevin M. Leonard who is based out of our Cambridge, MA office. Neither have any history of discipline for any regulatory agency.

John R. Krimmel, CPA, CFA
<u>Senior Consultant</u>

John joined NEPC in 2010 with over twenty years of investment experience. At NEPC, John assists clients with the development of investment policies and objectives, the evaluation and selection of investment managers, and the measurement and analysis of investment performance. He is also a member of the Emerging Managers Advisory Group. Prior to NEPC, John was a Senior Consultant and Senior Vice President at Callan Associates with broad responsibility in all facets of client management including public, corporate and endowment and foundation clientele. While at Callan, John was a member of Callan's Manager Research Committee and Alternatives Review Committee.

Prior to Callan, John was the Chief Investment Officer at the Kentucky Retirement System and at the State Universities Retirement System of Illinois. Early in his career he spent time in Public Accounting at Deloitte and Touche, LLP.

He served in the U.S. Coast Guard and was awarded a Commander of the Coast Guard's Letter of Commendation. John has a M.S. in Accountancy from the University of Illinois, a B. S. in Accounting from Millikin University. John is a Certified Public Accountant and holds the Chartered Financial Analyst designation. John is currently pursuing the Chartered Alternative Investment Analyst (CAIA) designation.

Kevin M. Leonard
Senior Consultant

Kevin joined NEPC in 2007 and has more than eighteen years of experience in the financial services industry. As a Senior Consultant, Kevin is exposed to a variety of client types, including public plans, Taft-Hartley pension funds, endowments, and foundations. Kevin is a member of the NEPC due diligence committee.

Prior to joining NEPC, Kevin was a Vice President/Partner at Segal Advisors, Inc. There he was the lead consultant to institutional pension funds in the public, Taft-Hartley, hospital, and endowment marketplace. His responsibilities included creating and presenting asset liability studies, investment manager search evaluations across all asset classes, custodial services, search evaluations, quarterly/monthly portfolio analysis/performance reports, investment guidelines and investment policy statements.

Prior to working at Segal Advisors, Kevin was a Consultant at The Hannah Consulting Group. Prior to The Hannah Consulting Group, Kevin worked at State Street Bank and Trust Company.

Kevin received his B.A. in Business Management from Assumption College. He serves on the Board of Directors for the Massachusetts Public Pension Forum and is a frequent speaker at educational conferences and association seminars.

3. If more than one person will be assigned responsibility for the account, how will the responsibility be allocated among these individuals?

Each client has a dedicated consulting team who will play an integral role in all of the tasks performed for the Plan. All of NEPC's clients are supported on a team basis, typically consisting of a "lead" consultant who will attend all meetings and be the point person in the relationship. In addition, a "backup" consultant is assigned to each relationship to ensure continuity of service. A consultant support analyst will also assist the consultants with ongoing projects and management of day to day requests. In delivering our consulting services, we would leverage off professionals in other areas of the firm.

4. **How many client accounts are assigned to each of the persons named above? What is the range in asset values of those client accounts? What is the maximum and average number of accounts assigned to each professional?**

As mentioned earlier, we service 283 retainer relationships with a group of 47 client service consultants. Therefore the average workload of our client service consultants is six clients, which is significantly below the industry average of fifteen.

Mr. Krimmel is the lead consultant to the Grand Lodge of AF & AM of Maryland with $130 million in total assets and the Shriners Hospitals for Children, Inc. with $7.1 billion in total assets. Mr. Krimmel also works with the Baltimore County Employees' Retirement System and the Government of Bermuda, with assets totaling $2.1 billion and $1.5 billion, respectively. We and the clients anticipate that he will become the lead consultants on these two relationships prior to year-end. Mr. Krimmel joined NEPC in January and has worked with many public funds similar to the Fort Lauderdale Police & Firefighters' Retirement Fund while previously with Callan Associates.

Mr. Leonard is the lead consultant to the following seven full service retainer clients:

City of Boston, MA (OPEB) - $45 million
City of Orlando, FL - $1.6 billion
City of Richmond, VA - $452 million
Manchester, NH Employees' Retirement System - $133 million
New Castle County - $364 million
New Hampshire Retirement System - $4.0 billion
Philadelphia Housing Authority - $188 million

We limit the number of accounts that a consultant may handle based on the complexity and servicing requirements of the client. We have closed our doors to new business opportunities on several occasions in the past, placing the priority on servicing our existing clients. In 2009 we turned down over 100 new business opportunities in order to maintain our service commitment to existing relationships.

We have carefully grown our consulting and technical staff to service our existing client base and to accommodate future growth. Our clients are our overwhelming source of new business, through referrals. Therefore, we can continue our excellent growth if, and only if, we service our existing clients well. We understand this dynamic, and work aggressively to shepherd and nourish it.

5. **Summarize the average annual turnover in your firm cumulative over the last 3 years measured as departures divided by the total number of employees. Describe the turnover of key professional personnel during the past 3 years and provide a brief**

	2007			2008			2009			2010 (YTD)		
	Termination Voluntary	Termination Involuntary	Retired	Termination Voluntary	Termination Involuntary	Retired	Termination Voluntary	Termination Involuntary	Retired	Termination Voluntary	Termination Involuntary	Retired
Total Employees	138			153			162			172		
Partner	1%	-	-	-	-	-	-	-	-	-	-	-
Sr. Consultant	1%	-	-	-	-	-	2%	1%	-	1%	-	-
Consultant	2%	-	-	-	1%	-	1%	-	-	-	-	-
Sr. Analyst	1%	1%	-	2%	-	-	-	1%	-	-	-	-
Analyst	4%	-	-	3%	1%	-	-	-	-	1%	1%	-
Total	**9%**	**1%**	**0%**	**5%**	**3%**	**0%**	**3%**	**1%**	**0%**	**1%**	**1%**	**0%**

* The information in the table above contains professional level staff and excludes junior level positions.

For a firm of our size, we believe that our consulting staff is one of the most stable in the industry with an annual consultant turnover rate of less than 6% over the last 10 years. On the other side of that equation, we have become the Employer of Choice within the industry, having attracted 22 professionals from our competitors, a statistic without precedent in our industry. These externally-sourced resources, coupled with the development of our internal professionals, have enabled NEPC to offer a consistently seasoned service commitment to our clients in both our client-facing and research functions. Over the past three years, we have lost 9 consultants, none of whom have voluntarily left and joined the competition or remained in investment consulting.

Consultant	Title	Date Left	Reason for Leaving
Joseph Miletich, CFA	Partner	September 2007	Left investment consulting.
Martin Coughlin	Consultant	September 2007	Left investment consulting.
Jennifer Heilig	Consultant	December 2008	Left investment consulting.
Christopher Tobe, CFA, CAIA	Senior Consultant	January 2009	Left to relocate with family.
Joseph O'Byrne	Senior Consultant, Private Markets	February 2009	Left investment consulting
Mr. Timothy M. McDonough	Consultant	March 2009	Left investment consulting
Ms. Michelle Simpson	Senior Consultant	March 2009	Left to spend more time with family.
Mr. Bryan Schneider, CFA	Senior Consultant, Hedge Funds	November 2009	Left investment consulting.
Jaeson Dubrovay, CPA, CAIA	Senior Investment Strategist, Hedge Funds	February 2010	Left investment consulting.

6. **Comment on how your firm attracts and retains motivated qualified professionals. What are your firms' continuing education requirements for its professionals?**

Senior professionals are primarily hired through networking and executive recruiters. Since ours is a personal service business, we must have extensive references from well known and respected colleagues prior to tendering an employment offer. Importantly, we have emphasized promotion from within for many years, and have grown a complement of consultants and senior consultants that is the envy of the industry. This home-grown talent has been augmented by professionals with significant investment consulting experience from 13 of our national competitors, a record without parallel in the industry.

Our retention rates and the overall stability of our firm are enhanced by a wage system that compensates each salary grouping within our firm with median or higher pay levels relative to industry norms. Also, we have built an incentive compensation component into our bonus system based on maintaining our current levels of excellence in the annual Greenwich Associates Client Opinion Studies.

Additionally, in January 2008, NEPC converted to a Limited Liability Company (LLC) form of incorporation from our previous Subchapter S structure explicitly to provide NEPC's newer Partners with materially enhanced ownership positions in the new partnership, thereby strengthening their financial incentives to continue our record of adding value to our client investment programs, maintaining our industry-leading client ratings and our overall leadership position within the investment consulting industry. This was perhaps the most important structural change in the history of our firm, and, with all partners signing on, we are highly confident that its overall objectives will be realized.

Additionally, our profit sharing and medical benefit programs were recently rated the most favorable of 16 independent investment-consulting companies, comparable to ours, across the nation.

NEPC has a strong commitment to continuing education and professional certification. Accordingly, we encourage continued education to help our staff perform their duties and responsibilities better and assist with their career development.

Consultants and Analysts are encouraged to be working toward the Chartered Financial Analyst (CFA) designation, the Chartered Alternative Investment Analyst (CAIA), or other appropriate professional certifications. While strengthening the individual staff member's personal credentials, continuing professional development by our staff members enhances NEPC's image in the minds of our clients and prospective clients.

NEPC provides a certain amount of reimbursement per each level of the Chartered Financial Analyst program for costs associated with the program (registration fees, books, and pre-approved review courses). NEPC also pays the one time, initial fee to enroll in the Chartered Financial Analysts program.

Additionally, NEPC assists in educational program advice and counseling and with tuition payment to full-time employees taking Company/degree-related courses at accredited institutions.

F . INVESTMENT CONSULTING SERVICES

Asset Allocation

1. Describe your firm's philosophy and approach to development of asset allocation strategies including methodology used for asset allocation modeling considering linkage to liabilities and funding, application of major variables (risk tolerance, etc.), and how frequently and under what conditions asset allocation should be changed.

Risk Budget Approach

Our asset allocation team has developed a risk budgeting exercise that reviews the contribution of each asset class to the portfolio's overall risk. In addition, we can incorporate liabilities into our risk assessment to review the amount of interest rate risk incorporated in the volatility of a plan's funded status.

Our risk budgeting model is based on capital allocation constraints. When leverage is allowed, efficient strategies will make very efficient use of capital or have high information strategies, all with low correlations to one-another. Once this total risk budget is established, the performance of managers should include an analysis of their volatility around the risk parameters allowed for their strategy. At the total portfolio level, we include a calculation of the "return" of liabilities over periods. The total portfolio risk incorporates the duration risk from liabilities net of assets and the residual asset risk from the policy allocation, the drift of allocation from policy over time, and the risks from each manager strategy.

Asset Allocation Recommendations

The importance of diversification to reduce equity concentration risk in investor portfolios has become very evident over the decade of the 2000's. Developing investment strategies founded in LDI and "risk budgeting" frameworks has enabled our clients to protect capital and preserve their funded status somewhat better than traditional approaches in this volatile environment. We also believe non-traditional asset classes and strategies remain critical in the development of sound investment policy.

The use of risk management is increasing for plan sponsors, and NEPC has the experience and tools to assist our clients in this important area. Asset-liability studies have been the traditional tool for evaluating assets and liabilities together and such studies continue to be "best-practice."

We believe that the asset allocation decision is clearly the most difficult, but most important, aspect of the consulting process. A well-diversified investment program is the necessary foundation for good performance, and an essential key to the success that our clients have enjoyed over the years. Asset-based asset allocation studies are available on-demand to all of our clients.

However, one of the most important projects that we undertake for our clients is a liability-based asset allocation study, performed every three to five years, the length of a typical planning cycle. NEPC believes that the asset/liability analysis is the optimum method to determine each client's risk tolerance. This type of effort differentiates our firm from many of our competitors, in that it is the vehicle that we use to truly customize each investment program to the unique needs, risk tolerances and return requirements of each client.

Our asset-liability model is the tool we use to assist clients in defining their risk tolerances. Standard deviation, value-at-risk, Sharpe ratio, etc. are some of the terms used to describe the risk of an investment portfolio. While these are necessary and appropriate risk measures, NEPC has found that clients are also comfortable in determining their risk tolerance in terms of a minimum funded status, pension costs as a percent of payroll or a maximum dollar contribution. Using information supplied by your actuary, we develop projections of future liabilities and obligations. The same assumptions used by your actuary are used in the model.

Working with the staff and Board, NEPC maps out an appropriate asset allocation strategy to fund future liabilities. The various allocations are evaluated in terms of their impact on funded status and contributions. The result is an investment program designed to meet *your Plan's* specific risk tolerance, not the average risk tolerance of the average pension plan.

Forecast returns are based on a combination of historical returns, current market conditions and our forecast for the capital markets over the next 5-7 years. We analyze the historic trends of asset class index returns since inception of the asset class over various market cycles and economic conditions. Current market conditions include the current yield on bonds and short-term instruments. Correlations and standard deviations are based primarily on historic return patterns.

The process for developing investment policy using asset/liability modeling is outlined below:

1. We begin with your current actuarial valuation report so that we may obtain the funding policies, demographics, benefits formulas and other actuarial assumptions to be used in our asset-liability modeling.
2. We evaluate current benefit obligations and forecast the future liabilities of the Plan, using your current actuarial assumptions and the actual demographic characteristics of your participants (we do not use proxies).
3. Next, we develop expected risk and return profiles for the Plan's current asset mix and several alternative asset strategies. Our model can accommodate multiple asset classes, but we believe that the highest value from asset-liability studies comes from identifying and prioritizing key allocation opportunities, so we will not, for example, try to optimize a small cap allocation to the nearest 1%.
4. Once our liability analyses (including analyses of age-service distributions, separation ratios, employee migration and demographic characteristics, male and female mortality characteristics, and other actuarial factors) and asset forecasts are completed, we integrate these projections. The asset/liability model combines the asset structures (item 3 above) with the liability projections (item 2 above) to forecast the financial status of the pension plan. The resultant comparisons help the client determine which investment alternatives have the best probability of generating the returns and earnings necessary to fund the obligations of the Plan and possibly allow for benefit increases and/or contribution reductions. Projections include benefit payments, contributions, GASB accounting calculations, and funded status (assets compared with liabilities) over the next ten years.
5. With the model, we can conduct "what if" scenarios to determine the impact of changes in actuarial assumptions on the Plan's liability stream (future benefit and expense obligations). We have the capability to demonstrate the impact of plan changes (benefit formula or assumption changes, work force growth, or earnings assumption, for example) on contributions, funded status, and benefit payments for all asset mixes.
6. We then prepare a detailed report on our findings and recommendations. The report includes our inputs and assumptions, projections of liabilities, asset class returns, risk levels, yield and correlation assumptions, optimal combinations of asset classes, and projections of assets, contributions, benefit payments, and funded status.

There is a significant move within the industry, beginning in the corporate sector, to provide greater transparency regarding the funded status of pension plans. NEPC has been in the forefront of this movement and generates liability-driven funding solutions for a growing number of its clients. We believe this trend will accelerate as budget pressures grow in coming years and the importance of funding pension liabilities becomes better-appreciated.

Our work in this regard has been well underway for some time and, indeed, is highlighted in many of our client communications.

Tactical Allocations

We view asset allocation as a long term strategic target, with initial steps put in place to reach the final target allocation. That being said, we occasionally promote small tactical allocations to various asset classes when we see an opportunity in the marketplace. One example of this is our promotion of Credit Opportunities in early 2008 when credit spreads began to widen. Another example is DIP and PPIP programs which were available through Federal programs in 2009. In both instances, NEPC researched managers and had a search book and educational pieces ready for clients early on in the life of the opportunity.

Forward-Looking Perspectives (Abilities Beyond Mean-Variance Analysis)

Our Partner's Research Committee (PRC) meets monthly to brainstorm and strategize about various opportunities in the market and processes that we could implement for our clients. The Asset Allocation team is charged with creating new tools each year to help improve the risk management and asset allocation process. Below are the tools used that go beyond mean-variance analysis:

1. Scenario Analysis: Interest rate movements and asset class returns are modeled according to six economic scenarios (base case, expansion, overextension, stagflation, recession, and what we've coined as 'de-lev-flation'), which in turn have a direct effect on the asset portfolio and the liability estimates from year to year.
2. Stochastic Projection: By utilizing software (ProVal from WinTech), we model a pension plan's actuarial liabilities, then project these liabilities along with the plan's asset allocation under various capital market assumptions. The output details the probability of various returns and outcomes, be they asset returns or plan funded status targets.
3. Liquidity Analysis: Not only do we categorize the liquidity of each asset class into timeframes, but we analyze the sources and needs for liquidity under both normal and stressed environments to ensure that there will be enough cash on hand to pay plan benefits, as well as capital and margin calls.

2. What type of software do you use to model liabilities? Is this proprietary or other software?

Analytic Tools and Market Data

We use multiple tools for asset allocation modeling. Our asset class assumptions and economic scenario forecasts are internally generated for forward-looking five to seven year time periods. Traditional efficient frontier modeling uses Ibbotson Encorr software licensed from Morningstar. Asset-liability modeling uses ProVal software licensed from WinTech. For this system, our mean/variance assumptions are translated to growth and yield assumptions, to accurately reflect the impact of inflation and interest rates on asset returns and liability calculations. Our asset/liability model is customized to each client's particular benefit formula and actuarial assumptions (described above). Using individual participant data, we match actuarial results and project plan costs using our internally generated economic forecasts. Finally, we have internally developed our risk budgeting model, which re-characterizes asset allocation into its component risks, both on an asset-only, and an asset-liability basis.

As a complement to asset allocation analysis, which is based on our market expectations for broad asset class categories, we also conduct manager analyses, incorporating individual and collective tracking error statistics for the overall plan and its component entities.

NEPC's Asset Allocation Team directs all of the firm's efforts in performing asset allocation and asset-liability studies, and leads the development of the firm's asset class return, risk, and correlation assumptions. The Asset Allocation team is lead by Mr. Christopher A. Levell, ASA, CFA, CAIA, Partner. Other members include Mr. John R. Minahan, Ph.D., CFA, Senior Investment Strategist, Ms. Lynda K. Dennen, ASA, EA, Research Consultant and Mark Cintolo, Senior Analyst. The Asset Allocation team is also supported by the Asset Allocation Committee, with representatives from Research and Consulting.

3. How many asset/liability studies has your organization performed in the last three years?

Over the past three years, we have conducted liability-driven asset allocation studies for over 100 client plans, and several hundred asset-based asset allocation studies. Our philosophy is outlined below.

4. What type of software do you use to view assets and their allocation?

We license two asset allocation software programs, Ibbotson and the ProVal system. We often bring laptop computers to our client meetings to perform what-if analysis scenarios. Also, clients are always welcome in our offices.

Board Education

1. What resources (i.e., human resources, internal research, conferences or seminars, industry information, etc.) will your firm draw upon to provide our plan fiduciaries with board education?

We are committed to providing our clients with the best possible investment research and resources, regardless of the source. Hence, based on the topic or need, we are equally comfortable developing our own original material, using external sources, or integrating the two, depending on which approach best serves the needs of our clients. In all cases, the final recommendations made to a client are our own, and reflect NEPC's independent view of what will best serve the interests of the client's investment program.

An example of how we integrate internal and external sources is reflected in our work on emerging market equity investing. Many external sources are available to help us quantify the investment environment for emerging markets investors. These sources include various US government or United Nations agencies, investment advisors, brokers, and custodian banks, to name a few. Hence, to educate clients on the role that emerging markets might play in their investment program, NEPC used these sources to develop general background, to identify the scope and characteristics of emerging markets investing, to identify alternative approaches, and to develop a solid "feel" for the challenge of successfully integrating emerging markets into a client's investment program. We did not reinvent the wheel. However, the final assessment of the potential risks and rewards to emerging markets investing, and the strategy's fit with the needs of any individual client is NEPC's alone.

NEPC conducts educational programs for all of its clients. These educational sessions are customized for each client and are as simple as carving out time from the regular review meetings to one half day (or more) in length, depending on their frequency and the topics covered. We have presented educational pieces to large groups as well as individuals, and sessions have covered everything from the basics of investing to trustee responsibilities to the details on various alternative assets. For example, NEPC conducts multi-day retreats for 3 of our large public fund clients. The sessions draw on NEPC staff, current and prospective managers and outside experts to present critical issues to the Board for the upcoming year.

NEPC sponsors an annual client conference in Boston, Massachusetts. Investment managers do not subsidize or underwrite NEPC's client conferences or workshops, thereby avoiding this potentially significant conflict of interest. The only way money managers can attend our client conference is if they are invited to speak on a specific topic and agree not to include any sales material.

Our 15th Annual Client Conference was held on May 12-13, 2010 at the Westin Boston Waterfront Hotel. Featured speakers included Jeremy Grantham, Co-Founder of GMO, LLC, Bob Pozen, Chairman of MFS Investment Management and Howard Marks, Chairman of Oaktree Capital Management. Once again, we focused on the opportunities and challenges that our clients face in the market today, giving our clients a great opportunity to interact with our consultants, other clients and outside speakers.

Our 14th Annual Client Conference took place in May 2009 and featured speakers included Paul McCulley, Managing Director, Portfolio Manager of PIMCO, Wilbur Ross, perhaps the best known turnaround financier in the United States and Daniel Fuss, VP, Managing Director at Loomis, Sayles and Co, LLP.

Client education is of paramount importance, as greater understanding of investment fundamentals and complex current investment issues by both trustees and employees assist each group in its efforts to enhance returns and reduce risk.

2. How often will these resources be available to our plan fiduciaries?

Educational sessions are available to our clients upon request. We host our client conference on an annual basis.

Investment Manager Searches and Monitoring

1. Describe your firm's experience and capabilities in conducting searches for investment managers.

We have placed over $20 billion in assets in each of the past three years, and have placed over $112 billion over the past five years in a total of 2,147 searches. Importantly, these placements have been typically to expand the diversification characteristics of new relationships and to replace under-performing managers placed by predecessor consulting firms. We track the performance of all managers placed in our investment program (by style and capitalization) against appropriate benchmarks and peer groups and the performance of managers we would likely recommend.

Our manager placements have been unusually successful relative to industry norms, in that less than 3% of all assets placed in the history of our firm have been replaced due to client dissatisfaction with manager performance.

We measure the success of an investment manager versus specified goals and objectives and adherence to investment guidelines. We typically look at performance over a market cycle (three to five years). Successful firms also have stable organizations, staff and investment process. We review performance versus benchmarks on a monthly basis and a more comprehensive review of performance and portfolio characteristics on a quarterly basis. Our policy is to meet with investment managers that invest assets on behalf of our clients at least once a year. Typically we meet with these managers more than once a year.

2. Describe in detail the process you will use to conduct manager searches for our plan.

NEPC seeks to identify top tier investment managers across both traditional and alternative assets through the work of our experienced 36 person research staff and our rigorous search process that combines qualitative and proprietary quantitative analyses.

1. NEPC's search process begins with our research team screening both our proprietary internal databases and external databases for candidate managers that meet the Client's/NEPC's internally developed minimum criteria. The parameters take into account the uniqueness of each asset class along with the type of managers our clients may possibly need. If a manager meets the initial screens, our analysts consult both the SEC database and our internal Due Diligence database to identify if there are any outstanding issues with the manager. From there we can identify how many managers will qualify for a given criteria set.
2. Next, our asset class specialists conduct a thorough performance review by utilizing our internally-developed Performance Analytics Statistical Software (PASS), eVestment Alliance and StyleAdvisor. The PASS system allows NEPC to compare investment returns across the full spectrum of investment styles including fund of funds, direct funds and traditional investment managers. Importantly, the system allows for the examination of each candidate manager's excess return stream, or "alpha", over time. PASS allows us to contrast each manager's true, embedded beta to a variety of market factors and helps rank managers according to an array of specific, customizable criteria.
3. Once we have isolated a set of managers for further analysis, the asset class specialists meet with the managers to access the investment team, understand the firm's business focus, review investment philosophy, determine consistency of investment style, verify return attribution and liquidity, and dissect the investment process. If the manager meets all the established criteria to this point in the process, our asset class specialists document the investment thesis for the manager. Investment theses identify NEPC's assessment of how managers can be expected to consistently add value, their competitive advantages and the market inefficiencies which they exploit.
4. The specialist will complete a formal write-up and bring the manager to NEPC's Centralized Due Diligence Committee for vetting. The research analyst submits substantiating documentation to the Committee for review prior to the vetting session. The Due Diligence Committee is made up of senior members of the firm, including Partners and Senior Consultants. Any outstanding issues/questions from

the vetting session are pursued by the research analyst and readdressed to the Committee. All successfully vetted investment managers are considered research-qualified and added to a Focused Placement List (FPL) at the research analyst's discretion.

NEPC will then prepare our investment manager search book and assist with the interview process. We feel that a consultant should have levels of conviction about managers and their ability to outperform. The evaluation process outlined above coupled with the interviews and due diligence conducted with/on investment managers allows us to form opinions about the managers our clients work with, opinions that we believe are important to share with our clients.

3. Describe your manager search database, including the number of managers it contains, the source of information, the process of manager inclusion and under what circumstances a manager would be removed.

NEPC uses a variety of databases in its proprietary manager search process, including our ICC database, the eVestment Alliance (eA) database, and Morningstar. In addition, NEPC maintains an internal database which houses all of our Due Diligence data, including our one-on-one manager meeting write-ups, investment theses, and key historical data regarding products, personnel, organizational changes and our own 48-hour notification letters.

Universe Characteristics

	ICC Universe	eVestment Alliance	
	Portfolios*	**Firms**	**Products**
US Equity	5589	1,107	4,198
US Fixed Income	3540	433	1,934
US/Global Balanced (ICC)	881	137	189
International Equity – Developed	1892	367	1,242
International Fixed Income	52	61	214
International Balanced (see US Balanced for ICC)	N/A	8	9
Global Equity	307	297	650
Global Fixed Income	304	102	261
Global Balanced (see US Balanced for ICC)	N/A	72	135
Emerging Markets Equity	445	154	290
Emerging Markets Fixed Income	49	61	98
Real Estate	1093	62	120
Target Date (see US Balanced for ICC)	N/A	28	395
Target Risk	N/A	12	36
Other (ICC: Mortgage, Stable Value, Venture Capital, Private Equity, Hedge Funds and Cash. eVestment: Canadian funds, Private Equity, Hedge Funds)	5423	276	506
Total	**19,575 Portfolios/1,256 different managers**	**1,667****	**10,277**
*Data from ICC "Available Samples" (as of 3/31/10)			
**Represents one count of an individual manager in the above categories.			

The eA database is populated by investment managers. The ICC is populated by data from custodian banks and our internal database is populated with our internally developed investment thesis and impressions on investment managers and their products. NEPC verifies the data by looking for anomalies in returns and patterns of return. If we find differences we will contact the manager directly and have them verify their numbers. By combining all of these sources of input, NEPC gains a powerful advantage in the research process, auditing the manager-supplied data with actual results from client portfolios.

This data collection platform provides the quantitative manager and product data, accessible in a standardized electronic format that can then be utilized as part of NEPC's proprietary manager product screening process. This platform also allows data to be downloaded into NEPC's performance analytics systems to enhance client reporting.

NEPC also meets personally with over 1,600 managers each year in their offices and our offices. We cover all asset classes and focus on "Focused Placement List" managers, the highest conviction managers we have met with and believe have investment theses that present a competitive advantage in their respective areas of opportunity. Each meeting is thoroughly documented in our due diligence database. Our analyst write-ups are critical in tracking historical changes and opinions of the manager.

Changes are made to the Focused Placement List (FPL) of managers during the year based on due diligence conducted throughout the year (see our response to Question 2 above). We typically add new managers during netting and vetting process conducted annually, however, managers may be terminated based on serious regulatory violations, significant changes to investment process or key decision maker of the strategy, viability of the firm or product is in question, a complete team lift out or a combination of these issues. Also products/managers will be removed from the FPL when a product is closed to new investments.

4. Please describe the circumstances under which you would recommend terminating an investment manager.

We are cautious about recommending any 'formula based' approach to terminating a manager or placing a manager on probation. Such approaches often ignore the importance of time to the investment process, and the reality that many successful strategies will periodically have long periods of time where they appear out of favor. Any simplistic approach to probation and termination may, in that context, lead to manager turnover that is damaging to the fund's long-term investment results.

There are three reasons which necessitate the termination of a manager: 1) policy or structural changes by the sponsor 2) the manager's lack of compliance with policy or structural changes, and 3) the manager's ability to outperform in the future has been diminished by the loss of key investment professionals or a change in the market environment. The last is the most difficult to evaluate. Simplistic, one-dimensional measures can do more harm than good, as they tend to promote frequent (and expensive) manager turnover. The capital markets are very complex in nature, and different segments of the market will perform differently at different times. This type of intra-cycle rotation must be accounted for in fund structure and in any manager monitoring process.

5. Please provide the most recent performance of all the managers your firm has recommended over the last two years. The performance should be measured

against the applicable benchmark over periods of 1, 3 and 5 years ending December 31, 2009.

Focused Placement List

Investment Performance "Flash" Report

Periods Ending 12/31/2009

	Annualized Returns				
	Calendar Year 2008	Calendar Year 2009	2 years	Since Inception	Inception Date
Domestic Equity					
Small Cap Value	-30.79%	24.75%	-7.05%	-9.78%	Nov-07
Russell 2000 Value	-28.92%	20.58%	-7.43%	-10.51%	
SMID Value	-28.42%	32.17%	-2.69%	-5.96%	Nov-07
Russell 2500 Value	-31.99%	27.68%	-6.81%	-9.67%	
Small Core	-40.25%	34.18%	-10.40%	-10.29%	Dec-07
Russell 2000	-33.79%	27.17%	-8.24%	-7.95%	
SMID Core	-39.80%	32.50%	-10.62%	-10.66%	Dec-07
Russell 2500	-36.79%	34.39%	-7.83%	-7.81%	
Small Cap Growth	-40.37%	31.84%	-11.26%	-10.80%	Dec-07
Russell 2000 Growth	-38.54%	34.47%	-9.09%	-8.47%	
SMID Growth	-43.01%	35.69%	-11.98%	-13.15%	Dec-07
Russell 2500 Growth	-41.50%	41.65%	-8.97%	-10.88%	
Large Cap Value	-39.06%	24.73%	-12.78%	-14.49%	Nov-07
Ruseell 1000 Value	-36.85%	19.69%	-13.06%	-14.51%	
Large Cap Core	-37.16%	27.35%	-10.51%	-11.80%	Nov-07
S&P 500	-37.00%	26.46%	-10.74%	-12.00%	
Large Cap Growth	-43.10%	33.55%	-12.78%	-11.90%	Dec-07
Russell 1000 Growth	-38.44%	37.21%	-8.09%	-7.94%	
International Equity					
International Core	-45.98%	33.41%	-15.04%	-15.07%	Dec-07
MS EAFE Net	-43.38%	31.78%	-13.62%	-14.06%	
International Small Cap	-48.43%	38.14%	-15.48%	-16.03%	Dec-07
MS EAFE Small Cap Net	-47.01%	46.78%	-11.81%	-12.86%	
Emerging Equity	-55.35%	84.00%	-9.11%	-11.04%	Nov-07
MS Emg Net	-53.33%	78.51%	-8.73%	-11.01%	
Fixed Income					
Domestic Core	-3.96%	13.73%	4.51%	4.98%	Oct-07
BC Aggregate	5.24%	5.93%	5.59%	6.34%	
Domestic Core Plus	-8.12%	19.76%	4.90%	5.24%	Oct-07
BC Aggregate	5.24%	5.93%	5.59%	6.34%	
High Yield	-23.06%	49.21%	7.17%	6.19%	Oct-07
BC High Yield	-26.16%	58.21%	8.09%	6.54%	
Global Fixed	3.73%	12.38%	7.97%	7.97%	Jan-08
Citi WGBI	10.89%	2.55%	6.64%	6.64%	
Emerging Debt	-21.26%	43.40%	6.29%	5.67%	Nov-07
JP EMBI Global Diversified	-12.03%	29.82%	6.87%	6.49%	

NEPC "Advancing Your Investments"

NEPC seeks to identify top tier investment managers across both traditional and alternative assets through the work of our experienced 36 person research staff and our rigorous search process that combines qualitative and proprietary quantitative analyses.

We do not use a formal ranking system, but as a measure of how we have added value the exhibit below shows an asset class composite of all managers used by NEPC's clients by asset class versus the appropriate benchmark.

NEPC Annual Returns

Periods Ending 12/31/2009

	Calendar Years						
	2004	2005	2006	2007	2008	2009	2004-2009
Domestic Equity							
Small Cap Value	**24.81%**	**6.98%**	**18.89%**	**-8.16%**	**-31.84%**	**37.06%**	**5.28%**
Russell 2000 Value	22.25%	4.70%	23.48%	-9.77%	-28.93%	27.19%	4.32%
Over/Under	2.56%	2.28%	-4.59%	1.61%	-2.91%	9.87%	0.96%
Small Cap Core	**21.49%**	**8.64%**	**17.94%**	**-1.36%**	**-32.08%**	**29.68%**	**5.16%**
Russell 2000	22.25%	4.70%	23.48%	-9.77%	-28.93%	20.57%	3.40%
Over/Under	-0.75%	3.94%	-5.53%	8.41%	-3.15%	9.11%	1.76%
Small Cap Growth	**14.92%**	**8.65%**	**13.33%**	**8.91%**	**-38.26%**	**33.43%**	**4.06%**
Russell 2000 Growth	14.31%	4.14%	13.35%	7.05%	-38.53%	34.47%	3.00%
Over/Under	0.61%	4.51%	-0.02%	1.87%	0.27%	-1.04%	1.06%
SMID	**17.74%**	**10.77%**	**14.97%**	**9.11%**	**-36.15%**	**35.24%**	**5.93%**
Russell 2500	18.29%	8.10%	16.16%	1.38%	-36.78%	34.38%	4.19%
Over/Under	-0.55%	2.67%	-1.19%	7.73%	0.63%	0.86%	1.74%
Large Cap Value	**16.47%**	**9.32%**	**20.17%**	**1.75%**	**-37.63%**	**25.55%**	**3.36%**
Rusell 1000 Value	16.49%	7.05%	22.21%	-0.17%	-36.85%	19.69%	2.36%
Over/Under	-0.02%	2.27%	-2.03%	1.92%	-0.78%	5.86%	1.00%
Large Cap Core	**12.14%**	**7.22%**	**16.57%**	**5.97%**	**-37.25%**	**27.49%**	**2.92%**
Rusell 1000	11.40%	6.27%	15.46%	5.77%	-37.60%	28.42%	2.48%
Over/Under	0.74%	0.95%	1.11%	0.20%	0.36%	-0.92%	0.44%
Large Cap Growth	**12.18%**	**8.65%**	**6.44%**	**15.44%**	**-39.42%**	**33.56%**	**3.25%**
Rusell 1000 Growth	6.30%	5.27%	9.09%	11.82%	-38.43%	37.21%	2.40%
Over/Under	5.88%	3.38%	-2.65%	3.63%	-0.99%	-3.65%	0.85%
International Equity							
International Core	**19.48%**	**15.60%**	**25.77%**	**12.89%**	**-42.00%**	**32.81%**	**7.12%**
MS EAFE Net	20.25%	13.54%	26.34%	11.17%	-43.39%	31.77%	6.15%
Over/Under	-0.77%	2.06%	-0.58%	1.72%	1.38%	1.04%	0.97%
International Small Cap	**32.65%**	**21.65%**	**30.59%**	**6.73%**	**-44.92%**	**35.19%**	**8.97%**
MS EAFE Small Cap Net	31.28%	26.64%	19.67%	1.79%	-46.78%	47.29%	8.01%
Over/Under	1.37%	-4.99%	10.92%	4.94%	1.86%	-12.10%	0.97%
Emerging Equity	**26.99%**	**33.78%**	**31.96%**	**36.06%**	**-51.27%**	**78.11%**	**17.62%**
MS Emg Net	25.56%	34.08%	32.17%	39.38%	-53.33%	78.50%	17.14%
Over/Under	1.43%	-0.30%	-0.21%	-3.31%	2.06%	-0.39%	0.48%
Fixed Income							
Domestic Core	**4.57%**	**2.67%**	**4.84%**	**6.81%**	**0.42%**	**12.53%**	**5.24%**
BC Aggregate	4.34%	2.43%	4.33%	6.96%	5.24%	5.93%	4.86%
Over/Under	0.23%	0.25%	0.51%	-0.15%	-4.82%	6.60%	0.38%
Domestic Core Plus	**5.71%**	**3.18%**	**5.10%**	**7.57%**	**-2.70%**	**19.44%**	**6.18%**
BC Aggregate	4.34%	2.43%	4.33%	6.96%	5.24%	5.93%	4.86%
Over/Under	1.37%	0.75%	0.77%	0.61%	-7.94%	13.51%	1.32%
High Yield	**9.03%**	**3.43%**	**8.77%**	**4.49%**	**-18.38%**	**39.16%**	**6.46%**
BC High Yield	11.14%	2.74%	11.87%	1.88%	-26.15%	58.21%	7.23%
Over/Under	-2.11%	0.69%	-3.09%	2.61%	7.78%	-19.05%	-0.77%
Global Fixed	**11.16%**	**-3.28%**	**6.82%**	**8.80%**	**-0.85%**	**17.38%**	**6.44%**
Citi WGBI	10.36%	-6.86%	6.09%	10.95%	10.87%	2.56%	5.46%
Over/Under	0.80%	3.58%	0.73%	-2.15%	-11.72%	14.82%	0.98%
Emerging Debt	**14.87%**	**13.17%**	**12.86%**	**8.66%**	**-14.07%**	**27.75%**	**9.77%**
JP EMBI Global Diversified	11.74%	10.73%	9.86%	6.28%	-10.91%	28.19%	8.70%
Over/Under	3.13%	2.43%	3.00%	2.38%	-3.16%	-0.44%	1.07%

Similar to the exhibit above, the exhibit below shows the composite performance of all hedge funds and real estate managers used by NEPC's clients versus the appropriate benchmark.

Investment Performance

Periods Ending 12/31/09

	Last Year	Three Years	Five Years	Seven Years	Ten Years
HEDGE FUNDS					
NEPC Median	14.4	1.0	5.0	7.8	8.6
NEPC Average	16.3	0.7	5.4	7.7	8.0
HFRI FoF	11.5	2.8	-1.1	4.6	4.0
REAL ESTATE					
NEPC Median	-30.0	-10.1	0.9	4.9	5.8
NEPC Average	-29.9	-11.4	0.1	4.2	5.6
NCREIF	-16.9	4.8	-3.4	6.7	7.3

6. During the past 24 months, what number of investment management firms have you recommended for termination?

We do not track the number of investment firms that we have recommended that our clients terminate. We do have a Due Diligence Committee that sets a firm-wide policy on the use of any and all investment firms for our searches, ensuring consistency across all searches for all clients. A "watch" list is maintained by the Committee to advise all of NEPC's staff about problems/issues that managers in our database are facing. On the "watch list" there are four levels of action, Watch, Hold, Client Review and Terminate.

7. Describe your philosophy and process for conducting prior due diligence when conducting a manger search.

Please refer to our response to Question 2 in this Section of our proposal. Our criteria for including investment managers in a search include return expectation, risk tolerance, liquidity needs, legal and or regulatory constraints, and fit within the fund's investment program.

The criteria we use to evaluate managers are based on what we refer to as the Five P's. They are:

- **People:** We want to be very comfortable not only with the key individuals responsible for an investment product, but also the organization that holds them together. Our belief is that organizations that lend themselves to stability and high levels of career satisfaction have a higher likelihood of out performance. Things like ownership, incentives, and overall professional stability, among others, are examined in considerable detail.

- **Philosophy:** We feel it is important to understand the basic thesis that drives a manager's investment process. We want to know if the manager fundamentally believes in growth, value, bottom-up or top-down investing, and whether or not that philosophy is consistent with their actual implementation.
- **Process:** This is the most in-depth part of our research. We conduct considerable qualitative and quantitative analysis on the process(es) of each investment product of each firm we recommend to our clients. At the end of the day, we are completely familiar with the research, buy decision, portfolio construction and sell decision. We compare each manager on a consistent basis.
- **Performance:** The performance phase of our analysis takes place after the firm's people, philosophy and process pass muster. Strong performance is irrelevant without a stable organization, an investment philosophy that makes sense, and a well documented, repeatable investment process. When analyzing performance, we look at up-market and down-market performance, as well as correlations between each candidate managers' performance and the risk and return characteristics of the managers remaining in the subject investment program. This final step ensures that all serious candidates will "fit" well with the residual program.
- **Price:** As a final part of our due diligence, we carefully analyze managers' fee structures. We track all components of the fees our clients can be expected to pay, including management fees, entry/exit fees, performance fees, minimum fees, custody fees, and any other fees that may apply. We also determine whether or not most favored nations fees are offered, and the degree to which managers are willing to negotiate. As with performance, our due diligence is designed to ensure that all candidate managers are evaluated on a consistent basis.

The culmination of our evaluation process resides in the investment thesis that we develop for every manager profiled. We feel that, similar to stocks or bonds evaluated by active investment managers, we should have levels of conviction about managers and their ability to outperform. The evaluation process outlined above coupled with the interviews and due diligence we conduct with/on investment managers allows us to form opinions about the managers our clients work with, opinions that we feel are important to share with our clients.

8. Do you conduct on-site visits of investment managers that are in your database? How many? How often?

NEPC's manager evaluation makes use of a variety of tools, ranging from performance databases to personal meetings with the managers themselves. We meet with over 1,600 managers each year in their offices and our offices. We cover all asset classes and focus on managers with whom our clients have money invested, or are seriously considering. We feel it is vitally important to be able to meet with portfolio managers, traders, analysts and compliance personnel so that we can not only thoroughly understand a manager's process, but also the way that key professionals interact, work as a team and manage risk. Meetings in our office almost always involve the individuals most responsible for managing a portfolio. We have little interest in meetings that only involve a firm's marketing representative.

A large portion of our due diligence visits take place on-site. Our research group has a budget to conduct a certain amount of on-site manager research every quarter. On the traditional manager side, we target on-site manager visits with all of our preferred managers over a rolling three-year cycle. We have sent our analysts to cover managers in the major financial centers in the U.S., and continue to dedicate even more resources to this effort as we grow. When visiting clients, we always try to schedule as many manager meetings around the client meeting as possible, maximizing the benefit from each trip we make.

We feel that these meetings are particularly important in the alternatives arena. We also believe that on-site due diligence is important when a significant change in ownership or personnel has taken place. Importantly, all of our non-traditional (alternative asset) manager research efforts include on-site visits to managers under serious consideration for our clients.

9. Describe the process of monitoring the activities of the various managers. How often do you perform this assessment? How do you assess that the manager is maintaining consistency with their mandated style?

Our Due Diligence Committee consists of research professionals, senior members of the consulting practice, and partners in both research and consulting. The Committee meets every other week to review the events of the preceding two weeks as they relate to the investment management community. The Committee vets each Focus Placement List of managers to ensure high standards and consistency in client searches. The Due Diligence Committee's firm-wide policy includes examining investment managers to confirm that they are in compliance with all regulatory bodies, including the SEC.

A "watch" list is maintained by the Committee to advise all of NEPC's staff about problems/issues that managers in our database are facing. Issues that can place a manager on a watch list include staff changes, ownership changes, deviations from the investment process, and changes to the investment process. The Committee reviews all manager search candidate lists for all searches undertaken by the firm. The Committee also monitors all of the managers currently used by our clients regardless of the number of clients using them.

When NEPC becomes aware of a potential problem at an investment management firm and client action is necessary, we notify all of our clients who are invested with that manager through our "48 hour" letter. We will either visit the firm, meet with members of the portfolio management team in our offices, or set-up a conference call to understand how the potential problem is being addressed, following up with a report of our conclusions to clients.

Furthermore, each of our research analysts is a specialist for a specific asset class, in terms of the research and due diligence on investment managers. Our analysts are responsible for assessing new products and technology in their asset class as well as meeting with the investment managers to review and analyze the organization and investment management capabilities.

As mentioned above NEPC uses the eVestment/StyleResearch Holdings Analysis, which identifies the adherence to style and can locate deviations from style.

10. What qualitative factors do you evaluate when researching investment management firms? How does your firm identify qualitative problems at these

organizations? How do you verify investment manager information such as performance history?

As mentioned above, we help place investment managers based on the five P's. The order of these criteria is deliberate; a firm with strong performance but high professional turnover or a process that is unrepeatable would not be a candidate for one of our searches. When this process is complete, the team focuses on "fit" – that is, finding the manager that offers the greatest marginal benefit to the client based on that client's unique needs and circumstances.

Another important element of our qualitative analysis of investment managers is the structure of our research teams. When meeting, evaluating, and reporting on managers as part of our due diligence, we use a three-tiered structure. At the top is the consultant who has had an active involvement in that specific asset class for years. The consultant has a long-standing knowledge of the marketplace, the history of our interaction with the firm, as well as considerable education and experience which they bring to bear when evaluating managers. Working beneath the consultant is the lead analyst. This analyst is responsible for the day-to-day analysis of the managers within their asset class. Lastly, a second analyst, who is generally new to the firm or the industry, is assigned as a "backup" to the asset class. This person is in the learning stage. This "backup" analyst will transition every six months to ensure exposure to all of NEPC's asset classes. By having a deep research team, NEPC is assured of having more than one opinion on any one manager. We get a long term, a current, and a fresh opinion of any manager all at once.

As mentioned above, NEPC verifies the data by looking for anomalies in returns and patterns of return. If we find differences we will contact the manager directly and have them verify their numbers.

11. How is historical performance used in your evaluation of investment managers? How do you verify investment manager information and their compliance with AIMR performance reporting standards?

NEPC has developed a variety of techniques for evaluating the future performance of the managers we consider. One technique that we feel helps identify managers that have the potential to outperform going forward is looking at rolling twelve quarter returns of managers and subtracting out the performance of the underlying benchmark. This shows us the stability over time of a manager's performance relative to the benchmark. It is our experience that those managers with stable out-performance have a higher likelihood of outperforming in the future. We also carefully examine the asset capacity of managers, believing firmly that if a manager takes in too much in new assets, the manager will be less likely to outperform going forward. Finally, we need to have confidence that a manager's organization lends itself to continued out-performance. Firms with excessive professional turnover, ineffective management structures or poor incentive structures tend to be poor future performers, and our due diligence process is geared towards identifying potential problems and avoiding those managers who do not meet our standards in these areas. The benchmark used in the manager search analysis process is determined by asset class and client's portfolio structure. Our search books present 1 and 3 years rolling performance analysis and risk/return performance analysis is also included for 3, 5, 7 and 10 years.

The CFA Institute introduced the Global Investment Performance Standards (GIPS®), which were previously AIMR's Performance Presentation Standards. By requiring

GIPS® compliance, we are assured that managers' performance will be presented fairly and consistently; GIPS® compliance ensures fair comparisons between different managers. We want to know (1) if each manger's performance numbers are GIPS® compliant, (2) the date that compliance began, and (3) if the performance is audited for GIPS® compliance, including the name of the Auditing firm and date of audit. We use eVestment Alliance to collect this information.

12. What process do you use to classify a manager's style for inclusion in your database?

Capitalization and style are critical to our manager selection process and to our construction efforts in building a well-diversified investment program, and are used in every manager search and every performance evaluation that we undertake. Our style analysis is based on a factor analysis of actual portfolio holdings (over the last eight quarters) rather than outdated (and often inaccurate) regression techniques.

Equity

Our equity styles are a function of both Size and Value vs. Growth. We categorize equity managers into nine styles by size (small, mid and large cap) and by style (value, core and growth). Size is the Morningstar Size Score, which incorporates not only market capitalization but also the number of years that a company has been operating and the total value of the firm's assets. Value orientation and Growth orientation are computed independently but relative to the stock's market capitalization class. Value and Growth Scores are each based on 5 factors, including Price to Book, Price to Sales, Price to Cash Flow, Dividend Yield, Long Term Projected Earnings Growth, Book Value Growth, and Sales Growth.

Fixed Income

Our fixed income styles includes: short, intermediate, long, core, core plus and high yield.

Balanced

NEPC's balanced styles include GAA and risk parity.

International

NEPC's international styles include International Core Equity, International Value Equity, International Growth Equity, Global Equity, Emerging Markets Equity, Emerging Markets Debt, Global Fixed Income and Global Inflation-Linked Bonds.

13. Does your firm charge direct or indirect fees for investment managers to be included in your database or in any manager searches that you conduct on behalf of your clients?

NEPC does not charge fees to include managers in our investment manager searches, nor does eVestment Alliance, our third party database vendor, charge managers to be included in their database. We believe to do so would create an irreconcilable conflict of interest.

14. Does your firm receive any compensation, directly or indirectly, from investment management firms for any reason? If so, what is the source of the compensation and how do you prevent conflicts of interest as a result of the relationship?

NEPC receives no compensation of any type from the investment divisions of any money management or brokerage firm.

We do, as would all firms offering retirement benefits to its employees, use the services of investment management firms to manage our employee Profit Sharing and 401(k) Plans, and we provide our consulting services to the employee benefit plans of several firms whose parent or subsidiary organizations are in the financial services industry, as disclosed below.

5. NEPC provides its defined contribution consulting services to the retirement plan participants of Affiliated Managers Group (AMG). AMG does not manage investments, but has ownership positions in a group of midsize asset-management firms. The AMG subsidiary firms operate independently while AMG provides them with strategic, operational, marketing, and distribution support.
6. NEPC provides defined benefit and defined contribution consulting services for the benefit of plan participants at TD Bank which has an investment management division.
7. NEPC provides research and consulting services to Westwood Trust, a Texas Trust Company. The parent of Westwood trust owns a mid-sized asset management firm, Westwood Management.
8. State Street Bank provides performance measurement and related data processing services to NEPC on a fully disclosed basis for a fee. That fee is based on the volume of reports ordered by NEPC for its clients each quarter.

15. Please provide a specific example of a pro-active investment proposal to a Board and the outcome of this suggestion.

A recent example of our strategic thinking impacting client portfolios was our recommendation of credit as an opportunistic allocation. As events unfolded in 2008, systemic liquidity shocks created opportunities for patient investors to provide capital to a variety of credit markets, with the potential to earn attractive returns over time as conditions returned to normal.

In April 2008, NEPC recommended clients review credit market dislocations. A white paper titled “When Opportunity Knocks” was sent to all clients suggesting that an appropriately sized allocation to credit sensitive assets (5-10% of the total portfolio) could produce attractive returns for clients. We framed this recommendation as not without risk or volatility, meaning it was appropriate for many clients to fund this allocation from other risky asset classes like equities.

One year later, fundamentals have begun to return and credit exposure has paid off, especially relative to equities:

As of Sept-30-09	Q3	YTD	1 yr
Barclays US Credit	7.5%	14.9%	19.5%
Barclays High Yield	14.2%	49.0%	22.3%
S&P LSTA Lev Loan	10.5%	46.1%	12.6%
S&P 500	15.6%	19.2%	-6.9%
MSCI EAFE	19.5%	29.0%	3.2%

As this opportunity has evolved, we have recommended that clients move along the liquidity spectrum. Clients that benefited from allocations to Bank Loans or High Yield have begun reallocating capital into less liquid vehicles like PPIP funds, distressed investment funds, and Debtor-In-Possession (DIP) Financing funds.

We have included examples of some of our communications to clients in Tab 3.

Investment Policy

1. Please describe how your firm develops investment objectives, investment policy, and guidelines.

NEPC will work with the Board to develop and/or refine an investment policy statement within the first three months of the relationship. By doing this, we will provide data, analysis, and recommendations on the establishment of the objectives of the investment program. On an ongoing basis, typically annually, the objectives will be reviewed and revised, as necessary.

We believe that a well-conceived investment policy statement is the cornerstone of a successful investment program, and provides a beneficial element of continuity. The development of an appropriate policy involves the management of competing interests. Critical inputs include: the Board's and staff's risk tolerance, legal constraints and investment restrictions, funded status, liquidity needs, stability of returns and time horizon. We would begin our relationship by reviewing the Plan's existing policy statements, and suggesting changes and enhancements. This type of effort is important, since it is the vehicle that we use to truly customize each investment program to the unique needs, risk tolerances and return requirements of each client.

2. Describe how your firm monitors investment managers' compliance with policy, objectives and guidelines and the process for continually reviewing investment policy, asset allocation and portfolio structure.

NEPC will work with the Board to develop individual guidelines and restrictions for each of the Fund's investment managers and asset classes as well as reporting requirements to the Board. Guidelines would include the permissible securities, maximum cash positions, duration and quality guidelines for fixed income securities, and social restrictions, among others. NEPC creates investment guidelines for nearly all of our 283 clients, and we are knowledgeable of the ways guidelines can and should be structured to maximize total return and flexibility without hamstringing manager's capabilities. Because all investment managers have different strengths and capabilities, NEPC would work with the Board and the individual investment managers to create a mutual agreeable set of guidelines for each investment manager in the program.

We work with our clients and their investment managers to confirm that the assets are being managed to the investment guidelines on a quarterly basis. Note that clients have the ability to determine the guideline constraints on separate accounts; however, for commingled vehicles, the guidelines are dictated by the prospectus or offering memorandum.

Barring material changes in the economy, the markets or a client's specific circumstances, we recommend that a formal liability-driven asset allocation study be conducted for each client every three to five years, the length of a typical planning cycle. Ongoing reviews will include:

- Annual asset based asset allocation study to review the current mix and attainment of return and risk goals.
- Annual review of the investment policy statement.
- Monitoring the implementation of the structural transition plan.
- Monitoring compliance with policy and procedure on a quarterly basis through our investment performance reports. Any deviations from policy will be discussed with the Board (i.e., asset allocation outside of permissible ranges) and a procedure would be developed to move the assets back into compliance.
- Monthly investment performance reports
- Our annual client letter highlights tactical changes to the asset allocation to take advantage of undervalued asset classes and reduce exposure to overvalued asset classes.
- Reporting, as necessary, on issues that emerge in the ongoing monitoring or which, we feel, should be reconsidered in light of changing conditions.
- Our 48-Hour letters to clients provide an immediate response to any changes to your funds' investment managers.

Throughout the ongoing monitoring process, any significant change in NEPC's long-term outlook for asset classes, or the nature of the Fund's obligations, could be a catalyst for NEPC recommending that some portion of the asset allocation plan or investment policy be revised or amended. Throughout the year, short to intermediate term changes in the outlook for an asset class may affect the manager searches (if any) called for in the transition plan.

3. Describe your development of investment portfolio structure and strategy, including multiple managers and active versus passive management.

Our investment strategy is centered on the concept that the primary driver of returns is asset allocation and plan structure. As such, we are strong believers in broad, global diversification. We are very proactive in encouraging our clients to diversify across markets, across asset classes and within asset classes. We believe that the addition of dissimilar and often non-traditional asset classes into an investment program can effectively improve returns while keeping risk at the same or lower levels.

The process of analyzing a client's investment portfolio structure begins with a review of the Fund's current investment policy statements' goals and objectives and current strategic asset allocation targets. An asset/liability study is conducted to determine the optimal mix of assets forecast to meet the target return goals. We analyze the impact of the asset mix on the Fund's funded status and contribution levels.(A detailed explanation of our asset/liability methodology in our response to Question 1 in the Asset Allocation section of our proposal above). The target asset allocation is reviewed on an annual basis through an asset allocation study to confirm that goals and objectives are still attainable. The asset allocation study incorporates our current forecasts for return, risk and correlation of asset classes. A full asset/liability study is conducted every three to five years unless there are significant changes in the plan demographics, benefit provisions or assumptions.

In our experience, the number of asset classes, styles and investment strategies is the dominant determinant of the number of managers employed.

However, many factors influence the number of managers used by an investment program. Generally, the larger the program, the more managers will be retained by the program, primarily as a means of increasing overall levels of diversification. We typically would not endorse adding a manager to a program if: 1) that manager did not enhance the overall risk-adjusted return potential of the fund, or 2), the manager's strategy was only available via an expensive or otherwise inappropriate vehicle such as a retail mutual fund. We seek to balance the need for diversification with the desire to realize economies of scale to reduce fees.

NEPC believes there is no one "right" answer to the active passive discussion, as it depends on the investment program, the specific asset class, the market environment, available resources (time, active risk, management fees) and the governance structure (plan may seek excess return in all components of plan structure).

We believe the characteristics of investment categories where active management will be more successful, e.g. poor potential for passive management/exposure tend to be within the larger, more heterogeneous opportunity set, where more investment decisions accessible, there is poorer liquidity, not a well-researched investment universe, and a potential for higher tracking error. Examples of such areas include U.S. small company stocks, non-US stocks, including emerging markets, high yield bonds/bank loans, hedge funds, private equity and real estate.

We remain cautious in making recommendations that look solely at retrospective analysis or data showing secular extremes and seek to test intuitively consistent hypothesis. The decision to implement active or passive strategies is highly unique for clients, but we consistently strive to implement our positions on active versus passive decision-making in a way that they add value within key areas for our clients: asset allocation, portfolio positioning, and investment selection and monitoring. The goal is to combine our research and help plan sponsors make the active passive decisions in the right places within their investment program in order to make use of the benefits of both approaches and to minimize the challenges of each.

Please refer to Tab 3 for a copy of NEPC's white paper "Revisiting the Active vs. Passive Decision – Moving Beyond the Data-Driven Framework" by Erik Knutzen, CFA, Chief Investment Officer released in April 2010.

We place significant weight on the existing roster of managers for new clients. We are very aware of the transition costs involved with hiring and firing managers and do not believe in replacing a new clients current managers with our recommended managers simply to make changes. We want to understand each existing manger, their role in the portfolio, and their skill set. Only if there is a problem, or a demonstrably superior manager would we recommend a change.

Regarding statistical analyses, we believe that we are one of the few firms in the industry to take asset class correlation analyses down to the manager/strategy level. When evaluating the Fund's investment managers, we have two major objectives. The first is to identify each firm's fit with our client's needs and objectives. Accordingly, we are constantly searching for the marginal manager who best fits with the existing complement of managers and strategies in the program. The second objective is to identify the strengths and weaknesses of each manager to determine whether the manager has some information, process or people advantage that will enable them to outperform over the long term. We believe that this extra step is a primary reason why our clients continue to enjoy excellent total returns and risk-adjusted returns.

Once the overall portfolio structure has been approved, we will develop a transition plan if necessary that will show the sources of funds, the timing to implement the new asset allocation and the timing for any manager searches to be conducted.

Lastly, when implementing our philosophy we go slowly to ensure that everyone involved in the decision making process understands the risk/reward tradeoffs. Equally important is that allocations to new asset classes are often phased-in to take advantage of dollar-cost averaging principles.

4. Provide an opinion regarding the retirement plan's current asset allocation, manager structure, and performance benchmarks referred to in the Investment policy.

Over the past several years, NEPC has recommended that its clients reduce their equity exposure and diversify their portfolio through the use of alternative investment strategies. The Plan's current asset allocation has incorporated several of the initiatives that we are recommending to our clients. Using the Plan's current asset allocation and NEPC's 5-7 Year Capital Market Assumptions; we would expect the Plan to earn a return of 7.1% with a risk level of 10.4%. Approximately 81% of the Plan's risk is equity-oriented (not including the long/short allocation). The risk is, however, spread across the large cap, small cap and international equity portfolios with large cap portfolio contributing 51% of the equity risk exposure (41% at the total plan level).

We would recommend that the Plan consider adding a dedicated emerging market strategy, re-allocate a portion of the fixed income assets into a diversified fixed income portfolio consisting of high yield, emerging markets debt, and global bonds. The final recommendation is to employ a global asset allocation manager. Re-weighting the portfolio to the asset allocation identified in the table below would increase the portfolio's expected return to 7.4% without increasing the Plan's risk level. Further, the over contribution to risk from equities decreases to 80%, and provides a more balanced equity risk allocation. The U.S. equity portfolio, in the proposed allocation scheme, contributes 45% of the overall equity risk.

	Current Target Allocation	Proposed Target Allocation
Large Cap U.S. Equities	25%	20%
Small Cap U.S. Equities	10%	7.5%
Developed International Equities	15%	12.5%
Emerging International Equities		5%
Long/Short Equities	10%	10%
Core Fixed Income	30%	20%
Diversified Fixed Income		10%
Real Estate	10%	7.5%
Global Asset Allocation		7.5%
Expected Return	7.1%	7.4%
Standard Deviation	10.4%	10.4%
Equity Risk Contribution	81%	80%
Risk Adjusted Return	0.45	0.47

Please note that this recommendation is being offered without having identified the Trustees overall risk tolerance and willingness to diversify into additional alternative asset classes.

5. Describe the process that would be used for review and assessment of existing investment policies, guidelines, asset allocation and investment performance of the Fund.

Please refer to our response to Question 2 above in this section of our proposal.

6. What does your firm consider to be the most critical issue regarding a public pension plan investment policy?

An investment policy should be codified and that policy statement should be a living document. All too often, the policy is adopted and then ignored for years, as seemingly more important issues consume the Board's time. As mentioned above, we believe that a well-conceived investment policy statement is the cornerstone of a successful investment program, and provides a beneficial element of continuity. When there are questions about the direction of the program, one should look to the policy statement for the answers.

7. What is your firm's philosophy regarding the proper role of the consultant in the development of an investment policy and manger guidelines for a public pension plan?

Because we believe that investment policy (encompassing asset allocation and plan structure) is the most important element of an investment program, NEPC is integrally involved in the formulation and ongoing oversight of all its 283 clients' investment guidelines. Essentially, NEPC believes a plan's investment policy is its business plan and, properly done, should contain all goals, objectives and guidelines as well as the defined approach to achieve those goals and objectives. Policy issues will have a dominant influence on the investment performance achieved by the plan. Accordingly, the consultant should be heavily involved in its formulation, and held responsible for its ultimate success.

We will work with the Board to develop individual guidelines and restrictions for each of the Fund's investment managers and asset classes as well as reporting requirements to the Board. Guidelines would include the permissible securities, maximum cash positions, duration and quality guidelines for fixed income securities, and social restrictions. Guidelines would also include:

- a clear summary of each party's specific roles and responsibilities
- instructions on monthly, quarterly, and annual reporting and measurement requirements
- a summary of all relevant issues that pertain to the fund not described above

NEPC feels that the Policy Statement is one of the most important documents for an investment program. We spent considerable effort in making sure that each client's policy statement reflects the very specific nature of each fund. Our policy statement is not a "cookie cutter" document that we use for every client; it is a highly customized product that best reflects the policies for each individual client.

Performance Measurement and Evaluation

1. Describe in detail your performance measurement system and philosophy behind it. Is your system proprietary or did you obtain it from an outside source?

NEPC's reporting software is generated by the Independent Consultants Cooperative ("ICC") of which NEPC is a founding member.

As background, the problem confronting many consulting firms is the high cost of production, and consequently low margins, associated with maintaining a substantive database. Led by NEPC, a cooperative of 13 firms was founded to address this problem. The result was to form a partnership with State Street Bank for private label performance measurement and report development. It should be noted that product design and specifications are done by the ICC membership, where NEPC chairs the Executive Committee and has chaired the Steering and Product Development Committees in the past. Through the ICC, our work stations, databases and comparative universes are without peer in the industry.

At the heart of the ICC technology effort is the formation of the most comprehensive comparative database in the industry. Using systems supported by State Street Bank, a premier global custodian, NEPC's report delivery is faster and more accurate than any other third party vendor, offers global investment functionality, and includes extensive analytics developed by market leaders such as Morningstar. ICC allows NEPC to focus on our consulting services, and not the day-to-day maintenance of a comprehensive database, we therefore are able to provide unparalleled investment consulting and monitoring services.

The benefit to our clients is that we can integrate custom and timely requests; enhance product quality without sacrificing depth of resources; provide quality consulting via retention of qualified and experienced consultants, and provide intensive client servicing.

By contract, if State Street Bank wishes to withdraw from the agreement, we must be given four years advance notice.

2. Do you purchase universe data or do you maintain your own? If purchased, from whom?

Performance measurement is perhaps the most visible and consistent aspect of a consultant's mandate. As described above, NEPC is proud to have developed systems that are at the forefront of the performance measurement industry. In fact our Chief Operating Officer, Ellen Griggs, currently serves as the Chair of the ICC Executive Committee. Additionally, our Chairman & CEO, Mr. Charlton, served as the co-chair of the Consultants Performance Presentation Standards Task Force, a two-year effort that developed industry-wide reporting standards for manager reporting to consultants and consulting reporting to plan sponsors. NEPC is the lead member firm in a national coalition, the Independent Consultants Cooperative (ICC), comprised of 13 independent investment-consulting firms and the performance measurement clients of State Street Bank. Through the ICC, client data from the member firms is anonymously pooled to form the ICC Universe, the largest and most robust performance measurement database and attribution system in the industry. The Federal Reserve and the Employee Benefits Research Institute (EBRI) utilize the ICC Universe as the basis for their definitive studies of the US Pension System.

State Street Bank, on behalf of the constituents of the ICC and other clients, currently spends over $3 million per year on performance measurement hardware and software, and $1+ million on the MyStateStreet Workstation, a robust system which is used by NEPC.

3. Please specify and describe the universes you have available, how often they are updated, their sources (i.e., manager information, federal filings, calculation from bank statements, etc.), the type of accounts they contain, the number of portfolios, and the size range of the portfolios they contain.

As the lead firm of the Independent Consultants Cooperative (ICC), NEPC has access to the largest performance measurement/diagnostic universe in the industry (over 19,500 portfolios containing $1.8 trillion dollars in assets by 1,256 different managers). The universe provides performance and diagnostic evaluations of domestic and international public market managers, and is the largest Public Fund performance measurement database comprised of actual data, currently encompassing 4,500 pubic DB portfolios. NEPC can and does monitor manager performance down to the sector level through this resource.

The ICC comprises *actual* plan sponsor data taken directly from bank custodial statements, rather than mutual fund or manager-supplied data. As a result, our clients are assured of receiving true "apples-to-apples" comparisons.

4. Describe the types of analysis included in a typical performance evaluation report. To what extent can performance reports be customized?

Our thorough Investment Performance Analysis (IPA) service is arguably the most comprehensive product of its kind. NEPC's performance reports focus on helping clients make informed decisions on their investment programs. Our reports provide recommendations on asset allocation and rebalancing, total fund results versus benchmarks and investment manager attribution. Our focus is to emphasize how the fund should be constructed going forward based on market conditions and the fund's objectives. For example, do we need to rebalance the fund or does the fund have the right mix of investment managers to achieve goals and objectives?

Our IPA reports contain performance measurements, risk analyses, and comparisons for the total fund, each asset class, and each individual manager versus goals and objectives. They show the returns earned by a program and its component managers; the IPA reports clearly isolate the sources of over- and under-performance and the risk levels inherent in each manager's process. We compare current portfolio structure to policy guidelines, and results with objectives. The reports are diagnostic and are custom-tailored to your requirements and fund structure.

Major portfolio holdings, portfolio characteristics, and best and worst performing stocks are identified. Most importantly, these statistics are compiled for the entire market, and their impact on returns is identified. This process identifies which aspects of the investment manager's portfolio the market rewards and which it penalizes. This detailed performance attribution allows a better basis for evaluating and understanding each manager's impact on a client's investment program.

NEPC employs a number of techniques to analyze and evaluate investment manager and portfolio performance. First, we compare all returns against standard industry benchmarks. Benchmarks are chosen to most closely match each investment manager's mandate and strategy. Nearly 500 standard market benchmarks are available and may be incorporated into our reports. Secondly, we have the ability to create any benchmark (index or normal) of our client's choice, and incorporate those customized benchmarks into our performance analysis reports. We typically create custom benchmarks for our clients to isolate policy and structural decisions from manager contribution.

For example, at the overall Fund level we create and track an "Allocation Index" and a "Policy Index". The Allocation Index is calculated from the Fund's actual structure combined with appropriate index returns. The Policy Index is calculated from the Fund's policy structure combined with appropriate index returns.

Accordingly, the Policy Index represents the returns the Fund would have earned had the commitment to each asset class matched the target commitment, and had each allocation earned the benchmark rate of return. We rank the Policy Index to evaluate the "correctness" of the Fund's asset allocation policy. The Allocation Index reflects returns at actual structure and benchmark returns. Comparing it to the Policy Index tells us the benefit (or detriment) to the Fund due to structural weighting differences away from policy. Finally, the Fund's Composite return is the all-in return for the Fund. Comparing it to the Allocation Index tells us the contribution from active management (security selection).

Performance relative to peers is identified through our universe comparisons. Because our primary ICC universe is so large, we can "slice" it into subsets that allow for very focused diagnostics and comparisons. For example, we can provide public fund universe comparisons of similarly sized funds. Additionally, we can isolate equity specialist portfolios within each market segment, and further isolate equity style groupings (value, core and growth arranged against small, medium and large capitalization portfolio breakdowns) and fixed income style groupings (core, intermediate, short, high yield and long). We also can monitor managers' performance relative to their composite results and results achieved for other accounts.

The vast size of our universe, coupled with the fact that security level detail is retained for the great majority of actively managed portfolios, permits valuable peer group comparisons. Examples include:

- Performance comparisons incorporating Morningstar risk factors and more conventional portfolio diagnostics, including capitalization, Book/Price, Earnings/Price, Leverage, ROE, dividend yield, Beta, standard deviation and five year growth, among others.
- Morningstar-based style analyses. These comparisons are developed from actual security holdings rather than portfolio return patterns. As a result they are considerably more accurate than other approaches, and considerably more sensitive to and descriptive of style drift.
- Comparisons to portfolios and funds having comparable equity commitments, duration, quality, coupon, maturity, P/E ratio, and Beta characteristics, among others.

We pride ourselves on our ability to customize our products and services to each client's needs. We can customize the System's Performance Analysis report at your request, at no additional charge to the Fund. We can also provide monthly flash reports, which are flexible in reporting on different time periods, such as fiscal year-to-date. Moreover, because we emphasize research and client education, customized reports produced by our firm are considered a part of our obligation as consultants, and are provided at no incremental charge to our clients. Requests for changes in reporting can be made at any time changes are needed.

5. What risk analysis tools will your firm use to help our plan maintain an overall desirable risk level?

To measure and monitor risk, we rely on traditional measures such as standard deviation, Sharpe and Information ratios and portfolio characteristics compared to appropriate benchmarks and universes. Recall, the ICC universe currently contains over 19,500 separate portfolios having $1.8 trillion in assets. All of the Morningstar risk factors are resident in the database for the total fund as well as equity and fixed income asset classes. CMS resources are used to value all fixed income securities containing derivative characteristics.

At the individual security level our risk comparison and analyses incorporate Morningstar risk factors and more conventional portfolio diagnostics. For equities these include capitalization, Book/Price, Earnings/Price, Leverage, ROE, dividend yield, Beta, standard deviation and five-year growth, among others. These are calculated for each manager's portfolio and compared to the relevant benchmarks and stylized peer groups. Similarly for fixed income, comparisons of each manager's portfolio are made to funds having comparable duration, quality, coupon, and maturity, among others.

Within DB Plans, our asset-liability model is the tool we use to assist clients in defining their risk tolerances. Standard deviation, value-at-risk, Sharpe ratio, etc. are some of the terms used to describe the risk of an investment portfolio. While these are necessary and appropriate risk measures, NEPC has found that clients are also comfortable in determining their risk tolerance in terms of a minimum funded status, pension costs as a percent of payroll or a maximum dollar contribution. Using information supplied by your actuary, we develop projections of future liabilities and obligations. The same assumptions used by your actuary are used in the model.

NEPC has also employs an asset allocation strategy to fund future liabilities. The various allocations are evaluated in terms of their impact on funded status and contributions. The result is an investment program designed to meet your Fund's specific risk tolerance, not the average risk tolerance of the average pension fund.

NEPC has placed a good deal of emphasis on total fund risk monitoring. In May of 2009, Mr. John Minahan, Senior Investment Strategist, Ph.D., CFA released a paper: "Looking into the Future Casts Shadows – A Perspective on Portfolio Theory, Fat Tails, and Risk Management" that outlined the concepts of fat tails, black swans and why the present challenges to modern portfolio theory. We encourage you to read this paper on our website as it goes beyond serving as an educational guide and suggests some principles of investment risk management in the presence of said challenges.

Accordingly, as described above, we view and evaluate all measures of risk, from traditional measures such as standard deviation, Sharpe ratios and Information ratios to capitalization, Book/Price, Earnings/Price, Leverage, ROE, dividend yield, Beta, standard deviation and five-year growth for equities and duration, quality, coupon, and maturity for fixed income, equally with none more important than the other. Together these measures allow us to evaluate the underlying risks.

Tracking error measures how different a manager's portfolio and returns are from an applicable benchmark. When a manager's excess returns versus a benchmark are divided by the applicable tracking error to the same benchmark, it gives us a ratio called the Information Ratio, which tells us how efficiently the manager has created the return. The higher the Information Ratio, the higher the active return of the portfolio, given the amount of risk taken, and the better the manager. We strive to evaluate and recommend managers which are proven to provide higher Information Ratios.

6. How frequently are client reports generated? How soon after the end of the reporting period are theses reports distributed? Are these reports available through Internet access? Does your standard report format include an executive summary? Do you have the ability to customize reports for your clients? Will you provide a .pdf version of your report?

We deliver Investment Performance Analysis (IPA) reports on a quarterly basis (including year-end) in a highly customized format to our clients. During the month following each quarter end, April, July, October and January, the quarterly ICC universe is created. The universe is created the weekend following the 12th business day after the quarter end, with reports available to clients four business days later. The specialty universes, such as the public fund universe, are available on the same day. This is considered the early edition. The standard edition of specialty universes is created five business days after the original creation of the ICC universe. The turnaround times quoted above are the quickest in the industry for full, diagnostic reports.

Clients can register online at www.nepc.com and, once they are approved, login using a password for private access to their reports and research. NEPC can also provide a .pdf version of the System's report.

All performance reports are customized to meet your needs. The reports are highly graphical in nature, and are specialized in varying levels of detail for the staff and the Board, as appropriate. We strive to deliver performance reports that provide information to assist the Staff and Board in making investment decisions versus just providing data. The reports typically include an executive summary with recommendations with regard to rebalancing, asset allocation and investment manager concerns. It is important to note that NEPC is a fiduciary and we believe it is our role to be pro-active and regularly make recommendations that include, but are not limited to, potentials ways to improve investment performance, reduce risk and improve controls.

7. What asset categories are tracked in your performance measurement system? How many investment managers are included within each asset category? How many years

The ICC Universe is the largest overall universe in the industry, containing over 19,500 separate portfolios and total assets of $1.8 trillion. The ICC performance measurement system can track all asset classes and has over twenty years of useable data. As of March 31, 2010, the ICC Universe had the following number of observations in each style group consisting of 1,256 different managers:

Accounts by Portfolio Type:	
BALANCED	369
COMPANY STOCK FUNDS	11
CONVERTIBLES	15
EQUITIES	8,222
US EQUITY	5,495
EQUITY ACTIVE	4,267
EQUITY PASSIVE	1,093
US Equity Other	135
GLOBAL EQUITY	307
INTL DEVELOPED MARKET EQUITY	1,892
INTL EMERGING MARKET EQUITY	445
Other Equity	83
FIXED INCOME	3,902
US FIXED INCOME	3,455
US FIXED INCOME ACTIVE	2,889
US FIXED INCOME PASSIVE	444
US Fixed Income Other	122
GLOBAL FIXED	304
INTL DEVELOPED MARKET FIXED	52
INTL EMERGING MARKET FIXED	49
Other Fixed Income	42
IMMUNIZED BOND	1
HEDGE FUNDS	2,031
MASTER TRUST	30
MISCELLANEOUS	372
MORTGAGES	42
PRIVATE DEBT	57
PRIVATE EQUITY	1,397
REAL ESTATE	929
REAL ESTATE INVESTMENT TRUST	164
STABLE VALUE FUNDS	72
TACTICAL ASSET ALLOCATION	512
TAX-EXEMPT BOND	27
TEMPORARY INVESTMENTS	1,145
VENTURE CAPITAL	272
UNCLASSIFIED	2
Other	3
Total	19,575

8. Describe how a new client would transition to your services and setup fees, if any.

NEPC is very efficient at transitioning a new client to our system. The first stage in the process is to gather information to get a sense of the Plan's current status. We will begin to prepare an analysis of the System's portfolio by collecting historical data. The Independent Consultants Cooperative's (described earlier) Data Collection system ,PnA, has an option for "Historical Data Load", which is designed for input of many consecutive periods of data, either monthly or quarterly. Using this feature we can back load market values, returns and cash flows, by asset class, for each manager and for the plan composite. This data would then be linked with our ongoing monthly calculations. In many cases we can use electronic feeds from the custodian bank to speed up this monthly processing.

To load up the history of your account, we need monthly or quarterly rates of return and ending market values for the Total Fund and all individual managers. Typically we try to go back to inception, or at least five years. We can obtain this data directly from your managers, your custodian, or your prior consultant once you authorize this.

Once we have gathered the data and compiled the information, we present a thorough review to the Trustees. This process generally takes approximately 4 weeks depending on the availability of the data. After presenting a comprehensive review, we work with you to determine a priority list of action items as a result of the discussion. Often these items include: replacing one or more managers, identifying and funding new asset classes, performing an asset allocation study, or revisiting the investment policy. The exact order of these next steps is fully customized based on the individual needs of your organization.

We are confident in our ability to get "up and running" very quickly with all of our new clients as a result of our superior technology and commitment to client service.

9. When the performance of an investment manager is not what is expected by your client, what additional steps would you follow in monitoring that managers' performance?

At the beginning of each quarterly Investment Performance Analysis report NEPC provides an analysis of the current market environment plus a page summarizing suggested "Action Items". These items are used to focus the client's attention on managers and asset classes experiencing adverse returns as well as managers and assets classes that NEPC feels merit attention – keeping in mind the importance of time to the investment process, and the reality that many successful strategies will periodically have long periods of time where they appear out of favor. Additionally, NEPC's annual client letter highlights tactical changes to asset allocation in order to take advantage of undervalued asset classes and reduce exposure to overvalued asset classes.

When NEPC becomes aware of a potential problem at an investment management firm, we notify all of our clients who are invested with that manager through our "48 hour" letter. We will either visit the firm, have them come to our offices or set-up a conference call to explain how the potential problem is being taken care of, such as replacing an employee that is critical to the investment process. We will also report the results of our investigations into the issue to our clients and discuss the client's options.

Research Capabilities

1. What internal research capabilities and resources does your organization have to obtain information and assist in decision-making?

Research is a core commitment of NEPC. We recognize the benefit of dedicated research professionals and have consistently increased staffing levels in our Research Group. NEPC's Research Group is comprised of five teams: Asset Allocation, Traditional Manager Research, Alternative Assets Research, Operational Due Diligence, and Manager Search. Erik Knutzen, Chief Investment Officer, oversees our dedicated research group which consists of 36 investment professionals.

NEPC's Asset Allocation Team directs all of the firm's efforts in performing asset allocation and asset-liability studies, and leads the development of the firm's asset class return, risk, and correlation assumptions. We cover 22 asset classes and strategies within traditional research, and another 17 strategies within alternatives.

The Traditional and Alternative Research teams perform research in their specific areas and work closely with clients and their consulting teams. In addition, NEPC's Research teams are responsible for monitoring the investment environment for developments of interest to our clients such as new asset classes, instruments or strategies, and facilitating the development of a firm view on these important issues. Special research projects are frequently undertaken in response to specific client requests or other issues that we feel are of importance to our clients. Research meets with over 650 traditional and 985 alternative managers each year.

Our CIO, Mr. Erik Knutzen, CFA, CAIA, Partner, is responsible for leading the overall research effort and the development of the firm's investment strategy. Mr. Timothy F. McCusker, CFA, CAIA, FSA, Director of Traditional Research leads the Traditional Manager Research team and NEPC's multi-asset class research. Mr. McCusker leads a team comprised of Ms. Donna Szeto, CFA, Research Consultant and Steve Gargano, Research Consultant (U.S. equity); Mr. Jeff Markarian, Research Consultant (global and international equity), and Mr. Joel Paula, CAIA, Senior Analyst (fixed income). In addition, Mr. McCusker is responsible for researching Global Asset Allocation and liquid Real Assets strategies, and is supported by Beth Richard, Research Analyst.

Alternative manager research is led by Mr. Sean Gill, CFA, CAIA, Partner, Alternative Assets. Mr. Neil Sheth, Director of Hedge Fund Research leads the nine-person hedge fund team. Mr. William J. Monagle, CPA, Partner, Senior Strategist, Private Markets and Mr. Eric Harnish, Director of Private Markets Research lead the seven person private markets team.

NEPC's Operational Due Diligence (ODD), led by Mr. William Bogle, Partner, Chief Compliance Officer, is separate and distinct from our investment analysis effort and focuses primarily on Hedge Fund and Fund of Hedge Fund managers and strategies. The ODD process starts with a detailed questionnaire that focuses on a firm's back office and infrastructure. An on-site visit to meet the operations team is required, and a report that summarizes the firm's capabilities is presented to our internal Alternative Assets Committee.

NEPC's Manager Search Team is responsible for facilitating the production aspects of the manager search reporting process within traditional asset classes, as well as insuring manager data integrity. NEPC's manager search team for traditional financial assets is led by Ms. Christianne Davidson, Manager Search Supervisor, and is comprised of Mr. Benjamin Daly, Search Analyst, and Ms. Rosann Morello, Search Analyst.

Our direct research costs exceed $6.6 million per year. State Street Bank, our report processor, spends over $3 million per year on technology and industry research on our behalf and that of the other investment consulting firms in the Independent Consultants Cooperative.

2. How does your firm gain knowledge pertaining to the relevant products and technology in the pension industry, and maintain an ongoing understanding of global market environments?

We monitor domestic and international market trends in several different ways. On a short-term basis, our performance measurement group is able to compare the performance of our clients to a vast array of benchmarks. We analyze these benchmarks to determine what their returns have been over a wide variety of time periods, and we can easily identify any short- or long-term performance trends that these benchmarks are experiencing. These benchmarks would include all of the major domestic and international indices, as well as non-traditional asset classes such as private equity, real assets and hedge funds.

We also require each of our asset class specialists to make an annual presentation to our Due Diligence Committee on the current state of affairs within each asset class. Their analyses consider all short- and long-term trends that we observe in the market place. This analysis can be more qualitative than merely looking at raw performance. The analysts are expected to be familiar with the myriad forces driving each asset class. Our ongoing due diligence and manager research provides us with a great deal of useful information in analyzing trends in the domestic and international markets as well as with the non-traditional asset classes.

The third component of our market trend analysis takes place in our annual updating of our asset class assumptions. These assumptions are the key component of our asset allocation studies, and look at monthly returns for all of the major asset class benchmarks going back to their inception. We look at correlations, volatility and the overall returns for each of the benchmarks in our analysis. We examine a wide variety of near- and long-term time horizons to determine if what we see happening today is consistent with history or represents a developing trend. While NEPC does not support market timing we do believe asset allocation should be constantly reviewed in light of current market conditions. NEPC communicates our market observations and related actions to clients in both a letter and also in-person meetings. We believe it is important to jointly develop a "game plan" for the upcoming year with each client. We believe Plans need to be disciplined enough to maintain strategic allocations to the various asset classes but also flexible enough to take advantage of near term opportunities in order to boost the risk adjusted returns of the Plan.

3. How many individuals in your firm are dedicated to research, what are their responsibilities, and where are they located?

As describe above in our response to Question 1 in this section of the proposal, NEPC has a dedicated research group of 36 investment professionals the majority of which are located in our primary office in Cambridge, Massachusetts. Research is a core commitment of NEPC and in fact our entire research team is dedicated to researching new and evolving investment approaches. A clear indication of that is the fact that approximately 50% of our research team is dedicated to alternative assets. Also, we understand that investment opportunities arise periodically in areas not officially covered by our research team and we have a long history of assigning key consulting personnel to spearhead our research in these areas. An example would be Edward O'Donnell's work in Real Assets.

NEPC has an eight member Partners Research Committee that acts as an advisory and steering committee for the entire research group. The Partners Research Committee oversees that Asset Allocation Committee and process. The Partners Research Committee develops and approves "house views" for regular market pieces, thought pieces and research papers.

4. Describe your firms' manager research, evaluation and search capabilities in both the traditional marketable securities markets as well as your capabilities in less traditional, alternative assets areas, e.g. marketable alternative assets, hedge funds, and private, non-marketable equity funds such as real estate, private equity, venture capital, etc.

Research is a core commitment of NEPC throughout the organization. We recognize the benefit of dedicated research professionals, and have consistently increased staffing levels in our Research Group. NEPC's Research Group is comprised of five teams: Asset Allocation, Traditional Manager Research, Alternatives Assets Research, Operational Due Diligence, and Manager Search.

The Traditional and Alternatives Research teams perform research in their specific area and work closely with clients and their consulting teams. In addition, NEPC's Research teams are responsible for monitoring the investment environment for developments of interest to our clients such as new asset classes, instruments or strategies, and facilitating the development of a firm view on these important issues. NEPC's Manager Search Team is responsible for facilitating the production aspects of the manager search reporting process within traditional asset classes, as well as insuring manager data integrity please see our responses to Questions 1-15 in the Investment Manager Searches and Monitoring section of this proposal.

NEPC has significant experience building alternative assets programs and identifying high quality private equity, hedge funds and real assets managers for our clients' alternative investments programs. NEPC has been actively working with client investments in alternative assets for the past 16 years and has the commitment, experience, and research resources to meet all of your alternative asset consulting needs. We work with over $50 billion in committed/invested alternative assets across 193 clients. In 2009, NEPC completed 169 alternative searches totaling $3.7 billion in assets.

We currently have 20 full-time individuals dedicated to Alternative Investments led by Mr. Sean W. Gill, CFA, CAIA, Partner, Alternative Assets. The Alternative Assets Group is broken down into two principal components, Private Markets and Absolute Returns. Mr. William Y. Bogle, Chief Compliance Officer, focuses on the operational due diligence of the entire alternative assets spectrum including private equity, hedge funds and prime brokers.

Of special interest, NEPC is recognized by the Chartered Alternative Investment Analyst (CAIA) Association as one of the leading consulting firms in the program. With the CAIA program's foundation in 2002, NEPC was one of the first firms to embrace the program with Mr. Gill's induction in the prestigious inaugural class of 2003. Currently, NEPC has 31 CAIA designees on staff and 11 professionals pursuing the designation.

Our alternative assets services include: education, portfolio design, manager search, due diligence reviews, and monitoring/reporting.

Alternative Asset Due Diligence

Upon determining clients' needs through the formal adoption of a plan, NEPC looks to execute that plan by identifying and helping our clients select appropriate alternative assets investment managers.

To identify appropriate investment managers, NEPC works with clients to develop preliminary guidelines and criteria for candidate managers. These guidelines and criteria include stability of the organization, investment performance, consistency of the track record, professional staff experience and years with firm, assets under management, and appropriateness of terms. Next we would perform extensive due diligence on those managers passing the initial screening criteria. This would include a personal assessment of each firm's organization, staff, investment process, philosophy, track record, access to deal flow, and due diligence capabilities, through in-depth meetings with the investment professionals of the manager. With respect to hedge fund of fund managers, while we generally do not directly review every underlying hedge fund, we use these conversations with managers to gain an understanding of the managers general thought process and knowledge in selecting the underlying funds. This may include discussions of certain specific hedge funds to understand the hedge fund sourcing process, the hedge fund evaluation and due diligence effort, and the portfolio construction techniques that a manager uses.

Additionally, NEPC looks to provide a thorough quantitative evaluation of each manager. For private equity managers, NEPC evaluates the cash flows of each investment made by the organization to determine the key drivers of performance, such as key people, geography, industry, stage, size, style, and structure. For hedge funds, NEPC looks at the stability of the returns, the types of strategies and trades utilized, and drivers of returns.

NEPC maintains multiple avenues for investment opportunity sourcing. NEPC currently tracks more than 800 alternative asset managers and funds who manage assets on behalf of our clients. Additionally, we have access to private equity data provided by Venture Economics and utilize the PackHedge Fund database, each of which contains information on thousands of other funds and managers. Additionally, senior staff participate in numerous conferences throughout the year and serve on several educational committees which provide access to many new and emerging alternative asset managers. Furthermore, NEPC maintains an open-door policy for managers and receives leads on potential fund managers from clients. Consequently, we have a robust pipeline of available opportunities in the market.

To enhance our knowledge of managers, NEPC prepares *Due Diligence Questionnaires* for manager candidates requesting detailed information on the company background, organizational history, assets under management, professional staff breakdown, investment strategy and focus, investment process, product structure, and performance. These questionnaires help us understand the manager's process in more detail than the offering memoranda and marketing material permit. However, we do review the pitch books, private placement memoranda, limited partner agreement, and subscription documents, as well.

We seek to conduct on-site due diligence interviews with managers. There, we try to better understand both the investment process and the business execution risk of a candidate manager. Issues like compliance management, legal capabilities and portfolio monitoring are very important to understand before recommending a manager to our clients. Furthermore, it is beneficial to meet more junior staff and other staff members who often can give one a better sense of the entire organization.

Our research group has a budget to conduct a certain amount of on-site manager research every quarter. We have sent our analysts to cover managers in the major financial centers in the U.S., and continue to dedicate even more resources to this effort as we grow. Whenever we visit a client, we always try to schedule as many manager meetings around the client meeting as possible, maximizing the benefit from each trip we make.

Upon completing the work on a manager, a formal investment memorandum is prepared for the Alternative Assets Due Diligence Committee. The entire research and due diligence process is overseen by NEPC's Alternative Assets Due Diligence Committee, which is made up of the key professionals involved in evaluating alternative assets, in addition to other senior (and very experienced) members of the consulting staff. The Committee is ultimately responsible for vetting any manager that is to be recommended to NEPC's clients, as well as those that have already been retained by our clients. This Committee allows NEPC to lever the deep resources of our consulting staff, while ensuring that each manager we recommend is very thoroughly and consistently evaluated.

5. What do you do to stay current with the Florida public pension laws?

As of result of Mr. Leonard's experience within Florida, we stay current with the Florida public pension laws.

NEPC believes that it is important to understand what is happening in the industry so that we can build programs that best suit our clients' needs and desires. NEPC relies on a variety of sources for industry trends and developments in the law, but there are five main ways our firm keeps professional staff abreast of developments: 1) Industry specific licensing; 2) Feedback from our clients and our clients' vendors; 3) External counsel 4) Attendance at industry conferences, and; 5). Reading industry-related periodicals and legislation.

1. NEPC encourages professional development so that we may better serve our clients. Beyond the normal licensing required of each of us to work in and provide advice to our clients in this industry, we also encourage our consultants and analysts to further their education in the investment field. In fact, NEPC had 29 individuals sit for one of the exams in the Chartered Financial Analysts program in 2008; which most investment people would argue is the single most important charter to be attained to understand the workings of the investment management world. We currently employ 68 consultants. Of those 68, 30 have a CFA, three have a CPA, 43 have master degrees and one has a PhD.
2. Many times our best source of industry trends comes from our clients. While we generally lead our clients in specific directions, many times our clients can reinforce our thoughts with feedback from participants and/or other sources. Clients generally provide the framework for what we should be looking at, and we feel it is our job to provide cost effective solutions to meet their needs. Our clients' vendors can, at times, provide feedback about industry direction. In most cases this is good information, but we understand that it can, occasionally, be self-serving. Additionally, NEPC meets with over 650 financial asset managers and 985 alternative asset managers a year, to discuss current market events, new asset classes and investment products.
3. Our external counsel provides much of the knowledge we need to keep abreast of developments with laws and legislative actions. Our counsel works with us directly to provide the constructive framework necessary to conduct our business, and is also a supplier of frequent newsletters and letters of interest about our business and the developments therein. In addition to our external counsel, many of the large vendors in our industry provide periodic newsletters containing their interpretations of the law, although these vendors do not legally practice law.
4. NEPC attends conferences only we when we are able to identify a topic or topics that will help further our knowledge on industry related subjects. NEPC tends to feature a speaker at most conferences that we attend.

5. NEPC subscribes to many of the industry's leading periodicals. While not all of the information is relevant or leading edge, occasional articles can be used to reinforce ideas and directions NEPC takes with our clients.

We make it a priority to provide information, interpretation and timely reports to all of our clients on the impact of any such legislation on their Plan. Depending on the urgency and nature of the change, client communication may be in the form of a brief e-mail or NEPC-firm wide client letter.

G . OTHER

1. Please describe any investment consulting services that you can provide that have not been covered in previous sections. Discuss associated fees, if any.

There are many investment consultants in the industry today and most, including NEPC, offer similar services to plan sponsor clients. While our service package, which includes investment policy development and preparation, asset allocation analysis, asset/liability analysis, manager search (traditional, alternative, custodial), performance monitoring and client education, may be similar to most, we believe very few, if any, can offer the quality of services as well as the depth of staff and services offered by NEPC. While many consultants offer asset/liability studies, few, if any, have four actuaries on their staff to review and prepare such studies. Christopher Levell, ASA, CFA, CAIA, one of the foremost consulting actuaries in the investment consulting industry, leads this unit.

2. Does your firm have insurance coverage for errors or omission of at least $5 million, or general liability insurance of at least $1 million? Will you provide certificates if your firm is hired and annually thereafter?

We carry Errors and Omissions coverage for the overall firm in the amount of $5,000,000 with a deductible amount of $200,000. The carrier is Chubb.

Additionally, we have:

- Commercial Umbrella - $10 million in additional coverage (CNA)
- Business Owner's Policy, which contains General Liability - $1 million each occurrence, $2 million aggregate, $2 million products/completed operational aggregate, $1 million personal & advertising injury liability limit (CNA).
- A Director and Officer Policy - $5 million aggregate, $1 million fiduciary, $25K deductible (Greenwich Insurance Company)
- Worker's Compensation - $1 million/accident, $1 million/disease, $1 million/policy limit (CNA)
- Employment Practice Insurance that is $1 million per claim, $1 million aggregate with a $10,000 deductible (Mount Vernon Fire)

NEPC can provide certificates if hired and annually thereafter.

3. What periodic publications do you distribute to your clients? How frequently?

NEPC is a research-driven consulting firm, as evidenced by the list of papers generated by our research and consulting teams over the past few years. We do not sell our research to outside parties. Instead, all of the research we generate is for the express benefit of our clients and our consulting effort.

- **Distressed Real Estate Investment Survey** (May 2010) – Private Markets Team
- **Revisiting the Active vs. Passive Decision – Moving Beyond the Data-Driven Framework** (April 2010) – Erik Knutzen, CFA, Chief Investment Officer
- **Risk Parity: In the Spotlight After 50 Years** (March 2010) - Christopher A. Levell, ASA, CFA, CAIA, Partner
- **Understanding Duration Risk in Pension Plans: The Case for LDI** (January 2010) – David W. Moore, ARM, CEBS, CPCU, Partner
- **LDI Product Types and Implementation Strategies** (January 2010) - David Moore, ARM, CEBS, CPCU, Partner
- **Risk Budgeting: A Focus On A Pension Plan's Biggest Risks** (January 2010) - Lynda Dennen, ASA, EA, Research Consultant, David Moore, ARM, CEBS, CPCU, Partner
- **Pension Protection Act Regulatory Updates and Their Effects on Liability Driven Strategies** (January 2010) – Lynda Dennen, ASA, EA, Research Consultant
- **Opportunistic Investing in the Strategic Asset Allocation Framework** (January 2010) - Erik Knutzen, CFA, Chief Investment Officer
- **Leverage, Hedge Funds, and Risk** (Summer 2009) – Frank Barbarino, CAIA, Consultant, Hedge Funds
- **Real Assets and Inflation Hedge Investing** (July 2009) – Edward J. O'Donnell III, CFA, Consultant
- **Roth Revisited. Higher Prospective Tax Rates Renew Interest in Roth 401(k)s and 403(b)s** (July 2009) – Christine A. Loughlin, CFA, CAIA, Partner; Paul J. Kerry, ASA, EA, Senior Consultant
- **Stable Value on the Brink, But Surviving. The 2008 – 2009 Experience** (July 2009) - Ross Bremen, CFA, Partner; Brian Donoghue, Consultant; Rebecca Cummins, Analyst
- **TIPS for Defined Contribution Investors** (June 2009) – Christine A. Loughlin, CFA, CAIA, Partner; Nick Petrucelli, Analyst
- **Looking into the Future Casts Shadows – A Perspective on Portfolio Theory, Fat Tails, and Risk Management** (May 2009) – John R. Minahan, CFA, Senior Investment Strategist
- **Hedge Funds: Broken or Damaged?** (Spring 2009) – NEPC Research
- **The Rise of Redemption Restrictions – Liquidity Challenges in the Current Market Environment** (2008) – NEPC Research
- **Securities Lending Program Outlook** (2008) – James Reichert, Consultant
- **Fair Value Accounting and Disclosure** (2008) – a company-wide effort led by Craig Svendsen, CFA, Senior Consultant
- **NEPC Comments on the Lehman Bankruptcy and Market Volatility** (September 15, 2008) – NEPC Research Team

- **Charting a Course Through the Storm** (2008) – Erik Knutzen, CFA, Chief Investment Officer.
- **Credit Spread Disparities between Assets and Liabilities** (2008) –Timothy F. McCusker, FSA, Consultant.
- **Thinking Outside the Box: Lessons To Be Learned From Warren Buffett in Investment Manager Selection** (2008) by Jeffrey H. Mitchell, CFA, Consultant.
- **Investment Belief Systems: A Cultural Perspective** (2008) by Mr. John R. Minahan, Ph.D., CFA, Senior Investment Strategist.
- **Endowment Spending Policies – RFI from the U.S. Senate** (2008) – by Kristin Reynolds, CFA.
- **Mapping – What the New Regulations Suggest for Defined Contribution Plans** (2008) – by Jennifer Heilig, Brian Donoghue and Christine Loughlin, CFA.
- **When Opportunity Knocks** (2008) – by the Asset Allocation Committee. Paper addresses the severe dislocations in the credit markets creating the potential for compelling risk adjusted returns.
- **Stay the (Better) Course** (2008) – by the Asset Allocation Committee.

Each of our research analysts is a specialist for a specific asset class in terms of the research and due diligence, assessing new products and technology in their asset class. Special research projects are frequently undertaken in response to specific client requests or other issues that we feel are of interest or importance to our clients. We generally assign research duties to teams composed of analysts and consultants in line with the individual's background experience and the topic being researched.

Virtually all of our research projects are summarized in brief research packets which, when appropriate, are shared with our clients. Additionally, our quarterly newsletter, Market Thoughts, is distributed to all of our clients and includes a narrative and quantitative description of market activities during the period.

Generally, research is delivered electronically by e-mail or the Internet. In addition, we offer a password protected client specific log in at the NEPC web site for client access. Each client can register online, and once they are approved, login using a password for private access to their reports and research.

You may also go to our website http://www.nepc.com/market_insights/ to filter research papers by client type and type of research category to discover which research papers pertain to you.

H . FEES

1. Please provide a proposed annual fee schedule to encompass all of the items listed under the scope of services for the 3-year period of the contract.

Virtually all of our over 283 clients employ our services on a full retainer basis. Our full retainer service commitment for traditional financial assets is open-ended, and includes:

- the development and/or refinement of each client's investment policies, objectives and guidelines and their periodic review, thereafter;

- liability-based asset allocation studies every three to five years, the length of a typical planning cycle;
- asset-based asset allocation studies, as requested;
- manager and custodian searches, as required;
- quarterly investment performance analysis reports and accompanying executive summaries;
- monthly flash reports;
- advice on proxy voting services;
- fund of funds alternative assets consulting;
- educational seminars;
- our annual client conference (not funded or subsidized in any way by investment managers);
- attendance at your meetings;
- and special projects and reports, as requested.

Our fee proposal for these services is $250,00, inflation adjusted on an annual basis. Travel, postage and related expenses will be billed back at cost.

2. In addition, provide a separate fee schedule for any additional services you could provide that would not be done on a regular or at least annual basis.

Fees for direct placements for private equity and hedge funds are computed and billed separately.

I. PROPOSER'S WARRANTY

The Proposer's Warranty must be completed and submitted with the Proposal.

Please refer to Tab 4 for NEPC's Proposer's Warranty.

J. ATTACHMENTS

1. Attach a sample quarterly report to the Proposal.

Please refer to Tab 5 for a sample quarterly performance report.

2. Attach your standard contract.

Please refer to Tab 6 for NEPC's sample contract.

3. Attach your most recent ADV Form, Part II.

Please refer to Tab 7 for NEPC's most recent ADV Form, Part II.

Information Disclosures

- ICC Universe
  - As of December 2009 the ICC Universe contained actual, custodian-supplied and audited data on 16,200 portfolios managed by 1,271 different managers on behalf of 902 plan sponsors, representing roughly $1.5 trillion in assets. This data is drawn from 15 independent investment consulting firms, including NEPC, and many of the performance measurement clients of State Street Bank.
  - ICC information can be found at www.icc-group.com
- NEPC Client Performance
- All returns are gross of fees except hedge funds and private equity, therefore NEPC's performance may be understated because our clients tend to have higher positions in each of these asset classes than the universe.
  - Clients Included: NEPC's Composite is drawn from all Pension Plans, Endowments, and Foundations where NEPC is the sole full-retainer consultant. Plans are included in the Composite provided they have exposure to equity and bonds (including alternatives) of at least 30% each, and no more than 20% to other assets such as cash and GIC's.
  - Start Date: New clients are added to the Composite with the first full quarter of a new manager selected from an NEPC search, or after one year as an NEPC client, whichever comes first, provided that the plan is globally diversified.
  - NEPC acts in an advisory capacity only and does not have discretion over client assets. As a result, a client's investment performance may not be attributable solely to NEPC's advice.
- Past performance is no guarantee of future results.
- Alternative Investment Disclosures
  - It is important to note the following characteristics of many non-traditional investment strategies including hedge funds and private equity:
    - Performance can be volatile and investors could lose all or a substantial portion of their investment
    - Leverage and other speculative practices may increase the risk of loss
    - These investments can be highly illiquid, and investors may be subject to lock-ups or lengthy redemption terms. There are no secondary markets for investors' interests in non-traditional investments
    - Managers are not required to provide periodic pricing information to investors
    - These funds may involve complex tax structures and delays in distributing important tax information
    - These funds are not subject to the same regulatory requirements as registered investment vehicles
    - Fees are typically high
    - Trades executed for an investment may take place on foreign exchanges
    - Limited partnership agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategies
- CAIA information can be found at www.caia.org

Tab 2

Representative Client List

Public

County of Anne Arundel, Maryland
Arizona Public Safety Personnel Ret. System
Arizona State Retirement System
Baltimore County ERS
Town of Belmont, Massachusetts
City of Boston - Trust Funds
Boston Water and Sewer Commission
Braintree Retirement Board
Dallas Police & Fire Pension System
City of Dearborn, Michigan
City of Detroit, Michigan
City of Fairfax, Virginia
City of San Jose Police & Fire Department Ret. Plan
Fairfax County Uniformed Retirement System
Town of Greenwich, CT
Louisiana State Employees Retirement System
Massachusetts Technology Park
Massachusetts Water Resource Authority
Medford Massachusetts Retirement Authority
New Mexico Educational Retirement Board
New Mexico State Investment Council
New York City Fire Department Pension Fund
NY City Metropolitan Transportation Authority
Ohio Tuition Trust Authority
Oklahoma State Pension Commission
Oklahoma Tobacco Settlement Trust
Omaha Schools Employees' Retirement System
Philadelphia Housing Authority
San Bernardino County ERS
South Carolina Retirement System
St. Louis Public School Retirement System
State Boston Retirement System
State of Vermont
The Metropolitan St. Louis Sewer District

Taft-Hartley

ABC-NABET
Bert Bell/Pete Rozelle NFL Player Retirement Plan
Boston Newspaper Retirement Fund
Boston Plasterers' & Cement Masons - Asphalt Layers
Boston Shipping Association / Int'l Longshoremen
Desert States UFCW Pension Fund
Fulton Fish Market
IBT Locals 111 & 854
International Union of Operating Engineers' Local 324
International Union of Operating Engineers Locals 15, 15A, 15C, and 15D
Laborers District Council Pension and Disability Trust Fund No. 2
Philadelphia Bakery Locals 463 & 676
San Francisco Culinary Workers and Bartenders Union
Sheet Metal Workers Local 40
Southern Council of Industrial Workers
UFCW / FELRA
UFCW Unions and Employers Pension (Atlanta)
UFCW - Northern California Employers Joint Pension Trust
Western Pennsylvania Teamsters & Employers

NEPC services 283 clients with assets of $342 billion

Corporate

Blue Cross/Blue Shield of MA
Bose Corporation
Hasbro, Inc.
Iberdrola USA Management Corp.
Invensys (Siebe, Inc./BTR)
JM Family Enterprises, Inc.
Liberty Mutual
Maine General Hospital
Ocean Spray Cranberries
Procter & Gamble
Reebok International, Ltd.
Revlon
Rochester General Health Systems
SBC Holdings

Endowments & Foundations

Boston Biomedical Research Institute
Community Foundation for SE Michigan
Dartmouth Hitchcock Hospital & Clinic
Deerfield Academy
Hebrew Immigrant Aid Society (HIAS)
Hebrew SeniorLife
Kaleida Health
MaineGeneral Healthcare
Massachusetts SPCA
New Mexico State Investment Council
Several High-Net Worth Foundations
The Crusade for Family Prayer
Unitarian Universalist Association
United Jewish Communities

The above client list is a sample only and does not necessarily reflect approval of the services provided.