

May 2009

## **Defined Contribution Search Report**

### **ABC Company**

**MERCER**



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

**MMC Securities Corp.**

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## Disclosures Pages

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*Mercer Mutual Fund Universes are constructed by using performance data from Morningstar, Inc. On a quarterly basis, each portfolio or fund is reviewed and, based on Mercer IC's professional judgement, placed within the appropriate Universe which contains similarly managed portfolios or funds. Percentile rankings are derived from within each Universe. Universe performance is calculated by sorting the returns from highest to lowest for each unique time period. The highest return is assigned the rank of zero (0), and the lowest the rank of 100. Depending on the number of observations between these two points, the remaining results are normalized to create percentile rankings.*

*Results longer than one year are annualized*

***This material must be preceded or accompanied by a current prospectus which discloses the fund's investment objectives, risks, and charges and expenses and should be read and considered carefully before investing or sending money.***

*This report can be distributed to institutional investors only.*

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*Mercer Health & Benefits LLC and Mercer Investment Consulting are affiliated, but separate entities within Mercer HR Consulting.*

## Summary and Screening Process

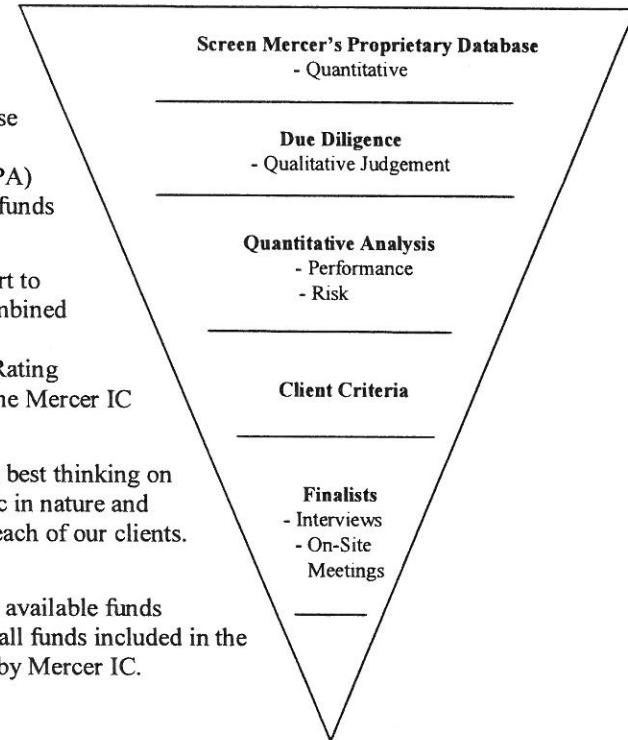
The universe of investment options to be considered included the Morningstar™ mutual fund database as well as Mercer Investment Consulting's (Mercer IC) proprietary institutional Global Investment Management Database (GIMD). Mercer IC utilized the Manager Performance Analytics System (MPA) to further analyze the data. Data are as of September 30, 2007, unless otherwise stated. All selected funds must be able to facilitate daily pricing and liquidity requirements.

The Mercer IC Manager Search Process combines both quantitative and qualitative phases in an effort to identify worthy contenders. The process is dynamic in nature and involves a unique blend of the combined knowledge of over 250 investment consultants and 40 full-time manager researchers world-wide.

Representatives from each of these groups make up the Manager Rating Committee. The Manager Rating Committee has the ultimate responsibility of deciding which managers and strategies are placed on the Mercer IC Manager Research Qualified Lists.

The Research Qualified Lists are defined by asset class and manager style and represent Mercer IC's best thinking on which managers have the highest probability of future success. The lists are proprietary and dynamic in nature and represent the starting point in matching high potential manager candidates with the unique needs of each of our clients. The process has been summarized in the graphic to the right.

The funds profiled in this report were selected as being the most suitable for this search based on the available funds provided by the vendor(s). The report may also contain funds based on client request. As such, not all funds included in the report may satisfy the outlined criteria and may not have been subjected to the same level of review by Mercer IC.



## Summary and Screening Process (cont'd)

The manager selection process incorporates general and client specific criteria. The screening process is oriented toward eliminating firms that do not fit these criteria. The main criteria are as follows:

### Firm Background

- Firms with sufficient assets under management, such that ABC Company would not represent a significant percentage of total assets;
- Firms with a low level of personnel turnover;
- Firms with a low level of client turnover and evidence of controlled business growth;
- Firms with a competitive expense ratio or fee schedule.

### Management Style

- Firms with a well-defined investment process that has been offered for at least five years;
- Firms who will manage the portfolio against the specified benchmark;
- Firms whose investment process and style are compatible with the investment objectives of ABC Company; and
- Firms whose investment process and style are complementary to the processes and style of the other investment managers used by ABC Company.

### Performance

- A verifiable track record that demonstrates consistent adherence to the stated investment approach;
- Risk and return characteristics of historical data that are consistent with the specified role; and
- Performance that is generally competitive over time when compared to other similar strategies offered in the marketplace.

**1**

## **Mid Cap Core**

<b>Firm</b>	<b>Fund</b>
Invesco Aim	AIM Mid Cap Core Equity A
Dreyfus	Dreyfus Premier MidCap Value C
Victory Capital Management	Victory Special Value A
Wells Capital Management	Wells Fargo Advantage Opportunity Inv

## Mid Cap Core – Characteristics

Fund Name	Total Share Class Assets (\$MM)	Total Fund Assets (\$MM)	Share Class Inception	Manager Tenure	Ticker Symbol
AIM Mid Cap Core Equity A	1,011	1,459	1987	10	GTAGX
Dreyfus Premier MidCap Value A	625	715	1995	5	DMCVX
Victory Special Value A	613	915	1993	6	SSVSX
Wells Fargo Advantage Opportunity Inv	881	989	1985	8	SOPFX

Fund Name	P/E	P/B	Average Market Cap (\$MM)	Total Number of Holdings	Turnover (%)	Expense Ratio
AIM Mid Cap Core Equity A	12.5	1.4	4,761	69	61	1.22
Dreyfus Premier MidCap Value A	12.0	1.5	5,148	71	144	1.20
Victory Special Value A	12.1	1.4	3,206	76	204	1.17
Wells Fargo Advantage Opportunity Inv	9.3	1.5	6,181	74	35	1.37
<b>Russell MidCap</b>	<b>12.8</b>	<b>1.6</b>	<b>4,409</b>	<b>788</b>	<b>N/A</b>	<b>N/A</b>
<b>Mutual Fund US Equity Mid Cap Core</b>	<b>11.5</b>	<b>1.5</b>	<b>3,580</b>	<b>213</b>	<b>87</b>	<b>1.40</b>

## Mid Cap Core - Summary

### AIM Mid Cap Core Equity

Portfolio manager Ron Sloan manages the AIM Mid Cap Core Equity Fund using a bottom-up, fundamental approach. The investment process favors growth or value depending on the market environment. Sloan pays close attention to valuation focusing on companies that are in out-of-favor industries, undergoing a transition, or experiencing short-term fundamental problems. The fund will make significant sector bets at times; however, it is widely diversified across individual stocks. In addition, Sloan will let cash build if he cannot find enough stocks that meet his criteria. As a result, the fund tends to exhibit below-average volatility and typically outperforms in down markets. The fund may have periods of underperformance as Sloan has a long-term investment horizon and is willing to wait for out-of-favor stocks to recover.

### Dreyfus Premier MidCap Value

To pursue this goal, the fund normally invests at least 80% of its assets in mid-cap stocks with market capitalizations between \$1 billion and \$25 billion at the time of purchase. Because the fund may continue to hold a security whose market capitalization grows, a substantial portion of the fund's holdings can have market capitalizations in excess of \$25 billion at any given time. The fund's stock investments may include common stocks, preferred stocks and convertible securities of both U.S. and foreign issuers, including those purchased in initial public offerings. The fund may invest up to 15% of its assets in foreign securities. The fund's portfolio managers identify potential investments through extensive quantitative and fundamental research. The fund focuses on individual stock selection (a "bottom-up" approach).

### Victory Special Value

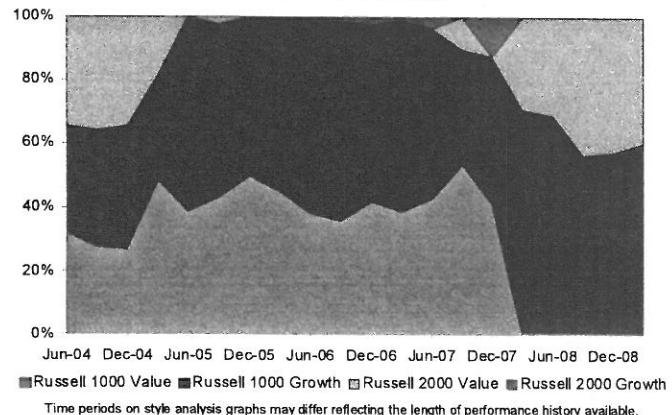
The Fund managed by Leslie Globits incorporates both top down and bottom up inputs. Globits utilizes top-down themes to drive portfolio construction entirely. The team identifies themes they feel will work over a three-year period and research stocks that fit the theme with little-to-no benchmark awareness. The team uses Barron's 100 leading economic indicators as a basis for thematic work and these indicators are often subject to revision. Different companies may exhibit either value, core or growth characteristics, but the portfolio characteristics, in aggregate, tend to be core. Portfolios generally hold between 70 to 75 names. Turnover is approximately 100% per year. From this foundation, the team employs a relative value approach combining top-down themes with bottom-up fundamental research to identify attractive valuations.

### Wells Fargo Advantage Opportunity

The Wells Fargo Opportunity Fund is managed by Anne Milette. The fund invests primarily in mid cap stocks that Wells Fargo believes to be underpriced. Because Milette will invest where they find the best opportunities, the portfolio will look value or growth depending on current market conditions. Though the fund carries an average of 10% in cash, Milette has proven adept at stock picking.

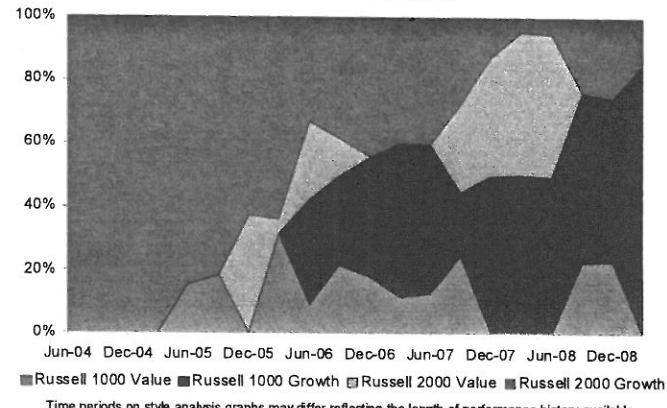
## Mid Cap Core - Style Analysis

**AIM MID CAP CORE EQUITY A**  
5 YEAR PERIOD - ROLLING 3 YEARS ENDING MAR 31, 2009



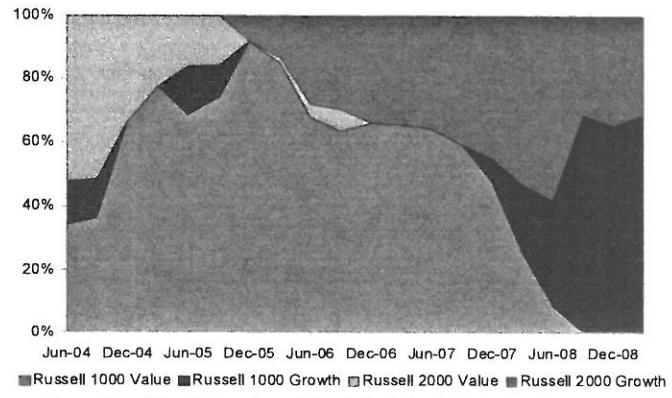
Time periods on style analysis graphs may differ reflecting the length of performance history available.

**DREYFUS PREMIER MIDCAP VALUE C**  
5 YEAR PERIOD - ROLLING 3 YEARS ENDING MAR 31, 2009



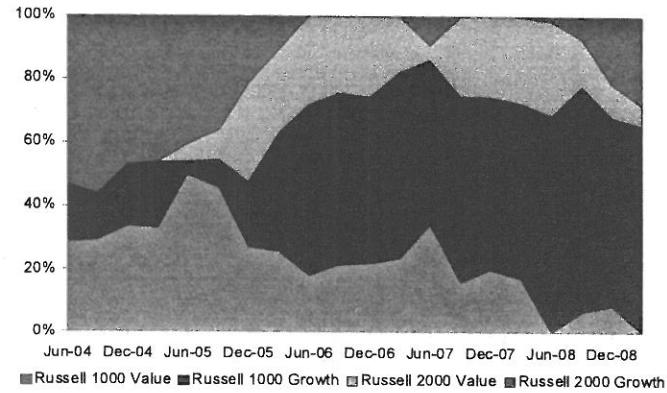
Time periods on style analysis graphs may differ reflecting the length of performance history available.

**VICTORY SPECIAL VALUE A**  
5 YEAR PERIOD - ROLLING 3 YEARS ENDING MAR 31, 2009



Time periods on style analysis graphs may differ reflecting the length of performance history available.

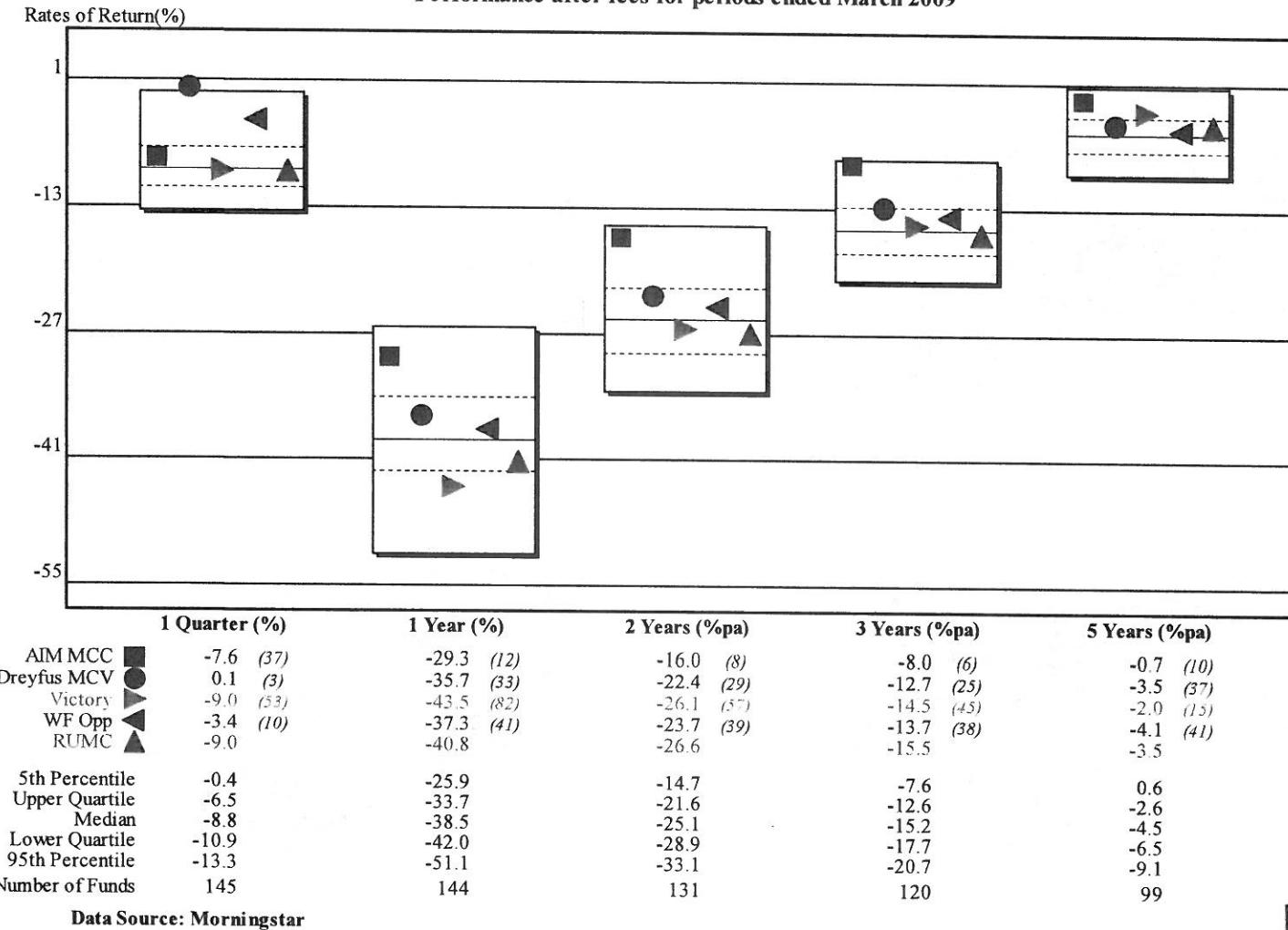
**WELLS FARGO ADVANTAGE OPPORTUNITY INV**  
5 YEAR PERIOD - ROLLING 3 YEARS ENDING MAR 31, 2009



Time periods on style analysis graphs may differ reflecting the length of performance history available.

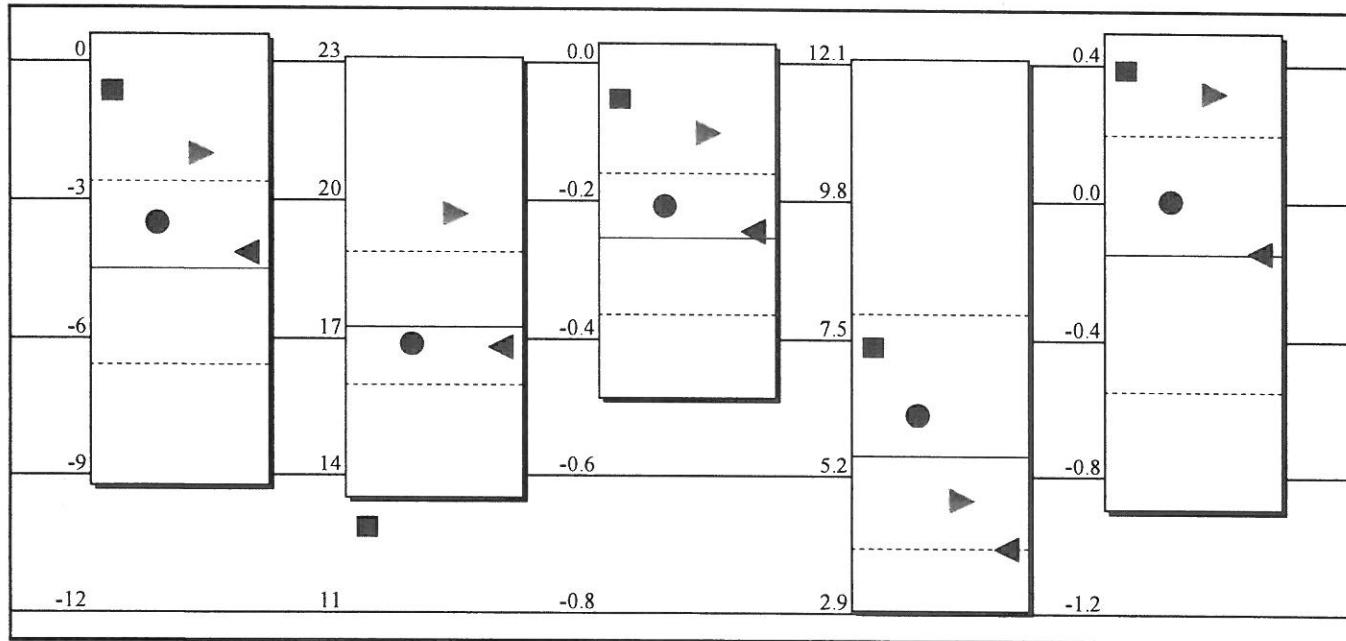
## Mid Cap Core - Quantitative Analysis

**Comparison with the Mercer Mutual Fund US Equity Mid Cap Core Universe**  
 Performance after fees for periods ended March 2009



**MERCER**

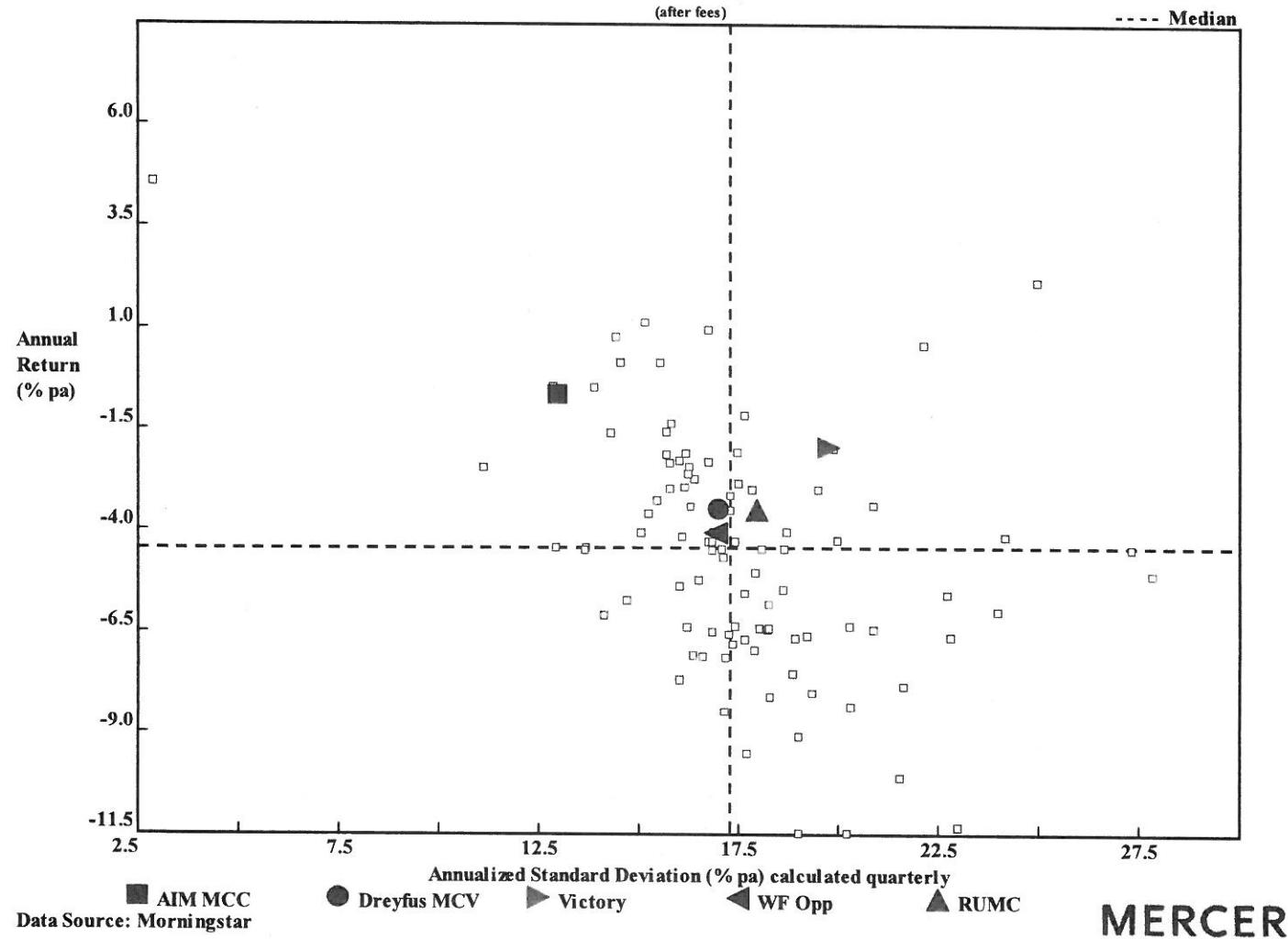
**Comparison with the Mercer Mutual Fund US Equity Mid Cap Core Universe**  
**Risk and Return Characteristics (calculated quarterly) versus RUMC for the period from Jun 2004 to Mar 2009**



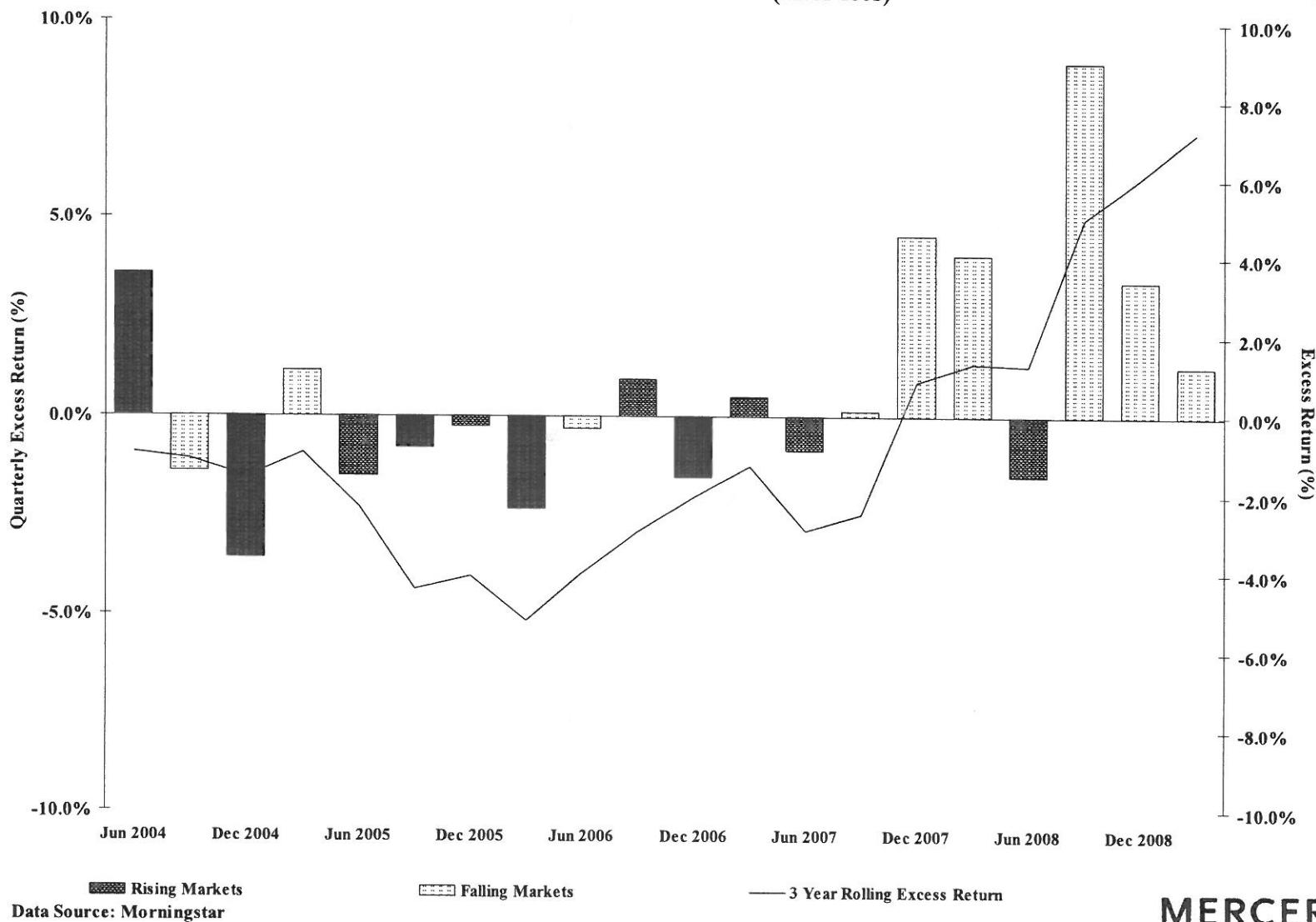
Data Source: Morningstar

**MERCER**

**Comparison with the Mercer Mutual Fund US Equity Mid Cap Core Universe**  
**Annualized Risk and Return for 5 years ended March 2009**

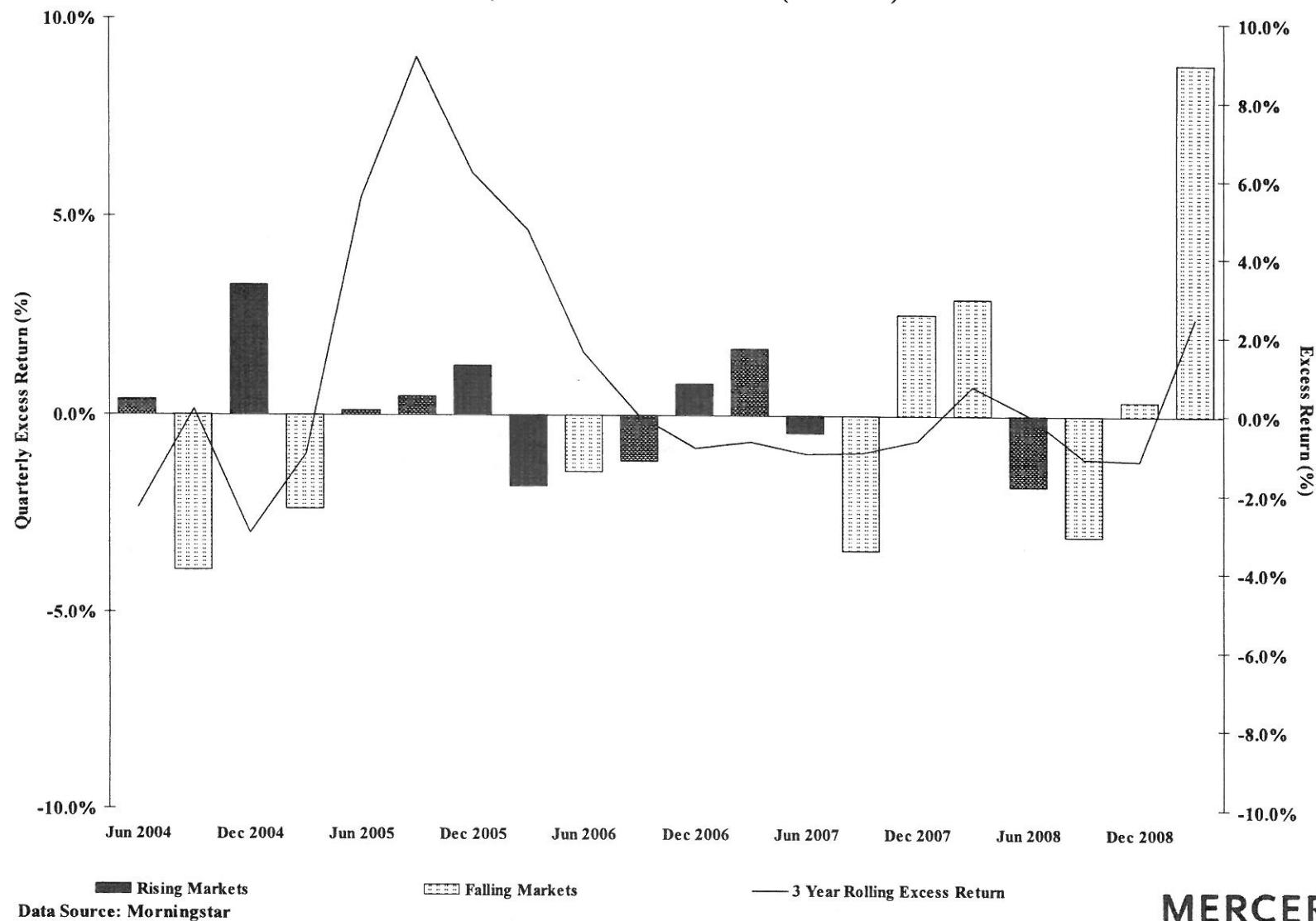


**Excess Return in Mutual Fund US Equity Mid Cap Core from Jun 2004 to Mar 2009  
AIM MCC versus Median (after fees)**



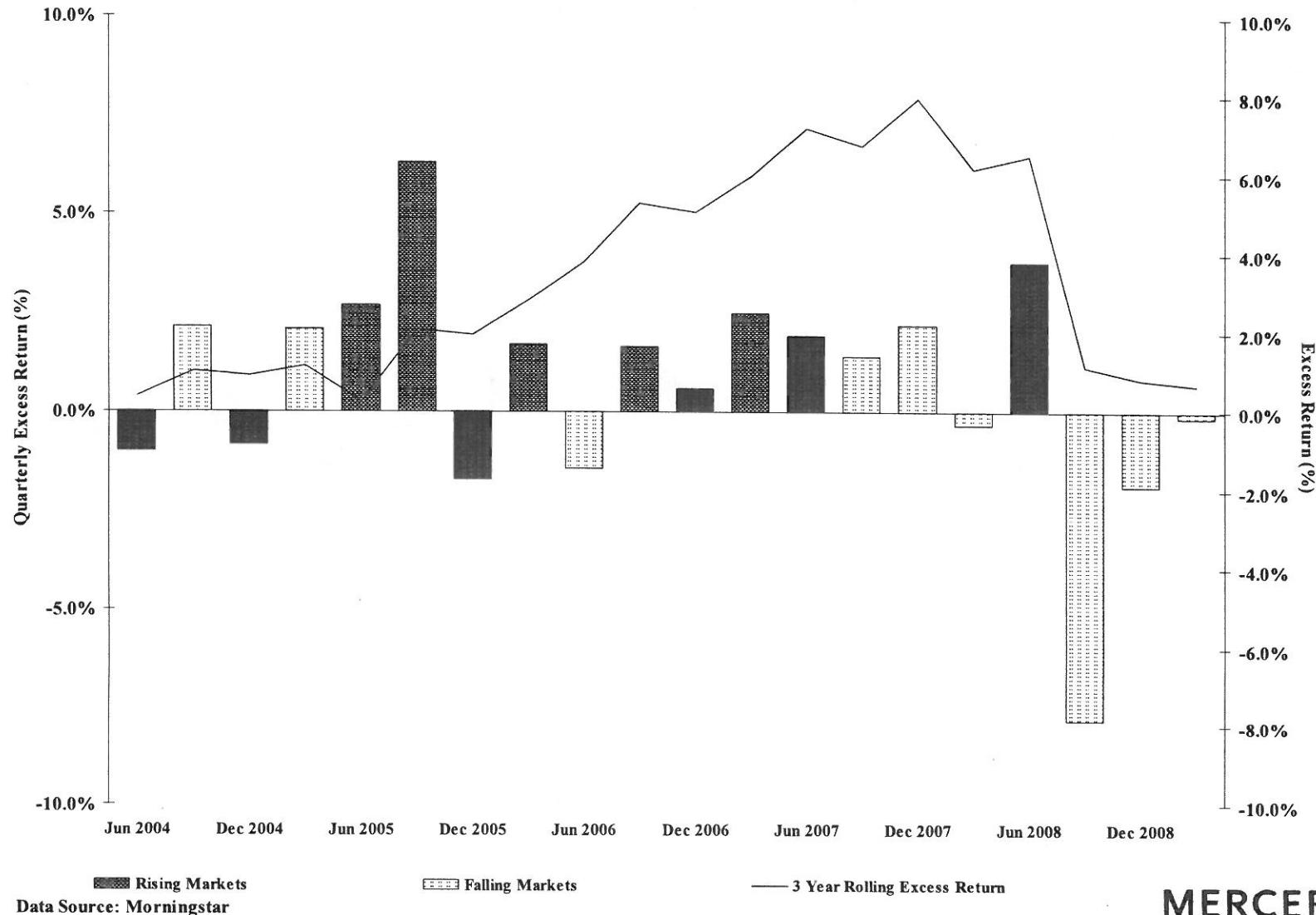
MERCER

**Excess Return in Mutual Fund US Equity Mid Cap Core from Jun 2004 to Mar 2009  
Dreyfus MCV versus Median (after fees)**



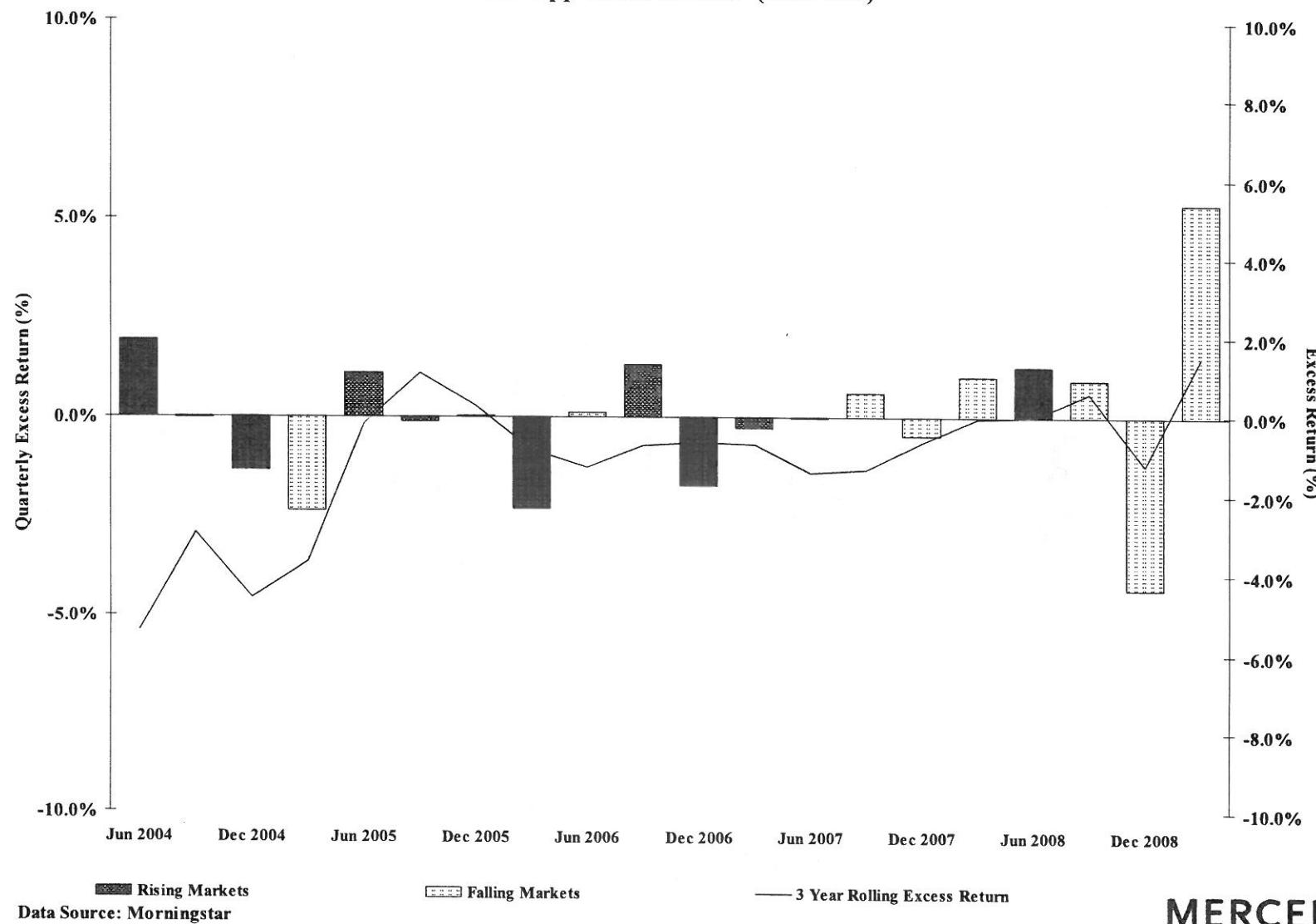
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**Excess Return in Mutual Fund US Equity Mid Cap Core from Jun 2004 to Mar 2009**  
**Victory versus Median (after fees)**



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**Excess Return in Mutual Fund US Equity Mid Cap Core from Jun 2004 to Mar 2009  
WF Opp versus Median (after fees)**



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## Mid Cap Value

Firm	Fund
American Century	American Century Mid Cap Value R
Goldman Sachs Asset Management	Goldman Sachs Mid Cap Value A
Perkins Investment Management	Janus Adviser Mid Cap Value R
RiverSource Institutional Advisors	RiverSource Mid Cap Value R3

## Mid Cap Value – Characteristics

Fund Name	Total Share Class Assets (\$MM)	Total Fund Assets (\$MM)	Share Class Inception	Manager Tenure	Ticker Symbol
American Century Mid Cap Value R	5	297	2005	5	AMVRX
Goldman Sachs Mid Cap Value A	2,232	4,315	1997	9	GCMAX
Janus Adviser Mid Cap Value R	38	1,674	2004	6	JDPRX
RiverSource Mid Cap Value R3	35	1716	2006	7	RMCRX

Fund Name	P/E	P/B	Average Market Cap (\$MM)	Total Number of Holdings	Turnover (%)	Expense Ratio
American Century Mid Cap Value R	11.9	1.3	4,113	102	206	1.51
Goldman Sachs Mid Cap Value A	11.7	1.5	5,593	107	85	1.16
Janus Adviser Mid Cap Value R	10.8	1.3	6,088	146	81	1.42
RiverSource Mid Cap Value R3 <sup>1</sup>	8.1	0.9	3,702	117	34	1.49
<b>Russell MidCap Value</b>	<b>11.8</b>	<b>1.2</b>	<b>3,963</b>	<b>528</b>	<b>N/A</b>	<b>N/A</b>
<b>Mutual Fund US Equity Mid Cap Value</b>	<b>11.7</b>	<b>1.3</b>	<b>4,816</b>	<b>123</b>	<b>79</b>	<b>1.39</b>

<sup>1</sup> Due to the shorter track record of the proposed share class, the performance data for this fund reflects that of the R4 share class, which has an expense ratio 1.13%

## Mid Cap Value - Summary

### American Century Mid Cap Value

The fund is managed by Phillip Davidson, Michael Liss, and Kevin Toney. In selecting stocks for the fund, the portfolio managers look for companies whose stock price may not reflect the company's value. The managers attempt to purchase the stocks of these undervalued companies and hold each stock until the price has increased to, or is higher than, a level the managers believe more accurately reflects the fair value of the company. Under normal market conditions, the portfolio managers will invest at least 80% of the fund's assets in medium size companies. The portfolio managers consider medium size companies to include those whose market capitalization at the time of purchase is within the capitalization range of the Russell 3000 Index, excluding the largest 100 such companies. The portfolio managers intend to manage the fund so that its weighted capitalization falls within the capitalization range of the members of the Russell Midcap Index.

### Goldman Sachs Mid Cap Value

Goldman Sachs Asset Management's (GSAM) investment process focuses on a stock's price and prospects for the future. The firm looks for quality companies that have become undervalued due to an uncertain near-term outlook or because of swings in market sentiment. The portfolio is well-diversified and risk-controlled. Lead manager Eileen Rominger revamped the investment process and rebuilt the investment team after she joined GSAM in 1999. As a consequence, investment performance prior to that date should not be considered indicative of the current team and process. The primary strengths of this product are the deep, experienced portfolio management team and the disciplined, risk-controlled investment process. Because the team searches for company-specific catalysts and focuses on companies with strong cash flow and improving earnings prospects, the strategy is not deep value. As a result, in strong bear markets GSAM may lag other strategies that focus on higher yielding, deeply discounted stocks.

### Janus Adviser Mid Cap Value

Thomas Perkins and Jeffrey R. Kautz are the lead portfolio managers for the strategy and is responsible for the final decisions regarding the purchase or sale of stocks in the portfolio. The team seeks stocks that are perceived to be undervalued either because they are out of favor or have yet to be discovered by the broader investment community. The team begins by screening companies with market capitalizations under \$1 billion, which they believe to be more entrepreneurial. This is followed by a close examination of the financial strength of the companies to determine if the factors that have reduced the stock's price are temporary aberrations with likelihood for improvement. Candidates for purchase will be companies with strong balance sheets and cash flow along with low relative valuation ratios. Due to its relative value approach, we would expect the strategy to underperform the market when traditional value names are in vogue and outperform during growth led market rallies because of its investment in broken down growth names.

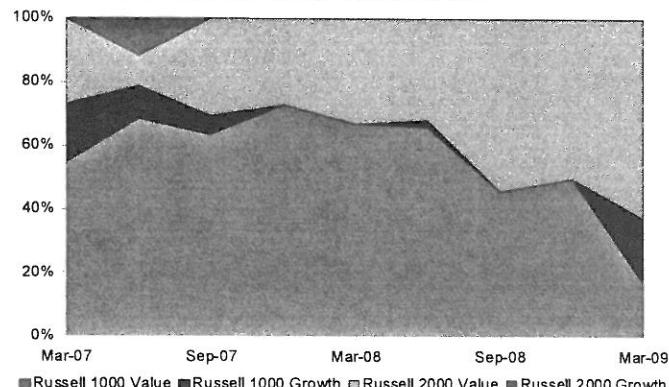
## Mid Cap Value - Summary

### RiverSource Mid Cap Value

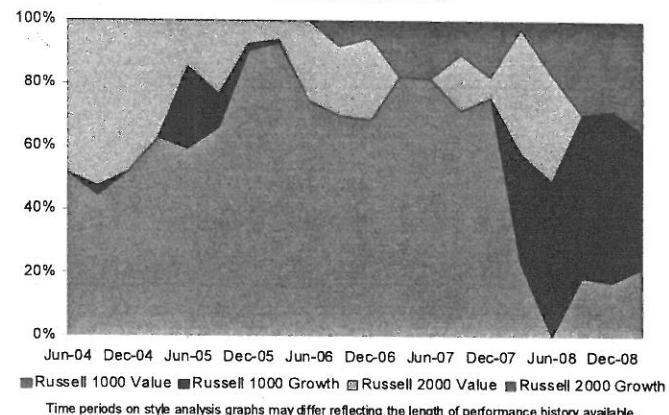
The Team implements many different valuation approaches including relative measures like P/E (price/earnings), P/B (price/book), P/FCF (price/free cash flow), EV/EBITDA (enterprise value/earning before interest, tax, depreciation and amortization), and absolute valuation tools like DCF (discounted cash flow) and EVA (economic value added). The appropriate valuation tool is a function of industry, business model, and financial structure. From a bottom-up perspective, absolute valuation tools are more commonly used, while relative measures are more common from an industry or sector perspective. This style leads to typically own a portfolio with traditional valuation metrics below their peers. In his capacity as the Contrarian Equity Team Leader, Warren Spitz is ultimately responsible for all final investment decisions.

## Mid Cap Value - Style Analysis

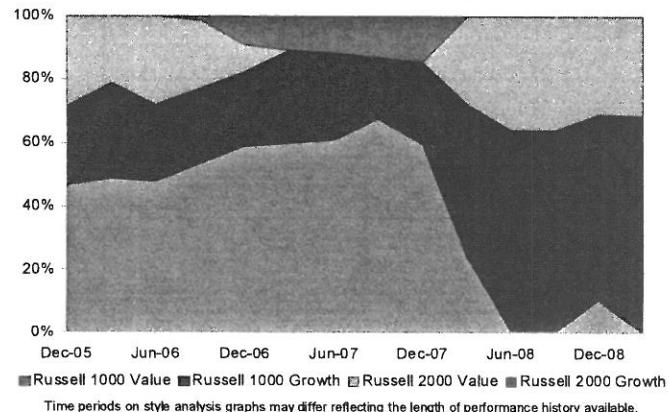
**AMERICAN CENTURY MID CAP VALUE R**  
9 QUARTER PERIOD - ROLLING 3 YEARS ENDING MAR 31, 2009



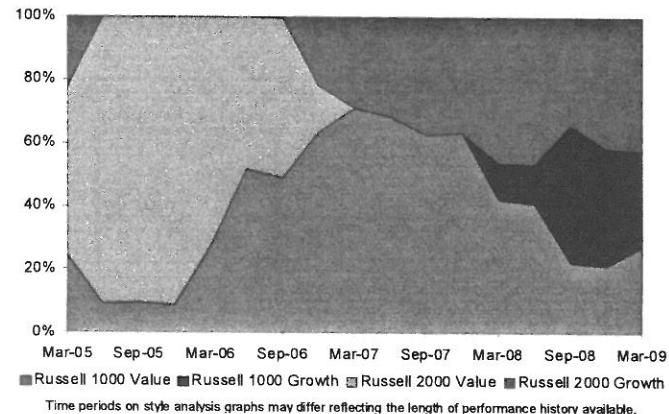
**GOLDMAN SACHS MID CAP VALUE A**  
5 YEAR PERIOD - ROLLING 3 YEARS ENDING MAR 31, 2009



**JANUS ADVISER MID CAP VALUE R**  
14 QUARTER PERIOD - ROLLING 3 YEARS ENDING MAR 31, 2009

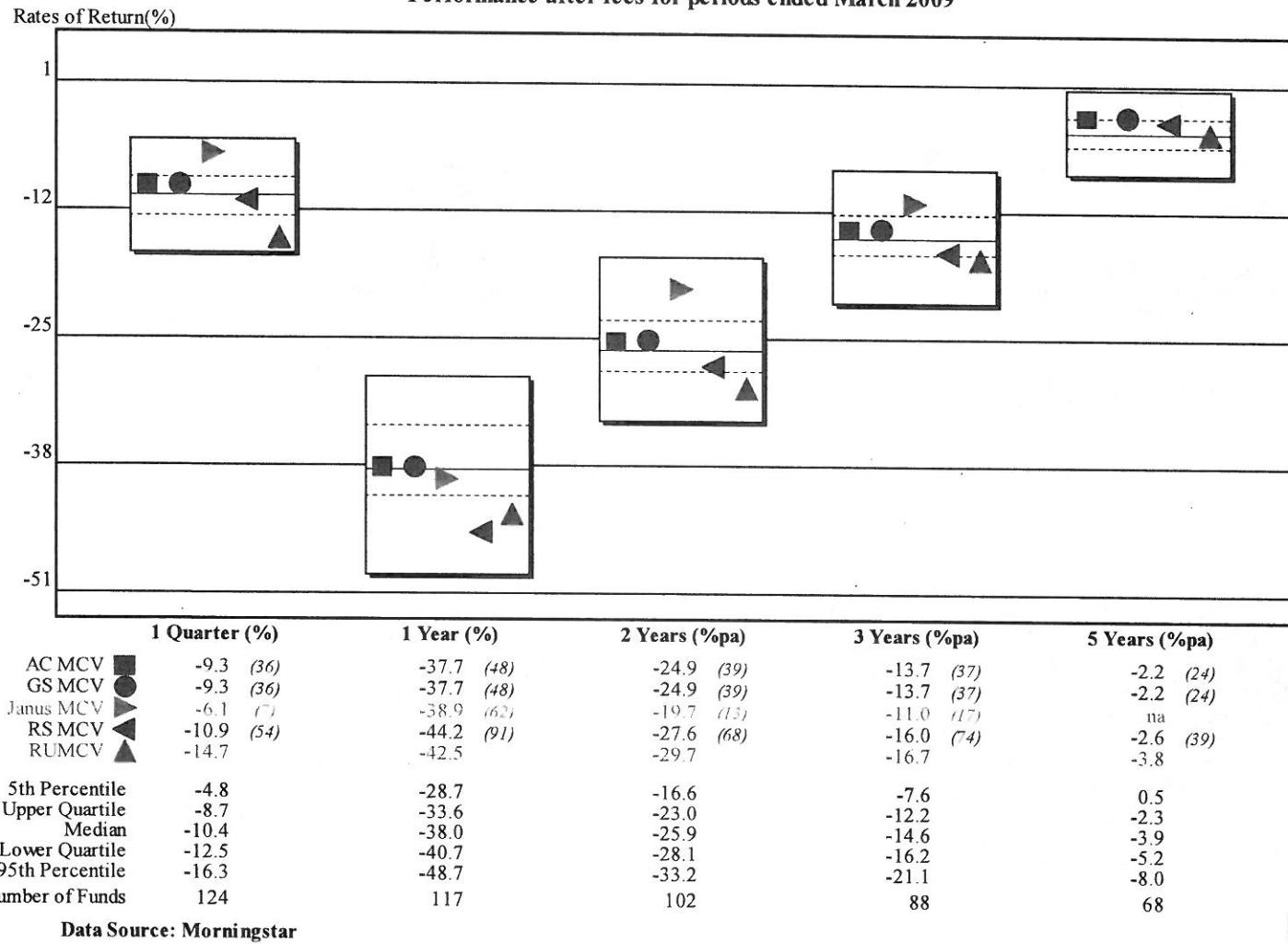


**RIVERSOURCE MID CAP VALUE R3**  
17 QUARTER PERIOD - ROLLING 3 YEARS ENDING MAR 31, 2009



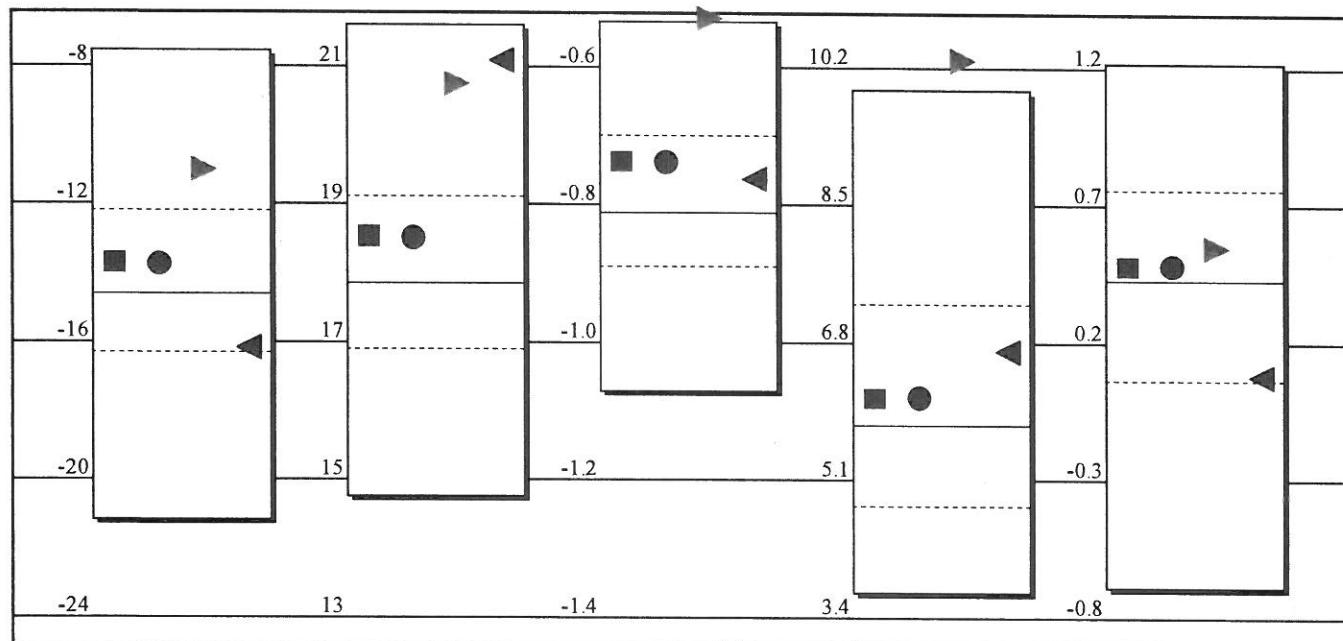
## Mid Cap Value - Quantitative Analysis

**Comparison with the Mercer Mutual Fund US Equity Mid Cap Value Universe**  
Performance after fees for periods ended March 2009



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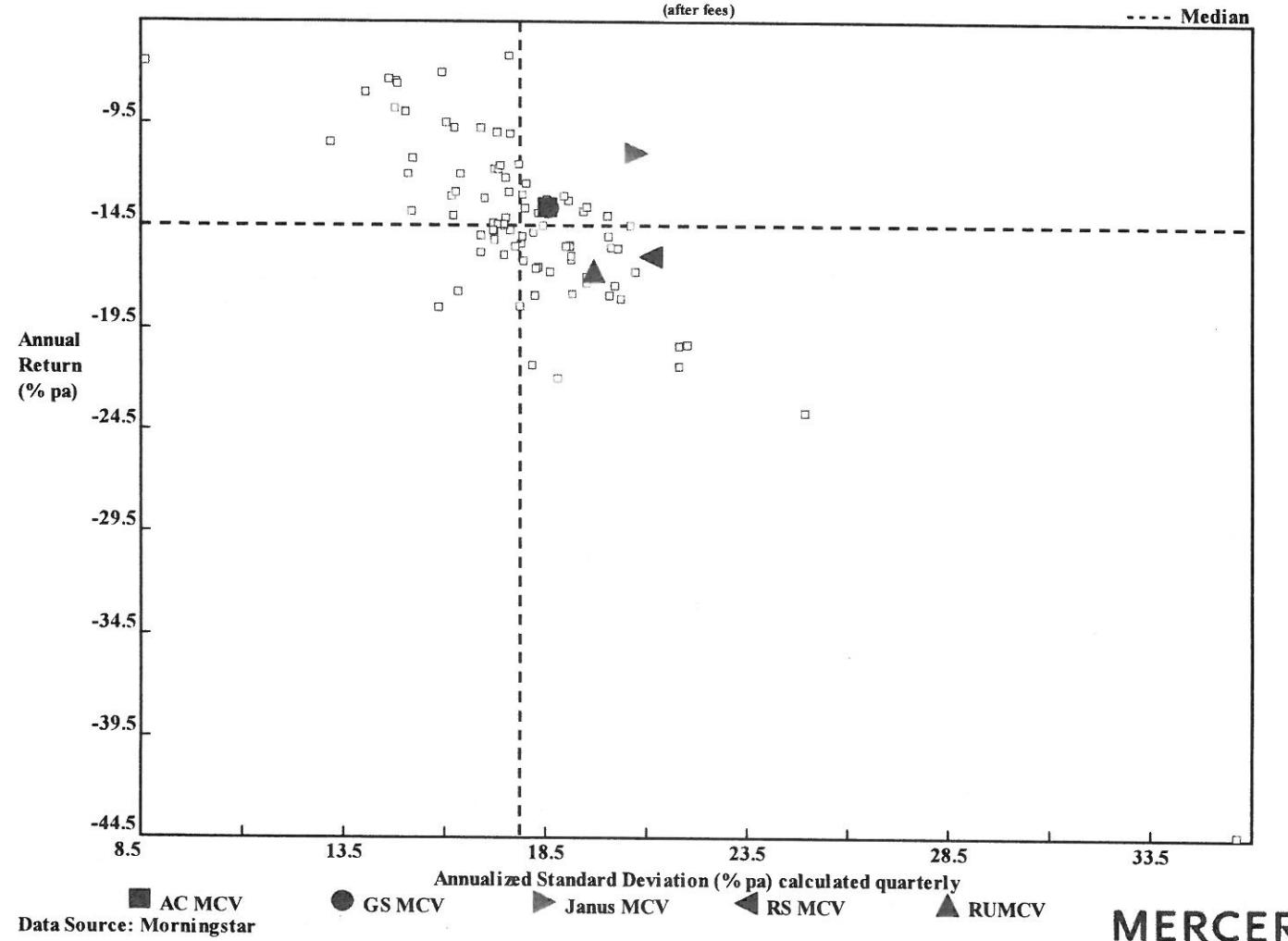
**Comparison with the Mercer Mutual Fund US Equity Mid Cap Value Universe**  
**Risk and Return Characteristics (calculated quarterly) versus RUMCV for the period from Jun 2006 to Mar 2009**



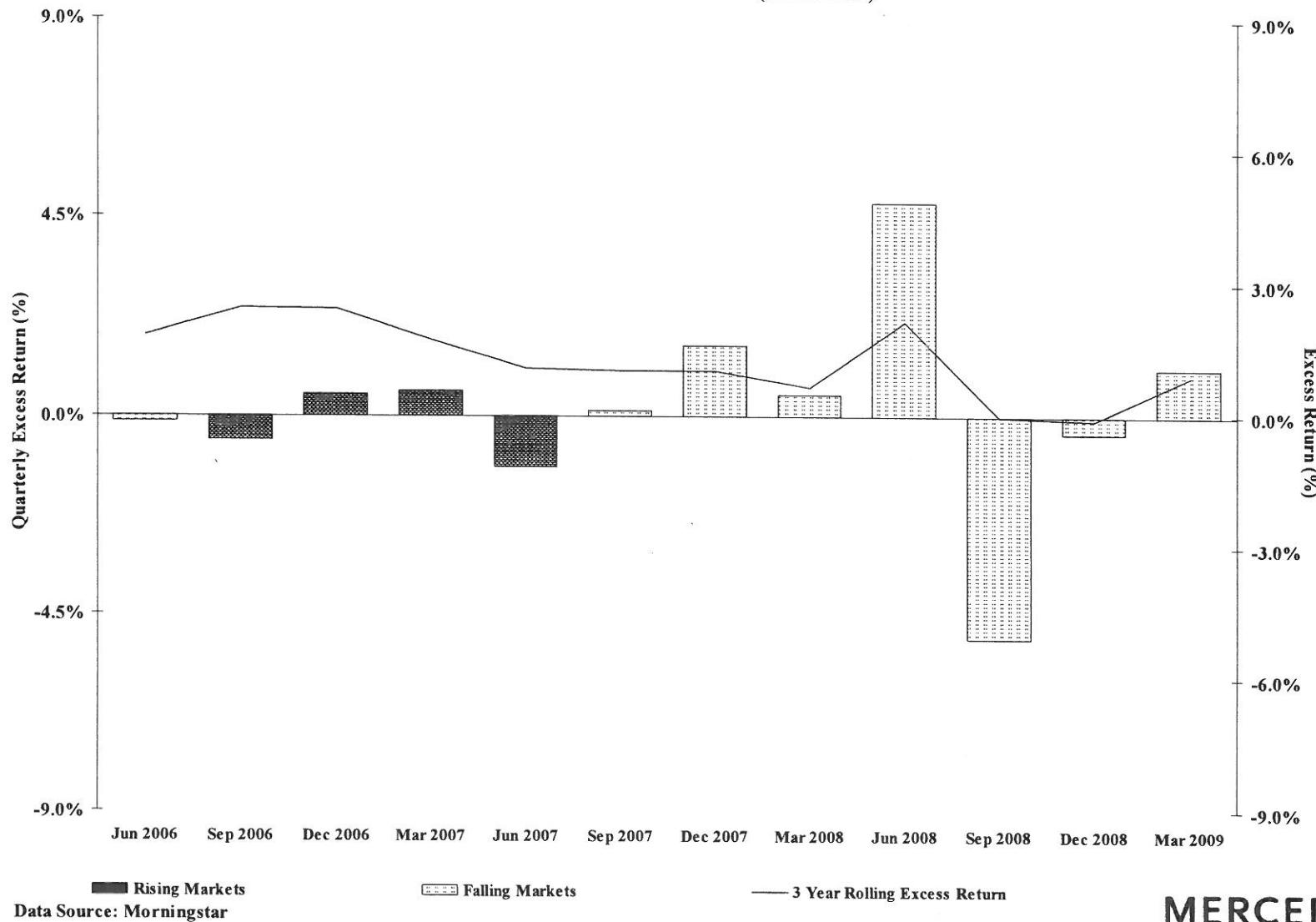
Data Source: Morningstar

**MERCER**

**Comparison with the Mercer Mutual Fund US Equity Mid Cap Value Universe**  
**Annualized Risk and Return for 3 years ended March 2009**

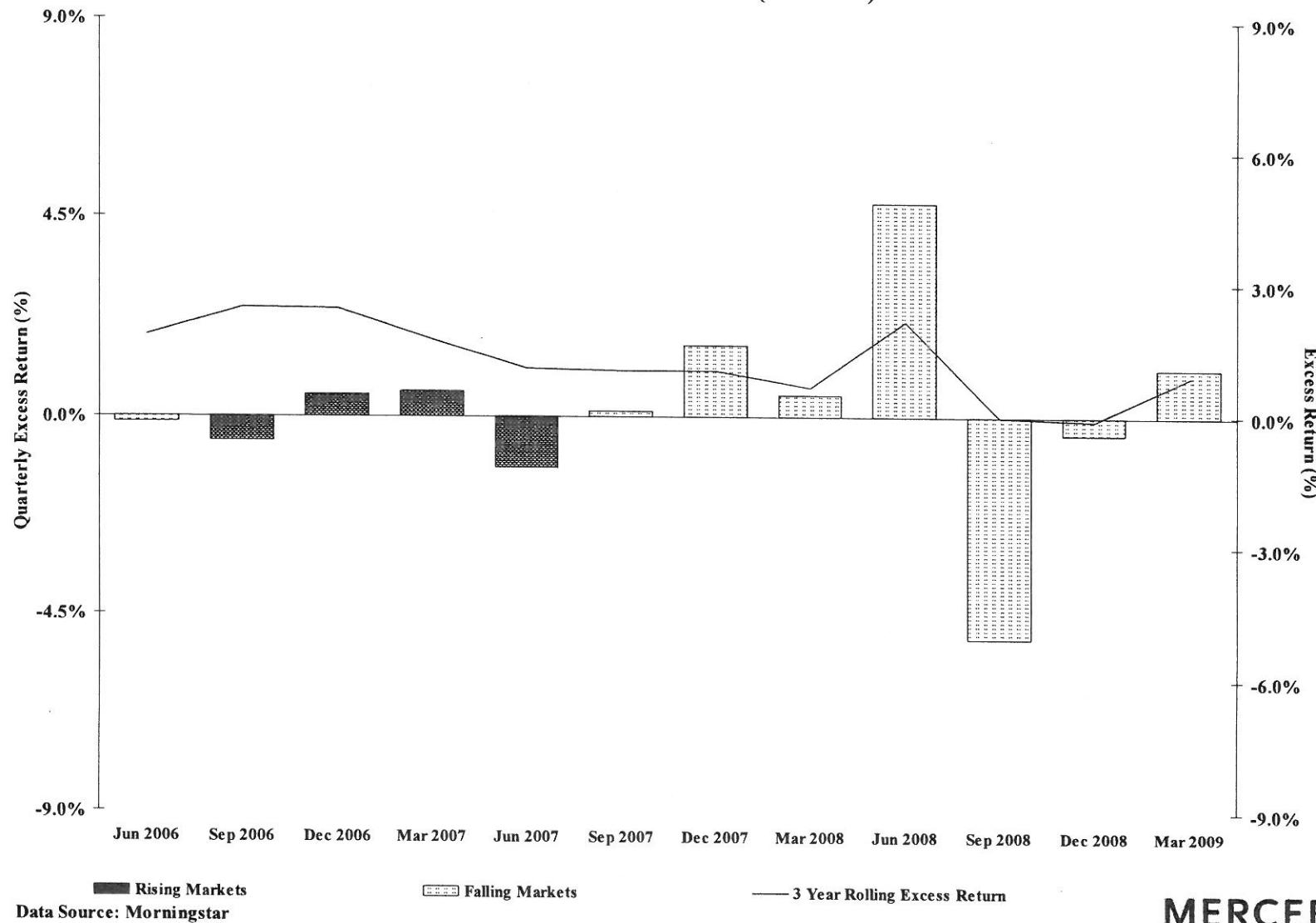


**Excess Return in Mutual Fund US Equity Mid Cap Value from Jun 2006 to Mar 2009  
AC MCV versus Median (after fees)**

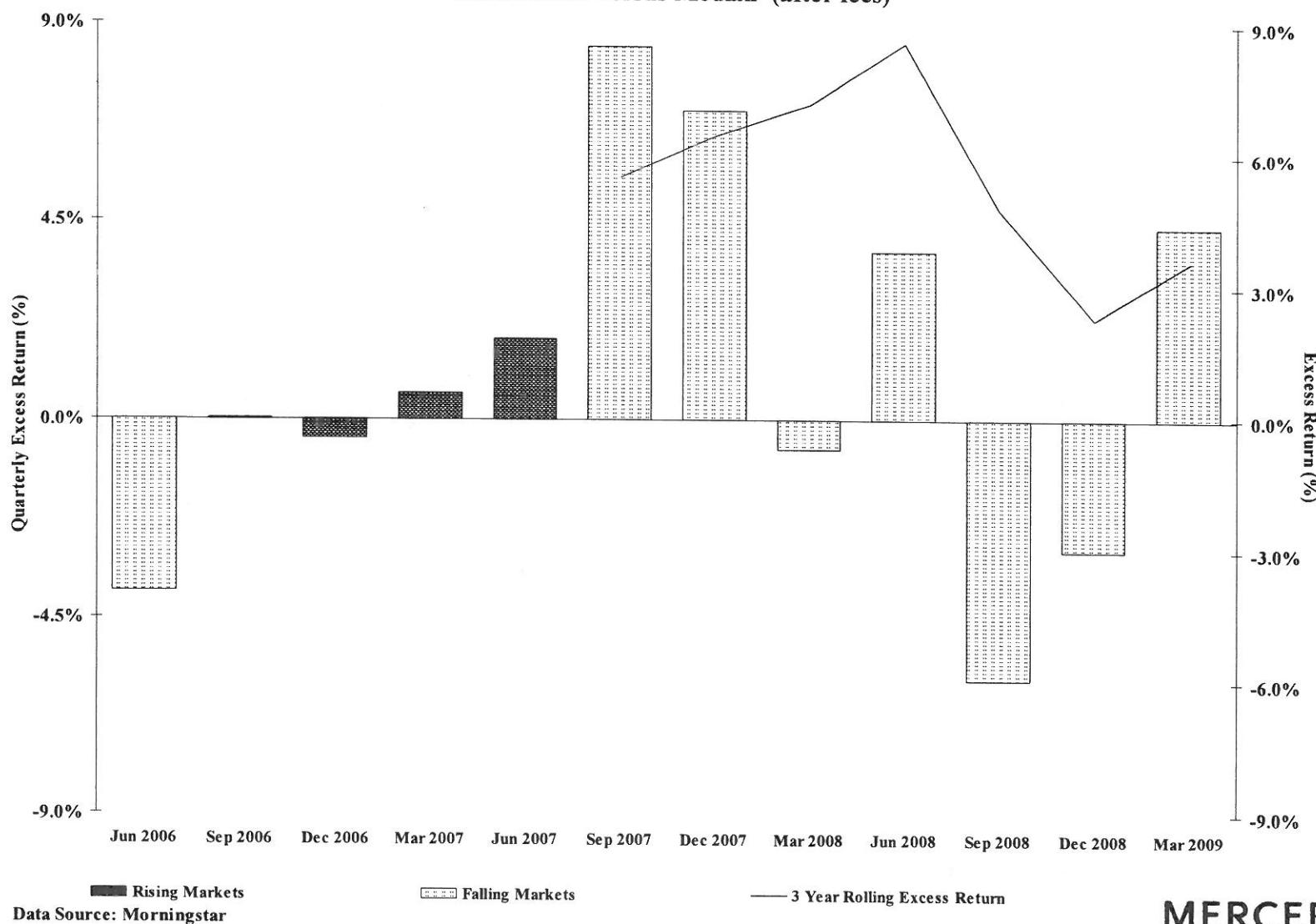


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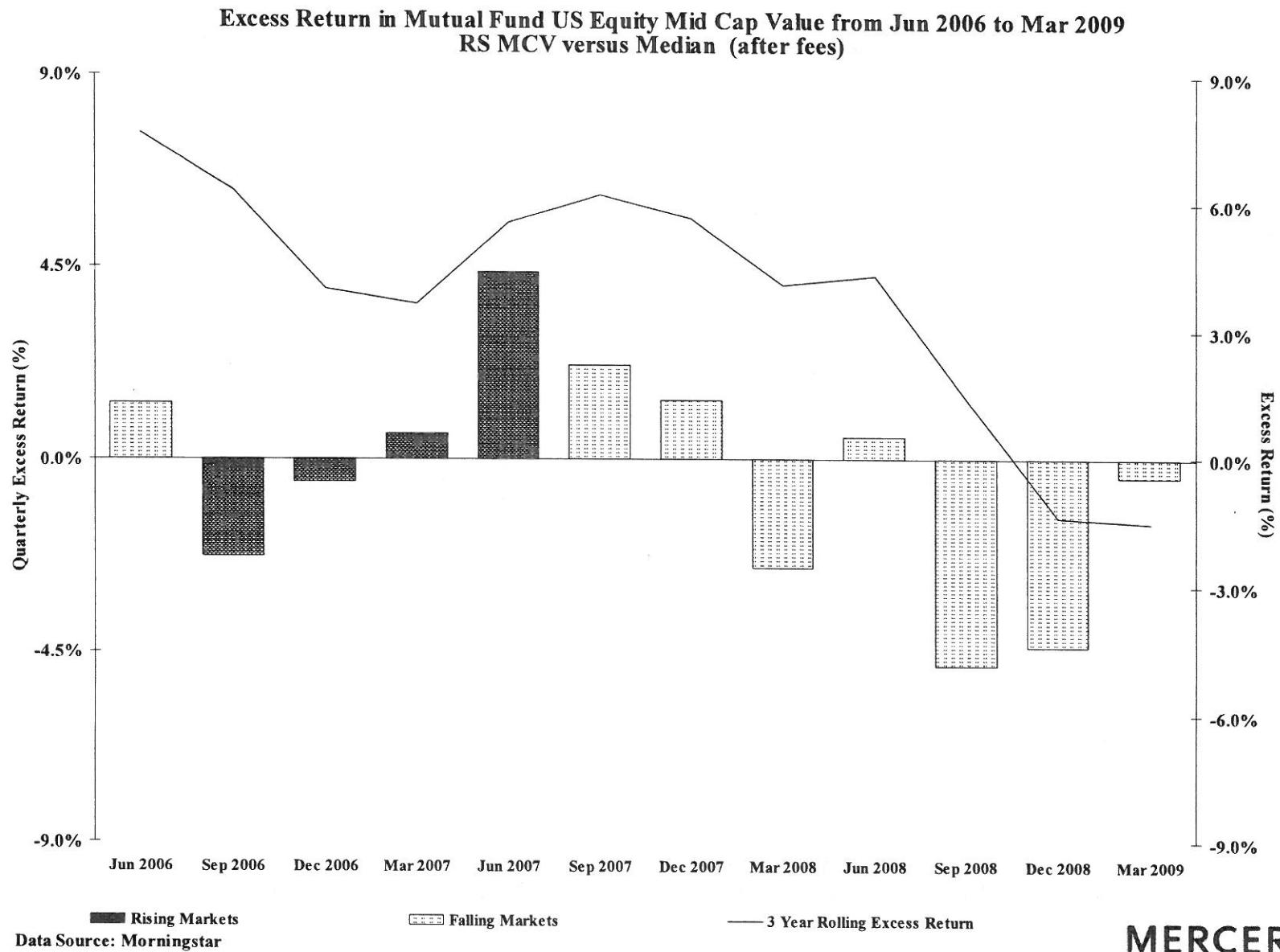
**Excess Return in Mutual Fund US Equity Mid Cap Value from Jun 2006 to Mar 2009  
GS MCV versus Median (after fees)**



**Excess Return in Mutual Fund US Equity Mid Cap Value from Jun 2006 to Mar 2009  
Janus MCV versus Median (after fees)**



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## Appendix – Disclosures Pages

### *Mercer Investment Consulting Affiliate Relationships*

- The parent corporation of Mercer Investment Consulting ("Mercer IC"), Mercer Human Resource Consulting, from time to time provides employee benefit consulting services to various investment organizations. We believe these relationships in no way affect the objectivity of our analysis.
- We would like to draw your attention to the existence of investment adviser affiliates: Putnam Investments is a majority-owned subsidiary of Marsh & McLennan Companies, Inc., which is also Mercer IC's ultimate parent company; PanAgora Asset Management is partially owned by Putnam Investments; and Mercer Global Investments is also an affiliated company and subsidiary of Marsh & McLennan Companies, Inc.. Mercer IC's relationship with Mercer Global Investments, PanAgora and Putnam are strictly arms-length, and our policy is, where permitted by applicable law, to deal with these firms in the same way that we deal with any other investment management firm.

### *Universe Notes*

- Mercer determines the time periods and specific mutual funds included in each Mercer Mutual Fund Universe. The quarterly returns used to arrive at the open-end mutual fund universe distributions are obtained from Morningstar, Inc., Chicago, IL.
- Mercer Manager Universes are constructed using the composite portfolios submitted by investment managers to the Research Unit for evaluation. Each portfolio is reviewed and, based on Mercer's professional judgment, placed within the appropriate universe which contains similarly managed portfolios. Universes are calculated by sorting the returns from highest to lowest for each unique time period independently. The highest return is assigned the rank of zero (0), and the lowest the rank of 100. Depending on the number of observations between these two points, the remaining results are

normalized to create percentile rankings. Percentile rankings for managers and indices in performance floating bar exhibits may not match universe percentiles due to rounding.

### Data Sources

- Although all data is gathered from sources believed to be reliable, data accuracy and completeness cannot be guaranteed by either the data providers or by Mercer IC.
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- Returns and security data for the Russell indices are provided by Russell/Mellon Analytical Services.

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***Miscellaneous Notes***

- Returns for periods greater than one year are annualized. Returns are calculated net of fund fees, including the investment management fees, unless otherwise noted.
- MMCSC's pension plan related services are generally paid from existing plan expenses (e.g., fund 12b-1 expenses) or separately by the plan sponsor. Compensation for MMCSC's pension plan services paid by the plan sponsor are not reflected in fund performance figures. For full disclosure of the fees for MMCSC's pension plan services please refer to your client agreement with MMCSC, and if applicable, MMCSC's Form ADV Part II. You may request a copy of MMCSC's Form ADV Part II disclosure document from your MMCSC representative.

# Appendix – Description of Indices

## A.1 Equity Indices

### **Domini 400 Social Index**

The Domini 400 Social Index (DSI) provides a broad market, common stock benchmark for portfolios with social constraints. The social investment firm of Kinder, Lydenberg, Domini & Co. constructs the DSI index. The index consists of 400 U.S. stocks, which pass a multitude of social screens. The screens check factors such as military contracting, alcohol and tobacco, gambling, nuclear power, environmental mismanagement and poor employee relations. The index is market value-weighted. Inception is May 1, 1990.

### **Dow Jones Industrial Average**

The Dow Jones Industrial Average (DJIA) contains 30 actively traded blue-chip stocks. The 106-year-old average is the best-known U.S. stock average. The editors of the Wall Street Journal, which is owned by Dow Jones, select the stocks. All but two of the stocks are listed on the New York Stock Exchange. In October of 1999, Microsoft Corp. and Intel Corp were the first NASDAQ Stock Market stocks to be included in the DJIA. The stocks are generally leaders in their industry. The DJIA purpose is to represent US listed equities, excluding transportation and utility stocks. The Dow is a price-weighted arithmetic average.

### **Dow Jones Wilshire 4500**

The Wilshire 4500 Index measures the performance of all small and midcap U.S. equities. It is constructed using the Wilshire 5000 with the companies in the S&P 500 Composite excluded. The Wilshire 4500 is a misnomer; there are actually over 5,000 companies in the index. ADRs are excluded from the index. The Wilshire 4500 exchange distribution by market value is 35% NASDAQ, 63% NYSE and 2% AMEX.

### **Dow Jones Wilshire 5000**

The Wilshire 5000 Equity Index was created by Wilshire Associates in 1974 and has historical data back to December 1970. The index measures the performance of all U.S. headquartered equity securities with readily available price data. The Wilshire 5000 is a misnomer; there are actually over 7,000 stocks in the Index. The Wilshire 5000 exchange distribution by market value is 80% NYSE, 20% NASDAQ, and 1% AMEX. Non-domiciled US stocks, foreign issues and ADRs are excluded from the index. The index is computed on both an equal-weighted and value-weighted basis.

### **MSCI EAFE**

The MSCI Europe, Australasia and the Far East (EAFE) Index is an international equity index which consists of approximately 1,000 securities from the following 21 countries:

Australia	Denmark	Germany	Ireland	Netherlands	Portugal	Sweden
Austria	Finland	Greece	Italy	New Zealand	Singapore	Switzerland
Belgium	France	Hong Kong	Japan	Norway	Spain	United

**Kingdom**

MSCI's goal is to accurately represent the buyable opportunities in the markets covered. An independent group of country specialists employed by Capital International Perspectives S.A. in Geneva is responsible for the index stock selection. This group regularly monitors the index constituents and adds or deletes companies to maintain representatives.

The index represents approximately 60% of the combined market capitalization of the 21 countries. The index attempts to replicate the industry composition of each local market and includes a representative sampling of large, medium and small capitalization companies. The index is market value-weighted and calculated both with net and gross dividends reinvested. The net return index reinvests dividends after foreign taxes have been withheld and the gross return index reinvests dividends before payment of foreign taxes.

**MSCI EAFE Growth and Value**

The MSCI EAFE Growth and Value Indices cover the full range of the MSCI EAFE Equity Index. MSCI implements a methodology for the MSCI EAFE Value and Growth Indices featuring a two-dimensional framework for style segmentation in which value and growth securities are specified using different attributes, the use of eight different variables (three for value and five for growth) to more accurately reflect value and growth styles, a partial attribution of index market capitalization for securities depicting either both value and growth characteristics or neither of these characteristics, to each of the value and growth indices, unless one of the style characteristics clearly dominates and buffer zones that reduce index turnover caused by the temporary migration of securities from one style index to the other. The objective of the index design is to divide constituents of an underlying MSCI Index into a value index and a growth index, each targeting 50% of the free float adjusted market capitalization country by country. Prior to May 30, 2003, the indices used Price/Book Value (P/BV) ratios to divide the standard MSCI country indices into value and growth indices. All securities were classified as either "value" securities (low P/BV securities) or "growth" securities (high P/BV securities), relative to each MSCI country index.

**MSCI EAFE Small Cap**

The objective of the MSCI EAFE Small Cap Index is to represent the business activities of small cap companies across developed markets. MSCI selects the most liquid securities relative to their market capitalization, and targets for index inclusion 40% of the full market capitalization of the eligible small cap universe within each industry group, within each country.

**MSCI Emerging Markets Free**

The MSCI Emerging Markets Free Index covers the following 27 countries:

Argentina	Colombia	India	Korea	Pakistan	Russia	Thailand
Brazil	Czech Republic	Indonesia	Malaysia	Peru	South Africa	Turkey
Chile	Egypt	Israel	Mexico	Philippines	Sri Lanka	Venezuela
China	Hungary	Jordan	Morocco	Poland	Taiwan	

MSCI uses the following criteria in defining emerging markets:

- 1) A Gross Domestic Product (GDP) Per Capita substantially below the average for developed economies. MSCI uses the World Bank's definition of an Emerging country, which is a GDP/Capita below USD 9,385.
- 2) Substantially greater government regulation limiting or banning foreign ownership in industries or companies.

3) A lax regulatory environment, irregular trading hours, and/or less sophisticated back office operations, including clearing and settlement capabilities. 4) Restrictions on repatriation of initial capital, dividends, interest and/or capital gains. 5) Greater perceived investment risk than in developed markets. 6) A general perception by the investment community that the country should be considered emerging.

### **MSCI World Index**

The MSCI World Index is a global index, which measures the performance of stock markets in the United States, Europe, Canada, Australia, New Zealand and the Far East. The index currently consists of securities from the following 23 countries:

Australia	Denmark	Greece	Japan	Portugal	Switzerland
Austria	Finland	Hong Kong	Netherlands	Singapore	United Kingdom
Belgium	France	Ireland	New Zealand	Spain	United States
Canada	Germany	Italy	Norway	Sweden	

MSCI's goal is to accurately represent the buyable opportunities in the markets covered. An independent group of country specialists employed by Capital International Perspectives S.A. in Geneva is responsible for the index stock selection. This group regularly monitors the index constituents and adds or deletes companies to maintain a representative sample.

The index represents approximately 60% of the combined market capitalization of the 23 countries. The index attempts to replicate the industry composition of each local market and includes a representative sampling of large, medium and small capitalization companies. The index is market value-weighted and calculated both with net and gross dividends reinvested. The net return index reinvests dividends after foreign taxes have been withheld and the gross return index reinvests dividends before payment of foreign taxes.

### **MSCI World Growth and Value**

The MSCI World Growth and Value Indices cover the full range of the MSCI World Equity Index. MSCI implements a methodology for the MSCI World Value and Growth Indices featuring a two-dimensional framework for style segmentation in which value and growth securities are specified using different attributes, the use of eight different variables (three for value and five for growth) to more accurately reflect value and growth styles, a partial attribution of index market capitalization for securities depicting either both value and growth characteristics or neither of these characteristics, to each of the value and growth indices, unless one of the style characteristics clearly dominates and buffer zones that reduce index turnover caused by the temporary migration of securities from one style index to the other. The objective of the index design is to divide constituents of an underlying MSCI Index into a value index and a growth index, each targeting 50% of the free float adjusted market capitalization country by country. Prior to May 30, 2003, the indices used Price/Book Value (P/BV) ratios to divide the standard MSCI country indices into value and growth indices. All securities were classified as either "value" securities (low P/BV securities) or "growth" securities (high P/BV securities), relative to each MSCI country index.

### **NASDAQ Composite**

The National Association of Securities Dealers, a network of brokers, sponsors the NASDAQ (National Association of Securities Dealers Automated Quotation system). It is often called the OTC (over-the-counter) market. Unlike the NYSE and AMEX, the OTC has no trading floor and no auction market. It is a dealer to dealer market that operates via an electronic network.

The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks. The NASDAQ Composite includes 3,600 issues. The composite is a market value-weighted index calculated on a total return basis including dividends. The index represents many small company stocks but is heavily influenced by about 100 of the largest NASDAQ issues.

**Russell 1000**

The Russell 1000 is intended to represent the universe of stocks in which most active equity managers invest. The index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 90% of the total market capitalization of the Russell 3000 Index. The index is market value-weighted and restated annually based on May 31 market capitalization rankings.

**Russell 1000 Growth**

The Russell 1000 Growth Index is intended to be a benchmark for growth managers. The stocks are selected from the Russell 1000 Index, which currently contains approximately 1,000 of the largest U.S. equity stocks by market capitalization. The index includes those stocks, which have had high earnings per share growth rate, high dividends per share growth rate, high price earnings ratio, high price book ratio, and a low dividend yield relative to the market.

The Russell 1000 securities are ranked by adjusted book to price ratios and by the I/B/E/S (Institutional Brokers Estimate System) growth rate. These ranks are then normalized into common units and combined to arrive at a composite rank. A company's composite rank is then used to determine its probability of being growth or value.

Companies with probabilities of 100% growth are placed entirely in the growth index. Companies with probabilities of being partially growth and value are held in both indexes according to their probability, i.e., a company with an 80% probability of growth would have 80% of its available market cap in the growth index and 20% in the value index.

**Russell 1000 Value**

The Russell 1000 Value Index is intended to be a benchmark for value managers. The securities are chosen from the Russell 1000 Index, which currently contains approximately 1,000 of the largest U.S. equity stocks by market capitalization. The index includes those stocks, which have a low price to book ratio, low price earnings ratio, high dividend yield and a low earnings per share growth rate.

The Russell 1000 securities are ranked by adjusted book to price ratios and by the I/B/E/S (Institutional Brokers Estimate System) growth rate. These ranks are then normalized into common units and combined to arrive at a composite rank. A company's composite rank is then used to determine its probability of being growth or value.

Companies with probabilities of 100% value are placed entirely in the value index. Companies with probabilities of being partially growth and value are held in both indexes according to their probability, i.e., a company with an 80% probability of value would have 80% of its available market cap in the value index and 20% in the growth index.

**Russell 2000**

The Russell 2000 is intended to be a small capitalization market proxy. The index currently consists of approximately the 2,000 smallest stocks in the Russell 3000, representing approximately 10% of the total U.S. equity market. The index is restated annually based on May 31 market capitalization rankings.

**Russell 2000 Growth**

The Russell 2000 Growth Index contains those Russell 2000 securities, which have a greater-than-average growth orientation. These securities generally have higher price-to-book and price-earnings ratios than those securities in the Russell 2000 Value Index.

The Russell 2000 securities are ranked by adjusted book to price ratios and by the I/B/E/S (Institutional Brokers Estimate System) growth rate. These ranks are then normalized into common units and combined to arrive at a composite rank. A company's composite rank is then used to determine its probability of being growth or value.

Companies with probabilities of 100% growth are placed entirely in the growth index. Companies with probabilities of being partially growth and value are held in both indexes according to their probability, i.e., a company with an 80% probability of growth would have 80% of its available market cap in the growth index and 20% in the value index. The index is restated annually based on May 31 market capitalization rankings.

### **Russell 2000 Value**

The Russell 2000 Value Index contains those Russell 2000 securities, which have a less-than-average growth orientation. These securities generally have lower price-to-book and price-earnings ratios than those securities in the Russell 2000 Growth Index.

The Russell 2000 securities are ranked by adjusted book to price ratios and by the I/B/E/S (Institutional Brokers Estimate System) growth rate. These ranks are then normalized into common units and combined to arrive at a composite rank. A company's composite rank is then used to determine its probability of being growth or value.

Companies with probabilities of 100% value are placed entirely in the value index. Companies with probabilities of being partially growth and value are held in both indexes according to their probability, i.e., a company with an 80% probability of value would have 80% of its available market cap in the value index and 20% in the growth index. The index is restated annually based on May 31 market capitalization rankings.

### **Russell 2500**

The Russell 2500 Index measures the performance of the 2500 smallest companies in the Russell 3000 Index, which represents approximately 16% of the total market capitalization of the Russell 3000 Index.

### **Russell 2500 Growth**

The Russell 2500 Growth Index contains those Russell 2500 securities, which have a greater-than-average growth orientation. These securities generally have higher price-to-book and price-earnings ratios than those securities in the Russell 2500 Value Index.

The Russell 2500 securities are ranked by adjusted book to price ratios and by the I/B/E/S (Institutional Brokers Estimate System) growth rate. These ranks are then normalized into common units and combined to arrive at a composite rank. A company's composite rank is then used to determine its probability of being growth or value.

Companies with probabilities of 100% growth are placed entirely in the growth index. Companies with probabilities of being partially growth and value are held in both indexes according to their probability, i.e., a company with an 80% probability of growth would have 80% of its available market cap in the growth index and 20% in the value index. The index is restated annually based on May 31 market capitalization rankings.

### **Russell 2500 Value**

The Russell 2500 Value Index contains those Russell 2500 securities, which have a less-than-average growth orientation. These securities generally have lower price-to-book and price-earnings ratios than those securities in the Russell 2500 Growth Index.

The Russell 2500 securities are ranked by adjusted book to price ratios and by the I/B/E/S (Institutional Brokers Estimate System) growth rate. These ranks are then normalized into common units and combined to arrive at a composite rank. A company's composite rank is then used to determine its probability of being growth or value.

Companies with probabilities of 100% value are placed entirely in the value index. Companies with probabilities of being partially growth and value are held in both indexes according to their probability, i.e., a company with an 80% probability of value would have 80% of its available market cap in the value index and 20% in the growth index. The index is restated annually based on May 31 market capitalization rankings...

**Russell 3000**

The Russell 3000 Index currently consists of the largest U.S. company stocks by market capitalization. The Russell 3000 represents over 98% of the investable U.S. equity market. The index is restated annually based on May 31 market capitalization rankings.

**Russell 3000 Growth**

The Russell 3000 Growth Index contains those Russell 3000 securities, which have a greater-than-average growth orientation. These securities generally have higher price-to-book and price-earnings ratios than those securities in the Russell 3000 Value Index.

The Russell 3000 securities are ranked by adjusted book to price ratios and by the I/B/E/S (Institutional Brokers Estimate System) growth rate. These ranks are then normalized into common units and combined to arrive at a composite rank. A company's composite rank is then used to determine its probability of being growth or value.

Companies with probabilities of 100% growth are placed entirely in the growth index. Companies with probabilities of being partially growth and value are held in both indexes according to their probability, i.e., a company with an 80% probability of growth would have 80% of its available market cap in the growth index and 20% in the value index. The index is restated annually based on May 31 market capitalization rankings.

**Russell 3000 Health Care**

The Russell Health Care Index is a capitalization weighted index of companies that are members of the Russell 3000 Index and are involved in medical services or health care.

**Russell 3000 Value**

The Russell 3000 Value Index contains those Russell 3000 securities, which have a less-than-average growth orientation. These securities generally have lower price-to-book and price-earnings ratios than those securities in the Russell 3000 Growth Index.

The Russell 3000 securities are ranked by adjusted book to price ratios and by the I/B/E/S (Institutional Brokers Estimate System) growth rate. These ranks are then normalized into common units and combined to arrive at a composite rank. A company's composite rank is then used to determine its probability of being growth or value.

Companies with probabilities of 100% value are placed entirely in the value index. Companies with probabilities of being partially growth and value are held in both indexes according to their probability, i.e., a company with an 80% probability of value would have 80% of its available market cap in the value index and 20% in the growth index. The index is restated annually based on May 31 market capitalization rankings..

**Russell Midcap**

The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 which represent approximately 35% of the total market capitalization of the Russell 1000 index.

**Russell Midcap Growth**

The Russell Midcap Growth Index is intended to be a benchmark for growth managers. The securities are chosen from the Russell Midcap Index, which currently contains approximately 800 of the smallest companies in the Russell 1000 Index. The index includes those stocks, which have a low price to book ratio, low price earnings ratio, high dividend yield and a low earnings per share growth rate.

The Russell Midcap securities are ranked by adjusted book to price ratios and by the I/B/E/S (Institutional Brokers Estimate System) growth rate. These ranks are then normalized into common units and combined to arrive at a composite rank. A company's composite rank is then used to determine its probability of being growth or value.

Companies with probabilities of 100% growth are placed entirely in the growth index. Companies with probabilities of being partially growth and value are held in both indexes according to their probability, i.e., a company with an 80% probability of growth would have 80% of its available market cap in the growth index and 20% in the value index. The index is restated annually based on May 31 market capitalization rankings.

**Russell Midcap Value**

The Russell Midcap Value Index is intended to be a benchmark for value managers. The securities are chosen from the Russell Midcap Index, which currently contains approximately 800 of the smallest companies in the Russell 1000 Index. The index includes those stocks, which have a low price to book ratio, low price earnings ratio, high dividend yield and a low earnings per share growth rate.

The Russell Midcap securities are ranked by adjusted book to price ratios and by the I/B/E/S (Institutional Brokers Estimate System) growth rate. These ranks are then normalized into common units and combined to arrive at a composite rank. A company's composite rank is then used to determine its probability of being growth or value.

Companies with probabilities of 100% value are placed entirely in the value index. Companies with probabilities of being partially growth and value are held in both indexes according to their probability, i.e., a company with an 80% probability of value would have 80% of its available market cap in the value index and 20% in the growth index. The index is restated annually based on May 31 market capitalization rankings.

**Russell 1000 Technology**

The Russell Technology Index is a capitalization weighted index of companies that are members of the Russell 1000 Index and serve the electronics and computer industries or that manufacture products based on the latest applied science.

**Standard and Poor's 500**

The Standard and Poor's 500 index contains a representative sample of common stocks that trade on the New York and American Stock Exchanges and some over-the-counter stocks. The index represents about 86% of the market value of all the issues traded on the NYSE.

The index does not contain the 500 largest stocks. It has many relatively small companies in it because it is constructed of industry groups. Standard and Poor's first identifies important industry categories and allocates a representative sample of stocks to each group. The companies chosen to be in the S&P 500 generally do have the largest market values within their industry group.

The industry categories are grouped into ten sectors: Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Telecommunication Services and Utilities. The index is weighted by market capitalization and calculated on a total return basis with dividends reinvested.

### **Standard and Poor's Completion**

The Standard & Poor's Completion Index is a subset of the S&P Total Market Index (TMI), excluding S&P 500 companies. Covering more than 4,000 constituents, the Standard & Poor's Completion Index offers broad market exposure to mid-, small- and micro-cap companies.

The Standard & Poor's Completion Index is maintained by the same Index Committee that maintains the Standard and Poor's 500, using the same construction guidelines and free float methodology to enable the two indices to move in sync without overlapping the stocks. Combining an Standard & Poor's 500 with the Standard & Poor's Completion Index provides exposure to the entire U.S. Stock Market.

### **Standard and Poor's Midcap 400**

The Standard & Poor's Midcap 400 Index consists of 400 domestic stocks which are chosen by a committee at Standard & Poor's based on market capitalization, liquidity and industry group representation. The index is made up of companies listed on the NYSE, NASDAQ, and AMEX. None of the companies within the S&P Midcap overlap with those included in the S&P 500 index. The index is market value-weighted.

### **Standard and Poor's SmallCap 600**

The Standard and Poor's SmallCap 600 index is designed to be a benchmark of small capitalization stock performance and an investable portfolio for passive replication purposes. S&P began development of the index by surveying active and passive small cap managers, quantitative research analysts, academics and traders to determine a small cap market value definition.

S&P converted this market capitalization range into percentiles of the entire stock market in order to account for fluctuations in performance over time. The \$600 million level converted into the 50th percentile and the \$80 million lower level became the 83rd percentile. This percentile range was used to select the index back history and is used to select future index constituents.

S&P applied the target percentile range to their Index Selection Database to create a small cap universe of 1,850 stocks. The following screens were then used to select the 600 companies: 1. Companies must trade on the New York, NASDAQ or American stock exchanges, 2. Companies must have a trading history of at least six months, 3. Stocks that do not trade on any three days during a 12-month period are removed, 4. Companies with stock prices below \$1.00 are removed, 5. Share turnover has to exceed 20% on an annualized basis, 6. Companies with 50% or more of the common shares owned by another corporation or 60% owned by insiders are removed, 7. Companies in bankruptcy or financial distress are eliminated, 8. Bid/Ask spreads calculated for 30 days must be 5% or less. The index was started on December 31, 1993, and a simulation for back history was used for returns back to January 1984.

## **A.2 Fixed Income Indices**

### **Lehman Brothers Aggregate**

The Lehman Brothers Aggregate Index covers the U.S. investment-grade, fixed-rate bond market and includes government and corporate bonds, agency mortgage pass-through securities, asset-backed issues, and ERISA-qualified CMBS. Price, coupon and total return are reported on a month-end to month-end basis. All returns are market value-weighted inclusive of accrued income.

### **Lehman Brothers Credit**

The Lehman Brothers Credit Bond Index includes bonds issued by both U.S. and Non-U.S. corporations. To qualify all bonds must be SEC registered.

The Credit Index is subdivided into pure corporate (industrial, utility, and finance, including both U.S and Non U.S. corporations) and non-corporates (sovereign, supranational, foreign agencies, and foreign local governments). The first the sectors are composed of all publicly issued, non-convertible, investment grade domestic corporate debt. Issues must have a minimum rating of Baa by Moody's Investor Service, BBB by Standard and Poor's Corporation or BBB by Fitch

Investor Services. Collateralized Mortgage Obligations (CMO's) and Asset-Backed securities are not included. All issues must have a maturity of at least one year and a par amount outstanding of at least \$150 million. Price, coupon and total return are reported on a month-end to month-end basis. All returns are market value weighted inclusive of accrued interest.

**Lehman Brothers Global Aggregate**

The Lehman Brothers Global Aggregate Index is composed of the U.S. Aggregate Index, the Pan-European Index and the Japanese component of the Global Treasury Index. All issues must be fixed rate, nonconvertible and have at least one year remaining to maturity. Securities from countries classified as emerging markets are excluded. The index is weighted according to each country's market capitalization, except for Japan, which is weighted by the market capitalization of the 40 largest Japanese government bonds.

**Lehman Brothers Global Aggregate xUS (Unhedged)**

The Lehman Brothers Global Aggregate Index is composed of the Pan-European Index and the Japanese component of the Global Treasury Index. All issues must be fixed rate, nonconvertible and have at least one year remaining to maturity. Securities from countries classified as emerging markets are excluded. The index is weighted according to each country's market capitalization, except for Japan, which is weighted by the market capitalization of the 40 largest Japanese government bonds.

**Lehman Brothers Government /Credit**

The Lehman Brothers Government/Credit Bond Index combines the Government and Credit Bond Indices.

**Lehman Brothers Government/Credit 1-3 Years**

The Lehman Brothers Government/Credit Index 1-3 Years consists of issues that comprise the Government and Credit Bond Indices which have a maturity greater than or equal to one year and less than or equal to three years. When an issue no longer meets the maturity criterion it is dropped from the index. All issues must have an outstanding par value greater than \$150 million.

**Lehman Brothers Government/Credit 1-5 Years**

The Lehman Brothers Government/Credit Index 1-5 Years consists of issues that comprise the Government and Credit Bond Indices which have a maturity greater than or equal to one year and less than or equal to five years. When an issue no longer meets the maturity criterion it is dropped from the index. All issues must have an outstanding par value greater than \$150 million.

**Lehman Brothers Government/Credit 5-10 Years**

The Lehman Brothers Government/Credit Index 5-10 Years consists of issues that comprise the Government and Credit Bond Indices which have a maturity greater than or equal to three years and less than or equal to ten years. When an issue no longer meets the maturity criterion it is dropped from the index. All issues must have an outstanding par value greater than \$150 million.

**Lehman Brothers Government Bond**

The Lehman Brothers Government Bond Index is made up of the Treasury Bond Index and the Agency Bond Index. The Treasury index consists of all publicly issued domestic debt of the US Government with maturity greater than one year. Flower bonds, targeted investor notes (TINs), and state and local government series are excluded. U.S. agency debt issues include both callable and noncallable securities. The Agency index includes publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government. Global issues associated with the World Bank are included. The largest issuers are Fannie Mae, the Resolution Trust Funding Corporation (REFCORP) and the Federal Home Loan Bank System (FHLB). All issues must have an outstanding par value of at least \$150 million and a maturity of at least one year. Price, coupon and total return are reported for all sectors on a month-end to month-end basis. All returns are market value-weighted inclusive of accrued interest. The index is rebalanced monthly by market capitalization.

**Lehman Brothers High Yield**

The Lehman Brothers High Yield Bond Index covers fixed rate, publicly issued, below investment-grade debt registered with the SEC. The bonds must be dollar denominated and nonconvertible, have at least one year remaining to maturity and an outstanding par value of at least \$150 million. The bonds must be rated Ba1 or lower by Moody's Investors Service. If a Moody's rating is unavailable, the bonds must be rated BB+ or lower by Standard and Poor's; and if no S&P rating is available, bonds must be rated below investment grade by Fitch Investor's Service. Pay-in-kind (PIK) bonds, 144A bonds and Eurobonds are excluded.

**Lehman Brothers Long Government/Credit**

The Lehman Brothers Long Government/Credit Index consists of issues that comprise the Government and Credit Bond Indices which have a maturity greater than ten years and with a minimum outstanding par value at least of \$150 million. Price, coupon and total return are reported on a month-end to month-end basis. All returns are market value weighted inclusive of accrued interest.

**Lehman Brothers U.S. TIPS**

The Lehman Brothers U.S. Treasury Inflation Protected Securities (TIPS) Index measures the performance of inflation-protected bonds. The rules for inclusion in the index are as follows:

All bonds must have cash flows linked to an inflation index.

The countries covered include the United States, U.K, Canada, and Sweden.

The minimum amounts outstanding are 150 million U.S. dollars, 100 million sterling, or 200 million Canadian dollars.

All bonds must be sovereign issues and be denominated in the relevant national currency.

All bonds must have more than 1 year to maturity.

### A.3 Real Estate Indices

**NAREIT Equity REIT**

The NAREIT Equity Index is designed to provide the most comprehensive assessment of overall REIT industry performance, and includes all tax-qualified REITs with common shares that trade on the New York Stock Exchange, the American Stock Exchange or the NASDAQ National Market List. Companies with shares that trade on the NASDAQ Small Cap List or that trade over the counter are not included.

### A.4 Custom Lifecycle Indices

Custom lifecycle universes refer to sets of indices designed and constructed by investment management companies to provide benchmarks to their target date and risk based lifecycle products. In general, each index is weighted relative to its respective asset class representation within the lifecycle fund. Given the changing nature of these benchmarks over time, the weighting of these indexes are adjusted every quarter.

### A.5 Other Indices

**Goldman Sachs 100 Convertible**

The Goldman Sachs 100 Convertible Index is issue-size weighted and comprised of the 100 most popular convertible and convertible preferred securities as measured by institutional importance in an effort to represent the broad convertible security marketplace.

Mercer Health & Benefits

# MERCER

Health & Benefits



Marsh & McLennan Companies

