April 5, 2011

Proposal to Provide Search and Performance Investment Consulting Services

Los Angeles County Treasurer and Tax Collector

For the County of Los Angeles Horizon Plan and Savings Plan

MERCER

Consulting. Outsourcing. Investments.

MERCER

April 5, 2011

Mr. Glenn Byers, Director Public Finance
Treasurer and Tax Collector
500 West Temple Street, Room 432
Los Angeles, CA 90012

Subject: Search and Performance Investment Consulting Services for the County of Los Angeles Horizon Plan and Savings Plan (the County Plans)

Dear Mr. Byers:

Mercer Investment Consulting, Inc. (Mercer) is delighted to have the opportunity to submit our proposal to provide search and performance investment consulting services to the Country of Los Angeles Treasurer and Tax Collector for the County's Horizon Plan and Savings Plan. Mercer has had the privilege of providing services to the County for an extended period of time and would welcome the opportunity to expand our relationship.

Mercer's consulting approach includes:

A Focus on Client Needs – Our clients are best served by qualified and experienced consultants who are able to develop innovative solutions, while balancing tried-and-true approaches to determine an appropriate solution for an organization's unique needs and objectives. Thus, we recommend practical, proven, as well as innovative solutions, as appropriate.

An Emphasis on Problem Solving – Our business is to provide advice, not to develop and sell off-the-shelf products. We treat our specialized services and systems, as a means to develop solutions to specific problems – not as commodities sold to clients. By focusing first on the client's goals and objectives, we are better positioned to tailor an approach that best meets our clients' needs.

Quality Assurance – We seek to ensure the quality and accuracy of our consulting advice and services through a formal system of professional standards. All work that Mercer performs for clients is peer reviewed by a second consultant to help ensure its accuracy and appropriateness.

Timeliness – We are keenly aware that efficient management of any project means making information available on a timely basis. We are committed to the punctual delivery of our services and draw on a wealth of internal resources to accomplish this.

Proactive Consulting – Our consultants take a proactive approach to service, anticipating problems and identifying opportunities for resolution. Our most experienced professionals, well-versed in the complex and changing aspects of the benefits environment, work with clients to help build an effective process for managing their programs. Our consultants are continually educated in their consulting disciplines, as well as on issues outside their specialty.

Our consulting strengths and areas of expertise are drawn from our:

Page 2
April 5, 2011
Mr. Glenn Byers, Director Public Finance
County of Los Angeles

Resources – Since 1972 we have grown to become one of the largest investment consulting organizations in the world by focusing on each individual client within each market. Clients benefit from our ongoing investment in research staff and analytical tools, which focus on asset allocation, performance evaluation and risk management. We bring extensive consulting experience to sponsors of corporate as well as governmental DC plans.

Research Capabilities – We devote 10-15% of our annual revenue to technology and investment research on asset managers and the capital markets to make critical recommendations to our clients. Over 100 full-time manager research professionals (as of December 31, 2010) analyze investment managers in their respective markets to pinpoint the strategies that we believe have the potential to offer our clients superior risk-adjusted performance.

Focus on Fiduciary Obligations – We understand that the fiduciary environment has changed drastically over the last few years. By virtue of being a registered investment advisor, Mercer is a fiduciary with respect to the investment advice we provide, which Mercer will acknowledge in writing.

I will be the primary contact for the County Plans. As a Partner at Mercer, my signature below is authorized to bind Mercer contractually. My contact information is shown below.

Mercer's proposal is a firm and irrevocable offer, good for one year. Mercer is willing and able to perform all of the services as described in this RFP. Mercer is committed to making available any additional staff and other required resources for performing all services and providing all deliverables within the specified time frames as described in this RFP for both County Plans.

Mercer considers any client data, including contact information, provided in this RFP to be proprietary and request that it be treated as confidential.

Mercer will bear sole and complete responsibility for all work as defined in *Appendix B, Statement of Work*.

Please do not hesitate to call with any questions. Mercer looks forward to working with the County on this assignment.

Best regards,

Philip J. Suess
Partner
155 North Wacker Drive, Suite 1500
Chicago, IL 60606
Phone: 312-917-9300
Fax: 312-917-8999
Phil.suess@mercer.com

Table of contents

A

Section A Minimum Mandatory Requirements

Required Forms - Exhibit 1
Proposer's Organization Questionnaire/Affidavit

Please complete, date and sign this form and place it as the first page of your proposal. The person signing the form must be authorized to sign on behalf of the Proposer and to bind the applicant in a Contract.

1. If your firm is a corporation or limited liability company (LLC), state its legal name (as found in your Articles of Incorporation) and State of incorporation:

Name	State	Year Inc.
Mercer Investment Consulting, Inc.	**Commonwealth of Kentucky**	**Dec. 29, 1972**

2. If your firm is a limited partnership or a sole proprietorship, state the name of the proprietor or managing partner:
N/A

3. If your firm is doing business under one or more DBA's, please list all DBA's and the County(s) of registration:

Name	County of Registration	Year became DBA
N/A		

4. Is your firm wholly or majority owned by, or a subsidiary of, another firm? **Yes** If yes,

Name of parent firm: **Mercer (US) Inc.**

State of incorporation or registration of parent firm: **Delaware**

5. Please list any other names your firm has done business as within the last five (5) years.

Name Year of Name Change
There have been no name changes in the last five years.

6. Indicate if your firm is involved in any pending acquisition/merger, including the associated company name. If not applicable, so indicate below.

In January 2011 Mercer acquired Hammond Associates, a leading investment advisor to endowment and foundations, health care organizations and universities. This transaction offers us the ability to provide our clients with additional research capabilities, particularly in the area of alternatives manager research.

Proposer acknowledges and certifies that it meets and will comply with all of the Minimum Mandatory Requirements listed in Paragraph 1.4 - Minimum Mandatory Requirements, of this Request for Proposal, as listed below.

Check the appropriate boxes:

X Yes No Proposer must have been in search and performance consulting business for five (5) years and have at least (3) three years documented experience in providing search and performance consulting services for defined contribution plans, having search and performance consulting services of DC plan assets in excess of $1 billion. Proposer should also have knowledge of applicable laws and regulations to effectively provide services as identified in *Appendix B, Statement of Work,* of this RFP.

Mercer has been providing search and performance consulting business for over five (5) years and has over (3) three years documented experience in providing search and performance consulting services for defined contribution plans, with search and performance consulting service clients of DC plan assets in excess of $1 billion. Mercer has knowledge of applicable laws and regulations to effectively provide services as identified in *Appendix B, Statement of Work,* of this RFP.

X Yes No Proposer must be qualified to do business in the State of California.
Please see State of California business license copy in the Appendix.

X Yes No Proposer must be able to be a fiduciary with respect to all matter for which it shall assume responsibility to the Plans.

Mercer is a fiduciary in respect to all matters **for which it shall assume responsibility for the Plans**

X Yes No Proposer must not have any unresolved legal issues with the State or federal regulators.

Mercer does not have any unresolved legal issues with the State or federal regulators. Please see Section 1.1 D.

X Yes No Proposer must be able to provide separate service fees for the 457 Plan and the 401(k) Plan found in the SOW.

Mercer has provided separate services fees as found in the SOW.

X Yes No Proposer's lead service contact for the contract shall have at least (5) five years experience in search and performance consulting services for a large defined contribution or benefit plan with assets in excess of $1 billion.

Mercer's lead service contact for this contract has over 25 years of experience in search and performance consulting services for a large defined contribution or benefit plan with excess of $1 billion.

X Yes No Proposer must be found responsive and responsible in responding to this RFP.

X Yes No Proposer must have relevant insurance coverage and bonding limits to service plans with assets in excess of $1 billion.

Mercer has relevant insurance coverage and bonding limits to service the plans with assets in excess of $1 billion. Please see the copy of our insurance coverage and bonding limits in the Appendix.

X Yes No Proposer must comply and provide evidence with all insurance requirements set forth in *Appendix A, Sample Contract, Sections 8.25 and 8.26*, of this RFP.

Mercer complies and has provided evidence of all insurance requirements set forth in Appendix A, Sample Contract, Section 8.25 and 8.26.

X Yes No Proposer must comply with the RFP format and other requirements set forth in *Part II, Proposal Submission Requirements,* of this RFP when submitting its proposal.

X Yes No Proposer must respond positively to a willingness to hire GAIN/GROW participants (reference *Part I, General Information, Section 2.17* in this RFP).

Mercer has responded positively to a willingness to hire GAIN/GROW participants as acknowledged in reference Part I, Generation Information, Section 2.17.

X Yes No Proposer must certify intent to comply with the County's Child Support Compliance Program (reference *Part IV, Contract Requirements, Section 1.4* in this RFP).

Mercer has certified to comply with the County's Child Support Compliance Program referenced in Part IV, Contract Requirements, Section 1.4.

X Yes No Proposer must certify intent to comply with the County's Jury Service Program (reference *Part IV, Contract Requirements, Section 1.10* in this Section).

Mercer has certified intent to comply with the County's Jury Service Program referenced in Part IV, Contract Requirements, Section 1.10.

X Yes No Proposer must certify that it has, or is in the process of developing, a policy to address the SEC Rules and internal procedures established to monitor compliance with the SEC Rules and Proposer's policy (reference Part I, General Information, Section 2.20 in this RFP).

X Yes No Proposer must agree to provide the County with a list of the adviser's "covered associates" prior to March 14, 2011 and to update the list on a quarterly basis.

X Yes No For RFPs issued on or after March 14, 2011, Proposer must disclose whether it or any of its current or former "covered associates," have, on or after March 14, 2011:

(A) Made any "contribution" or "payment" to a member of the Los Angeles County Board of Supervisors (Board member),

(B) Agreed to pay a third party to solicit business from the Plans or the County or make a contribution or payment to a Board member,

(C) Coordinated or solicited any third party to make a contribution or payment to a Board member or to a political party of California or the County, or

(D) Been precluded from receiving compensation for advisory services provide to any other governmental entity due to a violation of the SEC Rules.

Proposer further acknowledges that if any false, misleading, incomplete, or deceptively unresponsive statements in connection with this proposal are made, the proposal may be rejected. The evaluation and determination in this area shall be at the Director's sole judgment and his/her judgment shall be final.

Proposer's Name:
Philip J. Suess

Address:
155 North Wacker Drive, Suite 1500
Chicago, IL 60606

E-mail address:**phil.suess@mercer.com** Telephone number: **312-917-9300**
Fax number: **312-917-8999**

On behalf of Mercer Investment Consulting, Inc. (Proposer's name), I, **Philip J. Suess** (Name of Proposer's authorized representative), certify that the information contained in this Proposer's Organization Questionnaire/Affidavit is true and correct to the best of my information and belief.

______________________	**61-0736136**
Signature	IRS Employer Identification Number
Partner	**C1957427**
Title	California Business License Number
April 5, 2011	______________________
Date	County WebVen Number

B

Section B Proposer's Qualifications

Proposer's organization, administration and general information (Section B.1)

Proposer must provide a summary of relevant background information to demonstrate that they have the capability, knowledge and experience to perform search and performance consulting services as described in Appendix B, Statement of Work. In addition, this section should include a detailed description of the following:

a. **Organization and Methodology: Describe the firm's organizational structure; provide a brief history of your organization and the search and performance consulting department, include year of organization, current ownership/structure, affiliated companies, and location(s) of office for this assignment. List each line of business and the contribution of each business to the organization's total revenue. If an affiliate or subsidiary of an organization, what percentage of the parent firm's total revenue does your subsidiary or affiliate generate? Include an organizational chart of your firm with emphasis on the search and performance consulting department and the team that will be providing the search and performance consulting services. Describe your investment philosophy and process in search and performance consulting services for governmental entities. Describe the investment manager search process. Describe the significance of investment manager fee structure in the search. Outline your criteria used to make manager hiring and firing recommendations.**

Organizational overview

Mercer is a global provider of investment consulting services offering customized guidance at each stage of the investment decision, risk management, and investment monitoring process. We have been dedicated to meeting clients' needs for more than 35 years, and work with the fiduciaries of pension funds, foundations, endowments and other investors in more than 40 countries.

Started in the United States in 1937 as the employee benefits department of Marsh & McLennan, Inc., our parent company took the name of "William M. Mercer" in 1959, when Marsh & McLennan acquired William M. Mercer Limited, a Canadian firm founded in 1945. William M. Mercer Investment Consulting, Inc. was created as a separate entity in the United States in 1972 to provide investment advisory services. In 1975, Mercer became a wholly-owned subsidiary of Marsh & McLennan Companies, Inc. In 2007, our parent company changed its corporate name to Mercer Human Resource Consulting, Inc., and we rebranded ourselves as Mercer Investment Consulting, Inc. On September 12, 2007, our parent company changed its name to Mercer (US) Inc. and we rebranded ourselves as simply “Mercer”.

Worldwide, Mercer’s investment consulting business has over 1,000 employees located in over 50 offices in Asia, Australia, Canada, Europe, Latin America, New Zealand, the UK and US (as of December 31, 2010).

In the US we have over 360 employees in offices in:

Atlanta, GA	Boston, MA	Chicago, IL
Los Angeles, CA	New York, NY	Philadelphia, PA
Princeton, NJ	Richmond, VA	San Francisco, CA
Seattle, WA	St. Louis, MO	Washington, DC

Our US headquarters is in Chicago: Services for this assignment will be provided by our Los Angeles and Chicago offices.

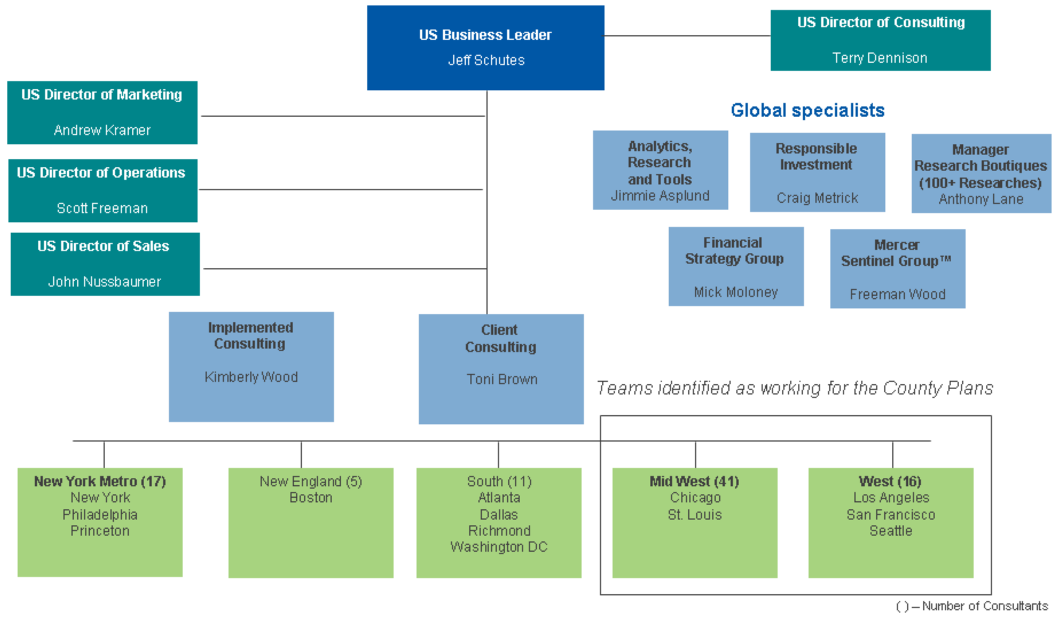
Our size and global reach permit us to devote extensive resources to each client and provide in-depth knowledge of investment managers globally. The client decision-making process is locally based, but relies on regional and global coordination in areas such as asset/liability modeling, investment policy, manager research/search, and performance evaluation. Consultants are supported by research and systems staff based primarily in Chicago, London, Melbourne, Sydney, Tokyo, Toronto, and Wellington.

Throughout most of the world, Mercer’s investment consulting business is an autonomous unit within Mercer LLC, a wholly-owned subsidiary of Marsh & McLennan Companies, Inc. In the US, the investment consulting business is operated through Mercer Investment Consulting, Inc., a wholly-owned subsidiary of Mercer (US) Inc., the US operating unit of Mercer LLC.

Mercer is one of the global leaders for trusted HR and related financial advice, products, and services. The company has specialist expertise in all areas of human resource consulting, including compensation, employee benefits, communication, and human capital strategy.

Marsh & McLennan Companies is a global professional services firm with annual revenues of approximately $11 billion. As of December 31, 2009, approximately 54,000 employees provide analysis, advice, and transactional capabilities to clients in over 100 countries. It is the parent company of Marsh, the world's leading risk and insurance services firm; Guy Carpenter, a leading reinsurance intermediary; Mercer, a major global provider of human resource and investment consulting services; and, Oliver Wyman, a leading provider of specialty consulting. Its stock (ticker symbol: MMC) is listed on the New York, and Chicago stock exchanges. Marsh & McLennan Companies’ website address is www.mmc.com.

In January of 2011 Mercer acquired Hammond Associates, creating a new leader in investment consulting for endowments and foundations, and healthcare organizations. With more than 200 clients, Hammond, which is based In St. Louis, MO, is the third largest investment consulting firm serving endowments and foundations in the US.



Team chart

The chart below shows the team and the additional resources they will be working with to provide consulting services to the County Plans.

Investment philosophy

Mercer has established a set of fundamental beliefs upon which advice to clients is based, these beliefs across the globe are:

Risk & return are related - Capital markets are reasonably efficient in pricing financial risk in the sense that if the expected return on an asset exceeds that on a second similar asset, there is frequently an additional risk entailed in holding the former asset. Risk is a multi-dimensional concept, however, and thoroughly understanding all of the risks attached to an asset will frequently be difficult (but necessary).

Return requires risk but risk does not guarantee return - Achieving a return above that available on high quality money market investments (Treasury bills or equivalent) requires that risk of some description be taken. Risk-taking does not guarantee that an additional return will be achieved even over long time periods however — that is what risk is about.

Diversification can reduce risk - Combining assets with returns that are less than perfectly correlated reduces the volatility of portfolio returns, all other things being equal. This is amongst the most important tenets of investment management. The impact of other risks such as counterparty risk, event risk, etc. can also be reduced through appropriate diversification. Diversification is more than a mathematical exercise.

The real world is complex and not always rational - The real world is complex and assumptions underlying theories such as the Capital Asset Pricing Model and the Efficient Markets Hypothesis are frequently violated in practice. Accordingly, although such theories are of considerable assistance in understanding real world issues, they should not be relied upon exclusively.

Behavioral issues are important and can in some circumstances exert a more powerful influence on markets than rational economic optimization - Behavioral issues apply at the security level, at the asset class level and in constructing total investment portfolios. At all of these levels, these issues can have a significant impact on investment outcomes.

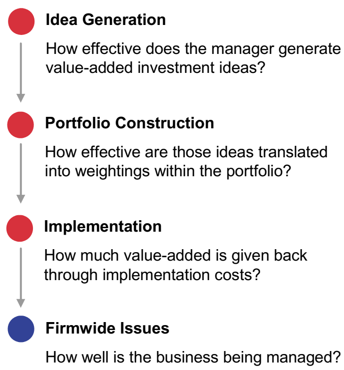
Investment manager search process

To understand our search process, it is useful to have context on Mercer's manager research function since virtually all the strategies we recommend to clients are formally rated by our research team prior to being included in a search. Mercer employs more than 80 full-time manager researchers in offices in North America, Europe, and Asia. Overall, our proprietary Global Investment Manager Database (GIMD®) houses over 20,000 strategies from 3,700 managers. We conduct more than 2,500 manager research meetings annually.

Research Process

We believe that qualitative factors have greater predictive power of future performance than trailing performance, and so these weigh most heavily in our research process.

Qualitative factors: We assess a manager's strength along four factors that we believe are predictive of future performance. The first is idea generation, which gauges the ability of a manager to find compelling investments. Next, we examine how well these investment ideas are incorporated into the actual construction of the portfolio (e.g., does the manager effectively position its best research ideas within the portfolio, and if so, does this construction deliver results?). We then assess the implementation of the strategy, particularly how a manager controls transaction costs as well as growth of assets in the strategy. Finally, we evaluate in-depth firm-wide issues that can have a major impact on how well the investment team will function within a specific firm environment. Areas covered in this assessment are compensation, team tenure, organizational consistency and distribution of ownership.



Our review involves a combination of on-site visits to investment managers, in-person interviews in our offices, statistical analysis, and the direct experience of our consultant teams who are responsible for establishing our view on each investment manager. Each of the four factors is rated as either Negative (-), Neutral (=), Positive (+) or Very Positive (++). These ratings are transposed numerically, and their sum yields a value that is measured along a letter grade continuum—from A to C.

Quantitative factors: Statistics, though emphasized less than qualitative factors, remain important to our ratings process. We focus on many different quantitative measures that are critical to understanding manager performance including alpha (the excess return the manager historically added over an appropriate benchmark); batting average (measures the percentage of time a manager outperformed its benchmark over a given period); downside protection (depicts the degree to which a manager protects principal relative to the market and/or peers in a bear market); tracking error (measures the volatility of a strategy relative to its benchmark); and information ratio (amount of alpha generated per unit of tracking error).

Investment Manager Search Process

Our search process is best depicted by the diagram below:

1. We begin the manager search process by working with clients in order to determine appropriate manager selection criteria. Many clients wish to participate in the initial meeting with the research consultants to discuss potential candidates and how they might fit within the existing portfolio structure. Specific issues discussed include:

   - Asset size and vehicle type
   - Degree of alpha potential and tracking error
   - Degree of correlation with other managers (to provide diversification)
   - Separate client guidelines
   - Cash flow requirements and fee sensitivity
   - Emerging manager, minority-, or female-owned firm preferences
   - During this stage we can include any managers that the Plan Administration Committee (PAC) wishes to include in the search process.

2. Products given the highest rating – "A" – are those recommended for searches. During the manager search process, a client's consultant generally works directly with the research consultants to select from the list of "A" rated products based upon the specific client criteria as determined in Step 1. The selected subset of "A" rated products comprises the initial candidates in an investment manager search.

3. After managers are selected for consideration, a comparative analysis report is reviewed which includes an analysis of various return/risk metrics over multiple time periods, a qualitative summary of the manager's investment process and key observations and statistics on each manager's organization.

4. Once finalists are selected, we coordinate presentations including dates and times, presentation agenda's and facilitate the interview process.

5. The final component, one that is sometimes overlooked until late in the process, is the logistics of the transition process. We work with a variety of clients in this capacity – from clients who wish to handle the transition process internally, to clients who prefer that we handle the logistics of transitioning from one manager to another. We also help clients negotiate fees based upon our experience.

Throughout this process, we incorporate client staff into these steps based on the client's preference. Many clients wish to participate in the initial meeting with the research consultants to discuss potential candidates and how they might fit within the existing manager structure. Additionally, we occasionally conduct semi-finalist interviews, either on-site or at the client's location, in order to condense the list of finalists presented to the client.

Significance of investment manager fee structure in the search

Manager fees are an important consideration in the search process, as they represent a direct erosion of value that a manager is attempting to deliver. Our goal in the search process is to optimize a client's fee structure with a potential manager to the greatest extent possible, negotiating low-cost terms for separate accounts and commingled trusts and lowest cost share classes possible for mutual funds. In doing so, we look to comparable universes for guidance on reasonableness of fees. All else equal, we would favor a hjgh-quality, cost-effective manager relative to an indistinguishable higher-cost one. In practice, the decision tree is not so obvious, and it is necessary to determine whether the higher cost manager is of higher quality. We recognize in our analysis, however, that fees are only one part of the equation, and that ultimately, net-of-fee excess performance is what clients should try to maximize.

The measurement and understanding of investment fees is a key fiduciary responsibility and part of an overall objective of assessing the Plan's total fee arrangements.

Our objective is to document the total fees for the Plan that are charged against participant accounts. In determining these fees, we:

- Confirm the investment management fees for the investment funds utilized under the Plan
- Determine what 12b-1 fees, and transfer and administration fees if any, are included in the investment management fees
- Contact the Plan administrator to have them detail the fees they collect from the investment funds, the Plan participants and from the Plan Sponsor

Our goal is to be able to detail for a client the investment management costs of their Plan as well as the administrative costs of the Plan.

We believe that the costs of the Plan should be fully disclosed to Plan participants. This disclosure should include the investment fees of each of the Plan's investment funds and identify on a per participant basis the administrative costs of the Plan. This information should be made available on at least an annual basis. Emphasis is placed on lower cost investment products and fee structures that decline with increasing asset balances.

Investment monitoring

The goal of our performance evaluation process is to help clients meet their fiduciary responsibility by evaluating:

- An investment fund’s adherence to policy guidelines
- Current investment strategy of an investment fund and its underlying managers
- Future capital market expectations and market trends

We believe that the management of a fund is a continuous process and is not limited to providing a quarterly performance report. Our ongoing performance evaluation includes, but is not limited to:

- Periodic performance evaluation reports. These comprehensive reports provide information on asset allocation relative to policy targets; investment performance relative to appropriate index benchmarks and peer groups for the total fund and each manager; period-end portfolio characteristics; and investment policy compliance. Additionally, our reports include customized commentary at the total fund and manager level. We typically provide reports on a quarterly basis.
- Ongoing due diligence on the fund’s investment managers. We provide continuous due diligence on changes that may significantly impact a client’s investment managers. If concerns arise relating to these managers, we issue recommendations for appropriate action as needed.
- Ongoing investment consulting services. As significant changes occur in the capital market environment or available investment alternatives, we provide clients with educational presentations, information and recommendations to assist them in meeting their fund’s long-term objectives.

For **defined contribution plans**, Mercer has a proprietary software system for DC reporting. Our database stores DC client and plan information on a central server. This information about investment products is updated using back-office processes. Mercer’s analysts maintain DC client and plan data through a web based front end to the database. Analysts generate performance evaluation reports by using a desktop Report Writer that pulls plan level data off the database and calculates performance, generates charts, tables and other types of exhibits.

Our Report Writer then places all the data and exhibits into a standardized reporting document. Analysts then apply attribution and client specific analysis and comments into the standardized report to create the finished product.

Formal Reporting

- Overview of the economic and capital market environment as well as market trends
- Highlights of any organizational issues, within an investment management firm, meriting attention
- Qualitative evaluation of current manager structure and individual investment strategies utilized
- Detailed attribution and quantitative graphs showing absolute results, relative results and other attribution analysis
- Compliance review versus investment policy standards

Ad Hoc Reporting

- Manager meeting notes and news memos
- Relevant research and white papers
- Capital market assumptions and economic news alerts
- Mercer Surveys

Upon receipt of the performance evaluation report, Mercer would meet with the PAC each quarter to review the report and recommendations. Collectively, the PAC and Mercer would decide on action plans if necessary.

Criteria to make manager hiring and firing recommendations

There are times when manager performance is below expectations relative to policy guidelines and appropriate action is necessary. Our investment manager recommendations may fall into one of the following three categories:

1. Retain – We have confidence in the investment manager’s ability to add future value. The manager’s investment performance is satisfactory, and has no significant organizational or strategic issues.

2. Place on Watch – The manager’s investment performance is unsatisfactory and/or issues relating to the organization or strategy are of concern.

3. Terminate – We do not have confidence in the manager’s ability to add future value over a benchmark. We may recommend terminating a manager if significant concerns exist as to the organization or strategy.

Placing a Manager on Watch/Terminate

We recommend placing an investment manager on “watch” or to terminate when:

- We lose confidence in the management of the strategy. This can be due to:

Changes in organizational structure or personnel – A significant change in culture, usually resulting from a merger, acquisition or key staff departure, that is likely to distort incentives and promote turnover;

Changes in strategy – If the manager departs from the strategy and/or style for which it was originally hired to implement, such as a switch from a quantitative process to a fundamental one;

Performance – continued performance shortfalls versus a peer group of managers with a similar style and/or market index.

- The characteristics of the portfolio no longer satisfy the desired or expected elements of the mandate
- The current style is no longer deemed appropriate

Our clients may review the manager status at any time, but normally do so during quarterly performance review meetings. They review our recommendations to either place managers on watch or terminate relationships, and vote on such recommendations after deliberation. Managers are generally placed on watch status for a period of time prior to a decision to terminate the relationship. However, there may be circumstances under which a client may elect to terminate a manager without first placing them on watch.

b. Asset Allocations and Target Date Funds: Describe your modeling concepts and methodology used to perform asset allocations. How often should a formal/informal asset allocation review be conducted? Describe the customary range of target allocations for equities, fixed income and alternative assets, and have the customary range changed under recent economic stresses. Describe the current expected risk and return assumptions used in asset allocation modeling for each asset category. How, why and when will these assumptions change over time. Specifically, provide answers to the following Target Date Fund (TDF) services provided to clients:

i. Your firm's view on the proper objective of TDFs and your experiences in developing and maintaining custom TDFs using existing Plan assets and their glide paths in a multi-billion DC Plan.

ii. Describe how you plan to maintain our custom TDFs glide paths developed and being maintained based on the County's demographics and other participants' data.

iii. Your firm's view on income replacement ratio necessary at retirement and why.

iv. Your firm's view on the type, if any, of alternative asset classes and your experiences in developing and maintaining alternative asset classes within TDFs,

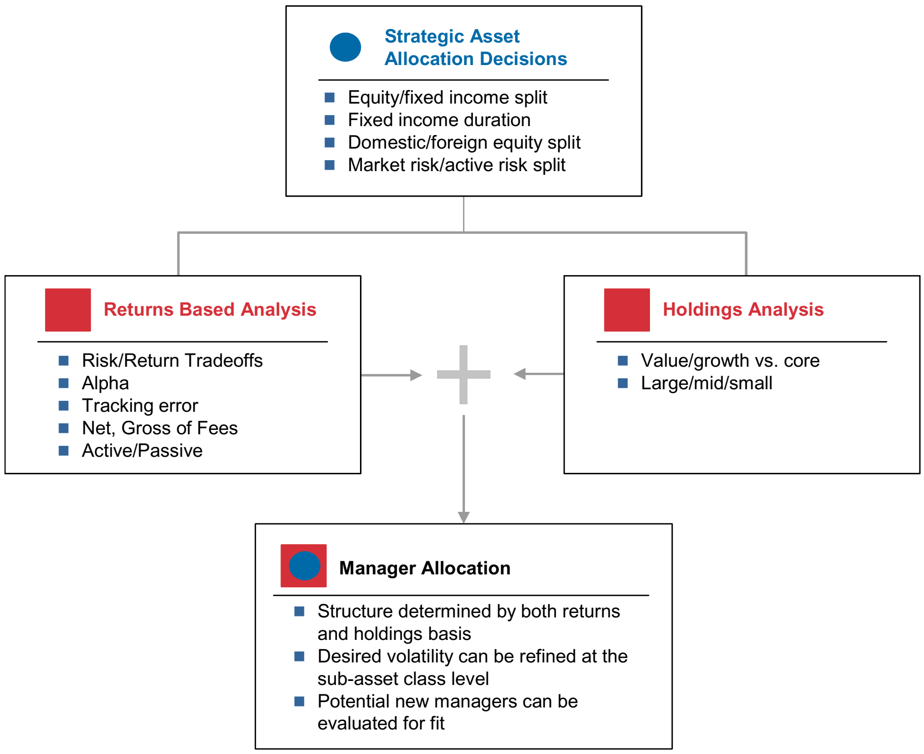
v. Your firm's view and your experiences in developing and maintaining tactical asset allocation moves within TDFs.

vi. Provide a sample report outlining your firm's advice on the glide path and construction of custom TDFs.

Asset allocation and modeling

Our approach to asset allocation recognizes that all clients are subject to the same capital markets, but they have different investment problems to solve and different levels of comfort with the markets. As a result, the goal of our strategic asset allocation and investment policy work is to find the best intersection of the outlook for the capital market with the client's unique goals circumstances and constraints. The outcome is a unique set of client specific solutions, each built from the same core intellectual capital. To achieve this we work collaboratively with clients, establishing the interactive and creative approach that underlies all our consulting relationships. This approach includes:

- Strategic asset allocation – allocation among high-level asset classes
- Portfolio structuring – allocation among sub-asset classes to ensure proper diversification
- Manager selection – evaluation of manager performance in order to determine one suitable for a client's requirements



In order to understand the range of outcomes, we employ an economic model of capital markets (CMS) to focus on three fundamental factors – growth, inflation, and interest rates – that drive capital markets.

We use deterministic modeling of various economic scenarios in order to help comprehend the effects of specific economic events. We employ a set of six basic scenarios - **base case, recession, stagflation, inflationary growth, ideal growth, and market correction** – to illustrate and highlight the implications for different asset allocations. Stochastic modeling is used to help assign probabilities to the various market environments.

We use our proprietary Portfolio Structure Toolkit for asset allocation, manager structure and risk budgeting projects.

Portfolio Structuring Toolkit

The Portfolio Structuring Toolkit (PST) is Mercer's proprietary tool for asset allocation, manager structure, and risk budgeting projects.

At the asset level, the PST can perform mean/variance optimization and analysis, as well as "surplus" management by defining a liability with mean/variance characteristics.

At the manager level, the PST incorporates the information ratio, tracking error, and alpha correlations across managers to analyze and optimize particular manager structures at both a gross and net of fee level (the fee schedule for a manager can be one of the manager level inputs).

Risk budgeting projects can be analyzed, allowing users to look at the contribution of a portfolio's strategic asset allocation and its interaction with manager structure. Output statistics include value-at-risk measures, contribution to variance, and probabilities of attaining returns. PST is integrated with Mercer's GIMD® database, allowing users to access manager data for analysis.

We recommend a formal review of asset allocation policies every one to three years, unless there are significant changes to the underlying benefit or demographic structure.

Once a year, we review and analyze the investment policy, asset allocation, and portfolio structure. This analysis would update the asset allocation with the most recent economic and financial data.

We believe that all liquid asset classes should be considered for custom target date funds. In addition, many clients using custom target date funds are revising their customary range of target allocations. Increasingly, we see clients shifting their risk budgets away from U.S. equities to global equities, commodities, high yield bonds, long bonds, emerging market debt, international small cap, emerging markets. By combining these asset classes, more efficient portfolios should be allowed.

At a minimum, the asset classes that should be considered are: global equities, broad investment grade fixed income, inflation-indexed bonds, and a stable value/money market type investment. Global equities provide the long run growth, investment grade fixed income provides stable income, inflation-indexed bonds allow for protection against inflation, and a stable value/money market fund provides the ability to preserve capital.

Additional asset classes being considered:

- High yield bonds and emerging market debt: diversification, and potential value-added if done tactically.
- Long bonds—these hedge out interest rate risk in managing replacement ratios, provide a small extra return over long run time periods, and help to lower the contribution of equity risk in overall total risk.
- Commodities—By itself this is an inefficient asset class (low return, high risk), but the low correlation to other asset classes can improve the portfolio efficiency.

Assumptions

Our US capital market assumptions are derived by our chief economist, Louis D. Finney, PhD, and are approved by the US Investment Policy Committee which is comprised of research and practice consultants. Assumptions are reviewed on a quarterly basis and adjusted based upon capital market changes. Our recent Capital Markets Outlook, which includes our assumptions as of the end of the most recent quarter, is attached.

Additionally, our Directors of Consulting develop consistent capital market assumptions on a global basis.

Our assumptions are based on the professional judgment of experienced investment consultants and economists and rely on historical experience, economic theory, and our assessment of future developments in the capital markets. Our process for setting asset class expected returns begins with earnings growth and current yields. Equity return assumptions are set by adding a risk premium over bonds. Volatility and correlation assumptions are based more directly on historical experience, except in cases in which the market environment has clearly changed.

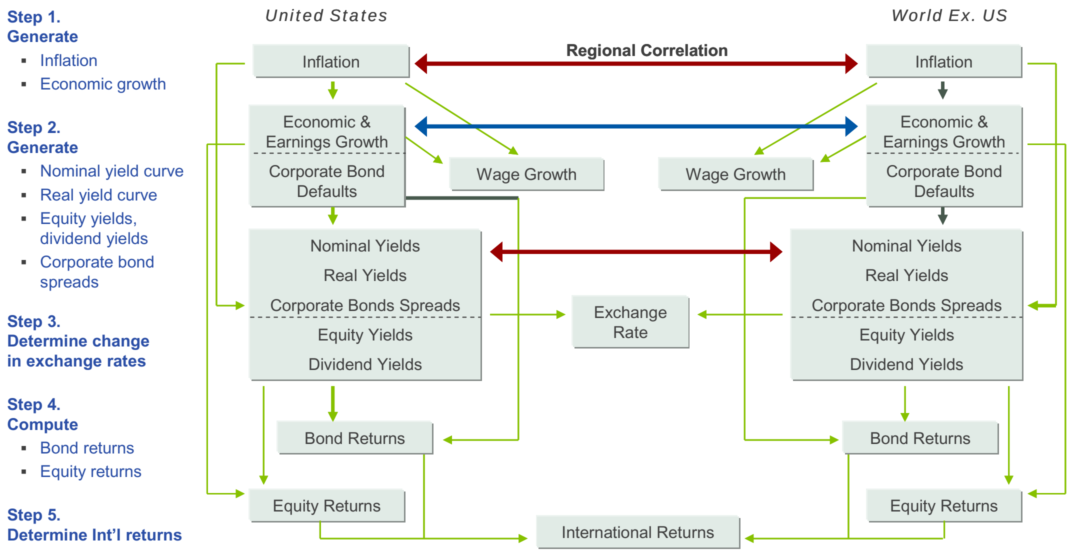
Below is a summary of the changes we made to our assumptions in January 2011.

- We have lowered our equity return and equity-related assumptions by 0.1%. This is due to a combination of slightly lower dividend yields and a slight adjustment to the path of expected inflation.
- Fixed income returns are generally higher due to the movement of interest rates in the fourth quarter, especially for long governments.
- However, short-term yields did not move very much and credit spreads tightened, so not all fixed income returns moved upwards. High yield return was lowered due to tightening spreads.
- Correlations for hedge funds were adjusted.
- One new asset class was added—Senior Bank Loans. This asset class is modeled as low quality, short maturity and variable-rate credit securities.

The Mercer Capital Markets Simulator (CMS) is our proprietary economic and financial modeling tool. Essentially, we believe there are three main drivers of the capital markets:

- Inflation
- Economic growth, which flows through to earnings and profits
- Interest rates

We model real interest rates, nominal interest rates, default spreads, dividend yields, and earnings yields (the inverse of price/earnings ratios). The flowchart below presents the methodology for generating capital market returns:



CMS provides three main advantages:

- Precise analytics, by employing an economic model, not a mean/variance model. The model is based upon economic fundamentals: growth, inflation, and interest rates that determine returns.
- Consistent global results, by simultaneously modeling multiple countries.
- Proper display of asset/liability relationships through direct modeling of interest rates and inflation

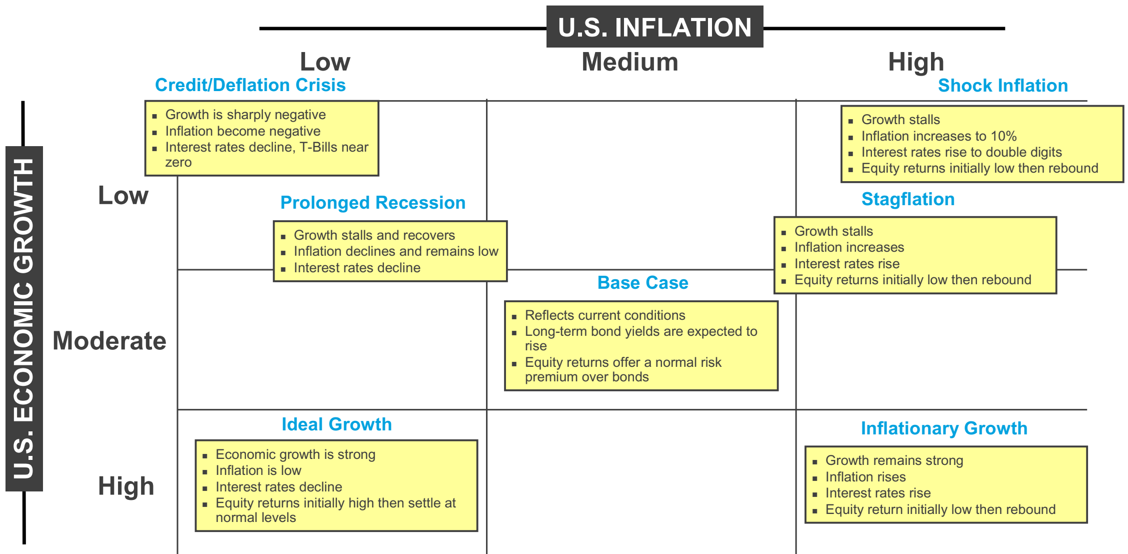
Scenario Analysis

Our capital market assumptions represent general future expectations and significant volatility around those expectations. We believe this approach accurately addresses "two standard deviation events," such as the 1973-74 equity market. We recognize, however, that, in times of economic stress, long-term standard assumptions may not hold. For example, during a deflationary spiral, correlations between factors tend towards one or negative one. For this reason, we include a scenario analysis in addition to our simulation results. We review these assumptions with clients, as well as the methodology for developing these assumptions, prior to commencing strategic asset allocation studies.

See below for a graphical representation of our scenarios:

Economics / Assumption Setting

Quantifying Risk / Deterministic Economic Scenarios



U.S. equity market performance is highly correlated with economic growth and U.S. bond yields are highly correlated with U.S. inflation. Therefore, this simple matrix gives us confidence that our scenario analysis considers the full range of economic conditions. Detailed assumptions are presented in the Appendix.

i. Your firm's view on the proper objective of TDFs and your experiences in developing and maintaining custom TDFs using existing Plan assets and their glide paths in a multi-billion DC Plan.

Our view is that Target Date Funds should have the objective of wealth accumulation to provide sufficient resources in retirement while balancing the sometimes contrasting risks of inflation, longevity, and equity drawdown. To this end, we have created custom glide paths for many plan sponsors, particularly in the public defined contribution space, for several years that aim to provide optimal target date allocations based on their unique plan circumstances and participant demographics. Public deferred compensation plans are singular in that they tend to serve as supplement to defined benefit plans, and consequently, packaged target date funds may be less appropriate for them. In these cases, we work with the Plan sponsor to develop a glidepath (including options from the Plan line-up and additional ones in some cases) that best fits the current benefits package. Retiree medical coverage is another substantial consideration in this process.

ii. Custom TDFs glide paths development and maintenance based on the County's demographics and other participants' data.

We begin the custom glide path construction process by identifying available asset classes for investment. Many plan sponsors wish to confine the decision set to solely options available in the plan, while others want to add supplementary investments exclusively for use in the custom target date funds. With the available assets, we plot several allocations for each of the target date portfolios along the efficient frontier based on Mercer's Capital Market Outlook assumptions which outline long-term expectations of returns, volatilities, and correlations for all asset classes.

Next we define a representative participant for each target date portfolio. For a public deferred compensation plan, we rely heavily on third-party administrator/recordkeeper participant data in such areas as deferral rates, average participant balances, depletion rates (after retirement), sponsor match data, etc. We supplement this with actuarial and other information gleaned from the Comprehensive Annual Financial Report for the defined benefit plan.

We then test the outcome (i.e., participant balance) of each glide path through a series of Monte Carlo simulations (thousands of trials) that typically cover a horizon of 85 years. Variables include interest rates, inflation rates, asset class returns, deferral rates, wage growth, and the presence of an employer match. Attributes weighed heavily when evaluating the results of the Monte Carlo simulations include:

- Nominal and real balances (median and worst 5% levels)
- Income replacement ratios
- Median cumulative return and volatility of glide paths
- Probability of decline in final two years before retirement date
- Depletion rates (or years to depletion) in post-retirement

We review our analysis with the plan's fiduciaries to determine the glide path with which they are most comfortable and work with the plan's recordkeeper and trustee/custodian to implement it. In addition, we will work with the plan to determine rebalancing procedures in order to maintain proximity to targets. Annually, absent of major changes to the line-up, participant demographics, etc., we will perform a roll-down analysis, adjusting the allocations to become more conservative as they are now one year closer to the target date.

iii. Mercer's view on income replacement ratio necessary at retirement and why

Generally, we believe that income replacement ratio is one of the most critical factors to emphasize in custom glide path construction. Conceptually, we can estimate income replacement of a target date fund by either applying a static target spending rate to the expected principal value at retirement or by projecting the stream of payments from an annuity purchased at the target date. All other things equal, we naturally would select the glide path that offers the greatest likelihood of preserving a participant's standard of living after retirement.

For public deferred compensation plan participants, however, the notion of income replacement solely from a target date fund becomes less relevant since the bulk of these participants' retirement benefits likely will come from their defined benefit pensions. It still is a useful metric, but more so to indicate how much of a supplement that the deferred compensation plan will provide in retirement. Ideally, for public DC participants, income replacement ratios will be in excess of 90% when considering all benefits.

iv. Mercer's view on the type, if any, of alternative asset classes and your experiences in developing and maintaining alternative asset classes within TDFs,

Given a clean slate, we favor the use of most daily liquidity alternative asset classes in custom TDFs. The rationale for this is to transfer the contribution of portfolio risk from equities (which generally contribute greater than 90% of portfolio risk) to other risk factors. In practice, most of our clients still only use alternatives sparingly in their custom lifecycle models, but we believe this progression will gain momentum in the next few years as product availability becomes increasingly robust. We firmly believe that TDF investments should be made only in those alternative investment vehicles that guarantee daily liquidity and invest in securities with observable market pricing.

Some of these assets we favor include:

- Market neutral strategies (e.g., long/short)
- Statistical arbitrage
- Commodities
- Convertible Bonds
- Global Macro
- Risk Parity
- Currency

v. Mercer's view and you experience in developing and maintaining tactical asset allocation moves within TDFs.

By and large, we do not engage in tactical asset allocation within TDFs. There are circumstances, however, when our long-term capital market assumptions change and these may dictate a different asset allocation during a strategic review. An example would be if yields on TIPS traded at comparable levels to nominal bonds or if the nominal yield curve was steeply inverted, we may recommend adjusting the fixed income allocations TDFs marginally to benefit from these dislocations.

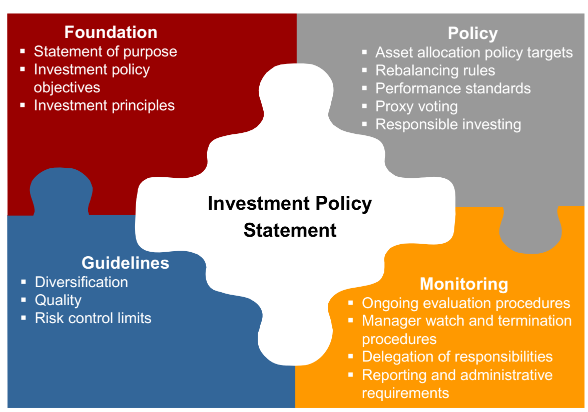
vi. Sample report outlining Mercer's advice on the glide path and construction of custom target date funds.

Please see the Appendix for a sample report outlining our advice on glide path and construction of custom target date funds.

c. Services: Describe your approach to developing and maintaining the Statement of Investment Policy. Describe your capabilities to evaluate and monitor securities lending and commission recapturing programs. Describe your capabilities to evaluate and monitor short term investment funds (STIF) or other cash management programs. Describe client actions recommended and acted upon to mitigate recent financial duress. Describe fundamental changes made to your investment approach due to recent market stresses. Describe methods utilized to keep clients abreast of significant developments in the capital markets.

Developing and maintaining the statement of investment policy

One of the key features of a strong fund governance structure is a well-developed investment policy statement that guides both fiduciaries and non-fiduciaries in the management of the fund. We assist clients in enhancing and refining their investment policy statements to reflect fund objectives and risk tolerances they have developed. This includes regular reviews and updates/enhancements, as appropriate. The graphic to the right depicts the key



components of an investment policy statement.

The policy should reflect “strategic” or long-term objectives, rather than “tactical” objectives, or those that are short-term in scope. However, the policy must be dynamic enough to take advantage of and respond to economic, capital market, and program-related changes.

Following decisions made as a result of the asset allocation, portfolio structure and manager reviews (as required), we work with the client to review the investment policy statement. Such a document represents good governance by virtue of the fact that it (i) ensures continuity in the event of turnover of Committee or staff members and (ii) it documents the decisions made and their underlying rationale - providing support in the event that the client is challenged by regulators, thus helping to manage reputational risk.

In evaluating an existing investment policy statement for a defined contribution plan, we review four distinctive areas:

- We evaluate the objectives and purpose of the plan to make sure that we fully understand the directive and document responsibilities of the parties involved in plan management as well as participants.
- We verify that the investment structure has been conveyed and the roles of the investment option types are communicated. Managers retained for each investment option type are expected to fulfill their desired role.
- We document specific performance standards for active and passive investment options relative to proper peer group medians and indices over rolling time periods (i.e., three- and five-year periods representing market cycles)
- We review ongoing monitoring procedures. These procedures typically include timing of ongoing evaluations, delegation of responsibilities to various parties, reporting requirements, proxy voting procedures, general decision rules on what is and is not acceptable performance to the fund; and steps to take if objectives are not being met.

A major consideration for fiduciaries in developing an investment policy statement is the level of detail that should be documented. An investment policy statement that is too detailed and overly complex with language could result in situations whereby the policy may be too difficult to adhere to and create unintentional problems for fiduciaries and their advisors to completely follow and monitor. Conversely, a too simplistic policy could create questions particularly by regulators or those that may challenge fiduciaries (i.e., litigation) as to the level of oversight that is being conducted to monitor the investment options.

Evaluating and monitoring securities lending and commission recapturing programs

Mercer Sentinel is a distinctive, unique consulting team with significant expertise across the functions, activities and entities involved in securities lending. As a global business group with clients across geographies, we have assessed a variety of lending arrangements and collateral programs, as well as contracts and lending/collateral agreements. We have experience with securities lending programs based in Canada, the US, the UK, Europe, Singapore, Hong Kong, and Australia, as well as lending of global securities.

Recently Mercer Sentinel has assisted several clients in assessing their losses, identifying program management options, and in some cases ceasing lending or moving out of collateral pools. We are currently helping a client review a financing and work-out scenario. In addition, we advised large defined contribution plans in transitioning into securities lending programs, some of which assessed using third party lending agents. On an ongoing basis, we advise clients to consider using commission recapture to control commission expenses associated with active equity management. Some investment managers have managed their average commission cost to extremely low levels. However, many active equity managers pay a much higher average commission rate. In those cases, it is prudent for plan fiduciaries to consider commission recapture. Trading practices evolved during the 1990s so that investors who request direction may expect their investment managers to follow reasonable direction requests without having to worry about best execution concerns.

Capabilities to evaluate and monitor short term investment funds (STIF) or other cash management programs

Monitoring STIF investments is not materially different from monitoring other investment strategies. Key components include delegating investment management to a investment manager that is a plan fiduciary, establishing appropriate investment guidelines (assuming a separate account investment) with minimum quality standards and maturity profile that meet the tolerance of plan fiduciaries, and assessing whether the STIF manager is effectively meeting its responsibilities. Specific considerations in evaluating a STIF include permitted investments average maturity credit quality, fund size and fees. As a general rule, given the conservative nature of a STIF, Mercer will emphasize higher credit quality over yield.

Client actions recommended and acted upon to mitigate recent financial duress

We maintained our investment philosophy throughout the recent financial crisis, but we were very aware of the extreme conditions and their impact on our clients. We held a number of special conference calls during the crisis in addition to our normal weekly calls. Our consultants were especially attentive to client needs during this period. As for investment recommendations, we tried to be opportunistic, with the underlying outlook that the turmoil was creating very attractive investment opportunities.

It was important for clients to understand the hidden risks within the investment portfolio. Areas of focus were:

- Securities Lending
- Liquidity constraints / cash flow management
- Prudent rebalancing approaches
- Increasing cash holdings

Due to the significant decline in equity values, many clients saw their current asset allocation fall outside of policy ranges. We worked closely with clients on rebalancing the portfolio and determining whether asset allocations should be brought back to target, to the lower end of the policy range or another type of strategy. A critical issue is analyzing the liquidity of the overall portfolio and specifically the liquidity of the portfolio that was involved in the rebalancing strategy.

We also published special reports on the crisis and opportunities that it created. (see “Opportunity Knocks” in the Appendix).

Areas of opportunity included the following:

- Credit versus Treasury issues
- Aggregate Index Structure
- Long corporate bonds
- Convertible bonds
- High yield bonds

Fundamental changes made to Mercer's investment approach due to recent market stresses

While our investment approach generally remained consistent, in reacting to market stresses we emphasized the following:

Heightened levels of due-diligence focusing on:

Given the severity of negative performance during this time period, clients were concerned about their managers and more in-depth due-diligence was performed to adequately determine if "something was broken" or if they were just impacted by the market environment. Further, for other clients their managers no longer existed in the form they knew due to the merger activity during that time period.

Heightened levels of due-diligence were performed focusing on:

- Organizational changes
- Loss of clients/assets
- Changes in investment process/philosophy

In the aftermath of the financial crisis we have had many opportunities to assist clients in evaluating their current practices and setting strategy for the future.

The events of the crisis have led to a critical look at operational efficacy for most clients, this includes:

Evaluating and ensuring liquidity – Beginning in 2007 institutional investors began to feel the pinch of increased illiquidity in financial markets. This is particularly troubling in fixed income or passive portfolios which are typically counted on to provide liquidity to meet spending needs. We have worked with clients, particularly those with high cash needs or sophisticated portfolios to ensure that sufficient liquidity is retained without compromising the investment strategy.

Stable Value Dynamics – We have helped many defined contribution plan sponsors revamp their stable value programs in an effort to avoid the pitfalls they experienced in 2008. Some of the initiatives we have assisted our clients with include diversification of bond portfolio management, amendment of bond portfolio guidelines, and encouraging stable value managers to source and diversify wrap insurance providers

evaluating custodial banks and relationships. These reviews must go far beyond fees. We examine a bank's process for cash safekeeping, trade clearing and processing, accounting and benefit payments. This review ensures that fiduciaries are not only paying appropriate fees but maximizing the value of those fees.

Re-evaluating securities lending practices and providers – Mercer has played a critical role with our clients' evaluation of their provider's securities lending practices, analyzing the holdings and liquidity of collateral pools and, where necessary, facilitating the transition of assets. Our operational experts, Mercer Sentinel Group has combined with our experts in fixed income management and client facing consultants to take on a variety of issues in securities lending to ensure that clients can protect liquidity, maximize return and limit risk.

The events of the past three years did not necessarily alter the way we advise our clients as much as it provided fundamentally solid opportunities for them to exploit. Through education they were able to understand the opportunities and take advantage of them. Perhaps one dimension of our advice that did change is reminding our clients of the hidden risks their investment programs have and helping them to quantify the materiality of those risks.

Methodology to keep clients abreast of significant developments in the capital markets

Open access and the free flow of communication between the Mercer team and the County Plans will be the hallmark of our relationship. Communication is critical to our being able to provide client-centered, pro-active consulting services. Quarterly reports and meetings, as well as frequent contact via phone and e-mail with your consultant provide for the free flow of information regarding issues and trends in investments.

In addition to the above contact, Mercer publishes a number of publications and periodicals on critical legislative, regulatory, and accounting developments, as well as on benefit-related topics of general interest. Consultants send these bulletins, newsletters, and personalized correspondence to their clients. Some of these publications include:

Publication	Frequency	Contents
GRIST	On-line, daily	Extended analyses of regulatory, legislative and judicial developments
Weekly Highlights	Weekly	A weekly roundup of notable developments and issues, including those recently covered in GRIST
Updates and Perspectives featuring Mercer consultants' expert points of view	Monthly	Views on relevant topics such as hedge funds, private capital, responsible investing and others

d. **<u>Database and Research</u>: Provide a breakdown of investment managers in the databases by asset class (domestic equity, foreign equity, fixed income, private equity, hedge funds, commodities, real estate, and derivatives). Describe your process of populating the investment manager databases. Describe any forms of compensation from investment managers wishing to be included in the database. Are your databases proprietary? Would investment managers' staff have access to the databases? Name the databases provided by a third party and by whom. Describe any compensation received from your proprietary databases and from whom. Describe the rating system of how and by what factors of upgrade/downgrade investment managers are rated within the databases. Provide, on average, the number of traditional and alternative assets manager presentations**

on-site and in your offices each year. Describe your due diligence process and what critical issues are examined in the process. Describe how alternative assets managers due diligence process same/different from traditional asset managers. Describe any criminal or regulatory enforcement on rated alternative managers in the databases, and client assets loss due to enforcement.

Mercer maintains a proprietary internet-based database, the Global Investment Manager Database (GIMD®), accessible to our consultants worldwide. GIMD serves as a central repository for all types of manager information: firm-wide demographic details, investment product details, performance, and research such as our meeting notes, news items, and manager ratings.

In addition to GIMD, Mercer uses information from Lipper for mutual funds, Venture Economics for private equity, and Hedge Fund Research/EurekaHedge for hedge fund information.

One of our key competitive advantages is that we provide system access to both investment managers and consultants, with no time constraints in a real-time, password-protected environment.

More than 4,300 active managers have listed over 22,000 different investment strategies in our database.

GIMD – Traditional Strategies (December 31, 2010)			
United States	**6,405**	**Australia / New Zealand**	**1,107**
Equity	3,838	Equity	508
Fixed	1,733	Fixed	233
Balanced/Other	474	Balanced/Other	366
Europe	**1,713**	**Canada**	**1,124**
Equity	951	Equity	387
Fixed	507	Fixed	331
Balanced/Other	255	Balanced/Other	406
United Kingdom	**862**	**Global / International**	**3,863**
Equity	354	Global Equity	1,178
Fixed	332	Global Fixed	510
Balanced/Other	176	Global Balanced	193
Asia Including Japan	**1,687**	World ex US Equity	702
Equity	1,205	World ex US Fixed	31
Fixed	276	Emerging Market Equity	568
Balanced/Other	206	Emerging Market Debt	165
		Other	516
		Total – Traditional	**16,401**

GIMD – Non Traditional Strategies (December 31, 2010)			
Hedge Funds – Market Neutral	**254**	Multistrategy	337
US	82	Fixed Income Plus Cash	170
Europe	35	Distressed Debt	131
United Kingdom	6	Other	773
Asia including Japan	27	**Real Estate**	**1,326**

GIMD – Non Traditional Strategies (December 31, 2010)			
Australia / New Zealand	19	US	406
Canada	5	Europe	181
Global	77	United Kingdom	109
Other	3	Asia including Japan	113
Hedge Funds – Directional Long / Short	**588**	Australia / New Zealand	206
US	162	Canada	50
Europe	55	Global	261
United Kingdom	16	**Private Equity**	**578**
Asia including Japan	101	FoF	309
Australia / New Zealand	15	Direct	233
Canada	10	Secondaries	36
Global	202	**Other**	**501**
Other	27	Commodities	252
Hedge Funds – Fund of Funds	**992**	Infrastructure	183
Directional	465	Timber	66
Market Neutral	214		
Single Category	313		
Hedge Funds/Absolute Strategies	**1,955**		
Global TAA	294	**Total – Non Traditional**	**6,194**
Currency	250	**Total Strategies**	**22,595**

GIMD is entirely manager-driven, any investment manager globally can contact Mercer and receive the appropriate login credentials to maintain information on our manager database. There is no charge for inclusion in GIMD.

In an effort to provide the most comprehensive coverage of investment managers, our research staff continually sifts through periodicals, industry trade journals, and Internet sites. We also query investment managers for their ideas on worthy competitors. If we identify a manager that is not reporting into GIMD, we contact that manager to initiate its GIMD entry. This ensures that we have a central resource for all manager searches.

At a client's request, we will contact a manager and request that information be entered in our database, or we will obtain some basic information directly from the firm. Based upon our initial review of this information, which includes details regarding organizational and investment team structure, history of firm wide and strategy-specific assets under management, investment philosophy and process, team composition and strategy performance, we will determine if a meeting with the firm is warranted. If the manager passes this initial screening, we will follow the same due diligence as we normally do for any other manager.

The Mercer ratings review committee meets quarterly to screen GIMD, identifying candidates for in-depth research. After the meetings, designated researchers follow up with in-depth research and ratings recommendations.

Our ratings review committee uses these criteria to set manager research priorities:

- Review of GIMD entry: firm-wide demographics, investment process description, staffing information, track record

- Previous Mercer research: on a particular strategy, on other strategies offered, on key people at their previous firm
- Market intelligence: feedback from consultants, clients, and other managers

Based on these criteria, research priorities are assigned as follows:

1 Highest priority – research urgently

2 Research due within three months

3 Next research due one year after last research update

4 To be researched if time permits

5 Not of interest

The Analytics, Research & Tools division (ART) of Mercer is an autonomous business unit within Mercer and is responsible for the external sales and service of the Global Investment Manager Database (GIMD™ - Research/Manager Data), a software package sold on a subscription basis to plan sponsors and other persons. GIMD - Research/Manager Data provides subscribers with the capacity to query, filter, and retrieve investment manager information, product ratings and performance, research notes and other related information from Mercer's proprietary GIMD database.

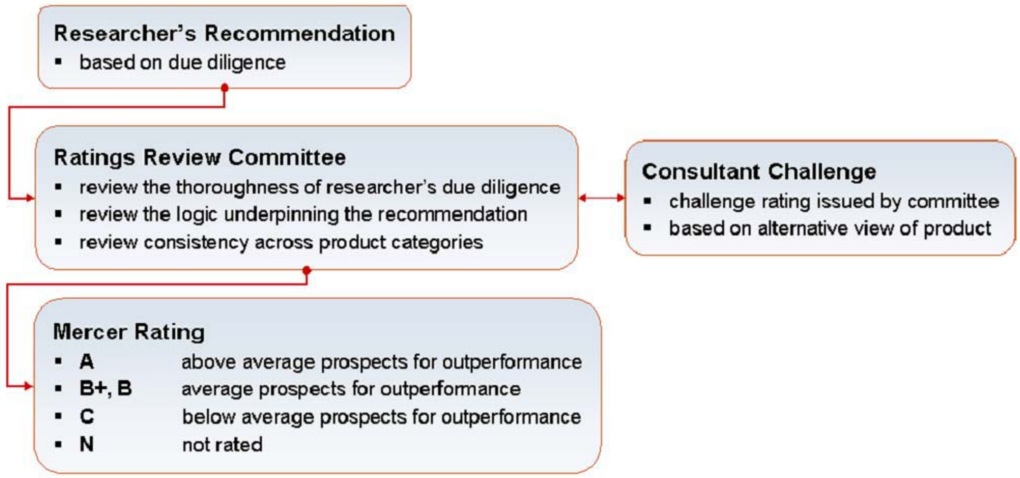
Ratings process

Our formal ratings review process helps to ensure a high-quality selection of managers for the search process and for the continual evaluation of client portfolios. Our objective is for each strategy to outperform its benchmark on a risk-adjusted basis over the next three to five years.

To help accomplish our objectives, we have implemented a number of Ratings Review Committees (RRC) to cover strategies worldwide. Each committee is comprised of selected senior field consultants and research consultants, who are responsible for establishing and monitoring strategy ratings. Each strategy in our database is judged on rigorous quantitative screening criteria and a qualitative assessment by this experienced, senior group. In conjunction with the US Ratings Committee, the International Ratings Review Committee (IRRC) comprises of senior manager researchers and investment consultants drawn from our Australia, Canada, UK and US offices.

Each committee holds quarterly conference calls to review all ratings for their respective strategies. We also discuss the performance of our "A" rated strategies against performance expectations given the market environment. Additional calls are held in between quarterly conference calls depending upon circumstances that warrant our immediate attention.

The model below demonstrates the process we follow to arrive at an appropriate rating.



Note that, within the rating categories, we also have several degrees of confidence as noted by a plus (+) and minus (-) to further refine our opinion on a particular strategy.

Due Diligence

Our global and comprehensive manager research capability is fundamental to our role as investment consultants in an increasingly globalized investment management market. Helping to identify and select the investment managers most likely to meet performance objectives is a vital part of our client service.

Our research process involves a combination of on-site visits to investment managers, statistical analysis, and the direct experience of our consultant teams who are responsible for establishing our view on each investment manager. Last year, we held more than 3,700 investment manager research meetings worldwide, including more than 1,500 meetings in the US. Globally, more than 100 field consultants meet with managers periodically.

We start with desk research, a detailed review of each manager's firm and strategies from the perspective of both published and manager-provided information. This includes, but is not limited to, reading the offering memorandum, reviewing a due diligence questionnaire, and running the performance track record through a proprietary qualitative assessment system. We also talk to competitors and former colleagues, conduct Internet searches, and read media articles about the manager.

After finishing this desk research, we have a good background on the manager and a list of questions to explore in our meetings with the manager. We may conduct an initial conference call or ask the manager to visit our offices. Through repeated sessions, we build our knowledge of the manager's strengths and weaknesses, and when we have found a manager that we believe can add value for clients; we conduct half- to full-day interviews on-site at the manager's offices. In these meetings, we meet with the key decision-makers (portfolio managers), research analysts, risk managers, and other investment professionals and visit every aspect of the investment philosophy and process.

When we reach the point in our investment due diligence where we have enough insight to make a ratings assessment, we will write a formal evaluation of the manager's capabilities. This document (called the "Research Note") describes the firm, strategy, key decision-makers, and our overall assessment. We make comments on each aspect of our four factor framework. The research note is then peer reviewed by a senior member of the research team and sent through a formal ratings review process.

Qualitative review

During an on-site visit, our research consultants conduct a detailed review of the manager's organizational structure, meet with key decision-making personnel, review the investment process and procedures, evaluate resources available to the professional staff, review compensation practices and ownership structure, and identify communication methods used to share ideas and information.

In evaluating investment managers, we analyze a full range of factors starting with how investment ideas are generated by the manager to the ultimate implementation of those ideas. Embedded in our process is an in-depth evaluation of firm-wide issues that have a major impact on how well the investment team functions within a specific firm environment, as demonstrated below.

We believe these four factors encompass the qualities that investment managers need to be able to do well in order to have strong prospects for outperforming. Each of these factors are rated as either Negative (-), Neutral (=), Positive (+) or Very Positive (++). Our overall strategy ratings are derived based on an overall research opinion. They do not represent a weighted average of the four factor scores.

The four factors correspond to a set of four core beliefs about the key drivers of investment performance as follows:

Factor	Core Belief
Idea Generation	In order to outperform, a manager must be able to generate value-adding investment ideas. It is the quality and breadth of these ideas that are key drivers for long-term success.
Portfolio Construction	The quality of a manager's portfolio construction process will determine how effectively its value-adding investment ideas are converted into consistent outperformance. Key elements are how well the manager calibrates active positions in the portfolio, the extent to which these reflect the manager's highest conviction ideas and how well they manage risk.
Implementation	For a manager to outperform, the value added through its investment ideas and portfolio construction process must outweigh the drag on its performance due to transaction costs.
Business Management	Well managed investment firms are more likely to maintain and enhance the competitiveness of their investment strategies over time than poorly managed firms.

Following the meeting, the research consultant writes a research note which is then peer reviewed by another researcher. If a researcher believes a change in a strategy's rating is warranted, a detailed analysis supporting the recommendation is prepared and then brought before the relevant Rating Review Committee (RRC). The recommendation is discussed and all rating changes are approved by a majority vote of the RRC.

Quantitative review

We focus on many different quantitative measures; including the following measures that we feel are critical to understanding manager performance:

- Alpha (the excess return the manager historically added over an appropriate benchmark) measures whether the manager has skill in managing assets in a particular asset class. We also evaluate down-market alpha, or a manager's ability to add value in down markets to help clients gauge how well a manager protects assets in a declining market.
- Batting average measures the percentage of time a manager outperformed its benchmark over a given period, thus indicating performance consistency.
- Sharpe ratio measures the degree to which volatility of performance is compensated by additional return. A higher Sharpe Ratio means that the manager is achieving greater performance per unit of volatility (i.e., risk). We analyze both historical and expected Sharpe ratios. We relate a strategy's Sharpe ratio to its stated objective in order to ascertain if the investment process meets client expectations.

We employ several tools to assist in our evaluation of a strategy's return/risk characteristics.

- Manager Performance Analytics (Mercer MPA®) provides analysis on a variety of measures including: excess return over rolling time periods, risk characteristics (tracking error and standard deviation), returns consistency, information ratio, confidence of value added, correlation of returns analysis, and performance in up/down markets. This system evaluates a strategy's performance and risk characteristics relative to its appropriate peer group (large value, large growth, large core, etc.) and benchmark.
- Style Research Portfolio Analyzer provides a clear view of a single or combined portfolio's composition with respect to the style factors influencing performance in each market. This software package enables us to analyze portfolios at the security level.

Alternatives

In addition to general organizational, personnel, and performance analysis, key factors in our evaluation of alternative investment products include:

General Characteristics

- Length of time in industry – deal flow and access to premier partnerships
- Portfolio construction process – diversification by partnership and sector type
- Due diligence process – number of partnerships reviewed, decision-making process, sell discipline
- Risk control
- Fee structure
- Size of current fund, size of follow on funds and length of deployment time
- Domestic vs. international capabilities

Private Equity Specific

- Involvement in partnership governance – relationship with general partners
- Ability to deploy strategy/assets given resources
- Ensure appropriate fund size relative to strategy and ability to execute defined investment strategy
- Ensure proprietary deal flow and access to top investments
- Analyze vintage year and long-term performance versus Venture Economics benchmarks and universes
- Analyze return on invested capital and performance by sector, industry, geography and general partner

Hedge Fund Specific

- Required transparency and interaction with managers
- Sell decision – based upon change in strategy, draw-downs, top-down decisions
- Comparison versus industry benchmarks and universes

Real Estate

- Length of time in industry and at firm – experience, personnel turnover, breadth of coverage
- Investing philosophy – decision-making process, consistency in application, impact of market conditions
- Portfolio strategy – application of research, buy/sell discipline, risk controls, leverage
- Portfolio construction – diversification, deal flow, due diligence, liquidity, legal structure
- Fee structure
- Performance history
- Diversification by geography and property type
- Role in the portfolio – core, enhanced, opportunistic, value-added

e. Staff: Identify the client service officer and search and performance consulting team that will be assigned to the County Plans. Provide detailed biographies, which include location(s). Disclose the total assets and current number of clients advised, and any other duties assigned to each staff. What is the average client to consultant ratio? Briefly describe the internal training procedures for consultants, research analysts, and performance measurement specialists. What specific methods are employed to keep staff current in regard to continuing education and changing market conditions? Identify and explain role of backup personnel.

The team working with the County Plans will include experienced and senior lead consultants, supported by other consultants with specialist expertise in areas we anticipate will be of interest. We have used this type of team structure consistently with other clients for more than a decade, and have found it to be helpful in facilitating the delivery of value-added investment results and high quality service to these clients.

Phil Suess and Devon Muir will be the co-lead consultants for the County Plans. They will be the strategic investment consulting advisors and oversee the relationship. Kerrisha Jenkins will provide project management support to Phil and Devon, leveraging Mercer's global resources. Andrew Ness will provide 457 consulting support. These professionals will have responsibility for the quality of investment consulting services and will be the day-to-day, "in-front" consultants to the County Plan staff and the Committees. Phil is located in our Chicago office and Devon and Kerrisha are located in the Los Angeles office.

Devon Muir, CFA

Devon Muir is a principal in Mercer's investment consulting business in the Los Angeles office, advising defined benefit and defined contribution clients in the western United States on investment policy, asset allocation, manager selection, and ongoing performance monitoring.

Prior to joining Mercer, Devon worked as a Senior Managing Consultant at Alan Biller and Associates where he provided investment consulting advice to the firm's clients and was a member of the investment manager due diligence committee. Prior to this role, he was a Vice President, Investment Officer at Insight Capital Research & Management where he performed equity research and communicated with the firm's clients in the field. Previous to this, he worked at Jeffrey Slocum & Associates, a boutique investment consulting firm, consulting with the firm's corporate and endowment/foundation clients.

Devon has an MBA from the Carlson School of Management at the University of Minnesota and a BA from the University of California, Santa Barbara. He also holds the Chartered Financial Analyst designation.

Devon currently advises 12 clients with aggregate assets of $13.9 billion and also serves as a member of Mercer's Alternatives Strategic Research Team.

Philip J. Suess, CFA

Phil Suess is a partner in Mercer's Chicago office. As a partner and an investment consultant, Phil consults on broad investment management issues including investment policy development, manager search assignments and performance evaluation assignments for corporate and public fund clients. He also leads the Mercer Insurance Group, a national resource consulting practice on issues concerning insurance investment products. Most recently Phil has assumed responsibility for investment consulting issues relating to defined contribution plans.

Prior to joining Mercer in 1987, Phil was an Account Executive with the Equitable Life Assurance Society of the United States in the pension operations area. During his eight years with the firm, he held a number of positions involving client relations, sales and underwriting responsibilities for insured and traditional investment products.

Phil has an MBA from Loyola University of Chicago and a BA in economics from Northwestern University in Evanston, Illinois. He holds a Life Insurance License in the State of Illinois and is a CFA Charterholder. He is also a member of the CFA® Institute and the Investment Analysts Society of Chicago.

Phil currently advises 15 clients with aggregate assets in excess of $20.0 billion. Phil sits on Mercer's Defined Contribution Committee, Investment Policy Committee, and the Discretionary Governance Committee.

Andrew Ness

Andrew Ness is a principal and senior consultant in Mercer's Richmond office. He is part of Mercer's Public Sector and Non-Profit Defined Contribution Practice. Andrew provides consulting, technical reviews, vendor selection, management reports and implementation services to employers, as well as technical assistance to other consultant.

Andrew has ten years experience working with public sector defined contribution plans, and has worked for Mercer since 2002. Recent projects include searches for an administrative provider for one of the country's largest state sponsored IRC Section 457 plans, as well as providing plan reviews for City and County defined contribution plans. Andrew has authored articles on the RFP process and was a panel speaker at the 2006 National Association of Governmental Defined Contribution Administrators conference on the topic "Current Trends in RFP's."

Andrew received his BA in economics from the University of Richmond. He is pursuing the designations of Certified Retirement Counselor and Certified Retirement Administrator from the International Foundation for Retirement Education. He works with 7 public sector defined contribution plans with assets totaling $15.4 billion, and he has worked with the County Plans in the past assisting in a search for a recordkeeping provider.

Kerrisha Jenkins

Kerrisha Jenkins is a senior associate in Mercer's investment consulting business in the Los Angeles office. Her responsibilities include advising public and corporate pension plans on investment policy, asset allocation, manager selection, and manager performance.

Prior to joining Mercer, Kerrisha worked as a senior associate at Cliffwater LLC in the real assets group where she covered real estate. Previous experience includes working in the private equity and debt group at Northwestern Mutual Capital and in the investment banking energy group at A.G. Edwards & Sons (now Wells Fargo).

Kerrisha has an MBA from the University of Southern California Marshall School of Business and a BBA in Finance from Clark Atlanta University. Kerrisha is a 2011 level III Chartered Financial Analyst candidate.
Kerrisha currently advises eight clients.

Client-to-consultant ratio

We do not place a formal limit on the number of client relationships any consultant may lead. Each client has different needs and complexities and, as a result, may require more or less time from their consultant. Senior field consultants generally lead no more than 10-12 relationships. Overall, our ratio of retainer clients to investment professionals is less than 7:1. This client to consultant ratio has been consistent over the last 5 years and Mercer expects this ratio to remain stable over the next 5 years as we simultaneously add senior consultants and new clients.

Internal Training

Mercer offers our investment analysts and consultants professional and continued educational development support, both formally and informally. We believe that promoting advancement for our staff ensures them both security and satisfaction. We feel strongly about our consulting team gaining more knowledge in the investment industry and pursuing their long-term career goals. For example, we provide financial support to help consultants achieve the Chartered Financial Analyst® designation or complete a Master of Business Administration degree.

We also maintain an informal mentoring program intended to develop our employees through on-the-job training. Although the CFA and MBA programs are useful, we believe that 90% of the development of skills, experience and expertise needed to create a senior investment consultant must be provided through on-the-job training.

When analysts first join our firm, they receive intensive training relating to our proprietary and non-proprietary systems. Additionally, we have designated one or more individuals within each geographic unit as project managers, who are also responsible for training. Analysts are assigned projects, as appropriate, for training purposes such as asset allocation, and are trained not only on the steps necessary to complete the project, but also on the underlying theories (e.g., diversification benefits, capital market line, and efficient frontier), on which the project is based. Analysts and performance measurement specialists are educated on the BAI and CFA® Institute's Global Investment Performance Presentation Standards (GIPS™), as well as the correct way in which to calculate and reconcile returns.

Beyond the analyst level, Mercer has developed an extensive Professional Development program for individuals at various career levels within the firm. Consultants participate in seminars designed to hone consulting skills such as presentation, effective listening, facilitating discussions, negotiations, and business strategy. Analysts participate in seminars including effective writing, presentation skills, and performance return calculation. This internal program was designed to supplement and enhance existing competencies.

The above programs are underpinned by our Partnering for Success (PfS) process, which involves identification of personal objectives and an agreed program of training, education and development for each individual with the support of their personal development advisor. We firmly believe that by partnering with each employee to create an individual development program, we can maximize success for both the individual and the company.

One of Mercer's differentiators is our ability to leverage the expertise and experience of our colleagues on a global basis. What is an emerging trend in one country may be a matter of routine in another. With more than 800 professionals in 50 offices around the globe there is a lot of information to share and experience to learn from.

We utilize several different media and methodologies to inform both our professional staff and our clients of developments in the financial and investment fields. Some of the tools we use to stay current in this demanding and rapidly evolving environment include:

- Daily email distribution of relevant news articles and manager research notes
- A weekly meeting (conference call) led by our Director of Consulting, Terry Dennison, of all US investment consultants to discuss new information and trends
- Internet based query function that facilitates the global sharing of intellectual capital. The 'Has Anyone' application allows individuals to email a distribution list and have all responses stored in a databases that can be searched from an internal website. This feature encourages individuals working on projects to effortlessly reach out to all of their colleagues and capitalize on the firm's collective knowledge.
- Periodic "Town Hall" meetings - These are intranet-based presentations open to all Mercer investment consultant professionals on topics of immediate interest. For example, Jay Love, a senior consultant in our Atlanta office, recently made a presentation on active extension, 130/30 strategies.

- Periodic presentations and white papers on topics of interest, such as a recent presentation on currency management

When expertise is required on certain topics, such as manager search, capital market theory and strategic asset allocation, the core team will access the assistance of specialists within our firm. In addition, analysts will support our core team, developing recommendations and reports, providing day-to-day delivery of generalist investment consulting, and performance monitoring.

Identify the number of people designated as:

Search and performance consulting	110+
Client services	167
Administrative and Support Personnel	53
Others*	22
Total personnel in organization supporting the above services	349 in the US

*Others includes other types of specialized consultants (FSG)

f. Other Services: List all services your firm provides related to defined contribution plans, including services that you may have provided to meet client specific needs. Specify the services that are your special strengths and services provided to defined contribution plans. Describe any and all services provided to plan sponsor organizations.

Mercer takes a holistic approach to defined contribution plan consulting that extends beyond just investment monitoring. Our goal is to help ensure that the County Plans and its fiduciaries have sound governance structures and plan management tools in place. To that end Mercer employs many specialist resources that our clients have direct access to. Our objective is to provide clients with in-depth analysis and proactive advice on the wide range of issues they are facing in a world that continues to become more complex. We believe the County Plans will benefit from:

Manager Research and Selection – We devote 10-15% of our annual revenue to technology and investment research on asset managers and the capital markets, to help support our recommendations to our clients. As of December 31, 2010, more than 100 full-time Mercer manager research professionals investigate investment managers to identify strategies that we believe have the potential to offer superior risk-adjusted performance to our clients. This includes over 35 full-time alternative researchers who focus on alternative strategies such as private equity, hedge fund, real estate, and commodities.

Integrated Expertise - Through Mercer, the County Plans will have access to a broad range of benefits consulting expertise in the marketplace. Mercer's most important competitive advantage comes from the synergy we create by being a global firm with businesses that encompass all aspects of Human Resource services. We have a full suite of consulting services, including retirement, investment, communications, compensation, healthcare and other benefits. These platforms provide us with a strong base for offering clients fully integrated services. This helps create efficiencies for our clients while at the same time achieving economies of scale regarding fees.

Regulatory and legislative updates – Mercer's Washington Resource Group (WRG) is a US legal resource group of over 35 lawyers, legal professionals, and information specialists. The WRG assists Mercer clients and consultants in developing innovative plan designs, addressing technical legal issues, assuring operational plan compliance, and providing government relations expertise on a wide range of retirement, health, compensation, and other human resource topics.

Significant Defined Contribution Investment Consulting Experience - Mercer has extensive experience providing consulting to defined contribution plan sponsors. We work with some of the largest 401(k) and other defined contribution plans across the globe. In the US, as of December 31, 2010, we currently consult to over 200 defined contribution retainer clients with over $380 billion in assets including approximately 40 defined contribution plan retainer clients with over $1 billion in assets. Mercer leverages our work experience and marketplace presence to be thought leaders in the industry and deliver the best customized investment consulting services possible.

Public Sector and Not-for-Profit Plan Governance - Mercer has a network of senior consultants dedicated to governance and compliance reviews for Governmental and Educational plans like the County Plans. This group also provides ongoing delivery of plan management and governance services to DC plan fiduciaries. As needed, Mercer's specialists provide clients with compliance updates, governance support and education, vendor management and oversight, review of vendor communications, and support for testing, contribution calculations, and annual forms.

Unique to Mercer are the many specialist resources we have to assist clients. We believe the County Plans will benefit from the knowledge and advice each specialist group provides in areas such as:

Stable value consulting - Mercer's experience with specialized and traditional stable value products is extensive and is supported by the existence of a specialized group, the Mercer Insurance Group located in Chicago. This group is a national resource group to Mercer clients nationally on stable value and related issues. The origins of our stable value consulting capabilities date back to the acquisition of Meidinger Inc. Stable value consulting has been done in Chicago since 1986 and was formalized in the creation of the Mercer Insurance Group in 1991. As stable value has evolved over the years to more active fixed income management, the resources of our Manager Research Group have added additional value to our stable value consulting capabilities. Should we also make reference to Phil serving as their SV consultant?

Mercer implemented consulting - Mercer offers different approaches to meet client needs. These range from a traditional investment consulting approach to a fully outsourced manager of managers approach. An implemented consulting model falls between these two options. Mercer assumes full discretionary fiduciary responsibility for our services, depending on the needs of the client.

Investment operation advice – Our Mercer Sentinel® Group is a highly specialized research unit responsible for advice pertaining to investment operations and administration in order to help clients minimize risk and reduce costs. Services include trustee/custodian evaluations, securities lending, master trust design and implementation, fund accounting, foreign exchange services, fee benchmarking, trade cost analysis, commission recapture, and transition management.

Responsible investing consulting- Since 2004, Mercer has offered specialist resources to assist clients in the responsible investment (RI) arena. The RI team includes 14 dedicated professionals as well as a number of local champions, who work with clients who want to develop or implement investment programs that consider environmental, social and governance (ESG) issues. Located in offices around the globe, the RI team offers services ranging from manager search, selection and monitoring to policy development, stakeholder-specific solutions and education sessions.

- Current Client – Mercer recently served as the investment consultant for the County Plan's recordkeeper search. This work has helped us develop a better understanding of the County Plan's goals and objectives for the Plans, as well as your organizational culture, and how to work efficiently and effectively with the Committee and Staff.
- In addition, Mercer has served at the stable value consultant, working with the County for the last 15 years. The same core team of consultants would provide the general consulting for the County, allowing for even greater efficiencies.

g. Conflict of Interest: Describe policies and procedures to prevent possible conflicts of interest with other clients' interests, or which may result from other investment products or services provided by your firm, parent or affiliate (organization) Describe services/products that your organization provides investment managers. Provide a list of these investment managers and the total revenue received for each of the past five years. Describe your organization's investment management services and the revenues earned through these services as a percentage of your total revenues. Describe the broker/dealer business of your organization and to what extent you trade for client accounts. Describe any commissions, fees (direct/indirect), revenue sharing, or any soft dollar compensation paid to the organization. List the aggregate sources and amounts for each of the last five years.

Mercer is a business unit within Marsh & McLennan Companies, Inc., a large, diversified financial services company. As such potential conflicts of interest are inherent in its many businesses. As an overall policy, Mercer monitors its business for potential conflicts of interest and attempts to assess them objectively. Mercer has established a conflict assessment process as follows:

- When a conflict of interest is identified, Mercer assesses the severity of its potential impact under various scenarios, including the potential for the conflict to result in improper behavior by an employee or to create an appearance of impropriety.
- If, after the risk assessment, Mercer is satisfied that the conflict can be managed without hindering the objectivity of the advice we provide to our clients, we establish and enforce management structures and procedures designed to address the conflict in a way that avoids any reasonably foreseeable adverse effect.
- Mercer monitors those operations where conflicts may occur to make certain that our management structures and procedures are being properly enforced, making modifications when appropriate.

We believe our best protection against the inappropriate influence of conflicts of interest is the integrity of our staff and the understanding that, as in any consulting organization, our reputation is our most important asset. This concept has been nurtured and reinforced over the years and is embedded in Mercer's culture.

Mercer provides regular employee training sessions designed to educate our consultants as to the importance of identifying, disclosing and properly managing conflicts of interest. Mercer has a Compliance Manual that details all of our consulting policies and procedures. Strict adherence to both the Compliance Manual and the CFA Institute® Code of Ethics & Standards of Professional Conduct is required of all Mercer staff.

Finally, Mercer issues bills directly to clients and does not accept commissions, revenue sharing, or soft-dollar payments.

Mercer Investment Affiliates

As part of Marsh & McLennan Companies, Mercer is affiliated with an investment business, Mercer Global Investments (MGI), a provider of investment management services (an outsourced, manager of managers approach) for institutional clients. We have integrated investment management with investment consulting (including our manager research and performance monitoring expertise) to create effective outsourced solutions for clients seeking discretionary consulting.

Investment Managers as Mercer Clients

Certain investment managers whose strategies are rated, reviewed, or recommended by Mercer may, in the ordinary course of business, also be clients, or affiliated with clients, of Mercer or its affiliates. Mercer may sell certain software, conference subscriptions, and other services to investment management firms. These relationships have no connection with Mercer's research or recommendations of investment managers to clients.

In the US, Mercer's services to investment managers and their affiliates primarily consists of traditional investment consulting services, which typically relate to the assets of the firm's retirement plans; or the evaluation of subadvisors for mutual funds or separately managed wrap accounts for retail or high net worth clients. The proportion of our revenue derived from these activities is small.

Mercer believes it has taken appropriate steps to minimize the likelihood that its recommendations of investment managers to clients will be influenced by business relationships those investment managers or their affiliates may have with Mercer or its affiliates. Among other things, Mercer has taken the following steps to address these potential conflicts:

- Mercer's manager research and selection activities follow a defined process that includes evaluations by its Ratings Review Committees worldwide and the documentation of findings and decisions. At no time during the rating or selection process is the status of a manager or its affiliates as a consulting client of Mercer or a client of its affiliates considered.
- None of Mercer's manager research staff receive any form of compensation that is directly linked to services provided to managers or their affiliates. Compensation is linked to the overall business results of Mercer and its parent company, and, in the case of the Manager Research staff, to the performance of the ratings and recommendations made by Manager Research.
- If a subscription to Mercer's software or conferences is sold to an investment manager client, the client is specifically told that its purchase will not result in any preferential treatment by Mercer in its evaluation or selection of any investment product.

Investment Forum

The managers listed below attended Mercer's Americas Investment Forum, held in San Francisco January 28-29, 2010. All managers are explicitly told that *Mercer does not consider an investment manager's attendance at an Investment Forum when evaluating managers or when recommending managers to clients.*

Acadian Asset Management	Adams Street Partners	Advent Capital
AllianceBernstein	Allianz Global Investors	American Century Investments
Analytic Investors	Apollo Management	AWR Capital Management
Artisan Partners	Ashfield Capital Partners	Ashmore Investment Management
Atlanta Capital	Aurora Investment Management	Aviva Investors North America, Inc.
AXA Rosenberg	Babson Capital Management LLC	Bailie Gifford International LLC
Banquo Credit Management LLC	Barclays Capital	Baring Asset Management
Barrow Hanley	BlackRock	BNY Mellon Management
Brandes Investment Partners	Brandywine Global Investment Mgmt.	Brigade Capital Mgt.
Buckhead Capital	Calamos Advisors LLC	Caliburn Capital Partners
Capital Group	Capital Group Companies	Causeway Capital Management
Champlain Investment Partners, LLC	Chartwell Investment Partners	Chicago Equity Partners LLC
ClearBridge Advisors	Cohen & Steers Capital Management	Columbia Management
Cooke & Bieler	Corbin Capital Partners	Cramer Rosenthal McGlynn
Credit Suisse	Crestline Investors, Inc.	D.E. Shaw & Co., L.P.
Davis Advisors	DB Advisors	Delaware Investments
DePrince, Race & Zollo, Inc.	Dorchester Capital Advisors, LLC	Dwight Asset Management
Eaton Vance Management	Edinburgh Partners North America, Inc.	Evercore Asset Management, LLC
FAMCO	Federated Investors	FFTW
Fiera Capital, Inc.	First Eagle Investment Management, LLC	Franklin Templeton
Fred Alger Management	Gartmore Global Partners	GLG Partners Corp.
Goldman Sachs Asset Management	Gruss & Co.	Harris Investment Management
Hartford Institutional Solutions Group	Hartford Investment Management	Henderson Global Investors
Holland Capital Management	Hotchkis and Wiley Capital Management	HSBC Global Management
Industry Funds Management	ING Clarion Real Estate Securities	ING Investment Management
Invesco	J.P. Morgan Asset Management	Janus Capital Group
Jennison Associates LLC	Knight Equity Markets	Kohlberg Kravis Roberts
Lazard Asset Management	Lion Global Investors Limited	Loomis, Sayles & Co.
Lord Abbett & Co., LLC	LSV Asset Management	Madison Square Investor
Martin Currie Inc.	MFS Investment Management	Munder Capital Management
MFC Global Investment Management	Neuberger Berman	Newton
Navellier & Associates	Nikko AM	Nomura Asset Management U.S.A. Inc.
Newton Capital Management	Numerica Investors	Nuveen Investments
Northern Trust	Och-Ziff Capital Management Group	Old Mutual Asset Management
Oak Hill Advisors, L.P.	Opus Capital Management	PAAMCO
Palisade Capital Management, L.L.	PanAgora Asset Management	Partners Group
Perkins Investment Management	Permal Group Inc.	PIMCO
PineBridge Investments	Principal Global Investors	Private Advisors, LLC
Prudential Fixed Income Management	Prudential Financial, Inc.	Putnam Investments

Pyramis Global Advisors	Rainier Investment Mgmt.	RCM
RidgeWorth Capital	RiverSource Investments	Robeco Investment Management
The Rohatyn Group	Schroder Investment Management Ltd.	Scottish Widows Investment Partnership
Standard Life Investments	Standish	State Street Global Advisors (SSGA)
Stone Harbor Investment Partners LP	Strategic Value Partners LLC	Suffolk Capital Mgt
T. Rowe Price	TD Asset Management	Third Point LLC
Thompson, Sigegel & Walmsley	TimesSquare Capital Management, LLC	Trust Company of the West
UBS Global Asset	Vermilion Asset Management	Victory Capital Management
Waddell & Reed	Wellington Management	Wells Capital Management
Western Asset Management	William Blair & Co., L.L.C.	Winton Capital Management Ltd

h. Compensation: Provide a brief description of your firm's compensation arrangements for senior management including incentives, profit sharing and other bonuses. Describe staff participation in equity ownership. Describe any incentives that are in place to encourage key professionals to remain with the firm.

Compensation for Mercer consultants consists of a base salary and an incentive award program. The incentive award amount is based upon Mercer's success against its financial and other business objectives and the achievements of each individual professional. Our firm sets annual goals for revenue and profit growth. If the firm achieves these goals, the program designates an incentive pool of funds. Incentive awards at the individual level are contingent upon individual achievement of objectives set at the beginning of each year. These objectives include, but are not limited to, client satisfaction responses and success in retaining existing clients and new business development. The program is intended to foster both cooperation and individual achievement.

In addition to traditional compensation, senior professionals are awarded stock awards that vest over three years, but only contingent upon continued service. All employees may participate in equity ownership through our parent company's qualified employee stock ownership plan, and may also purchase Marsh & McLennan Companies stock at a discount through a separate, non-qualified Stock Purchase Plan. Also, senior professionals may defer their incentive payments and elect to invest such deferrals in company stock. And, the incentive bonus program itself encourages employees to remain with the company in order to receive each prior year's distribution.

i. Litigation (Employee): Identify if any officer or principal of the firm and those to be assigned to the contract have been involved in any litigation relating to search and performance consulting activities during the last five (5) years. If so, describe and provide the current status.

In our knowledge, no officer of principal of the firm and those assigned to the contract have been involved in any litigation relating to search and performance consulting activities during the last five years.

j. Departures: Provide details on the professional staff that have left during the last (3) three years. Include position/function, date left, reason (voluntary/involuntary) and if position was replaced.

To protect individual privacy, it is Mercer's policy not to release detailed personal information regarding staff turnover.

US staff turnover of Mercer's senior investment consulting staff typically averages 7%. The average tenure for our senior consultants with the investment consulting business is more than ten years, and they average more than sixteen years of industry experience. The following table summarizes the departure and hiring of senior personnel over the last three years.

	2008	2009	2010
Join	6	9	3
Leave	3	6	12

k. Soft Dollars: Under what circumstances/relationships does your firm accept soft dollars as a method of payment for services provided?

Mercer issues bills directly to clients and does not accept soft dollar payments.

l. Litigation (Corporate): Identify by name, case and court jurisdiction any pending litigation in which Proposer is involved, or judgments against Proposer in the past five (5) years. Provide a statement describing the size and scope of any pending or threatening litigation against the Proposer or principals of the Proposer.

In the ordinary course of business, Mercer is involved with litigation and other legal proceedings, investigations and inquiries, some of which are conducted on an industry-wide basis. Based on information currently available, the outcomes of currently pending litigation, investigations and inquiries are not expected to have any material adverse effect upon Mercer or its ability to service its clients. Details regarding certain outstanding legal proceedings pertaining to Mercer and its affiliates are disclosed in the public Securities and Exchange Commission filings of Marsh & McLennan Companies, Inc., Mercer's ultimate parent company.
http://irnews.mmc.com/phoenix.zhtml?c=113872&p=irol-sec

The only legal action against Mercer Investment Consulting, Inc. in the last five years was a case brought in the Northern District of Georgia by the New Orleans Employers International Longshoremen's Association, AFL-CIO Pension Fund, alleging breach of fiduciary duty. On June 25, 2009 the Court, after trial, ruled in Mercer Investment Consulting, Inc.'s behalf, finding the plaintiff's claims without merit and entering judgment for Mercer Investment Consulting. The plaintiff appealed the decision, but agreed to drop the appeal in exchange for a nominal payment by Mercer.

On June 11, 2010, Mercer (US) Inc., Mercer's parent company, agreed to a settlement of a civil lawsuit by the Alaska Retirement Management Board, on behalf of two state retirement plans (the "AK Plans"). The lawsuit alleged professional negligence and malpractice, breach of contract, breach of implied covenant of good faith and fair dealing, negligent misrepresentation, unfair trade practices and fraud and misrepresentation related to actuarial services that Mercer (US), Inc. provided to the AK Plans. Mercer (US) Inc. concluded that a settlement was in the best interest of the company and its stakeholders. This settlement, in which Mercer (US) Inc. expressly denies liability, resolves all claims against Mercer (US) Inc. related to this matter. Allegations in this suit related solely to Mercer's actuarial practice, which is separate from our investment consulting business. We did not provide investment consulting services to the AK Plans.

m. Regulatory Issues: Does your firm or your parent and/or sister companies have unresolved legal issues with regulators, please explain.

In the ordinary course of business, Mercer is involved with litigation and other legal proceedings, investigations and inquiries, some of which are conducted on an industry-wide basis. Based on information currently available, the outcomes of currently pending litigation, investigations and inquiries are not expected to have any material adverse effect upon Mercer or its ability to service its clients. Details regarding certain outstanding legal proceedings pertaining to Mercer and its affiliates are disclosed in the public Securities and Exchange Commission filings of Marsh & McLennan Companies, Inc., Mercer's ultimate parent company.
http://irnews.mmc.com/phoenix.zhtml?c=113872&p=irol-sec

Proposer's References (Section B.2)

Required Forms Exhibit 2
PROSPECTIVE CONTRACTOR REFERENCES
Contractor's Name:_Mercer Investment Consulting, Inc._

List Five (5) References where the same or similar scope of services were provided in order to meet the Minimum Requirements stated in this solicitation.

1. Name of Firm	**Address of Firm**	**Contact Person**	**Telephone #**	**Fax #**
City of Los Angeles	200 North Spring Street Room 867 Los Angeles, CA 90012	Steven Montagna	(213) 978-1621	
Name or Contact No.	# of years/Term of Contract	Type of Service		Dollar Amt:
				$3.2 billion
2. Name of Firm	**Address of Firm**	**Contact Person**	**Telephone #**	**Fax #**
State of Hawaii	235 S. Beretania St., #1004 Honolulu, HI 96813	Cynthia Akiyoshi	(808) 587-1063	808 587 1128
Name or Contact No.	# of years/Term of Contract	Type of Service		Dollar Amt:
				$1.5 billion
3. Name of Firm	**Address of Firm**	**Contact Person**	**Telephone #**	**Fax #**
Public Employees Retirement Association of New Mexico	P.O. Box 2123 (USPS) Santa Fe, NM 87504-2123 33 Plaza la Prenza (Overnight Mail) Santa Fe, NM 87507	JoAnn Garcia	(505) 476-9395	(505) 954-0357
Name or Contact No.	# of years/Term of Contract	Type of Service		Dollar Amt:
4. Name of Firm	**Address of Firm**	**Contact Person**	**Telephone #**	**Fax #**
Commonwealth of Kentucky	101 Sea Hero Road Suite 110 Frankfort, KY 40601	Robert Brown, CRA, CRC	(502) 573-9186	(502) 573-4494
Name or Contact No.	# of years/Term of Contract	Type of Service		Dollar Amt:
5. Name of Firm	**Address of Firm**	**Contact Person**	**Telephone #**	**Fax #**
State of Maryland	6 Saint Paul St, Ste 200	Michael T. Halpin	(410) 767-8733	(410) 659-0349
Name or Contact No.	# of years/Term of Contract	Type of Service		Dollar Amt:
				$2.5 billion

REQUIRED FORMS - EXHIBIT 3

PROSPECTIVE CONTRACTOR LIST OF CONTRACTS

TEAM – Use same clients as Exhibit 2

Contractor's Name: Mercer Investment Consulting, Inc.

List of all public entities for which the Contractor has provided service within the last three (3) years. Use additional sheets if necessary.

Use list from #2

1. Name of Firm	**Address of Firm**	**Contact Person**	**Telephone #**	**Fax #**
		Type of Service		Dollar Amount
2. Name of Firm	**Address of Firm**	**Contact Person**	**Telephone #**	**Fax #**
		Type of Service		Dollar Amount
3. Name of Firm	**Address of Firm**	**Contact Person**	**Telephone #**	**Fax #**
		Type of Service		Dollar Amount
4. Name of Firm	**Address of Firm**	**Contact Person**	**Telephone #**	**Fax #**
		Type of Service		Dollar Amount

Mercer has extensive experience providing investment consulting services to public sector clients. We have been providing investment consulting to institutional investors, including public funds, since our founding in 1972. We currently consult on a retainer basis to 33 public sector plans; 16 of which have assets in excess of $1 billion. Due to confidentiality reasons we are not able to provide details on all public clients or the exact terms of their services with Mercer. The following entities have given us permission to list their names:

Arizona State Retirement System
Chicago Public School Teachers' Pension & Retirement Fund
City of El Paso Employees Pension Fund
City of Los Angeles
City of Milwaukee ERS
City of Pasadena Fire and Police Retirement System
City of Pittsburgh
City of Tampa
College Savings Plans of Maryland

County of Orange
Fairfax County Police Retirement System
Firemen's Annuity & Benefit Fund of Chicago
Government of Guam
Indiana Public Employees' Retirement Fund
Knoxville Utilities Board
Maryland Retirement Supplemental Plans
Michigan Education Association (MESSA)
Ohio Bureau of Workers Compensation
Ohio Public Employees Retirement
Port of Seattle
Regional Transportation Authority
Sacramento County Employees' Retirement System
Sacramento Municipal Utility District
State of California Public Employees' Retirement System (CalPERS)
State of California Savings Plus Program
State of Hawaii Deferred Compensation Plan
State of Mississippi
State of New Mexico Public Employees Retirement Association
Town of Norwood
Virginia College Savings Plan
West Virginia State Treasurer's Office

Please note that in November of 2010, Mercer made a business decision to exit the public sector defined benefit market, however, we continue to provide consulting services for defined contribution, stable value and project clients.

REQUIRED FORMS - EXHIBIT 4
PROSPECTIVE CONTRACTOR LIST OF TERMINATED CONTRACTS

Contractor's Name: Mercer Investment Consulting, Inc._

List of all contracts that have been terminated within the past three (3) years.

It is Mercer's policy not to disclose specific non-public information regarding clients and the reasons for termination. In the course of our business, consulting relationships have been terminated for a variety of reasons, such as merger, acquisition, or divestiture situations; changes in client business strategy; changes in our business strategy; plan terminations; or upon completion of projects. Note that in 2009 we experienced a higher than average client loss. We believe this is due to the combination of factors clients faced driven by the economic environment, including: bankruptcy, mergers, and fee pressures. While these numbers may appear significant in absolute terms, they should be considered in the context of approximately 300 retainer relationships.

In November of 2010, Mercer made a business decision to exit the public sector defined benefit market, however, we continue to provide consulting on defined contribution, stable value and project consulting.

	2007	2008	2009	2010
Clients Gained	32	33	22	29
Clients Lost	20	19	37	41

While these numbers may appear significant in absolute terms, they should be considered in the context of approximately 300 retainer relationships.

Financial Capability (Section B.3)

Please see **Attachment A** (MMC Annual Report 2007), **Attachment B** (MMC Annual Report 2008), **Attachment C** (MMC Annual Report 2009) and **Attachment D** (MMC Annual Report 2010)

Attachment A (MMC Annual Report 2007)

Attachment B (MMC Annual Report 2008)

Attachment C (MMC Annual Report 2009)

Attachment D (MMC Annual Report 2010)

C

Section C Reporting and online services

Proposal and Methodology

1. **Must present a description of the methodology and schedule of work the Proposer will use to meet Contract work requirements. Provide a comprehensive description of how you will provide the required services stated in *Appendix B, Statement of Work,* of this RFP. Complete the appropriate section of the Pricing Schedule for the 457 Plan and/or 401(k) Plan that you are submitting a proposal.**

Component 1: Investment management searches including target date funds glide path management and advisory services

1.0 Investment Manager Searches

Our research process involves a combination of on-site visits to investment managers, statistical analysis, and the direct experience of our consultant teams who are responsible for establishing our view on each investment manager. In 2010, we held more than 3,700 investment manager research meetings worldwide, including more than 1,500 meetings in the US. Globally, more than 100 field consultants meet with managers periodically.

For on-site meetings, we meet with portfolio managers, analysts and traders to assess the merits of the strategy on a forward-looking basis. We focus on the drivers of past and future performance.

Our research consultants evaluate an investment strategy both quantitatively and qualitatively. Initially, they analyze all strategies using a quantitative review process to gauge whether performance resulted from skill or luck. We also perform detailed, quarterly performance attribution analysis on all of our clients' managers, customized to meet their needs and requirements.

Qualitative review

During an onsite visit, our research consultants conduct a detailed review of the manager's organizational structure, meet with key decision-making personnel, review the investment process and procedures, evaluate resources available to the professional staff, review compensation practices and ownership structure, and identify communication methods used to share ideas and information.

In evaluating investment managers, we analyze a full range of factors starting with how investment ideas are generated by the manager to the ultimate implementation of those ideas. Embedded in our process is an in-depth evaluation of firm-wide issues that have a major impact on how well the investment team functions within a specific firm environment.

We believe that these factors encompass the qualities that investment managers need to be able to do well in order to have strong prospects for outperforming. Each of these factors are rated as either Negative (-), Neutral (=), Positive (+) or Very Positive (++). Our overall strategy ratings are derived based on an overall research opinion. They do not represent a weighted average of the four factor scores.

The four factors correspond to a set of four core beliefs about the key drivers of investment performance as follows:

Factor	Core Belief
Idea Generation	In order to outperform, a manager must be able to generate value-adding investment ideas. It is the quality and breadth of these ideas that are key drivers for long term success.
Portfolio Construction	The quality of a manager's portfolio construction process will determine how effectively its value-adding investment ideas are converted into consistent outperformance. Key elements are how well the manager calibrates active positions in the portfolio, the extent to which these reflect the manager's highest conviction ideas and how well they manage risk.
Implementation	For a manager to outperform, the value added through its investment ideas and portfolio construction process must outweigh the drag on its performance due to transaction costs.
Business Management	Well managed investment firms are more likely to maintain and enhance the competitiveness of their investment strategies over time than poorly managed firms.

Following the meeting the research consultant writes a research note which is then peer reviewed by another researcher. If a researcher believes a change in a strategy's rating is warranted, a detailed analysis supporting the recommendation is prepared and then brought before the relevant Rating Review Committee (RRC). The recommendation is discussed and all rating changes are approved by a majority vote of the RRC.

Quantitative review

We focus on many different quantitative measures, including the following measures that we feel are critical to understanding manager performance:

- **Alpha** (the excess return the manager historically added over an appropriate benchmark) measures whether the manager has skill in managing assets in a particular asset class. We also evaluate down-market alpha, or a manager's ability to add value in down markets to help clients gauge how well a manager protects assets in a declining market.
- **Batting average** measures the percentage of time a manager outperformed its benchmark over a given period, thus indicating performance consistency.
- **Sharpe ratio** measures the degree to which volatility of performance is compensated by additional return. A higher Sharpe Ratio means that the manager is achieving greater performance per unit of volatility (i.e., risk). We analyze both historical and

expected Sharpe ratios. We relate a strategy's Sharpe ratio to its stated objective in order to ascertain if the investment process meets client expectations.

We employ several tools to assist in our evaluation of a strategy's return/risk characteristics.

- **Manager Performance Analytics (MPA®) provides analysis on a variety of measures including: excess return over rolling time periods, risk characteristics (tracking error and standard deviation), returns consistency, information ratio, confidence of value added, correlation of returns analysis, and performance in up/down markets. This system evaluates a strategy's performance and risk characteristics relative to its appropriate peer group (large value, large growth, large core, etc.) and benchmark.**

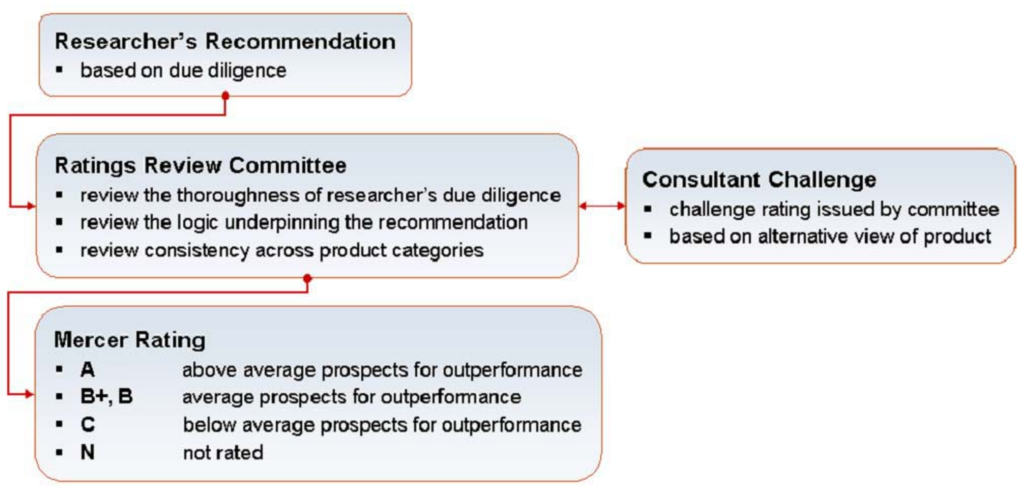
Ratings Process

Our formal ratings review process helps to ensure a high-quality selection of managers for the search process and for the continual evaluation of client portfolios. Our objective is for each strategy to outperform its benchmark on a risk-adjusted basis over the next three to five years.

To help accomplish our objectives, we have implemented a number of Ratings Review Committees (RRC) to cover strategies worldwide. Each committee is comprised of selected senior field consultants and research consultants, who are responsible for establishing and monitoring strategy ratings. Each strategy in our database is judged on rigorous quantitative screening criteria and a qualitative assessment by this experienced, senior group. In conjunction with the US Ratings Committee, the International Ratings Review Committee (IRRC) comprises of senior manager researchers and investment consultants drawn from our Australia, Canada, UK and US offices.

Each committee holds quarterly conference calls to review all ratings for their respective strategies. We also discuss the performance of our "A" rated strategies against performance expectations given the market environment. Additional calls are held in between quarterly conference calls depending upon circumstances that warrant our immediate attention.

The model below demonstrates the process we follow to arrive at an appropriate rating.



Products given the highest rating – "A" – are those recommended for searches. During the manager search process, a client's consultant generally works directly with the research consultants to select from the list of "A" rated products based upon the specific client mandate. The selected subset of "A" rated products comprises the initial candidates in an investment manager search.

Our manager selection process is best depicted by the diagram below:

1. We begin the manager search process by working with clients in order to determine appropriate manager selection criteria. Many clients wish to participate in the initial meeting with the research consultants to discuss potential candidates and how they might fit within the existing portfolio structure. Specific issues discussed include:

   - Asset size and vehicle type
   - Degree of alpha potential and tracking error
   - Degree of correlation with other managers (to provide diversification)
   - Separate client guidelines
   - Cash flow requirements and fee sensitivity
   - Emerging manager, minority-, or female-owned firm preferences
   - During this stage we can include any managers that your Investment Committee wishes to include in the search process.

2. Products given the highest rating – "A" – are those recommended for searches. During the manager search process, a client's consultant generally works directly with the research consultants to select from the list of "A" rated products based upon the specific client criteria as determined in Step 1. The selected subset of "A" rated products comprises the initial candidates in an investment manager search.

3. After managers are selected, a comparative analysis report is reviewed which includes an analysis of various return/risk metrics over multiple time periods, qualitative summary of the manager's investment process and key observations and statistics on the organization.

4. Once finalists are selected, we coordinate presentations including dates and times, presentation agenda's and facilitate the entire process.

5. The final component, one that is sometimes overlooked until late in the process, is the logistics of the transition process. We work with a variety of clients in this capacity – from clients who wish to handle the transition process internally, to clients who prefer that we handle the logistics of transitioning from one manager to another. We also help clients negotiate fees based upon our experience.

Throughout this process, we incorporate client staff into these steps based on the client's preference. Many clients wish to participate in the initial meeting with the research consultants to discuss potential candidates and how they might fit within the existing manager structure. Additionally, we occasionally conduct semi-finalist interviews, either on-site or at the client's location, in order to condense the list of finalists presented to the client.

Transition

Mercer has performed more than 100 transition manager evaluations over the last three years, giving us the experience to extract the nuances from transition manager proposals using the process summarized here.

The Mercer Sentinel® Group is a global team of specialized investment consultants who focus solely on investment operations and implementation. Evaluation of transition managers is a core competency for this global team of more than 40 professionals. We have well developed processes and procedures for evaluating every aspect of transition manager candidates, including their:

- Organization & financials
- Execution capabilities
- Project management skills (commitment to procedural controls)
- Technology platform
- Explicit fees
- Business structure
- Experience & staffing
- Reporting capabilities, including their pre-trade analytics
- Client service capabilities
- Implicit costs

Our process focuses on identifying, analyzing, and controlling risks and costs. Mercer's extensive global experience with trading and transition operations, such as custody, payment systems and securities settlement infrastructure, enables us to assist clients in identifying and addressing potential issues and complications prior to a transition commencing. In addition, our expertise helps clients minimize cost and risk by structuring mandates and comparing methodologies and providers.

2.0 Target date funds glide path management

All customized target date funds developed by Mercer are tailored to the specific plan demographics and have unique glide paths. The first generation of customized target date funds were focused on leveraging the existing core options in the plan, but over the last three years we have been working with clients to introduce other asset classes not offered in the core option array to better promote diversification.

Mercer not only monitors the performance of the target date funds versus indices and peer group comparisons, but also evaluates the appropriateness of the glide paths (i.e., asset allocation rolldown) and underlying investment strategies that make up each target date fund.

Building a glide path

	Current	End Point
Portfolio Allocation		
US Eq – Large	20%	
US Eq – SMID	10%	
Non-US Eq	15%	
Real Estate	5%	
Absolute Return	2%	
Core FI	5%	30%
Long Gov FI	5%	30%
Long Credit FI	38%	40%
Overlay FI		
Portfolio Characteristics		
Growth/Equity Allocation	52%	0%
Hedging Allocation	48%	100%
Interest Rate Hedge Ratio	45%	103%
Credit Spread Hedge Ratio	39%	58%
Portfolio Behavior		
Funded Status Volatility	9%	3%
VaR (95%, 1 year) $ millions	127	40

These primary characteristics can define each portfolio

4 Specify a dynamic program to move from current to end point in discrete steps.

3 Translate primary characteristics in asset class allocations.

2 Articulate “behavior” as primary characteristics for the portfolio.

1 Determine the desired “behavior” of the end point portfolio.

Assumptions

Our US capital market assumptions are derived by our chief economist, Louis D. Finney, PhD, and are approved by the US Investment Policy Committee which is comprised of research and practice consultants. Assumptions are reviewed on a quarterly basis and adjusted based upon capital market changes. Our recent Capital Markets Outlook, which includes our assumptions as of the end of the most recent quarter, is attached.

Additionally, our Directors of Consulting develop consistent capital market assumptions on a global basis. For multinational organizations, consistent assumptions are the underpinning for developing reliable asset allocation frameworks across geographies.

Our assumptions are based on the professional judgment of experienced investment consultants and economists and rely on historical experience, economic theory, and our assessment of future developments in the capital markets. Our process for setting asset class expected returns begins with earnings growth and current yields. Equity return assumptions are set by adding a risk premium over bonds. Volatility and correlation assumptions are based more directly on historical experience, except in cases in which the market environment has clearly changed.

Below is a summary of the changes we made to our assumptions in October 2010.

- **Amid heightened concerns about deflation and a possible double-dip recession, yields dropped 20 to 60 basis points during the quarter. In general, this brought expected returns for fixed income down 30 basis points.**
- **Over the next 20 years, we expect inflation to be 2.6%. Over the next year, inflation should be around 1.5% and rise after that. Economic growth is also**

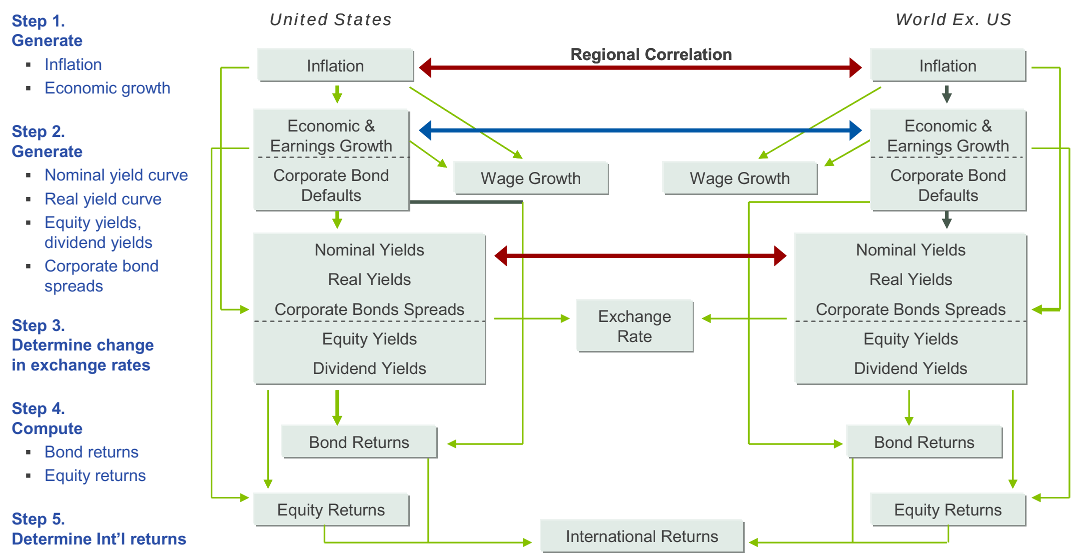
expected to remain tepid in the short run, but quickly rise back to normal levels.

- **We judge the equity market to be fairly valued. Consequently, we have made no adjustments to expected equity returns from our last set of projections.**

The Mercer Capital Markets Simulator (CMS) is our proprietary economic and financial modeling tool. Essentially, we believe there are three main drivers of the capital markets:

- **Inflation**
- **Economic growth, which flows through to earnings and profits**
- **Interest rates**

We model real interest rates, nominal interest rates, default spreads, dividend yields, and earnings yields (the inverse of price/earnings ratios). The flowchart below presents the methodology for generating capital market returns:



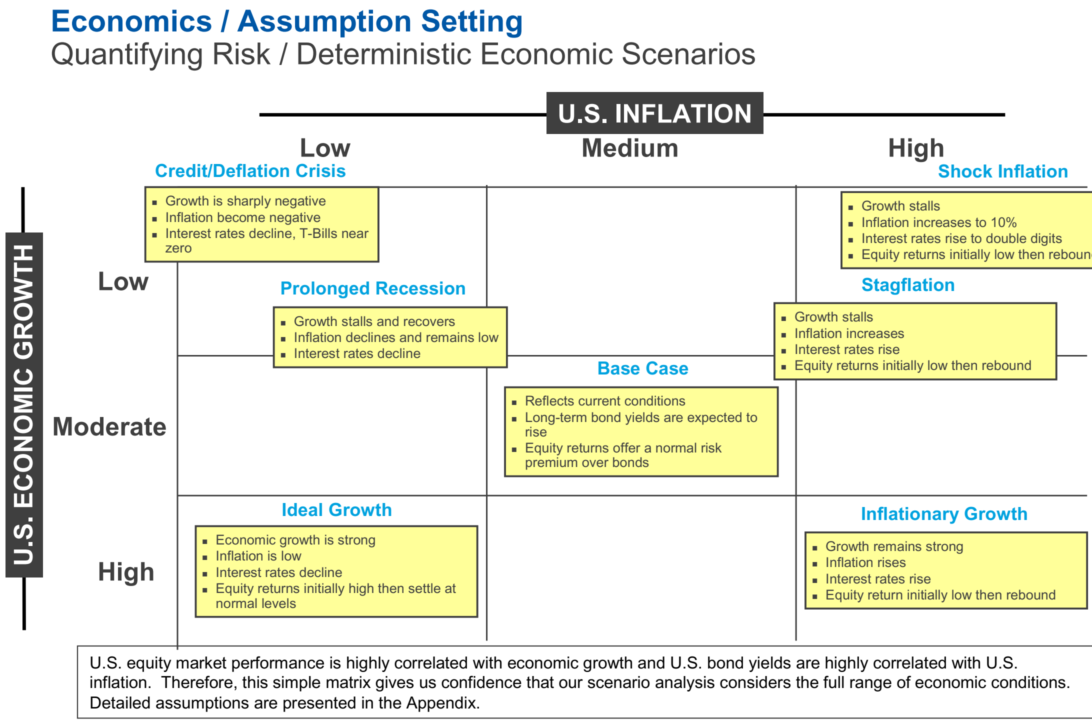
CMS provides three main advantages:

- **Precise analytics, by employing an economic model, not a mean/variance model. The model is based upon economic fundamentals: growth, inflation, and interest rates that determine returns.**
- **Consistent global results, by simultaneously modeling multiple countries.**
- **Proper display of asset/liability relationships through direct modeling of interest rates and inflation**

Scenario Analysis

Our capital market assumptions represent general future expectations and significant volatility around those expectations. We believe this approach accurately addresses "two standard deviation events," such as the 1973-74 equity market. We recognize, however, that, in times of economic stress, long-term standard assumptions may not hold. For example, during a deflationary spiral, correlations between factors tend towards one or negative one. For this reason, we include a scenario analysis in addition to our simulation results. We review these assumptions with clients, as well as the methodology for developing these assumptions, prior to commencing strategic asset allocation studies.

See below for a graphical representation of our scenarios:



3.0 Advisory Services

The WRG produces several information services to help Mercer consultants and clients stay current on major legal and legislative issues. Those that are available to Mercer clients and others include:

- **Mercer Select -- News, reports and analyses of legislative, regulatory, and judicial developments and issues affecting retirement, health, compensation, employment, and other human resource programs. Available to Mercer Select Members via the Web.**
- **GRIST Analyses & Perspectives -- The WRG regularly publishes GRIST articles on major legislative, regulatory, and judicial issues and developments. Mercer Select members have access to GRIST and similar in-depth articles via Mercer Select.**
- **Weekly Highlights -- Weekly roundup of notable retirement, health, compensation, employment, and other human resource developments and issues. Available via email and Mercer Select.**

The master custodian plays a critical role in all aspects of asset administration, particularly for large plan sponsors with complex investment structures and reporting needs. We also understand the inherent risks in custody relationships: operational risk, credit risk, and legal risk. We believe that by proactively identifying, assessing, and managing these risks, plan sponsors can prevent unnecessary losses – both in economic terms and the opportunity costs associated with missed market opportunities, and the diversion of internal resources to rectify the problems. Our goal is to help our clients better understand and manage these risks and more effectively utilize custodians. Mercer established Mercer Sentinel™ Group in 1999 a dedicated, full-time custody research group that advises US and non-US clients.

Mercer Sentinel works with institutional investors and investment manager clients across the North America, Europe, Australia, and Asia-Pacific regions on domestic and multinational custody and related issues. We focus on risk management and client needs when assessing custodians. Our dedicated trust and custody research group maintains data on a wide variety of global and domestic custodians, and we have a systematic evaluation approach relating to the credentials of any prospective custodial organization, in order to help ensure that a client's custodian can effectively offer the services required by the client.

As part of these services, Mercer can also conduct a custody benchmark analysis of a client's current custodian or securities lending provider. This serves as a means to assess current fee structure rationale, assess compliance with best practices, and conduct an overall evaluation as to whether a custodian is able to adequately meet the client's needs.

Each of the services below may be quoted separately, on a project basis, using a client's specific needs and requirements.

- **Domestic and multinational custody search**
- **Services benchmarking**
- **Fee benchmarking**
- **Securities lending consulting and performance monitoring**
- **Foreign exchange execution audits**
- **Conversion assistance**
- **Current custodian due diligence**
- **Best practices design and implementation**
- **Domestic and multinational needs assessment**
- **Cross-border asset pooling**
- **Back-office outsourcing**
- **Contract and service level agreement (SLA) reviews**
- **Fee negotiations**

Component 2: Performance review & measurement, investment policies & guidelines, investment advisory services

1.0 Performance review and measurement

The goal of our performance evaluation process is to help clients meet their fiduciary responsibility by evaluating:

- **Fund's adherence to policy guidelines**
- **Current investment strategy of the fund and its underlying managers**
- **Future capital market expectations and market trends**

We believe that the management of a fund is a continuous process and is not limited to providing a quarterly performance report. Our ongoing performance evaluation includes, but is not limited to:

- **Periodic performance evaluation reports. These comprehensive reports provide information on asset allocation relative to policy targets; investment performance relative to appropriate index benchmarks and peer groups for the total fund and each manager; period-end portfolio characteristics; and investment policy compliance. Additionally, our reports include customized commentary at the total fund and manager level. We typically provide reports on a quarterly basis.**
- **Ongoing due diligence on the fund's investment managers. We provide continuous due diligence on changes that may significantly impact a client's investment managers. If concerns arise relating to these managers, we issue recommendations for appropriate action as needed.**
- **Ongoing investment consulting services. As significant changes occur in the capital market environment or available investment alternatives, we provide clients with educational presentations, information and recommendations to assist them in meeting their fund's long-term objectives.**

For **defined contribution plans**, Mercer has a proprietary software system for DC reporting. Our database stores DC client and plan information on a central server. This information about investment products is updated using back-office processes. Mercer's analysts maintain DC client and plan data through a web based front end to the database. Analysts generate performance evaluation reports by using a desktop Report Writer that pulls plan level data off the database and calculates performance, generates charts, tables and other types of exhibits.

Our Report Writer then places all the data and exhibits into a standardized reporting document. Analysts then apply attribution and client specific analysis and comments into the standardized report to create the finished product.

Mercer utilizes a centralized group, the Performance Analysis and Reporting Division (PARD), to reconcile monthly manager-reported returns with custodial generated returns. Performance information is received by PARD directly from fund managers who then follow a detailed process to reconcile any return discrepancies within mutually acceptable asset-class specific tolerance bands. This process consists of identifying the appropriate amount and timing of cash flows, the investigation of reasons for market value discrepancies between the custodian and investment manager (i.e. pricing variations or trade vs. settlement date accounting) and finally, a careful check of calculation methodology and verification of the treatment of accrued income and dividends.

Mercer is able to solve most reconciliation issues through this process. If additional problems exist, PARD analysts act as liaisons between the custodian and investment manager until a resolution is reached.

In collecting manager based returns, Mercer requests managers to present composites in compliance with CFA® Institute's Global Investment Performance Standards (GIPS). Managers are asked to confirm whether they are GIPS compliant, and if so to provide their auditor's name. We do not independently verify every composite return stream, as this would be impractical with more than 20,000 strategies in the database. We do, however, regularly check dispersion among actual client accounts and manager composites for frequently used investment strategies, and compare reported composite information to actual performance achieved for our clients.

Following the reconciliation, three sets of universe data (Mercer Manager Universe Data, MAS Trust Universe Data and Index Universe Data) are considered toward the generation of extended time period returns for all managers and composites which are sent to the field for a mandatory peer review process. Following this, a quarter-end book is put together and sent off to Mercer's field offices.

Reporting

When structuring a performance evaluation report, our consulting team works with our client to identify and detail specialized areas of focus appropriate to each client's portfolio structure and areas of interest. Reports integrate commentary, tables and color graphics that help to convey this information. There are numerous options for clients within the following areas:

- **Asset allocation**
- **Performance reporting – total fund, fixed income segments, individual managers**
- **Risk analysis**
- **Portfolio characteristics**
- **Performance attribution**

Mercer would provide formal reports on a semi annual basis (typically 35 to 45 days after quarter-end) and ad hoc reporting when a particular situation warrants immediate discussions between the client and Mercer.

- **Formal Reporting**
- **Overview of the economic and capital market environment as well as market trends**
- **Highlights of any organizational issues, within an investment management firm, meriting attention**
- **Qualitative evaluation of current asset allocation strategy, manager structure and individual investment strategies utilized**
- **Detailed attribution and quantitative graphs showing absolute results, relative results and other attribution analysis**
- **Compliance review versus investment policy standards**
- **Ad Hoc Reporting**
- **Manager meeting notes and news memos**

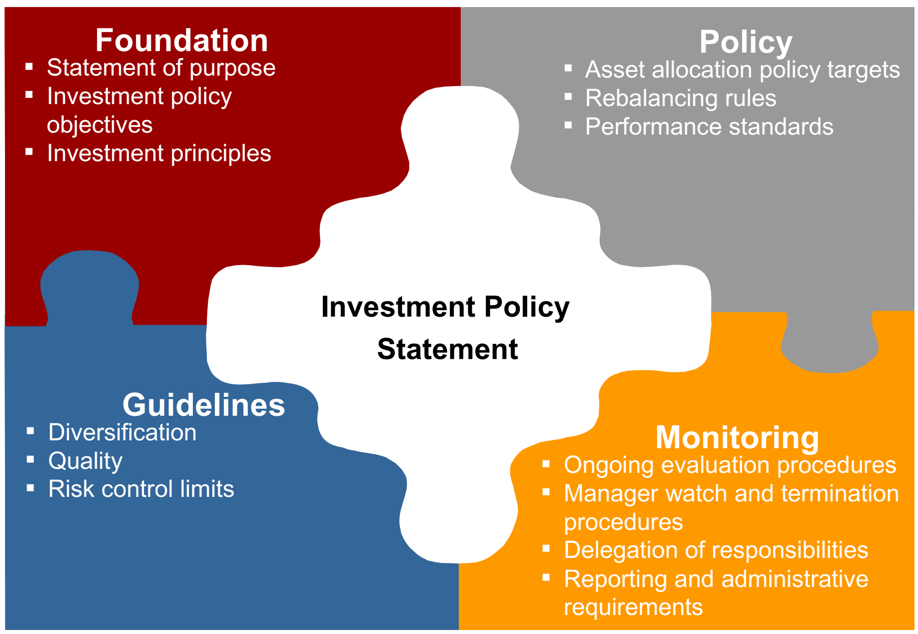
- **Relevant research and white papers**
- **Capital market assumptions and economic news alerts**
- **Mercer Surveys**

Upon receipt of the performance evaluation report, Mercer would meet with the Committee on a semi-annual basis to review the report and recommendations. Collectively, the Committee and Mercer would decide on action plans if necessary.

2.0 Investment polices and guidelines

One of the key features of a strong plan governance structure is a well-developed investment policy statement that guides both fiduciaries and non-fiduciaries in the management of the plan. We assist clients in enhancing and refining their investment policy statements to reflect plan objectives and risk tolerances they have developed. This includes regular reviews and updates/enhancements, as appropriate.

The graphic below depicts the key components of an investment policy statement.



The policy should reflect “strategic” or long-term objectives, rather than “tactical” objectives, or those that are short-term in scope. However, the policy must be dynamic enough to take advantage of and respond to economic, capital market, and program-related changes.

Our process

First - evaluate the objectives and purpose of the Plan to make sure that we fully understand the directive.

Second - verify that the strategic policy has been outlined. We would expect this portion of the investment policy to list the asset allocation targets and ranges, the rebalancing rules and the investment manager performance standards.

Third - look for the investment manager guidelines to ensure proper diversification, appropriate quality restrictions and any prohibited transactions. In reviewing this portion of an investment policy statement, we overlay the current policy with our understanding of the current investment manager lineup to make sure that we believe current guidelines are fair and that it maximizes the potential performance of each strategy.

Fourth - look for the investment policy statement to provide ongoing monitoring procedures. These procedures typically include timing of ongoing evaluations, delegation of responsibilities to various parties, reporting requirements, proxy voting procedures and general decision rules on what is and is not acceptable performance to the Fund. We have found that by having a very detailed investment policy statement, communication with the investment managers is improved and fewer misunderstandings occur.

As we review a current investment policy, we prefer to redline the document with our suggested changes and then have a detailed meeting with the client regarding our proposed changes. After talking through the issues, we typically agree which items are enhancements and which items are not necessary. Once the revised investment policy statement is agreed to, we share the document with each investment manager for their written comments. We then discuss any pertinent issues with the client to get agreement. Once finalized, we ask all managers to provide a signed statement that they have received and reviewed the investment policy statement and that they agree to adhere to the policy. Through our performance monitoring work, we will verify manager compliance on an ongoing basis.

3.0 Investment Advisory Services

The WRG produces several information services to help Mercer consultants and clients stay current on major legal and legislative issues. Those that are available to Mercer clients and others include:

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The master custodian plays a critical role in all aspects of asset administration, particularly for large plan sponsors with complex investment structures and reporting needs. We also understand the inherent risks in custody relationships: operational risk, credit risk, and legal risk. We believe that by proactively identifying, assessing, and managing these risks, plan sponsors can prevent unnecessary losses – both in economic terms and the opportunity costs associated with missed market opportunities, and the diversion of internal resources to rectify the problems. Our goal is to help our clients better understand and manage these risks and more effectively utilize custodians. Mercer established Mercer Sentinel™ Group in 1999 a dedicated, full-time custody research group that advises US and non-US clients.

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As part of these services, Mercer can also conduct a custody benchmark analysis of a client's current custodian or securities lending provider. This serves as a means to assess current fee structure rationale, assess compliance with best practices, and conduct an overall evaluation as to whether a custodian is able to adequately meet the client's needs.

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- **Domestic and multinational custody search**
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- **Best practices design and implementation**
- **Domestic and multinational needs assessment**
- **Cross-border asset pooling**
- **Back-office outsourcing**
- **Contract and service level agreement (SLA) reviews**
- **Fee negotiations**

2. Identify whether your firm is submitting a proposal for the 457 Plan and/or 401(k) Plan. Fully describe the services your firm will provide by responding to the following items as stated in *Appendix B, Statement of Work,* of this RFP. In responding to the items, please format your response with a restatement of the requested information followed by your firm's response.

We are submitting this proposal for both the 457 and 401(k) plans.

a. Views and Procedures: Describe your view and procedures implementing the 457 Plan and/or 401(k) Plan search and performance consulting services. Identify potential recommendations your firm would propose to PAC to improve the Plans investment products to participants and how your firm can provide superior search and performance consulting services.

Mercer's first step in providing consulting services to the County Plans will be to provide a Review Report summarizing the key issues we believe are confronting the Plans from an investment perspective. This review will address, a) investment structure issues concerning the number and type of investment options offered under the Plans, b) an assessment of the investment products currently utilized under the Plans highlighting performance and or organizational issues that one of concern to Mercer, c) a review and assessment of the current target date funds with comments concerning the current glidepath structure and the underlying investment products utilized to implement the glidepath, and d) a discussion of ideas concerning distribution options from the Plans.

The results of this Report will be to establish a suggested work plan through which to confirm or modify each Plan's investment fund structure and to make recommendations as appropriate concerning the retention or replacement of the existing investment manager products.

One specific recommendation Mercer would make is adding an array of index funds to complement the existing S&P 500 Index Fund. This approach would provide participants, with low cost access to the key asset classes available in the marketplace and would provide participants, with an alternative to the existing array of actively managed funds.

Additional topics for consideration would include:

Core bond option: Review the construction of this fund of funds to determine whether underlying portfolio managers which tend to have a bias towards spread product could be complemented with a higher quality sleeve. As we saw in 2008, a structural underweight to US Treasuries and other safe-haven securities can be detrimental in times of market stress when Treasuries are one of the few assets that provide downside protection (i.e., there correlation properties tend to hold up when other asset classes move in tandem). A simple approach we would explore with the PACs is the addition of an index sleeve which, by construction, will always have a position in ultra-safe securities.

Non-US equity/Emerging Market Equity: We would recommend the inclusion of a dedicated Emerging Markets manager either on a standalone basis or as a component in the Non-US equity fund. We would also recommend adding an International Small Cap sleeve to the Non-US equity fund.

Inflation hedge product in the core line-up: We would discuss the benefits of adding a multi-asset class diversified inflation hedged product. In this discussion, we would review the merits of using the real return portfolio used in the target date funds.

Distribution Options: We would explore the DC plan trend towards providing participants with increased convenience in accessing income for life solutions whether this may be through an annuity purchase window, managed payout strategy, or an alternative income distribution option.

Target Date Funds: As stated earlier, we would look to further diversify the mixes by incorporating additional asset classes such as long duration bonds, emerging markets equity, emerging markets debt, adopting the global portfolio (roughly 50% US/50% Non-US Equity posture), international small cap, daily liquidity alternatives (market neutral strategies, commodities, other low volatility strategies). We would also review the glidepath of the existing funds in the context of evaluating the volatility of the current structure as participants reach their target date relative to actual participant experience in withdrawing their funds.

Review all fund-of-fund portfolios to determine whether they offer optimal expected alpha/tracking error output based on our capital market assumption and Style Research Portfolio Analyzer.

b. Approach and Resources: Describe your approach and resources your firm would employ as a basis to provide optimal search and performance consulting services to the Plans' investment assets and the relationship with the Plans respective investment managers and discretionary stable value manager.

Mercer will provide a proactive approach in working with the County and in our interactions with the discretionary stable value manager.

Resources – staff and tools

Mercer has several resources dedicated to serving the needs of our clients with DC plans. Recognizing the growing prominence of defined contribution plans, Mercer formed a defined contribution segment group to lead our efforts in this area. The group consists of five senior consultants and is led by Toni Brown. While all Mercer consultants work with clients who have DC plans, members of this group provide thought leadership, strategic support and consulting expertise on issues and trends of interest to our DC clients.

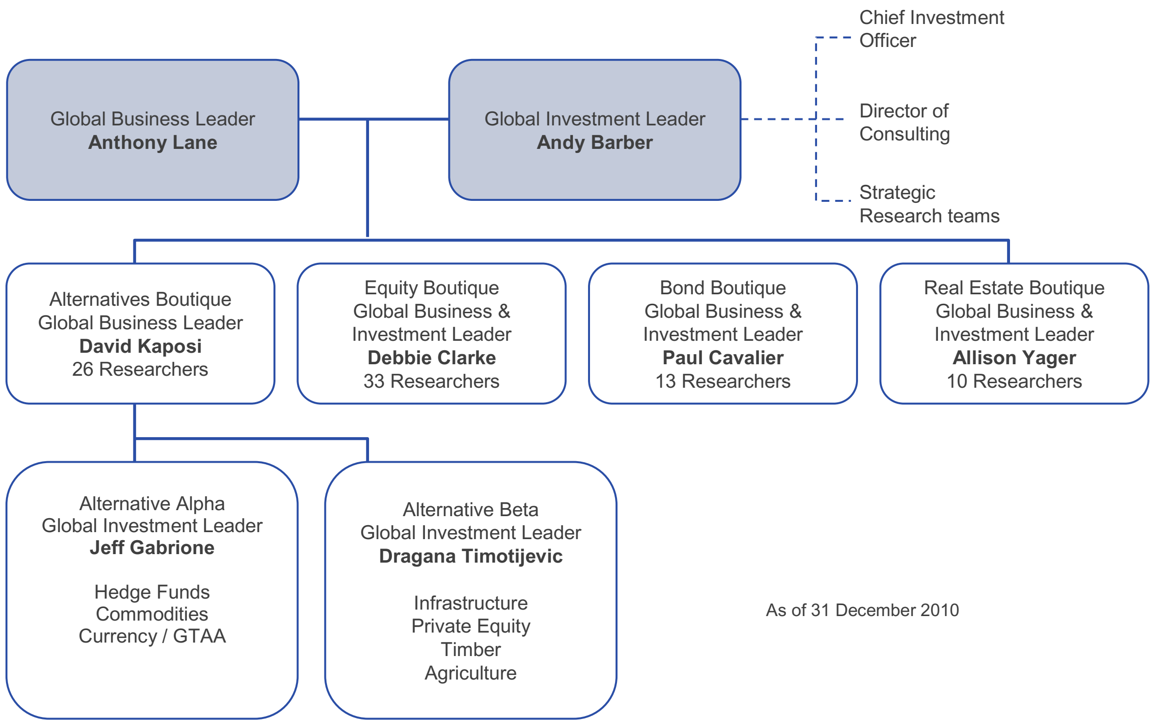
Mercer has a proprietary software system for DC reporting. Our database stores DC client and plan information on a central server. Mercer analysts maintain DC client and plan data through a web based front end to the database. Analysts generate performance evaluation reports by using a desktop Report Writer that pulls plan level data off the database and calculates performance, generates charts, tables and other types of exhibits.

Our Report Writer then places all the data and exhibits into a standardized reporting document. Analysts then apply attribution and client specific analysis and comments into the standardized report to create the finished product.

Manager research

Mercer has over 100 full-time manager research professionals (many of whom have hands-on fund management experience). This includes an additional 19 manager researchers (15 in alternatives) from our recent acquisition of Hammond Associates, a St. Louis based investment consulting firm.

Our research process involves a combination of on-site visits to investment managers, statistical analysis and the direct experience of our consultant team in the field. Below is a diagram detailing the number and specializations of our manager research staff.



c. Legislative Issues: Describe your approach and resources your firm would employ as a basis to provide search and performance consulting services as affected by legislative, compliance and administrative changes and trends in DC plans.

Legal Assistance

The WRG works with Mercer clients and consultants to assure that employee benefit and compensation plan designs, operations, and transactions comply with the law. Areas of expertise include tax, ERISA, and other legal issues relating to defined benefit plans (e.g., cash balance and pension equity plans), defined contribution plans (e.g., 401(k) plans and ESOPs), nonqualified deferred compensation plans, stock compensation programs, cafeteria plans, health plans, retiree health plans, disability plans, Social Security, Medicare, early retirement programs, and mergers & acquisitions. The WRG develops and assesses innovative plan strategies and designs (e.g., retiree cafeteria plans, PBGC premium reduction strategies, and transferring nonqualified benefits into qualified plans) to assist Mercer clients achieve their business and human resource objectives within applicable legal parameters. The WRG also participates in retirement plan, health plan, and employment program operational reviews to assure legal compliance, with follow-on correction activities, closing agreement submissions to the IRS, plan redrafting, and operational training.

Information Services

The WRG produces several information services to help Mercer consultants and clients stay current on major legal and legislative issues. Those that are available to Mercer clients and others include:

- **Mercer Select** -- News, reports and analyses of legislative, regulatory, and judicial developments and issues affecting retirement, health, compensation, employment, and other human resource programs. Available to Mercer Select Members via the Web.
- **GRIST Analyses & Perspectives** -- The WRG regularly publishes GRIST articles on major legislative, regulatory, and judicial issues and developments. Mercer Select members have access to GRIST and similar in-depth articles via Mercer Select.
- **Weekly Highlights** -- Weekly roundup of notable retirement, health, compensation, employment, and other human resource developments and issues. Available via email and Mercer Select.

d. Describe your search and performance consulting services. Describe your procedure for ensuring that all relevant issues are being addressed. Describe your ability to implement, establish and maintain the required search and performance consulting services as requested for the Plans.

As described in our response to question 1 above, we plan to provide comprehensive services for both County Plans as outlined in the statement of work. We will meet on a regular basis to make sure all relevant issues are covered and addressed. Please see our detailed response to the statement of work.

e. When did you begin providing search and performance consulting services? Provide a brief history of your consulting operations including the dates of implementation of key requirements and enhancements.

Mercer has been providing investment consulting for more than 35 years.

We trace our roots back to 1937, when Marsh & McLennan, Inc., the US insurance broking firm, established an employee benefits department. The Mercer name first appeared in Canada in 1945, when William Manson Mercer founded the benefits consulting firm of William M. Mercer, Limited. That firm was acquired by Marsh & McLennan Companies in 1959.

William M. Mercer Investment Consulting, Inc. (now Mercer Investment Consulting, Inc.) was created as a separate entity in the United States in 1972 to provide investment advisory services. In the 1980s the acquisition of Meidinger, Inc., and A.S. Hansen expanded our investment business. In 1997 a merger with A. Foster Higgins & Co. further enhanced our presence in the US.

In January 2011 Mercer acquired Hammond Associates, a leading investment advisor to endowment and foundations, health care organizations and universities. This transaction offers us the ability to provide our clients with additional research capabilities, particularly in the area of alternatives manager research.

D

Section D Acceptance/exception to terms and conditions in sample contract

County of Los Angeles Treasurer and Tax Collector
Request for Proposals – Search and Performance Investment Consulting Services
Exceptions

1. Recitals, Fourth Paragraph: We would request that the wording be revised to state, "Contractor is a Kentucky corporation qualified to do business in the state of California, duly constituted…"

2. Section 5.4: In order to reflect the concept of a cure period (which appears in other sections of the Contract) for any breaches by Contractor, we would request the following revisions to Section 5.4: "Should PAC determine that the extent and impact of the Contractor's errors and/or omissions to be substantive costing the Plans significantly in financial and/or staff resources, and Contractor has not corrected such errors/omissions within a reasonable period of time, the PAC may, in its sole discretion, withhold payment for those services that have not performed to the PAC's satisfaction until Contractor has delivered work product acceptable to the PAC in its reasonable discretion."

3. Section 6.4: In order to ensure that Contractor is not responsible for the quality or timeliness of data, outside of its control, on which it must rely to perform the services described in the Contract, we would request the addition of the following language as a new ultimate paragraph: "Further, PAC agrees to provide, or arrange for the provision of, all necessary and reasonably requested information, direction and cooperation to enable Contractor to provide services pursuant to this Agreement. Contractor shall use all information and data supplied by PAC or on its behalf without independently verifying the accuracy, completeness or timeliness of it, and Contractor shall not be responsible for any delays or liability arising from missing, delayed, incomplete, inaccurate or outdated information and data."

4. Section 7.5.2: We would request the following changes to this Section, in order to more clearly define the parties' respective roles in any defense of a claim, and to clarify the scope of Contractor's liability: (i) only those legal expenses that qualify as "reasonable" should be covered by the indemnification obligation; (ii) agents of the PAC should not be indemnified parties; (iii) Contractor's legal counsel should not be subject to the PAC's approval; (iv) the PAC should provide its reasonable cooperation in any defense proceedings; (v) as Contractor will be providing a full and adequate defense in the event that these indemnification obligations arise, Contractor should not be required to pay for the PAC's counsel; and (vi) Contractor should retain full control over any defense proceedings and not require the PAC's approval as set forth in the last sentence of this Section.

5. Section 7.5.3: We would request the deletion of this Section. We do not require our employees or agents to be contractually liable in their personal capacities to our clients. Rather, the Contractor assumes responsibility for its employees' actions.

6. Section 7.5.4: We would request the deletion of this Section. We do not require our employees or agents to be contractually liable in their personal capacities to our clients. Rather, the Contractor assumes responsibility for its employees' actions.

7. New Section 7.7: In order to clarify the PAC's ownership of any deliverables while preserving our intellectual property rights, we would like to add a new section entitled "Ownership of Work," as follows: "All materials prepared by Contractor specifically and exclusively for PAC pursuant to this Agreement (the "Work") shall be owned exclusively by PAC, provided that Contractor shall retain all copyright, patent and other intellectual property rights in the methodologies, methods of analysis, ideas, concepts, know-how, models, tools, techniques, skills, knowledge and experience owned or possessed by Contractor before the commencement of, or developed or acquired by Contractor during or after, the performance of the services pursuant to this Agreement (the "Intellectual Property"), and Contractor shall not be restricted in any way with respect thereto. To the extent any Work incorporates any Intellectual Property, Contractor hereby grants to PAC a non-exclusive, non-transferable right to use such Intellectual Property solely for purposes of utilizing the Work internally in accordance with the terms of this Agreement, provided that PAC shall be responsible for, and Contractor shall have no liability with respect to, modifications made by any person other than Contractor to the Work or the Intellectual Property."

8. Section 8.3.1: In order to document that both parties agree to any changes to the terms of the Contract (not just limited to scope, term Contract sum and payments), we would like to insert the following phrase after the words, "All such changes" in the second sentence of Section 8.3.1: ", to the extent mutually agreed by the parties,".

9. Section 8.3.3: In order to document that both parties agree to any changes to the terms of the Contract (not just limited to scope, term Contract sum and payments), we would like to add the following phrase to the end of the second sentence of Section 8.3.3: ", to the extent mutually agreed by the parties".

10. Section 8.4.1: In order to ensure a direct link between our actions and the losses for which we're indemnifying the PAC and County, and that any attorneys' fees for which we're liable are reasonable, we would revise the paragraph to read as follows: "The Contractor shall indemnify and hold harmless the PAC and County from and against any and all liability, damages, costs, and expenses, including, but not limited to, defense costs and reasonable attorneys' fees, directly arising from any violation on the part of the Contractor or its employees, agents, or subcontractors of any such Federal, State and local laws, rules, regulations, ordinances, or directives."

11. Section 8.4.2(iv): We would request that this sub-section be revised to read, "Contractor becoming aware of any other material change in Contractor's business organization that would be reasonably expected to negatively impact Contractor's ability to perform services under this Contract, including without limitation the filing for bankruptcy relief." We do not believe that changes in our business that will not affect the PAC's receipt of services should need to be reported.

12. Section 8.4.4: We would request that this section be deleted, as Contractor does not have its own audited financial statements. Alternatively, Contractor may provide a copy of the annual report of its ultimate parent company, Marsh & McLennan Companies.

13. Section 8.8.2: In order to limit our reporting obligations to those conflict issues that are most important to the PAC, we would like to revise the second and third sentences of Section 8.8.2 to

read as follows: "The Contractor warrants that it is not now aware of any facts that create a material conflict of interest, other than have been disclosed to the PAC in the Contractor's Form ADV Part II. If the Contractor hereafter becomes aware of any facts that might reasonably be expected to create a material conflict of interest, it shall immediately make full written disclosure of such facts to the TTC."

14. Section 8.16: We would request that this section be revised to reflect Contractor's existing background check policies and procedures, as follows: "Background and security investigation clearance of Contractor's staff shall have been performed, in accordance with the background procedures of Contractor in effect at the time of such staff member's employment, by Contractor. Contractor shall maintain a background check/report encompassing criminal investigations. Contractor shall assure that any employee whose background report is known to Contractor to contain a conviction for a crime and where employment of such person in the position held or to which such employee would be assigned would be prohibited under 12 U.S.C. Section 1820, ERISA or the SEC, as applicable to the employee as a result of such conviction, such employee shall not be associated with the work performed under this Contract."

15. Section 8.18: In order to ensure a direct link between our actions and the losses for which we're indemnifying the PAC and County, we would revise the second paragraph of this Section to read as follows: "The Contractor shall indemnify, defend, and hold harmless, the County, PAC, its officers and employees from employer sanctions and any other liability which may be assessed against the Contractor or the PAC or both directly arising from any actual violation of any Federal or State statutes or regulations pertaining to the eligibility for employment of any persons performing work under this Contract."

16. Section 8.20: In order to ensure a direct link between our actions and the losses for which we're indemnifying the PAC and County, we would revise the paragraph to read as follows: "The Contractor shall comply with all applicable provisions of the Federal Fair Labor Standards Act and shall indemnify, defend, and hold harmless the County, PAC and its agents, officers, and employees from any and all liability, including, but not limited to, wages, overtime pay, liquidated damages, penalties, court costs, and reasonable attorneys' fees directly arising under any wage and hour law, including, but not limited to, the Federal Fair Labor Standards Act, for work performed by the Contractor's employees for which the PAC may be found jointly or solely liable."

17. Section 8.22: In order to ensure that any dispute resolution is conducted as cost-efficiently and knowledgeably as possible, we would request the addition of the following binding arbitration language: "Each party to this Contract, on behalf of itself and its Affiliates, agrees that any dispute, claim or controversy arising out of or relating to this Contract or the provision of Services by Contractor (a "Claim") shall be resolved by binding arbitration pursuant to the Commercial Arbitration Rules ("Rules") of the American Arbitration Association ("AAA") then in effect. The arbitration shall be conducted by a panel of three arbitrators, with each party selecting one arbitrator and the two arbitrators selecting the third arbitrator. If the two arbitrators are unable to agree upon the third arbitrator, the third arbitrator shall be selected by the AAA. Each of the arbitrators shall have at least fifteen years of relevant industry experience. The arbitrator(s) shall render a reasoned award, and neither party shall object to the other party's request for such an award. The arbitrators shall have no authority to award loss of profit, incidental, consequential, special, indirect, punitive or similar damages or any damages not measured by the prevailing party's actual direct damages, and may not make any ruling, finding or award that does not conform to the terms and conditions of this Contract including, without limitation, the terms and conditions relating to the exclusion or limitation of damages. All fees and expenses of the arbitration shall be borne by the parties equally; except that each party shall bear the expense of its own counsel, experts, witnesses, and preparation and presentation of the arbitration matter. Judgment upon any award rendered by the arbitrators may be entered in any court of competent jurisdiction; provided, however, neither party shall seek to enforce any judgment which does not

conform to the terms and conditions of this Contract, including, the terms and conditions relating to the exclusion or limitation of damages. No demand for arbitration may be made on any date on or after which the institution of legal or equitable proceedings based on the applicable claim would be barred by the applicable statute of limitations or by any provision of this Contract. Notwithstanding the foregoing, nothing in this Sub-paragraph prohibits either party from seeking equitable relief from a court of competent jurisdiction to the extent that irreparable harm may occur and damages would not be a sufficient remedy. The arbitrators shall not amend, modify, nullify, ignore or add to the provisions of this Contract and in the event the arbitrators do so or attempt to do so, such act by the arbitrators shall be null and void and have no effect, and either party may seek to enforce this sentence and the immediately proceeding sentence in a court of competent jurisdiction notwithstanding this Sub-paragraph 8.20."

18. Section 8.23.4: We would request the deletion of this section. We do not require our employees or agents to be contractually liable in their personal capacities to our clients. Rather, the Contractor assumes responsibility for its employees' actions.

19. Section 8.24: In order to ensure the language reflects our standard liability wording, we would revise this section to read as follows: "The Contractor shall reimburse the Plan for, and shall indemnify, defend and hold harmless the County, the Plan(s), PAC, its officers, fiduciaries (excluding Contractor) and employees, from and against all liability, claims, damages, losses, liabilities, suits, costs, charges, expenses (including but not limited to reasonable attorneys' fees and court costs), judgments, fines and penalties, ("Claims") directly arising from any bad faith, gross negligence, willful misconduct, infringement of intellectual property rights, breach of the Standard of Care, breach of contract or violation of any Legal Requirement (as defined in Sub-paragraph 8.6 above) by Contractor or any of its Agents acting in connection with this Contract. Notwithstanding anything to the contrary in this Contract, in no event shall Contractor be liable for any loss of profit or incidental, consequential, special, indirect, punitive or similar damages. The provisions of this Sub-paragraph shall apply to the fullest extent permitted by law. Nothing in this Sub-paragraph limiting the liability of Contractor shall apply (i) to any liability that has been finally determined by a court to have been caused by the fraud of Contractor or its Agents or (ii) to the extent such limitation of liability is not permissible under applicable law, including laws that may hold parties liable for certain acts of good faith."

20. Section 8.25.1: We would request the deletion of the following language in the second bullet: "The PAC reserves the right to obtain complete, certified copies of any required Contractor and/or Sub-Contractor insurance policies at any time." Insurance policies are deemed to be confidential and proprietary to Contractor and are not shared with clients. We would also request the deletion of the requirement to include deductibles and self-insured retentions on the insurance certificates in the third bullet. Deductibles and self-insured retentions are not subject to approval by clients, and it is not our practice to evidence deductible information on certificates of insurance as they are the sole responsibility of Contractor and should not have any impact on clients. However, please note that the SIR is listed for the Professional Liability insurance on the enclosed certificate.

21. Section 8.25.2: We would request that the second sentence of this section be revised to read as follows: "County and PAC additional insured status shall apply with respect to their vicarious liability directly arising from Contractor's performance of services under the Contract." This reflects the extent of the additional insured coverage. We would request the deletion of the third sentence of this section. The limits reflected in the Contract meet or exceed industry standards and the County and PAC should only be entitled to coverage to the extent Contractor is legally and contractually liable.

22. Section 8.25.3: We would like to revise this section to read as follows: "Except in the case of cancellation for non-payment of premium, Contractor's insurance policies shall provide and

Certificates shall specify, that Contractor's insurer will endeavor to provide to PAC not less than thirty (30) days advance written notice by mail of any cancellation of the Required Insurance. Contractor's insurer will endeavor to provide ten (10) days prior notice to PAC in the event of cancellation for non-payment of premium." Contractor's insurance policies provide for a notice of cancellation and non-payment of premium to the Named Insured. Contractor can provide notice to its clients, but cannot guarantee that the Insurer will provide this notice.

23. Section 8.25.6: This section would be revised as follows: "Contractor's insurance policies to which PAC and the County have been added as additional insureds, with respect to any claims related to this Contract, shall be primary with respect to all other sources of coverage available to Contractor. Any County and PAC maintained insurance or self-insurance coverage shall be in excess of and not contribute to any Contractor coverage to which PAC and the County have been added as additional insureds." This change is reflective of our policy with respect to primary and non-contributory insurance clauses.

24. Section 8.25.9: We would request the deletion of this section. It is not our policy to allow clients to reduce or eliminate policy deductibles and SIRs. In addition, the securing of a performance bond can only be evaluated on a case-by-case basis at the time it is required.

25. Section 8.25.12: We would revise this section to read as follows: "The Commercial General Liability insurance shall provide cross-liability coverage as would be afforded by the standard ISO (Insurance Services Office, Inc.) separation of insureds provision with no insured versus insured exclusions or limitations." This change is reflective of our policy with respect to cross-liability coverage.

26. Section 8.25.13: We would request the deletion of this section. Such information is not provided to, nor is it subject to review and approval by, our clients. In addition, we cannot comply with designating additional covered parties under our captive insurance program.

27. Section 8.27.1: We would request that the notice and cure procedures in Section 8.27.2, as modified below, be incorporated here.

28. Section 8.27.2: We would request that sub-section (c) be deleted, because we believe the remaining remedies should be sufficient to address any harm to PAC. We would be amenable to including an additional remedy of the termination of the Contract.

29. Section 8.28: We would request that Section 8.28 be deleted. Due to the number and variety of Contractor's clients, and the unique nature of services provided on a client-by-client basis, differences in the rates, charges and prices may occur, but are difficult to compare across our client base.

30. Section 8.29.6: In order to preserve the confidentiality rights of our other clients and our employees, and to minimize the impact of any audit on Contractor's normal business, we would like to revise this Section to read as follows: "Upon reasonable prior written notice, the Contractor shall allow PAC representatives, at PAC's expense, access to the Contractor's records specifically pertaining to the services rendered under this Contract during regular business hours to verify compliance with the provisions of this Sub-paragraph 8.29.6 when so requested by the PAC, provided that the audit right described in this Sub-paragraph 8.29.6(i) shall not extend to payroll or personnel records of the Contractor, and (ii) if conducted on the Contractor's premises, shall be subject to the execution of a mutually acceptable confidentiality agreement."

31. Section 8.39: We would request the addition of the following sentence at the end of the second paragraph of Sub-paragraph 8.39: "Any such audit (i) shall not extend to payroll or personnel records of the Contractor,(ii) shall be at the expense of PAC, and (iii) if conducted on

the Contractor's premises, be subject to the execution of a mutually acceptable confidentiality agreement."

32. Section 8.39.3: We believe that any inaccuracies in amounts paid by PAC under this Contract should be corrected from amounts due under this Contract. As a result, we would request that the words "or otherwise" be deleted from the first sentence of Sub-paragraph 8.39.3.

33. Section 8.39.4: We would request that this section be deleted, as Contractor does not have its own audited financial statements. Alternatively, Contractor may provide a copy of the annual report of its ultimate parent company, Marsh & McLennan Companies.

34. Section 8.40: We would request that this Sub-paragraph be revised to read as follows: "Consistent with the Board of Supervisors' policy to reduce the amount of solid waste deposited at the County landfills, the Contractor agrees to use recycled-content paper to the maximum extent possible on this Contract."

35. Section 8.52: In order to allow the Contract to reflect the intent of the parties in the event that any provision is found to be unenforceable, we would request that this Sub-paragraph be revised to read as follows: "If any provision of this Contract or the application thereof to any person or circumstance is held invalid, such provision shall be modified, deleted or interpreted in such a manner so as to afford the party for whose benefit it was intended the fullest benefit commensurate with making this Contract as modified, enforceable and the remainder of this Contract and the application of such provision to other persons or circumstances shall not be affected thereby."

36. Section 8.55.5: Contractor's policy is not to be responsible for Excess Costs, and would request that the second sentence of this Sub-paragraph be deleted.

37. Section 8.56: Contractor believes that any damages should be assessed by a judge or other adjudicator. In addition, our policy is to be responsible for gross negligence, subject to our fiduciary responsibility, and to exclude liability for certain types of damages. As a result, we would like to include the word "gross" before each appearance of the word "negligence" in this Sub-paragraph, and to revise the first paragraph of this Sub-paragraph to read as follows: "If any default, grossly negligent act or omission by Contractor or its Agents, or breach of Contractor's fiduciary duty directly results in any loss or diminution in value of any Property held in the Account, Plan's damages shall not include any loss of profit or incidental, consequential, special, indirect, punitive or similar damages. The provisions of this Sub-paragraph shall apply to the fullest extent permitted by law. Nothing in this Sub-paragraph limiting the liability of Contractor shall apply (i) to any liability that has been finally determined by a court to have been caused by the fraud of Contractor or its Agents or (ii) to the extent such limitation of liability is not permissible under applicable law, including laws that may hold parties liable for certain acts of good faith."

38. Additional Provisions; Form ADV Part II – As an investment advisor registered with the Securities and Exchange Commission, we are required to deliver our Form ADV Part II to our clients. As a result, we would request the addition of the following provision: "The PAC hereby acknowledges receipt of the Form ADV, Part II of the Contractor at least 48 hours prior to the execution of this Contract. The PAC also agrees that future offers provide, or the provision of, Form ADV, Part II or other information required by applicable regulation may be sent to the PAC electronically, at the email address provided to the Contractor prior to such time."

39. Additional Provisions; Reports – As our work product is provided to, and intended to be used by, PAC as plan sponsor, we would request the following additional provision: "The PAC hereby acknowledges that any reports or other deliverables provided by the Contractor to the PAC with

respect to the Plan are intended solely for the PAC's internal use with respect to the Plan, and are not intended for, and may not be distributed, to the plan participants of the Plan."

E

Section E Proposer’s cost to provide the required services

Required Forms - Exhibit 13
Pricing Schedule
Investment Consulting Services

STATEMENT OF WORK - COMPONENT 1	STATEMENT OF WORK - COMPONENT 2
Investment Management Searches, Target Date Funds Glide Path Management, Investment Advisory Services	Performance Review and Measurement, Investment Policies and Guidelines, Investment Advisory Services

Staff	Billing Rate	Approximate Hours	Annual Cost (Not to Exceed)	Billing Rate	Approximate Hours	Annual Cost (Not to Exceed)
I. HOURLY RATE PER PROJECT 1. Devon Muir, Principal	$550	30	$16,500	$550	63	$34,650
2. Phil Suess, Partner	$800	30	$24,000	$800	63	$46,675
3. Louis Finney, Principal	$650	58	$37,700	$______	______	$______
4. Kerrisha Jenkins, Sr. Associate	$450	29	$13,050	$450	58	$26,100
5. David Luo	$250	63	$15,750	$250	72	$18,000
6. Katie Jamgochain	$150	105	$15,750	$150	102	$15,300
Maximum Cost Per Project		315	$122,000		359	$140,000
Maximum Annual Cap for Services			$70,000			$140,000
II. ANNUAL FLAT RATE RETAINER FEE (OPTIONAL):			**Horizons**	**Savings**		
Fee for SOW Component 2			$70,000	$70,000		
III. ANNUAL FLAT RETAINER FEE FOR BOTH COMPONENTS 1 AND 2: ***(Note: Section I. above must also be completed.)***			$130,000	$130,000		
IV. ANNUAL FLAT RETAINER FEE for BOTH SOW COMPONENTS FOR BOTH SAVINGS and HORIZONS PLANS:			$260,000			

NOTE: Proposer hereby offers to perform the services, the scope of which is set forth in the Request for Proposal (RFP) for the Deferred Compensation and Thrift Plan Investment Consulting Services and agrees that this offer shall remain irrevocable up to and including 300 days following the RFP submission due date stated in the RFP.

REQUIRED FORMS - EXHIBIT 14
CERTIFICATION OF INDEPENDENT PRICE DETERMINATION
AND ACKNOWLEDGEMENT OF RFP RESTRICTIONS

A. By submission of this Proposal, Proposer certifies that the prices quoted herein have been arrived at independently without consultation, communication, or agreement with any other Proposer or competitor for the purpose of restricting competition.

B. List all names and telephone number of person legally authorized to commit the Proposer.

NAME	**PHONE NUMBER**
Philip J. Suess	312 917 9300

NOTE: Persons signing on behalf of the Contractor will be required to warrant that they are authorized to bind the Contractor.

C. List names of all joint ventures, partners, subcontractors, or others having any right or interest in this contract or the proceeds thereof. If not applicable, state "NONE".

D. Proposer acknowledges that it has not participated as a consultant in the development, preparation, or selection process associated with this RFP. Proposer understands that if it is determined by the County that the Proposer did participate as a consultant in this RFP process, the County shall reject this proposal.

Name of Firm
Mercer Investment Consulting, Inc.

Philip J. Suess — Partner
Print Name of Signer — **Title**

Philip J Suess
____
Signature — **Date**

F

Section F Proposer's implementation process

1. Describe your approach to the implementation process.

A typical transition of services from one consultant to another for the ongoing monitoring of a DC Plan is a relatively seamless process. At the outset, plan vendor requires written direction from the County authorizing it to release Plan information to Mercer. For mutual fund options, we receive returns and characteristics from Lipper. This information is loaded into our performance reporting system.

Mercer also requests that the County provide a copy of the Plan's Investment Policy Statement and the most recent performance evaluation report. The performance evaluation report ensures that we are informed and aware of any watch status funds or other action items that are outstanding. We also find that an initial meeting with the client to discuss the Plan and any history of changes can prove beneficial.

Once we have collected the necessary data, we will set up our reporting system for report production. Our quarterly reports are typically available 4 to 6 weeks following quarter end. We do not expect to encounter any issues as a result of the transition. However, should an issue arise we will work diligently to resolve it.

Below is a sample timeline for performance evaluation transition.

Sample Client - Performance Evaluation Transition

PROJECT	RESPONSIBILITY	TASK	Week 1	2	3	4	5	6	7	8	9
Gather Information											
	Mercer/Client	*Discuss reporting requirements with Client*									
	Client	*Provide Mercer with documents needed for transition*									
	Mercer	*Conference call with custodian to review data needed for transition*									
	Mercer	*Collect and review data from custodian for transition*									
	Mercer	*Send questionnaires to investment managers*									
Report Design											
	Mercer	*Develop report layout and format*									
	Mercer	*Send draft to Client*									
	Mercer/Client	*Review and discuss report format*									
	Mercer	*Make changes to report format*									
Prepare Report											
	Mercer	*Run performance analysis exhibits through IF system*									
	Mercer	*Prepare qualitative analysis*									
Present Draft Report											
	Mercer	*Send draft report to Client*									
	Client	*Review draft report*									
	Mercer/Client	*Discuss changes to draft report*									
Finalize Report & Present to Committee											
	Mercer	*Finalize report reflecting all additional analysis and inputs from Client*									
	Client	*Client reviews final report before production*									
	Mercer	*Final edits and deliver copies of final report*									
	Mercer/Client	*Present final report and recommendations to Committee*									

Project Timeline Task Not Complete Task Completed Client Meeting

2. Provide a list of potential problems.

The potential problems which we do not anticipate would be availability of information from managers and timing. We would expect all necessary information for our work to be available with 30 days of quarter end.

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G

Section G Additional materials and data

Measurement of Value Added through Mercer's Manager Research Recommendations

Mercer's investment consulting group has developed and implemented a methodology for measuring the value added through their manager research recommendations. An explanation of this methodology, and the results of the analysis covering the period to **31 December 2010**, are presented below.

Measurement methodology

For each investment product that we research, we arrive at a rating on a four tier scale in which the possible ratings are A, B+, B, and C. When we formulate short lists of candidates for clients to consider in manager searches, these are generally drawn from the list of products rated A within the relevant product category. We first started maintaining formal ratings on this basis in 1995, replacing less formal methods in place before then, and have extended this to cover all product categories that we actively research over the period since.

Our methodology for measuring the performance of our ratings entails calculating the average performance of the strategies that we rated A within each product category each quarter, based on the ratings as they stood at the end of the previous quarter. Therefore there is no element of hindsight in the analysis. We then compound these quarterly results together to calculate performance over longer periods. Finally, we subtract the return for an appropriate and widely accepted benchmark index for the product category concerned to calculate value added. We also calculate a risk-adjusted measure of the value added called the information ratio.

In essence, this methodology tracks the performance of a hypothetical Mercer client that is assumed to split its money evenly between all of the strategies rated A by Mercer within the product category concerned. This hypothetical Mercer client is assumed to have reviewed its manager line-up at the end of each quarter, based on the Mercer ratings as they stood at that point in time. A typical client would not invest in all strategies in all of the categories, as some may not be relevant to a client for a variety of reasons. Therefore the actual added value of strategies selected by a client would vary from the results depicted here. The average added value for each product category is described in the attachments.

Three types of strategy are excluded from the analysis. Firstly, we exclude strategies that are sub-advised by other investment managers, to avoid double-counting. Secondly, where a manager offers two variants of what is essentially just one strategy, we only include one of these in the analysis (the one with the longer track record), once again to avoid double counting. Thirdly, if a strategy's track record relates to a non-standard benchmark index that is materially different than the benchmark index used in the analysis for the product category concerned, it will be excluded from the analysis to avoid distortions that could arise solely as a result of the non-standard benchmark index.

For some product categories where the use of custom benchmarks is prevalent there is no single widely accepted benchmark index that can be used as a basis for this analysis. We have used a slightly different methodology for these categories. In these cases we have carried out the analysis by firstly calculating value added separately each quarter for each track record relative to its custom benchmark, then calculating the average of these value added numbers each quarter, and then compounding the quarterly value added numbers together to calculate value added over longer periods.

We have carried out these calculations for all of the product categories that we both maintain ratings for and for which we have reliable investment performance data (currently 75 categories), going back in each case to when we first started maintaining ratings for the product category concerned.

Some important caveats

All of the added value figures have been calculated by Mercer, but are based upon performance data provided to Mercer by the investment managers concerned. Mercer generally does not independently verify the performance information provided by investment managers.

The methodology described above does not allow for the transaction costs that an investor would have incurred if it had actually changed its panel of investment managers every quarter in line with changes to the list of products rated A by Mercer within the product category concerned. In practice, the turnover of managers incurred by such an investor would have averaged out at about 16% per annum (the actual averages since inception for each product category are shown in the final section of the results). We have not attempted to estimate the transaction costs that would actually have been incurred as this would require assumptions about a number of factors, including the investor's cash flow position and how well the changes had been implemented.

All investment performance data used to create this analysis was reported gross of investment management fees and certain other expenses, such as custody and administration. All of the value added figures likewise are quoted before deduction of these fees. The figures are however net of all transaction costs that the managers concerned have incurred within their investment portfolios.

As described above, the results of the analysis are based on performance data provided to Mercer by the investment managers concerned and other sources. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of information presented, and no responsibility or liability, including for consequential or incidental damages, can be accepted for any error, omission or inaccuracy in this information.

In cases where investment managers submit their historical performance data to Mercer or notify Mercer of a revision to their historical performance data subsequent to the publication of Mercer's analysis, this new information will be reflected in subsequent updates of the analysis published by Mercer, but Mercer will not reissue previous analyses to allow for the change to the historical data.

We have endeavoured to obtain performance data for all investment products that have ever been rated A by Mercer for inclusion in the analysis, but in some cases this has not been possible. Where data could not be obtained, we had no option but to exclude the product from the analysis. We will continue to endeavour to obtain this missing data for future updates of the analysis. This may result in some changes to the historic figures in future updates of the results.

As always, past performance cannot be relied upon as a guide to future performance. Whilst Mercer commits considerable resources to manager research, in an effort to maximise the value added through our manager research recommendations, we do not provide any guarantees as to the future performance of the investment strategies that we recommend to our clients.

Results

The results of the analysis are set out in the following pages. The first table shows the results for each product category since inception. The subsequent tables show more detailed background information.

December 2011

Summary of value added through Mercer's Manager Research recommendations

As at 31 December 2010

Product Category	Benchmark Index (Base Currency for calculations)	Inception date of measurement period	Value added since inception(a) (% pa)	Information ratio since inception(b)
Australian Equity	As nominated by the manager: either S&P/ASX 300 or S&P/ASX 200 Accum. Index (AUD)	1 July 1995	1.5	0.9
Australian Small Companies	S&P/ASX Small Ordinaries (AUD)	1 January 1997	8.6	1.2
Australian Fixed Interest	UBS WA Composite Bond (AUD)	1 July 1995	0.2	0.3
Australian Short Duration High Income	UBS Bank Bill (AUD)	1 October 2003	0.7	0.1
Australian Listed Property	S&P/ASX 300 Property Trusts (AUD)	1 October 1998	0.8	0.3
Australian Balanced**	As nominated by the manager (AUD)	1 July 1995	**	**
Average for Australia			***2.4***	***0.6***
New Zealand Equity	NZSE50 Gross, NZSE40 prior to 1 Oct 2003 (NZD)	1 January 1996	3.0	0.9
Trans-Tasman Equity	NZSE50 Gross, NZSE40 prior to 1 Oct 2003 (NZD)	1 January 1999	4.8	1.0
New Zealand Fixed	NZX NZGS (NZD)	1 January 1996	0.6	0.7
Average for New Zealand			***2.8***	***0.9***
Asia ex Japan Equity	MSCI AC Asia Free ex Japan, MSCI AC Far East Free ex Japan prior to 1 Oct 2010 (USD)	1 July 1997	1.9	0.4
Hong Kong Balanced**	As nominated by the manager (HKD)	1 January 2003	**	**
Hong Kong Equity**	Hang Seng (HKD)	1 January 2003	**	**
Pacific ex Japan Equity	MSCI AC Pacific Free ex Japan (USD)	1 January 1996	4.0	0.8
Japan Equity	TOPIX (JPY)	1 April 1996	2.6	0.6
Japan Small Cap Equity	Russell/Nomura Small Cap (JPY)	1 October 2003	0.4	0.1
Pacific inc Japan Equity**	MSCI AC Pacific Free (USD)	1 January 1999	**	**
China Equity	MSCI China (USD)	1 October 2010	7.7	*
Greater China Equity	MSCI Golden Dragon (USD)	1 October 2010	3.4	*
Singapore Equity**	Straits Times (SGD)	1 January 2002	**	**
Average for Other Asia/Pacific			***3.3***	***0.5***
Overall average for Asia/Pacific			***2.9***	***0.6***
UK Equity	FTSE All Share (GBP)	1 October 1995	0.7	0.4
Mixed UK/Non-UK Equity	60 FTSE All Share/40 FTSE World ex UK (GBP)	1 July 2001	1.0	0.5
UK Small Cap Equity	FTSE Small Cap (GBP)	1 April 2004	4.7	0.7
UK Property	IPD UK Balanced Fund (GBP)	1 July 2004	0.2	0.3
UK Balanced**	CAPS Pooled Median (GBP)	1 October 1995	**	**
UK Inflation-Linked Bonds	FTA ILG All Stocks, Datastream prior ro 1999 (GBP)	1 April 1996	0.4	0.5
UK Government Bonds	FTA All Stocks, Datastream prior to 1999 (GBP)	1 October 1995	0.3	0.6
UK Non-Government Bonds	iBoxx Non-Gilts Overall (GBP)	1 July 2001	0.5	0.4
UK Aggregate Bonds	50 FTA All Stock/50 iBoxx Non Gilts Overall (GBP)	1 April 2004	0.2	0.1
Average for UK			***1.0***	***0.5***
Eurozone Equity	MSCI EMU (EUR)	1 July 2004	1.3	0.7
Europe ex UK Equity	FTSE World Europe ex UK (GBP)	1 October 1995	1.0	0.4
Europe inc UK Equity	FTSE World Europe (USD)	1 October 1995	0.6	0.2
Europe inc UK Small Cap Equity	S&P Europe Small Cap (USD)	1 April 2003	0.5	0.1
Eurozone Aggregate Bonds	Barclays Capital Euro-Aggregate (EUR)	1 October 2002	0.4	0.3
Eurozone Government Bonds	JPM EMU Government Bond (EUR)	1 July 2004	-0.8	-0.4
Eurozone Non-Government Bonds	Barclays Euro Aggregate Corporate (EUR)	1 July 2004	0.1	0.0
Average for European regional			***0.5***	***0.2***
Overall average for Europe			***0.7***	***0.3***

*

** Category is no longer formally rated or measured.*

Summary of value added through Mercer's Manager Research recommendations

As at 31 December 2010 (continued)

Product Category	Benchmark Index (Base Currency for calculations)	Inception date of measurement period	Value added since inception(a) (% pa)	Information ratio since inception(b)
US Equity, Large Cap Core	Russell 1000 (USD)	1 July 2000	0.2	0.2
US Equity, Large Cap Growth	Russell 1000 Growth (USD)	1 July 2000	0.7	0.2
US Equity, Large Cap Value	Russell 1000 Value (USD)	1 July 2000	-0.3	-0.1
US Equity, Mid Cap Core	Russell Midcap (USD)	1 January 1996	0.7	0.2
US Equity, Mid Cap Growth	Russell Midcap Growth (USD)	1 January 1996	1.6	0.3
US Equity, Mid Cap Value	Russell Midcap Value (USD)	1 January 1996	-0.3	-0.1
US Equity, SMID Core	Russell 2500 (USD)	1 July 2000	4.8	0.8
US Equity, SMID Growth	Russell 2500 Growth (USD)	1 July 2000	1.9	0.4
US Equity, SMID Value	Russell 2500 Value (USD)	1 July 2000	-1.9	-0.3
US Equity, Small Cap Core	Russell 2000 (USD)	1 January 1996	2.1	0.5
US Equity, Small Cap Growth	Russell 2000 Growth (USD)	1 January 1996	1.3	0.3
US Equity, Small Cap Value	Russell 2000 Value (USD)	1 January 1996	1.7	0.4
Average for US Equity			***1.0***	***0.2***
US Real Estate, Open End	NCREIF NFI ODCE (USD)	1 July 2004	-1.3	-0.6
US Real Estate, Securities	FTSE NAREIT (USD)	1 July 2004	2.1	1.4
Average for US Other			***0.4***	***0.4***
US Fixed, Core Investment Grade	Barclays Capital US Aggregate (USD)	1 January 1996	0.1	0.0
US Fixed, Core Opportunistic	Barclays Capital US Aggregate (USD)	1 January 1996	0.2	0.1
US Fixed, High Yield	BofA Merrill Lynch High Yield Master (USD)	1 January 1996	0.2	0.1
US Fixed, Short	BofA Merrill Lynch Govt/Corp 1-3 Years (USD)	1 January 1996	0.3	0.2
US Fixed, Intermediate	Barclays Capital US Intermediate Govt/Credit (USD)	1 January 1996	0.3	0.2
US Fixed, Long	Barclays Capital US Govt/Credit (USD)	1 January 1996	1.4	1.1
Average for US Fixed			***0.4***	***0.3***
Canadian Equity	S&P/TSX Composite (CAD)	1 July 2001	0.4	0.3
Canadian Small Cap	BMO Small Cap Blended (Weighted)(CAD)	1 January 2005	-2.8	-0.3
Canadian Balanced	Mercer Passive Portfolio (CAD)	1 July 2001	0.6	0.6
Canadian Domestic Balanced**	As nominated by the manager (CAD)	1 July 2001	**	**
Canadian Fixed Income	DEX Universe Bond (CAD)	1 July 2001	0.4	0.6
Canadian Corporate & Credit Focused	DEX Universe Corporate (CAD)	1 April 2005	0.6	0.4
Canada Fixed Income Core Plus	DEX Universe Bond (CAD)	1 January 2007	0.6	0.2
Average for Canada			***0.0***	***0.3***
Overall average for North America			***0.6***	***0.3***
Active Currency	As nominated by the manager (USD)	1 July 1999	1.3	0.5
Global Equity - Core	MSCI World (USD)	1 July 1995	1.6	0.7
Global Equity - Growth	S&P Developed LargeMidCap Growth (USD)	1 January 1996	0.5	0.1
Global Equity - Value	S&P Developed LargeMidCap Value (USD)	1 July 1995	2.0	0.6
Global Equity Small Cap	MSCI World Small Cap (USD)	1 October 2010	-0.5	*
GTAA/Global Macro	As nominated by the manager (USD)	1 January 2001	5.1	0.7
World ex US Equity - Core	MSCI EAFE (USD)	1 January 1996	2.2	0.8
World ex US Equity - Growth	S&P Developed ex US Growth (USD)	1 January 1996	1.3	0.3
World ex US Equity - Value	S&P Developed ex US Value (USD)	1 January 1996	2.5	0.7
World ex US Equity Small Cap	S&P Developed ex US Small Cap (USD)	1 January 1996	3.1	0.7
Emerging Markets Equity	MSCI Emerging Markets (USD)	1 January 1996	2.3	0.5
Global Real Estate Securities	FTSE NAREIT ERPA Global (USD)	1 July 2005	1.0	0.4
Emerging Markets Debt	JP Morgan EMBI Global Diversified (USD)	1 January 2002	3.2	0.7
Emerging Markets Debt Local	JP Morgan ELMI+ (USD)	1 April 2008	3.4	*
Distressed Debt	US 3 month T-Bill (USD)	1 July 2009	16.7	*
Global Fixed Broad Market Aggregate	Barclays Capital Global Aggregate (USD)	1 July 2002	1.6	0.5
Global Fixed Sovereign	Citigroup WGBI (USD)	1 July 1995	1.2	0.8
Global Credit	Barclays Capital Global Aggregate Credit (USD)	1 July 2003	0.5	0.4
World ex US Fixed Income	Citigroup World ex US Unhedged GBI (USD)	1 January 1996	0.7	0.5
Global High Yield	BofA Merrill Lynch Global High Yield (USD)	1 January 2008	0.5	0.1
Average for Global/International			***2.5***	***0.5***
OVERALL AVERAGES(c)			***1.6***	***0.4***
All equity categories			***1.9***	***0.4***
All fixed income categories			***1.3***	***0.3***
All other categories			***1.2***	***0.4***

*

Information ratios are shown for only those product categories that have track records at least three years running.

*** Category is no longer formally rated or measured.*

Value added for periods ended 31 December 2010

Product Category	3 months %	1 year %	2 years % pa	3 years % pa	4 years % pa	5 years % pa	6 years % pa	7 years % pa	8 years % pa	9 years % pa	10 years % pa
Australian Equity	0.1	-0.5	1.3	1.3	1.0	0.7	0.7	0.8	0.8	1.0	1.0
Australian Small Companies	0.3	6.7	7.2	6.2	5.5	4.7	2.7	4.0	3.9	6.1	7.3
Australian Fixed Interest	0.3	0.8	1.8	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Australian Short Duration High Income	0.8	4.0	9.2	1.5	0.3	0.4	0.5	0.7			
Australian Listed Property	1.2	0.6	6.7	1.4	0.9	0.9	0.8	1.0	0.9	0.9	0.9
Australian Balanced**											
Average for Australia	***0.6***	***2.3***	***5.3***	***2.1***	***1.6***	***1.4***	***1.0***	***1.3***	***1.5***	***2.0***	***2.3***
New Zealand Equity	0.3	0.2	0.4	1.3	0.4	0.7	0.8	0.9	1.2	0.3	1.1
Trans-Tasman Equity	0.9	1.0	1.4	2.9	2.9	2.5	3.0	3.1	3.4	1.9	3.1
New Zealand Fixed	0.6	1.2	1.5	0.3	0.4	0.6	0.6	0.6	0.5	0.5	0.5
Average for New Zealand	***0.6***	***0.8***	***1.1***	***1.5***	***1.2***	***1.3***	***1.4***	***1.5***	***1.7***	***0.9***	***1.6***
Asia ex Japan Equity	-1.1	0.9	-0.3	-0.1	0.5	0.3	0.3	-0.2	0.0	0.8	0.7
Hong Kong Balanced**											
Hong Kong Equity**											
Pacific ex Japan Equity	0.5	2.7	0.8	1.9	2.6	2.8	2.4	2.3	2.5	2.4	2.2
Japan Equity	1.5	2.1	2.4	0.3	0.3	0.3	0.9	0.7	0.6	0.7	0.5
Japan Small Cap Equity	1.6	-1.4	2.1	-1.8	-1.4	-0.9	-0.2				
Pacific inc Japan Equity**											
China Equity	1.6										
Greater China Equity	-0.3										
Singapore Equity**											
Average for Other Asia/Pacific	***0.6***	***1.1***	***1.3***	***0.0***	***0.5***	***0.6***	***0.8***	***0.9***	***1.0***	***1.3***	***1.1***
Overall average for Asia/Pacific	***0.6***	***1.5***	***2.9***	***1.3***	***1.1***	***1.1***	***1.0***	***1.3***	***1.4***	***1.5***	***1.7***
UK Equity	0.6	3.9	2.4	1.0	0.1	0.5	0.6	0.6	0.7	0.8	0.9
Mixed UK/Non-UK Equity	0.2	0.3	0.2	0.4	1.1	0.8	0.8	0.8	0.7	1.1	
UK Small Cap Equity	2.9	11.7	1.2	5.8	4.9	4.6	3.9				
UK Property	-0.1	0.0	0.3	0.3	0.4	0.4	0.2				
UK Balanced**											
UK Inflation-Linked Bonds	0.0	0.6	0.4	0.6	0.3	0.2	0.3	0.3	0.4	0.4	0.3
UK Government Bonds	0.0	0.3	1.4	0.8	0.6	0.6	0.5	0.4	0.4	0.4	0.4
UK Non-Government Bonds	0.0	0.6	2.2	1.1	0.8	0.6	0.6	0.6	0.6	0.5	
UK Aggregate Bonds	0.0	0.6	1.9	0.4	0.2	0.2	0.2				
Average for UK	***0.4***	***2.2***	***1.3***	***1.3***	***1.1***	***1.0***	***0.9***	***0.5***	***0.6***	***0.6***	***0.5***
Eurozone Equity	1.6	3.0	3.3	2.4	1.5	1.2	1.5				
Europe ex UK Equity	2.2	2.5	1.9	0.7	0.1	0.4	0.8	0.7	0.4	0.8	1.1
Europe inc UK Equity	1.4	2.8	1.3	0.8	0.4	0.5	0.6	0.7	0.6	0.5	0.4
Europe inc UK Small Cap Equity	2.6	5.5	2.2	0.3	0.5	0.0	0.3	0.5			
Eurozone Aggregate Bonds	0.3	1.7	2.5	0.3	0.1	0.2	0.3	0.3	0.3		
Eurozone Government Bonds	0.3	0.8	-0.1	-2.1	-1.8	-1.3	-1.0				
Eurozone Non-Government Bonds	-0.1	0.4	2.2	0.1	-0.1	-0.1	0.1				
Average for European regional	***1.2***	***2.4***	***1.9***	***0.4***	***0.1***	***0.1***	***0.4***	***0.5***	***0.4***	***0.6***	***0.7***
Overall average for Europe	***0.8***	***2.3***	***1.6***	***0.9***	***0.6***	***0.6***	***0.6***	***0.5***	***0.5***	***0.6***	***0.6***

** *Category is no longer formally rated or measured.*

Value added for periods ended 31 December 2010 (continued)

Product Category	3 months %	1 year %	2 years % pa	3 years % pa	4 years % pa	5 years % pa	6 years % pa	7 years % pa	8 years % pa	9 years % pa	10 years % pa
US Equity, Large Cap Core	0.1	-1.4	-0.1	-0.1	0.0	-0.4	-0.1	0.0	0.1	0.0	0.1
US Equity, Large Cap Growth	0.8	0.7	2.5	-1.5	-0.2	-1.0	-0.4	0.0	-0.1	0.2	-0.2
US Equity, Large Cap Value	0.4	-1.3	1.6	-1.6	-1.8	-1.8	-1.5	-1.5	-1.2	-1.3	-0.6
US Equity, Mid Cap Core	0.5	-0.6	-4.9	-1.6	-1.2	-1.7	-1.7	-1.8	-1.9	-1.6	-0.3
US Equity, Mid Cap Growth	-0.3	-1.6	-2.4	0.5	1.9	1.9	1.6	1.1	0.5	0.1	0.4
US Equity, Mid Cap Value	-0.6	-2.8	1.4	0.6	0.2	-0.2	-0.8	-1.1	-1.0	-1.8	-0.2
US Equity, SMID Core	0.1	-1.1	-2.8	0.5	2.1	1.3	1.7	1.4	1.3	2.7	3.8
US Equity, SMID Growth	-0.4	-0.3	-0.4	-0.4	0.4	0.5	1.0	0.8	0.6	1.8	1.3
US Equity, SMID Value	0.0	0.1	0.8	0.0	0.7	0.0	-0.1	-0.1	-0.2	-2.8	-1.5
US Equity, Small Cap Core	-0.4	0.0	1.6	1.2	1.5	0.7	0.8	0.8	0.5	1.3	1.6
US Equity, Small Cap Growth	-0.6	-0.9	0.9	-1.9	-1.0	-1.0	-0.4	-0.9	-1.2	-1.1	-1.0
US Equity, Small Cap Value	0.3	3.6	8.5	2.0	2.6	1.1	1.5	1.4	1.4	1.2	1.6
Average for US Equity	***0.0***	***-0.5***	***0.6***	***-0.2***	***0.4***	***-0.1***	***0.1***	***0.0***	***-0.1***	***-0.1***	***0.4***
US Real Estate, Open End	0.7	0.7	-3.1	-2.9	-2.1	-1.7	-1.5				
US Real Estate, Securities	-0.1	0.7	2.7	2.3	1.7	1.8	1.9				
Average for US Other	***0.3***	***0.7***	***-0.2***	***-0.3***	***-0.2***	***0.1***	***0.2***				
US Fixed, Core Investment Grade	0.4	1.2	4.3	-0.3	-0.4	-0.3	-0.2	-0.1	0.1	0.0	0.0
US Fixed, Core Opportunistic	0.8	2.9	7.0	0.6	0.2	0.3	0.3	0.5	0.7	0.4	0.3
US Fixed, High Yield	0.2	-0.7	-4.8	-0.6	-0.2	-0.4	-0.2	-0.2	-0.6	-0.1	-0.1
US Fixed, Short	0.3	2.3	4.3	0.5	0.0	0.1	0.2	0.3	0.3	0.2	0.2
US Fixed, Intermediate	0.4	1.4	4.1	0.7	0.4	0.4	0.4	0.5	0.4	0.3	0.3
US Fixed, Long	1.0	2.3	2.9	2.2	2.1	1.7	1.6	1.5	1.5	1.5	1.4
Average for US Fixed	***0.5***	***1.6***	***3.0***	***0.5***	***0.4***	***0.3***	***0.4***	***0.4***	***0.4***	***0.4***	***0.4***
Canadian Equity	0.6	-0.2	-1.3	-0.8	-0.5	-0.6	-0.4	-0.3	-0.4	0.1	
Canadian Small Cap	0.2	-7.6	-18.0	-6.7	-1.5	-2.3	-2.8				
Canadian Balanced	1.1	1.8	1.6	0.9	0.3	0.3	0.3	0.4	0.5	0.7	
Canadian Domestic Balanced**											
Canadian Fixed Income	0.2	0.5	1.4	0.6	0.5	0.4	0.3	0.3	0.4	0.4	
Canadian Corporate & Credit Focused	0.0	0.9	-1.3	0.4	0.6	0.5					
Canada Fixed Income Core Plus	0.5	1.5	4.0	0.7	0.6						
Average for Canada	***0.4***	***-0.5***	***-2.3***	***-0.8***	***0.0***	***-0.3***	***-0.6***	***0.1***	***0.1***	***0.4***	
Overall average for North America	***0.2***	***0.1***	***0.4***	***-0.2***	***0.3***	***0.0***	***0.1***	***0.1***	***0.1***	***0.1***	***0.4***
Active Currency	0.7	4.0	2.9	2.4	2.2	2.2	1.7	1.4	1.5	1.6	1.6
Global Equity - Core	0.3	0.9	2.1	0.4	1.0	1.1	1.3	1.1	0.8	0.8	1.0
Global Equity - Growth	-0.1	4.8	2.6	-3.1	-1.0	-0.5	0.6	0.5	0.3	0.1	-0.4
Global Equity - Value	-0.2	0.1	3.8	1.4	1.1	1.4	1.2	1.2	1.4	1.7	2.6
Global Equity Small Cap	-0.2										
GTAA/Global Macro	2.0	7.0	8.8	4.5	2.4	3.5	4.2	3.7	5.1	5.7	5.1
World ex US Equity - Core	1.2	4.3	3.5	1.9	2.1	1.8	1.7	1.4	0.9	1.1	1.1
World ex US Equity - Growth	-0.6	2.5	3.6	-0.4	0.9	1.7	1.9	1.7	1.3	1.0	0.9
World ex US Equity - Value	0.6	2.0	0.6	1.2	0.1	0.5	0.1	0.2	0.2	1.0	2.0
World ex US Equity Small Cap	0.8	0.7	-1.5	0.8	0.8	0.4	0.8	1.3	1.5	1.1	1.1
Emerging Markets Equity	0.2	1.7	1.3	0.8	0.3	0.1	-0.1	0.4	0.8	1.3	1.0
Global Real Estate Securities	-0.6	-1.7	0.4	1.6	0.7	0.9					
Emerging Markets Debt	1.4	3.0	5.7	-0.3	-0.1	0.8	1.5	2.2	3.3	3.2	
Emerging Markets Debt Local	-0.6	1.4	4.7								
Distressed Debt	3.3	9.6									
Global Fixed Broad Market Aggregate	1.1	4.9	10.5	4.7	2.6	2.0	2.3	1.8	1.8		
Global Fixed Sovereign	-0.1	1.9	4.0	1.7	1.0	1.0	1.2	1.3	1.4	1.2	1.1
Global Credit	0.6	0.4	1.0	0.4	0.4						
World ex US Fixed Income	0.0	2.5	3.8	1.1	0.5	0.4	0.5	0.6	0.9	0.9	0.9
Global High Yield	0.9	0.5	-4.2	0.5							
Average for Global/International	***0.5***	***2.7***	***3.0***	***1.2***	***1.0***	***1.2***	***1.3***	***1.3***	***1.5***	***1.6***	***1.5***
OVERALL AVERAGES(c)	***0.5***	***1.5***	***1.7***	***0.6***	***0.6***	***0.6***	***0.7***	***0.7***	***0.8***	***0.8***	***1.0***
All equity categories	***0.5***	***1.2***	***0.8***	***0.5***	***0.8***	***0.6***	***0.7***	***0.7***	***0.6***	***0.7***	***1.1***
All fixed income categories	***0.5***	***1.8***	***2.7***	***0.6***	***0.4***	***0.4***	***0.5***	***0.7***	***0.7***	***0.7***	***0.5***
All other categories	***0.6***	***1.6***	***2.5***	***1.3***	***0.8***	***1.0***	***1.1***	***1.6***	***2.0***	***2.2***	***2.5***

** *Category is no longer formally rated or measured.*

Value added by calendar year

Product Category	1996 %	1997 %	1998 %	1999 %	2000 %	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %	2007 %	2008 %	2009 %	2010 %
Australian Equity	4.1	2.2	-1.8	2.0	4.8	1.6	2.2	1.1	1.6	0.4	-0.5	0.1	1.3	3.2	-0.5
Australian Small Companies		8.3	1.5	15.6	21.3	18.0	21.4	2.6	13.6	-7.7	-0.1	3.0	4.2	7.7	6.7
Australian Fixed Interest	0.2	-0.4	1.0	0.4	-0.2	0.0	0.1	0.3	0.4	0.2	0.1	-0.4	-2.8	2.7	0.8
Australian Short Duration High Income									2.0	0.8	0.7	-3.1	-12.9	14.5	4.0
Australian Listed Property				1.0	0.7	0.3	0.8	0.6	2.2	0.3	0.6	-0.6	-3.2	13.9	0.6
Australian Balanced**	0.9	-0.8	-1.9	0.1	-0.3	0.0	0.1	1.4	0.1	1.1	0.1	-0.5	**	**	**
Average for Australia	***1.7***	***2.3***	***-0.3***	***3.8***	***5.2***	***4.0***	***4.9***	***1.2***	***3.3***	***-0.8***	***0.2***	***-0.2***	***-2.7***	***8.4***	***2.3***
New Zealand Equity	12.5	1.4	7.3	7.4	6.0	9.0	-5.7	3.6	1.6	1.3	2.1	-2.6	2.3	0.7	0.2
Trans-Tasman Equity				14.2	12.8	14.9	-8.5	5.5	4.5	5.3	0.5	2.8	4.7	1.9	1.0
New Zealand Fixed	0.7	0.6	0.7	1.3	0.8	0.4	0.4	0.3	0.6	0.5	1.3	0.7	-2.4	1.8	1.2
Average for New Zealand	***6.6***	***1.0***	***4.0***	***7.6***	***6.5***	***8.1***	***-4.6***	***3.1***	***2.2***	***2.4***	***1.3***	***0.3***	***1.5***	***1.5***	***0.8***
Asia ex Japan Equity			-2.6	19.1	3.2	-0.4	6.1	1.4	-3.0	0.4	-0.7	2.8	0.0	-1.8	0.9
Hong Kong Balanced**								1.7	-1.0	3.3	1.3	**	**	**	**
Hong Kong Equity**								13.7	0.6	3.5	13.0	**	**	**	**
Pacific ex Japan Equity	5.1	-0.7	-0.7	5.7	23.5	0.6	1.6	4.7	1.6	0.2	3.8	5.3	2.2	-1.9	2.7
Japan Equity		12.9	1.9	23.7	-1.3	-1.5	1.6	-0.2	-0.8	5.6	0.3	0.5	-2.1	2.7	2.1
Japan Small Cap Equity									0.2	6.1	0.8	-0.1	-6.4	5.9	-1.4
Pacific inc Japan Equity**				13.8	0.1	0.1	2.2	-1.9	1.6	3.3	0.1	4.4	2.5	-9.0	**
China Equity															*
Greater China Equity															*
Singapore Equity**							7.9	7.0	-0.9	5.2	**	**	**	**	**
Average for Other Asia/Pacific	***5.1***	***6.1***	***-0.5***	***15.6***	***6.4***	***-0.3***	***3.9***	***3.8***	***-0.2***	***3.5***	***2.6***	***2.6***	***-0.8***	***-0.8***	***1.1***
Overall average for Asia/Pacific	***3.9***	***3.0***	***0.6***	***8.7***	***5.9***	***3.6***	***2.3***	***2.8***	***1.5***	***1.8***	***1.5***	***0.9***	***-1.0***	***3.3***	***1.5***
UK Equity	-0.4	-2.1	-2.3	3.2	2.1	2.0	1.0	1.7	0.5	1.2	2.2	-2.7	-0.6	0.7	3.9
Mixed UK/Non-UK Equity							3.0	0.2	0.9	0.9	-0.9	3.4	0.6	0.2	0.3
UK Small Cap Equity										0.0	2.7	2.7	9.1	-11.3	11.7
UK Property										-0.7	0.2	0.7	0.2	0.7	0.0
UK Balanced**	1.8	0.6	-1.0	6.8	0.0	-1.0	-0.9	0.7	0.5	0.1	-1.0	**	**	**	**
UK Inflation-Linked Bonds		0.4	2.1	0.4	-0.3	-0.4	0.5	0.7	0.6	0.5	-0.2	-0.5	0.8	0.3	0.6
UK Government Bonds	0.9	-0.7	0.4	-0.7	1.0	0.1	0.1	0.4	0.0	0.2	0.3	0.0	-0.4	2.4	0.3
UK Non-Government Bonds							-0.4	0.8	0.7	0.1	0.2	-0.1	-0.9	3.8	0.6
UK Aggregate Bonds										0.2	0.1	-0.4	-2.4	3.1	0.6
Average for UK	***0.7***	***-0.5***	***-0.2***	***2.4***	***0.7***	***0.2***	***0.5***	***0.7***	***0.5***	***0.3***	***0.4***	***0.4***	***0.8***	***0.0***	***2.2***
Eurozone Equity										3.0	0.1	-1.9	1.3	3.7	3.0
Europe ex UK Equity	4.2	-3.7	-3.1	5.1	5.6	3.4	2.8	-2.3	-0.3	3.6	1.8	-2.1	-0.9	1.2	2.5
Europe inc UK Equity	6.6	-4.1	-2.5	9.9	2.1	-0.3	0.0	-0.1	0.8	1.3	1.4	-1.2	0.1	-0.6	2.8
Europe inc UK Small Cap Equity									2.5	1.6	-2.8	1.1	-1.1	-1.9	5.5
Eurozone Aggregate Bonds								0.7	0.4	0.5	0.4	-0.3	-4.1	3.4	1.7
Eurozone Government Bonds										0.5	0.5	-1.0	-6.2	-1.0	0.8
Eurozone Non-Government Bonds										0.8	0.0	-0.5	-3.5	4.2	0.4
Average for European regional	***5.4***	***-3.9***	***-2.8***	***7.5***	***3.9***	***1.5***	***1.4***	***-0.6***	***0.8***	***1.6***	***0.2***	***-0.8***	***-2.1***	***1.3***	***2.4***
Overall average for Europe	***2.6***	***-1.6***	***-1.1***	***4.1***	***1.8***	***0.6***	***0.8***	***0.3***	***0.7***	***0.9***	***0.3***	***-0.2***	***-0.5***	***0.6***	***2.3***

*** Category is no longer formally rated or measured.*

Value added by calendar year (continued)

Product Category	1996 %	1997 %	1998 %	1999 %	2000 %	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %	2007 %	2008 %	2009 %	2010 %
US Equity, Large Cap Core						0.8	-0.9	1.7	0.6	1.4	-2.3	0.2	-0.1	1.4	-1.4
US Equity, Large Cap Growth						-2.8	1.4	-0.9	2.7	2.9	-4.4	4.2	-5.0	4.7	0.7
US Equity, Large Cap Value						5.9	-2.1	1.7	-1.4	0.2	-2.2	-2.1	-4.8	4.7	-1.3
US Equity, Mid Cap Core	1.4	5.8	5.6	-3.3	6.1	10.6	-0.1	-2.0	-3.1	-1.4	-3.8	0.0	1.6	-9.6	-0.6
US Equity, Mid Cap Growth	-0.6	-0.3	0.7	0.8	16.7	2.3	-1.8	-5.3	-2.0	-0.1	1.9	6.5	2.9	-3.2	-1.6
US Equity, Mid Cap Value	6.3	-4.0	-2.8	-2.0	1.1	14.2	-6.8	0.3	-3.6	-3.9	-1.9	-1.2	-0.1	6.0	-2.8
US Equity, SMID Core						13.7	11.6	-0.5	0.0	3.5	-2.1	6.9	3.8	-4.6	-1.1
US Equity, SMID Growth						-1.9	7.6	-1.2	-0.1	3.5	0.9	3.0	-0.3	-0.5	-0.3
US Equity, SMID Value						11.7	-18.0	-1.3	-0.1	-0.7	-3.2	2.6	-1.0	1.6	0.1
US Equity, Small Cap Core	5.6	6.9	0.0	-9.6	12.0	4.5	6.1	-2.4	1.0	1.0	-2.7	2.3	0.6	3.3	0.0
US Equity, Small Cap Growth	3.4	3.5	4.3	-1.9	15.7	0.1	-0.6	-3.8	-4.4	2.7	-1.2	2.0	-4.1	2.7	-0.9
US Equity, Small Cap Value	1.3	0.4	0.1	8.8	-1.7	5.6	-0.3	1.4	0.9	3.5	-5.9	4.0	-5.1	13.4	3.6
Average for US Equity	***2.9***	***2.0***	***1.3***	***-1.2***	***8.3***	***5.4***	***-0.3***	***-1.0***	***-0.8***	***1.1***	***-2.2***	***2.4***	***-1.0***	***1.6***	***-0.5***
US Real Estate, Open End										0.0	0.2	1.0	-2.3	-5.1	0.7
US Real Estate, Securities										2.1	2.5	0.1	1.7	4.7	0.7
Average for US Other										***1.0***	***1.4***	***0.5***	***-0.3***	***-0.2***	***0.7***
US Fixed, Core Investment Grade	0.1	0.3	0.1	0.2	0.0	0.4	-0.4	1.1	0.5	0.2	0.3	-0.8	-8.8	7.4	1.2
US Fixed, Core Opportunistic	0.6	0.3	-1.0	0.9	-0.7	-0.6	-2.0	2.5	1.2	0.6	0.6	-0.9	-11.1	11.3	2.9
US Fixed, High Yield	1.1	1.5	-1.1	1.5	0.6	-0.5	3.7	-4.3	-0.1	0.7	-1.0	1.0	4.2	-10.1	-0.7
US Fixed, Short	0.6	0.6	0.0	0.3	0.5	-0.3	-0.2	0.1	0.9	0.6	0.4	-1.3	-6.9	6.3	2.3
US Fixed, Intermediate	0.6	0.8	-0.4	0.7	0.3	-0.1	-0.7	0.3	0.7	0.5	0.5	-0.6	-5.8	7.0	1.4
US Fixed, Long	1.0	3.8	1.9	-1.0	2.0	1.1	1.2	1.4	0.8	1.3	0.1	1.9	0.6	3.5	2.3
Average for US Fixed	***0.7***	***1.2***	***-0.1***	***0.4***	***0.4***	***0.0***	***0.2***	***0.2***	***0.7***	***0.7***	***0.2***	***-0.1***	***-4.6***	***4.2***	***1.6***
Canadian Equity							3.3	-1.2	0.6	0.5	-1.1	0.4	-0.1	-2.6	-0.2
Canadian Small Cap										-5.4	-5.4	14.5	3.1	-30.5	-7.6
Canadian Balanced							2.0	1.1	0.7	0.3	0.3	-1.5	-0.1	1.4	1.8
Canadian Domestic Balanced**							2.5	0.0	-0.1	-1.3	-0.3	**	**	**	**
Canadian Fixed Income							0.5	0.6	0.4	0.1	0.0	0.1	-0.9	2.3	0.5
Canadian Corporate & Credit Focused											0.2	1.0	3.5	-3.5	0.9
Canada Fixed Income Core Plus												0.3	-5.4	6.5	1.5
Average for Canada							***2.1***	***0.1***	***0.4***	***-1.2***	***-1.1***	***2.5***	***0.0***	***-4.4***	***-0.5***
Overall average for North America	***1.8***	***1.6***	***0.6***	***-0.4***	***4.4***	***3.6***	***0.3***	***-0.5***	***-0.2***	***0.5***	***-1.1***	***1.7***	***-1.5***	***0.7***	***0.1***
Active Currency					0.0	0.9	2.7	2.3	-0.1	-0.8	2.0	1.5	1.5	1.8	4.0
Global Equity - Core	3.6	3.1	-3.4	7.3	4.8	2.4	0.9	-1.5	-0.7	2.7	1.4	3.1	-1.3	3.5	0.9
Global Equity - Growth	1.7	-5.4	-1.2	19.2	0.8	-3.1	-1.3	-1.6	0.2	6.8	1.6	6.7	-7.8	-0.2	4.8
Global Equity - Value	3.1	-3.9	-4.5	3.4	6.7	9.1	3.5	3.0	1.4	-0.1	3.0	0.2	-1.2	8.2	0.1
Global Equity Small Cap															*
GTAA/Global Macro						0.5	10.3	15.7	0.7	7.5	7.9	-3.4	-3.6	10.6	7.0
World ex US Equity - Core	7.8	4.5	-2.5	13.7	1.4	1.0	2.2	-3.1	-1.3	1.3	0.1	2.7	0.2	2.5	4.3
World ex US Equity - Growth	6.7	-2.9	-2.9	21.7	-5.0	-0.2	-0.5	-2.6	0.6	2.9	6.0	5.6	-3.8	4.8	2.5
World ex US Equity - Value	7.1	3.7	-3.6	3.8	6.7	8.7	6.6	-0.2	1.1	-1.9	2.2	-3.8	1.7	-1.2	2.0
World ex US Equity Small Cap	6.3	5.2	-6.4	30.1	4.2	1.5	-1.4	3.3	5.1	3.0	-2.1	0.9	2.6	-4.1	0.7
Emerging Markets Equity	10.5	12.1	2.5	-3.0	-0.7	-1.6	4.4	4.3	3.9	-1.4	-0.6	-1.9	0.3	0.7	1.7
Global Real Estate Securities											2.2	-1.8	2.3	2.8	-1.7
Emerging Markets Debt							2.1	12.7	6.6	5.0	4.3	0.6	-8.3	8.7	3.0
Emerging Markets Debt Local														8.2	1.4
Distressed Debt															9.6
Global Fixed Broad Market Aggregate								1.9	-1.0	3.5	-0.6	-3.4	-6.0	16.5	4.9
Global Fixed Sovereign	4.0	1.5	-0.6	-1.5	0.5	0.5	-1.2	2.6	1.7	2.2	0.8	-1.1	-2.9	6.1	1.9
Global Credit												0.2	-0.5	1.7	0.4
World ex US Fixed Income	3.2	2.6	-1.0	-2.4	0.2	0.2	1.0	3.7	1.1	0.9	0.2	-1.3	-4.5	5.2	2.5
Global High Yield													5.7	-10.6	0.5
Average for Global/International	***5.4***	***2.1***	***-2.4***	***9.2***	***1.8***	***1.6***	***2.3***	***2.9***	***1.4***	***2.2***	***1.9***	***0.3***	***-1.5***	***3.6***	***2.7***
OVERALL AVERAGES(c)	***3.4***	***1.5***	***-0.5***	***5.4***	***3.8***	***2.7***	***1.3***	***1.2***	***0.7***	***1.2***	***0.4***	***0.8***	***-1.2***	***1.9***	***1.5***
All equity categories	***4.8***	***2.0***	***-0.7***	***8.3***	***6.0***	***4.2***	***1.5***	***0.7***	***0.7***	***1.4***	***0.1***	***1.9***	***0.0***	***0.1***	***1.2***
All fixed income categories	***1.2***	***0.9***	***0.2***	***0.0***	***0.4***	***0.1***	***0.3***	***1.5***	***1.0***	***0.9***	***0.4***	***-0.4***	***-3.3***	***3.9***	***1.8***
All other categories	***1.3***	***-0.1***	***-1.5***	***2.6***	***0.1***	***0.1***	***2.5***	***2.9***	***0.4***	***1.1***	***1.3***	***-0.5***	***-0.4***	***3.9***	***1.6***

*** Category is no longer formally rated or measured.*

Background information as at 31 December 2010

Product Category	Number of products in Mercer MPA peer group used for this analysis	Number of products rated A or A- by Mercer as at 31 December 2010	Average turnover among products rated A or A- by Mercer since inception (d) (% pa)
Australian Equity	84	45	25
Australian Small Companies	35	10	35
Australian Fixed Interest	26	12	34
Australian Short Duration High Income	15	12	8
Australian Listed Property	25	5	6
Australian Balanced**	**	**	**
Average for Australia	***185***	***84***	***22***
New Zealand Equity	5	2	16
Trans-Tasman Equity	14	4	17
New Zealand Fixed	8	2	14
Average for New Zealand	***27***	***8***	***16***
Asia ex Japan Equity	39	13	14
Hong Kong Balanced**	**	**	**
Hong Kong Equity**	**	**	**
Pacific ex Japan Equity	65	16	15
Japan Equity	116	28	17
Japan Small Cap Equity	25	6	11
Pacific inc Japan Equity**	**	**	**
China Equity	30	7	0
Greater China Equity	24	5	33
Singapore Equity**	**	**	**
Average for Other Asia/Pacific	***299***	***75***	***15***
Overall average for Asia/Pacific	***511***	***167***	***18***
UK Equity	138	23	25
Mixed UK/Non-UK Equity	6	4	21
UK Small Cap Equity	26	4	7
UK Property	22	14	20
UK Balanced**	**	**	**
UK Inflation-Linked Bonds	34	8	20
UK Government Bonds	26	10	24
UK Non-Government Bonds	33	11	15
UK Aggregate Bonds	23	11	15
Average for UK	***308***	***85***	***18***
Eurozone Equity	68	9	21
Europe ex UK Equity	62	14	26
Europe inc UK Equity	153	21	17
Europe inc UK Small Cap Equity	38	8	18
Eurozone Aggregate Bonds	49	12	23
Eurozone Government Bonds	38	5	26
Eurozone Non-Government Bonds	56	12	21
Average for European regional	***464***	***81***	***22***
Overall average for Europe	***772***	***166***	***20***

*** Category is no longer formally rated or measured.*

Background information as at 31 December 2010 (continued)

Product Category	Number of products in Mercer MPA peer group used for this analysis	Number of products rated A or A- by Mercer as at 31 December 2010	Average turnover among products rated A or A- by Mercer since inception (d) (% pa)
US Equity, Large Cap Core	322	17	22
US Equity, Large Cap Growth	274	20	20
US Equity, Large Cap Value	297	18	18
US Equity, Mid Cap Core	54	5	17
US Equity, Mid Cap Growth	114	15	18
US Equity, Mid Cap Value	95	16	13
US Equity, SMID Core	50	7	9
US Equity, SMID Growth	82	21	7
US Equity, SMID Value	72	12	14
US Equity, Small Cap Core	126	18	13
US Equity, Small Cap Growth	176	18	20
US Equity, Small Cap Value	186	24	11
Average for US Equity	***1848***	***191***	***15***
US Real Estate, Open End	26	9	6
US Real Estate, Securities	44	5	10
Average for US Other	***70***	***14***	***8***
US Fixed, Core Investment Grade	200	8	18
US Fixed, Core Opportunistic	96	8	24
US Fixed, High Yield	115	13	15
US Fixed, Short	130	8	15
US Fixed, Intermediate	127	10	17
US Fixed, Long	46	7	15
Average for US Fixed	***714***	***54***	***18***
Canadian Equity	89	23	13
Canadian Small Cap	29	6	28
Canadian Balanced	43	5	21
Canadian Domestic Balanced**	**	**	**
Canadian Fixed Income	54	9	14
Canadian Corporate & Credit Focused	13	4	4
Canada Fixed Income Core Plus	17	4	5
Average for Canada	***245***	***51***	***14***
Overall average for North America	***2877***	***310***	***15***
Active Currency	49	14	22
Global Equity - Core	225	39	16
Global Equity - Growth	72	11	19
Global Equity - Value	99	15	17
Global Equity Small Cap	25	8	0
GTAA/Global Macro	32	31	8
World ex US Equity - Core	173	14	16
World ex US Equity - Growth	83	12	19
World ex US Equity - Value	89	15	9
World ex US Equity Small Cap	67	13	9
Emerging Markets Equity	168	23	17
Global Real Estate Securities	36	11	12
Emerging Markets Debt	40	10	18
Emerging Markets Debt Local	37	8	16
Distressed Debt	36	8	29
Global Fixed Broad Market Aggregate	58	8	18
Global Fixed Sovereign	50	9	18
Global Credit	15	7	5
World ex US Fixed Income	23	7	15
Global High Yield	22	4	13
Average for Global/International	***1399***	***267***	***15***
OVERALL AVERAGES (c)	***5559***	***910***	***16***
All equity categories	***3870***	***581***	***17***
All fixed income categories	***1387***	***227***	***17***
All other categories	***277***	***94***	***13***

*** Category is no longer formally rated or measured.*

Endnotes to tables

(a) Value added is calculated as the average return per annum for the A rated strategies over the period concerned less the average return per annum for the stated benchmark index over the same period. The quarterly return for the A rated products is calculated as the unweighted average performance over the quarter of all products rated A by Mercer within the product category concerned as at the start of that quarter. Results for longer periods are calculated by compounding together the quarterly figures. See “Measurement of Value Added Through Mercer Manager’s Research Recommendations” for more information.

(b) The information ratio is a risk-adjusted measure of value added. It is calculated as value added per annum divided by the tracking error over the period concerned. Value added is calculated as per (a) above. Tracking error is calculated as the annualised standard deviation of the quarterly value added for the A rated products over the period concerned. The quarterly value added is calculated each quarter as the average return for the A rated products over the quarter concerned less the quarterly returns for the stated benchmark index over the same quarter.

(c) The country, regional and overall averages shown in the tables are the equal-weighted averages of the figures for all relevant product and strategy categories.

(d) Turnover is calculated each quarter as the number of products that were rated A at the start of the quarter but not at the end of the quarter divided by the number of products that were rated A at the start of the quarter. Average annual turnover since inception is calculated as the average quarterly turnover since inception multiplied by four (to convert it from a quarterly figure to an annual figure).