

THIRD QUARTER RESULTS DIP FOR INSTITUTIONAL PLAN SPONSORS



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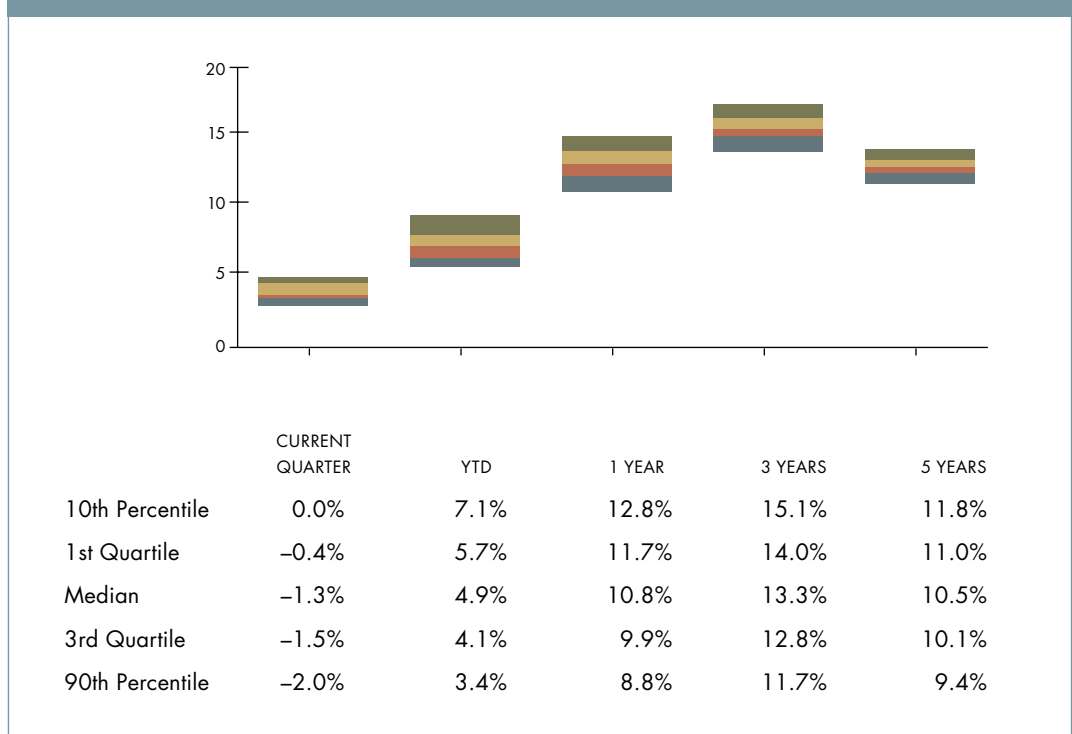
Public Funds posted a loss in the third quarter of 2014, with the median plan dropping 1.3%. This is the first quarterly loss in more than two years for public funds. Longer period results are still solid with the one-, three- and five-year returns coming in at 10.8%, 13.3% and 10.5%, respectively.

Within the Public Funds universe, domestic equities comprise the largest allocation, at 32.8%, as of September 30, 2014. Volatility rose in the third quarter as wary investors weighed how the Federal Reserve would react to improving economic conditions. Equity investors worried that improvements in the labor market could cause the Fed to raise short-term rates sooner than expected causing markets to pull back on occasion. The

Fed put these fears at ease at its September meeting by signaling no significant change in its interest-rate forecast. Broad-based domestic equity indexes, such as the S&P 500 and Russell 3000, posted small to modest gains of 1.1% and 0.01%, respectively. Large cap stocks significantly outperformed small cap stocks during the quarter, as small cap issues suffered heavy losses. The Russell 2000 lost more than 7% in the third quarter.

Non-U.S. stocks posted steep losses in the third quarter as the U.S. dollar strengthened versus foreign currencies. The MSCI EAFE and MSCI ACWI ex US indexes finished the quarter with losses of 5.8% and 5.2%, respectively. The MSCI Europe lost nearly 7% for dollar based investors but investors

PUBLIC FUNDS – TOTAL RETURNS SEPTEMBER 30, 2014



that owned the same stocks in euros posted a slight gain. As of September 30, 2014, the Public Funds composite allocation to international equities was 23.9%.

The domestic and foreign fixed income allocations within the Public Funds universe were 16.6% and 5.6%, respectively, at the end of the third quarter. Domestic fixed income, represented by the Barclays Capital US Aggregate Index, generated a small gain of 0.2% for the quarter. Foreign fixed income, represented by the Citi-Group WGBI ex US index, showed a substantial loss in the quarter of 5.4% due to the U.S. dollar reaching its highest level in more than four years against major currencies.

Real estate and private equity allocations within the Public Funds composite were 4.7% and 6.0%, respectively, at the end of the quarter. Real estate markets were down in the quarter with the Wilshire REIT index losing 3.1%. However, over longer periods, real estate has continued to be an important asset class, with the three- and five-year returns both over 16%.

After eight straight quarterly gains, Public Funds showed a loss for the quarter. However, Public Funds are happy to see longer-period returns exceeding many of their return assumptions and boosting their funding status.

COMPOSITE ASSET ALLOCATION – PUBLIC FUNDS				
	Current	1 Year Ago	3 Years Ago	5 Years Ago
U.S. Equity	33%	32%	31%	36%
Global/Non-U.S. Equity	24%	23%	18%	19%
U.S. Fixed Income	17%	20%	25%	24%
Global/Non-U.S. Bonds	6%	4%	5%	4%
Private Equity/Hedge Funds	9%	10%	9%	7%
Cash & Other	12%	11%	12%	9%

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Returns are shown gross of fees. Index returns assume reinvestment of dividends and earnings and do not reflect the deduction of any trading costs or other expenses. It is not possible to invest directly in an index. Periods greater than one year are annualized. Past performance does not indicate future results.