

PUBLIC FUNDS UNIVERSE SUMMARY

ASSET OWNERS FINISH 2014 ON A POSITIVE NOTE



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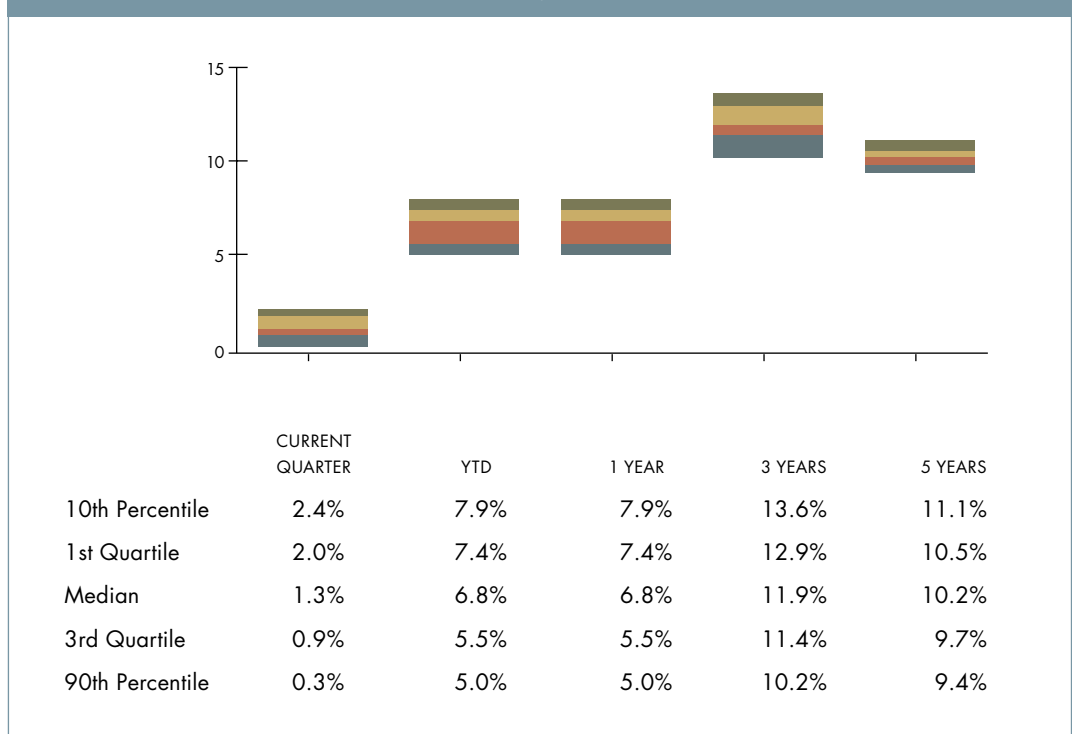
Public Funds rebounded in the fourth quarter of 2014 with the median plan gaining 1.3%. Gains in three out of the four quarters bring the full year return to 6.8%. Longer period results are still improving with the three-, five- and 10-year returns coming in at 11.9%, 10.2% and 6.9%, respectively.

Within the Public Funds universe, domestic equities comprise the largest allocation, at 33.5% as of December 31, 2014. Volatility remained high in the fourth quarter as concerns about global growth, continuing geopolitical tensions and falling oil prices weighed on investors. The United States was the top-performing region globally as the domestic economic recovery continues. Broad-based domestic equity indexes posted

gains, with the S&P 500 and Russell 3000 returning 4.9% and 5.2%, respectively. Small cap stocks significantly outperformed large cap stocks during the quarter; the Russell 2000 return was nearly double that of the Russell 1000. Small cap growth was the top performing sub-asset class within U.S. equity, with the Russell 2000 growth index producing a 10.1% return in the quarter.

In dollar terms, non-U.S. stocks suffered in the quarter as the U.S. dollar continued to gain strength versus foreign currencies. The MSCI EAFE and MSCI ACWI ex US indexes finished the quarter with losses of 3.5% and 3.8%, respectively. The MSCI Europe lost more than 4% for dollar-based investors, but investors that owned the same stocks in euros

PUBLIC FUNDS – TOTAL RETURNS DECEMBER 31, 2014



showed a flat return. As of December 31, 2014, the Public Funds composite allocation to international equities was 23.0%.

The domestic and foreign fixed income allocations within the Public Funds universe were 17.2% and 5.3%, respectively, at the end of the fourth quarter. Domestic fixed income, represented by the Barclays Capital US Aggregate Index, generated a gain of 1.8% for the quarter. Foreign fixed income, represented by the Citi-Group WGBI ex US index, showed a loss in the quarter of 2.9% due to the continued climb of the U.S. dollar against major currencies. If investors hedged these positions to the U.S. dollar, they would have seen returns of more than 3% for the quarter.

Real estate and private equity allocations within the Public Funds composite were 4.8% and 6.1%, respectively, at the end of the quarter. Real estate markets posted outstanding gains, with the Wilshire REIT index gaining 15.1% in the fourth quarter. Over longer periods, real estate has continued to be an important asset class, with one-, three- and five-year returns of 31.8%, 16.4% and 17.3%, respectively.

After a loss in the third quarter, public fund plans were able to get back on track in the fourth quarter and had gains in eight of the last nine quarters. Public Funds will look for continued global growth to help close the gap on their long-term return assumptions and boost their funding status.

COMPOSITE ASSET ALLOCATION – PUBLIC FUNDS				
	Current	1 Year Ago	3 Years Ago	5 Years Ago
U.S. Equity	33%	33%	32%	36%
Global/Non-U.S. Equity	23%	23%	19%	20%
U.S. Fixed Income	17%	19%	24%	24%
Global/Non-U.S. Bonds	5%	4%	5%	4%
Private Equity/Hedge Funds	9%	10%	9%	8%
Cash & Other	12%	11%	12%	8%

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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.