RVKuhns
& ASSOCIATES, INC.

ASSET ALLOCATION ASSUMPTIONS
December 31, 2008

DRAFT: Data shown is preliminary and subject to change.

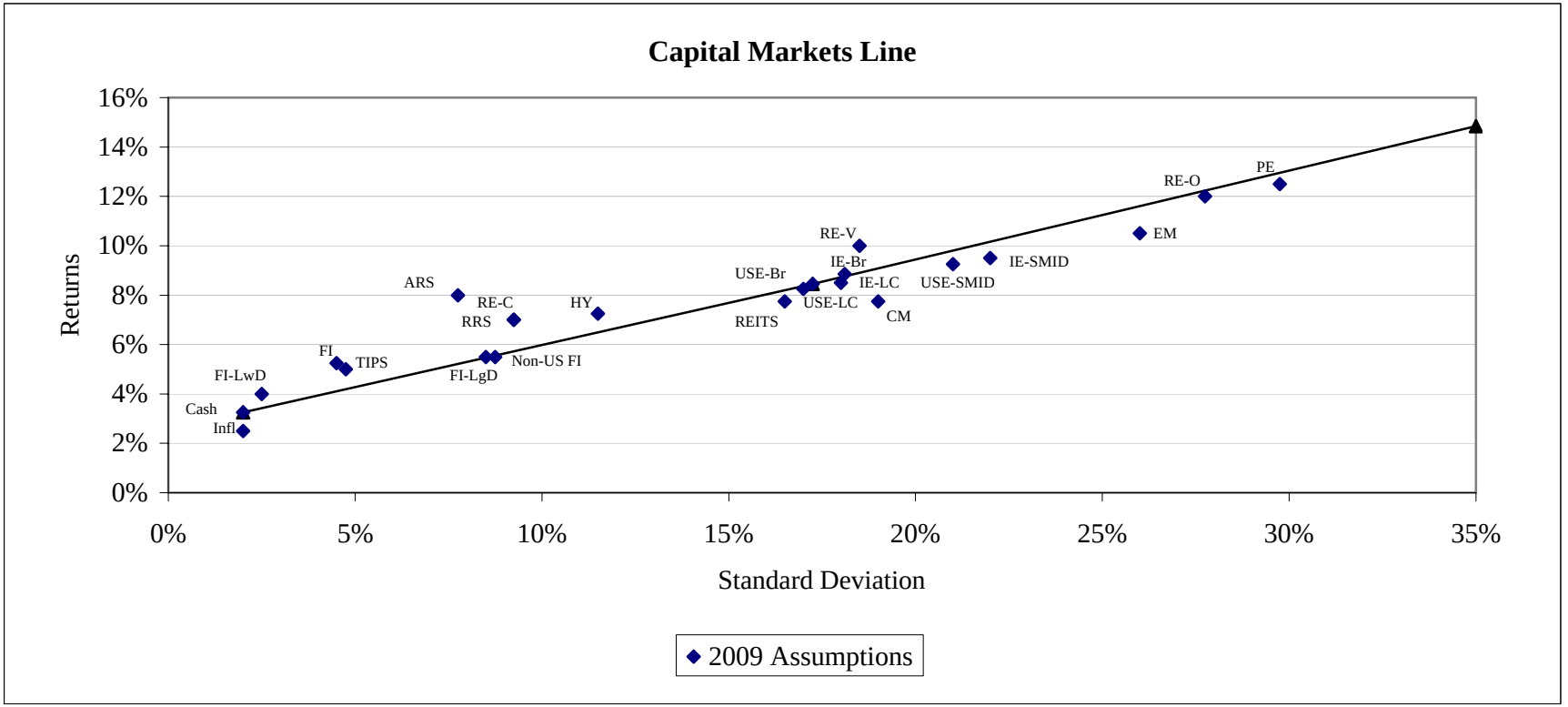
R.V. Kuhns & Associates, Inc.
Asset Allocation – Return & Risk Assumptions

The asset allocation process is highly dependent upon the asset class assumptions used to create the modeled portfolios for optimization. R.V. Kuhns & Associates, Inc. (RVK) creates our long-term expected asset class return and risk assumptions through a multi-step process that incorporates both the return experience observed historically and forward-looking expected returns produced by looking at a variety of historical relationships and factors. We combine the results of this analysis with a survey of prevailing investment industry opinions to further benchmark our expectations.

This report serves as an explanatory document that provides the background on our asset allocation assumption-setting process as well as a more detailed analysis of our expectations for each asset class. Correlations are generally derived from historical data and are slightly modified in some cases to produce meaningful relationships.

Our forward-looking return and risk assumptions as of 12/31/2008 for the major asset classes are listed below:

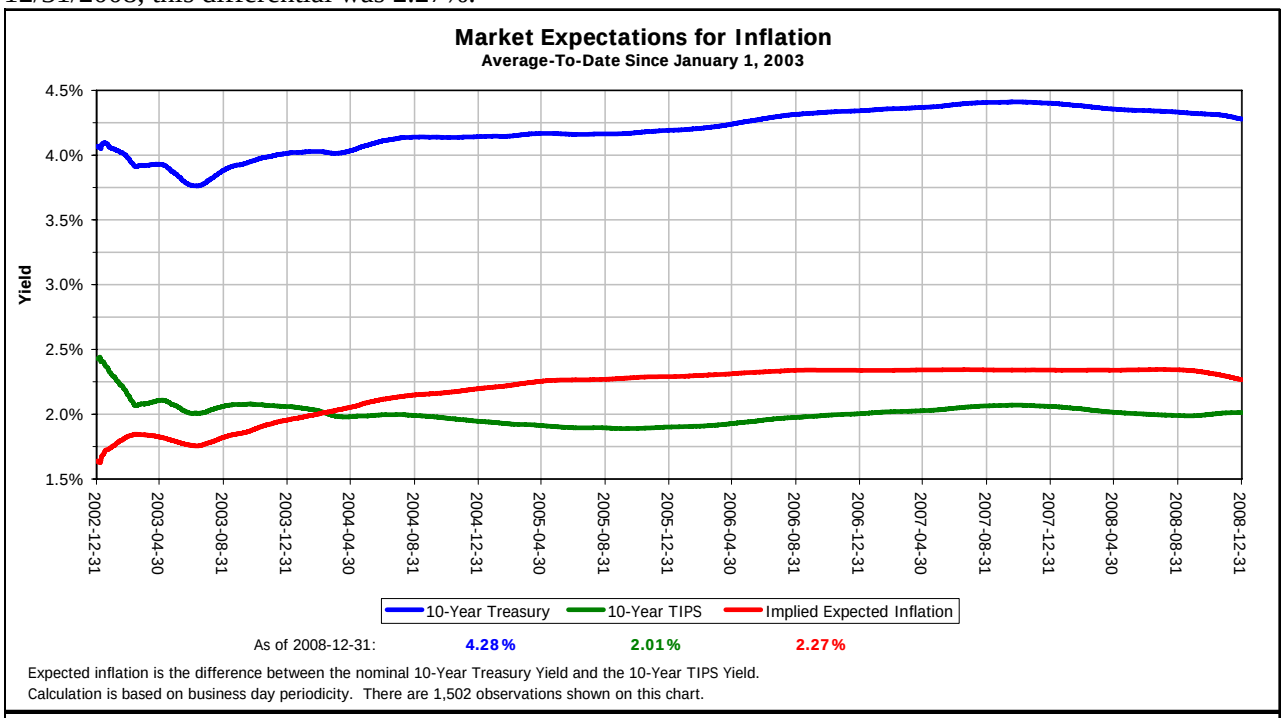
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %
US Equity		
Large Cap US Equity	8.25%	17.00%
Small/Mid Cap US Equity	9.25%	21.00%
Broad US Equity	8.45%	17.25%
International Equity		
Developed Large Cap International Equity	8.50%	18.00%
Developed International Small/Mid Cap	9.50%	22.00%
Broad International Equity	8.85%	18.10%
Emerging Markets Equity	10.50%	26.00%
Fixed Income		
US Core Fixed Income	5.25%	4.50%
Non-US Fixed Income	5.50%	8.75%
TIPS	5.00%	4.75%
Low Duration Fixed Income	4.00%	2.50%
Long Duration Fixed Income	5.50%	8.50%
High Yield	7.25%	11.50%
Real Estate		
Real Estate - Core – Property	7.00%	9.25%
Real Estate - Value Added	10.00%	18.50%
Real Estate - Opportunistic	12.00%	27.75%
Real Estate Investment Trusts (REITS)	7.75%	16.50%
Alternatives		
Absolute Return	8.00%	7.75%
Real Return Strategy	7.00%	9.25%
Commodities - Balanced	7.75%	19.00%
Private Equity	12.50%	29.75%
Other		
Cash Equivalents	3.25%	2.00%
Inflation	2.50%	2.00%

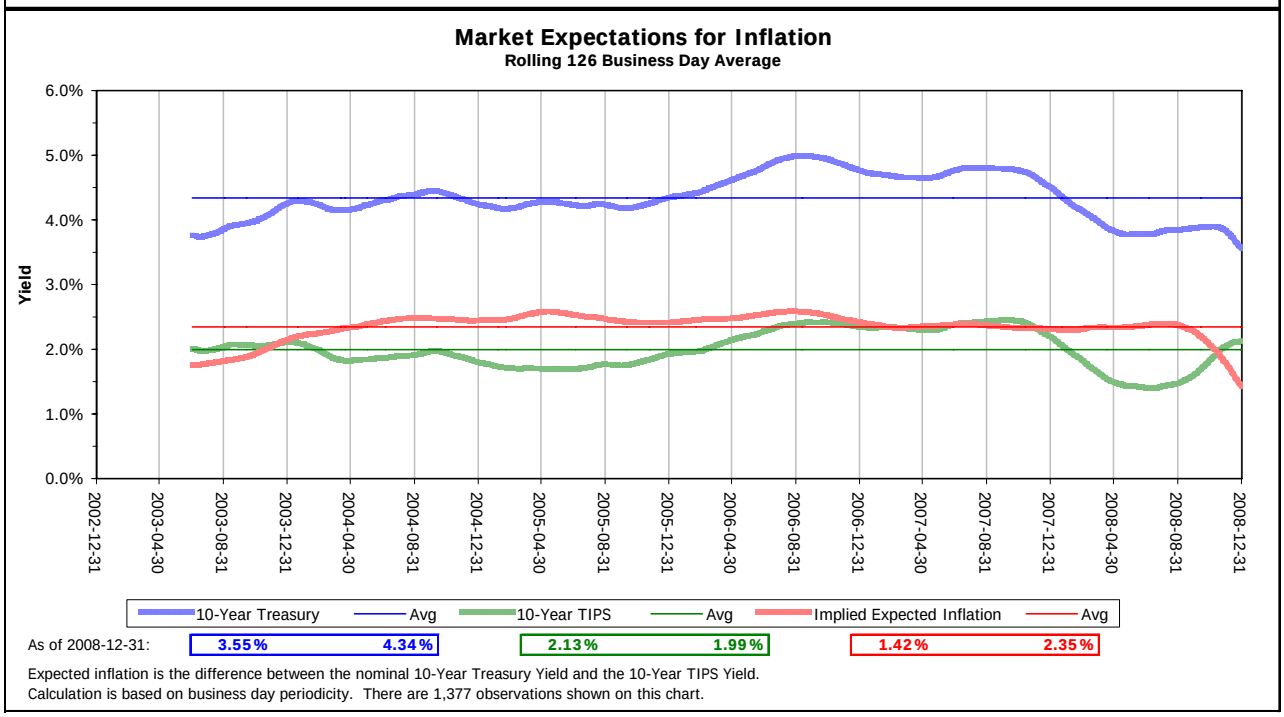

Capital Markets Line
16%
14%
12%
10%
8%
6%
4%
2%
0%
Returns
0%
5%
10%
15%
20%
25%
30%
35%
Standard Deviation
PE
RE-O
EM
RE-V
IE-Br
IE-SMID
USE-Br
IE-LC
USE-SMID
ARS
RE-C
HY
USE-LC
RRS
REITS
CM
FI
TIPS
Non-US FI
FI-LgD
FI-LwD
Cash
Infl
2009 Assumptions

INFLATION AND CASH

Inflation

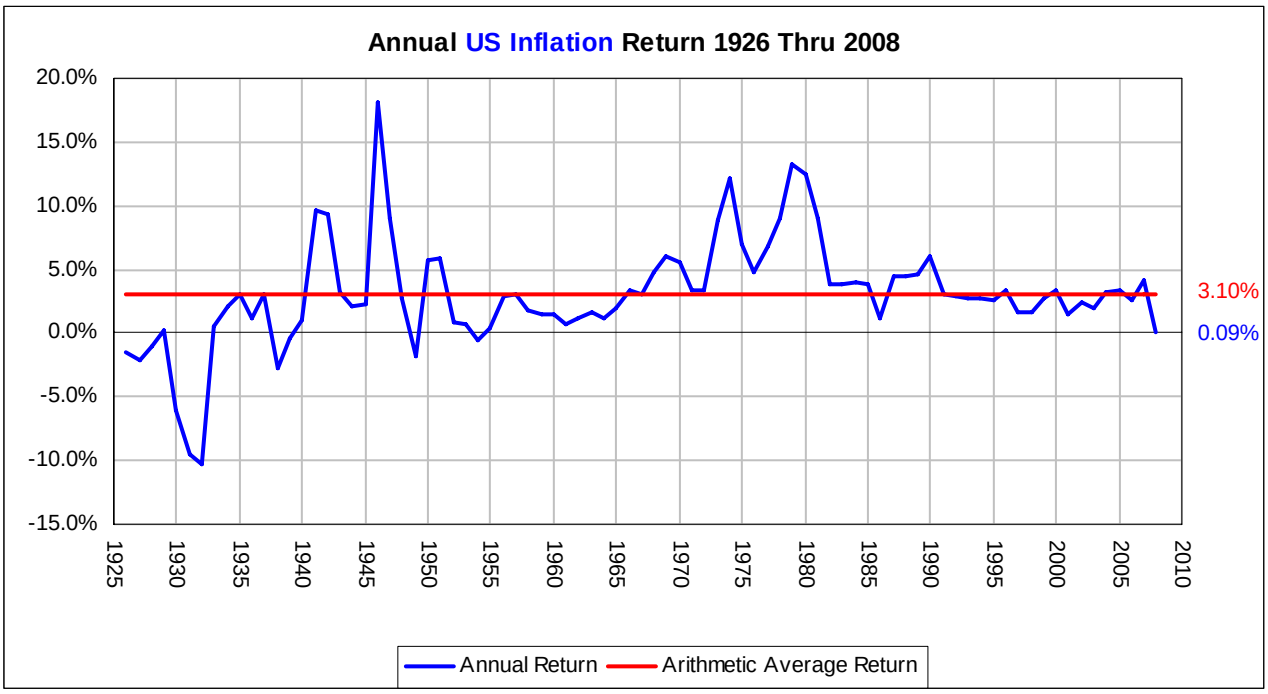
RVK looks at the Ibbotson US Inflation[i] series for a historical measure of the price inflation experienced in the United States. The history of this measure is also compared with the "break-even inflation rate" – a market price-driven measure given by the difference between the yield-to-maturity of nominal and inflation-linked treasury securities of equivalent maturities. As of 12/31/2008, this differential was 2.27%.



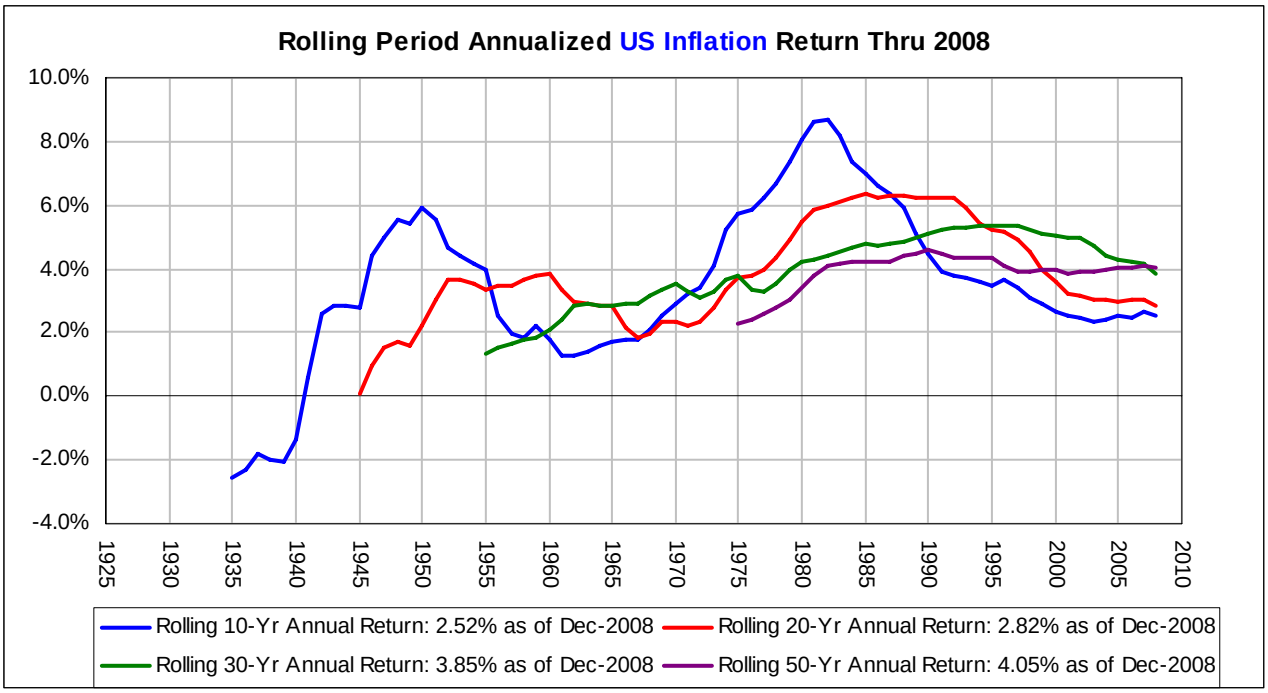


Taking into account the considerable decline in Treasury Yields, it is important to consider an average over the past ten years. The inflation series is a fundamental metric, which helps to provide investors with a gauge of the real returns on their investments (i.e., the return after erosion of purchasing power). The measure drives a number of relationships to many asset class returns based on both historical return observations and forward-looking return expectations.

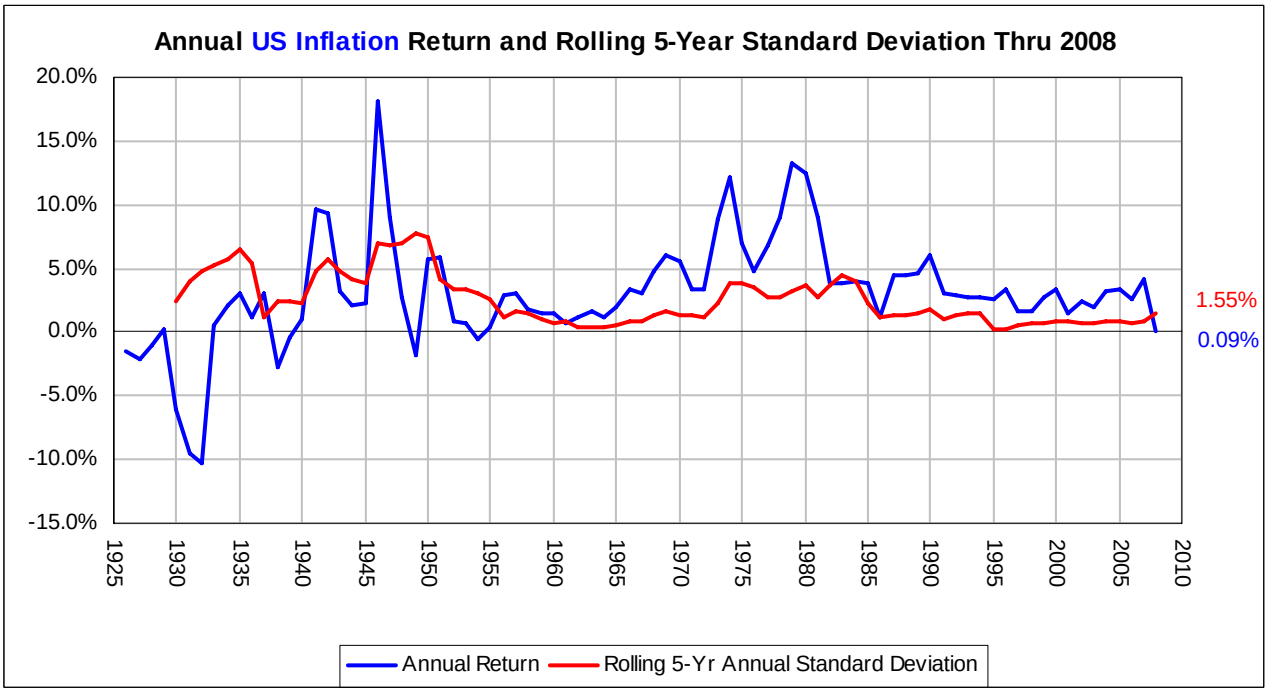
The chart below shows the annual history of this series with its corresponding arithmetic average of 3.10%. While there have certainly been periods where the annual inflation rate has diverged from the arithmetic average, recent history and inflation targets suggest that inflation will stay at a moderate level for the foreseeable future.

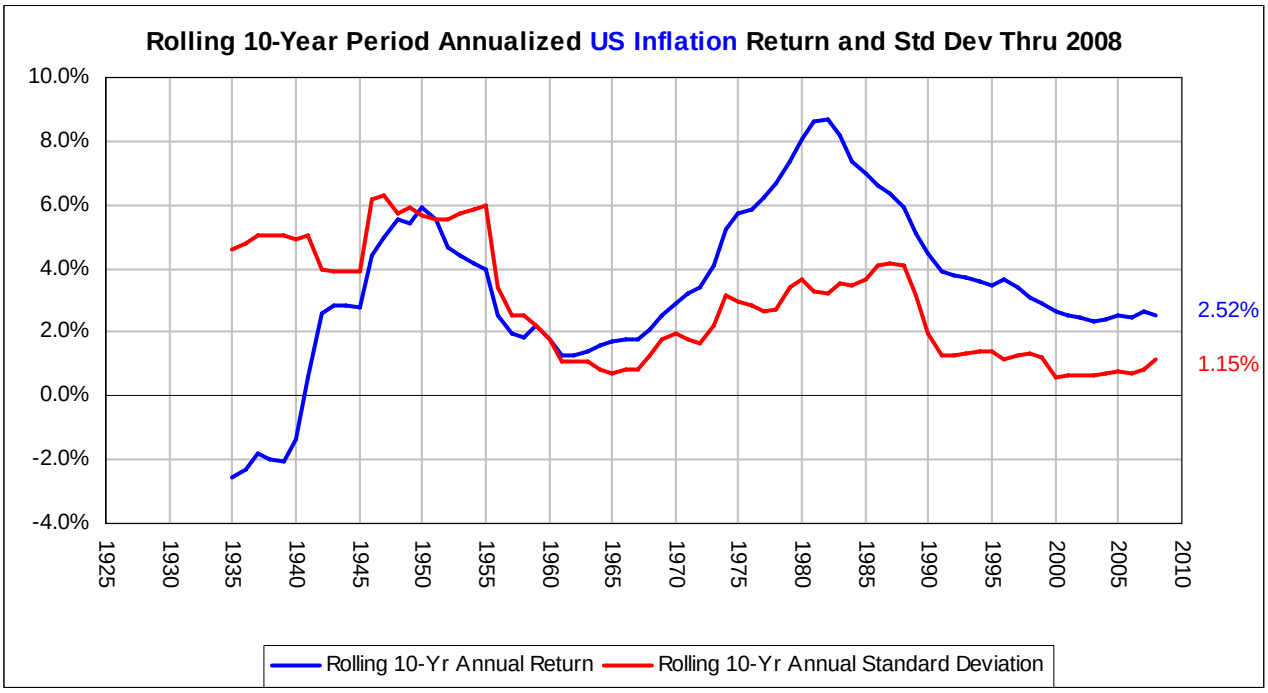


An analysis of Rolling Period Annualized Inflation also reveals that while near-term inflation has been lower, the presence of significant inflationary periods continues to influence the average of longer-term rolling time frames.



An analysis of Rolling Period Inflation Volatility reveals that although the federal funds target rate is at historically low levels, the near-term inflation volatility has remained at low levels consistently over the past 20 years. However with unprecedented rate cuts in 2008, volatility should creep up.





RVK's current forecast for long-term expected inflation is 2.50% with a standard deviation equal to 2.00%.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Inflation	2.50%	1.00%	2.50%	2.50%	2.00%	2.48%	0.00%	1.00%	-0.01%

Cash Equivalents

The historical performance of short-term investments, as measured by the ML US 3-Month Treasury Bill Index, would indicate that cash equivalents should provide returns of approximately 3.45% with a standard deviation equal to approximately 1.81%. Real returns on these investments have averaged approximately 0.62% annually.

We base our cash returns on the historical real return differential over inflation of approximately 0.50% - 0.75% and set our long-term return expectation for cash at 3.25% with a standard deviation equal to 2.00%.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Cash Equivalents	3.25%	1.00%	3.25%	3.25%	2.00%	3.23%	0.00%	1.00%	-0.01%

FIXED INCOME

US Core Fixed Income

RVK models core investment-grade fixed income investments over recent history (since 1976) using the Barclays US Aggregate Bond Index. The average annual return for the longest available time period is 8.48% and over the past ten years was 5.28%. The since inception return captures a period of high inflation and more recently, both rapidly declining interest rates and an unprecedented flight to quality that we do not expect will be repeated. Given the low interest rate environment relative to historic levels, we foresee a challenging environment for fixed income instruments over the next 10 years.

The average yield to maturity for the Barclays US Aggregate has been 4.93% over the past ten years. As of 12/31/2008, the Barclays US Aggregate yield to maturity was 4.04%. The option adjusted spread average for the Barclays US Aggregate has been 0.73% over the past ten years, and as of 12/31/2008 was at 2.13%. The average yield to maturity for the Barclays US Treasury: 7-10 Year Index has been 4.41% over the past ten years. We estimate the spread of the Barclays US Aggregate to Treasuries to be 0.80% over the long term. Thus, RVK expects US Core Fixed Income to have a long-term return of 5.25%.

We derive our bond volatility estimate from a combination of the longest historical time period experience of the Barclays US Aggregate Bond Index's standard deviation over the past thirty years (5.97%) and the standard deviation over the past ten years (3.69%). Although volatility has steadily decreased over time, we expect that there will be additional volatility experienced in the market with inflation and interest rate levels expected to increase over the coming years.

We expect US Core Fixed Income long-term returns to be 5.25% with a standard deviation of 4.50%.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
US Core Fixed Income	5.00%	4.25%	4.91%	5.25%	4.50%	5.15%	0.25%	0.25%	0.24%

Non-US Fixed Income

While Non-US Fixed Income is frequently an opportunistic portfolio holding within a core fixed income portfolio, RVK models the asset class for use by investors desiring more detailed information on our expectations or those desiring a dedicated portfolio allocation. The Citigroup Non-US World Government Bond Index (Citi Non-US WGBI) provides a proxy for this asset class. Average performance differentials between Non-US Fixed Income (Citi Non-US WGBI) and US Core Fixed Income (BC US Aggregate) indicate that, while longest-term arithmetic average annual differentials are close to 2.17% (since 1985), the 5-year average differential is 0.75% through 2008. We estimate that the differential for the purposes of long-term expectations should be 0.30%. The international fixed income market has experienced more volatility in annual returns than domestic fixed income.

The resulting long-term return expectation for Non-US Fixed Income is 5.50% with a standard deviation of 8.75%.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Non-US Fixed Income	5.50%	8.75%	5.14%	5.50%	8.75%	5.14%	0.00%	0.00%	0.00%

Treasury Inflation Protected Securities (TIPS)

TIPS are an immature asset class in the United States for which a reliable benchmark has yet to gain sufficient historical data to provide an appropriate performance model. TIPS are inflation-linked securities and the principal is adjusted relative to the index ratio CPI-U. The coupon is fixed relative to principal with semi-annual interest payments and is lower than a nominal bond of similar maturity. Different inflation rate scenarios impact the expected returns and volatility of TIPS owing to the indexing of principal to the inflation rate. The TIPS return expectations are set mindful of our anticipation that inflation expectations are exacerbated due to a historically low federal funds target rate. One of the reasons why the risk is higher for TIPS than US Core Fixed Income is duration. As of 12/31/2008, the duration of the Barclays US Aggregate was 3.71 versus the Barclays US TIPS Index duration of 5.83.

With interest rates at historically low levels, as mentioned above, it would be reasonable to expect TIPS to exceed previous assumption estimates. Mitigating this factor however is the considerable flight to quality which reached TIPS as well.

TIPS will produce a long-term return lower than US Core Fixed Income at 5.00% with a volatility of 4.75%.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
TIPS	4.75%	4.75%	4.64%	5.00%	4.75%	4.89%	0.25%	0.00%	0.25%

Low Duration Fixed Income

RVK sets the assumptions for Low Duration Fixed Income strategies in relation to the expected return on cash equivalents. Low duration strategies include, but are not limited to, the BC 1-3 year maturity Treasury series, BC US Aggregate 1-3 Year, and BC Credit 1-3 Year. This can be done either by looking at historical yield curve relationships, or by examining the historical return experienced by each of the indices. The spread of the average annual arithmetic return between the BC 1-3 Year Treasury Index and the ML US 3-Month T-Bill Index has been 1.19% since 1993. The spread of the average annual arithmetic return between the BC US Aggregate 1-3 Year Index and the ML US 3-Month T-Bill Index has been 1.24% since 1993. The spread of the average annual arithmetic return between the BC Credit 1-3 Year Index and the ML US 3-Month T-Bill Index has been 1.43% since 1993. We estimate accordingly that there is an approximately 0.75% - 1.00% positive differential between Low Duration Fixed Income strategies and Cash Equivalents.

Therefore, we set our long-term return expectation for Low Duration Fixed Income strategies at 4.00% with a standard deviation equal to 2.50%.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Low Duration Fixed Income	4.00%	2.50%	3.97%	4.00%	2.50%	3.97%	0.00%	0.00%	0.00%

Long Duration Fixed Income

Over the longest comparable time period, the average annual yield-to-maturity spread between the BC US Long Gov't/Credit Index and the BC US Aggregate Bond Index has been 0.71%. The average spread between the arithmetic annual returns has been 1.29% since 1976. Over the last 10 years and 20 years, the average annual differentials have been 1.12% and 1.73%, respectively. Over the nearer term the annual differential between the two indices has tightened. Accordingly, we conservatively estimate that there is an approximately 0.25% - 0.50% positive differential between Long Duration Fixed Income strategies and US Core Fixed Income. The average rolling 5-year annual standard deviation for the BC US Long Gov't/Credit Index and the BC US Long-Term Treasury Index has been 3.10% and 5.33% respectively higher than the BC US Aggregate over the last 10 years.

Therefore, we set our long-term return expectation for Long Duration Fixed Income strategies at 5.50% with a standard deviation equal to 8.50%.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Long Duration Bond	5.35%	8.25%	5.03%	5.50%	8.50%	5.16%	0.15%	0.25%	0.13%

High Yield Fixed Income

High Yield Fixed Income can be modeled with an expectation of the credit quality premium added to domestic core fixed income to account for default risk. This premium can be estimated by the difference in the average yield-to-maturity between the BC US Corporate High Yield Index and the Barclays US Aggregate Bond Index, which was equal to 6.14%. The option adjusted spread for the BC US Corporate High Yield Index has been 5.61% over the past ten years, and as of 12/31/2008 was at 16.62%. We feel that a more restrained adjustment of 2.00% is appropriate due to the uncertainty in the market and increased default risk.

High Yield Fixed Income is expected to be significantly more volatile than US Core Fixed Income. We estimate that, given the combination of default and recovery risk, a volatility estimate in excess of double that of US Core Fixed Income is reasonable. Added to that risk estimate will be a duration mismatch that exists between the BC US Corporate High Yield Index and the Barclays US Aggregate Bond Index. The long-term annual volatility (based on annual returns) since 1984 for the BC US Corporate High Yield Index is 13.96%. However, the annual volatility (based on quarterly returns) has been 4.56% since inception. During the more recent

term, the 5-year annual volatility for the BC US Corporate High Yield Index is 15.48% based on annual returns and 5.25% based on quarterly returns. This suggests that volatility and the associated return premium have increased recently and should persist into the future.

The resulting long-term return expectation for High Yield Fixed Income is 7.25% with a standard deviation of 11.50%.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
High Yield	6.75%	11.00%	6.19%	7.25%	11.50%	6.64%	0.50%	0.50%	0.45%

DOMESTIC EQUITY

Large Cap US Equities

Large Cap US Equities are modeled using the Standard & Poor's 500 Index due to the length of the historical dataset. The annual real return to equities has an arithmetic average of approximately 8.69% since 1926 using the S&P 500 series. The below discussion will look at long-term mean reversion and return decomposition analysis to better understand the potential for future returns.

The following tables look at mean reversion by showing the required real return over the next 10-year period that is necessary for the overall market cycle average return to be equal to the long-term average of 8.69%**:**

		20-Year Period		30-Year Period		40-Year Period	
	Return since 1926	Last 10 Years	Return over Next 10 Years	Last 20 Years	Return over Next 10 Years	Last 30 Years	Return over Next 10 Years
S&P 500	8.69%	-1.74%	**20.23%**	7.74%	**10.62%**	8.89%	**8.09%**

It should be noted that only minor changes would occur to the above analysis if pre-WWII returns were excluded, as the US economy could be considered a more developed nation post-WWII. However, post-WWII returns are quite similar to 1926 since inception returns at 8.04% since 1946 (or 8.14% since 1952).

To test the sensitivity of our analysis to the impact of outlying data and extreme market conditions, we calculated the average arithmetic real return of the two indices without the returns of the two best and two worst performing years, and again without the returns of the three best and three worst performing years. The best and worst years for the indices since inception and corresponding return analysis is summarized in the tables below.

S&P 500			
Best Years	Return	Worst Years	Return
1933	58.23%	2008	-38.33%
1954	51.19%	1937	-37.72%
1928	45.31%	1931	-36.79%
Annual Return Including All Years:			8.69%
Annual Return Excluding Two Years:			8.71%
Annual Return Excluding Three Years:			8.83%

It should be noted that at year-end the domestic equity market is currently in one of the largest declines in stock market history. There remains a high level of uncertainty with respect to the size and length of the decline and subsequent recovery, and thus the potential for future returns. In an attempt to provide historical perspective we have included the table below that details the length and size of historically significant market events (as recorded by the S&P 500):

Historical Event	Period	Event to Trough (%)	Event to Trough (months)	Trough to Break-Even (months)	Event to Trough (years)	Trough to Break-Even (years)
Great Crash	1929	-78%	32	52	2.7	4.3
New Deal	1937	-39%	13	58	1.1	4.8
Oil Crisis	1973	-39%	11	16	0.9	1.3
Black Monday	1987	-21%	2	10	0.2	0.8
Tech Bubble	2000	-44%	30	49	2.5	4.1
Credit Crunch*	2007	-39%	16	?	1.3	?

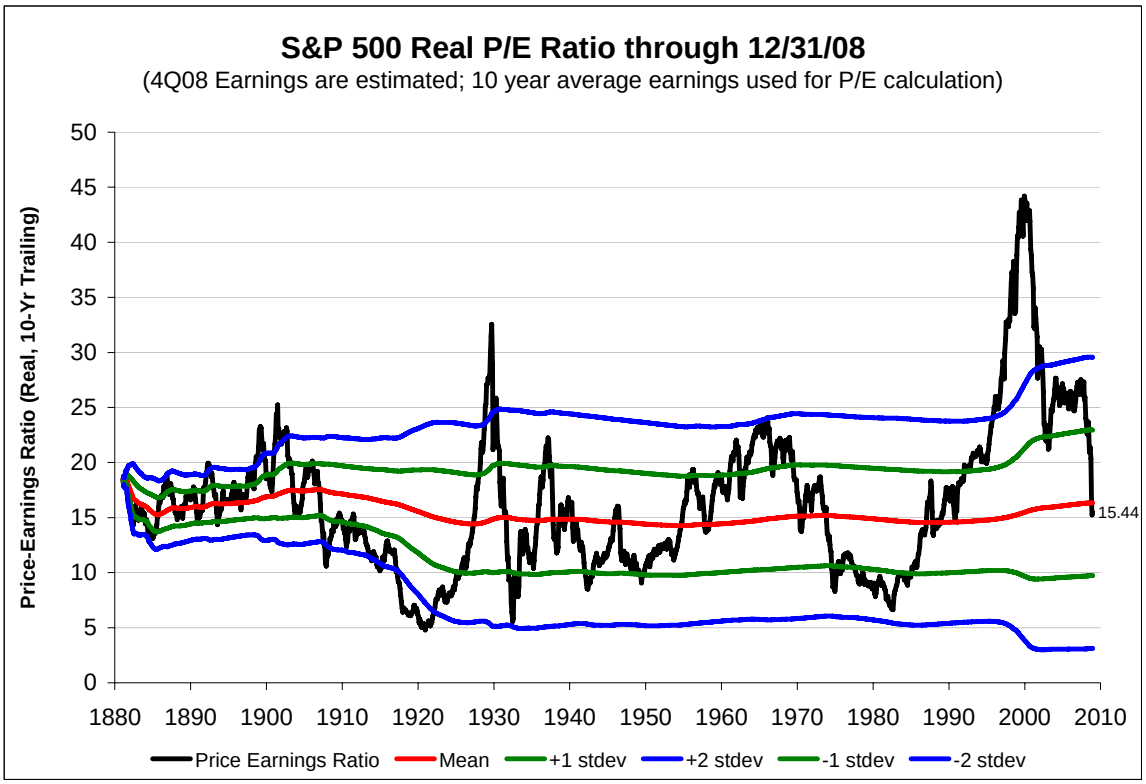
*Assumes 12/31/08 trough for calculation convenience only.

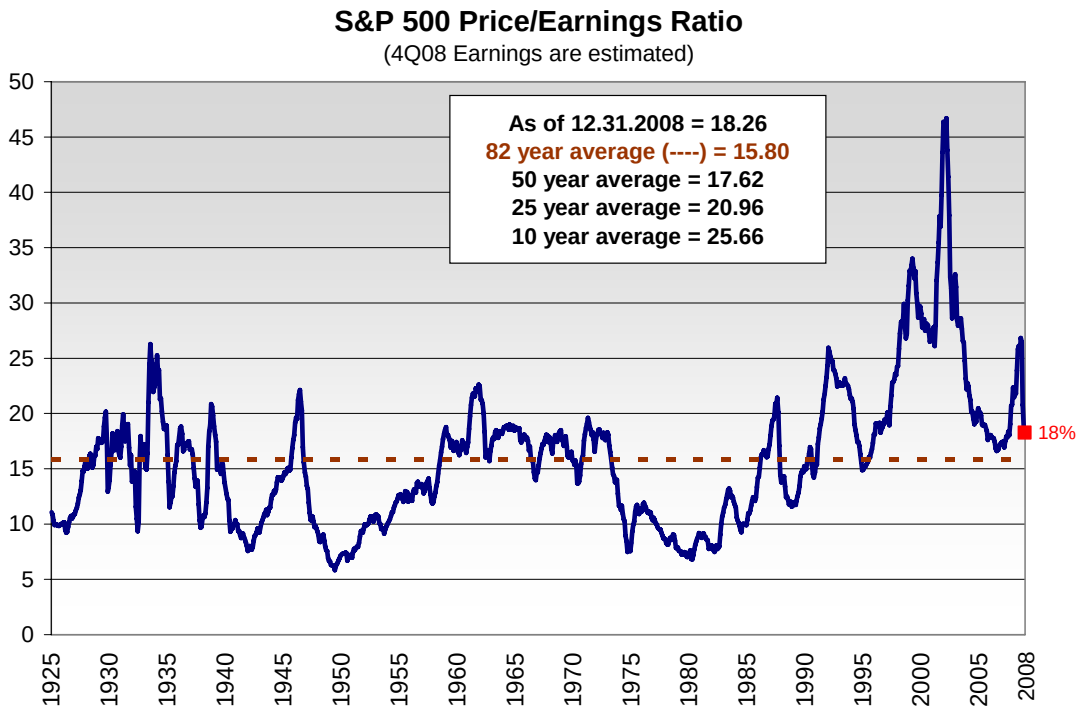
Monthly periodicity.

The Credit Crunch, listed above, is assumed to begin with the market and economic events of August 2007. From August 2007 to December 2008 markets are sixteen months into the current crisis, and fourteen months from the market peak in October 2007.

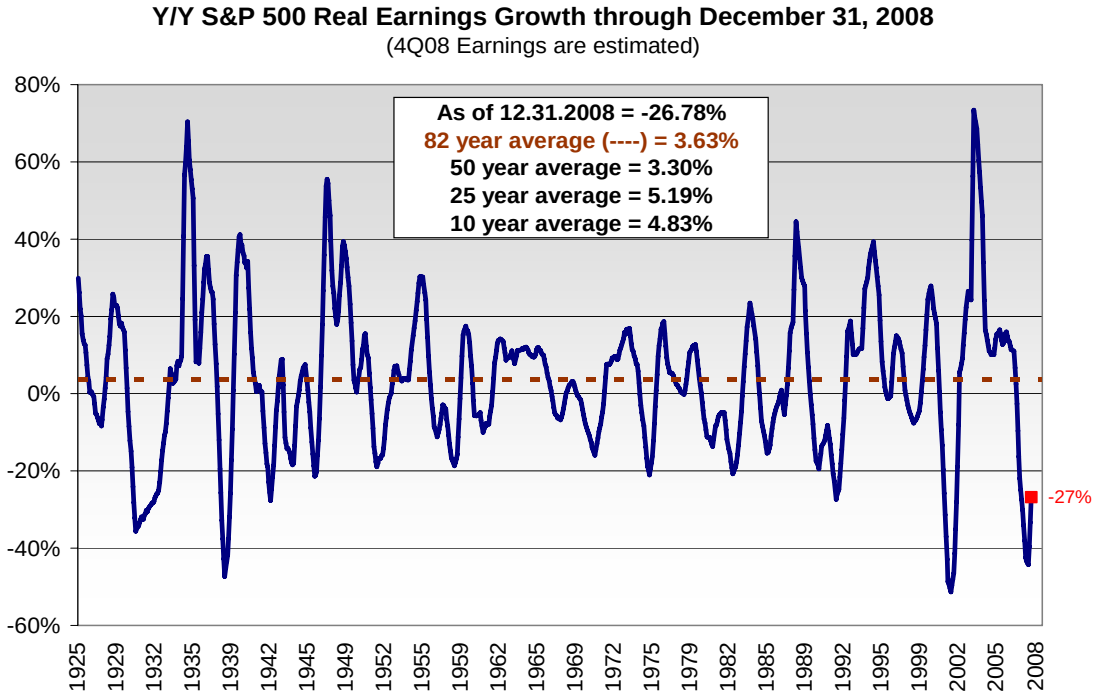
Real equity returns can also be analyzed by decomposing returns into Valuation, Dividend Yield and Earnings Growth.

While P/E ratios are much lower than recent history, given the significant price reductions, the current ratios roughly approximate historical averages. Thus we do not expect Valuation to contribute materially to long-term returns, though it may contribute materially to returns in the interim if dramatic price fluctuations persist.

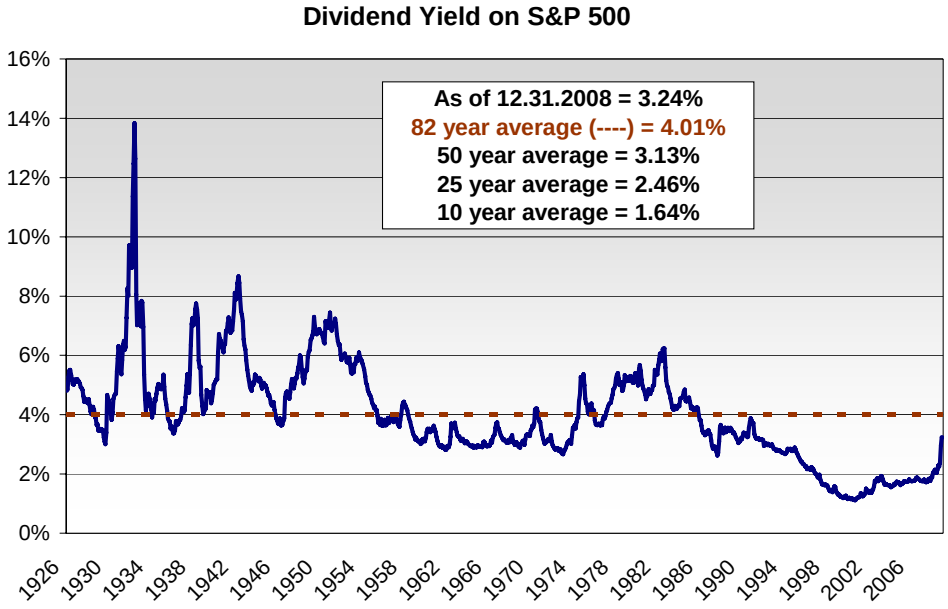




Real earnings growth has fallen significantly from recent double digit rates into negative territory for 2008. While in the short-term earnings growth will likely continue to decline due to current economic conditions, we expect it to stabilize over the long-term. We forecast real earnings growth to be in the range of 2.5% to 3.5% over the long-run.



Dividend yields have increased dramatically to 3.24% in the fourth quarter of 2008, from their historical lows of 1% to 2% experienced in late 90s and early 2000s, mainly due to significant price decreases and stable dividends. We expect dividends to remain a greater portion of equity returns as compared to recent decades and be in the range of 2.5% to 3.5%.



With a dividend yield range of 2.5% to 3.5% and earnings growth range of 2.5% and 3.5%, we expect real equity returns of approximately 5% to 7%.

Based on the above analysis and our survey of the market RVK assumes the real return for Large Cap US Equities is conservatively assumed to be 5.75% over the long-run. The resulting nominal expected return is 8.25%, which is a slight increase relative to the 2008 RVK assumption.

The volatility of Large Cap US Equity returns has been significant. Since 1926 the annual standard deviation of S&P 500 returns was 20.55%. Over a more recent time period since 1960, it has been 17.01%. Accordingly, we scale our expected volatility to align closer to recent history with an assumed standard deviation of 17.00%.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Large Cap US Equity	8.00%	16.50%	6.76%	8.25%	17.00%	6.94%	0.25%	0.50%	0.18%

Small/Mid (SMID) Cap US Equities

Small/Mid Cap US Equities can be modeled using either the Russell 2500 series for periods since 1979 or the Ibbotson Small Company index series since 1926. Over their common timeframes, these two indices have a correlation of 0.94.

The arithmetic real return for small/mid stocks since 1926 has averaged 13.25%. The SMID stock premium (the difference between the S&P 500 and Small/Mid Stock series) has an arithmetic average of 4.75% since 1926. The 20-year average is significantly lower – averaging 1.78%. We believe that there tends to be a premium return to SMID cap equity securities, but we more conservatively estimate this premium at 1.00% over large cap equity securities with a real return expectation of 6.75%. Our resulting return expectation for Small/Mid Cap US Equities is 9.25%.

The volatility of annual returns for Small/Mid Cap US Equities has been significant. The standard deviation of annual returns, as proxied by the Ibbotson Small Stock Index and the Russell 2500, has been 22.90% and 20.28% respectively over the last 20 years. Accordingly, we estimate an annual volatility of 21.00%.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Small/Mid Cap US Equity	9.00%	20.50%	7.12%	9.25%	21.00%	7.29%	0.25%	0.50%	0.16%

Broad Market US Equities

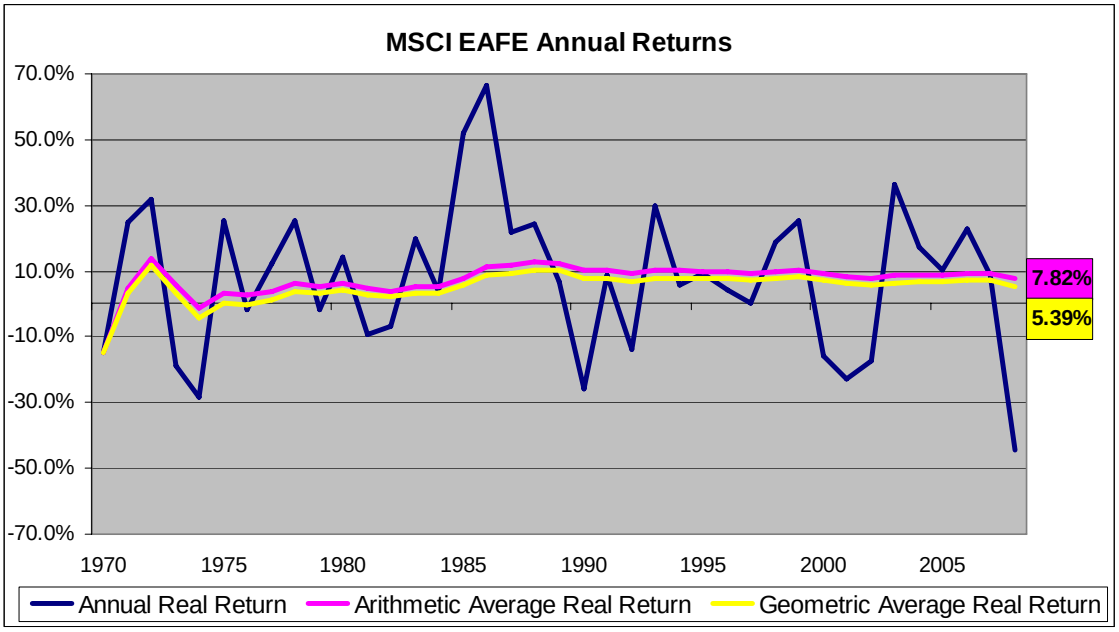
US Equity for the broad market can be represented by the Russell 3000 index. Market capitalization statistics suggest that this index is dominated by the performance of large capitalization securities (accounting for approximately 80% of the total capitalization). We accordingly estimate that broad market equity exposure will experience an annual return of 8.45% with a 17.25% annual volatility.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Broad US Equity	8.20%	17.00%	6.89%	8.45%	17.25%	7.10%	0.25%	0.25%	0.21%

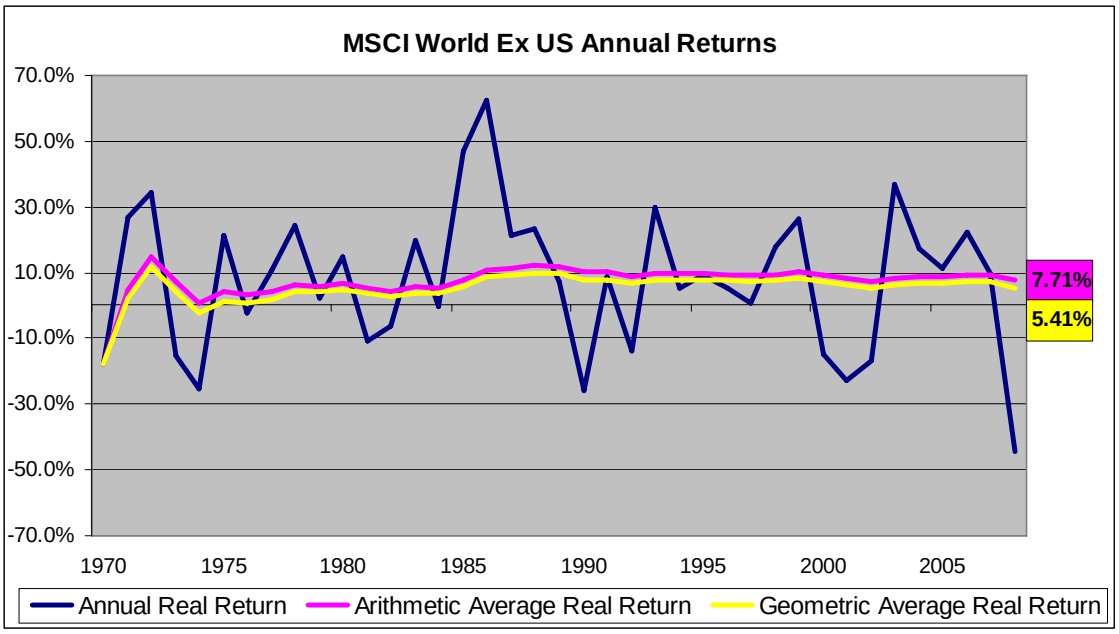
INTERNATIONAL EQUITY

International Equities – Developed Large Cap

International Developed Large Cap Equities are modeled using both the MSCI EAFE and the MSCI World ex US indices since their inception in 1970. As shown in the chart below, the average arithmetic annual real return to international equities for the MSCI EAFE has been 7.82%, while the geometric return has been 5.39%. Many investment professionals expect an international return premium to US stocks. The average annual excess return over the S&P 500 has been 5.27% during this period.



The following chart shows the average arithmetic and geometric real return to international equities for the MSCI World Ex U.S. index. The arithmetic return has been 7.71% and the geometric return has been 5.41%. The average annual excess return over the S&P 500 has been 5.16% during this period.



By performing a mean reversion analysis, we are able to determine the required return over the next ten years necessary to equal the long term averages of the MSCI large cap international equity indices. The table below shows the required real return over the next ten years based on 20, 30 and 40 year historical time periods for both the MSCI EAFE and MSCI World Ex-U.S (based on arithmetic real returns).

		20-Year Period		30-Year Period		40-Year Period	
	Return since 1970	Last 10 Years	Return over Next 10 Years	Last 20 Years	Return over Next 10 Years	Last 30 Years	Return over Next 10 Years
MSCI EAFE	7.82%	2.07%	**13.89%**	3.25%	**17.56%**	8.31%	**6.36%**
MSCI World Ex-US	7.71%	2.50%	**13.19%**	3.49%	**16.66%**	8.12%	**6.49%**

To test the sensitivity of our analysis to the impact of outlying data and extreme market conditions, we calculated the average arithmetic real return of the two indices without the returns of the two best and two worst performing years, and again without the returns of the three best and three worst performing years. The best and worst years for the indices since inception and corresponding return analysis is summarized in the tables below.

MSCI EAFE			
Best Years	Return	Worst Years	Return
1986	66.27%	2008	-44.45%
1985	52.10%	1974	-28.59%
2003	36.27%	1990	-26.06%
Annual Return Including All Years:			7.82%
Annual Return Excluding Two Years:			7.42%
Annual Return Excluding Three Years:			7.56%

MSCI World Ex US			
Best Years	Return	Worst Years	Return
1986	62.24%	2008	-44.62%
1985	46.93%	1990	-25.63%
2003	37.09%	1974	-25.25%
Annual Return Including All Years:			7.71%
Annual Return Excluding Two Years:			6.04%
Annual Return Excluding Three Years:			6.40%

Based on the above analysis and our survey of the market RVK assumes the real return for Developed Large Cap International Equities to be 6.00% over the long-run, which includes a 25 basis point premium over our domestic assumption (although we expect long-term convergence

in these markets). The resulting nominal expected return is 8.50%, which is a slight increase relative to the 2008 RVK assumption.

The volatility of both the MSCI EAFE and World ex US indices has been greater than the S&P 500. Long-term (since 1970) annual volatilities for the MSCI EAFE and MSCI World ex US have been 23.19% and 22.48% respectively. Over the past twenty years, the volatilities for these indices decreased to 21.19% and 21.21% respectively. Our volatility expectations are slightly higher than our 2008 assumption and relative to domestic with an expected standard deviation of 18.00%. Although correlations between US and developed international equity markets have increased over the past decade, we continue to feel that a separate allocation to international equities is warranted from a diversification standpoint.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Dev'd Large Cap Int'l Equity	8.25%	17.75%	6.82%	8.50%	18.00%	7.04%	0.25%	0.25%	0.21%

International Equities – Developed Small/Mid Cap

The reference series for international small/mid cap equities has limited historical availability. However, we find this segment attractive and accordingly attempt to model it for potential inclusion in our client portfolios.

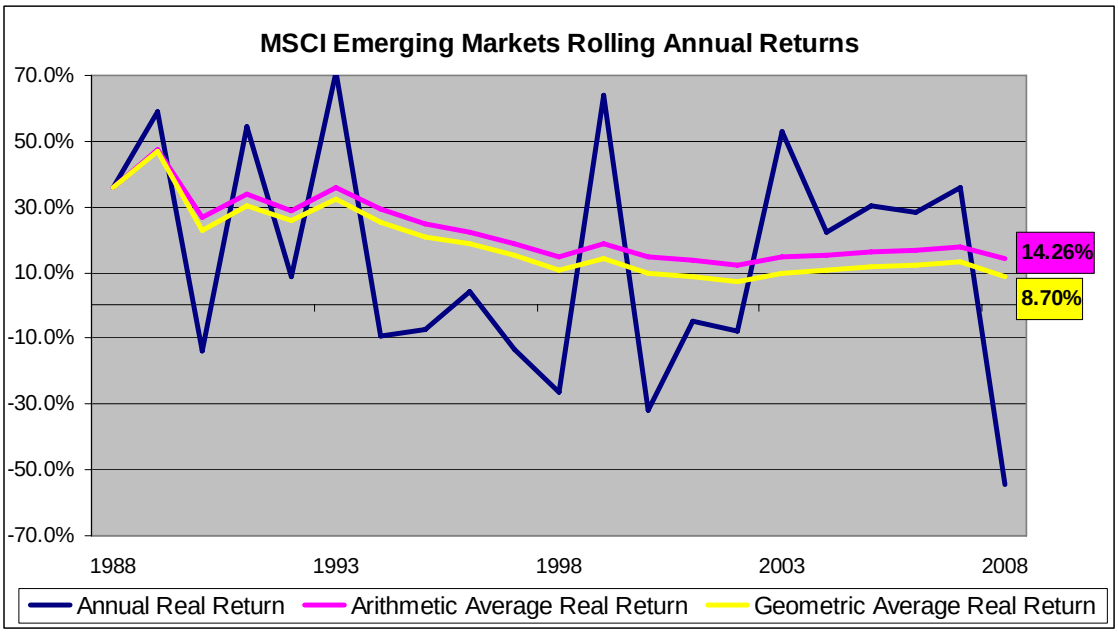
International small/mid-cap equities are modeled with the MSCI EAFE Small Cap Index, which was incepted in 1999. Although there has been a sizeable premium experienced over the MSCI EAFE of 4.14% on average since inception, a more restrained small-cap premium may be expected over long-term periods. We forecast that a 1.00% expected premium over International Large Cap Equities, in line with the premium applied to domestic small cap equities.

Accordingly, we assume an expected forward-looking return to developed small/mid-cap international equity of 9.50%, representing a real return expectation of 7.00%, with an expected standard deviation of 22.00%.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Dev'd Int'l Small/Mid Cap	9.25%	21.75%	7.15%	9.50%	22.00%	7.35%	0.25%	0.25%	0.21%

Emerging Market Equities

Emerging market equities are modeled with the MSCI Emerging Markets Index, which was incepted in 1988. As shown in the chart below, the average arithmetic annual real return to emerging equities for the MSCI Emerging Markets Index has been 14.26%, while the geometric return since inception has been 8.70%. The average arithmetic annual premium experienced by the MSCI Emerging Markets over the MSCI EAFE has been 10.00% since 1988.



By performing a mean reversion analysis, we are able to determine the required return over the next ten years necessary to equal the long term averages of the MSCI Emerging Markets Index. The table below shows the required real return over the next ten years based on 15, 20 and 25 year time periods (based on arithmetic real returns).

		15-Year Period		20-Year Period		25-Year Period	
	Return since 1988	Last 5 Years	Return over Next 10 Years	Last 10 Years	Return over Next 10 Years	Last 15 Years	Return over Next 10 Years
MSCI Emg Mkts	14.26%	12.59%	**15.10%**	13.57%	**14.95%**	5.61%	**28.57%**

To test the sensitivity of our analysis to the impact of outlying data and extreme market conditions, we calculated the average arithmetic real return of the index without the returns of the two best and two worst performing years, and again without the returns of the three best and three worst performing years. The best and worst years for the index since inception and corresponding return analysis are summarized in the table below.

MSCI Emerging Markets			
Best Years	Return	Worst Years	Return
1993	70.91%	2008	-54.32%
1999	64.05%	2000	-32.09%
1989	58.96%	1998	-26.15%
Annual Return Including All Years:			14.26%
Annual Return Excluding Two Years:			14.75%
Annual Return Excluding Three Years:			14.53%

RVK assumes a more constrained return assumption for emerging equities on a forward-looking basis. Based on the above analysis and our survey of the market, we assume and expected forward-looking return to Emerging Markets Equities of 10.50% (representing a real return expectation of 8.00% which includes a 200 basis point premium over developed large cap international equities).

The standard deviation of the MSCI Emerging Markets Index has been 35.97% since inception and 38.34% over the last 10 years. Our forward-looking volatility expectations are lower than the historical experience, but much greater than all other equities, with an expected standard deviation of 26.00%.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Emerging Markets Equity	10.00%	25.00%	7.26%	10.50%	26.00%	7.56%	0.50%	1.00%	0.30%

Broad Market International Equities

International Equity for the broad market can be represented by the MSCI All Country World ex US index. Market capitalization statistics suggest that this index is dominated by the performance of developed country securities (accounting for approximately 83% of the total capitalization), with the remaining allocated to emerging markets. We accordingly estimate that broad international equity exposure will experience an annual return of 8.85% with an 18.10% annual volatility.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Broad International Equity	8.60%	19.15%	6.95%	8.85%	18.10%	7.38%	0.25%	-1.05%	0.43%

REAL ESTATE, ABSOLUTE RETURN, & PRIVATE EQUITY

Real Estate – Core Properties

Core private equity real estate is facing several headwinds noted in our analysis. First, core real estate has consisted of the highest quality "Class A" real estate, which has benefited significantly from large capital flows and availability of less expensive financing. These dynamics have reversed, as a majority of core private equity funds are facing significant redemption queues (some as high as 10% of their overall net asset values).

The lack of large-scale financing for core real estate buyers, increased exit queues, and impending refinancing hurdles is likely to affect core real estate demand over the short-to-medium term. Since 1978, the vast majority of returns in core real estate have come from income rather than capital appreciation, as evidenced by our analysis. Over the last few years, this has flipped to where capital appreciation became the majority of returns. We anticipate the historical trend to reassert itself, with little to no capital appreciation over the next several years. Therefore, we are reducing our core real estate assumption by 25 basis points to 7.00%, while our standard deviation estimate remains unchanged at 9.25%.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Real Estate - Core – Property	7.25%	9.25%	6.85%	7.00%	9.25%	6.60%	-0.25%	0.00%	-0.25%

Real Estate – Value Added Properties

While value-added and opportunistic real estate face the same obstacles that core real estate faces, these vehicles are inherently more flexible in their approaches. It should be noted that a significant portion of value-added and opportunistic private equity real estate returns have been generated by loose credit standards available on inexpensive terms. Additionally, many of these strategies employed sales of properties to core real estate funds and public REITs that are likely to be reduced in the short-to-medium term. However, vintage 2009 funds will benefit from decreased real estate pricing currently in the market. As a result, we believe these dynamics counteract one another. As a result, we are maintaining our value-added real estate return and standard deviation assumptions at 10.00% and 18.50%, respectively.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Real Estate - Value Added	10.00%	18.50%	8.48%	10.00%	18.50%	8.48%	0.00%	0.00%	0.00%

Real Estate – Opportunistic Properties

As noted above, we believe that financing and exit strategies will be curtailed for opportunistic private equity real estate funds over the next 5-10 years. Additionally, opportunistic funds derived the vast majority of their returns from capital appreciation rather than income. For example, many funds traditionally focused on real estate development and public-to-private transactions, neither of which are likely to be significant strategies over the short-to-medium

term. However, similar to value-added funds, opportunistic funds are flexible in their approaches, allowing them to take advantage of several different strategies. Most recently, distressed debt, REIT recapitalizations, and other deals to bridge the lack of financing in the market have been targets of these funds. Additionally, pricing for opportunistic deals has fallen significantly, providing greater downside protection than in the recent past. In addition, we believe that several value-added and opportunistic real estate managers will reduce their asset management and incentive compensation with new funds, thereby increasing net returns to investors for the same amount of gross return. Thus, we are maintaining our opportunistic real estate return and standard deviation assumptions at 12.00% and 27.75%, respectively.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Real Estate - Opportunistic	12.00%	27.75%	8.71%	12.00%	27.75%	8.71%	0.00%	0.00%	0.00%

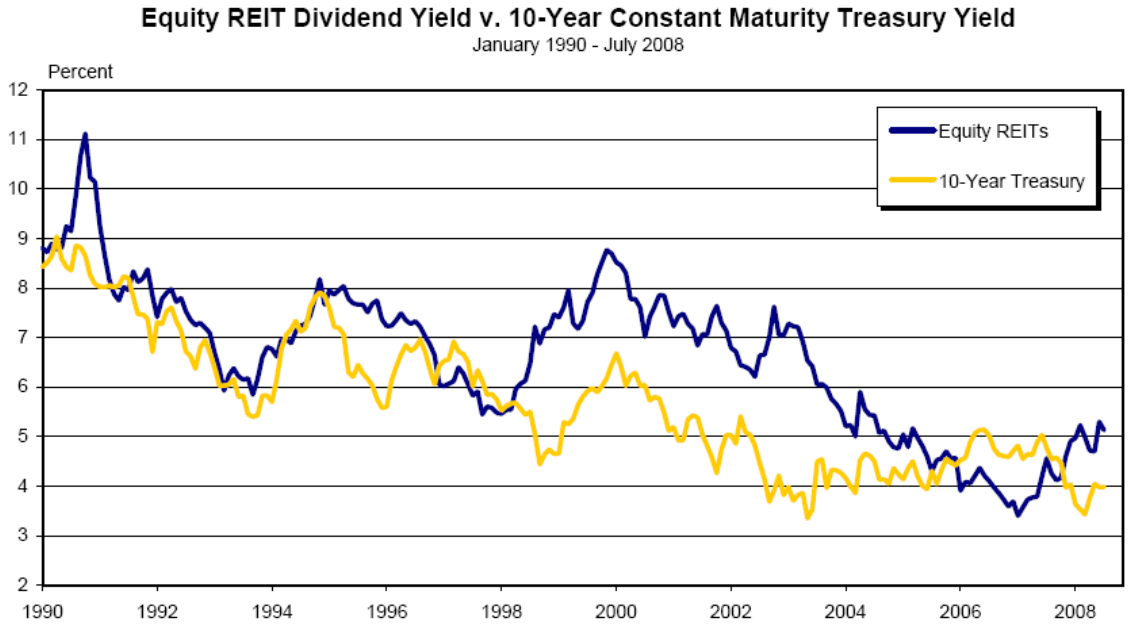
Global Real Estate Securities – REITS

Public real estate investment vehicles (i.e., REITs) have corrected substantially over the past year.

	Global Composite			North America			Asia			Europe		
	Return Components			Return Components			Return Components			Return Components		
Period	Total	Price	Income	Total	Price	Income	Total	Price	Income	Total	Price	Income
Annual (including current year to date)												
1999	8.87	3.71	5.16	-4.38	-11.27	6.89	32.16	28.23	3.92	-3.23	-6.88	3.65
2000	13.23	7.92	5.31	31.24	22.67	8.57	1.15	-1.91	3.07	8.12	4.24	3.87
2001	-3.81	-7.85	4.04	9.98	4.09	5.90	-17.22	-19.55	2.33	-6.12	-9.41	3.29
2002	2.82	-2.38	5.20	2.42	-3.79	6.21	-7.15	-10.58	3.44	21.69	16.81	4.88
2003	40.69	33.47	7.23	37.70	29.65	8.05	44.83	38.47	6.36	44.68	38.72	5.96
2004	37.96	31.97	6.00	33.51	26.88	6.63	36.85	32.24	4.61	52.73	46.95	5.78
2005	15.35	10.67	4.69	13.21	8.09	5.12	23.37	18.63	4.73	9.43	6.03	3.39
2006	42.35	37.50	4.85	36.26	30.89	5.38	36.49	32.15	4.34	66.99	62.79	4.20
2007	-6.96	-9.98	3.02	-14.92	-18.25	3.33	14.80	11.67	3.13	-24.50	-26.63	2.13
2008	-47.72	-50.21	2.49	-40.63	-43.88	3.25	-52.48	-54.43	1.94	-51.13	-53.30	2.17
2009	1.00	0.97	0.03	-3.81	-3.86	0.05	2.69	2.69	0.00	9.30	9.28	0.01

Source: NAREIT

As demonstrated by the chart above, price returns from REITs are highly volatile. The income component is much more stable, although it does vary somewhat from peak to trough. While real estate fundamentals had a significant impact on the price returns of REITs in 2008 (-50.21%), several other factors were also at work behind this very large move. First, REITs are relatively thinly-traded, with an overall global market capitalization of less than $1 trillion. Investors that wanted to sell for whatever reason (e.g., forced liquidations, hedge fund redemptions, forced pension fund rebalancing) were negatively impacted by the lack of purchasers. Because REITs are the most liquid real estate investment proxy, sellers turned to sales of this asset class first before significantly exploring sales of their private equity real estate investments (i.e., core, value-added, and opportunistic private equity real estate funds) and direct investments. Additionally, a significant fear premium developed in the market, as tightening credit markets led to sellers divesting their holdings and REIT managers cutting dividend yields in order to preserve cash. The overall view of the real estate analyst community further exacerbated this problem, heightening fears of a protracted downturn.



Source: NAREIT

In 1991 and 2000, equity REIT dividend yields had risen significantly from their lows, portending significant returns in REITs over the subsequent 5-10 year period. Therefore, the recent increase in REIT dividend yields from their 2007 lows, may signal more attractive returns over the 5-10 year period.

Given the substantial correction in REIT pricing, as well as the relatively steady income yield from REITs, our REIT assumption is increasing by 25 basis points to 7.75%. However, given the unprecedented volatility in REITs over the past 12 months, we are also increasing our volatility assumption by 50 basis points to 16.50%. This is predicated upon our belief that REIT volatility may subside, but not completely back to pre-2008 levels.

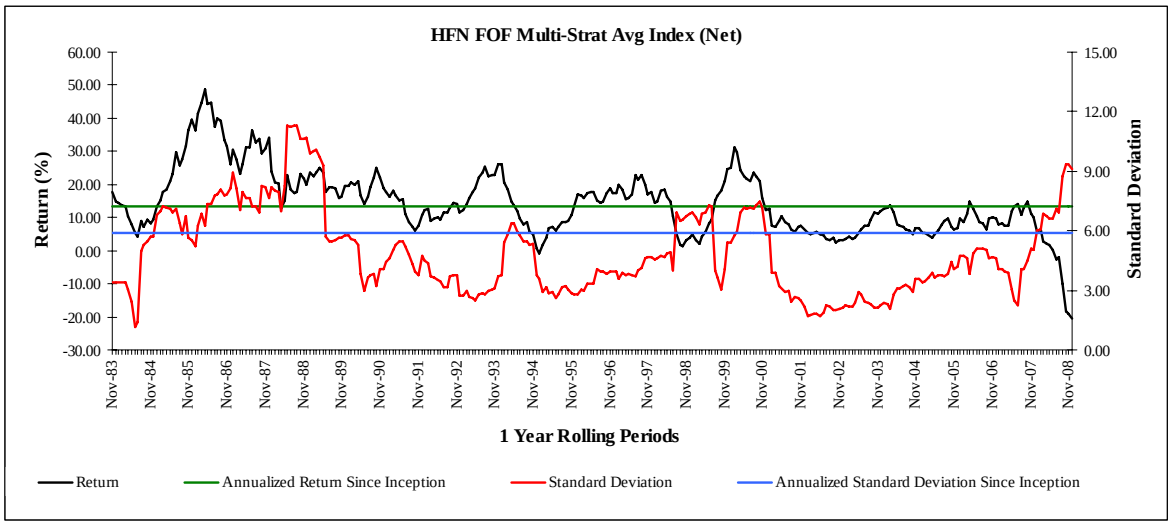
	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
REITS	7.50%	16.00%	6.33%	7.75%	16.50%	6.51%	0.25%	0.50%	0.18%

Absolute Return Strategies

Absolute Return strategies provide a diversified bundle of hedge fund investments such as long/short equity, macro and arbitrage strategies. RVK advocates significant diversification through multi-manager products in this area as individual strategies can rapidly swing in and out of favor. To dampen cyclicality and diversify return and risk sources, Absolute Return managers will tactically allocate among a range of individual strategies through multiple managers.

Hedge Fund.Net Fund of Funds Multi-Strategy Average Index (HFN FOF Multi-Strat Avg Index) provides a peer group average of multi-manager funds pursuing diversified strategies. It is not a perfect index (a characteristic of many manager-reported indices) but it provides a guideline for benchmarking absolute return strategies in terms of long-term return and risk characteristics.

The annual return of the HFN FOF Multi-Strat Avg Index since its inception in 1982 has averaged 13.31% and the standard deviation of monthly returns has been 5.90% (as of 12/31/2008). The chart below plots these since inception averages against the rolling one-year return and risk, highlighting the more recent period of volatility relative to historical norms.



Recognizing the challenges of benchmarking this asset class, we also analyzed the subset of multi-strategy fund-of-funds managers most commonly utilized by RVK's clients as well as the broader available universe of managers monitored by RVK. This exercise is necessary to validate the consistency between the datasets. Generally, investment managers employed by our clients in this space have provided a return premium versus the index over the long-term, and have experienced lower volatility.

The credit crisis and broad market turmoil witnessed in calendar year 2008 has presented the need for a number of highly qualitative assessments in order to evaluate forward-looking return and risk assumptions for the absolute return asset class. A broad sell-off of even high quality securities was witnessed in 2008, and continues to persist into 2009, as investors unwind leveraged positions and respond to margin calls. This deleveraging process has been largely spurred by worsening credit conditions and hedge fund investor redemption requests, and has challenged market liquidity. Increased costs of financing and reductions in the amount of leverage utilized (and available) may limit the return potential of hedge funds going forward, having the most significant impact on highly-leveraged strategies such as fixed income arbitrage. RVK-approved managers typically do not employ leverage at the fund-of-funds level, and tend to avoid investments in highly-leveraged underlying funds. With a broad opportunity set available, hedge fund-of-funds managers cite the potential for attractive returns, on an unlevered basis, from a number of areas, including distressed mortgages, bank debt, and emerging market equities.

As a result of the current market environment, the hedge fund industry has experienced–and is expected to continue to experience–contraction in terms of the number of hedge funds, as well as among prime brokers and credit counterparties. Given the significant growth in the number of

hedge funds–due in large part to the low barriers of entry in the space–this is a natural and healthy process. Large, institutional-quality firms with stable investor bases should be able to withstand the contraction, and the reduction of participants in the hedge fund trading universe may mean less efficient markets and better opportunities to generate alpha. However, the pressure of investor redemptions, stemming from irrational forces as well as from normal rebalancing activity by plan sponsors, will continue to place strain on even top tier managers in the near-term, magnified by mismatches of investor withdrawal terms with the investment withdrawal terms of underlying hedge funds.

The hedge fund space has also been affected by the heightened regulatory environment of late. In September 2008, a temporary ban on the short-selling of nearly 800 financial entities and mandatory reporting of short positions were announced in the U.S., with the U.K and other countries following suit. As a result, securities (particularly lower-quality companies) on the banned list rallied sharply and hedge fund managers' abilities to generate alpha in short portfolios was impaired, as even securities not covered by regulation experienced short squeezes. The unpredictability of such government actions also had broader impact, increasing risk aversion and perpetuating the deleveraging process. The U.S. ban has since expired, and no further restrictions have been announced; however heightened regulations for hedge funds are expected. Future regulation is anticipated to focus on improving transparency and taking steps to eliminate excessive risk-taking, including amounts of leverage utilized and sources and stability of financing counterparties. There is uncertainty as to what such regulation will entail specifically; however it is not expected to be a major impediment to hedge fund investing from a fund of funds perspective.

In the face of these pressures, we evaluate the forward-looking opportunity set for hedge fund managers. Uncertainty regarding the severity and duration of the current economic slowdown persists and is expected to continue to challenge asset classes broadly. However, as with any market dislocation, attractive longer-term investment opportunities exist, and hedge funds should be well-poised to capitalize on these given their expertise and flexibility to invest across a range of strategies, asset classes, and geographies. To this point, the table below identifies prior periods of negative performance for the HFN Index, on a quarterly basis, and details the subsequent performance during the following one, three, and five year periods.

HFN FOF Multi-Strat Avg Index (Net) Worst Quarters Since 1982

108 "Qtr Return" Observations, Average Return +3.24
10 "Down Qtr Return" Observations, Average Return -3.49
98 "Up Qtr Return" Observations, Average Return +3.93

	Year	Qtr	Qtr Return	Annualized Return 1 Year Later	Annualized Return 3 Years Later	Annualized Return 5 Years Later
1	2008	Q3	-10.04	?	?	?
2	2008	Q4	-9.93	?	?	?
3	1998	Q3	-5.12	16.59	14.71	11.36
4	2008	Q1	-3.81	?	?	?
5	1994	Q1	-1.67	4.01	12.60	11.47
6	2004	Q2	-1.55	5.90	9.87	?
7	1994	Q4	-1.13	13.54	16.17	15.19
8	2006	Q2	-0.81	13.38	?	?
9	2002	Q3	-0.65	9.38	8.34	8.89
10	2005	Q2	-0.21	10.46	7.91	?
		Average:	**-3.49**	**10.47**	**11.60**	**11.73**

Absolute Return managers typically strive to achieve a consistent positive return over a risk-free (T-bills) rate, typically 4% to 6%. The forward-looking investment opportunity set for Absolute Return strategies is attractive over the long-term, however near-term challenges related to the continued deleveraging process and redemption pressures coupled with uncertainty regarding further potential regulation of the industry and the impact of a reduction in use of leverage, leads us to a reasonable (if conservative) equity-like return expectation of 8.00%.

We estimate that the volatility experienced by Absolute Return managers will be more characteristic of fixed income than equities. Historically, the volatility of Absolute Return strategies has been substantially low (below 5%). However, we have witnessed a marked increase since the beginning of this recent credit crisis in mid-2007. Volatility due to the deleveraging process and unprecedented level of government intervention is expected to subside, however the potential for near-term persistence leads us to expect volatility of 7.75% going forward, a sizeable increase from our 2008 assumption set.

The table below summarizes the long-term forward-looking assumption set based on this 2009 analysis, and also highlights from our previous assumptions.

	2008			2009			Variance		
Asset Class	**Return (Arithmetic) %**	**Risk (Standard Deviation) %**	**Return (Compound) %**	**Return (Arithmetic) %**	**Risk (Standard Deviation) %**	**Return (Compound) %**	**Return (Arithmetic) %**	**Risk (Standard Deviation) %**	**Return (Compound) %**
Absolute Return	8.00%	6.50%	7.80%	8.00%	7.75%	7.72%	0.00%	1.25%	-0.08%

Private Equity

Private Equity is a long-term investment for which asset class expectations are notoriously difficult to set. Market participants expect a premium return over equity investments to account for illiquidity and risk. Given the long-term nature of the investment, the typical investment structure of a closed-end limited partnership, valuation issues, and performance monitoring complexities, a return premium expectation with a high volatility estimate makes sense. In addition, a premium exists for managers consistently producing above median returns, which has been reflected in our assumed expected return.

Our current assumption calls for a 425 basis point premium over our arithmetic US large cap return assumption (approximately 180 basis points on a compound basis), which reflects our view that manager selection is likely to add a premium above the pooled returns observed. These premiums have decreased by 25 basis points from our 2008 assumptions, reflecting the increase of our US large cap equity assumption. Accordingly, our 2009 return expectation for private equity remains at 12.50%. Inherent in this assumption is our belief that tightened credit markets will continue to have a downward effect on private equity returns, largely mitigated by the attractiveness of the current pricing environment. The recent market turmoil and mark-to-market activities have created an environment where transaction values have declined substantially compared with the previous decade, resulting in a true buyers-market. The volatility of returns is expected to be high to account for premiums resulting from the asset class's lack of liquidity and infrequent valuation activity. We believe this volatility to be consistent with that of micro cap equities or emerging markets, and accordingly base this at 29.75%.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Private Equity	12.50%	29.75%	8.76%	12.50%	29.75%	8.76%	0.00%	0.00%	0.00%

OTHER ALTERNATIVE INVESTMENTS

RVK typically looks at other alternative investments including real assets such as Commodities and Real Return Strategies on a case-by-case basis. We derive our expectations for these asset classes significantly from manager expectations and benchmark them to market indicators.

Commodities -- Balanced

Commodities (limited energy exposure – represented by the DJ-AIG Commodity Index) investments are expected to produce annual returns of 7.75% with a volatility of 19.00%. The arithmetic mean of annual returns of the DJ-AIG Commodity Index since January 1991 is 6.73% with a volatility of 19.29%. Our assumption reflects a lower return and risk profile than the assumption for energy-weighted commodities based on greater diversification and limitation in the index of more volatile energy securities.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Commodities - Balanced	7.50%	19.00%	5.86%	7.75%	19.00%	6.11%	0.25%	0.00%	0.25%

Real Return Strategies

Real Return Strategies are expected to produce annual returns of 7.00% with a volatility of 9.25%. For Real Return Strategies, we assume a broadly diversified portfolio of marketable alternative investments with an inflation-hedging focus. Our modeling assumes a portfolio that includes Treasury Inflation-Protected Securities (TIPS), commodities, and public real estate, as well as the actual portfolios employed by a host of practitioners in the asset class. Return targets for these investments are generally CPI + 4% to CPI + 5%. The primary driver of our return and risk assumption is a weighted average of other assumptions for the underlying asset classes typically found in these strategies, with the weights determined by an examination of the current and historical weights in practitioner portfolios.

	2008			2009			Variance		
Asset Class	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %	Return (Arithmetic) %	Risk (Standard Deviation) %	Return (Compound) %
Real Return Strategy	6.75%	8.50%	6.41%	7.00%	9.25%	6.60%	0.25%	0.75%	0.19%

[i] The Consumer Price Index for All Urban Consumers (CPI-U), not seasonally adjusted, is used to measure inflation, which is the rate of change of consumer goods prices. Unfortunately, the inflation rate as derived by the CPI is not measured over the same period as the other asset returns. All of the security returns are measured from one month-end to the next month-end. CPI commodity prices are collected during the month. Thus, measured inflation rates lag the other series by about one-half month. Prior to January 1978, the CPI (as compared with CPI-U), not seasonally adjusted, was used. For the period 1978 through 1987, the index uses the year 1967 in determining the items comprising the basket of goods. Following 1987, a three-year period, 1982 through 1984, was used to determine the items making up the basket of goods. For additional info, please refer to the DOL web page @ http://stats.bls.gov.

All arithmetic mean returns shown above are calculated by taking the arithmetic average of the *n* one-year compound returns (based on monthly or quarterly data as appropriate for the index) over the stated analysis period. All volatilities shown above are calculated by taking the standard deviation of the *n* one-year compound returns (based on monthly or quarterly data as appropriate for the index) over the stated analysis period. All average annual premium and real return calculations shown above are the arithmetic average of the *n* one-year arithmetic differences between two indices (for return premiums) or an index and the Consumer Price Index - Urban (for real returns) over the stated analysis period. Where shown, geometric returns are compounded over the analysis period, and then shown on an annualized basis.

Correlations

The correlation assumptions process remains aligned with practices utilized previously, which are largely quantitative in nature, though marginal improvements were explored and implemented. In general, the historical index relationships are the foundation, though recent trends serve as a forecasting tool to adjust on the margins. There were significant changes made to the Real Estate Value Added and Opportunistic, as well as Private Equity assumptions. The numbers for these asset classes now utilize the best index data available to approximate correlation relationships, as opposed to the qualitative process formerly employed. There were also adjustments to Real Return assumptions. This asset class now applies a more appropriate blend of indices based on underlying strategy. Other changes include a move from a domestic centric REITS assumption to a global index, hence the increased correlations with international markets, as well as a migration from the HFRI to HFN indices.

Appendix 1 -- Complete 2009 Assumptions

Correlation Assumptions

Correlation Assumptions	Expected Arithmetic Return	Standard Deviation	Large Cap US Equity	Small/Mid Cap US Equity	Broad US Equity	Dev'd Large Cap Int'l Equity	Dev'd Small/Mid Cap Int'l Equity	Emerging Markets Equity	Broad International Equity	US Core Fixed Income	Non-US Fixed Income	TIPS	Low Duration Fixed Income	Long Duration Fixed Income	High Yield Fixed Income	Real Estate - Core	Real Estate - Value Added	Real Estate - Opportunistic	Real Estate Investment Trusts (REITS)	Absolute Return	Real Return	Commodities - Balanced	Private Equity	Cash Equivalents	U.S. Inflation
Large Cap US Equity	8.25%	17.00%	1.00	0.86	0.99	0.63	0.70	0.62	0.69	0.22	-0.04	-0.17	0.07	0.26	0.55	0.06	0.33	0.60	0.57	0.44	0.28	0.08	0.62	-0.01	-0.03
Small/Mid Cap US Equity	9.25%	21.00%	0.86	1.00	0.91	0.58	0.76	0.65	0.64	0.15	-0.09	-0.15	0.02	0.16	0.59	0.02	0.27	0.53	0.59	0.48	0.41	0.15	0.63	-0.02	-0.11
Broad US Equity	8.45%	17.25%	0.99	0.91	1.00	0.63	0.73	0.64	0.69	0.20	-0.05	-0.17	0.06	0.22	0.57	0.07	0.33	0.60	0.58	0.46	0.32	0.10	0.64	0.02	-0.11
Dev'd Large Cap Int'l Equity	8.50%	18.00%	0.63	0.58	0.63	1.00	0.90	0.65	0.99	0.09	0.39	-0.11	-0.04	0.10	0.44	0.16	0.32	0.48	0.72	0.47	0.45	0.27	0.47	0.05	-0.10
Dev'd Small/Mid Cap Int'l Equity	9.50%	22.00%	0.70	0.76	0.73	0.90	1.00	0.83	0.90	-0.06	0.16	0.01	-0.42	0.04	0.62	0.41	0.55	0.68	0.71	0.77	0.56	0.37	0.74	-0.06	-0.03
Emerging Markets Equity	10.50%	26.00%	0.62	0.65	0.64	0.65	0.83	1.00	0.71	-0.03	0.02	-0.08	-0.15	-0.01	0.48	0.03	0.21	0.39	0.63	0.49	0.51	0.28	0.45	0.00	-0.06
Broad International Equity	8.85%	18.10%	0.69	0.64	0.69	0.99	0.90	0.71	1.00	0.06	0.32	-0.10	-0.10	0.07	0.47	0.18	0.36	0.53	0.73	0.43	0.49	0.30	0.55	-0.02	-0.09
US Core Fixed Income	5.25%	4.50%	0.22	0.15	0.20	0.09	-0.06	-0.03	0.06	1.00	0.38	0.77	0.89	0.96	0.27	-0.16	-0.21	-0.27	0.19	0.13	0.20	0.02	-0.10	0.15	-0.14
Non-US Fixed Income	5.50%	8.75%	-0.04	-0.09	-0.05	0.39	0.16	0.02	0.32	0.38	1.00	0.49	0.39	0.34	-0.01	-0.15	-0.23	-0.30	0.27	0.06	0.33	0.18	-0.19	0.06	-0.02
TIPS	5.00%	4.75%	-0.17	-0.15	-0.17	-0.11	0.01	-0.08	-0.10	0.77	0.49	1.00	0.59	0.77	0.06	-0.09	-0.23	-0.36	0.07	0.05	0.37	0.24	-0.33	-0.01	0.07
Low Duration Fixed Income	4.00%	2.50%	0.07	0.02	0.06	-0.04	-0.42	-0.15	-0.10	0.89	0.39	0.59	1.00	0.77	0.00	-0.12	-0.24	-0.35	-0.02	0.02	-0.05	-0.05	-0.16	0.33	-0.02
Long Duration Fixed Income	5.50%	8.50%	0.26	0.16	0.22	0.10	0.04	-0.01	0.07	0.96	0.34	0.77	0.77	1.00	0.31	-0.15	-0.20	-0.26	0.19	0.16	0.24	0.04	-0.11	0.06	-0.18
High Yield Fixed Income	7.25%	11.50%	0.55	0.59	0.57	0.44	0.62	0.48	0.47	0.27	-0.01	0.06	0.00	0.31	1.00	-0.09	0.07	0.23	0.46	0.36	0.33	0.14	0.31	-0.02	-0.14
Real Estate - Core	7.00%	9.25%	0.06	0.02	0.07	0.16	0.41	0.03	0.18	-0.16	-0.15	-0.09	-0.12	-0.15	-0.09	1.00	0.69	0.39	0.14	0.02	0.12	0.12	0.19	0.33	0.26
Real Estate - Value Added	10.00%	18.50%	0.33	0.27	0.33	0.32	0.55	0.21	0.36	-0.21	-0.23	-0.23	-0.24	-0.20	0.07	0.69	1.00	0.69	0.27	0.20	0.06	0.03	0.42	0.15	0.08
Real Estate - Opportunistic	12.00%	27.75%	0.60	0.53	0.60	0.48	0.68	0.39	0.53	-0.27	-0.30	-0.36	-0.35	-0.26	0.23	0.39	0.69	1.00	0.40	0.39	-0.01	-0.06	0.66	-0.03	-0.10
Real Estate Investment Trusts (REITS)	7.75%	16.50%	0.57	0.59	0.58	0.72	0.71	0.63	0.73	0.19	0.27	0.07	-0.02	0.19	0.46	0.14	0.27	0.40	1.00	0.38	0.58	0.18	0.35	-0.09	-0.13
Absolute Return	8.00%	7.75%	0.44	0.48	0.46	0.47	0.77	0.49	0.43	0.13	0.06	0.05	0.02	0.16	0.36	0.02	0.20	0.39	0.38	1.00	0.50	0.36	0.64	0.24	0.02
Real Return	7.00%	9.25%	0.28	0.41	0.32	0.45	0.56	0.51	0.49	0.20	0.33	0.37	-0.05	0.24	0.33	0.12	0.06	-0.01	0.58	0.50	1.00	0.82	0.11	-0.09	0.15
Commodities - Balanced	7.75%	19.00%	0.08	0.15	0.10	0.27	0.37	0.28	0.30	0.02	0.18	0.24	-0.05	0.04	0.14	0.12	0.03	-0.06	0.18	0.36	0.82	1.00	-0.04	-0.02	0.16
Private Equity	12.50%	29.75%	0.62	0.63	0.64	0.47	0.74	0.45	0.55	-0.10	-0.19	-0.33	-0.16	-0.11	0.31	0.19	0.42	0.66	0.35	0.64	0.11	-0.04	1.00	0.02	-0.14
Cash Equivalents	3.25%	2.00%	-0.01	-0.02	0.02	0.05	-0.06	0.00	-0.02	0.15	0.06	-0.01	0.33	0.06	-0.02	0.33	0.15	-0.03	-0.09	0.24	-0.09	-0.02	0.02	1.00	0.23
U.S. Inflation	2.50%	2.00%	-0.03	-0.11	-0.11	-0.10	-0.03	-0.06	-0.09	-0.14	-0.02	0.07	-0.02	-0.18	-0.14	0.26	0.08	-0.10	-0.13	0.02	0.15	0.16	-0.14	0.23	1.00

Correlation Greater than 0.5
Correlation Between 0 and 0.5
Correlation Less than 0