

## Portfolio Highlights

### Valuation

The WPERP portfolio, as of June 30, 2004, had an aggregate value of \$5.8 billion. This represents a \$312.7 million decrease in value over last quarter and a \$109.8 million increase in value over the last year.

During the quarter, WPERP's actual equity allocation increased to end the quarter with a 64% allocation. WPERP's fixed income allocation ended the quarter at 22% (decreasing from 23% from the previous quarter end). Fourteen percent of the WPERP portfolio was allocated to cash/short-term investments. Cash levels continue to remain high as existing managers are not allowed to reinvest liquidated securities during the portfolio transition and specific manager funding decisions have been delayed.

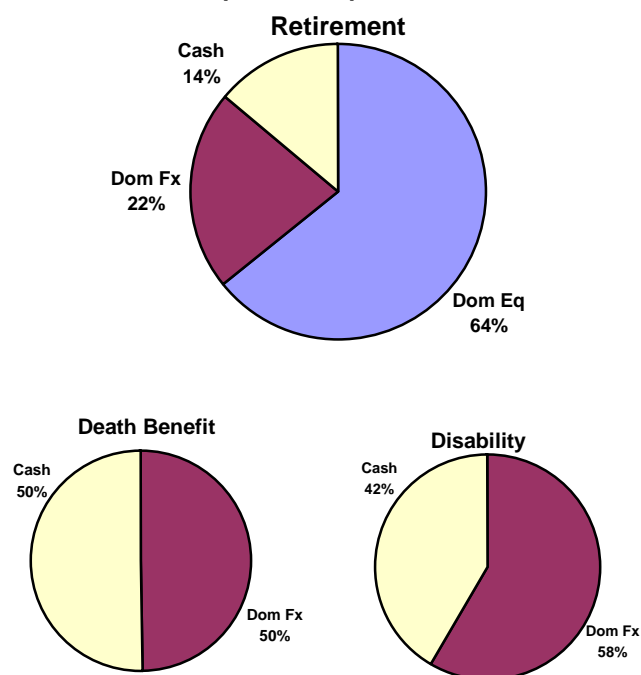
WPERP adopted a new "Statement of Investment Objectives, Goals, and Guidelines" on February 26, 2003. To date, Merrill Lynch Investment Management and Northern Trust Global Investments were selected for passive core equity mandates and funded during the third quarter of 2003. Fred Alger and INTECH were selected for large-cap growth mandates and funded in the first quarter of 2004. MFS and Merrill Lynch Investment Management were selected for the large-cap value mandate and funded during the first quarter of 2004. Invesco, Fidelity, and Boston Company were selected for the active international mandate. Boston Company and T. Rowe Price were selected for the emerging markets mandate. Bank of New York was selected for the small-cap growth mandate. Earnest Partners was selected for the small-cap value mandate. ING/Aeltus and Wells Capital were selected for the core fixed income mandate. Loomis Sayles and Wells Capital were selected for the high yield fixed income mandate. Funding of these mandates continued during the second quarter of 2004.

### WPERP Portfolio Valuation – June 30, 2004 (millions)

Segment	Actual \$	Actual %*	Target %**
<b>Total Portfolio</b>	<b>5,757.0</b>	<b>---</b>	<b>---</b>
<b>Retirement</b>	<b>5,681.6</b>	<b>100%</b>	<b>100%</b>
Domestic Equity	3,645.4	64%	40%
International Equity	---	0%	15%
Domestic Fixed	1,247.2	22%	35%
Alternative	---	0%	5%
Real Estate	---	0%	4%
Cash/short-term	789.0	14%	1%
<b>Death Benefit</b>	<b>34.3</b>	<b>100%</b>	<b>100%</b>
Domestic Fixed	17.1	50%	100%
Cash/short-term	17.2	50%	0%
<b>Disability</b>	<b>41.1</b>	<b>100%</b>	<b>100%</b>
Domestic Fixed	24.0	58%	100%
Cash/short-term	17.1	42%	0%

\*Cash figures per Bank of New York.

\*\*All accrued cash has been allocated to Retirement, pending further resolution.



## Performance--Periods ending June 30, 2004

### Latest Quarter

For the latest quarter, WPERP's total investment portfolio increased 0.2% while outperforming its policy benchmark return of minus (0.5%). Strong relative results from the over funded domestic equity asset class, combined with an under allocation to the poor performing fixed income asset class, contributed to this result. Manager selection and funding continued during the second quarter of 2004.

During the second quarter of 2004, WPERP's domestic equity asset class returned 1.4% outperforming its policy benchmark, the Russell 3000 index, by 10 basis points. Three of WPERP's four active equity accounts outperformed their respective benchmarks over the latest quarter. The domestic fixed income asset class decreased (2.9%) trailing its policy benchmark, the Lehman Universal Index, which decreased (2.4%) during the quarter.

WPERP's total portfolio results placed them in the 34<sup>th</sup> percentile (above median) in the TUCS Total Trust Universe<sup>1</sup>. The median return for the quarter was 0.0%.

### Comparative Performance (gross of fees)--Quarter Return

Segment	Actual Return	Policy Return*
Total Portfolio	0.2	-0.5 **
Domestic Equities	1.4	1.3
Domestic Fixed	-2.9	-2.4
International Equities	N/A	-0.7
Alternative <sup>2</sup>	N/A	2.1
Real Estate <sup>2</sup>	N/A	2.6
Cash <sup>2</sup>	0.3	0.2

\*Policy return consists of passively managed asset class portfolios held at WPERP policy weightings (see page VI for current weightings and benchmarks).

\*\*Total portfolio policy return does not currently include Alternative and Real Estate.

<sup>1</sup> The Trust Universe Comparison Service (TUCS) is a cooperative effort among custodial organizations and Wilshire Associates. Custodians submit asset positions and performance data to be pooled into universes of managed tax-exempt portfolios. TUCS is the most widely accepted benchmark for the performance of institutional assets.

<sup>2</sup> Benchmarks for Real Estate, Alternative and Cash asset classes not yet approved. These are currently represented by asset class benchmarks widely used by PCA's clients. See "Introduction" page V.

## Latest Year

For the latest year, WPERP's total investment portfolio increased 11.7% but underperformed the representative policy return of 13.6%. As compared to the policy return, poor relative performance by the domestic fixed income asset class and an over allocation to cash (earlier in the period), dampened total portfolio returns.

WPERP's domestic equity asset class increased by 20.7% over the past year outperforming the policy return of 20.4%. The domestic fixed income component decreased (0.1%) and underperformed the policy return of 1.0%. Up to 6/30/2004, the portfolio only contained investment grade securities as compared to the Lehman Universal Index (policy benchmark) which includes approximately 12% in extended segments (high-yield, emerging markets). This difference contributed to the underperformance of WPERP's fixed income portfolio. During the 3<sup>rd</sup> quarter of 2003, the Board selected two high-yield managers to bring the portfolio more in line with the policy benchmark.

Over the latest year, WPERP's total portfolio results placed in the 83<sup>rd</sup> percentile (below median) in the TUCS Total Trust Universe (median: 15.8%).

## Comparative Performance (gross of fees)—One-Year Return

Segment	Actual Return	Policy Return*
Total Portfolio	11.7	13.6 **
Domestic Equities	20.7	20.4
Domestic Fixed	-0.1	1.0
International Equities	N/A	N/A
Alternative	N/A	N/A
Real Estate	N/A	N/A
Cash	1.1	1.0

\* Policy return consists of passively managed asset class portfolios held at WPERP policy weightings (see page VI for current weightings and benchmarks).

\*\* Total portfolio policy return does not currently include Alternative and Real Estate.

\*\*\*Market-based proxies are comprised of: 60% S&P 500, 30% Salomon Broad and 10% T-Bills for the Total Portfolio, the S&P 500 for Domestic Equities and the Salomon Broad Index for Domestic Fixed.

## Latest Three Years

For the latest three-year period, WPERP's total investment portfolio increased 3.2% per year outperforming the representative blended policy return of 3.0% per year. An over allocation to cash in recent periods dampened returns for the Total Portfolio as both the domestic equity and fixed income asset classes outperformed their respective policy benchmarks. However, these results are significantly below WPERP's long-term expectations.

The domestic equity asset class increased during the period with a 1.4% average annual return over the past three years outperforming the blended policy return of minus (0.1%) per year (as equity accounts with performance history spanning over three years benefited from exposure to value companies during the period). The domestic fixed income component increased 7.0% per year and outperformed the blended policy average annual return of 6.8%.

Over the latest three-year period, WPERP's total portfolio results placed in the 72<sup>nd</sup> percentile (below median) in the TUCS Total Trust Universe (median: 4.1%).

### Comparative Performance (gross of fees) —Three-Year Return

Segment	Actual Return	Blended Policy Return*	Market-based Proxy Return***
Total Portfolio	3.2	3.0 **	1.7
Domestic Equities	1.4	-0.1	-0.7
Domestic Fixed	7.0	6.8	6.4
International Equities	N/A	N/A	---
Alternative	N/A	N/A	---
Real Estate	N/A	N/A	---
Cash	1.7	1.6	---

\*Blend of current WPERP policy benchmark weightings (see "Introduction" page V) beginning 2Q 2003, and the Market-based proxy return utilized prior to 2Q 2003.

\*\* Total portfolio policy return does not currently include Alternative and Real Estate.

\*\*\*Market-based proxies are comprised of: 60% S&P 500, 30% Salomon Broad and 10% T-Bills for the Total Portfolio, the S&P 500 for Domestic Equities and the Salomon Broad Index for Domestic Fixed.

## Latest Five Years

For the latest five-year period, WPERP's total investment portfolio increased by 3.7% per year and outperformed the blended policy's average annual return of 2.0%. Positive relative results by the domestic equity and domestic fixed asset classes contributed to this result. However, total portfolio performance lagged WPERP's long-term return expectations.

The domestic equities segment of the WPERP portfolio posted a 1.8% average annual return over the past five years outperforming the blended policy's average annual return of minus (1.8%). Over this period, WPERP's equity account with five years of performance history outperformed the equity benchmark. The domestic fixed income component increased 7.3% per year and slightly outperforming the blended policy's average annual return of 7.2%.

Over the latest five-year period, WPERP's total portfolio results placed them in the 51<sup>st</sup> percentile (near median) in the TUCS Total Trust Universe (median: 3.8%).

### Comparative Performance (gross of fees) —Five-Year Return

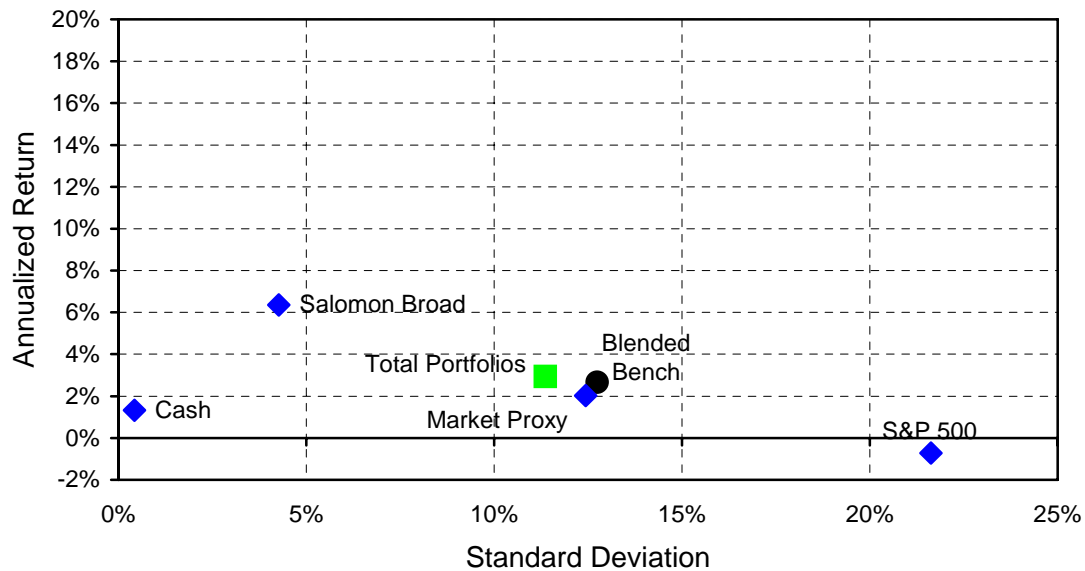
Segment	Actual Return	Blended Policy Return*	Market-based Proxy Return***
Total Portfolio	3.7	2.0 **	1.1
Domestic Equities	1.8	-1.8	-2.2
Domestic Fixed	7.3	7.2	7.0
International Equities	N/A	N/A	---
Alternative	N/A	N/A	---
Real Estate	N/A	N/A	---
Cash	2.5	3.1	---

\*Blend of current WPERP policy benchmark weightings (see "Introduction" page V) beginning 2Q 2003, and the Market-based proxy return utilized prior to 2Q 2003.

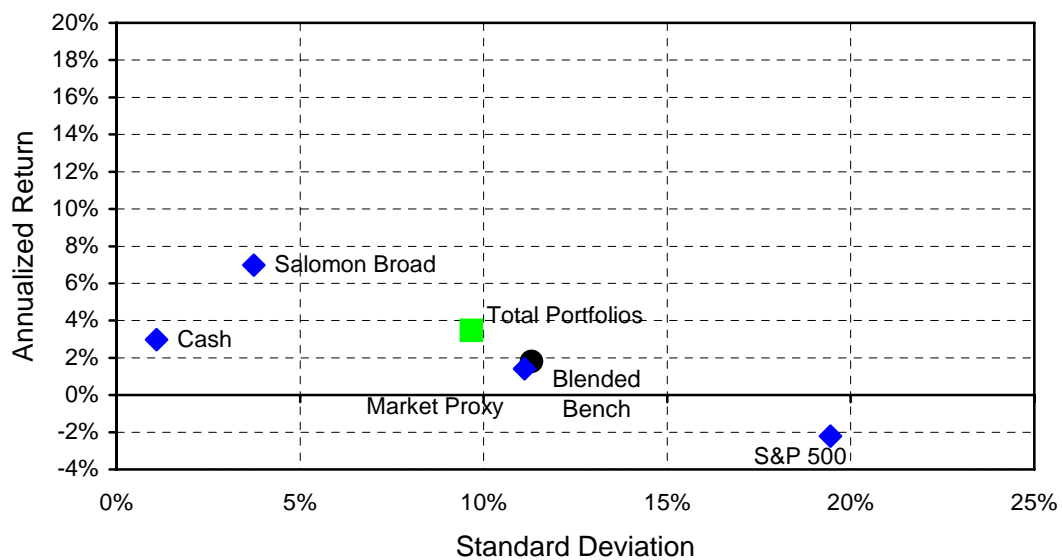
\*\* Total portfolio policy return does not currently include Alternative and Real Estate.

\*\*\*Market-based proxies are comprised of: 60% S&P 500, 30% Salomon Broad and 10% T-Bills for the Total Portfolio, the S&P 500 for Domestic Equities and the Salomon Broad Index for Domestic Fixed.

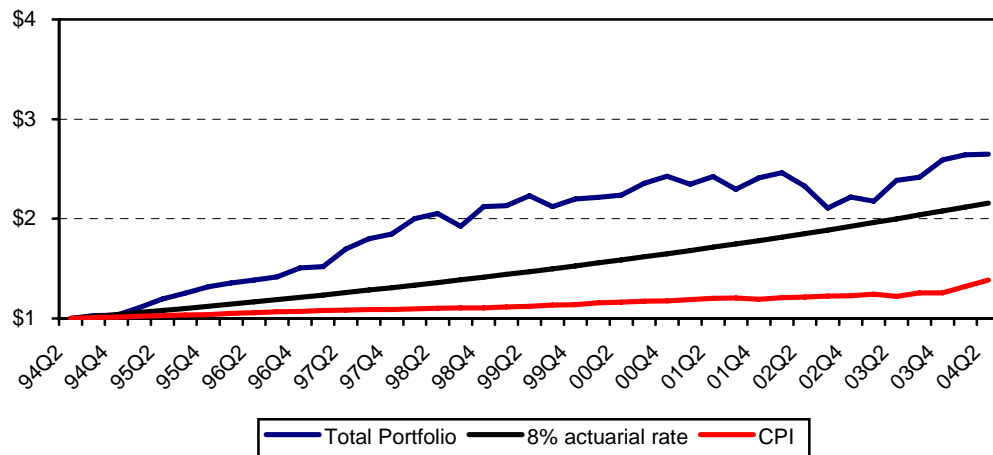
## Three-Year Annualized Risk/Return



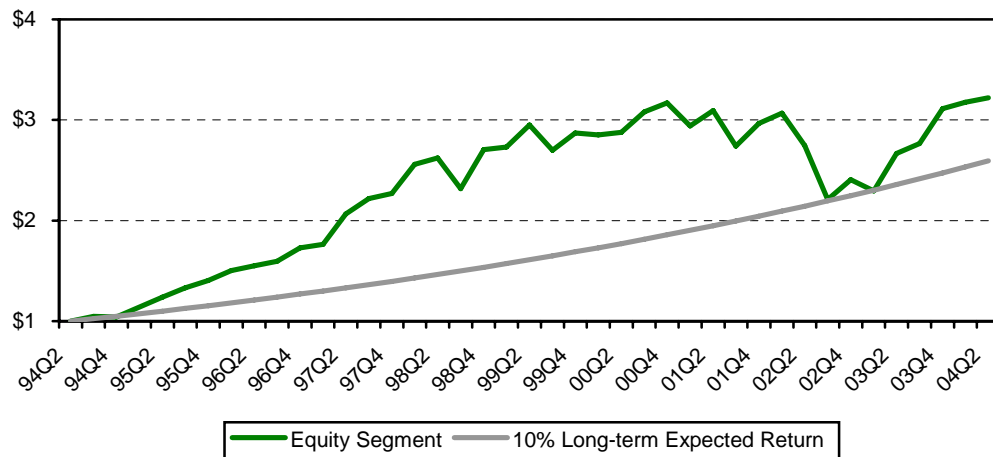
## Five-Year Annualized Risk/Return



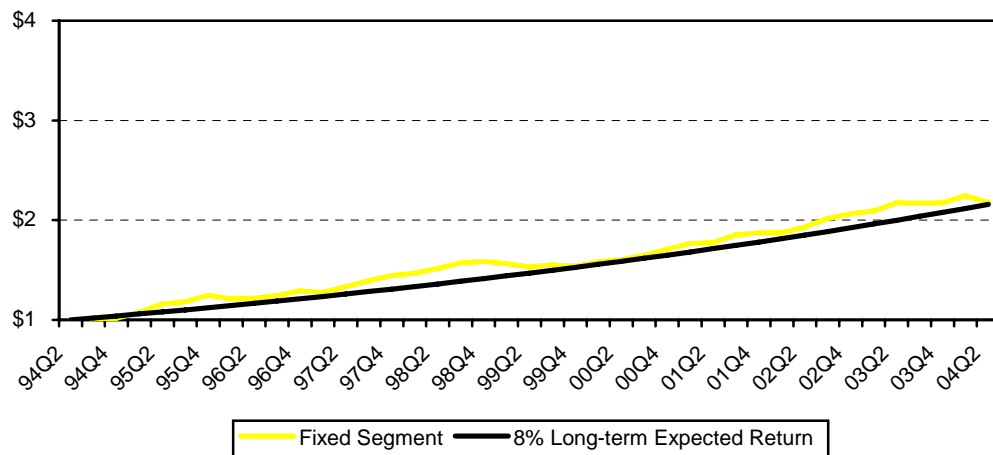
## Growth of a Dollar- Latest 10 Years Total Portfolio



## Growth of a Dollar- Latest 10 Years Equity Segment



## Growth of a Dollar- Latest 10 Years Fixed Segment



## Economic Review

The US economy increased at an annual growth rate of 3.0% during the second quarter of 2004, down from 4.2% annualized growth in the previous quarter<sup>2</sup>. The major contributors to the increase include exports, residential fixed investment, equipment and software, personal consumption expenditures, government spending, and private inventory investment. Imports, which are a subtraction in the calculation of GDP, increased.

During the second quarter of 2004, equity markets generated modest returns. The S&P 500 Index, a measure of large capitalization stock performance, posted a 1.7% return for the quarter compared to a 0.5% return for the Russell 2000 Index, which represents the small cap domestic equity market. Growth stocks were favored over value stocks. The representative Russell 3000 Growth Index posted a 1.8% return, while the Russell 3000 Value Index posted a 0.9% return. During the second quarter, the MSCI EAFE returned 0.4%, as the MSCI Europe sub-component provided a positive 2.4% quarterly return. The Lehman Aggregate Index, a proxy for the domestic fixed income market, posted a minus (2.4%) quarterly return during the quarter while its international counterpart, as measured by the SBWGB Index, declined (3.3%).

- **Inflation** – The Consumer Price Index (CPI) increased by 0.3% in June, on a seasonally adjusted basis, resulting in a compounded annual rate (three-months ended June 30, 2004) of 4.8%. In comparison, the CPI decreased (0.7%) (on an annualized basis) during the three months ending June 30, 2003.
- **Domestic Interest Rates** – During the second quarter of 2004 interest rates increased across the entire yield spectrum. The annual yield on one-year Treasury Bonds increased by 89 basis points to 2.09% as of June 30, 2004, while the yield on thirty-year Treasury Bonds decreased by 54 basis points to 5.41%. The spread between the one-year Treasury and the 30-year Treasury ended the quarter at 332 basis points, decreasing from 367 basis points at the end of last quarter.
- **US Dollar** – During the second quarter of 2004, the US dollar depreciated against the Euro by 1.2%, but increased against the Yen by 5.0% and the Canadian dollar by 3.7%.
- **Unemployment** – The domestic unemployment rate was unchanged as of June 30, 2004 from the end of previous quarter at 5.6%.

<sup>2</sup> As measured by the real Gross Domestic Product (GDP). An “advance” estimate based on source data subject to further revision as reported by the Bureau of Economic Analysis (BEA).



## Capital Market Highlights

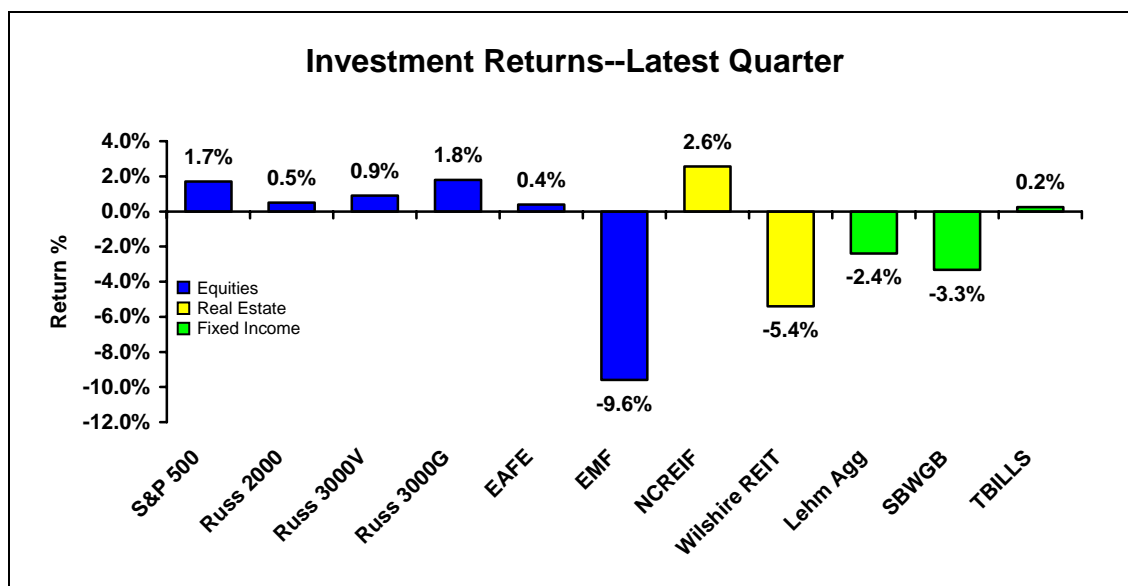
### Second Quarter 2004

Second quarter index returns provided modest results across the board. The most apparent distinction among segments in the equity market was that large-cap stocks fared better than small-cap stocks. Large-cap stocks posted a 1.7% quarterly return as measured by the S&P 500 Index, as compared to the Russell 2000 index that gained 0.5% during the quarter. The Russell 3000 Growth Index, a measure of growth stocks, produced a 1.8% return and outperformed the Russell 3000 Value index, a measure of value stocks, which had a 0.9% return.

International stocks generated positive returns during the quarter. As measured by the MSCI EAFE Index, international stocks finished the quarter with a 0.4% return. The Europe sub-component ended the quarter with a 2.4% return. However, Emerging Markets, as measured by the MSCI EMF, posted the lowest absolute return among the major asset classes decreasing (9.6%) during the quarter. This was due in part to investor's perceptions of the effects of a slowing Chinese economy and rising U.S. interest rates on Emerging Markets stocks.

Bond market returns turned negative during the quarter in anticipation of rising U.S. interest rates. As measured by the Lehman US Aggregate Index, domestic bonds returned minus (2.4%) for the quarter. The international bond market provided negative absolute results during the second quarter of 2004. As measured by the SBWGB Index, international bonds decreased (3.3%) during the quarter.

Over the quarter, the public real estate market (as measured by the Wilshire REIT Index) generated a total return of minus (5.4%). T-bills finished the quarter with a 0.2% gain.



NCREIF Property Index information is as of March 31, 2004.

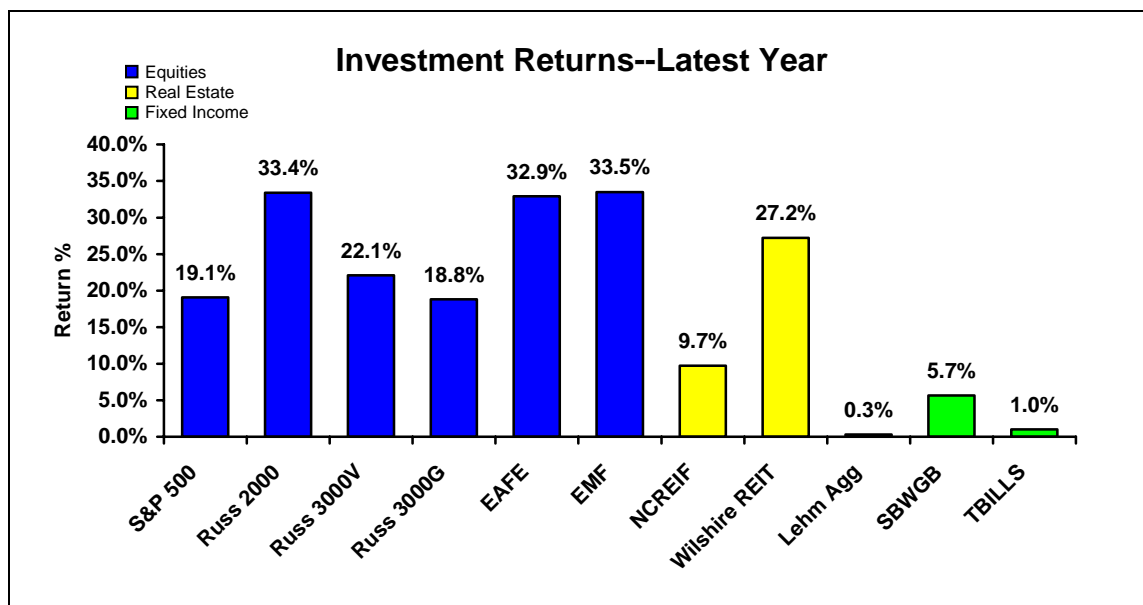
## Latest Year – Ending June 30, 2004

During the latest year, the domestic equity market continued to generate strong absolute results. In general, small cap stocks, as measured by the Russell 2000 Index, performed better than large cap stocks (as measured by the S&P 500 Index), with respective returns of 33.4% and 19.1%. After a strong year, value stocks, as measured by the Russell 3000 Value Index, increased by 22.1% while growth stocks, as measured by the Russell 3000 Growth Index, increased by 18.8%.

Emerging markets stocks generated the highest absolute return among equities during the latest year with a strong 33.5% return. A recovering global economic environment helped to drive the performance of developing economies in earlier periods. The MSCI-EAFE posted a solid 32.9% return due to strong performances in both Europe and the Pacific region.

Bonds provided modest, albeit positive absolute performance over the latest 12-month period but significantly trailed equities. The broad domestic bond market, as measured by the Lehman US Aggregate Index, posted a 1-year return of 0.3%. International bonds generated an absolute 5.7% return surpassing domestic issues during the latest year.

The public real estate market continued its positive performance as the Wilshire REIT index returned 27.2% for the year. T-Bills posted a 1.0% return.



NCREIF Property Index information is as of March 31, 2004.

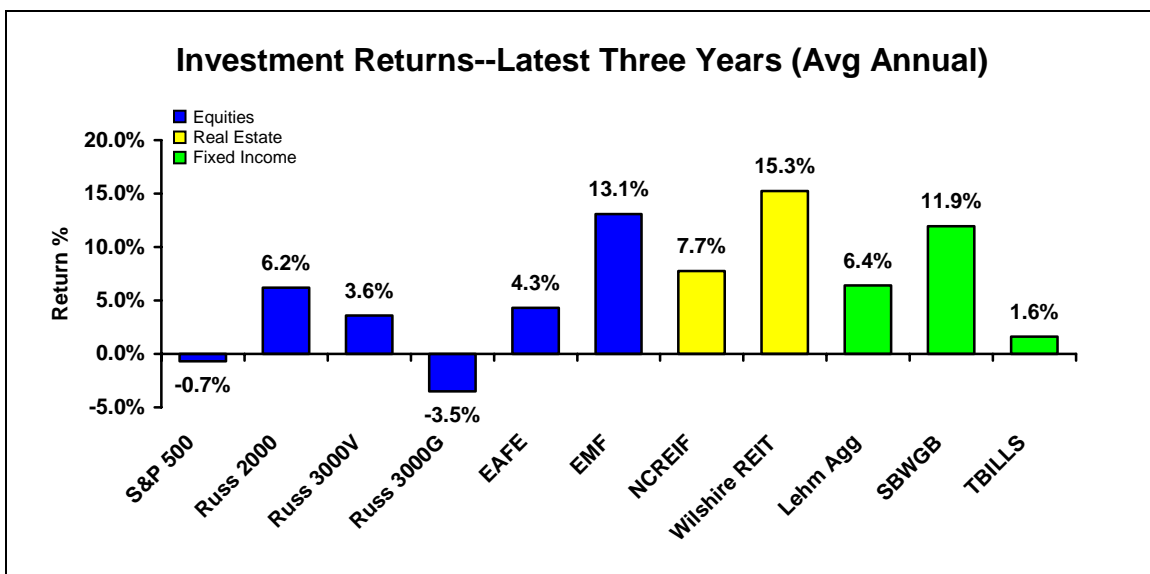
## Latest Three Years – Ending June 30, 2004

Domestic equity markets produced mixed results during the latest three-year period. Small-cap stocks (Russell 2000 Index) performed significantly better than large cap stocks (S&P 500 Index) with returns of 6.2% versus minus (0.7%) per annum, respectively. Value stocks significantly outperformed growth stocks during this period. The Russell 3000 Value Index posted a 3.6% average annual return compared to a minus (3.5%) annualized return for Russell 3000 Growth Index during this period.

International equity markets had positive results during the latest three-year period. The MSCI EAFE Index posted an absolute annualized result of 4.3% per year. The MSCI Pacific sub-component (excluding Japan) contributed significantly to this result with a strong 11.1% return per year. Among the equity segments, the MSCI EMF Index posted the highest annualized return of 13.1%.

During the previous three-year period, bonds produced strong positive absolute results. The international bond market (measured by the SBWGB Index) benefited from a weakening US dollar and gained an annualized 11.9% return over the past three years. This return was, on average, 5.5% higher than that of the domestic bond market, as measured by the Lehman US Aggregate Index, which averaged an annual return of 6.4%. Declining yields and investors' focus on protection of capital in earlier periods contributed significantly to these strong bond market results.

The Wilshire REIT Index continued to produce positive results by posting a 15.3% average annual return over the latest three-year period. Money-market yields (T-Bills) averaged 1.6% per year during the period.



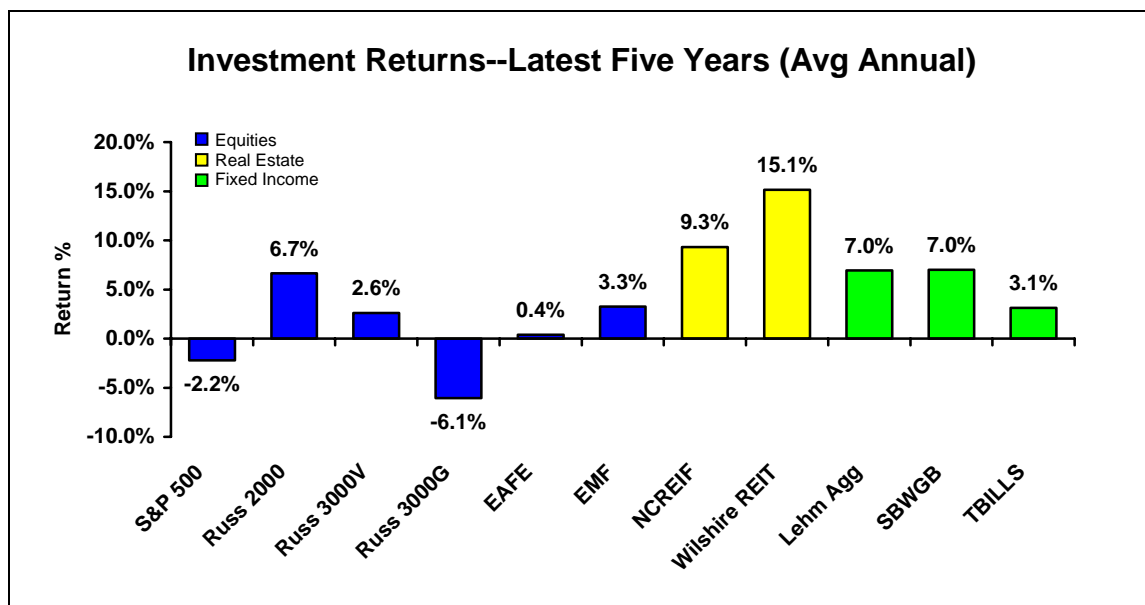
NCREIF Property Index information is as of March 31, 2004.

## Latest Five Years – Ending June 30, 2004

During the latest five-year period, equity markets in general generated modest results. As measured by the S&P 500 Index, the domestic equity market decreased with an average annual return of a minus (2.2%). Small-cap stocks fared much better with an annualized return of 6.7%, as measured by the Russell 2000 Index. During this period, investors experienced a loss of principal primarily in growth stocks, as represented by the Russell 3000 Growth Index, which finished the period with a minus (6.1%) return per year. However, value stocks provided some protection as the Russell 3000 Value Index ended the period with a 2.6% return per year. International equities provided slightly positive results with a return of 0.4% per annum. Positive performance by the MSCI Pacific sub-index (excluding Japan) at 4.1% per year, and the MSCI Europe at 0.7% per year, contributed significantly to this result. Emerging Markets provided positive performance with an average annual return of 3.3%

US and international fixed income markets had comparable performance over the latest 5-year period despite a surge in international bonds in recent periods. Both the Lehman US Aggregate Index and the SBWGB returned 7.0% per year.

The real estate market produced the strongest result, generating a 15.1% average annual return for the Wilshire REIT Index. Money-market returns (T-Bills) returned 3.1% per year over the latest five-year period.



NCREIF Property Index information is as of March 31, 2004.

## Manager Performance- Summary

### Manager Performance Comparison- as of 6/30/04 (gross of fees)

		Current Value	Performance			
Manager	Segment	\$ (000)	Qtr.	1 Year	3 Year	5 Year
Debt						
Standish I (previously Boston)	Fixed Income	413,879	-2.4%	0.4%	6.0%	6.6%
Standish II (previously Highmark)	Fixed Income	193,389	-2.3%	0.4%	6.3%	7.0%
TCW	Fixed Income	639,955	-3.4%	-0.5%	7.7%	7.7%
TCW – Death Benefit	Fixed Income	17,124	-3.0%	0.9%	7.9%	7.3%
TCW – Disability	Fixed Income	24,043	-3.4%	-0.6%	8.5%	8.1%
Equity						
Boston Company	Equity	798,435	0.6%	21.4%	2.4%	2.2%
Passive Managers						
Merrill	Equity – Large Cap	934,740	1.4%	N/A	N/A	N/A
Northern	Equity – Large Cap	934,937	1.4%	N/A	N/A	N/A
Active Managers						
Fred Alger	Equity – Large Cap Growth	239,930	0.9%	N/A	N/A	N/A
Intech	Equity – Large Cap Growth	247,075	2.3%	N/A	N/A	N/A
Merrill	Equity – Large Cap Value	246,699	2.9%	N/A	N/A	N/A
MFS	Equity – Large Cap Value	243,530	1.6%	N/A	N/A	N/A
Benchmarks						
Total Portfolio Policy Benchmark	Diversified	---	-0.5%***	13.6%**	3.0%**	2.0%**
Russell 3000	Domestic Equity	---	1.3%	20.5%	0.1%	-1.1%
S&P 500	Large Core	---	1.7%	19.1%	-0.7%	-2.2%
Russell 1000	Large Core	---	1.4%	19.7%	-0.3%	-1.7%
Russell 1000 Growth	Large Growth	---	1.9%	17.9%	-3.7%	-6.5%
Russell 1000 Value	Large Value	---	0.9%	21.1%	3.0%	1.9%
Lehman Universal	Fixed Income	---	-2.4%	1.0%	6.7%	7.1%
Salomon Broad	Fixed Income	---	-2.4%	0.4%	6.4%	7.0%
MSCI ACWI xUS	Intl Equity	---	-0.7%	32.5%	5.2%	1.0%
Russell 3000 + 300bps*	Alternative	---	2.1%	24.0%	3.2%	2.1%
NCREIF*	Real Estate	---	2.6%	9.7%	7.7%	9.3%
Cash*	T-Bills	---	0.2%	1.0%	1.6%	3.1%

\*Benchmarks for Real Estate, Alternative, and Cash asset classes not yet approved. These are currently represented by asset class benchmarks widely used by PCA's clients.

\*\*Blend of passively managed asset class portfolios held at WPERP policy weightings beginning 2Q 2003, and the Market-based proxy return utilized prior to 2Q 2003.

\*\*\*Total portfolio policy return does not currently include Alternative and Real Estate.

## Manager Performance - Latest Quarter

Among domestic equity accounts in WPERP's portfolio, all produced positive returns, while four portfolios exceeded or matched their respective benchmarks. Merrill, WPERP's active large cap value manager, produced the highest absolute return among the domestic equity managers generating a 2.9% return for the quarter, as compared to the Russell 1000 Value Index's 0.9% return (a measure for large-cap value domestic equity mandates). Strong stock selection contributed to this outperformance. MFS produced a quarterly return of 1.6% exceeding the Russell 1000 Value Index's return by 70 basis points. Intech, WPERP's active large cap growth manager, outperformed the Russell 1000 Growth Index's 1.9% return with a quarterly return of 2.3%. Fred Alger completed the quarter with a 0.9% return trailing the Russell 1000 Growth Index by 1.0%. Boston Company posted a return of 0.6% but underperformed the Russell 1000 Value Index's return by 30 basis points. WPERP's passive large-cap core managers, Merrill and Northern, both matched the Russell 1000 Index's return of 1.4% during the quarter.

Among fixed income managers within WPERP's portfolio, two of the Retirement Plan's three portfolios matched or exceeded the Salomon Broad proxy (the historical benchmark for the remnant fixed income portfolios). Standish II (previously managed by Highmark) posted a return of minus (2.3%) and outperforming the Salomon Broad Index's return by 10 basis points. Standish I (previously managed by Boston Company) posted a minus (2.4%) matching the Salomon Broad Index. TCW completed the quarter with a return of minus (3.4%) over the latest quarter and underperformed the Salomon Broad Index by 1.0%. According to returns-based style analysis, TCW's exposure to intermediate term bonds during the recent rising interest rate environment contributed to this result.

### Manager Comparison--Latest Quarter (gross of fees)

Portfolio	Style Group	Account Ranking**	Segment Return
<b>Domestic Equity</b>			
Merrill – Active	Large Value	4	2.9
Intech	Large Growth	32	2.3
Russell 1000 Growth	Large Growth		1.9
S&P 500 Index *	Large Core	40	1.7
MFS	Large Value	38	1.6
Merrill - Passive	Large Core	63	1.4
Northern	Large Core	64	1.4
Russell 1000 Index	Large Core	64	1.4
Russell 3000 Index	All-cap Core	---	1.3
Fred Alger	Large Growth	78	0.9
Russell 1000 Value *	Large Value	---	0.9
Boston Company	Large Value	72	0.6
<b>Domestic Fixed Income</b>			
Standish II (previously Highmark)	Fixed	48	-2.3
Standish I (previously Boston)	Fixed	57	-2.4
Lehman Universal	Fixed	62	-2.4
Salomon Broad *	Fixed	---	-2.4
TCW – Disability	Fixed	---	-3.0
TCW	Fixed	91	-3.4
TCW – Death Benefit	Fixed	---	-3.4

\* Previously the representative market-based performance proxies

\*\* Equity components are ranked in the TUCS Equity Sector Universe and the fixed income components are ranked in the TUCS Fixed Sector Universe.

## Manager Performance - Latest Year

WPERP's domestic equity manager with one year of performance history provided strong positive performance during the latest year. Boston Company posted a return of 21.4% over the latest 12-month period outperforming the Russell 1000 Value Index's return of 21.1%. This outperformance was largely due to Boston Companies exposure to mid-sized companies. WPERP began funding of its new domestic equity managers during the third quarter of 2003 with the funding of two passive core equity managers (Merrill Lynch and Northern Trust). Given the timing of these fundings, the first full year of performance results for these managers will be presented in the third quarter report for 2004.

Over the latest 12-month period, two of the Retirement Plan's three fixed income portfolios matched the Salomon Broad Index. Both Standish I, previously managed by Boston Company, and Standish II, previously managed by Highmark, posted a 0.4% return matching the Salomon Broad proxy. TCW posted a minus (0.5%) return underperforming the Salomon Broad proxy return of 0.4%.

### Manager Comparison--Latest Year (gross of fees)

Portfolio	Style Group	Account Ranking	Segment Return
<b>Domestic Equity</b>			
Boston Company	Large Value	52	21.4
Russell 1000 Value *	Large Value	---	21.1
S&P 500 Index *	Large Core	73	19.1
<b>Domestic Fixed Income</b>			
TCW – Death Benefit	Fixed	---	0.9
Standish II (previously Highmark)	Fixed	60	0.4
Standish I (previously Boston)	Fixed	64	0.4
Salomon Broad *	Fixed	---	0.4
TCW	Fixed	85	-0.5
TCW – Disability	Fixed	---	-0.6

\* Previously the representative market-based performance proxies

## Manager Performance - Latest Three Years

Boston Company is the only domestic equity account with three-years of performance history. This portfolio outpaced the S&P 500 (its historical benchmark) during the period. Boston Company posted an average annual return of 2.4% over the latest three-years. Boston Company benefited from exposure to stronger performing value stocks relative to the broad market benchmark. However, Boston Company underperformed the Russell 1000 Value Index's average annual return of 3.0%.

One of the Retirement Plan's three fixed income accounts with three-years of performance history outperformed the Salomon Broad Index while exceeding the long-term expected return objective for fixed income. Over the latest three-years, TCW posted a 7.7% average annual return exceeding the Salomon Broad proxy's average annual return of 6.4%. Standish II (previously managed by Highmark) trailed the Salomon Broad proxy by 10 basis points per year, while Standish I (previously managed by Boston Company) underperformed the Salomon Broad by 40 basis points annually.

### Manager Comparison--Latest Three Years (gross of fees)

Portfolio	Style Group	Account Ranking	Segment Return
<b>Domestic Equity</b>			
Russell 1000 Value *	Large Value	---	3.0
Boston Company	Large Value	39	2.4
S&P 500 Index *	Large Core	69	-0.7
<b>Domestic Fixed Income</b>			
TCW – Disability	Fixed	---	8.5
TCW – Death Benefit	Fixed	---	7.9
TCW	Fixed	21	7.7
Salomon Broad *	Fixed	---	6.4
Standish II (previously Highmark)	Fixed	62	6.3
Standish I (previously Boston)	Fixed	73	6.0

\* Previously the representative market-based performance proxies



## Manager Performance - Latest Five Years

As with the three-year period, Boston Company is the only domestic equity account with five-years of performance history. Boston Company posted an absolute return of 2.2% per year and outperformed the S&P 500 proxy's average annual return of minus (2.2%). Boston Company benefited from exposure to stronger performing value stocks relative to the broad market benchmark.

Over the latest five-years, two of the Retirement Plan's three fixed income portfolios matched or exceeded the Salomon Broad proxy. TCW posted a 7.7% average annual return exceeding the Salomon Broad's 7.0% annual return and placed in the 14<sup>th</sup> percentile among their peers. Standish II (previously managed by Highmark) matched the Salomon Broad, while Standish I (previously managed by Boston Company) underperformed the Salomon Broad by 40 basis points per year.

### Manager Comparison--Latest Five Years (gross of fees)

Portfolio	Style Group	Ranking	Return
<b>Domestic Equity</b>			
Boston Company	Large Value	43	2.2
Russell 1000 Value *	Large Value	---	1.9
S&P 500 Index *	Large Core	78	-2.2
<b>Domestic Fixed Income</b>			
TCW – Disability	Fixed	---	8.1
TCW	Fixed	14	7.7
TCW – Death Benefit	Fixed	---	7.3
Standish II (previously Highmark)	Fixed	45	7.0
Salomon Broad *	Fixed	---	7.0
Standish I (previously Boston)	Fixed	69	6.6

\* Previously the representative market-based performance proxies

## Glossary

### Definitions of Indices -

**Citigroup Broad Investment-Grade (BIG):** index is market-capitalization weighted and includes Treasury, Government-sponsored, mortgage and investment grade (BBB-/Baa3) fixed-rate corporate issues with a maturity of one year or longer and a minimum amount outstanding of US\$1 billion for Treasuries and mortgages and US\$100 million for corporate and Government-sponsored issues. A corporate or Government-sponsored bond is removed if its amount falls below US\$75 million.

**Lehman Brothers Universal:** includes market coverage by the Aggregate Bond Index fixed rate debt issues rated investment grade or higher by Moody's Investor Services, Standard and Poor's Corporation, or Fitch Investor's Service, in that order with all issues having at least one year to maturity and an outstanding par value of at least \$100 million) and includes exposures to high yield CMBS securities. All returns are market value weighted inclusive of accrued interest.

**Lehman Brothers Aggregate:** an index comprised of approximately 6,000 publicly traded investment-grade bonds including U.S. Government, mortgage-backed, corporate, and yankee bonds with an approximate average maturity of 10 years.

**Lehman Brothers High-Yield:** an index consisting of non-investment grade domestic and yankee bonds with a minimum outstanding amount of \$100 million and maturing over one year.

**MSCI ACWI xUS:** MSCI ACWI (All Country World Index) Free excluding US (gross dividends): is a free floating adjusted market capitalization index designed to measure equity performance in the global developed and emerging markets. As of April 2002, the index consisted of 49 developed and emerging market country indices.

**MSCI EAFE (Europe, Australasia, Far East):** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. As of April 2002 the index consisted of 21 developed market country indices.

**MSCI EMF (Emerging Markets Free):** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of April 2002 the index consisted of 26 emerging market country indices.

**NCREIF Property Index:** the NPI contains investment-grade, non-agricultural, income-producing properties which may be financed in excess of 5% gross market value; were acquired on behalf of tax exempt institutions; and are held in a fiduciary environment. Returns are gross of fees; including income, realized gains/losses, and appreciation/depreciation; and are market value weighted. Index is lagged one quarter.

**Russell 2000:** Measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

**Russell 3000:** represents the largest 3,000 US companies based on total market capitalization, representing approximately 98% of the investable US equity market.

**Russell 3000 Growth:** Measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indexes.

**Russell 3000 Value:** Measures the performance of those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values. The stocks in this index are also members of either the Russell 1000 Value or the Russell 2000 Value indexes.

**Salomon 3-Month Treasury Bills (T-bills):** an average of the last three 3-month treasury bill issues' monthly return equivalents of yield averages, which are not marked to market.

**Salomon Brothers World Government Bond Index:** a market-capitalization weighted benchmark that tracks the performance of the 14 government bond markets of Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, the United Kingdom, and the United States.

**Standard and Poor's 500 (S&P 500):** represents approximately 75% of NYSE market capitalization and 30% of NYSE issues, contains 500 industrial, utility, transportation and financial companies in the US markets (mostly NYSE issues). The S&P is capitalization-weighted, calculated on a total return basis with dividends reinvested.

**Wilshire REIT Index:** is a market capitalization-weighted index comprised of publicly traded real estate investment trusts and real estate operating companies.