



# **Water and Power Employees' Retirement Plan (WPERP) Investment Portfolio**

## **Quarterly Report Executive Summary**

Creation Date: December 2, 2011

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## PERFORMANCE SUMMARY OF MAJOR WPERP INVESTMENT PLANS

As of September 30, 2011, the WPERP Total Retirement Plan had an aggregate value of \$6.7 billion. This represents a (\$674.8) million decline in value over the last quarter. During the most recent 1-year period, the WPERP Total Retirement Plan decreased by (\$5.8) million. Volatility rippled through the global markets in the third quarter as the European debt crisis and the United States fiscal situation engulfed the headlines. Risk aversion remained the dominant force in the markets, as volatility and worries about economic growth funneled investors into U.S. Treasuries, sending yields to all time lows. U.S. equities, as measured by the S&P 500, experienced the worst quarterly decline since the fourth quarter of 2008, the epicenter of the financial crisis. Subsequent to the end of the third quarter, the markets produced a record-setting rebound through the end of October.

As of September 30, 2011, the WPERP Total Health Plan had an aggregate value of \$1.1 billion.

### Strategic Allocation Trends

The Retirement Plan strategic allocation targets reflect the allocation targets for the 10/1/2010-9/30/2011 period. As of September 30, 2011, the WPERP Total Retirement Plan had a 53% allocation in Equities, 35% in Fixed Income, 5% in Real Return, 1% in Private Equity, 2% in Real Estate, and 4% in Cash. The Health Plan strategic allocation targets reflect the allocation targets for the 7/1/2010-9/30/2011 period. The WPERP Total Health Plan had a 50% allocation in Equities, 42% in Fixed Income, 7% in Real Return, 2% in Cash, and less than 1% each in Private Equity and Real Estate. Staff is currently preparing to rebalance both the Retirement and Health Plan portfolios to bring them into alignment with the new interim policy targets, effective 10/1/2011.

### Recent Investment Performance of Major WPERP Investment Plans

Period ending September 30, 2011

#### WPERP Total Retirement Plan

	Quarter	1 Year	3 Year	5 Year	10 Year
Total Portfolio <sup>1</sup>	-9.0	0.8	3.9	2.1	4.6
<i>Policy Benchmark<sup>2</sup></i>	-8.2	1.3	3.8	2.0	4.6
<b>Excess Return</b>	<b>-0.8</b>	<b>-0.5</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>
Reference: Median Fund <sup>3</sup>	-8.8	1.7	4.1	2.1	5.4
Reference: Net of Fees <sup>4</sup>	-9.1	0.6	3.7	1.9	4.4

#### WPERP Total Health Plan

	Quarter	1 Year	3 Year
Total Portfolio <sup>1</sup>	-8.0	1.7	4.9
<i>Policy Benchmark<sup>2</sup></i>	-7.8	0.8	3.9
<b>Excess Return</b>	<b>-0.2</b>	<b>0.9</b>	<b>1.0</b>

<sup>1</sup> Gross of fees.

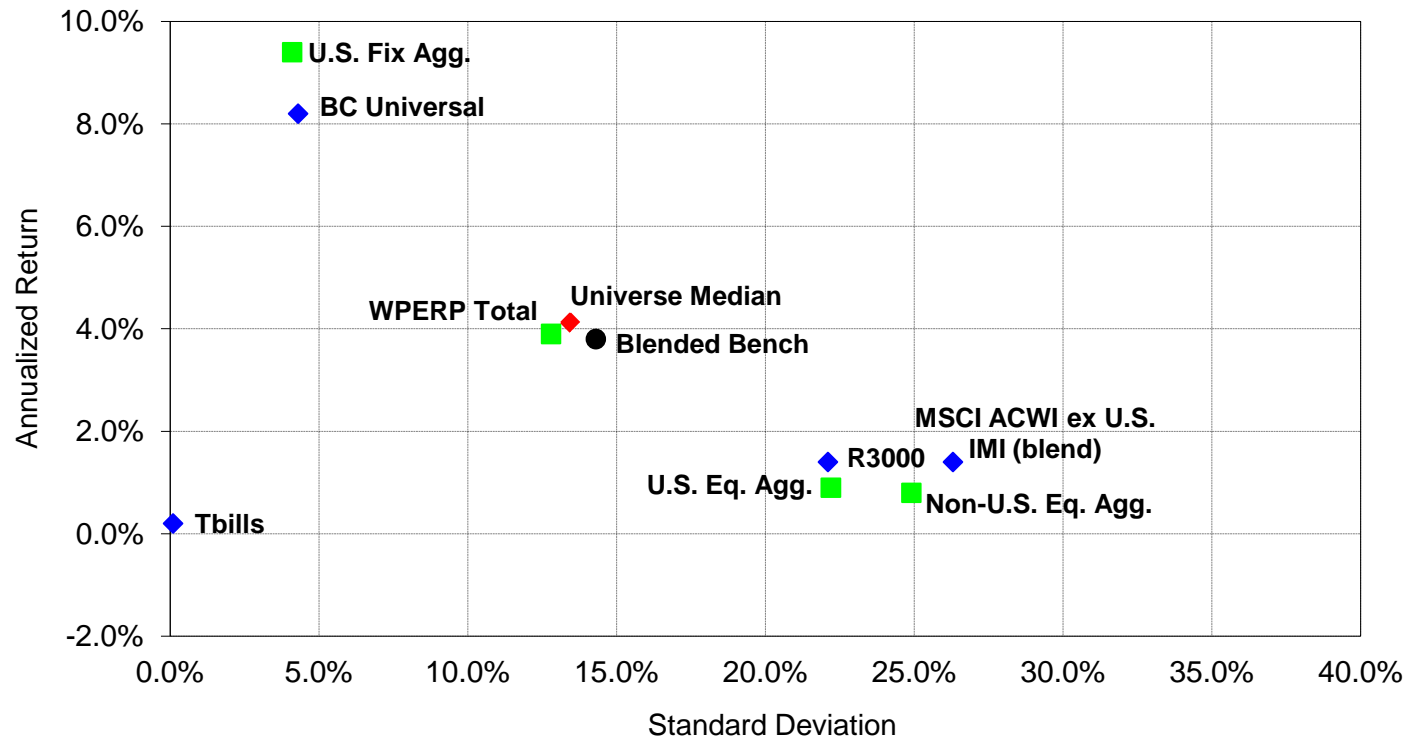
<sup>2</sup> See appendix for policy benchmark descriptions.

<sup>3</sup> Mellon Total Funds Public Universe

<sup>4</sup> Net of Fee returns are estimated based on existing WPERP manager fee schedule.

## WPERP Retirement Plan Risk/Return Analysis – Last 3 Years

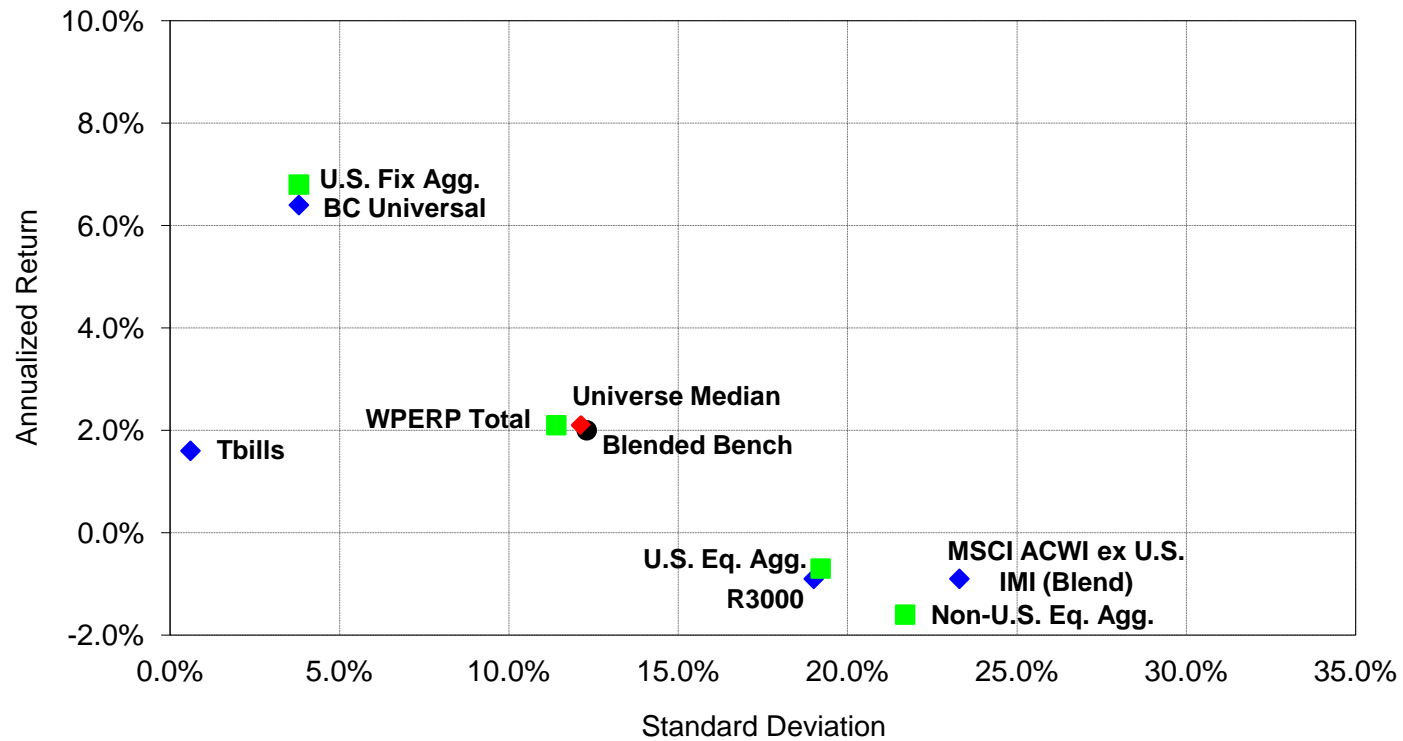
Period ending September 30, 2011



\*Median Fund in the Mellon Total Fund Public Universe.

## WPERP Retirement Plan Risk/Return Analysis – Last 5 Years

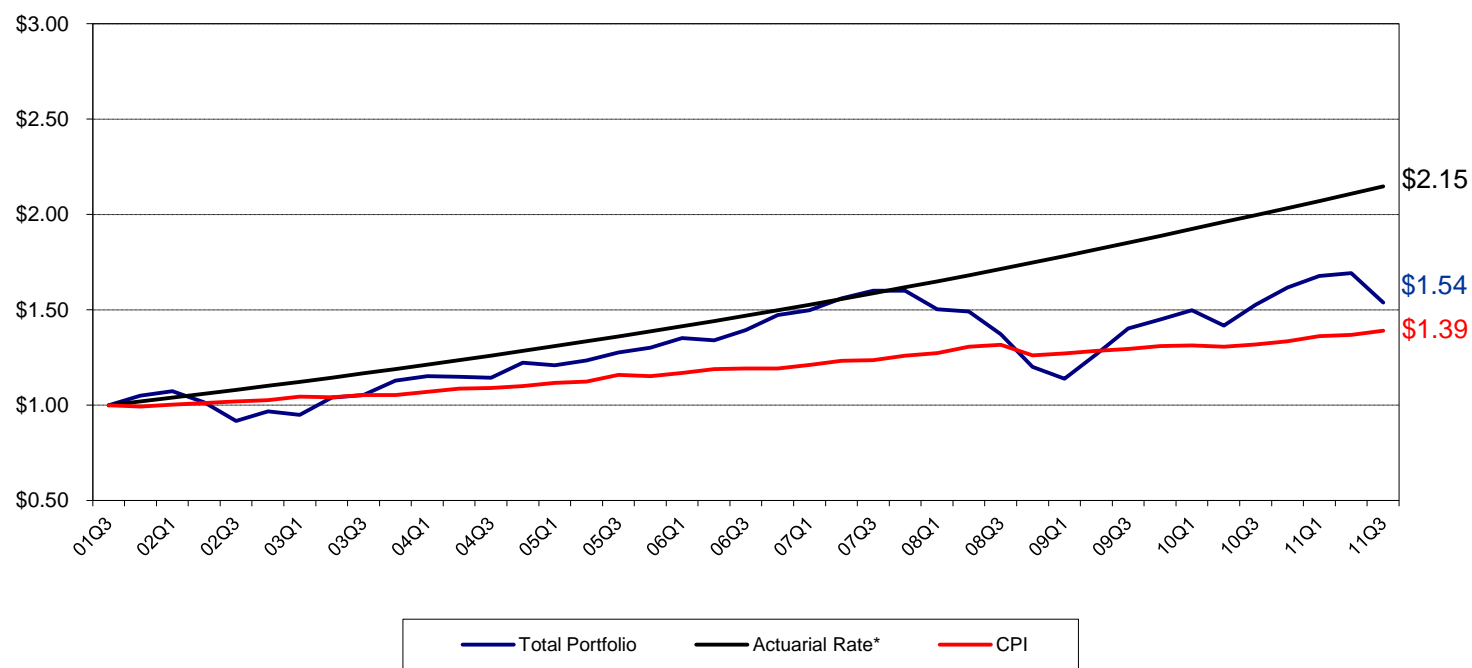
Period ending September 30, 2011



\*Median Fund in the Mellon Total Fund Public Universe.

## WPERP Retirement Plan Growth of a Dollar – Latest 10 Years

Period ending September 30, 2011



\* Changed from 8% to 7.75% on 7/1/2010

## Investment Market Risk Metrics

### Takeaways

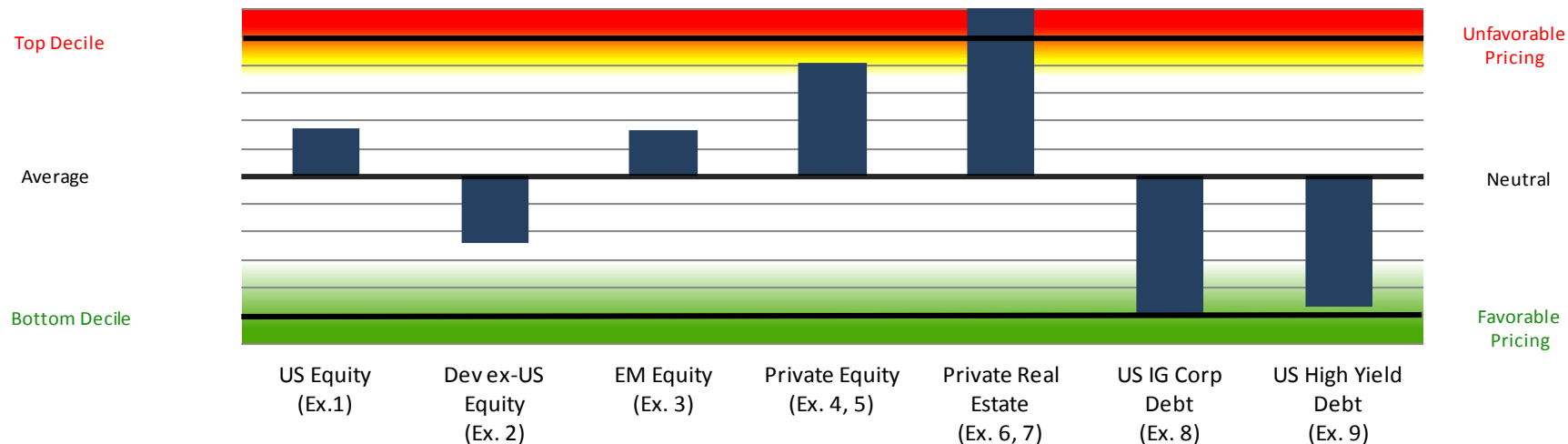
- Interest rate risk increased to the highest levels recorded in 30 years.
- Equity market volatility (VIX) was at 40, double the long-term average.
- The 10-year Treasury yield hit historic lows (again) in September, a reading of 1.7%. The real yield was also negative.
- The yield curve is flattening<sup>2</sup>, implying low-growth expectations.
- Credit spreads widened and are well above long-term averages. The investment grade credit valuation metric is in the lowest decile.
- U.S. public equity prices fell, but are still above long-term average levels.
- Pricing of Non-U.S. developed public equity markets, however, has fallen to well below long-term average levels.
- Principal protection is in high demand. Investors in U.S. Treasury Bonds are willing to accept zero or negative real return on their capital to ensure a return of their capital.

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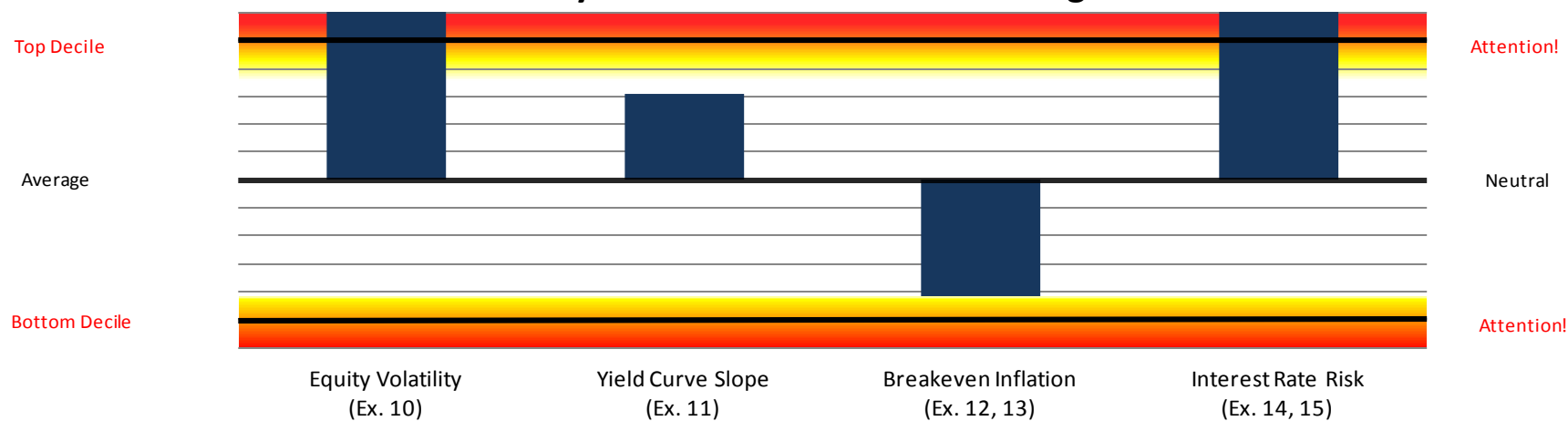
<sup>1</sup> See Appendix for the rationale for selection and calculation methodology used for the risk metrics.

<sup>2</sup> A decreasing yield curve slope indicates that the market is expecting lower future interest rates. From today's extremely low levels, this indicates lowered growth expectations.

## Valuation Metrics versus Historical Range A Measure of Risk



## Other Important Metrics within their Historical Ranges Pay Attention to Extreme Readings

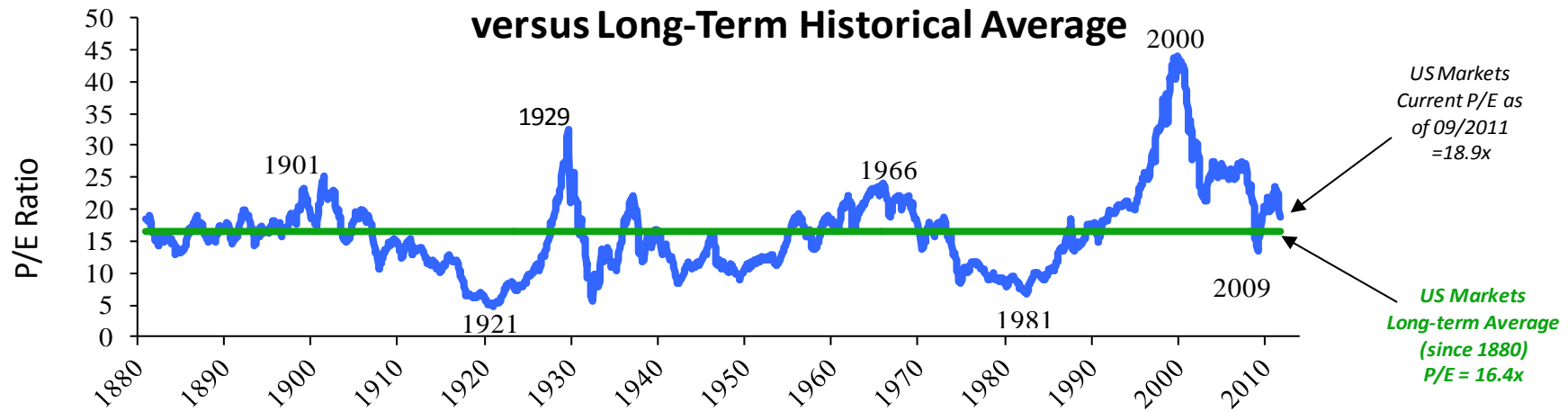




## Developed Public Equity Markets

Exhibit 1

### U.S. Equity Market P/E Ratio<sup>1</sup> versus Long-Term Historical Average

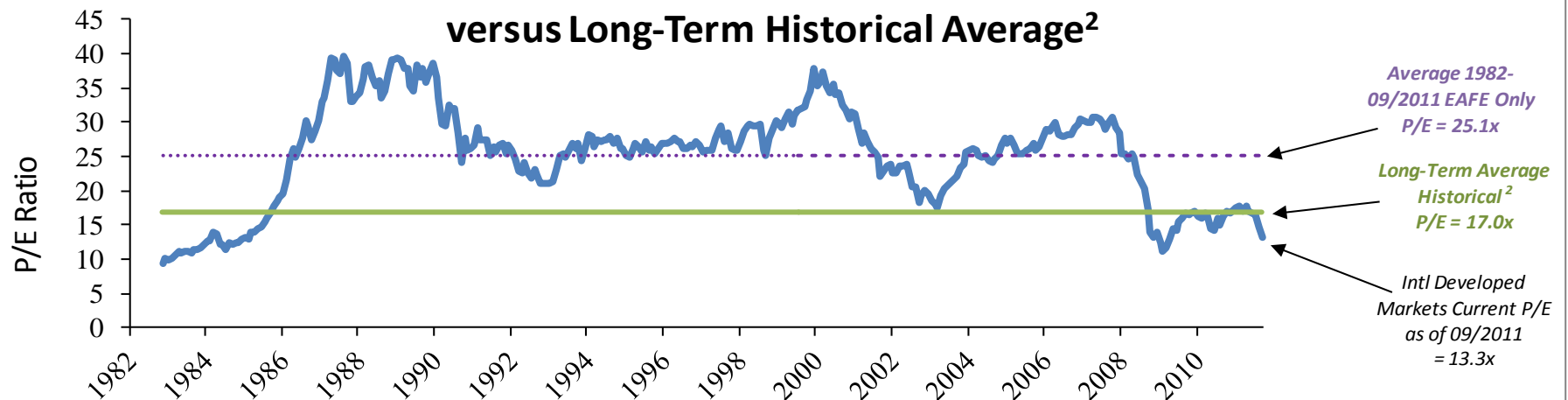


<sup>1</sup> P/E ratio is a Shiller P/E-10 based on 10 year real S&P 500 earnings over S&P 500 index level.

(Please note different time scales)

Exhibit 2

### Developed ex-US Equity Market P/E Ratio<sup>1</sup> versus Long-Term Historical Average<sup>2</sup>



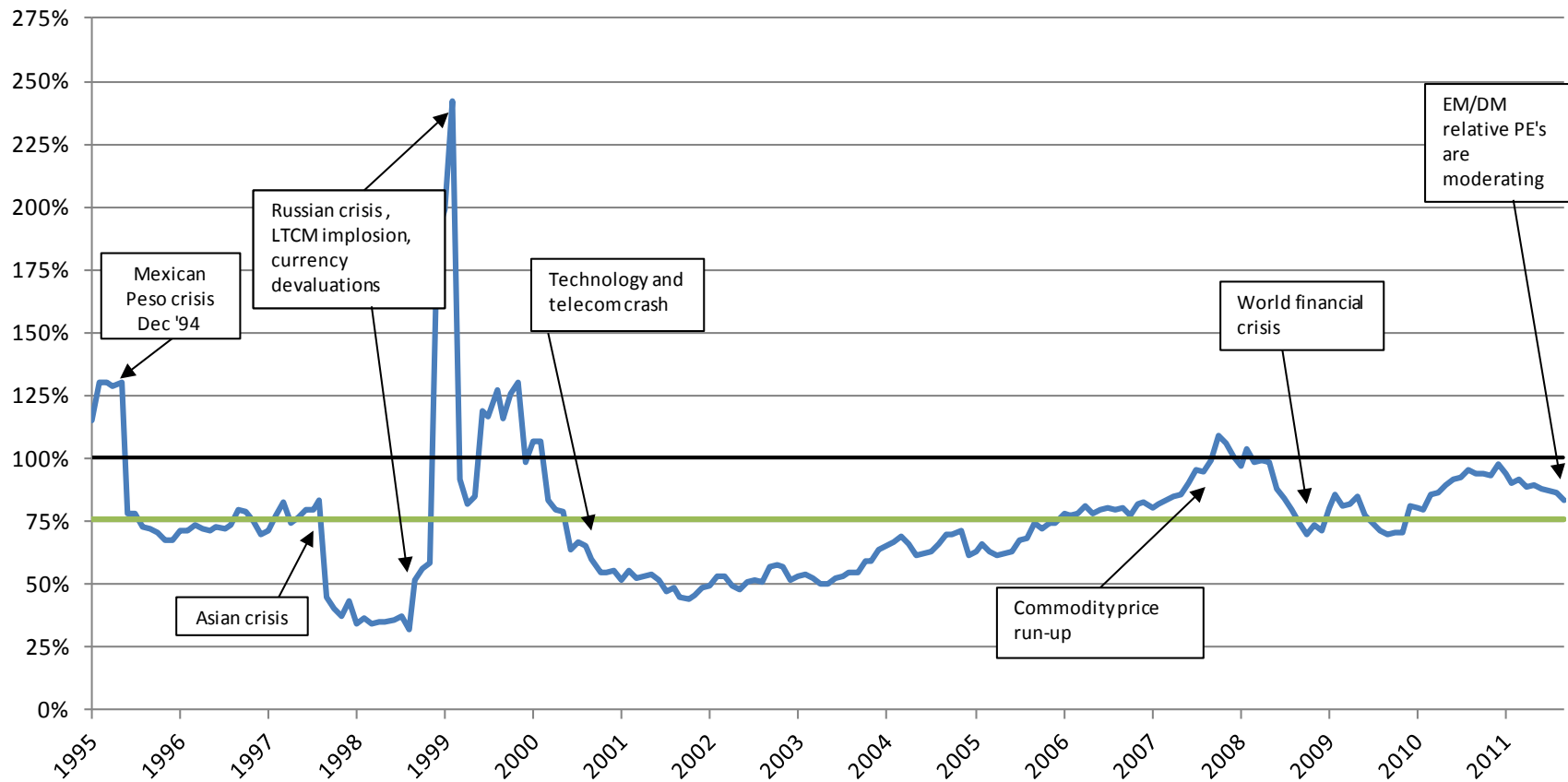
<sup>1</sup> P/E ratio is a Shiller P/E-10 based on 10 year real MSCI EAFE earnings over EAFE index level.

<sup>2</sup> To calculate the LT historical average, from 1881 to 1982 U.S. data is used as developed market proxy. From 1982 to present, actual developed ex-US market data (MSCI EAFE) is used.

## Emerging Markets Public Equity Markets

Exhibit 3

### Emerging Markets PE / Developed Markets PE (100% = Parity between PE Ratios)



Source: Bloomberg, MSCI World, MSCI EMF

— EM/DM PE

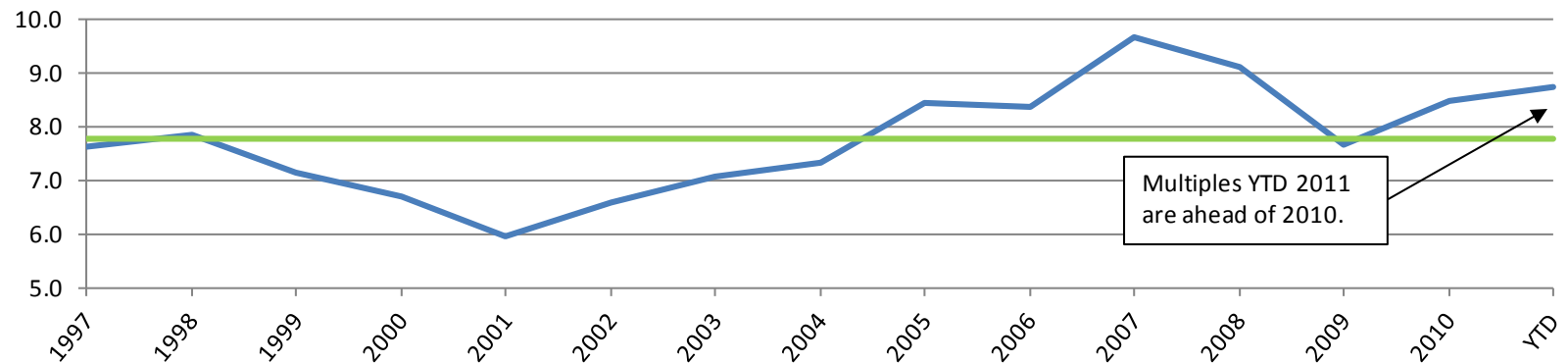
— Average EM/DM PE

— Parity

## US Private Equity Markets

Exhibit 4

### Price to EBITDA Multiples Paid in LBOs

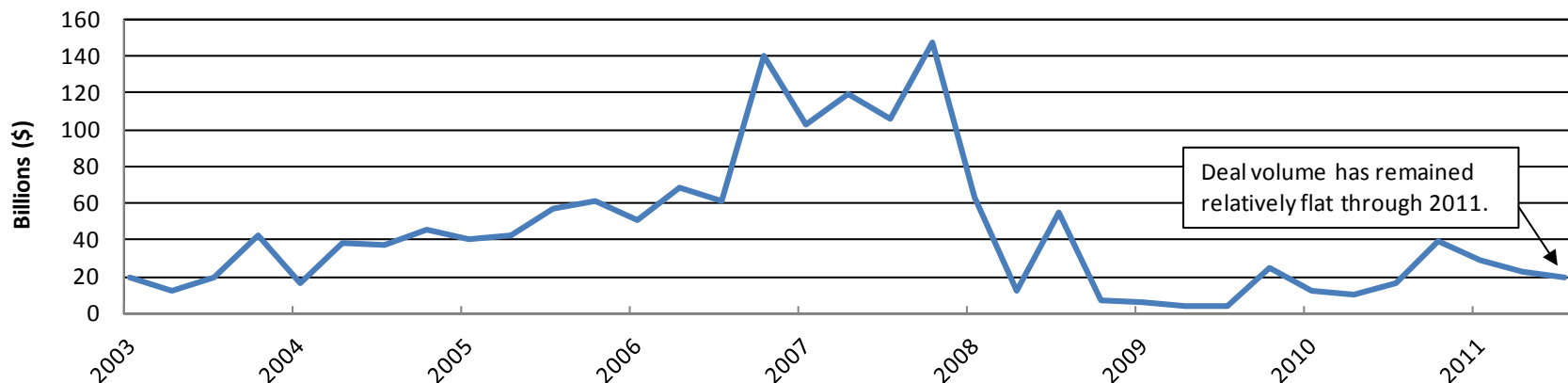


Source: S&P LCD study

(Please note different time scales)

Exhibit 5

### Disclosed U.S. Quarterly Deal Volume\*



Source: Thomson Reuters Buyouts

\* quarterly total deal size (both equity and debt)

## Private Real Estate Markets

Exhibit 6

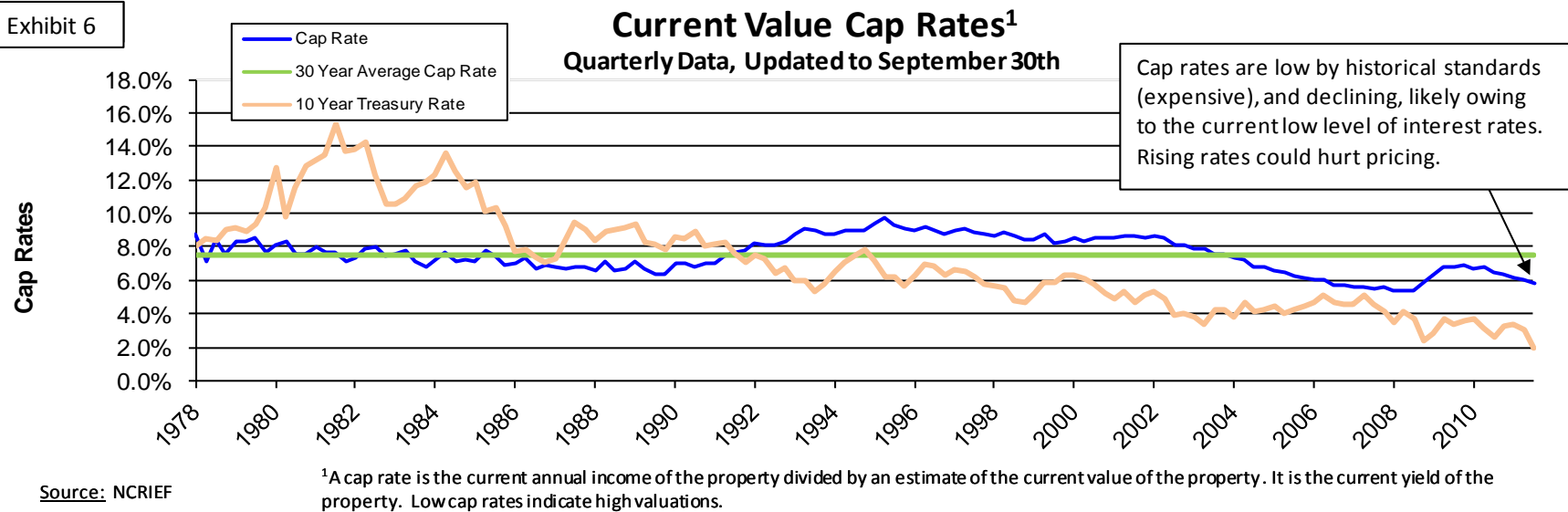
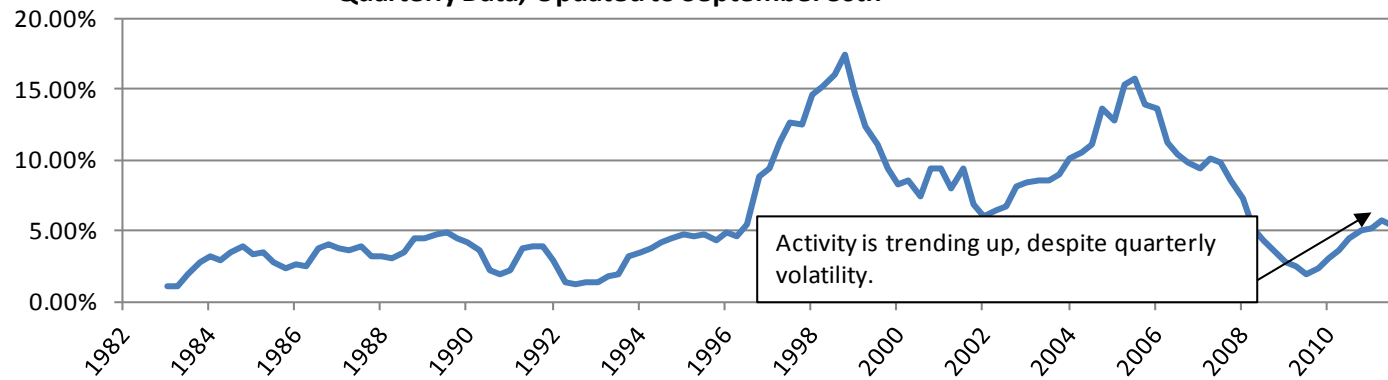


Exhibit 7

### Transactions as a % of Market Value Trailing-Four Quarters (a measure of property turnover activity)

Quarterly Data, Updated to September 30th

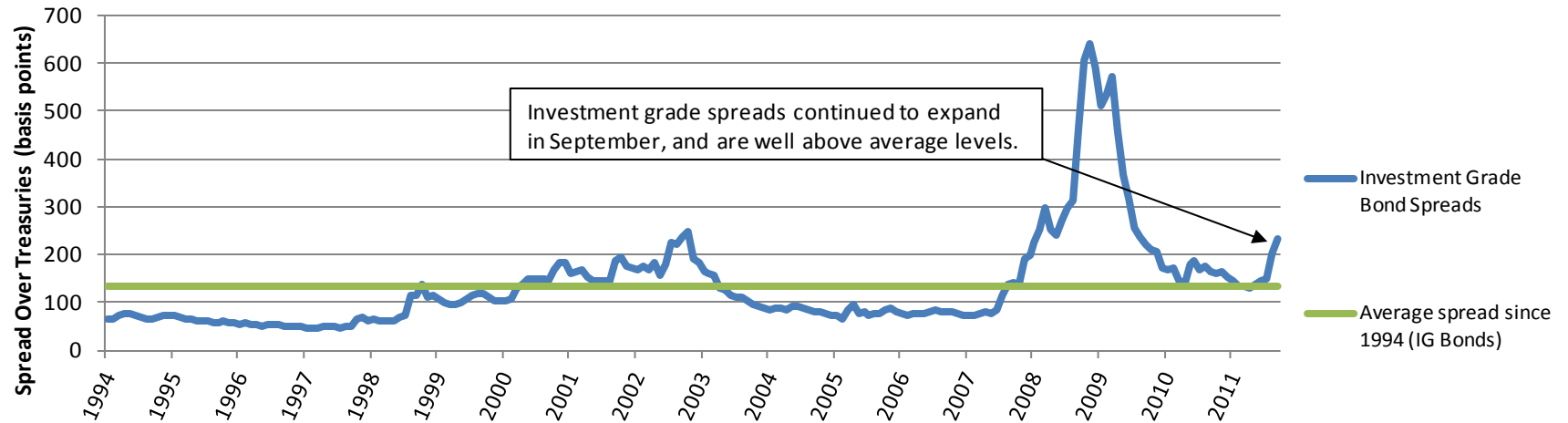


Source: NCREIF, PCA calculation

## Credit Markets US Fixed Income

Exhibit 8

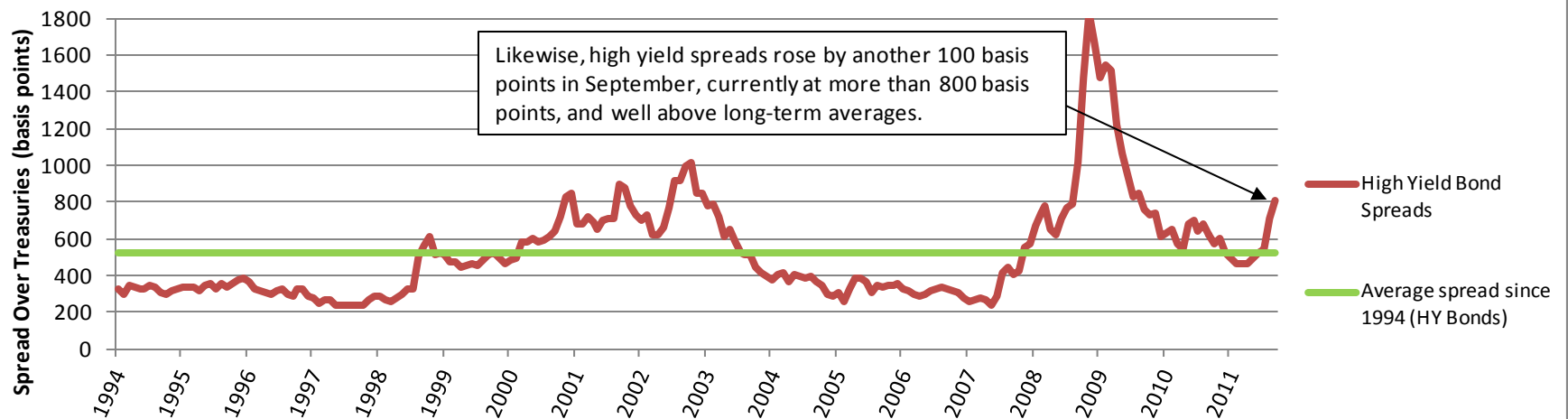
### Investment Grade Corporate Bond Spreads



Source: LehmanLive: Barclays Capital US Corporate Investment Grade Index Intermediate Component.

Exhibit 9

### High Yield Corporate Bond Spreads

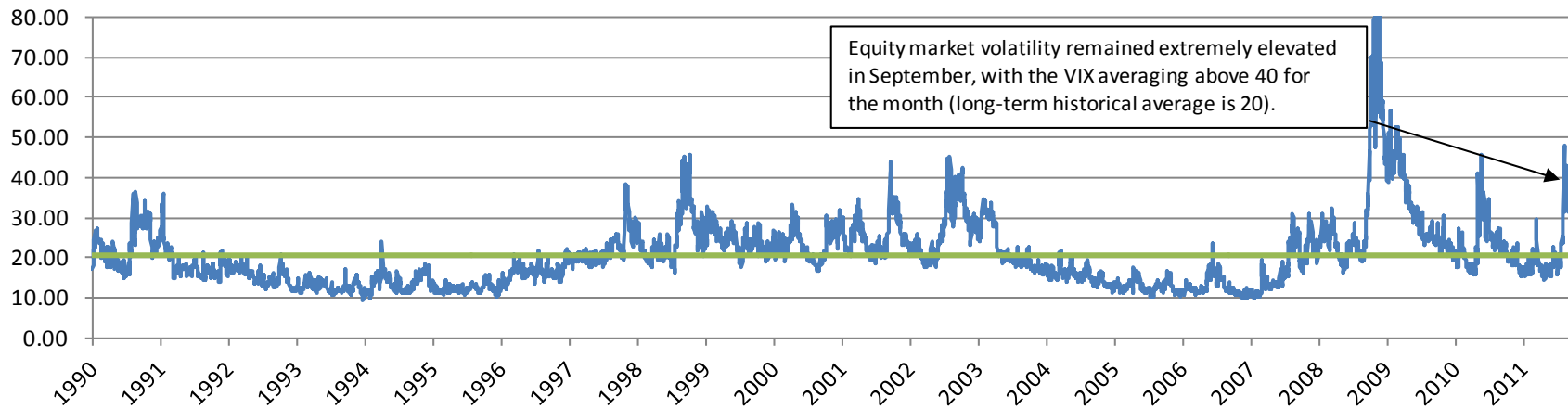


Source: LehmanLive: Barclays Capital U.S. Corporate High Yield Index.

## Other Market Metrics

Exhibit 10

### VIX - a measure of equity market fear / uncertainty

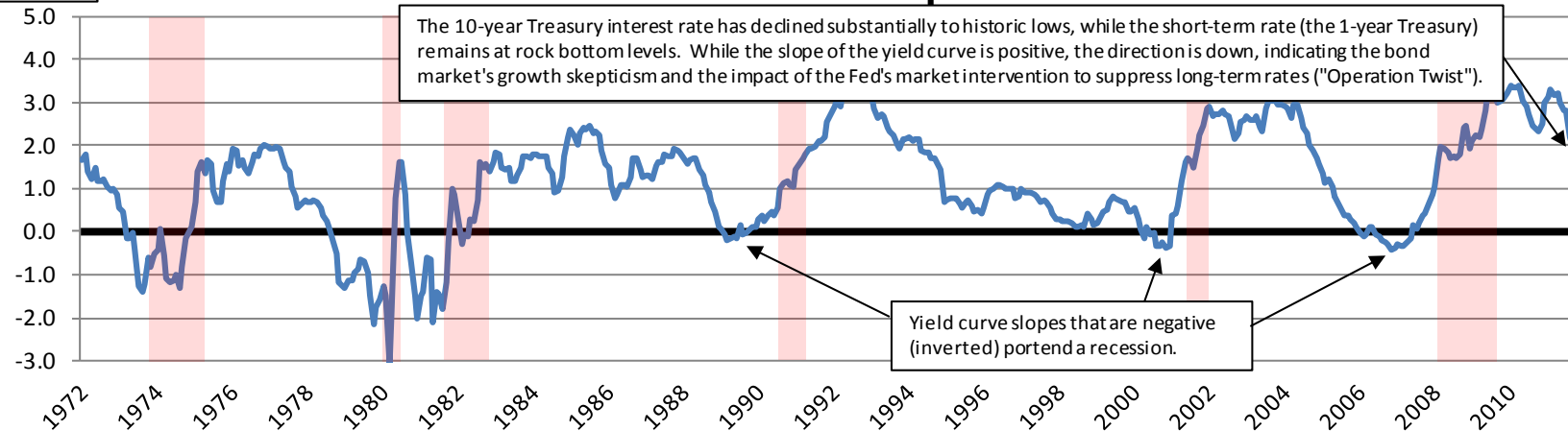


Source: <http://www.cboe.com/micro/vix/historical.aspx>

(Please note different time scales)

Exhibit 11

### Yield Curve Slope



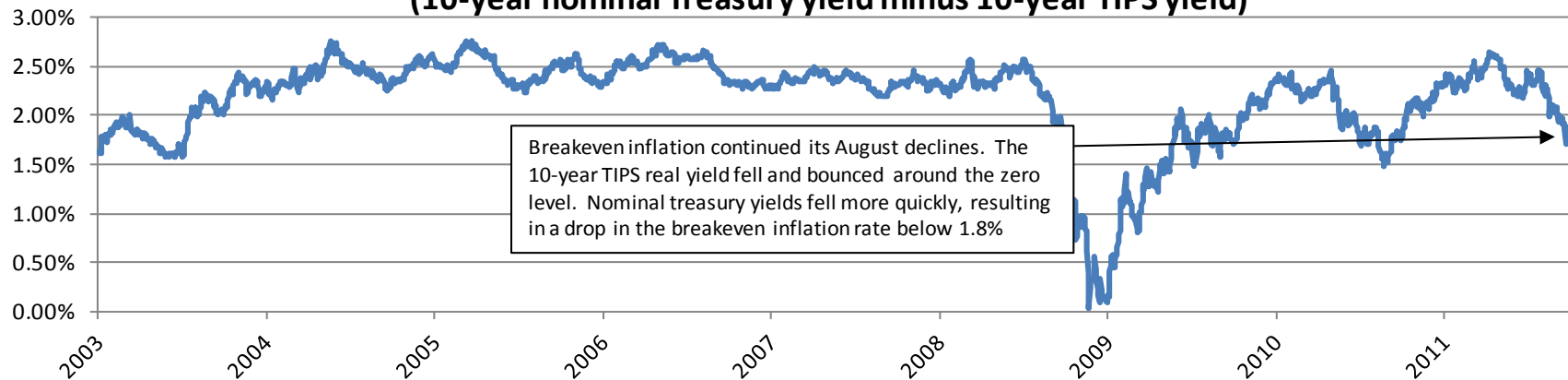
Source: [www.ustreas.gov](http://www.ustreas.gov) (10-year treasury yield minus 1-year treasury yield)

Recession Dating: NBER <http://www.nber.org/cycles.html>

## Measures of Inflation Expectations

Exhibit 12

### 10-Year Breakeven Inflation (10-year nominal Treasury yield minus 10-year TIPS yield)



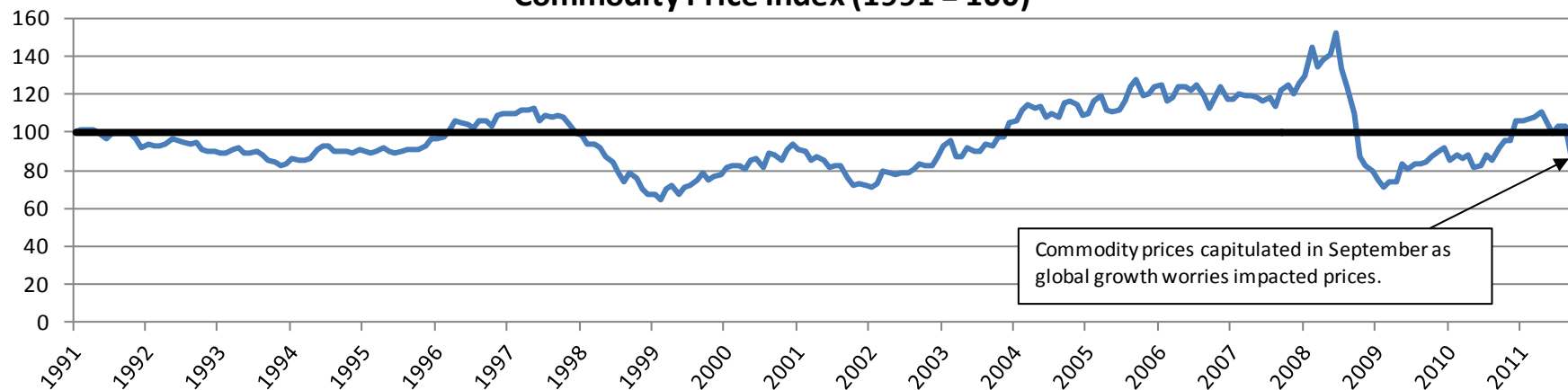
Source: [www.ustreas.gov](http://www.ustreas.gov)

Daily Yield Curve Rates (10-year nominal treasury yield minus 10-year TIPS yield)

(Please note different time scales)

Exhibit 13

### Inflation Adjusted Dow Jones UBS Commodity Price Index (1991 = 100)

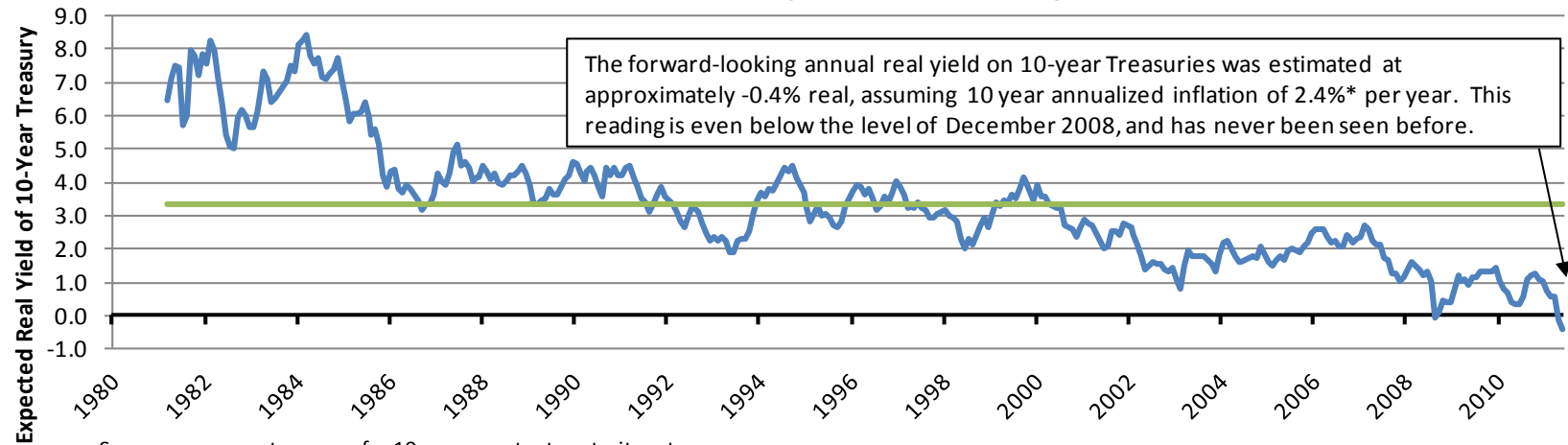


Source: Bloomberg DJUBS Index, St. Louis Fed for US CPI all urban consumers.

## Measures of U.S. Treasury Interest Rate Risk

Exhibit 14

### Estimate of 10-Year Treasury Forward-Looking Real Yield

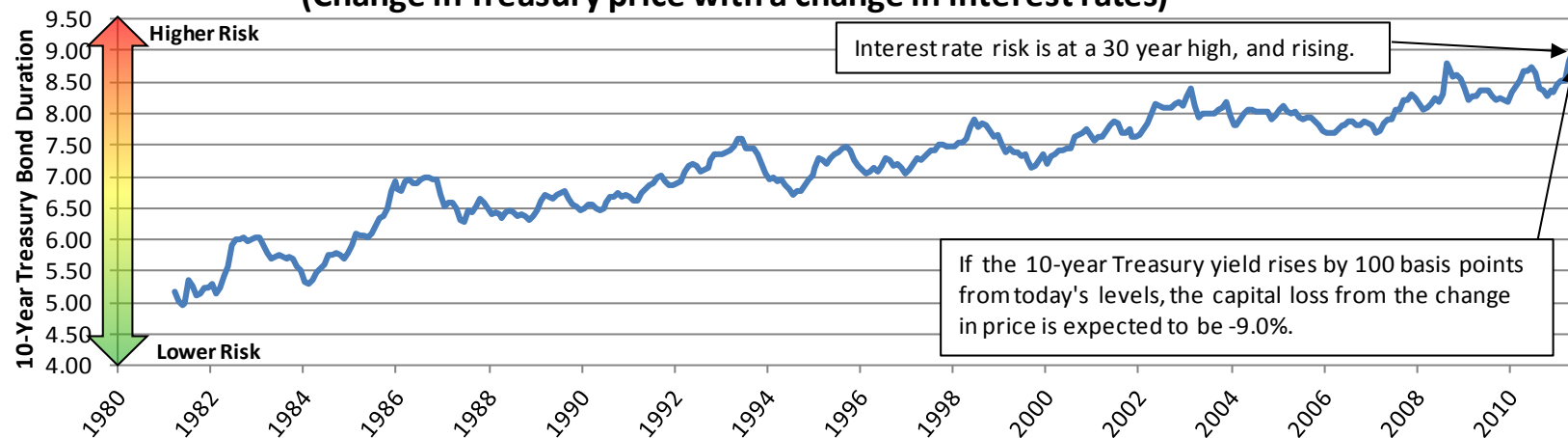


Sources: [www.ustreas.gov](http://www.ustreas.gov) for 10-year constant maturity rates

\*Federal Reserve Bank of Philadelphia survey of professional forecasts for inflation estimates

Exhibit 15

### 10-Year Treasury Duration (Change in Treasury price with a change in interest rates)



Source: [www.ustreas.gov](http://www.ustreas.gov) for 10-year constant maturity rates, calculation of duration



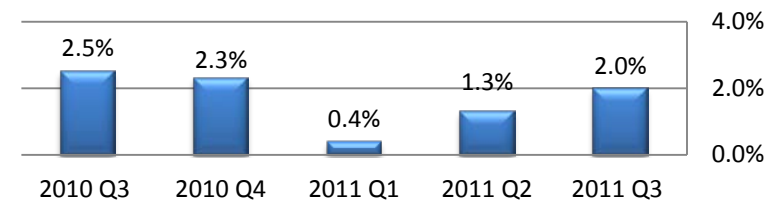
## ECONOMIC & MARKET OVERVIEW

**Overview:** Investors struggled with globally weak economic data in the third quarter. Heightened market volatility was propelled by European and US political gridlock, downgrades of sovereign debt, and fears of proliferating contagion in the euro zone debt crisis. Investors retreated to the relative safety of US Treasuries, despite the negative implication of S&P's downgrade of US sovereign debt. The focus shifted from the pursuance for yield that prevailed for several quarters, to capital preservation as investors rushed to sell risky assets. While economic and political uncertainties translated into continued equity market volatility throughout the third quarter, equity prices rebounded in the fourth quarter and have virtually regained all of their losses during the month of October.

### Economic Growth

- Real GDP grew at an annualized rate of 2.0 percent in the third quarter of 2011, rising from 1.3 percent in the second quarter, and revised down 0.5 percent from the advance estimate released in October.
- The rise in GDP growth was attributed to accelerated consumer spending, an upturn in durable goods, and accelerated investments in equipment and software.
- A large inventory investment decrease partially offset these contributions to third quarter GDP growth.

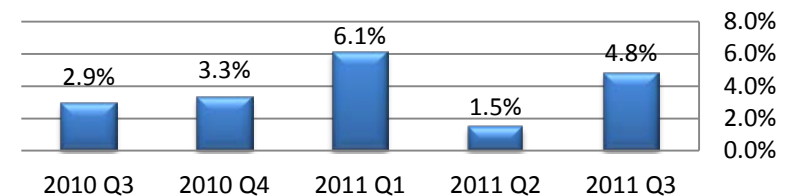
Annualized Quarterly GDP Growth



### Inflation

- The Consumer Price Index for All Urban Consumers (CPI-U) increased by 4.8 percent in the quarter on an annualized basis, after seasonal adjustment.
- Core CPI-U increased 2.1 percent for the quarter, on an annualized basis.
- Over the last 12 months, CPI-U increased 3.9 percent before seasonal adjustment.

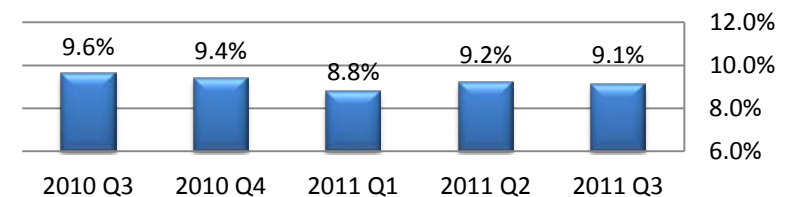
CPI-U After Seasonal Adjustment



### Unemployment

- The U.S. economy gained 220,000 jobs in the quarter.
- The official unemployment rate fell from 9.2 to 9.1 percent in September.
- The majority of jobs gained continued to be in professional and business services, health care, as well as construction. Employment in information also increased due to the return of approximately 45,000 telecommunications workers to payrolls after an August strike.

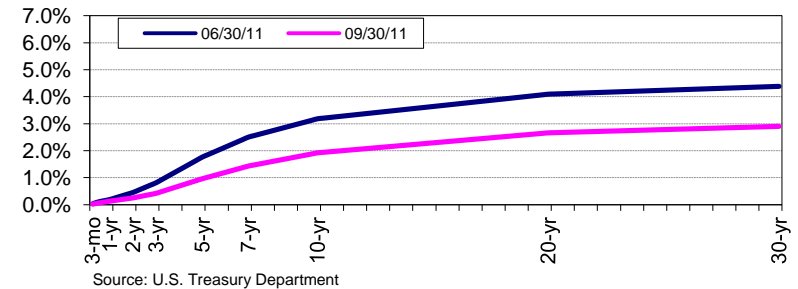
Unemployment Rate



## Interest Rates & U.S. Dollar

- U.S. Treasury yields fell across the entire maturity spectrum during the quarter.
- The Federal Reserve has maintained the federal funds rate between 0.00% and 0.25% since December 2008.
- The U.S. dollar appreciated against the Euro and the Sterling by 7.7% and 2.9%, respectively, while depreciating against the Yen by (4.3%).
- Subsequent to quarter end, rates plunged to near historic levels.

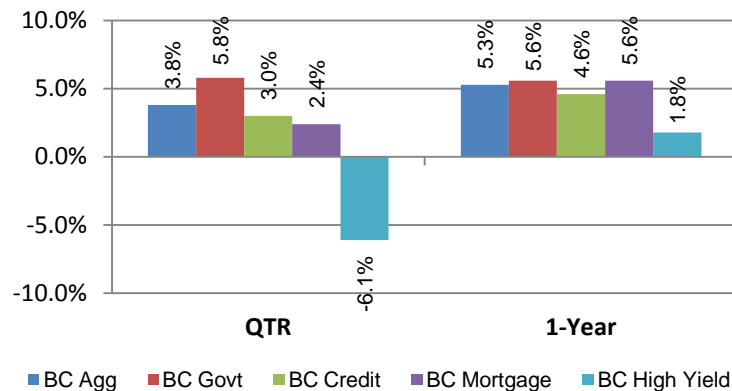
### Treasury Yield Curve Changes



## Fixed Income

- The bond markets continued to outperform the equity markets during the third quarter as weak macroeconomic data, unstable commodity prices, and global debt crises continued to shake investor confidence.
- The High Yield return for the quarter fell behind other sectors after outperforming the previous two-quarters.

### Fixed Income Returns



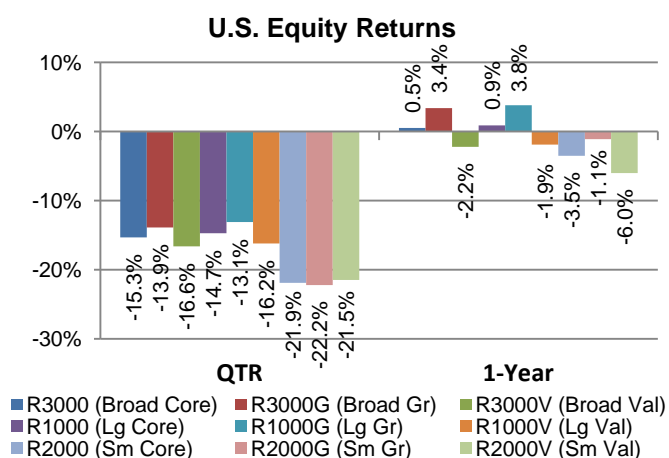
### U.S. Fixed Income Sector Performance (BC Aggregate Index)

Sector	Weight	QTR	1 Year
Governments*	38.2%	5.8%	5.6%
Inv. Grade Credit	19.7%	3.0%	4.6%
Agencies	7.3%	2.8%	3.5%
MBS	32.4%	2.4%	5.6%
ABS	0.3%	2.4%	3.3%
CMBS	2.1%	-0.9%	3.8%

\*U.S. Treasuries and Government Related

## U.S. Equities

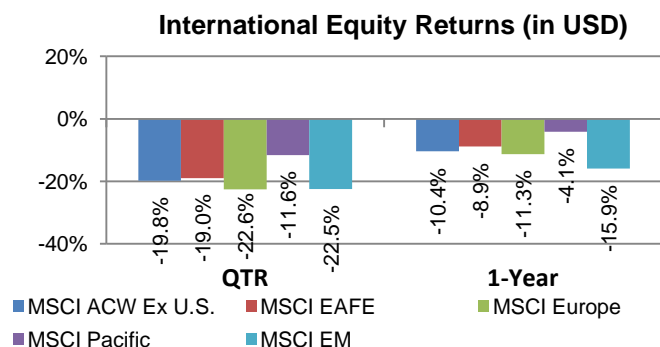
- The U.S. stock market experienced extreme volatility. Despite producing a negative return, US markets generally fared better than global markets over the quarter.
- Equity indices fell sharply during the quarter, pushing most to negative returns during the trailing 1-year period, as investor sentiment sank and stock price volatility increased. In addition, unemployment data and the housing market remain stubbornly weak.
- During the quarter, growth indices outperformed value, with the exception of small cap stocks where value outperformed growth.
- All sectors produced a negative or neutral return within the quarter, and only Utilities, Consumer Staples and Health Care produced a positive return for the trailing 12-month period.



U.S. Equity Sector Performance (Russell 3000 Index)			
Sector	Weight	QTR	1 Year
Utilities	4.1%	0.0%	9.5%
Consumer Staples	10.1%	-4.5%	3.9%
Telecom Svc	3.0%	-9.6%	-3.2%
Information Tech	18.8%	-10.4%	-7.7%
Health Care	12.2%	-11.7%	0.7%
Consumer Disc	11.7%	-15.0%	-8.1%
Energy	10.7%	-21.5%	-12.9%
Financials	14.8%	-21.6%	-23.0%
Industrials	10.8%	-22.1%	-16.4%
Materials	3.9%	-25.1%	-22.0%

## International Equities

- The international developed equity markets dropped sharply in the third quarter as the European debt crisis intensified, and an increased probability of Greek default and fear of spreading credit problems escalated.
- Emerging equities dropped in the third quarter as uncertainty and fear of a severe slow down drew investor concern, resulting in risk aversion amongst investors.



International Equity Region Performance (in USD) (MSCI ACW Index ex U.S.)			
Sector	Weight	QTR	1 Year
Japan	15.9%	-6.4%	0.1%
United Kingdom	15.2%	-15.4%	-5.3%
Canada	8.2%	-18.8%	-6.2%
Pacific Ex. Japan	8.9%	-19.7%	-10.8%
Emerging Markets	23.0%	-22.5%	-15.9%
Europe Ex. UK	28.3%	-26.0%	-14.2%

# Quarterly Report

Q3-11

## Market Summary – Long-term Performance\*

Indexes	1 Year	3 Year	5 Year	10 Year	20 Year
<b>Global Equity</b>					
MSCI All Country World	5.5%	1.1%	-1.1%	5.0%	6.3%
<b>Domestic Equity</b>					
S&P 500	1.1%	1.2%	-1.2%	2.8%	7.6%
Russell 3000	0.5%	1.5%	-0.9%	3.5%	7.8%
Russell 3000 Growth	3.4%	4.5%	1.6%	3.2%	6.6%
Russell 3000 Value	-2.2%	-1.6%	-3.5%	3.6%	8.6%
Russell 1000	0.9%	1.6%	-0.9%	3.3%	7.9%
Russell 1000 Growth	3.8%	4.7%	1.6%	3.0%	6.7%
Russell 1000 Value	-1.9%	-1.5%	-3.5%	3.4%	8.5%
Russell 2000	-3.5%	-0.4%	-1.0%	6.1%	8.0%
Russell 2000 Growth	-1.1%	2.1%	1.0%	5.5%	5.5%
Russell 2000 Value	-6.0%	-2.8%	-3.1%	6.5%	10.0%
<b>International Equity</b>					
MSCI All Country World ex US	-10.4%	1.0%	-1.1%	7.3%	5.6%
MSCI EAFE	-8.9%	-0.7%	-3.0%	5.5%	4.9%
MSCI Pacific	-4.1%	2.5%	-1.9%	5.8%	1.7%
MSCI Europe	-11.3%	-2.1%	-3.6%	5.3%	7.3%
MSCI EM (Emerging Markets)	-15.9%	6.6%	5.2%	16.4%	9.0%
<b>Fixed Income</b>					
BC Aggregate Bond	5.3%	8.0%	6.5%	5.7%	6.7%
BC Government	5.6%	6.4%	6.6%	5.4%	6.6%
BC Credit Bond	4.6%	11.7%	6.7%	6.3%	7.2%
BC Mortgage Backed Securities	5.6%	7.0%	6.7%	5.6%	6.6%
BC High Yield Corporate Bond	1.8%	13.8%	7.1%	8.8%	8.2%
BC WGILB - Hedged	7.0%	6.9%	5.9%	6.4%	NA
<b>Real Estate</b>					
NCREIF (Private RE)	16.1%	-1.4%	3.4%	7.8%	7.6%
NAREIT (Public RE)	1.1%	-1.1%	-2.9%	8.6%	9.7%
<b>Commodity Index</b>					
DJ-UBS Commodity	0.0%	-5.7%	-1.1%	5.9%	NA

\* Performance is annualized for periods greater than one year.

## Actual vs. Target Allocations

The strategic allocation targets reflect the allocation targets for the 10/1/2010-9/30/2011 period.

With respect to policy targets, the Total Retirement Portfolio ended the latest quarter **overweight Fixed Income and Cash**, while **underweight International Equity, Private Equity, and Real Estate. Domestic Equity and Real Return** were on target. The Board approved a new long-term investment policy in June 2011. The new policy will be implemented over a series of phased asset allocation targets that begin in the fourth quarter of 2011.

## As of September 30, 2011

Segment	Actual (\$MM)	Actual %	Target% <sup>1</sup>	Variance	Min.	Max.
Total Portfolio <sup>2</sup>	7,820	100	100	---	---	---
Total Retirement <sup>3</sup>	6,675	100	100	---	---	---
Domestic Equity	2,236	34	34	0	29	39
International Equity	1,270	19	20	-1	16	24
Fixed Income	2,334	35	33	2	28	38
Real Return	349	5	5	0	---	---
Private Equity	99	1	3	-2	---	---
Real Estate	133	2	4	-2	---	---
Cash	251	4	1	3	0.5	1.5

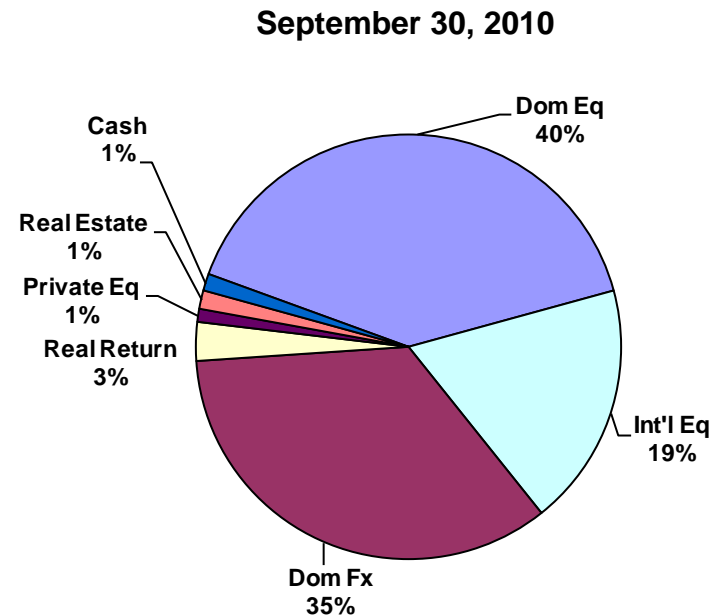
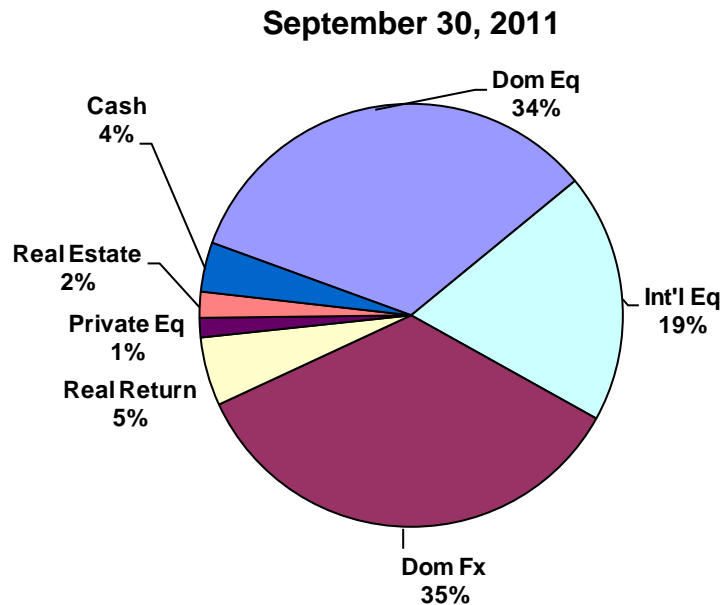
<sup>1</sup>10/1/2010-9/30/2011 strategic allocation policy targets.

<sup>2</sup>Total Portfolio includes assets from the Retirement, Health, Disability, and Death Plans.

<sup>3</sup>Including \$10.2 million in transition assets and a negative balance of (\$6.4) million in securities lending.

## Actual Strategic Allocation Comparison

As of September 30, 2011, the Total Retirement Portfolio had a 53% allocation in Equities, 35% in Fixed Income, 5% in Real Return, 1% in Private Equity, 2% in Real Estate, and 4% in Cash. During the latest 1-year period, the actual weightings of Real Return, Real Estate, and Cash increased by 2%, 1%, and 3%, respectively, while Domestic Equity decreased by (6%). Actual weightings of International Equity and Domestic Fixed Income remained the same. The Total Retirement Portfolio implemented the policy targets beginning 10/1/2010. The Board approved a new long-term investment policy in June 2011. The new policy will be implemented over a series of phased asset allocation targets that begin in the fourth quarter of 2011 (see Appendix for a description of the new policy benchmark composition).



## WPERP RETIREMENT PLAN PERFORMANCE

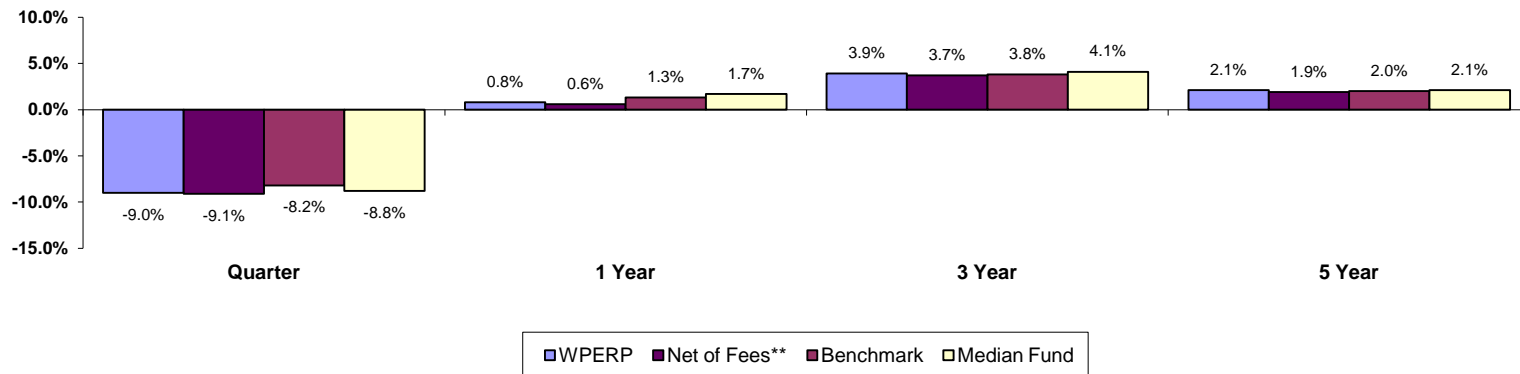
This section includes an overview of the performance of WPERP's Total Retirement Portfolio and a detailed analysis of strategic classes and specific mandates.

### Portfolio Performance Overview (gross of fees)

The Total Retirement Portfolio underperformed its policy benchmark over the previous quarter and trailing 1-year period by (80) and (50) basis points, respectively. Over both the latest 3- and 5-year periods, the Total Retirement Portfolio outperformed its policy benchmark by 10 basis points.

The Total Retirement Portfolio matched the Median Public Fund over the latest 5-year period. The Total Retirement Portfolio trailed the Median Public Fund over the previous quarter by (20) basis points. Over the latest 1- and 3-year periods, the Total Retirement Portfolio trailed the Median Public Fund by (90) and (20) basis points, respectively.

### Periods Ending September 30, 2011 (annualized)\*

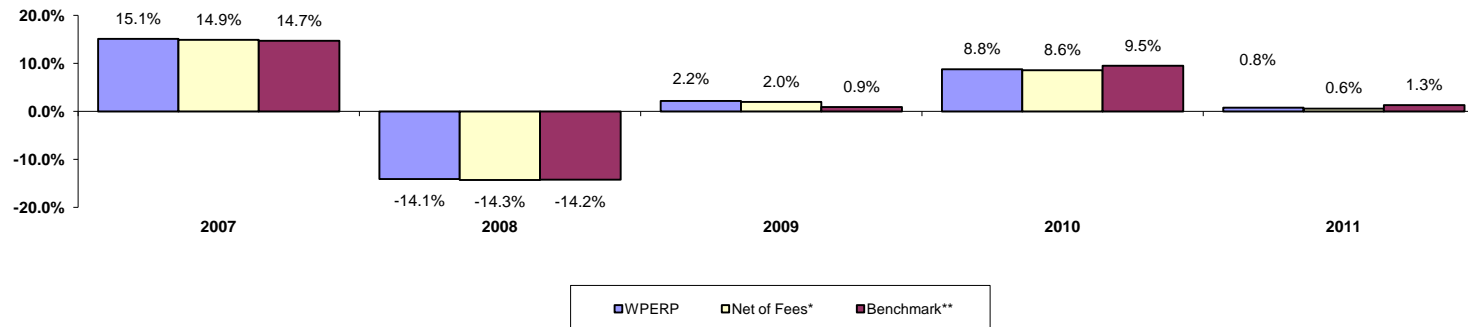


\* WPERP performance reported gross of fees.

\*\*Net of Fees Performance estimated based on existing WPERP manager fee schedule.

The Total Retirement Portfolio generated positive absolute performance results, gross of fees, over four of the five trailing 12-month periods. The Total Retirement Portfolio outperformed its policy benchmark three times over the same time periods, gross of fees.

## 12-month Performance – Periods Ending September 30



\*Net of Fees estimated based on existing WPERP manager fee schedule

## Portfolio Valuation

As of September 30, 2011, the Total Retirement Portfolio had an aggregate value of \$6.7 billion. This represents a (\$674.8) million decline in value over last quarter including minus (\$19.5) million in net withdrawals. During the previous 1-year period, the Total Retirement Portfolio decreased by (\$5.8) million.

## Portfolio Valuation as of September 30, 2011, Gross of Fees\*

	<u>3Q 2011</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>			
Beginning Market Value	\$7,350.0	\$6,681.1	\$6,312.7	\$6,722.8			
Net Flow	-19.5	-59.3	-405.2	-783.7			
<b>Investment Return in \$ (in%)</b>	<b>-655.3</b>	<b>-9.0%</b>	<b>53.4</b>	<b>0.8%</b>	<b>767.8</b>	<b>3.9%</b>	<b>736.2</b>
Ending Market Value	\$6,675.2	\$6,675.2	\$6,675.2	\$6,675.2			

\*Dollar figures in millions (\$), differences due to rounding

\*\*Recent Quarter net flow per Mellon. 1-year, 3-year, 5-year net flows estimated per PCA



## PERFORMANCE ATTRIBUTION - RETIREMENT PLAN VS. POLICY BENCHMARK

### Performance Attribution - 3Q 2011

	Policy		Portfolio		Impact on Return			
	Allocation*	Return	Allocation*	Return	Weighting	Selection	Interaction	Total
Domestic Equity	34.0%	(15.3)	35.3%	(16.3)	(0.1)	(0.3)	(0.0)	(0.5)
International Equity	20.0%	(19.9)	20.3%	(19.3)	(0.0)	0.1	0.0	0.1
Fixed Income	33.0%	2.9	33.1%	2.5	0.0	(0.1)	(0.0)	(0.1)
Real Return	5.0%	0.8	4.9%	2.6	(0.0)	0.1	(0.0)	0.1
Private Equity	3.0%	4.9	1.4%	4.4	(0.2)	(0.0)	0.0	(0.2)
Real Estate	4.0%	3.9	1.8%	6.1	(0.3)	0.1	(0.0)	(0.2)
Cash	1.0%	0.0	3.3%	0.0	0.2	0.0	0.0	0.2
Total	100.0%	(8.2)	100.0%	(9.0)	(0.4)	(0.2)	(0.1)	(0.7)

\*Policy allocation utilizes beginning-of-the period target allocations; Portfolio allocation utilizes average market values for the quarter.

### Performance Attribution - Trailing 12-month

	Policy		Portfolio		Impact on Return			
	Allocation*	Return	Allocation*	Return	Weighting	Selection	Interaction	Total
Domestic Equity	34.0%	0.5	36.5%	(0.2)	0.1	(0.2)	0.0	(0.1)
International Equity	20.0%	(10.6)	21.0%	(10.2)	(0.1)	0.1	0.0	0.0
Fixed Income	33.0%	4.8	32.5%	5.8	(0.2)	0.3	0.0	0.0
Real Return	5.0%	3.1	4.3%	5.4	0.2	0.1	(0.0)	0.3
Private Equity	3.0%	24.9	1.3%	24.5	(0.3)	0.3	(0.2)	(0.2)
Real Estate	4.0%	16.7	1.7%	25.6	(0.4)	(0.2)	0.1	(0.5)
Cash	1.0%	0.1	2.6%	0.4	0.1	0.0	0.0	0.1
Total	100.0%	1.3	100.0%	0.8	(0.6)	0.3	(0.0)	(0.3)

\*Policy allocation utilizes average target allocations over the trailing four quarters; Portfolio allocation utilizes average market values over the trailing four quarters.

- During the most recent quarter, the Total Retirement Portfolio underperformed its policy benchmark, due primarily to unfavorable weighting to Domestic Equity, Private Equity, and Real Estate, and security selection in Domestic Equity and Fixed Income. We note, however, that Private Equity and Real Estate returns are lagged one quarter, so reported figures do not account for the volatile 3rd Quarter. Both relative and absolute performance results would likely be reduced if 3Q returns for these classes were used.
- During the trailing 12-month period, The Total Retirement Portfolio underperformed its policy benchmark, due primarily to the weighting effect. Among asset classes, Real Return and Cash contributed to Total Portfolio performance, while Domestic Equity, Private Equity, and Real Estate detracted. We note, however, that Private Equity and Real Estate returns are lagged one quarter, so reported figures do not account for the volatile 3rd Quarter. Both relative and absolute performance results would likely be reduced if 3Q returns for these classes were incorporated.

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## PERFORMANCE ATTRIBUTION - RETIREMENT PLAN VS. MEDIAN PUBLIC FUND<sup>1</sup>

### Performance Attribution - 3Q 2011

	Median Public Fund		Portfolio		Impact on Return			
	Allocation*	Return	Allocation*	Return	Weighting	Selection	Interaction	Total
Domestic Equity	39.1%	(15.7)	35.3%	(16.3)	0.3	(0.2)	0.0	0.0
International Equity	16.4%	(19.5)	20.3%	(19.3)	(0.4)	0.0	0.0	(0.4)
Fixed Income	26.3%	2.5	33.1%	2.5	0.8	(0.0)	(0.0)	0.8
Real Estate	5.9%	2.9	1.8%	6.1	(0.5)	0.2	(0.1)	(0.4)
Alternative Investments	9.6%	1.5	6.3%	3.0	(0.3)	0.1	(0.1)	(0.3)
Cash	2.6%	0.0	3.3%	0.0	0.1	0.0	0.0	0.1
	100.0%	(8.8)	100.0%	(9.0)	(0.2)	0.1	(0.1)	(0.2)

\*Median allocation utilizes beginning-of-the period target allocations; Portfolio allocation utilizes average market values for the quarter.

### Performance Attribution - Trailing 12-month

	Median Public Fund		Portfolio		Impact on Return			
	Average Allocation	Return	Average Allocation	Return	Weighting	Selection	Interaction	Total
Domestic Equity	39.1%	0.4	36.5%	(0.2)	0.0	(0.3)	0.0	(0.2)
International Equity	16.5%	(9.3)	21.0%	(10.2)	(0.5)	(0.2)	(0.0)	(0.7)
Fixed Income	27.0%	5.3	32.5%	5.8	0.2	0.1	0.0	0.4
Real Estate	5.7%	17.3	1.7%	25.6	(0.6)	0.5	(0.3)	(0.5)
Alternative Investments	9.5%	7.5	5.6%	9.8	(0.2)	0.2	(0.1)	(0.1)
Cash	2.3%	0.4	2.6%	0.4	(0.0)	0.0	0.0	(0.0)
	100.0%	1.7	100.0%	0.8	(1.1)	0.4	(0.4)	(1.1)

\*Median Public Fund allocation utilizes average target allocations over the trailing four quarters; Portfolio allocation utilizes average market values over the trailing four quarters.

- During the most recent quarter, the Total Retirement Portfolio underperformed the Median Public Fund, due primarily to weighting in International Equity, Real Estate, and Alternative Investments. We note, however, that Real Estate and Alternative Investments returns are lagged one quarter, so reported figures do not account for the volatile 3rd Quarter. Both relative and absolute performance results would likely be reduced if 3Q returns for these classes were used. The Fixed Income class was the largest contributor to overall portfolio performance.
- During the trailing 12-month period, The Total Retirement Portfolio underperformed the Median Public Fund. Weighting in International Equity, Real Estate, and Alternative Investments, along with security selection in Domestic Equity and International Equity, detracted the most from overall portfolio performance. We note, however, that Real Estate and Alternative Investments returns are lagged one quarter, so reported figures do not account for the volatile 3rd Quarter. Both relative and absolute performance results would likely be reduced if 3Q returns for these classes were incorporated. The Fixed Income class was the largest contributor to overall portfolio performance.

<sup>1</sup> Mellon Total Funds Public Universe. For the Median Public Fund: Alternative investments include allocations to Private Equity, Hedge Funds, and other investments; for WPERP, the asset class includes Private Equity and Real Return.

## WPERP RETIREMENT PLAN STRATEGIC CLASS PERFORMANCE

The **Domestic Equity** portfolio underperformed its policy benchmark during the quarter by (1.0%), with a minus (16.3%) return. Underperformance over the previous quarter can be mainly attributed to the two large cap growth managers. Over the latest 1- and 3-year periods, the portfolio trailed its policy benchmark by (70) and (50) basis points, respectively. Over the latest 5-year period, the portfolio outperformed its policy benchmark by 20 basis points.

The **International Equity** portfolio posted a minus (19.3%) quarterly return, outperforming its policy benchmark by 60 basis points. Over the latest 1-year period, the portfolio bested its policy benchmark by 40 basis points. Over the longer 3- and 5-year periods, the portfolio underperformed its policy benchmark by (60) and (70) basis points, respectively. Underperformance during the trailing 5-year period can be mainly attributed to one of the Plan's developed markets managers and one emerging markets manager.

The **Fixed Income** portfolio trailed its policy benchmark over the most recent quarter by (40) basis points, but outperformed its policy benchmark over all longer time periods. One of the Plan's core fixed income managers outperformed its benchmark across all time periods, while the other core fixed income manager underperformed during the most recent quarter, but outperformed over the trailing 1-year period. The two high yield managers produced mixed results across the examined periods.

### Periods ending September 30, 2011

Asset Class	Quarter	1 Year	3 Year	5 Year
Total Retirement	-9.0	0.8	3.9	2.1
<i>Policy Benchmark<sup>1</sup></i>	<i>-8.2</i>	<i>1.3</i>	<i>3.8</i>	<i>2.0</i>
Domestic Equity	-16.3	-0.2	0.9	-0.7
<i>Russell 3000 (blend)<sup>3</sup></i>	<i>-15.3</i>	<i>0.5</i>	<i>1.4</i>	<i>-0.9</i>
International Equity	-19.3	-10.2	0.8	-1.6
<i>MSCI ACWI ex U.S. IMI ND (blend)<sup>4</sup></i>	<i>-19.9</i>	<i>-10.6</i>	<i>1.4</i>	<i>-0.9</i>
Fixed Income	2.5	5.8	9.4	6.8
<i>BC Universal</i>	<i>2.9</i>	<i>4.8</i>	<i>8.2</i>	<i>6.4</i>
Real Return <sup>2</sup>	2.6	5.4	1.1	---
<i>Tbill + 3%<sup>2</sup></i>	<i>0.8</i>	<i>3.1</i>	<i>3.3</i>	<i>---</i>
Private Equity <sup>2</sup>	4.4	24.5	7.4	7.8
<i>Cambridge USPE/USVC<sup>2,5</sup></i>	<i>4.9</i>	<i>24.9</i>	<i>4.9</i>	<i>8.8</i>
Real Estate <sup>2</sup>	6.1	25.6	-7.5	---
<i>NCREIF<sup>2</sup></i>	<i>3.9</i>	<i>16.7</i>	<i>-2.6</i>	<i>---</i>
Cash	0.0	0.4	0.4	2.0
<i>Citigroup T-bills</i>	<i>0.0</i>	<i>0.1</i>	<i>0.2</i>	<i>1.6</i>

<sup>1</sup> See Appendix for a description of the Retirement Plan policy benchmark.

<sup>2</sup> Returns are lagged one quarter.

<sup>3</sup> The policy benchmark for the Domestic Equity asset class is S&P 500 thru 3/31/03, and Russell 3000 from 4/1/03 to the present.

<sup>4</sup> The policy benchmark for the International Equity asset class is MSCI ACWI ex US thru 12/31/08, and MSCI ACWI ex US IMI ND from 1/1/09 to the present.

<sup>5</sup> The policy benchmark for the Private Equity asset class is a blended benchmark composed of Cambridge US Private Equity Index and the Cambridge US Venture Capital Index.

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## WPERP RETIREMENT PLAN MANAGER PERFORMANCE

### Domestic Equity – Periods ending September 30, 2011

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
BlackRock	582,151	Large Cap Core	-14.7	1.0	1.7	-0.9	3.9	8/2003
<i>Russell 1000 Index</i>	---	---	-14.7	0.9	1.6	-0.9	3.8	---
MFS	360,640	Large Cap Value	-15.3	-1.4	-0.6	-0.1	4.0	2/2004
<i>Russell 1000 Value Index</i>	---	---	-16.2	-1.9	-1.5	-3.5	1.7	---
T. Rowe Price	360,515	Large Cap Value	-16.6	-1.2	0.2	-1.2	3.0	10/2004
<i>Russell 1000 Value Index</i>	---	---	-16.2	-1.9	-1.5	-3.5	1.6	---
Fred Alger	372,817	Large Cap Growth	-18.7	1.2	3.9	3.3	4.1	2/2004
<i>Russell 1000 Growth Index</i>	---	---	-13.1	3.8	4.7	1.6	2.6	---
T. Rowe Price	369,644	Large Cap Growth	-14.3	-0.3	---	---	-3.8	4/2010
<i>Russell 1000 Growth Index</i>	---	---	-13.1	3.8	---	---	2.3	---
Earnest Partners	94,422	Small Cap Value	-19.8	-0.7	-0.2	-0.5	2.0	11/2004
<i>Russell 2000 Value Index</i>	---	---	-21.5	-6.0	-2.8	-3.1	0.6	---
Frontier	95,902	Small Cap Growth	-22.5	-1.1	---	---	-3.9	4/2010
<i>Russell 2000 Growth Index</i>	---	---	-22.2	-1.1	---	---	0.9	---

\* Performance is calculated based on the first full month of performance since funding.

\*\* Inception date reflect the month when portfolio received initial funding. Since-inception returns are not shown for managers with less than one year of performance.

### Latest Quarter

During the third quarter of 2011, three of WPERP's seven reporting domestic equity managers either matched or outperformed their respective benchmarks.

**BlackRock**, WPERP's passive large cap core manager, matched the Russell 1000 Index with a minus (14.7%) quarterly return. **MFS**, one of the Plan's large cap value managers, generated a minus (15.3%) quarterly return, outperforming the Russell 1000 Value Index return by 90 basis points. **T. Rowe Price LCV**, the Plan's other large cap value manager, underperformed the Russell 1000 Value Index by (40) basis points with a minus (16.6%) quarterly return. **Fred Alger**, the Plan's active large cap growth manager, completed the quarter with a minus (18.7%) return, underperforming the Russell 1000 Growth Index by (5.6%). Security selection within Energy, Health Care, and Information Technology detracted the most from relative performance. **T. Rowe Price LCG**, the Plan's other large cap growth manager, posted a quarterly return of minus (14.3%) and underperformed the Russell 1000 Growth Index by (1.2%), due primarily to security selection within Information Technology and Health Care, and an underweight position to Consumer Staples. **Earnest Partners**, WPERP's small cap value manager, ended the quarter with a minus (19.8%) return, outperforming the Russell 2000 Value Index by 1.7%, due primarily to security selection within Consumer Discretionary, Materials, and Information Technology. **Frontier**, the Plan's small cap growth manager, posted a quarterly return of minus (22.5%) and underperformed the Russell 2000 Growth Index by (30) basis points.

## Latest Year

During the latest 1-year period, **BlackRock** outperformed its benchmark by 10 basis points with a 1.0% return. **MFS** posted a minus (1.4%) return and outperformed its benchmark by 50 basis points. **T. Rowe Price LCV** generated a minus (1.2%) return, outperforming its benchmark by 70 basis points. **Fred Alger** posted a 1.2% return, underperforming its benchmark by (2.6%). Stock selection within Energy, Information Technology, and Consumer Discretionary detracted from relative performance. **T. Rowe Price LCG** posted a minus (0.3%) return and underperformed the Russell 1000 Growth Index by (4.1%), due primarily to stock selection within Energy and Information Technology. **Earnest Partners** completed the latest 1-year period with a minus (0.7%) return, outperforming its benchmark by 5.3%. Security selection within Energy, Industrials, and Utilities contributed the most to relative outperformance. **Frontier** posted a 1-year return of minus (1.1%), matching the benchmark return.

## Latest Three Years

During the latest 3-year period, **BlackRock** outperformed its benchmark by 10 basis points with a 1.7% return. **MFS** surpassed its benchmark by 90 basis points with a minus (0.6%) return. **T. Rowe Price LCV** posted a 0.2% return, outperforming its benchmark by 1.7%. The portfolio's underweight position and stock selection in Financials, as well as stock selection within Energy, Consumer Staples and Industrials, drove the relative outperformance. **Fred Alger** posted a 3.9% return, underperforming its benchmark by (80) basis points. **Earnest Partners'** latest 3-year return of minus (0.2%) bested its benchmark by 2.6%. Security selection within Energy, Industrials, and Telecommunication Services benefited relative outperformance.

## Latest Five Years

During the latest 5-year period, **BlackRock** matched its benchmark with a minus (0.9%) return. **MFS** finished the period surpassing the Russell 1000 Value Index return by 3.4% with a minus (0.1%) return. Stock selection in Financials, Information Technology, and Industrials largely aided relative performance. **T. Rowe Price LCV** outperformed its benchmark by 2.3% with a minus (1.2%) return, due primarily to an underweight allocation and stock selection in Financials. **Fred Alger** posted a 3.3% return, outperforming its benchmark by 1.7%. Stock selection in Energy, Consumer Discretionary, Industrials, and Materials contributed the most to relative performance. **Earnest Partners** generated a minus (0.5%) return, besting its benchmark by 2.6%. Stock selection in Energy, Industrials, and Telecommunication Services benefited relative outperformance.

## International Equity – Periods ending September 30, 2011

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
Invesco	358,151	Developed Markets	-17.2	-7.2	0.2	-2.5	3.7	6/2004
<i>MSCI World ex US IMI ND Index (blend – Invesco)<sup>1</sup></i>	---	---	-19.0	-8.7	0.0	-2.4	4.1	---
The Boston Company	342,772	Developed Markets	-19.3	-10.4	0.7	-3.2	1.1	3/2005
<i>MSCI World ex US IMI ND Index (blend – Boston)<sup>2</sup></i>	---	---	-19.0	-8.7	0.0	-2.5	2.5	---
Pyramis	359,771	Developed Markets	-18.8	-6.9	0.0	-1.5	3.4	11/2004
<i>MSCI World ex US IMI ND Index (blend – Pyramis)<sup>3</sup></i>	---	---	-19.0	-8.7	0.5	-2.5	2.6	---
The Boston Company	102,909	Emerging Markets	-23.6	-19.8	6.6	5.2	10.0	3/2005
T. Rowe Price***	106,002	Emerging Markets	-22.8	-17.3	4.9	3.9	9.9	3/2005
<i>MSCI EMF IMI ND Index (blend)<sup>4</sup></i>	---	---	-22.7	-16.7	7.1	5.5	10.7	---

\* Performance is calculated based on the first full month of performance since funding.

\*\* Inception date reflects the month when portfolio received initial funding.

\*\*\* T. Rowe Price has been terminated and replaced with Vontobel. Funding is anticipated during the fourth quarter of 2011.

As a result of the 2011 International Equity Structure Review, the international equity class is being restructured to bring the emerging markets portfolio to a market weighting, Invesco is being replaced with a passive manager, and both The Boston Company portfolios are being replaced with active relative value managers.

## Latest Quarter

During the third quarter of 2011, two of WPERP's five reporting international equity managers outperformed their respective benchmarks.

**Invesco**, WPERP's active core international manager, generated a quarterly return of minus (17.2%) and outperformed the MSCI World ex US IMI ND Index (blend) return by 1.8%. **The Boston Company**, the Plan's active international value manager, completed the quarter with a minus (19.3%) return, underperforming the MSCI World ex US IMI ND Index (blend) return by (30) basis points. **Pyramis**, the Plan's active international growth manager, outperformed the MSCI World ex US IMI ND Index (blend) by 20 basis points with a minus (18.8%) quarterly return. **The Boston Company**, one of WPERP's two emerging markets managers, finished the quarter with a minus (23.6%) return, underperforming the MSCI Emerging Markets IMI ND Index (blend) by (90) basis points. **T. Rowe Price**, the Plan's other emerging markets manager, completed the quarter with a minus (22.8%) return, slightly underperforming the MSCI Emerging Markets IMI ND Index (blend) by (10) basis points.

<sup>1</sup> Invesco's benchmark is MSCI EAFE + Canada ND thru 12/31/08, and MSCI World ex US IMI ND from 1/1/09 to the present.

<sup>2</sup> Boston's benchmark is MSCI EAFE + Canada Value ND thru 6/30/07, MSCI EAFE + Canada ND from 7/1/07 to 12/31/08, and MSCI World ex US IMI ND from 1/1/09 to the present.

<sup>3</sup> Pyramis' benchmark is MSCI EAFE ND thru 12/31/08, and MSCI World ex US IMI ND from 1/1/09 to the present.

<sup>4</sup> Boston (EM) and T. Rowe Price's benchmark is MSCI EMF thru 12/31/08, and MSCI EMF IMI ND from 1/1/09 to the present.

## Latest Year

**Invesco** finished its latest 1-year period with a minus (7.2%) return, besting its benchmark by 1.5%. **The Boston Company** completed the period underperforming its benchmark by (1.7%) with a minus (10.4%) return. Security selection within Consumer Discretionary, Information Technology, and Industrials detracted the most from relative performance. **Pyramis** completed the period with a minus (6.9%) return, outperforming its benchmark by 1.8%. Stock selection within the European, Japanese, and Canadian regional portfolios added to relative performance. **The Boston Company** emerging markets portfolio produced a minus (19.8%) return, trailing its benchmark by (3.1%). Stock selection in South Africa, India, Taiwan, Mexico, and Brazil detracted from relative returns. **T. Rowe Price** generated a minus (17.3%) return and underperformed its benchmark by (60) basis points.

## Latest Three Years

**Invesco** finished its latest 3-year period with a 0.2% return, outperforming its benchmark by 20 basis points. **The Boston Company** completed the period returning 0.7%, outperforming its benchmark by 70 basis points. **Pyramis** trailed its benchmark by (50) basis points, returning 0.0% for the period. **The Boston Company** emerging markets portfolio produced a 6.6% return and underperformed its benchmark by (50) basis points. **T. Rowe Price** generated a 4.9% return and trailed its benchmark by (2.2%). Stock selection in Energy, Industrials, and Telecommunication Services accounted for the bulk of the underperformance.

## Latest Five Years

**Invesco** finished its latest 5-year period underperforming its benchmark by (10) basis points with a minus (2.5%) return. **The Boston Company** completed the period posting a minus (3.2%) return, underperforming its benchmark by (70) basis points. **Pyramis** returned minus (1.5%), outperforming its benchmark by 1.0%. **The Boston Company** emerging markets portfolio trailed its benchmark by (30) basis points, returning 5.2%. **T. Rowe Price** returned 3.9% and underperformed its benchmark return by (1.6%). Stock selection in Consumer Discretionary and Industrials detracted the most from relative performance.



## Fixed Income – Periods ending September 30, 2011

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
JP Morgan	1,042,630	Core	3.0	5.9	---	---	7.8	4/2010
<i>BC Aggregate Index</i>	---	---	<i>3.8</i>	<i>5.3</i>	---	---	<i>7.6</i>	---
Wells	1,068,252	Core	4.1	6.3	10.2	8.0	6.9	7/2004
<i>BC Aggregate Index</i>	---	---	<i>3.8</i>	<i>5.3</i>	<i>8.0</i>	<i>6.5</i>	<i>5.8</i>	---
Loomis	112,554	High Yield	-9.2	2.5	14.6	7.4	8.0	3/2005
<i>BC High Yield Index</i>	---	---	<i>-6.1</i>	<i>1.8</i>	<i>13.8</i>	<i>7.1</i>	<i>7.3</i>	---
Wells	110,737	High Yield	-4.1	2.7	12.1	7.1	6.7	11/2004
<i>BC High Yield Index</i>	---	---	<i>-6.1</i>	<i>1.8</i>	<i>13.8</i>	<i>7.1</i>	<i>6.9</i>	---

\* Performance is calculated based on the first full month of performance since funding.

\*\* Inception date reflects the month when portfolio received initial funding.

### Latest Quarter

During the third quarter of 2011, two of WPERP's four reporting fixed income managers outperformed their respective benchmarks.

**JP Morgan**, one of the Plan's two core fixed income managers, trailed the BC Aggregate Index by (80) basis points with a quarterly return of 3.0%. **Wells**, the Plan's other core fixed income manager, outperformed the BC Aggregate Index by 30 basis points with a quarterly return of 4.1%. **Loomis Sayles**, one of the Plan's two high yield managers, produced a quarterly return of minus (9.2%), underperforming the BC High Yield Index by (3.1%). The portfolio's relative underperformance was mostly driven by security selection. The Plan's other high yield manager, **Wells High Yield**, finished the quarter outperforming the BC High Yield Index by 2.0% with a minus (4.1%) return. Security selection, and specifically a higher credit quality bias, aided relative performance.

### Latest Year

**JP Morgan** finished its latest 1-year period with a 5.9% return and outperformed its benchmark by 60 basis points. **Wells** generated a 6.3% return and outperformed its benchmark by 1.0%, due primarily to security selection. **Loomis Sayles** generated a 2.5% return and outperformed its benchmark by 70 basis points. **Wells High Yield** finished the period returning 2.7%, besting its benchmark by 90 basis points.

### Latest Three Years

**Wells** finished its latest 3-year period posting a 10.2% return and outperformed its benchmark by 2.2%, due primarily to security selection. **Loomis Sayles** generated a 14.6% return and outperformed its benchmark by 80 basis points. **Wells High Yield** posted a 12.1% return, underperforming its benchmark by (1.7%). The portfolio's relative underperformance was mostly driven by its more conservative holdings than the broad market.

### Latest Five Years

**Wells** finished its latest 5-year period with an 8.0% return and outperformed its benchmark by 1.5%, driven mainly by security selection. **Loomis** completed the period with a 7.4% return, outperforming its benchmark by 30 basis points. **Wells High Yield** matched its benchmark with a 7.1% return.



## Real Return – Periods ending September 30, 2011

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception**	Inception Date***
Aetos Capital*	36,617	Hedge FOFs	0.3	8.1	2.4	---	2.5	2/2007
<i>Tbills + 3 %*</i>	---	---	<i>0.8</i>	<i>3.1</i>	<i>3.3</i>	---	<i>4.5</i>	---
<i>HFRI FOF Diversified Index*</i>	---	<i>Hedge FOFs</i>	<i>-1.2</i>	<i>6.4</i>	<i>-1.7</i>	---	<i>0.2</i>	---
WAMCO*	312,311	GILS	2.9	4.8	---	---	5.6	4/2010
<i>BC WGILB Index* ****</i>	---	---	<i>3.2</i>	<i>6.5</i>	---	---	<i>6.4</i>	---

\* Returns are lagged one quarter and net-of-fees, if applicable.

\*\* Performance is calculated based on the first full month of performance since funding.

\*\*\* Inception date reflect the month when portfolio received initial funding.

\*\*\*\* Barclays Capital World Govt Inflation-Linked All Maturities USA Hedged Bond Index (series B)

### Latest Quarter

The WPERP Board is considering adding timber and commodities to the real return asset class. In addition, the Plan also issued an RFP for covered calls managers in early August.

**Aetos** posted a 0.3% return, underperforming the Tbill+3% by (0.5%), but outperforming the HFRI FOF Diversified Index by 1.5%. **WAMCO**, the Plan's GILS (Global Inflation-Linked Securities) manager, posted a quarterly return of 2.9%, underperforming the BC WGILB Index by (30) basis points.

### Latest Year

Over the latest 1-year period, **Aetos** returned 8.1% and outperformed the Tbill+3% by 5.0% and the HFRI FOF Diversified Index by 1.7%. **WAMCO** generated a 4.8% return, underperforming its benchmark by (1.7%). The compression of breakeven inflation within the United Kingdom detracted from performance due to the portfolio's positioning.

### Latest Three Years

**Aetos** finished its latest 3-year period with a 2.4% return, underperforming the Tbill+3% by (0.9%), but outperforming the HFRI FOF Diversified Index by 4.1%.

## Private Equity and Real Estate - Periods ending September 30, 2011

Asset Class	Mkt Value (\$000)	Quarter	1 YR	3 YR	5 YR	Since Inception***	Inception Date****
Private Equity*	93,869	4.4	24.5	7.4	7.8	7.8	9/2006
<i>Cambridge USPE/USVC**</i>	---	<i>4.9</i>	<i>24.9</i>	<i>4.9</i>	<i>8.8</i>	<i>8.8</i>	---
Real Estate*	132,950	6.1	25.6	-7.5	---	-1.2	3/2007
<i>NCREIF*</i>	---	<i>3.9</i>	<i>16.7</i>	<i>-2.6</i>	<i>3.4</i>	<i>2.0</i>	---

\* Returns are lagged one quarter and net of fees.

\*\* The policy benchmark for the Private Equity asset class is a blended benchmark composed of Cambridge US Private Equity Index and the Cambridge US Venture Capital Index.

\*\*\* Performance is calculated based on the first full month of performance since funding.

\*\*\*\* Inception date reflect the month when portfolio received initial funding.

The **Private Equity** portfolio consists of nine investments including **Lexington VI**, **Lexington VII**, **Landmark XIII**, **Landmark XIV**, **Capital Dynamics** (previously HRJ Capital), **Fisher Lynch**, **Oaktree V**, **EnergyCap**, and **Audax Mezz**. The private equity portfolio underperformed the Cambridge USPE/USVC Index during the previous quarter and latest 1-year period by (50) and (40) basis points, respectively. The portfolio outperformed its benchmark by 2.5% over the latest 3-year period, but underperformed by (1.0%) over the latest 5-year period.

The **Real Estate** portfolio currently consists of seven investments including **Prisa**, **Prisa II**, **JP Morgan Strategic**, **CB Richard Ellis**, **Mesa West**, **Lone Star II**, and **Lone Star VII**. The portfolio outperformed the NCREIF Index during the previous quarter and the latest 1-year period by 2.2% and 8.9%, respectively. Over the latest 3-year period, the portfolio trailed its benchmark by (4.9%).

# Quarterly Report

Q3-11

## WPERP RETIREMENT PLAN MANAGERS ON WATCH

### Return vs. Benchmark Since Watch

As of September 30, 2011

Portfolio	Style Group	Concern	Begin Watch Status	Last Reviewed	Performance Since Begin Watch Status*					
					First Month	First 3 Months	First 6 Months	First 9 Months	First 12 Months	Since Placed on Watch
T. Rowe Price	Emerging Markets	Performance	5/1/2009	Terminated	20.7	33.3	45.4	48.4	64.3	17.8
MSCI EMF IMI (blend)	Emerging Markets				17.8	29.8	41.5	45.8	60.4	15.9
T. Rowe vs. Target	MSCI EMF IMI (blend)				N/M	N/M	N/M	N/M	3.9	1.9
Wells - Sutter	High Yield	Performance	2/1/2010	10/28/2011	0.3	4.8	6.1	11.0	13.6	7.0
BC High Yield	High Yield				0.2	5.7	6.9	13.0	16.2	7.1
Wells vs. Target	BC High Yield				N/M	N/M	N/M	N/M	-2.6	-0.1
Invesco	Developed Markets	Performance	8/1/2011	In RFP Process	-7.3	---	---	---	---	-15.9
MSCI Wld ex US IMI ND	Developed Markets				-8.4	---	---	---	---	-17.8
Invesco vs. Target	MSCI Wld ex US IMI ND				N/M	N/M	N/M	N/M	---	N/M
Boston Company	Developed Markets	Performance	12/1/2010	In RFP Process	8.3	16.2	15.0	-0.7	---	-9.8
MSCI Wld ex US IMI ND	Developed Markets				8.4	14.5	15.1	2.3	---	-8.2
Boston vs. Target	MSCI Wld ex US IMI ND				N/M	N/M	N/M	N/M	---	N/M
Pyramis	Developed Markets	Organizational	5/1/2011	9/28/2011	-3.0	-4.7	---	---	---	-22.1
MSCI Wld ex US IMI ND	Developed Markets				-2.9	-5.9	---	---	---	-22.6
Pyramis vs. Target	MSCI Wld ex US IMI ND				N/M	N/M	N/M	N/M	---	N/M

\*Performance data provided by Mellon.

Periods marked as '---' do not indicate that returns are not available for these periods; only that the manager in question has not been on watch status for these periods.

Periods marked as "N/M" indicate returns are not meaningful enough to fairly judge investment performance.

## Managers on Watch

**T. Rowe Price (Emerging Markets)** was placed on watch status beginning 5/1/2009 due to short-term performance. Watch status was extended 6 months due to continued performance concerns in April 2010 and October 2010. The manager has been terminated, and the Plan is in the process of transitioning to a new emerging markets manager.

**Wells HY** was placed on watch status beginning 2/1/2010 due to short-term performance. PCA recommended extending the watch on 1/13/2011 and completed an on-site visit review on 4/29/2011. In July 2011, PCA recommended WPERP begin a formal RFP process to review the options of replacing the manager. At the 11/9/2011 Board meeting, the WPERP Board opted to retain Wells HY (subject to contract negotiations).

**Pyramis** was placed on watch status beginning 5/1/2010 due to short-term performance. On 4/15/2011, PCA recommended removing Pyramis from watch status due to improved performance. Subsequent to removal, PCA recommended Pyramis again be placed on watch, beginning 5/1/2011, for organizational issues resulting from a recent portfolio manager change.

**Invesco** was placed on watch due to performance issues beginning 9/1/2011. Invesco was previously placed on watch status beginning 9/1/2010 due to organizational issues. PCA recommended removing the manager from watch as the investment team remained stable during the observation period. As a result of the 2011 International Equity Structure Review, the Plan is in the process of replacing Invesco with a passive manager.

**The Boston Company (Developed Markets)** was placed on watch status beginning 12/1/2010 due to short-term performance. As a result of the 2011 International Equity Structure Review, the Plan is in the process of searching for a new manager to replace The Boston Company.

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## Managers Removed/Terminated from Watch Status

**The Boston Company (Developed Markets)** was removed from watch on 8/19/09 due to strong relative performance and lack of any material impact from organizational changes. The Boston Company was originally placed on watch status on 8/1/2007 due to organizational changes.

**The Boston Company (Emerging Markets)** was removed from watch on 8/19/09 due to strong relative performance and lack of any material impact from organizational changes. The Boston Company was originally placed on watch status on 3/1/2009 due to organizational changes.

**Intech** was terminated on 8/19/09. Intech was originally placed on watch status on 12/31/2007 due to short-term performance.

**ING** was terminated on 10/7/09 but the account is currently pending transition. ING was originally placed on watch status on 8/1/2008 due to short-term performance.

**Paradigm** was terminated on 1/27/10. Paradigm was originally placed on watch status on 1/1/2009 due to short-term performance.

**Aetos** was removed from watch on 3/24/10 due to strong relative performance during the evaluation period. **Aetos** was originally placed on watch status on 3/1/2009 due to short-term performance.

**PAAMCO** was removed from watch on 3/24/10 due to strong relative performance during the evaluation period. **PAAMCO** was originally placed on watch status on 3/1/2009 due to short-term performance.

**Loomis Sayles** was removed from watch on 4/28/10 due to strong relative performance during the evaluation period. **Loomis Sayles** was originally placed on watch status on 5/1/2009 due to short-term performance.

**BlackRock** was removed from watch on 6/9/10 as the merger between BlackRock and Barclays Global Investors was examined and viewed as favorable, with key professionals remaining in place. **BlackRock** was originally placed on watch status on 7/1/2009 due to organizational issues.

**Wells** was removed from watch 1/13/11 (effective 12/31/10) due to stabilization of the investment team as well as the product's strong performance results. **Wells** was placed on watch status beginning 2/1/2010 due to short-term performance.

**MFS** was placed on watch status beginning 9/1/2010 due to short-term performance. The manager was removed from watch on 7/11/11 due to improved performance results over the watch period.

## WPERP Retirement Plan Estimated Performance Results Net and Gross of Fees Comparison For Quarter Ending 9/30/2011

			Performance, % <sup>2</sup>		Difference	
Asset Class	Manager	Market Value <sup>2</sup>	Net	Gross	Percentage	Market Value
Domestic Equity						
Russell 1000 Index						
Passive	BlackRock	582,151,425	-14.71%	-14.70%	-0.01%	-58,221
Large Value	MFS	360,639,775	-15.38%	-15.30%	-0.08%	-288,743
Large Value	T. Rowe Price	360,515,195	-16.69%	-16.60%	-0.09%	-324,756
Large Growth	Fred Alger	372,816,974	-18.78%	-18.70%	-0.08%	-298,492
Large Growth	T. Rowe Price	369,644,439	-14.39%	-14.30%	-0.09%	-332,980
Small Value	Earnest Partners	94,422,050	-19.96%	-19.80%	-0.16%	-151,317
Small Growth	Frontier	95,902,496	-22.75%	-22.50%	-0.25%	-240,357
	Transition	837	---	---	---	---
		\$2,236,093,191				
International Equity						
Active Equities	Invesco	358,151,178	-17.31%	-17.20%	-0.11%	-394,400
Active Equities	The Boston Co.	342,771,875	-19.41%	-19.30%	-0.11%	-377,464
Active Equities	Pyramis	359,770,784	-18.89%	-18.80%	-0.08%	-324,085
Emerging Markets	The Boston Company	102,908,828	-23.83%	-23.60%	-0.23%	-237,236
Emerging Markets	T. Rowe Price	106,001,631	-23.05%	-22.80%	-0.25%	-265,668
		\$1,269,604,296				
Domestic Fixed Income						
Core	JP Morgan	1,042,630,241	2.98%	3.00%	-0.03%	-312,883
Core	Wells	1,068,252,042	4.07%	4.10%	-0.03%	-320,572
High Yield	Loomis Sayles	112,553,898	-9.33%	-9.20%	-0.13%	-146,511
High Yield	Wells	110,736,641	-4.22%	-4.10%	-0.12%	-133,044
		\$2,334,172,822				
Real Return <sup>3</sup>						
	Aetos	36,617,300	0.30%	0.49%	-0.19%	-69,705
	PAAMCO	---	---	---	---	---
	WAMCO	312,311,308	2.85%	2.90%	-0.05%	-156,234
		\$348,928,608				
Private Equity <sup>3</sup>						
	Lexington VI	22,447,813	4.50%	4.71%	-0.21%	-90,152
	Lexington VII*	13,014,273	-2.70%	-2.45%	-0.25%	-52,266
	Landmark XIII	16,812,088	2.10%	2.35%	-0.25%	-67,518
	Cap Dynamics	19,019,022	3.90%	4.13%	-0.23%	-76,382
	Fisher Lynch	12,889,564	14.10%	14.35%	-0.25%	-51,765
	Landmark XIV*	6,905,272	12.40%	12.65%	-0.25%	-27,732
	Oaktree*	6,276,294	0.50%	0.94%	-0.44%	-25,206
	Audax Mezz*	936,053	11.60%	11.98%	-0.38%	-3,759
	Energy Cap*	625,351	0.20%	0.58%	-0.38%	-2,511
		\$98,925,730				
Real Estate <sup>3</sup>						
	Prisa	42,724,039	4.90%	5.13%	-0.23%	-98,492
	Prisa II	17,597,310	5.50%	5.73%	-0.23%	-40,567
	JP Morgan	41,567,897	5.30%	5.53%	-0.23%	-95,827
	CBRE	22,088,174	11.50%	11.73%	-0.23%	-50,920
	Mesa West	8,109,069	3.10%	3.33%	-0.23%	-18,694
	Lone Star II	211,463	---	---	---	---
	Lone Star VII	652,303	---	---	---	---
		\$132,950,255				
Cash						
		250,795,702	---	0.00%	---	---
TOTAL PORTFOLIO <sup>1</sup>						
		\$6,675,230,008	-9.06%	-9.00%	-0.06%	-\$5,134,460
Total Fund Policy						
			---	-8.20%	---	---

<sup>1</sup> Total portfolio market value includes \$10.2 million in transition assets and a negative balance of (\$6.4) million in securities lending.

<sup>2</sup> Returns and market values calculated using data from Mellon and LDZ.

<sup>3</sup> Hedge FoFs, Private Equity, and Real Estate asset classes report net-of-fee returns.

\* Partnership is still in the investment period, and thus the true management fees are based on committed capital.

## WPERP DISABILITY PLAN REVIEW

The WPERP - Disability portfolio ended the third quarter of 2011 with an aggregate value of approximately \$39.9 million.

### Portfolio Performance Overview

Periods ending September 30, 2011, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year	Since Inception**	Inception Date***
Total Portfolio	3.7	6.1	9.5	7.3	---	---
<i>Policy Benchmark*</i>	<i>3.6</i>	<i>5.0</i>	<i>7.6</i>	<i>6.3</i>	---	---
Wells	3.7	6.2	10.5	7.9	6.8	7/2004
<i>BC Aggregate</i>	<i>3.8</i>	<i>5.3</i>	<i>8.0</i>	<i>6.5</i>	5.8	---

\*Policy benchmark consists of 95% BC Aggregate Bond Index and 5% Citigroup T-Bill.

\*\* Performance is calculated based on the first full month of performance since funding.

\*\*\* Inception date reflect the month when portfolio received initial funding.

**3Q 2011** – During the quarter, the Disability Plan posted a 3.7% return and outperformed its policy benchmark by 10 basis points. The benchmark portfolio consists of passively managed asset class portfolios held at the Disability Plan's policy weightings.

**Longer Term** – Over the latest 1-, 3-, and 5-year periods, the Disability Plan outperformed its policy benchmark by 1.1%, 1.9%, and 1.0%, respectively.

### Portfolio Strategic Allocation (as of 9/30/11)

Segment	Actual \$(000)	Actual %	Target %	Variance
Total Portfolio	\$39,921	100	100	---
Fixed Income	39,404	99	95	4
Wells	39,404	99	95	4
Cash	517	1	5	-4

**Strategic allocation** – The Disability Plan target allocation consists of 95% fixed income investments and 5% cash. At the close of 3Q 2011, there was one fixed income manager, Wells. The total fund was 99% invested in this manager.

## WPERP DEATH PLAN REVIEW

The WPERP – Death portfolio ended the third quarter of 2011 with an aggregate value of approximately \$24.1 million.

### Portfolio Performance Overview

Periods ending September 30, 2011, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year	Since Inception**	Inception Date***
Total Portfolio	3.5	5.8	9.0	7.0	---	---
<i>Policy Benchmark*</i>	<i>3.7</i>	<i>5.1</i>	<i>7.7</i>	<i>6.3</i>	---	---
Wells	3.7	6.1	10.4	7.9	6.8	7/2004
<i>BC Aggregate</i>	<i>3.8</i>	<i>5.3</i>	<i>8.0</i>	<i>6.5</i>	<i>5.8</i>	---

\*Policy benchmark consists of 96% BC Aggregate Bond Index and 4% Citigroup T-bill.

\*\* Performance is calculated based on the first full month of performance since funding.

\*\*\* Inception date reflect the month when portfolio received initial funding.

**3Q 2011** – During the quarter, the Death Plan posted a 3.5% return and underperformed its policy benchmark by (20) basis points. The benchmark portfolio consists of passively managed asset class portfolios held at the Death Plan's policy weightings.

**Longer Terms** – Over the latest 1-, 3-, and 5-year periods, the Death Plan outperformed its policy benchmark by 0.7%, 1.3%, and 0.7%, respectively.

### Portfolio Strategic Allocation (as of 9/30/11)

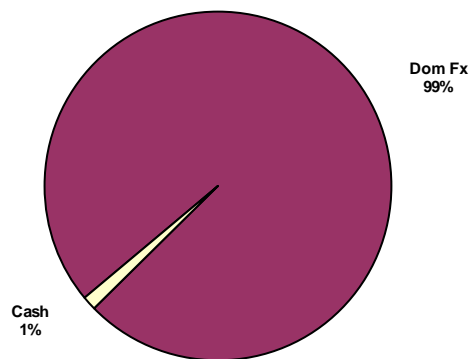
Segment	Actual \$(000)	Actual %	Target %	Variance
Total Portfolio	\$24,089	100	100	---
Fixed Income	23,423	97	96	1
Wells	23,423	97	96	1
Cash	666	3	4	-1

**Strategic allocation** – The Death Benefit Plan target allocation consists of 96% fixed income investments and 4% cash. At the close of 3Q 2011, there was one fixed income manager, Wells. The total fund was 97% invested in this manager.

## Actual Strategic allocation Comparison – Disability and Death Plans

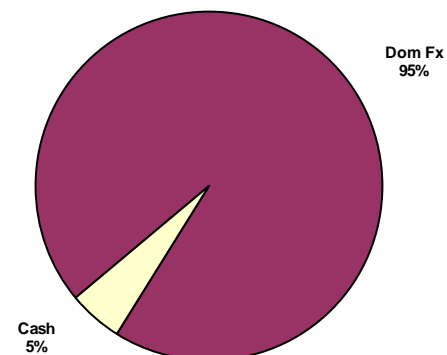
September 30, 2011

Disability

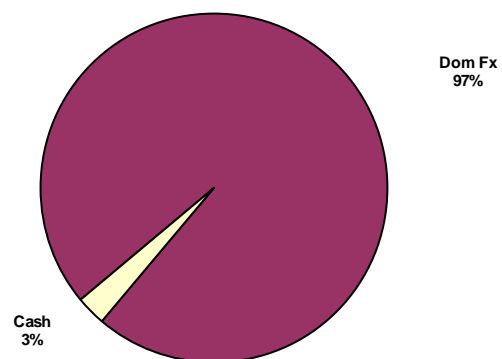


September 30, 2010

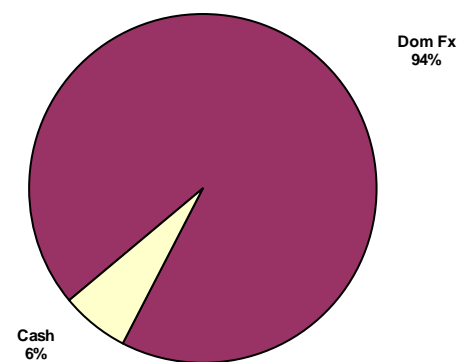
Disability



Death



Death





## HEALTH PLAN REVIEW

The WPERP - Health Plan ended the third quarter of 2011 with an aggregate value of approximately \$1.1 billion.

### Portfolio Performance Overview

Periods ending September 30, 2011, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year	Since Inception*	Inception Date*
Total Health	-8.0	1.7	4.9	---	1.9	12/2006
<i>Policy Benchmark<sup>1</sup></i>	<i>-7.8</i>	<i>0.8</i>	<i>3.9</i>	<i>---</i>	<i>1.1</i>	<i>---</i>
Domestic Equity	-16.0	0.2	1.1	---	-2.6	1/2007
<i>Russell 3000 (blend)<sup>2</sup></i>	<i>-15.3</i>	<i>0.5</i>	<i>1.5</i>	<i>---</i>	<i>-2.4</i>	<i>---</i>
International Equity	-18.4	-8.1	---	---	-1.3	9/2009
<i>MSCI ACWI ex U.S. IMI ND</i>	<i>-19.9</i>	<i>-10.6</i>	<i>---</i>	<i>---</i>	<i>1.0</i>	<i>---</i>
Fixed Income	2.8	5.7	9.9	---	8.0	1/2007
<i>BC Universal (blend)<sup>3</sup></i>	<i>2.9</i>	<i>4.8</i>	<i>8.1</i>	<i>---</i>	<i>6.7</i>	<i>---</i>
Real Return <sup>4</sup>	2.0	7.4	---	---	7.4	4/2010
<i>Tbill + 3%<sup>4</sup></i>	<i>0.8</i>	<i>3.1</i>	<i>---</i>	<i>---</i>	<i>3.1</i>	<i>---</i>
Private Equity <sup>4</sup>	2.1	51.4	---	---	27.6	9/2008
<i>Cambridge USPE/USVC<sup>4,5</sup></i>	<i>4.9</i>	<i>24.9</i>	<i>---</i>	<i>---</i>	<i>8.3</i>	<i>---</i>
Real Estate <sup>4</sup>	3.1	23.7	---	---	3.7	4/2010
<i>NCREIF<sup>4</sup></i>	<i>3.9</i>	<i>16.7</i>	<i>---</i>	<i>---</i>	<i>13.9</i>	<i>---</i>
Cash	0.0	0.2	0.4	---	1.8	12/2006
<i>Citigroup T-bills</i>	<i>0.0</i>	<i>0.1</i>	<i>0.2</i>	<i>---</i>	<i>1.4</i>	<i>---</i>

\*Since-inception returns are not shown for managers with less than one year of performance.

The Health Plan Total Portfolio slightly underperformed its policy benchmark over the latest quarter by (20) basis points with a minus (8.0%) return. Over the latest 1-year period, the portfolio bested its policy benchmark by 90 basis points. Over the latest 3-year period, the portfolio outperformed its policy benchmark by 1.0%, due mainly to relative outperformance by the Plan's Fixed Income portfolio.

<sup>1</sup> See Appendix for a description of the Health Plan policy benchmark.

<sup>2</sup> The policy benchmark for the Domestic Equity asset class is Russell 1000 thru 9/30/09, and Russell 3000 from 10/1/09 to the present.

<sup>3</sup> The policy benchmark for the Fixed Income asset class is BC Aggregate thru 9/30/09, and BC Universal from 10/1/09 to the present.

<sup>4</sup> Returns are lagged one quarter.

<sup>5</sup> The policy benchmark for the Private Equity asset class is a blended benchmark composed of Cambridge US Private Equity Index and the Cambridge US Venture Capital Index.

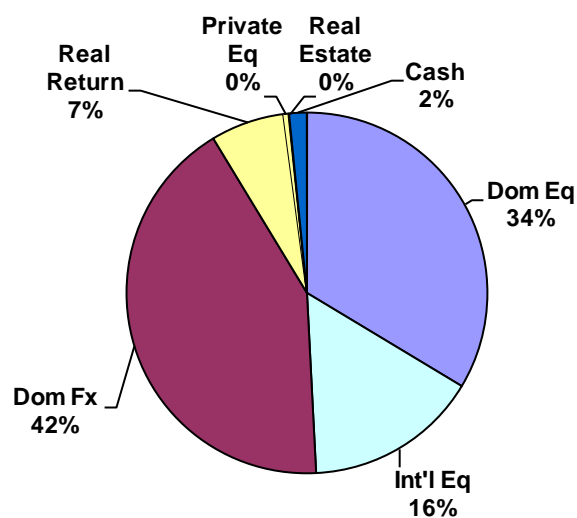
## Portfolio Strategic Allocation (as of 9/30/11)

Segment	Actual (\$MM)	Actual %	Target* %	Variance
Health Plan***	1,081*	100	100	0
Domestic Equity	363	34	34	0
International Equity	168	16	18	-2
Domestic Fixed	455	42	42	0
Real Return	71	7	3	4
Private Equity	5	0	1	-1
Real Estate	1	0	0	0
Cash	17	2	2	0

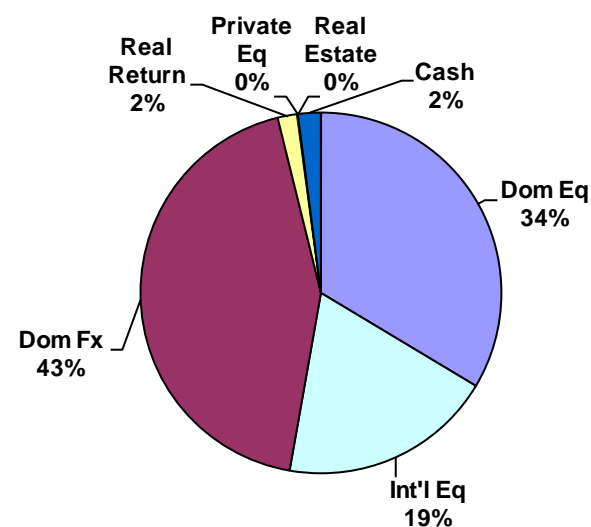
\*Includes \$2.0 million in transition assets and a negative balance of (\$224,181) in securities lending.

As of September 30, 2011, the portfolio had a 50% allocation in Equities, 42% in Fixed Income, 7% in Real Return, 2% in Cash, and less than 1% each in Private Equity and Real Estate. During the latest one year, the actual weighting of International Equity and Fixed Income decreased by (3%) and (1%), respectively, while Real Return increased 5%. Domestic Equity, Private Equity, Real Estate, and Cash remained the same.

September 30, 2011



September 30, 2010



## PERFORMANCE ATTRIBUTION - HEALTH PLAN

### Performance Attribution - 3Q 2011

	Policy		Portfolio		Impact on Return			
	Allocation*	Return	Allocation*	Return	Weighting	Selection	Interaction	Total
Domestic Equity	34.0%	(15.3)	35.9%	(16.0)	(0.1)	(0.2)	(0.0)	(0.4)
International Equity	18.0%	(19.9)	16.9%	(18.4)	0.1	0.3	(0.0)	0.4
Fixed Income	42.0%	2.9	40.6%	2.8	(0.2)	(0.0)	0.0	(0.2)
Real Return	3.0%	0.8	4.6%	2.0	0.1	0.0	0.0	0.2
Private Equity	1.0%	4.9	0.4%	2.1	(0.1)	(0.0)	0.0	(0.1)
Real Estate	0.0%	3.9	0.1%	3.1	0.0	0.0	(0.0)	0.0
Cash	2.0%	0.0	1.6%	0.0	(0.0)	0.0	0.0	(0.0)
Total	100.0%	(7.8)	100.0%	(8.0)	(0.1)	(0.0)	0.0	(0.1)

\*Policy allocation utilizes beginning-of-the period target allocations; Portfolio allocation utilizes average market values for the quarter.

### Performance Attribution - Trailing 12-month

	Policy		Portfolio		Impact on Return			
	Allocation*	Return	Allocation*	Return	Weighting	Selection	Interaction	Total
Domestic Equity	34.0%	0.5	36.5%	0.2	(0.1)	(0.1)	(0.0)	(0.3)
International Equity	18.0%	(10.6)	17.8%	(8.1)	0.2	0.5	(0.0)	0.7
Fixed Income	42.0%	4.8	40.0%	5.7	(0.2)	0.3	(0.0)	0.1
Real Return	3.0%	3.1	3.7%	7.4	0.2	0.1	(0.0)	0.3
Private Equity	1.0%	24.9	0.3%	51.4	0.0	0.0	0.0	0.0
Real Estate	0.0%	16.7	0.1%	23.7	(0.2)	0.1	(0.1)	(0.2)
Cash	2.0%	0.1	1.7%	0.2	(0.0)	0.0	0.0	(0.0)
Total	100.0%	0.8	100.0%	1.7	(0.2)	0.9	(0.1)	0.6

\*Policy allocation utilizes average target allocations over the trailing four quarters; Portfolio allocation utilizes average market values over the trailing four quarters.

- During the most recent quarter, the Total Health Plan Portfolio underperformed its policy benchmark, due primarily to Domestic Equity (-0.4%) and Fixed Income (-0.2%). International Equity and Real Return were the primary contributors to Total Health Plan Portfolio performance.
- During the trailing 12-month period, The Total Health Plan Portfolio outperformed its policy benchmark, due primarily to the selection effect. Among asset classes, International Equity, Fixed Income, and Real Return contributed to Total Health Plan Portfolio performance, while Domestic Equity and Real Estate detracted.

# Quarterly Report

Q3-11

## WPERP HEALTH PLAN MANAGER PERFORMANCE

### Domestic Equity - Periods ending September 30, 2011

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
BlackRock	125,242	Large Cap Core	-14.4	1.3	1.8	---	-2.2	1/2007
<i>Russell 1000 Index</i>	---	---	-14.7	0.9	1.6	---	-2.4	---
MFS	51,768	Large Cap Value	-15.4	-1.4	---	---	3.5	9/2009
<i>Russell 1000 Value Index</i>	---	---	-16.2	-1.9	---	---	5.1	---
T. Rowe Price	51,912	Large Cap Value	-16.5	-1.0	---	---	4.4	9/2009
<i>Russell 1000 Value Index</i>	---	---	-16.2	-1.9	---	---	5.1	---
Fred Alger	53,597	Large Cap Growth	-18.5	1.3	---	---	7.5	9/2009
<i>Russell 1000 Growth Index</i>	---	---	-13.1	3.8	---	---	10.0	---
T. Rowe Price	53,090	Large Cap Growth	-14.3	-0.2	---	---	-3.8	4/2010
<i>Russell 1000 Growth Index</i>	---	---	-13.1	3.8	---	---	2.3	---
Earnest Partners	13,544	Small Cap Value	-20.1	-0.8	---	---	6.9	9/2009
<i>Russell 2000 Value Index</i>	---	---	-21.5	-6.0	---	---	4.9	---
Frontier	13,723	Small Cap Growth	-22.5	-1.2	---	---	-3.9	4/2010
<i>Russell 2000 Growth Index</i>	---	---	-22.2	-1.1	---	---	0.9	---

### International Equity - Periods ending September 30, 2011

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
Invesco	56,512	Developed Markets	-17.3	-7.2	---	---	-1.1	9/2009
<i>MSCI World ex US IMI ND Index</i>	---	---	-19.0	-8.7	---	---	-0.1	---
The Boston Company	54,348	Developed Markets	-19.2	-10.3	---	---	-3.6	9/2009
<i>MSCI World ex US IMI ND Index</i>	---	---	-19.0	-8.7	---	---	-0.1	---
Pyramis	56,825	Developed Markets	-18.8	-6.8	---	---	0.8	9/2009
<i>MSCI World ex US IMI ND Index</i>	---	---	-19.0	-8.7	---	---	-0.1	---

\* Performance is calculated based on the first full month of performance since funding.

\*\* Inception date reflect the month when portfolio received initial funding. Since-inception returns are not shown for managers with less than one year of performance.

# Quarterly Report

Q3-11

## Fixed Income - Periods ending September 30, 2011

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
JP Morgan	206,898	Core	3.1	5.7	---	---	7.5	4/2010
<i>BC Aggregate Index</i>	---	---	<i>3.8</i>	<i>5.3</i>	---	---	<i>7.6</i>	---
Wells	207,806	Core	4.1	6.2	10.2	---	8.2	1/2007
<i>BC Aggregate Index</i>	---	---	<i>3.8</i>	<i>5.3</i>	<i>8.0</i>	---	<i>6.6</i>	---
Wells	40,536	High Yield	-4.3	2.6	---	---	7.6	9/2009
<i>BC High Yield Index</i>	---	---	<i>-6.1</i>	<i>1.8</i>	---	---	<i>12.3</i>	---

## Real Return - Periods ending September 30, 2011

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
Aetos Capital***	7,943	Hedge FOFs	0.3	8.4	---	---	8.4	9/2010
<i>Tbills + 3 %***</i>	---	---	<i>0.8</i>	<i>3.1</i>	---	---	<i>3.1</i>	---
WAMCO***	63,462	GILS	2.6	4.5	---	---	5.3	4/2010
<i>BC WGILB Index***</i>	---	---	<i>3.2</i>	<i>6.5</i>	---	---	<i>6.4</i>	---

## Private Equity and Real Estate - Periods ending September 30, 2011

Asset Class	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
Private Equity***	4,591	Private Equity	2.1	51.4	---	---	27.6	9/2008
<i>Cambridge USPE/USVC****</i>	---	---	<i>4.9</i>	<i>24.9</i>	---	---	<i>8.3</i>	---
Real Estate***	997	Real Estate	3.1	23.7	---	---	3.7	4/2010
<i>NCREIF***</i>	---	---	<i>3.9</i>	<i>16.7</i>	---	---	<i>13.9</i>	---

\* Performance is calculated based on the first full month of performance since funding.

\*\* Inception date reflect the month when portfolio received initial funding. Since-inception returns are not shown for managers with less than one year of performance.

\*\*\* Returns are lagged one quarter and net of fees.

\*\*\*\* The policy benchmark for the Private Equity asset class is a blended benchmark composed of Cambridge US Private Equity Index and the Cambridge US Venture Capital Index.

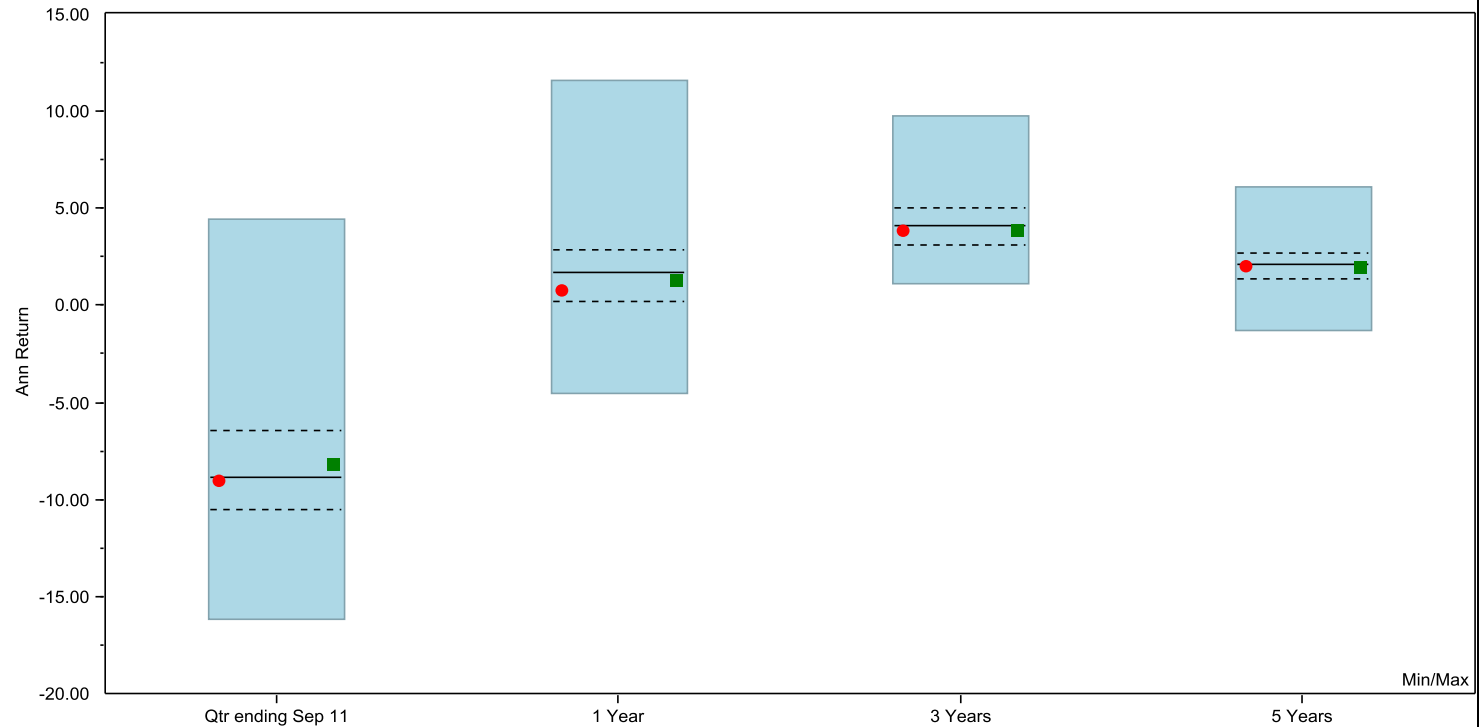
The **Private Equity** portfolio currently consists of five investments including **Lexington VII**, **Landmark XIV**, **Oaktree V**, **EnergyCap**, and **Audax Mezz**. The **Real Estate** portfolio currently consists of three investments including **Mesa West**, **Lone Star II**, and **Lone Star VII**. **Lone Star II** and **Lone Star VII** were funded in the third quarter.

# Water and Power Employees' Retirement Plan

TOTAL FUNDS - PUBLIC (USD) - Monthly

As of September 30, 2011

Cumulative Performance Comparisons



	Value	%Tile	Rank	Value	%Tile	Rank	Value	%Tile	Rank	Value	%Tile	Rank
Maximum	4.40			11.62			9.78			6.13		
25th Percentile	-6.41			2.87			5.06			2.69		
Median Percentile	-8.83			1.73			4.12			2.10		
75th Percentile	-10.49			0.23			3.12			1.40		
Minimum	-16.18			-4.57			1.14			-1.32		
# of Portfolios	119			113			103			98		
● Total Fund	-9.04	55	65	0.77	66	75	3.86	59	62	2.06	52	52
■ Policy Benchmark	-8.21	39	46	1.32	58	67	3.83	61	63	1.95	56	56

Universe Source: The Bank of New York Mellon Corporation; Universe Status: Final

## Notes:

Performance and related statistics calculated using Mellon's Workbench E-Chart

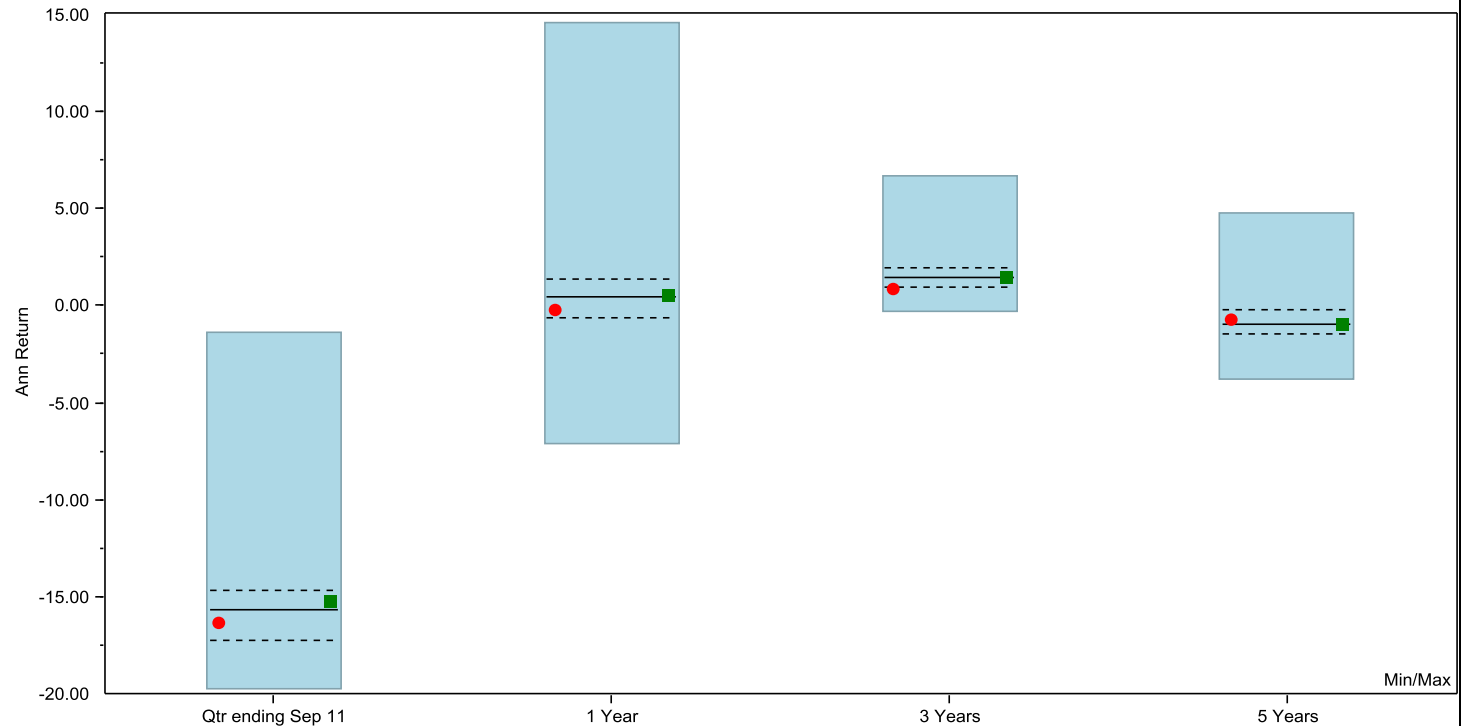
All performance is shown **gross of fees**.

# Water and Power Employees' Retirement Plan

US Equity Segment - Public (USD) - Monthly

As of September 30, 2011

## Cumulative Performance Comparisons



	Value	%Tile	Rank	Value	%Tile	Rank	Value	%Tile	Rank	Value	%Tile	Rank
Maximum	-1.38			14.62			6.68			4.78		
25th Percentile	-14.65			1.36			1.92			-0.20		
Median Percentile	-15.69			0.44			1.45			-0.99		
75th Percentile	-17.28			-0.64			0.93			-1.43		
Minimum	-19.72			-7.14			-0.31			-3.76		
# of Portfolios	86			83			61			51		
● Domestic Equity	-16.32	59	52	-0.21	68	58	0.85	77	48	-0.75	45	24
■ Russell 3000 (blend)	-15.28	34	30	0.55	44	37	1.44	52	33	-0.92	48	25

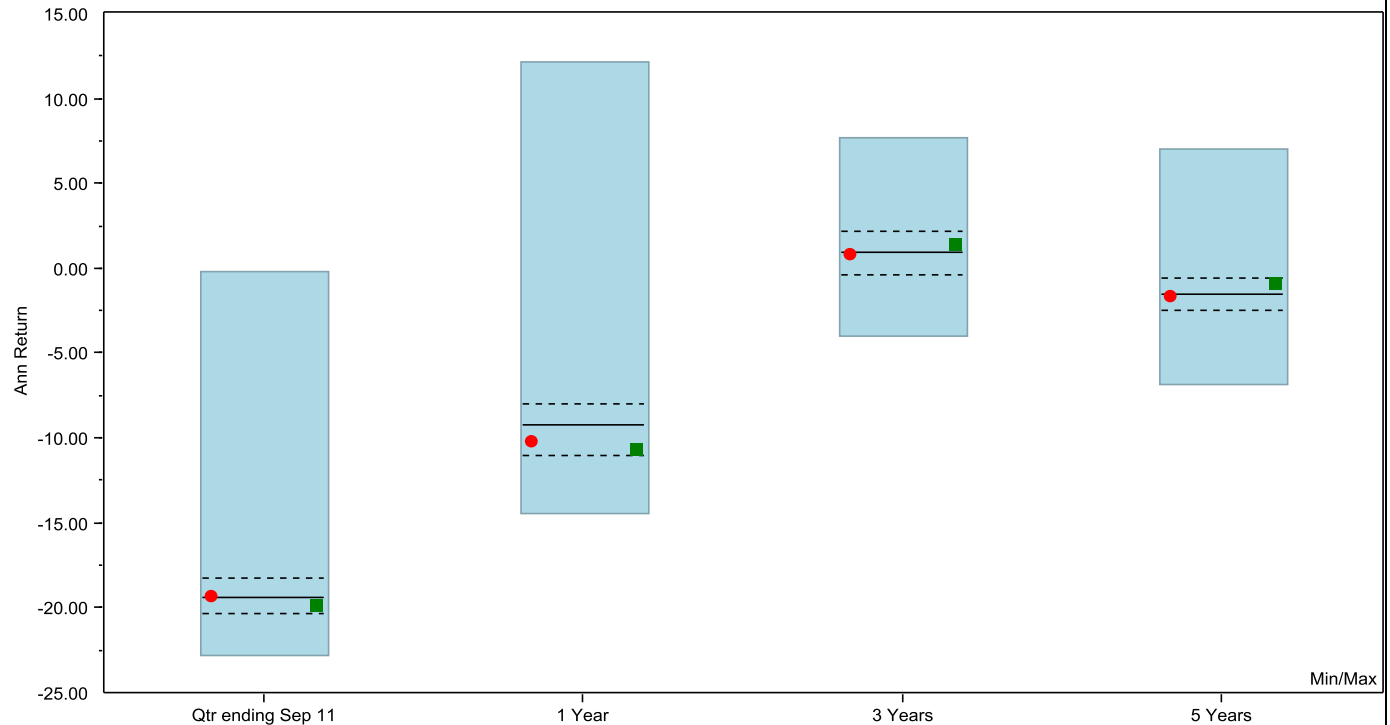
Universe Source: The Bank of New York Mellon Corporation; Universe Status: Final

# Water and Power Employees' Retirement Plan

Non-US Equity Segment - Public (USD) - Monthly

As of September 30, 2011

## Cumulative Performance Comparisons



	Value	%Tile	Rank	Value	%Tile	Rank	Value	%Tile	Rank	Value	%Tile	Rank
Maximum	-0.20			12.15			7.73			7.00		
25th Percentile	-18.24			-7.98			2.17			-0.58		
Median Percentile	-19.40			-9.26			0.93			-1.49		
75th Percentile	-20.30			-11.01			-0.40			-2.45		
Minimum	-22.80			-14.46			-4.04			-6.82		
# of Portfolios	83			75			57			49		
International Equity	-19.26	43	36	-10.18	68	51	0.84	56	33	-1.59	53	27
MSCI ACWI ex US IMI (blend)	-19.87	67	57	-10.64	71	54	1.43	42	25	-0.86	27	14

Universe Source: The Bank of New York Mellon Corporation; Universe Status: Final

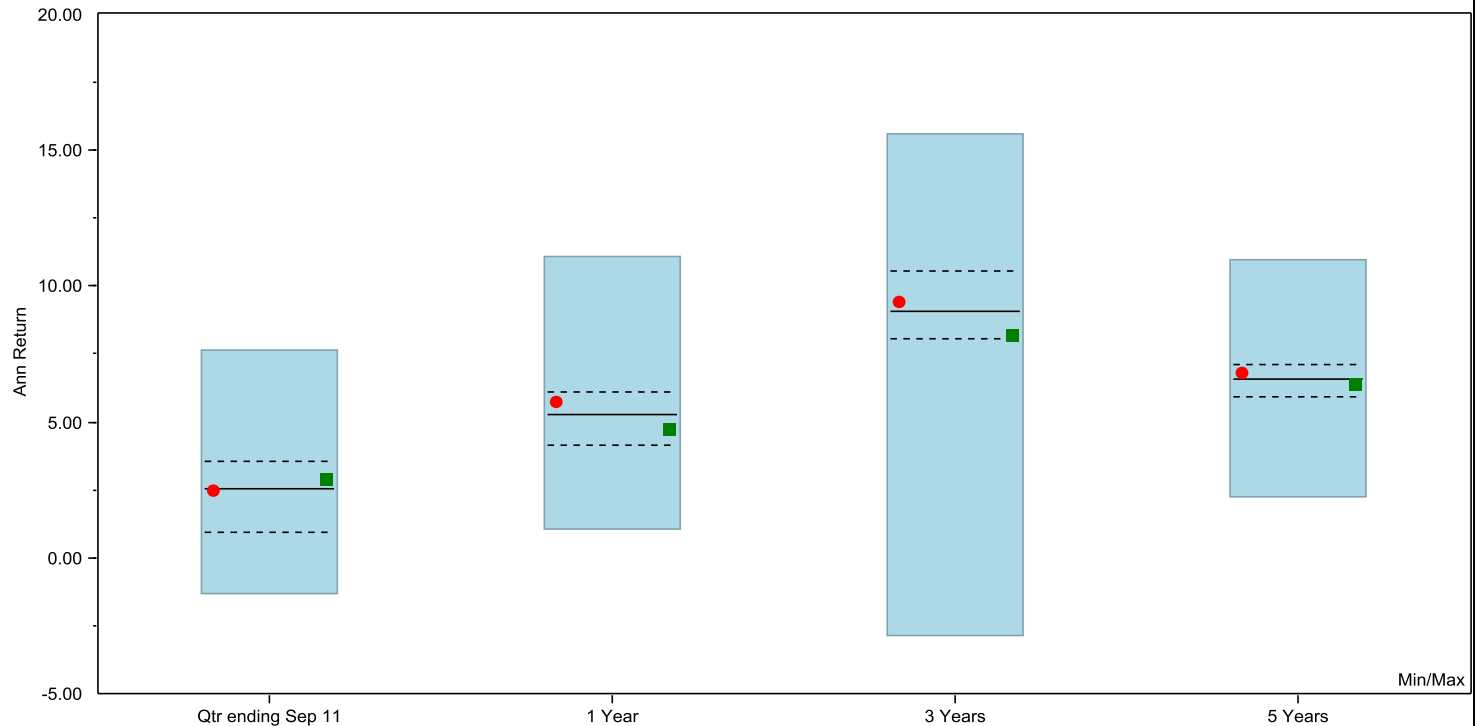


# Water and Power Employees' Retirement Plan

US Fixed Income Segment - Public (USD) - Monthly

As of September 30, 2011

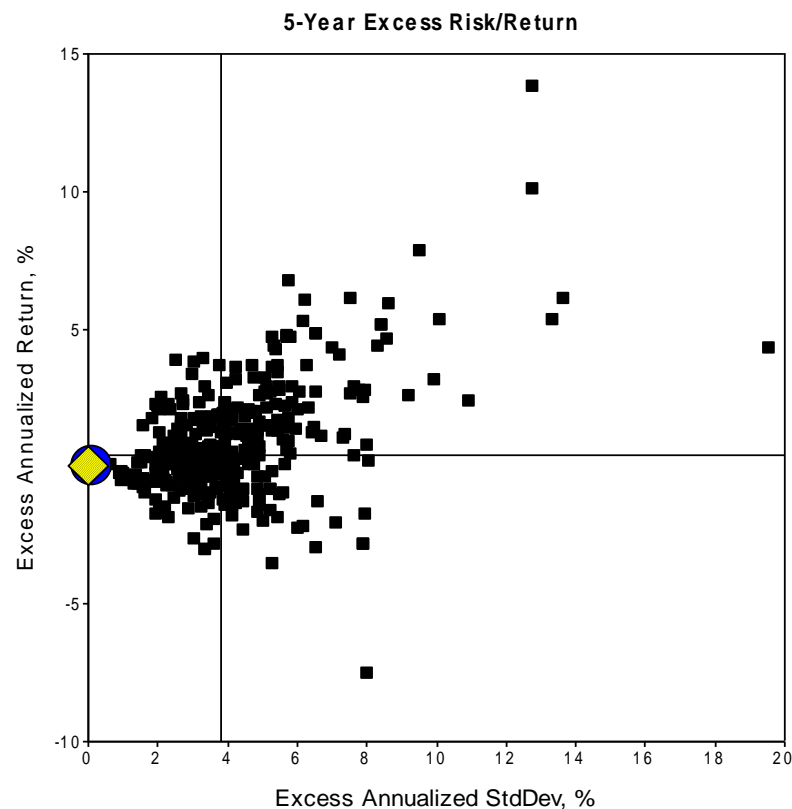
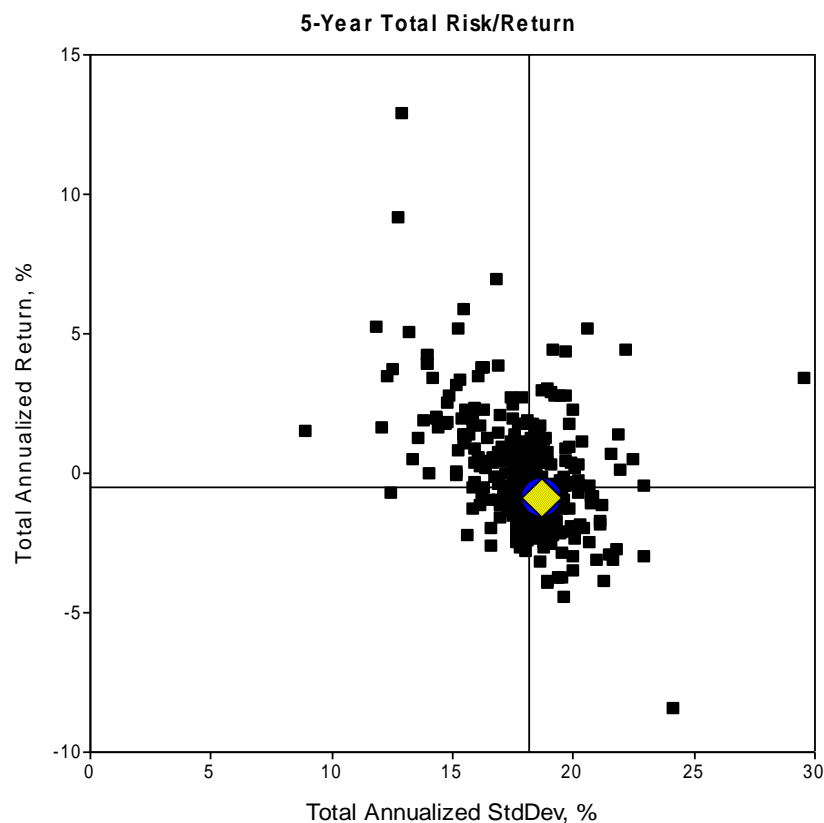
## Cumulative Performance Comparisons



	Value	%Tile	Rank	Value	%Tile	Rank	Value	%Tile	Rank	Value	%Tile	Rank
Maximum	7.63			11.07			15.63			10.99		
25th Percentile	3.58			6.13			10.53			7.11		
Median Percentile	2.51			5.29			9.09			6.59		
75th Percentile	0.93			4.16			8.07			5.92		
Minimum	-1.31			1.08			-2.85			2.26		
# of Portfolios	89			79			58			48		
● Fixed Income	2.46	51	46	5.77	33	27	9.45	42	25	6.85	36	18
■ BC Universal	2.87	44	40	4.77	67	54	8.16	71	42	6.40	60	30

Universe Source: The Bank of New York Mellon Corporation; Universe Status: Final

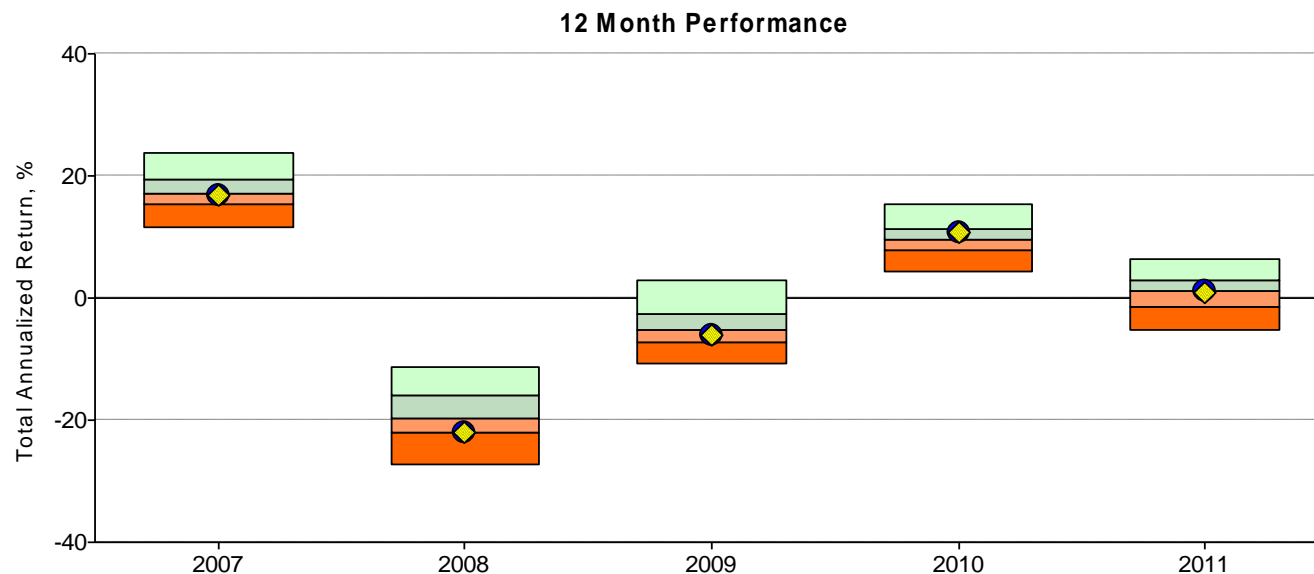
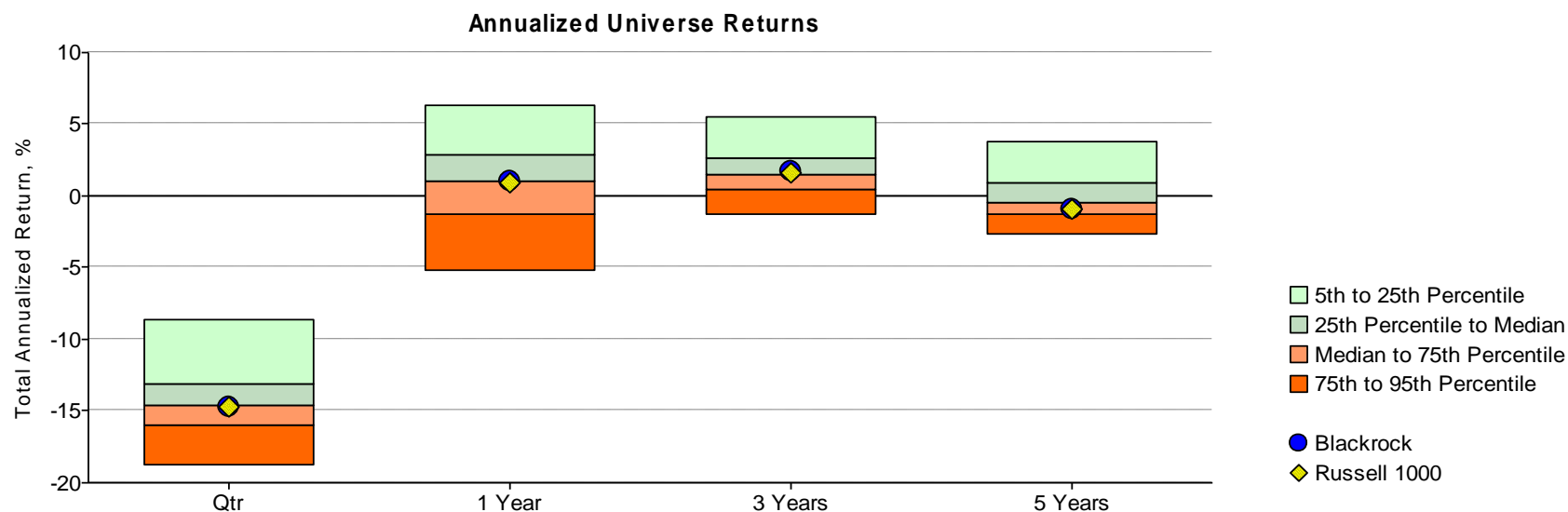
# WPERP Large Cap Core Manager Comparisons as of September 30, 2011



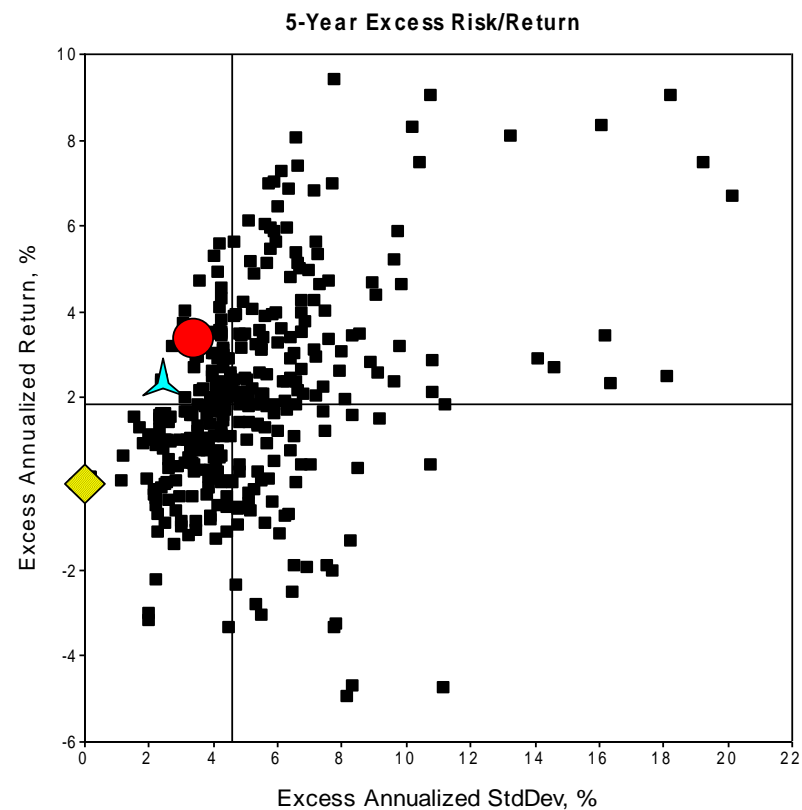
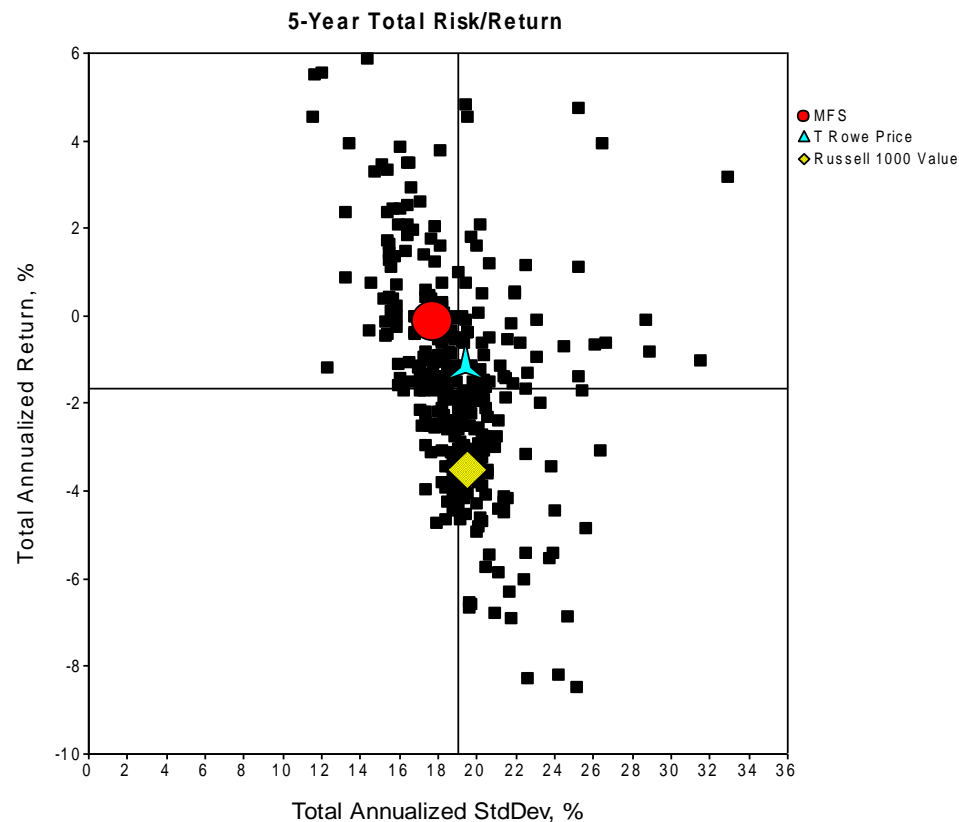
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Blackrock	-0.89	18.73	-0.05
Russell 1000	-0.91	18.72	-0.05
Large Cap Manager Universe Median	-0.48	18.19	-0.03

	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Blackrock	0.02	0.10	0.24
Russell 1000	0.00	0.00	NA
Large Cap Manager Universe Median	0.43	3.80	0.14

# WPERP Large Cap Core Manager Comparisons as of September 30, 2011



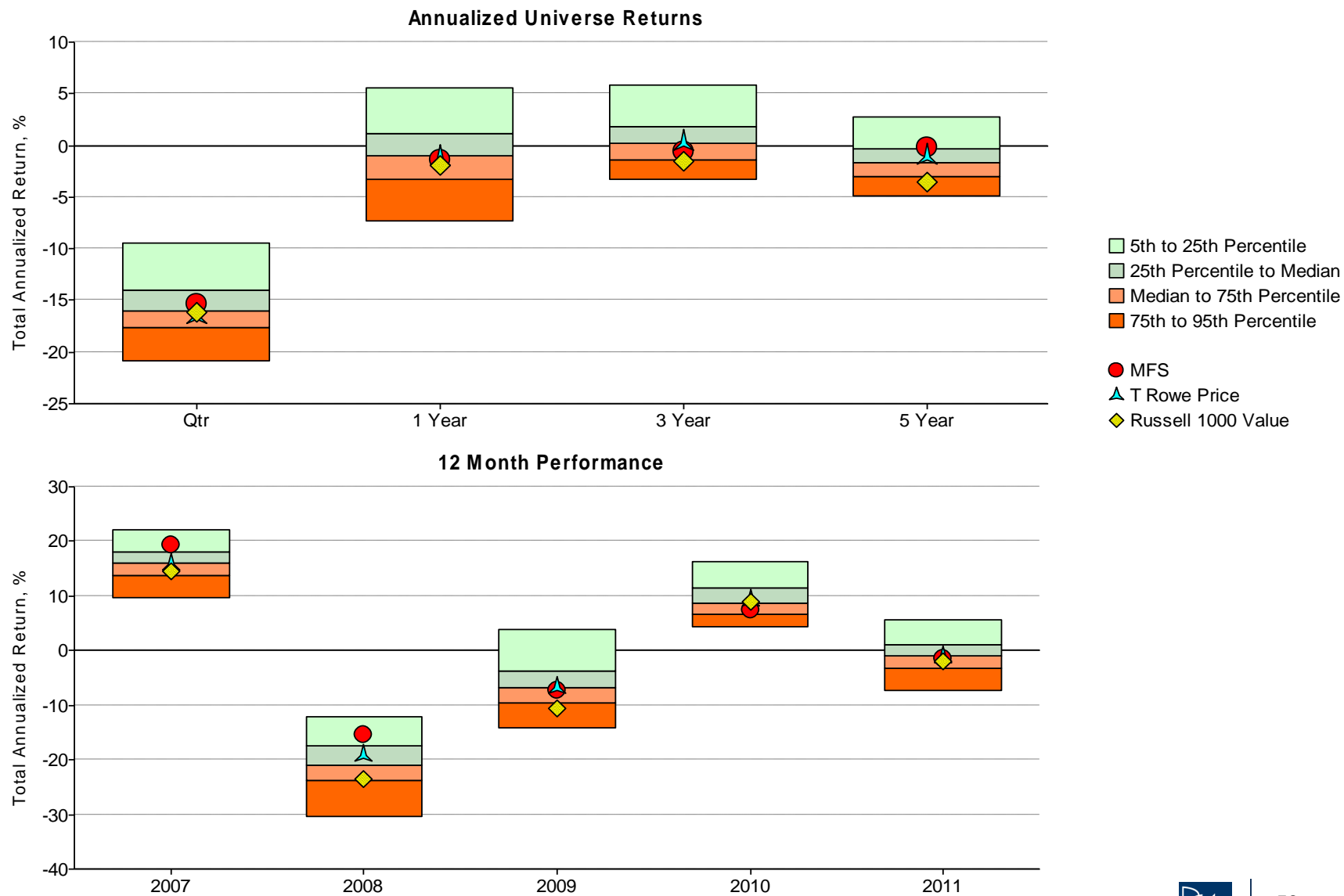
# WPERP Large Cap Value Manager Comparisons as of September 30, 2011



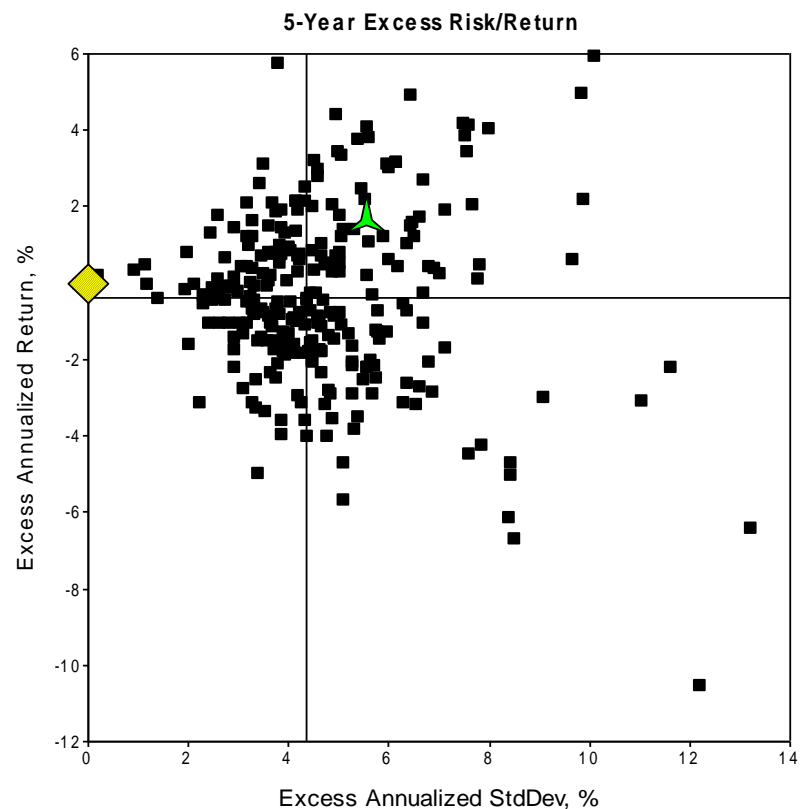
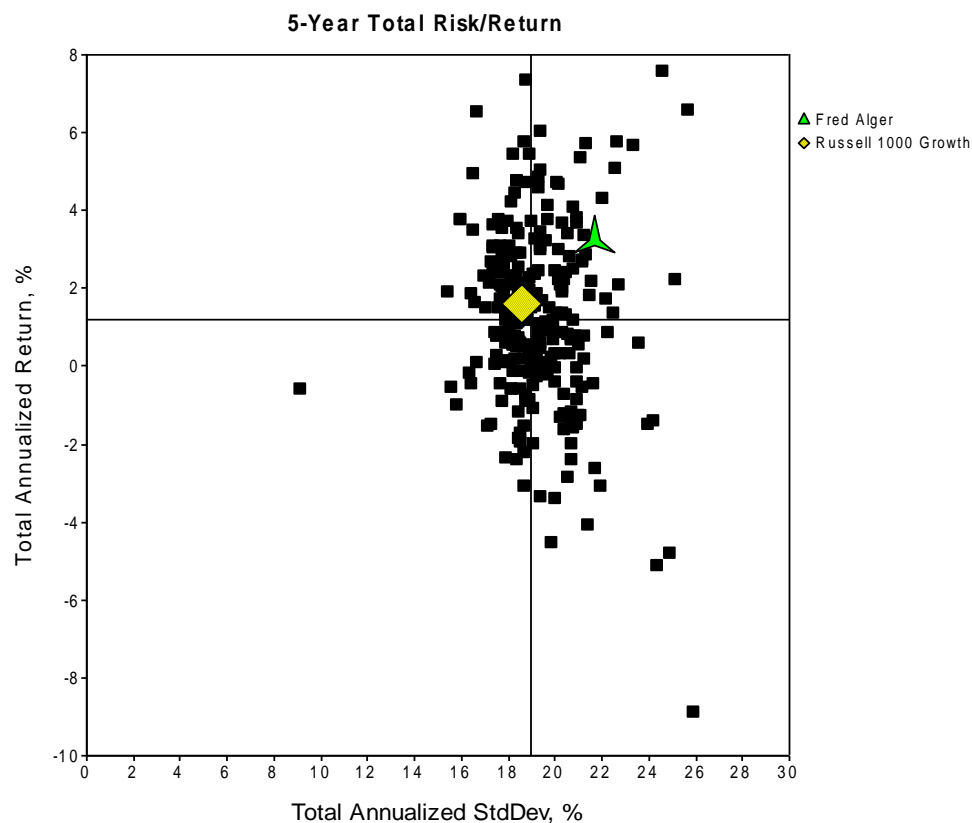
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
MFS	-0.14	17.74	-0.01
T Rowe Price	-1.19	19.42	-0.06
Russell 1000 Value	-3.53	19.50	-0.18
Large Value Manager Universe Median	-1.66	19.00	-0.09

	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
MFS	3.39	3.40	1.00
T Rowe Price	2.34	2.46	0.95
Russell 1000 Value	0.00	0.00	NA
Large Value Manager Universe Median	1.87	4.60	0.41

# WPERP Large Cap Value Manager Comparisons as of September 30, 2011



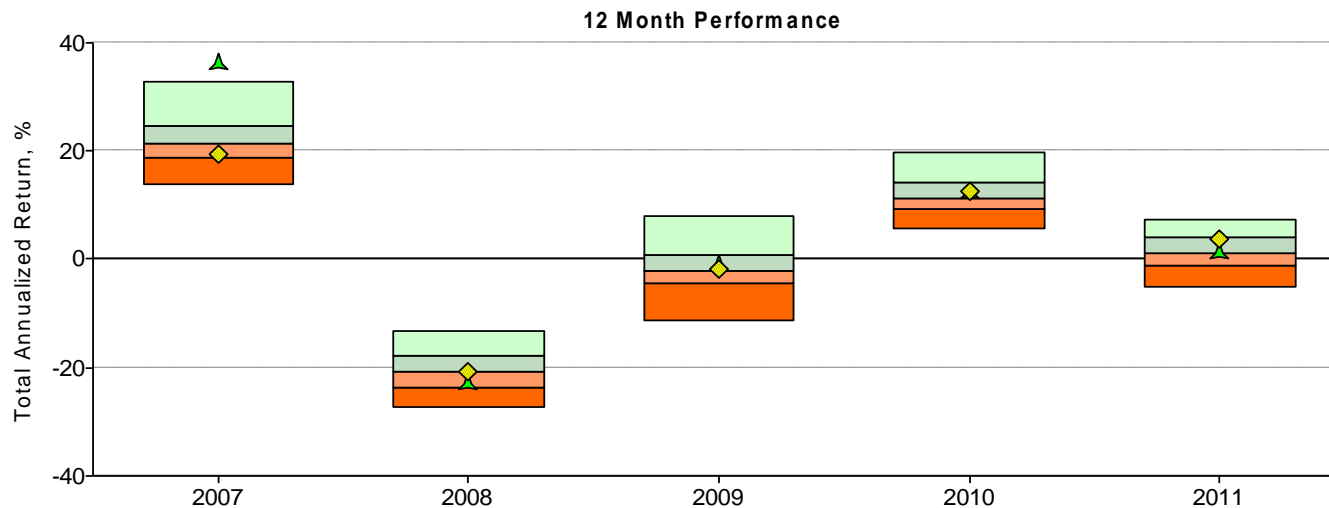
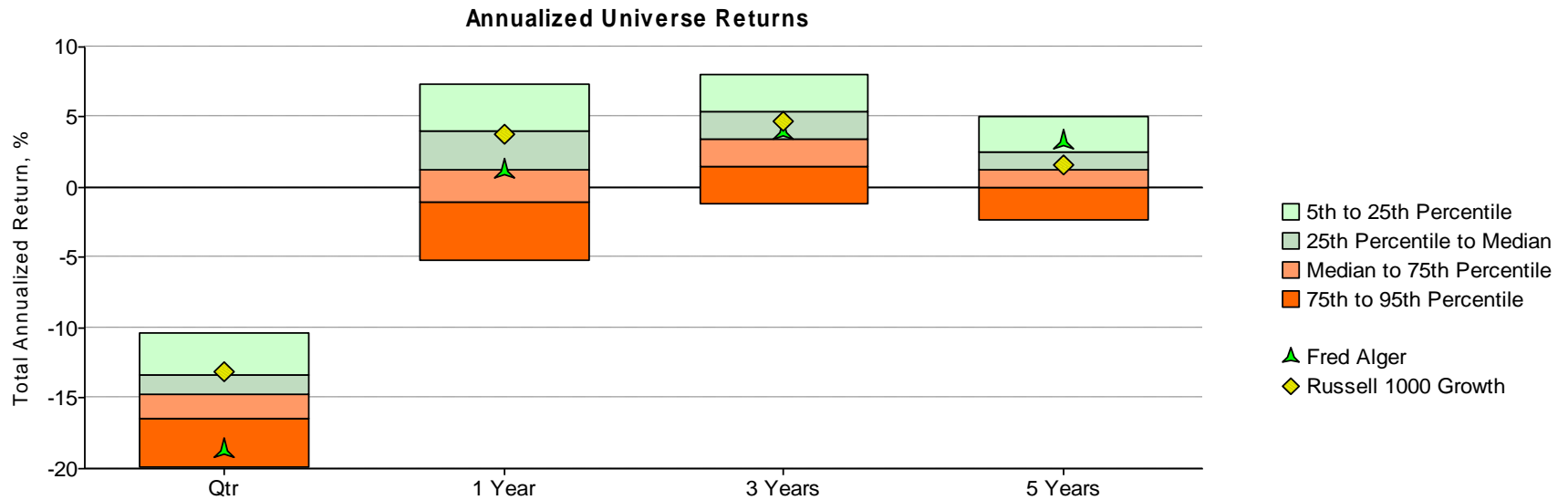
# WPERP Large Cap Growth Manager Comparisons as of September 30, 2011



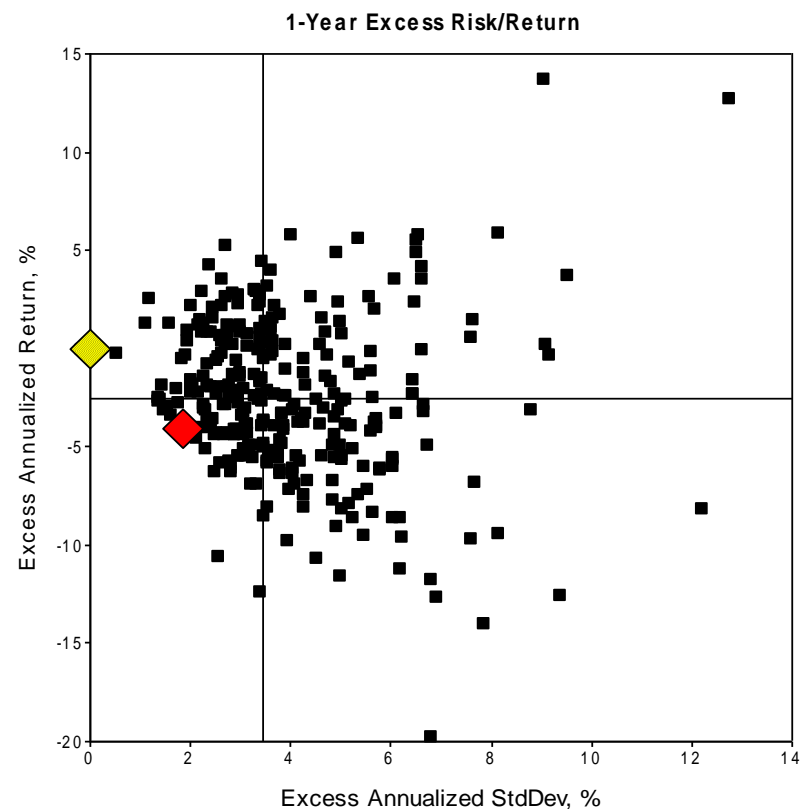
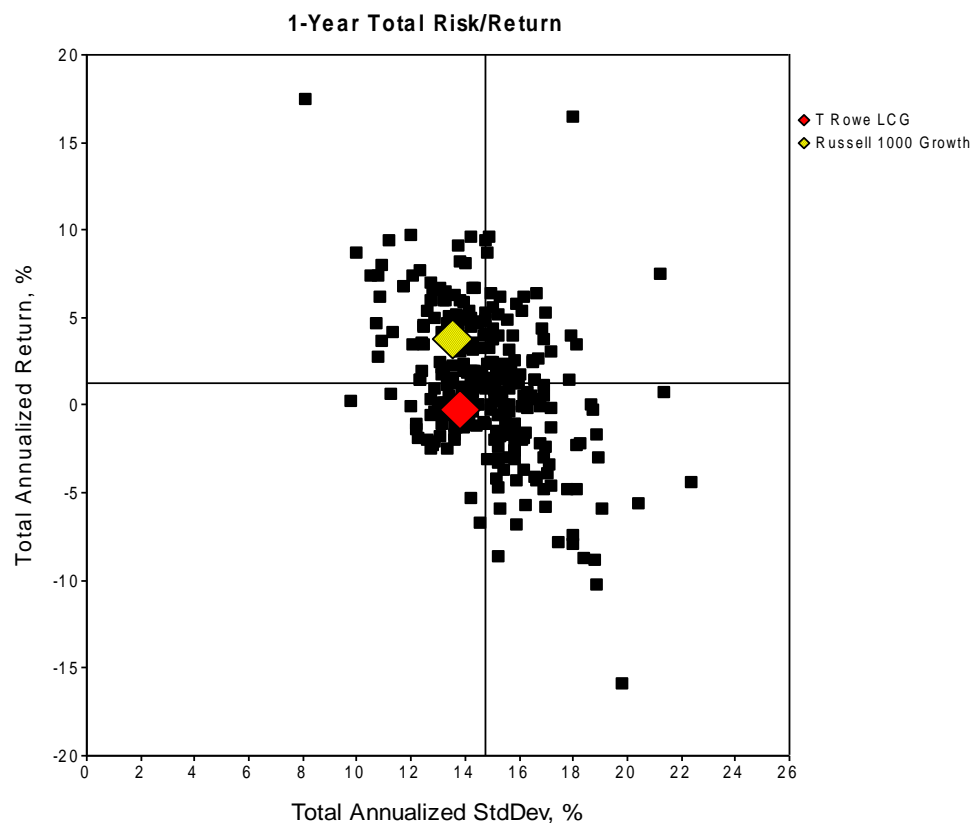
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Fred Alger	3.25	21.70	0.15
Russell 1000 Growth	1.62	18.54	0.09
Large Growth Manager Universe Median	1.21	18.98	0.06

	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
Fred Alger	1.63	5.56	0.29
Russell 1000 Growth	0.00	0.00	NA
Large Growth Manager Universe Median	-0.40	4.35	-0.10

# WPERP Large Cap Growth Manager Comparisons as of September 30, 2011



# WPERP Large Cap Growth Manager Comparisons as of September 30, 2011

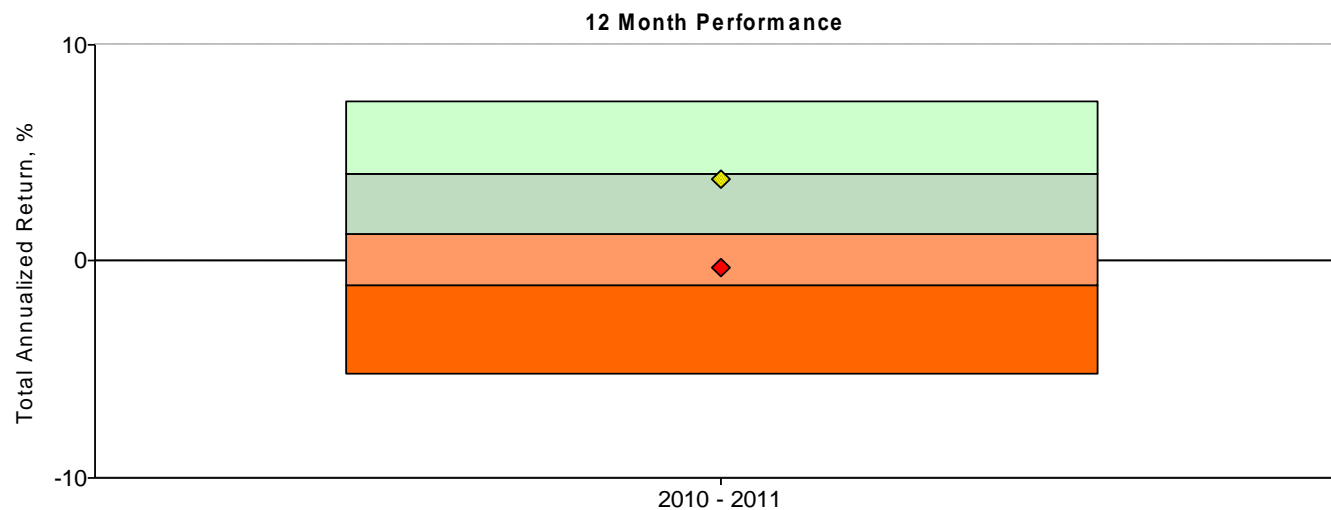
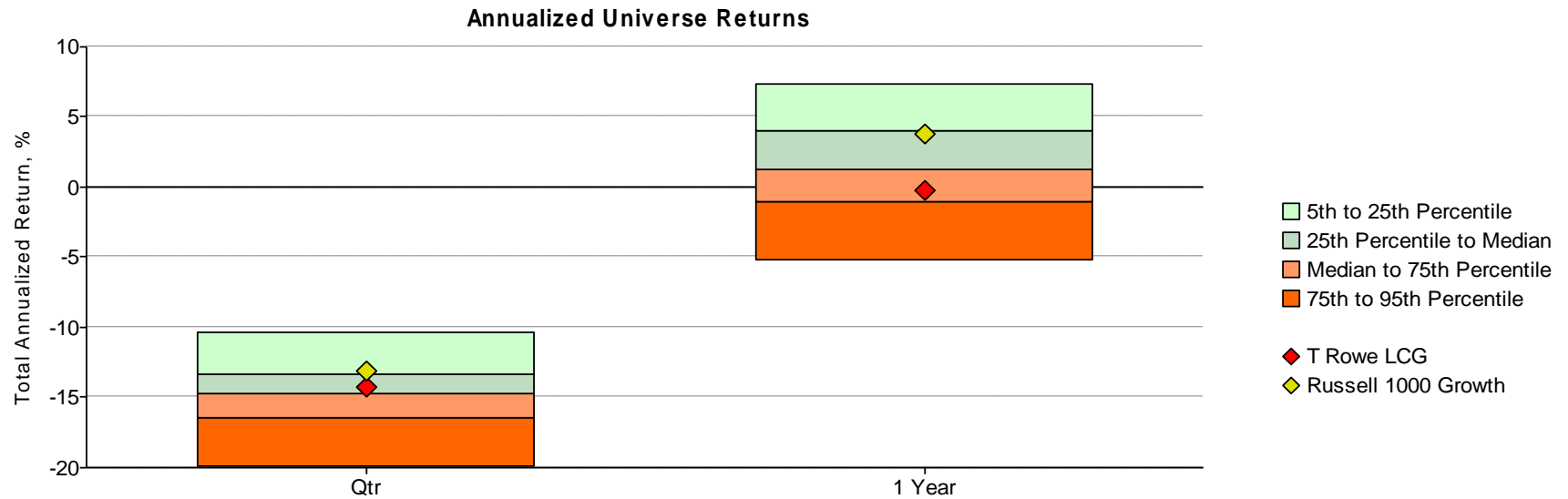


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
T Rowe LCG	-0.27	13.78	-0.02
Russell 1000 Growth	3.78	13.52	0.28
Large Growth Manager Universe Median	1.25	14.76	0.08

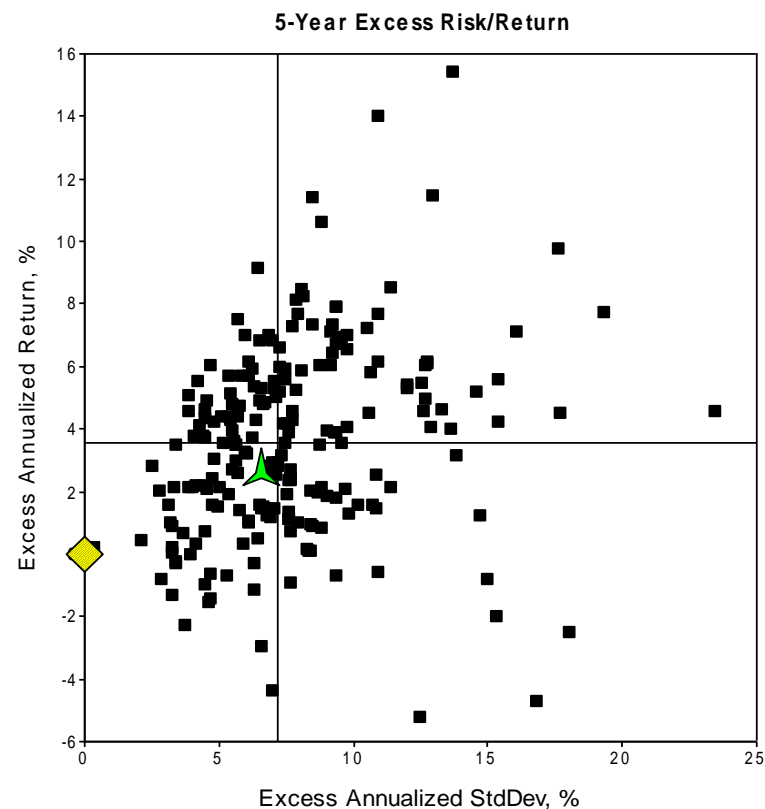
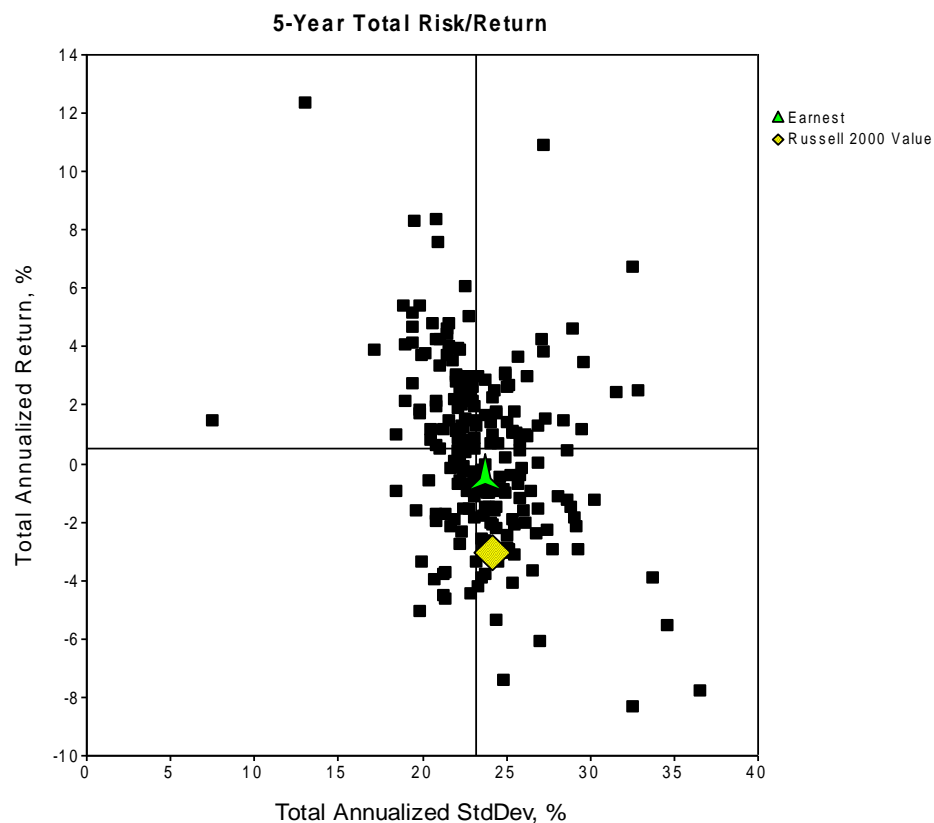
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
T Rowe LCG	-4.05	1.87	-2.17
Russell 1000 Growth	0.00	0.00	NA
Large Growth Manager Universe Median	-2.53	3.45	-0.75



# WPERP Large Cap Growth Manager Comparisons as of September 30, 2011



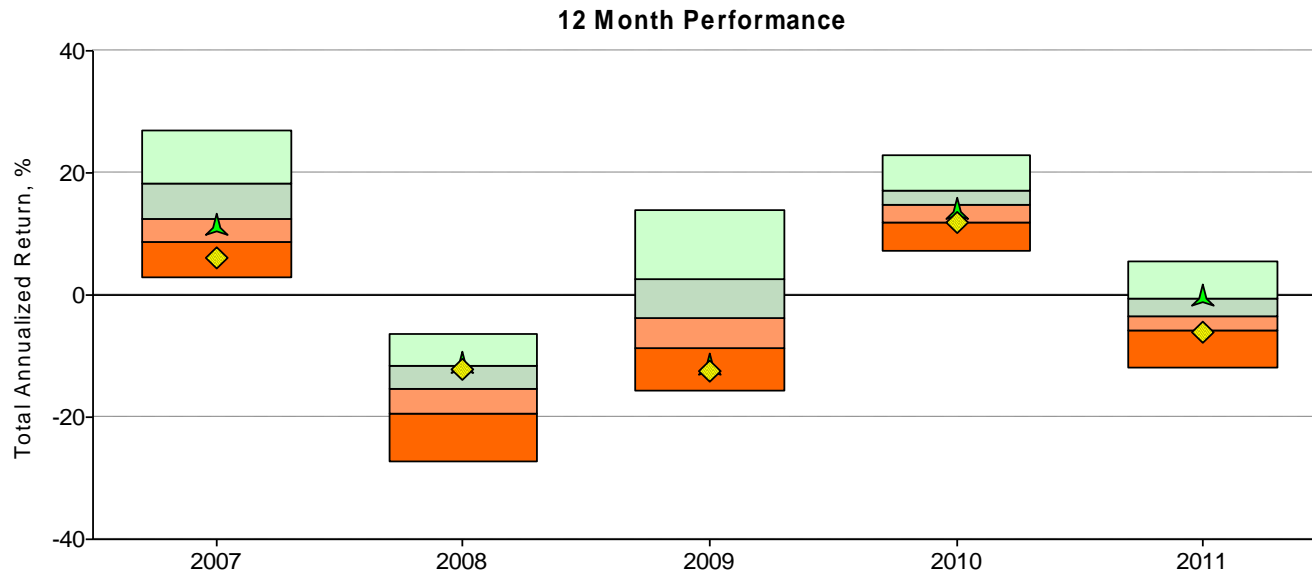
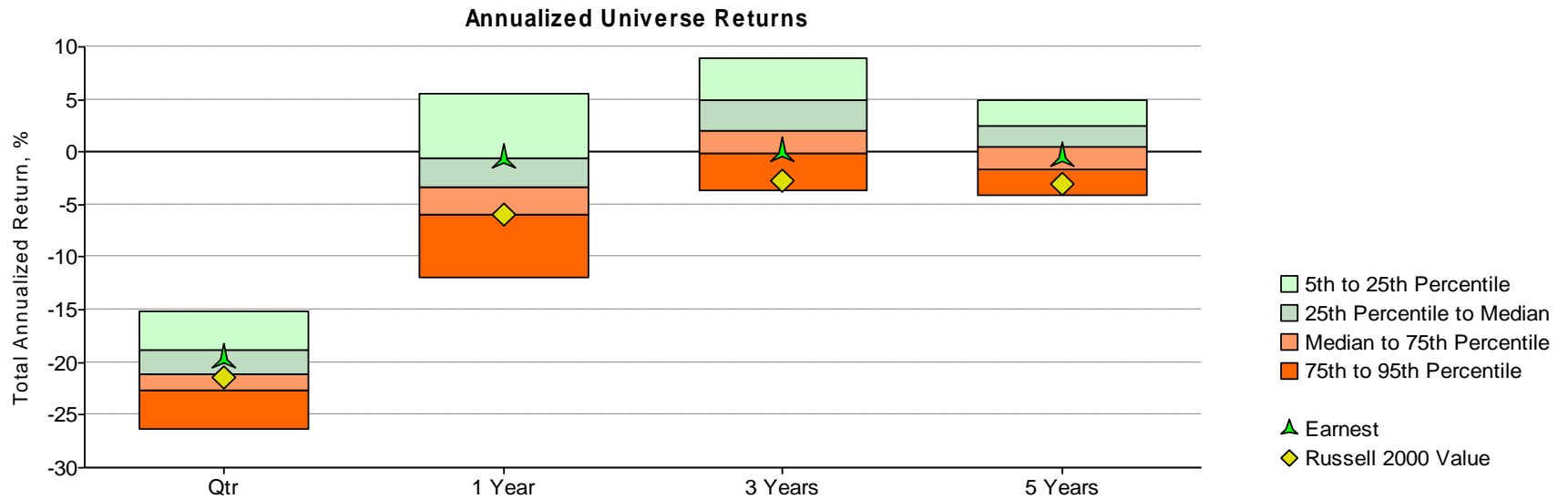
# WPERP Small Cap Value Manager Comparisons as of September 30, 2011



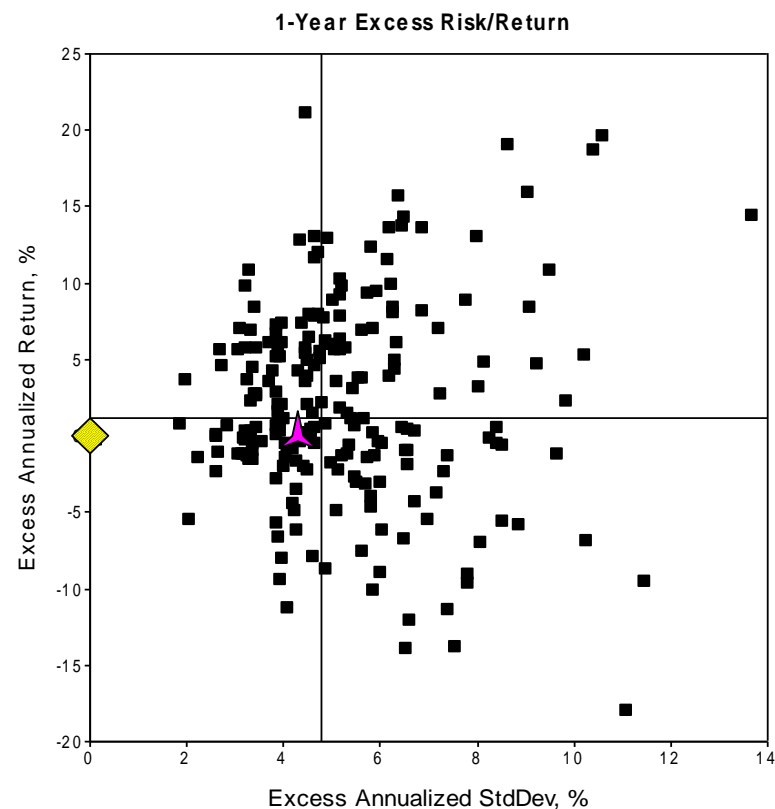
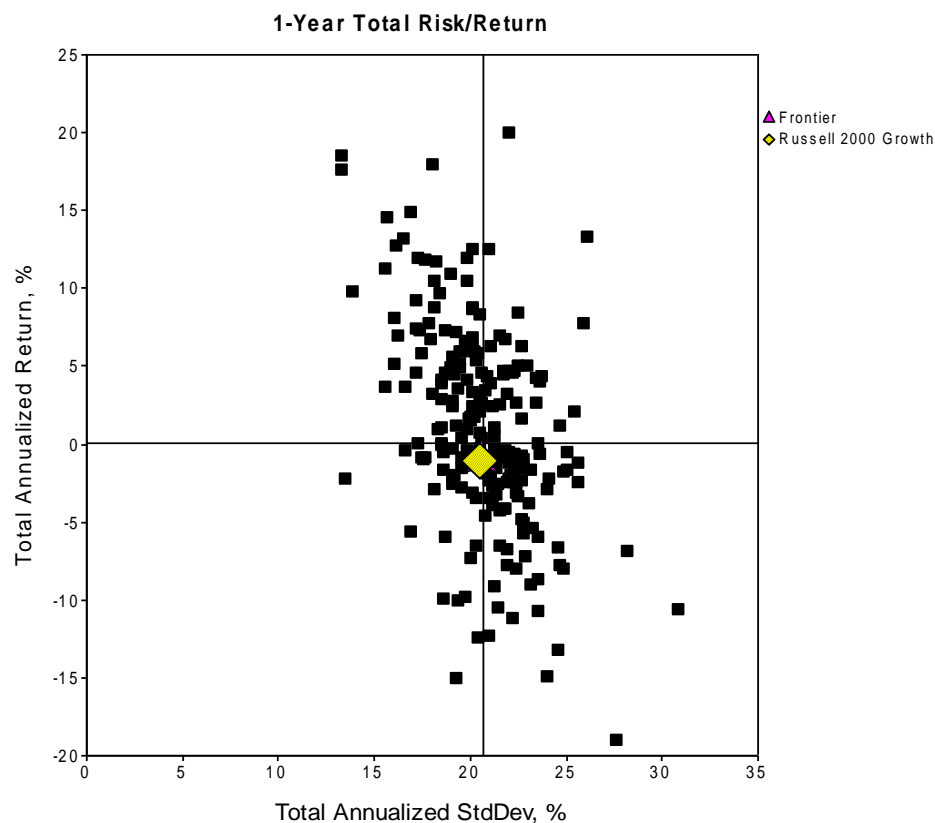
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Earnest	-0.51	23.71	-0.02
Russell 2000 Value	-3.08	24.15	-0.13
Small Cap Value Universe Median	0.51	23.15	0.02

	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
Earnest	2.57	6.56	0.39
Russell 2000 Value	0.00	0.00	NA
Small Cap Value Universe Median	3.58	7.19	0.46

# WPERP Small Cap Value Manager Comparisons as of September 30, 2011



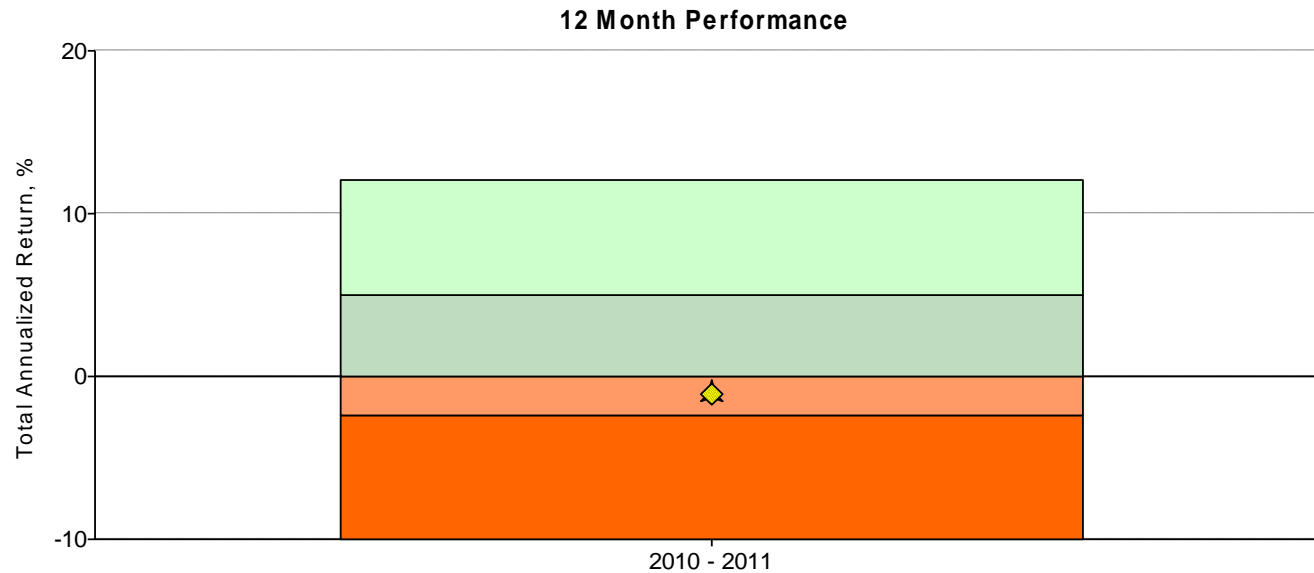
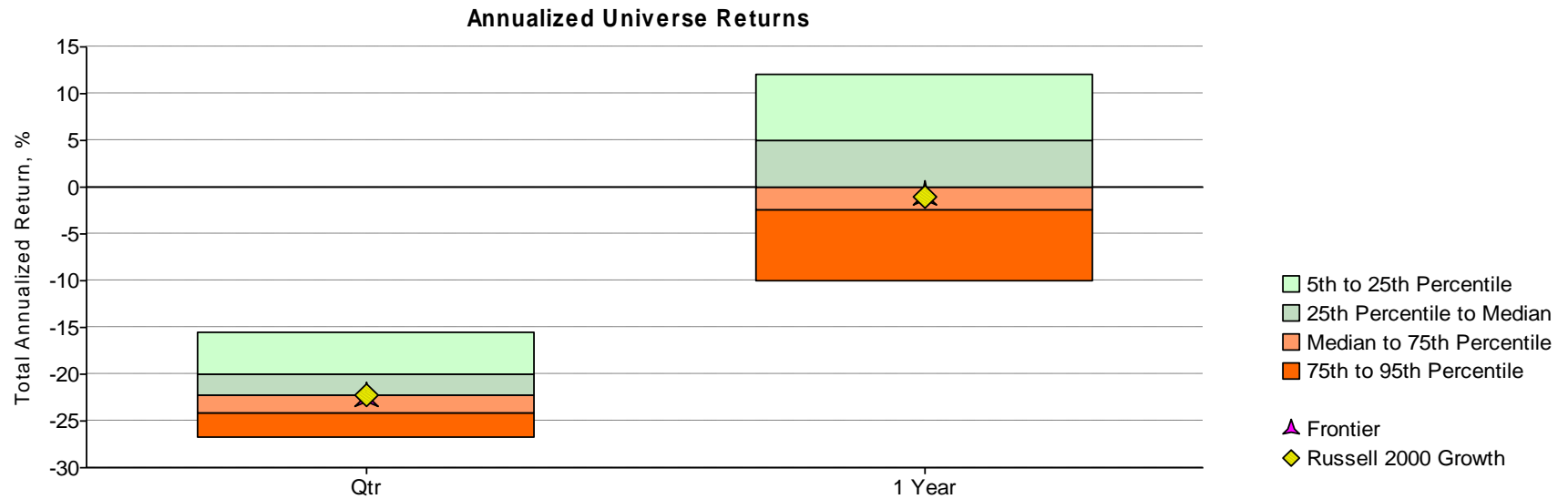
# WPERP Small Cap Growth Manager Comparisons as of September 30, 2011



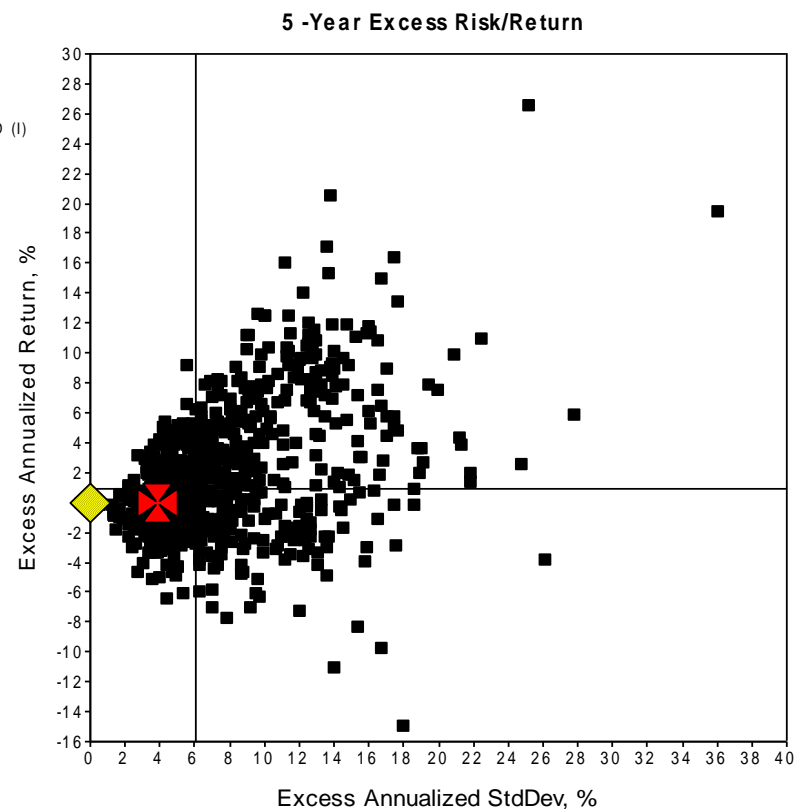
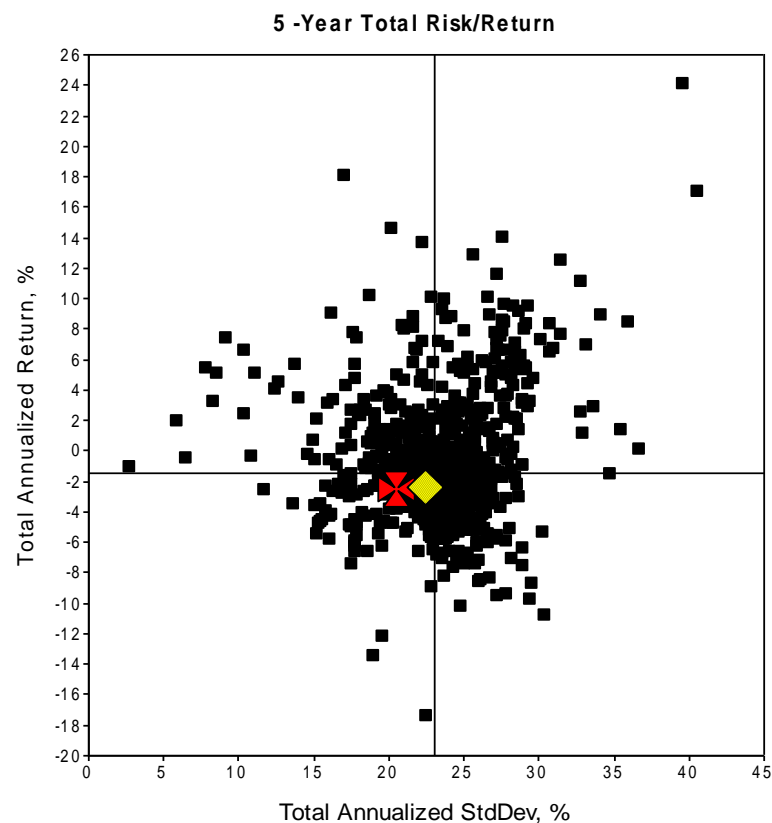
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Frontier	-1.12	20.62	-0.05
Russell 2000 Growth	-1.12	20.53	-0.05
Small Cap Growth Universe Median	0.01	20.66	0.00

	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
Frontier	0.00	4.30	0.00
Russell 2000 Growth	0.00	0.00	NA
Small Cap Growth Universe Median	1.13	4.77	0.26

# WPERP Small Cap Growth Manager Comparisons as of September 30, 2011



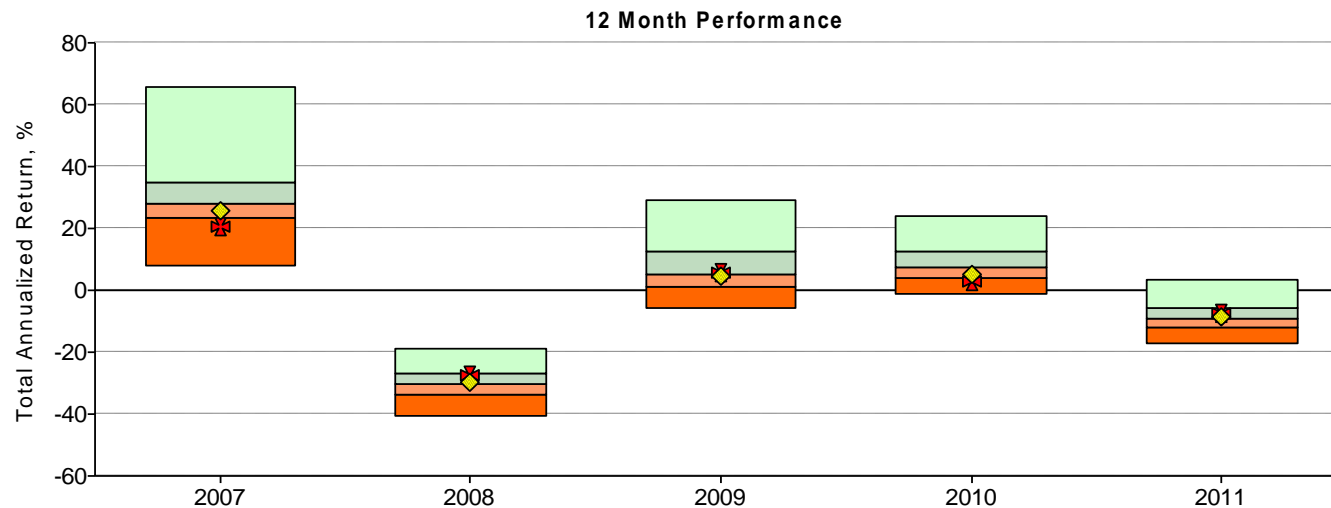
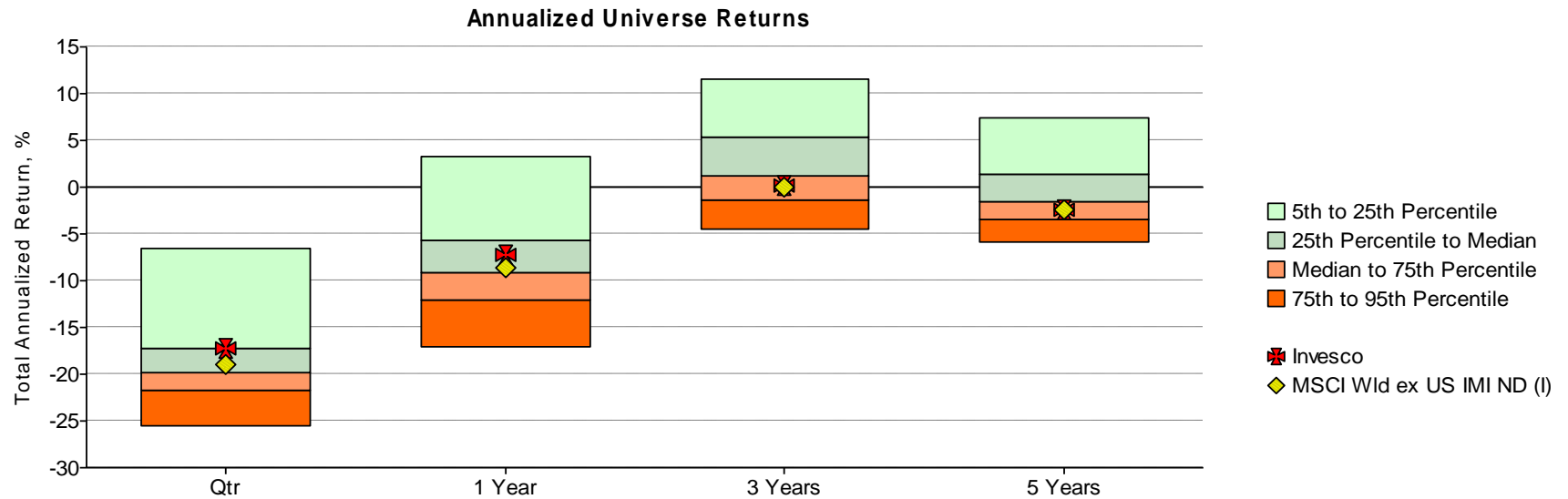
# WPERP International Equity Manager Comparisons as of September 30, 2011



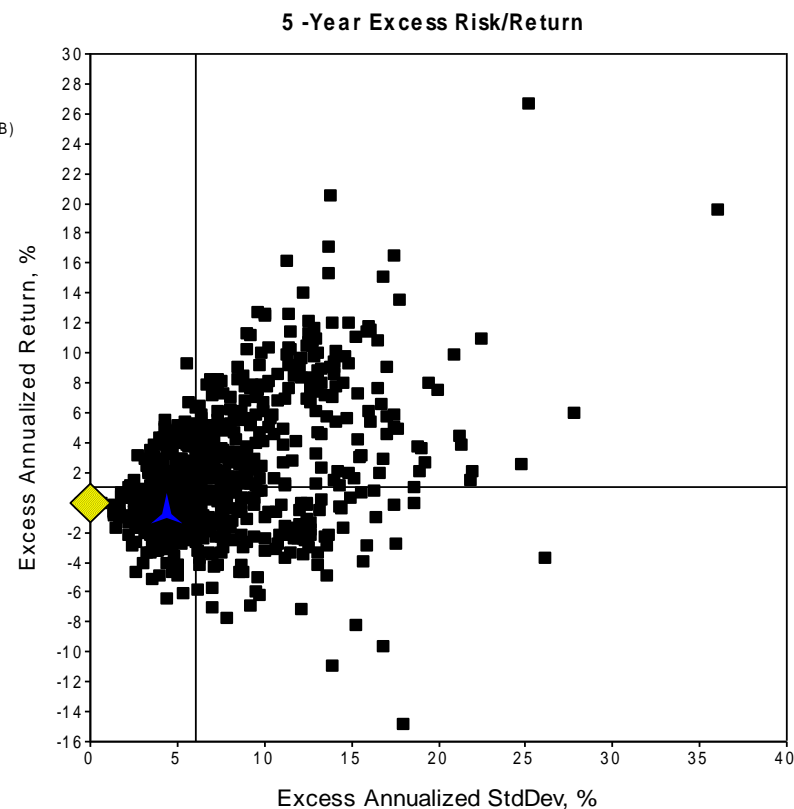
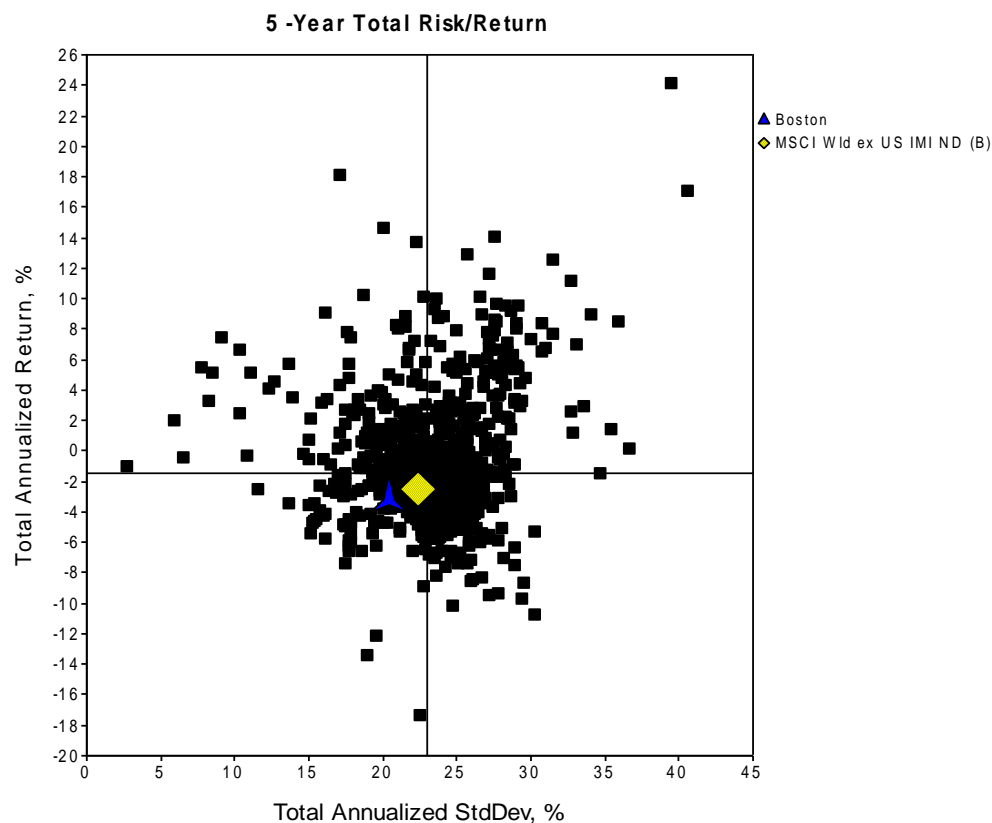
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Invesco	-2.46	20.48	-0.12
MSCI Wld ex US IMI ND (I)	-2.39	22.39	-0.11
International Equity Universe Median	-1.48	23.03	-0.07

	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Invesco	-0.08	3.89	-0.02
MSCI Wld ex US IMI ND (I)	0.00	0.00	NA
International Equity Universe Median	0.90	6.09	0.15

# WPERP International Equity Manager Comparisons as of September 30, 2011



# WPERP International Equity Manager Comparisons as of September 30, 2011

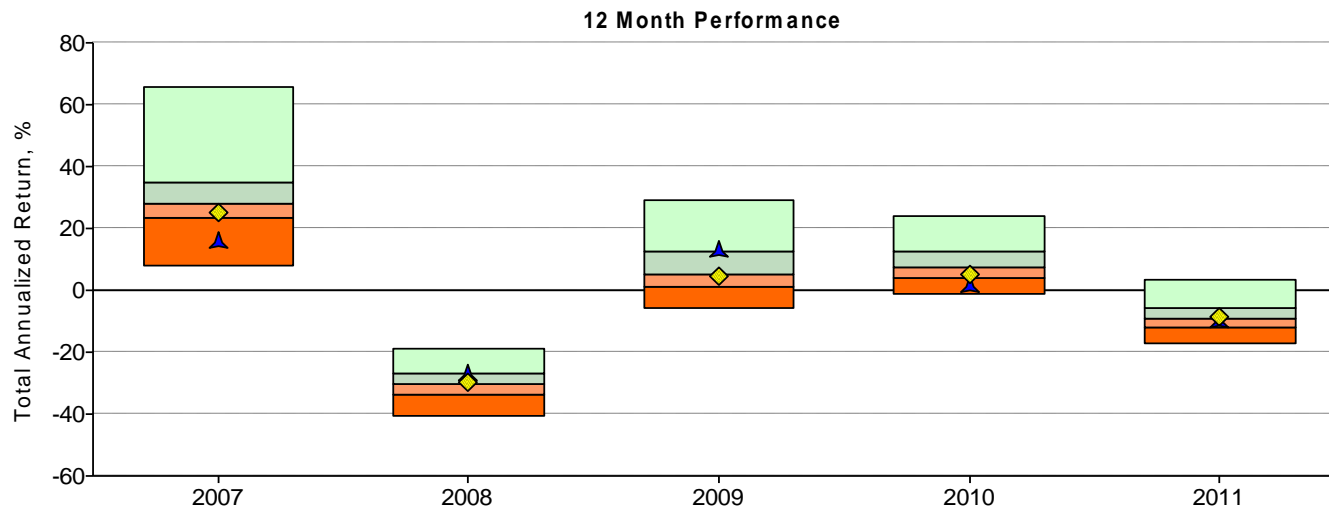
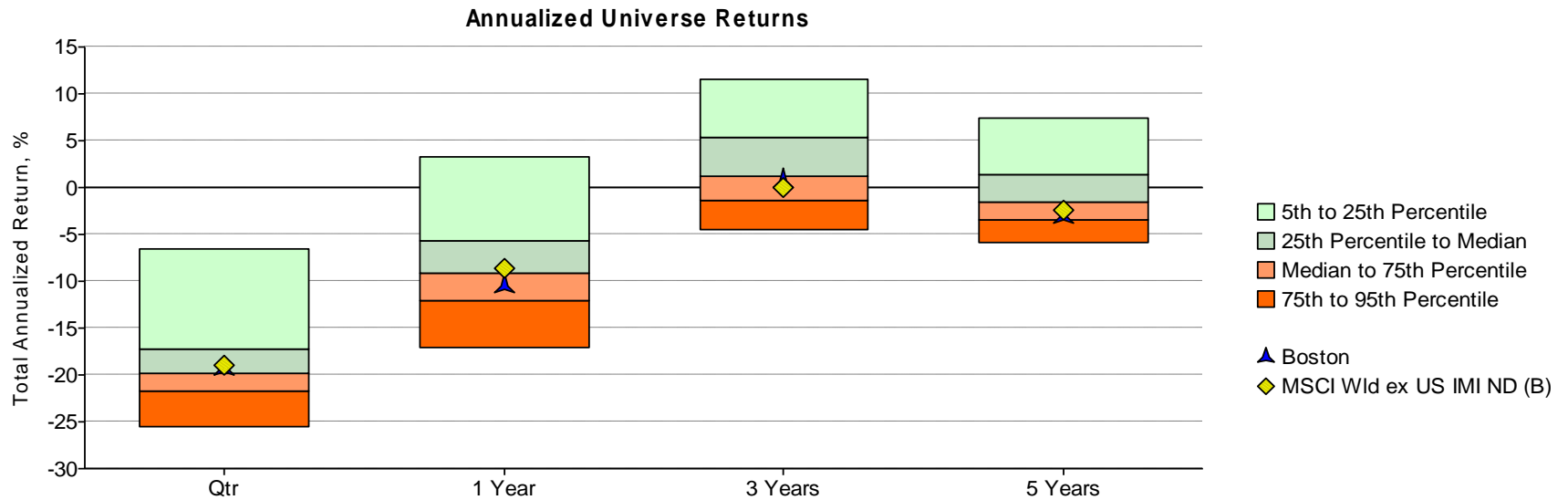


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Boston	-3.18	20.37	-0.16
MSCI Wld ex US IMI ND (B)	-2.46	22.40	-0.11
International Equity Universe Median	-1.48	23.03	-0.07

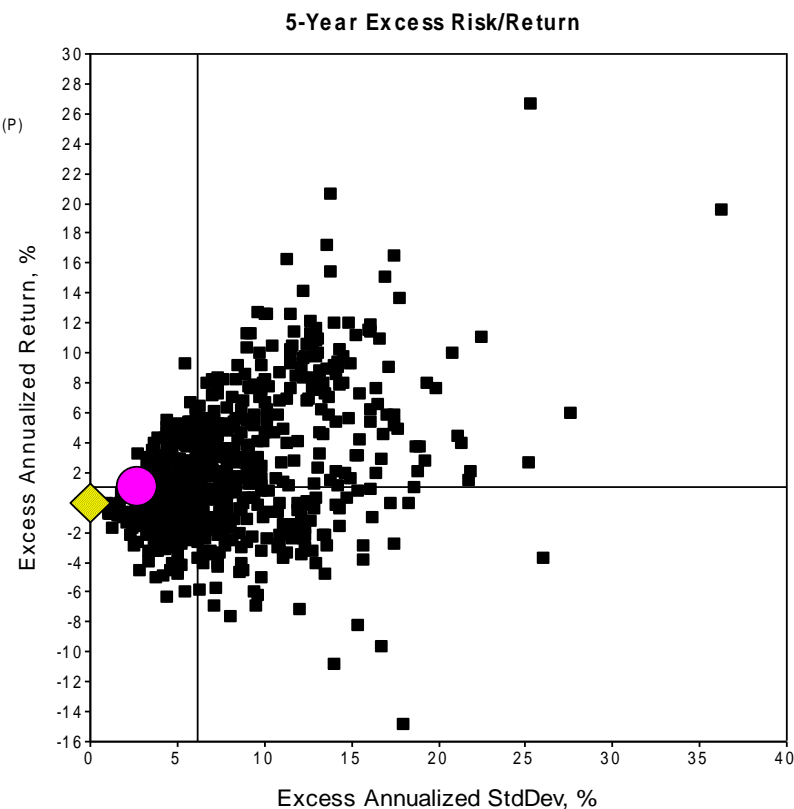
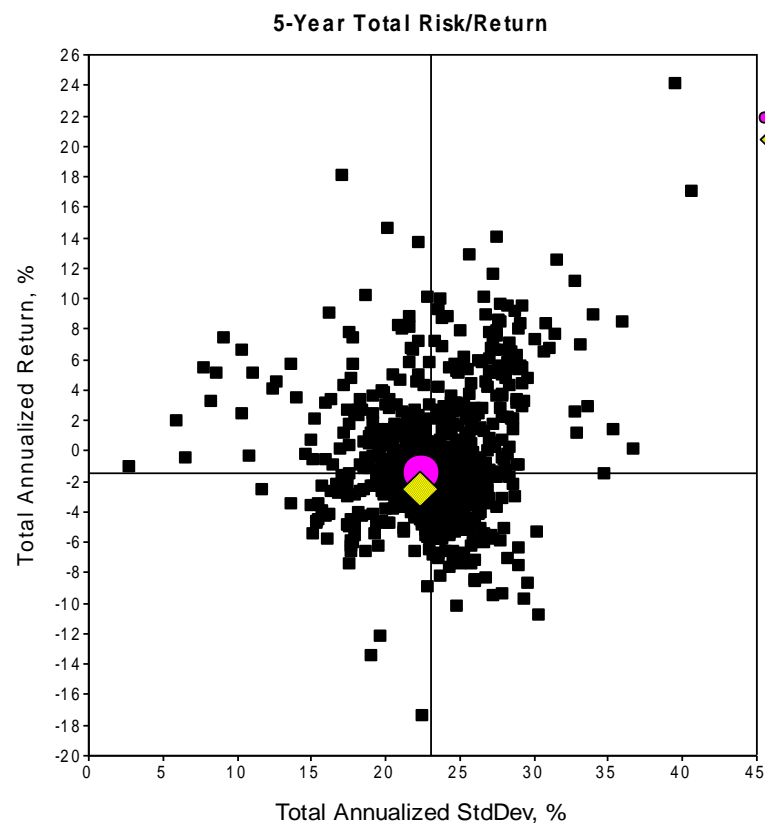
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Boston	-0.72	4.36	-0.17
MSCI Wld ex US IMI ND (B)	0.00	0.00	NA
International Equity Universe Median	0.98	6.08	0.16



# WPERP International Equity Manager Comparisons as of September 30, 2011



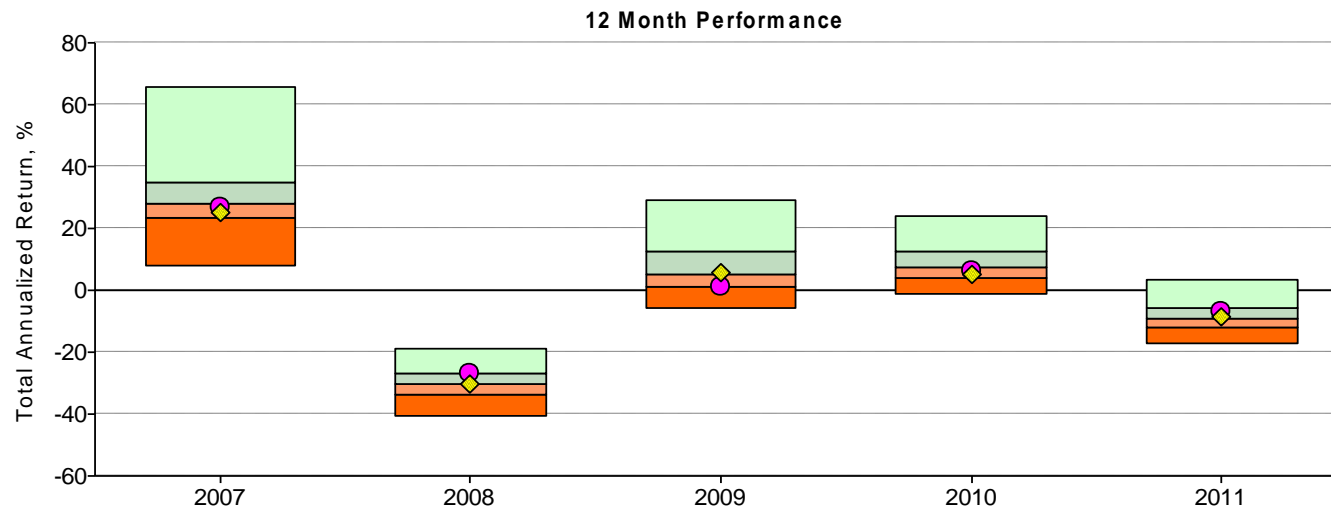
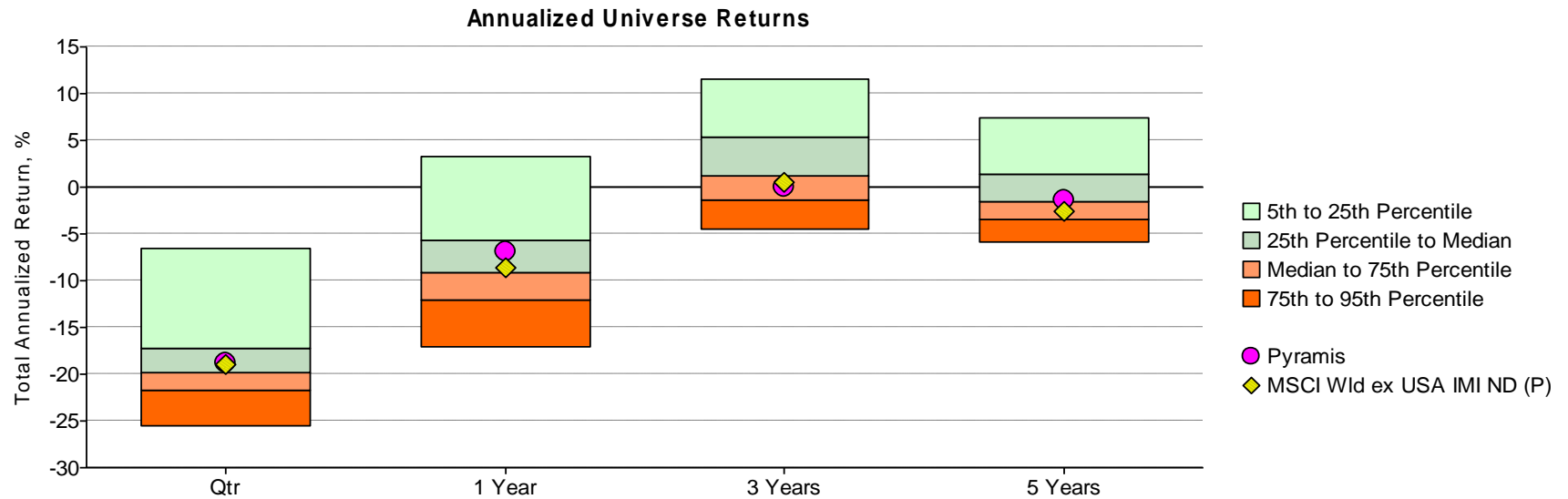
# WPERP International Equity Manager Comparisons as of September 30, 2011



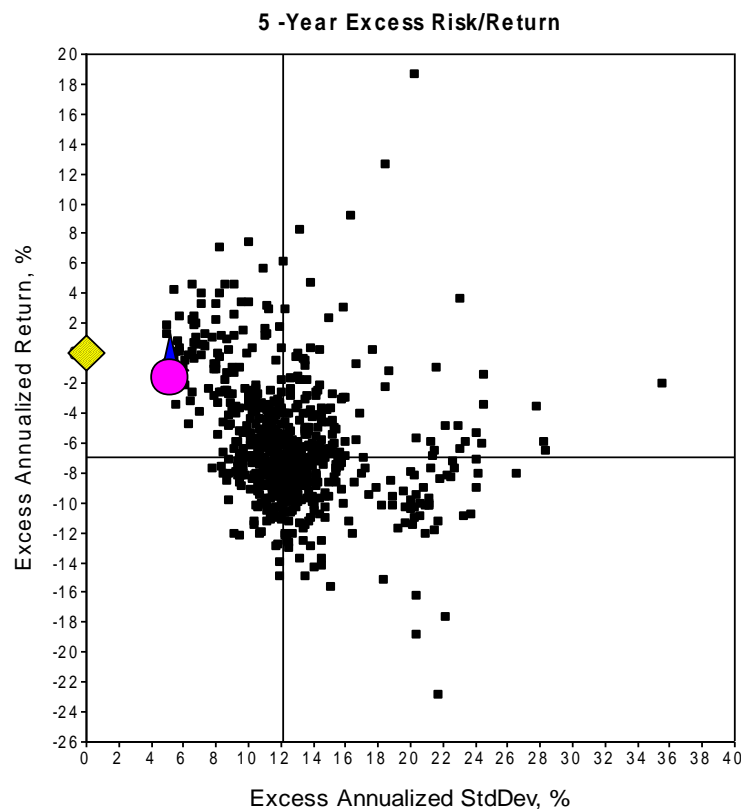
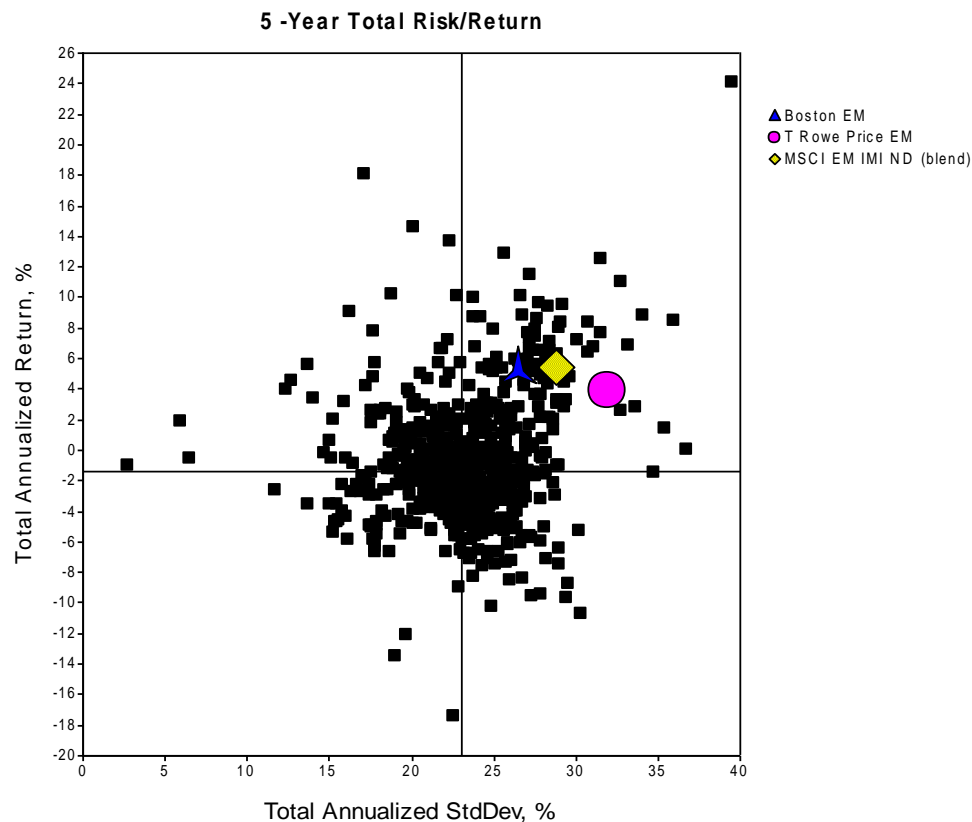
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Pyramis	-1.45	22.43	-0.06
MSCI Wld ex USA IMI ND (P)	-2.50	22.29	-0.11
International Equity Universe Median	-1.48	23.03	-0.07

	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Pyramis	1.05	2.76	0.38
MSCI Wld ex USA IMI ND (P)	0.00	0.00	NA
International Equity Universe Median	1.02	6.14	0.18

# WPERP International Equity Manager Comparisons as of September 30, 2011



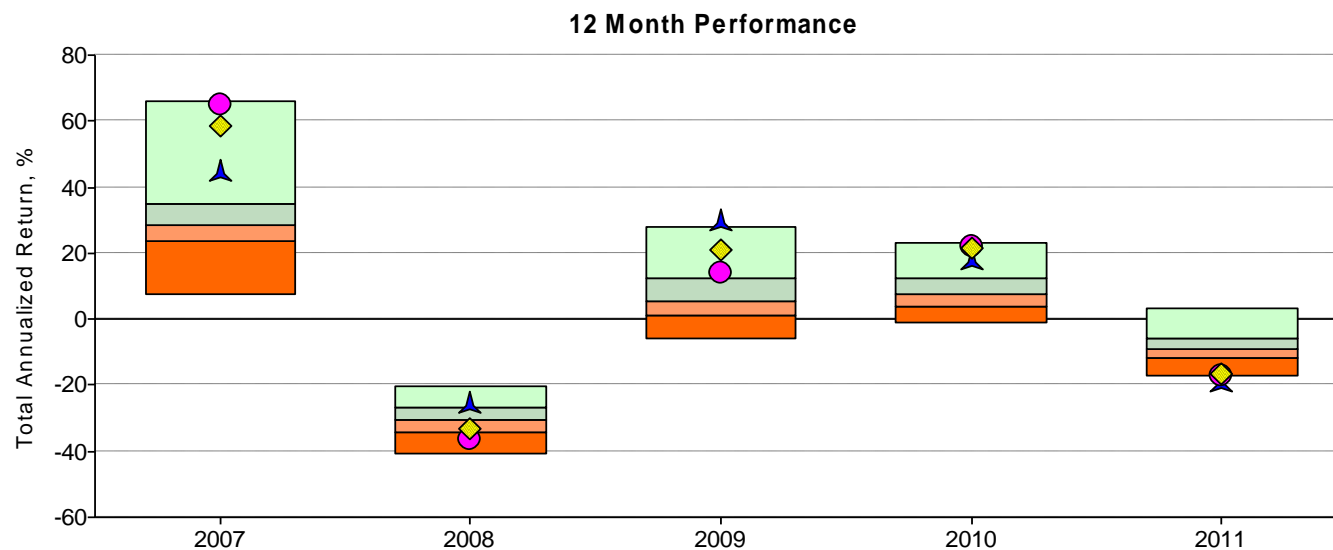
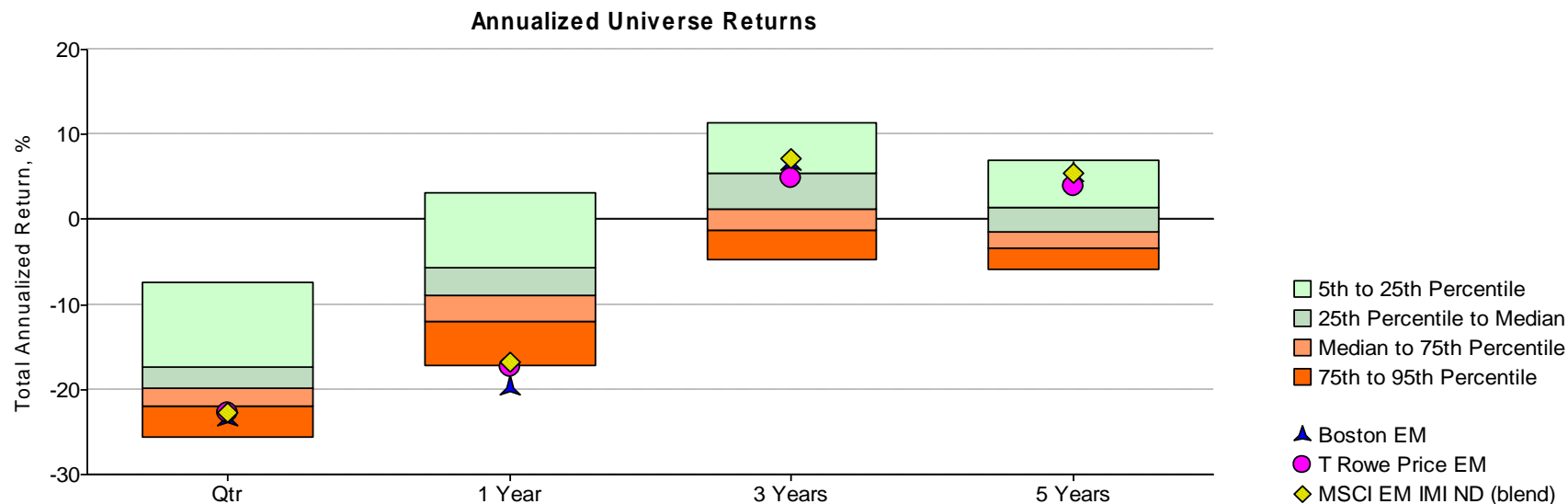
# WPERP Emerging Market Equity Manager Comparisons as of September 30, 2011



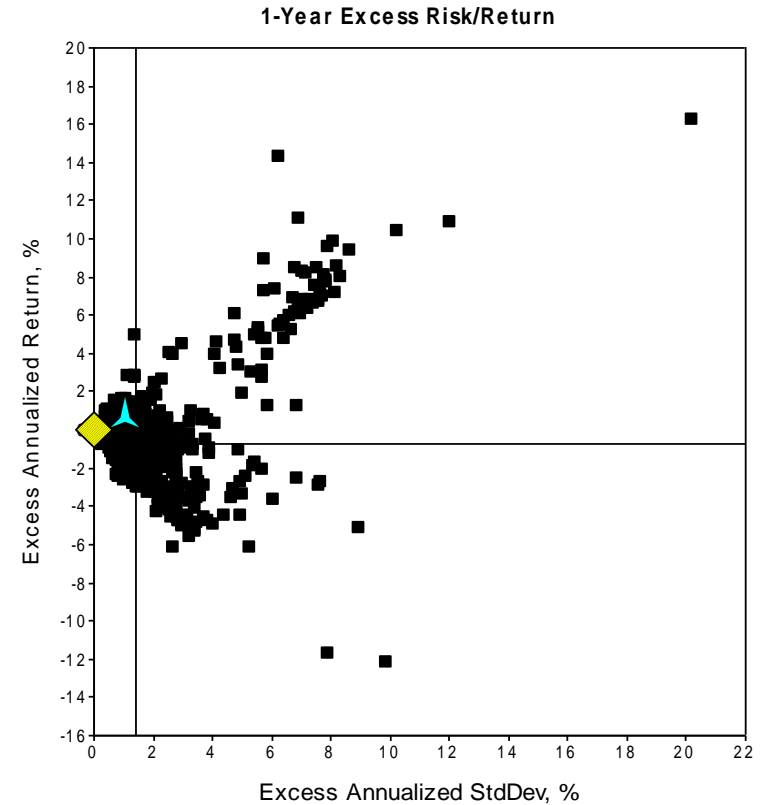
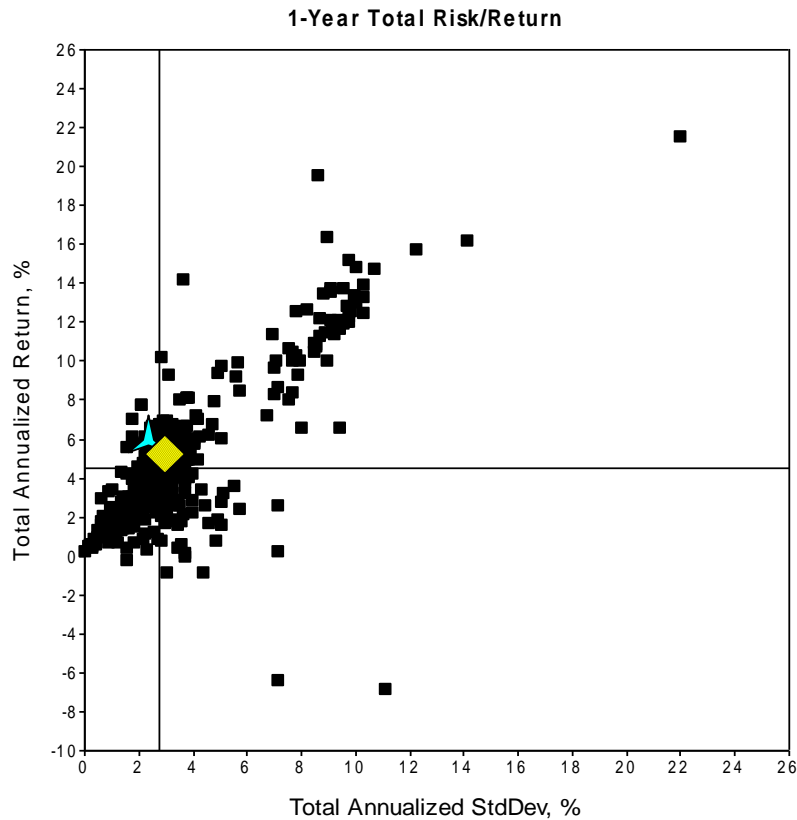
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Boston EM	5.18	26.45	0.20
T Rowe Price EM	3.88	31.94	0.12
MSCI EM IMI ND (blend)	5.47	28.80	0.19
Emerging Equity Universe Median	-1.45	23.09	-0.06

	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
Boston EM	-0.30	5.16	-0.06
T Rowe Price EM	-1.59	5.19	-0.31
MSCI EM IMI ND (blend)	0.00	0.00	NA
Emerging Equity Universe Median	-6.92	12.19	-0.54

# WPERP Emerging Market Equity Manager Comparisons as of September 30, 2011



# WPERP Fixed Income Manager Comparisons as of September 30, 2011

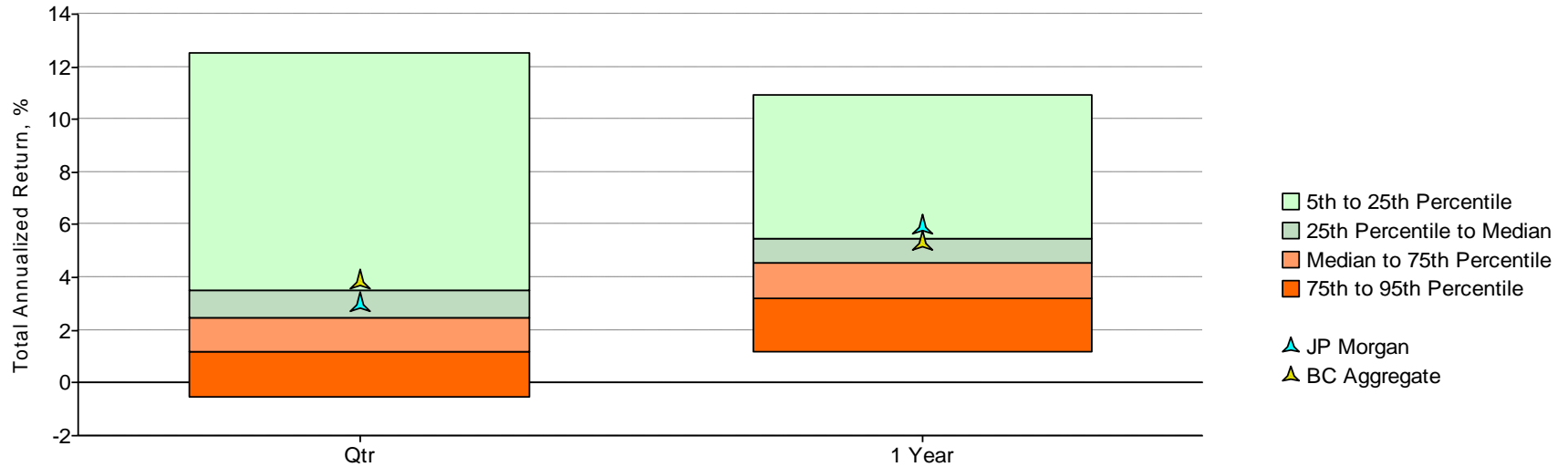


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
JP Morgan	5.92	2.34	2.53
BC Aggregate	5.26	2.96	1.78
Fixed Income Manager Universe Median	4.53	2.73	1.62

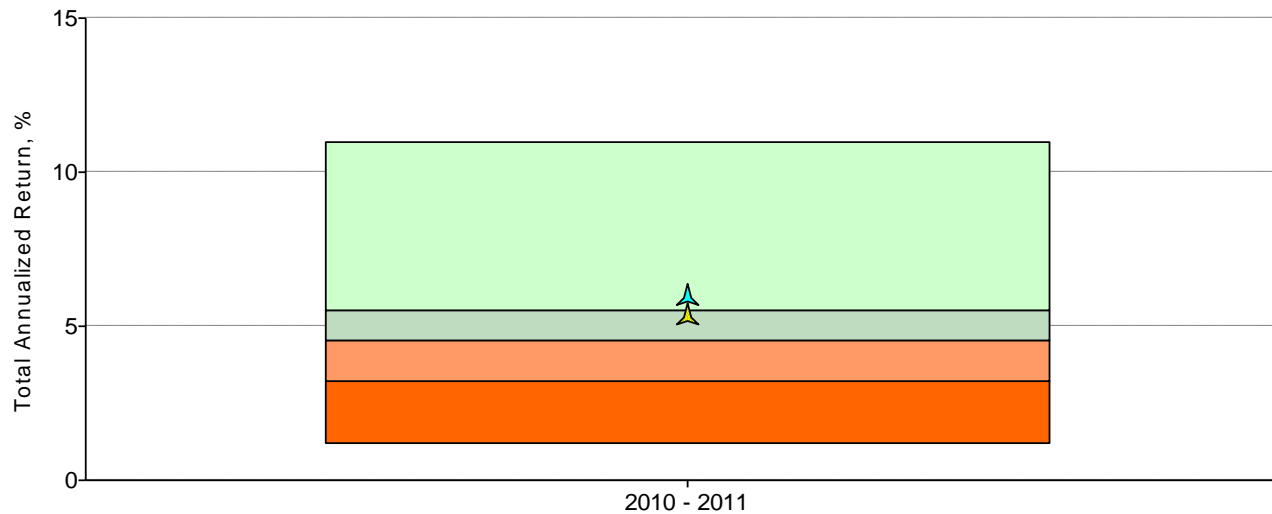
	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
JP Morgan	0.65	1.06	0.62
BC Aggregate	0.00	0.00	NA
Fixed Income Manager Universe Median	-0.73	1.40	-0.57

# WPERP Fixed Income Manager Comparisons as of September 30, 2011

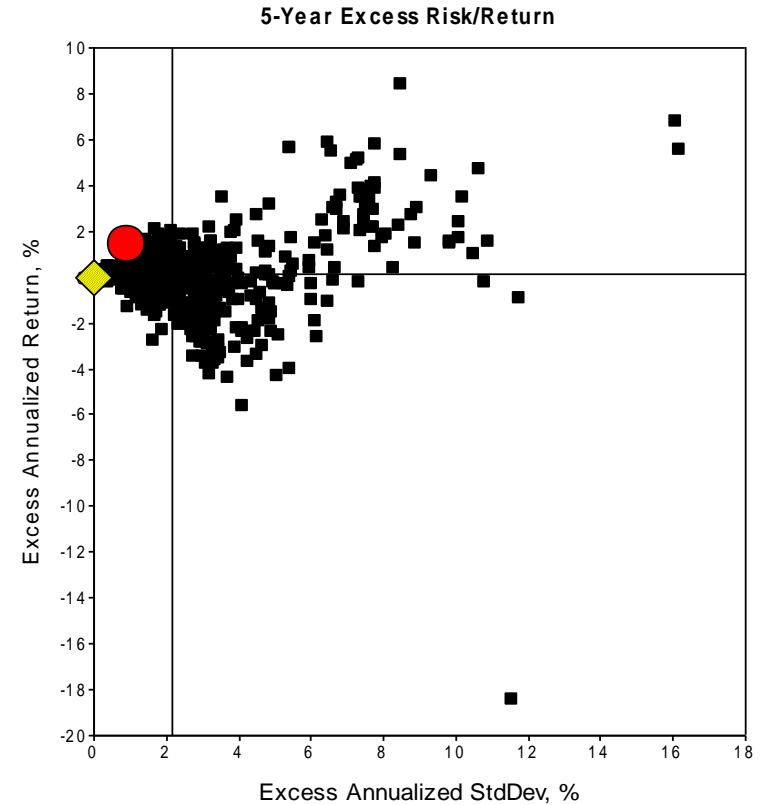
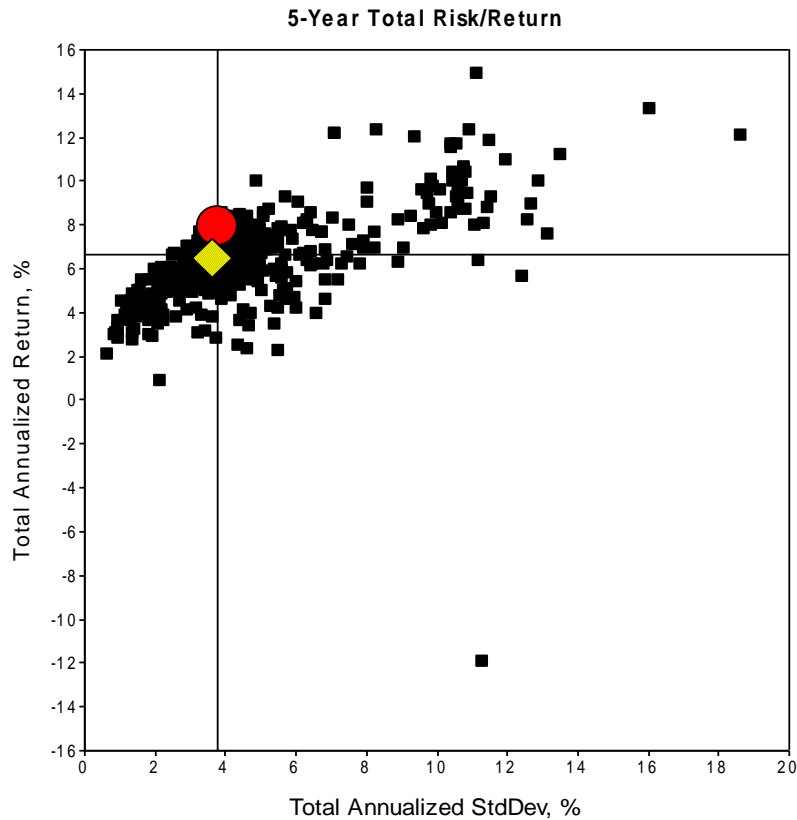
## Annualized Universe Returns



## 12 Month Performance



# WPERP Fixed Income Manager Comparisons as of September 30, 2011

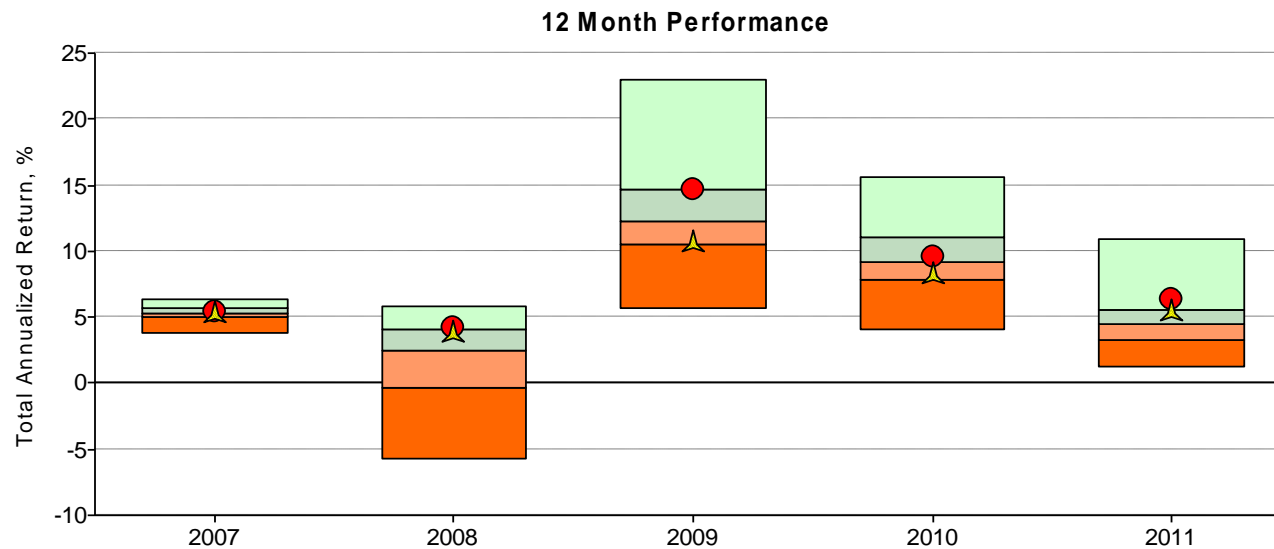
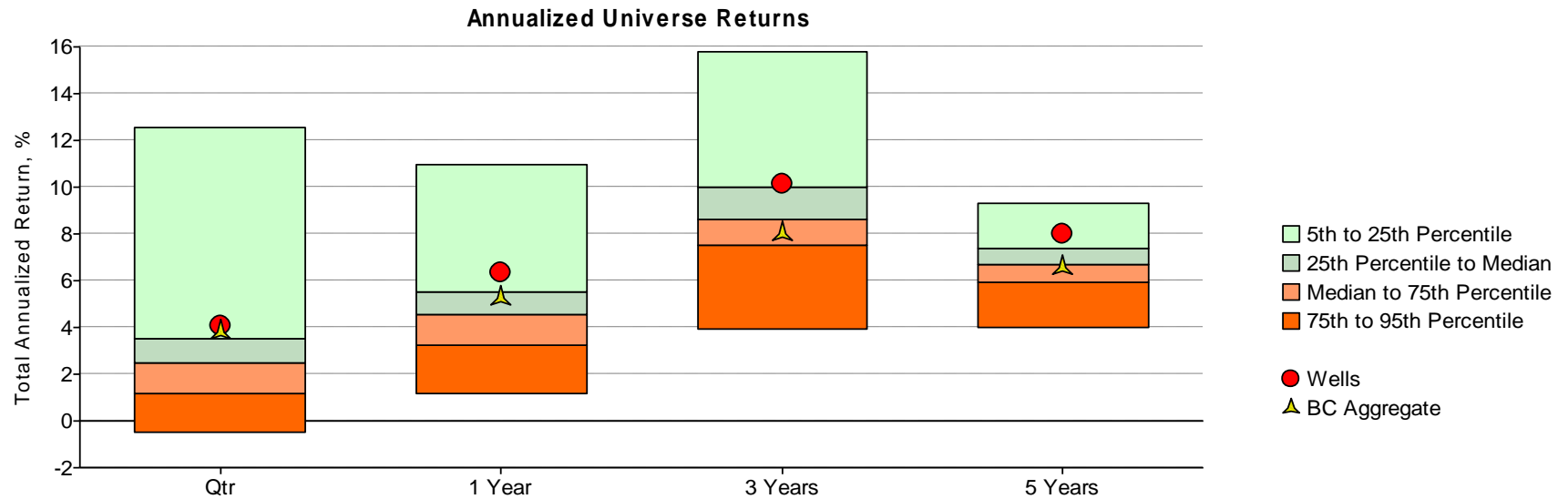


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Wells	7.98	3.75	2.12
BC Aggregate	6.53	3.62	1.80
Fixed Income Manager Universe Median	6.69	3.79	1.76

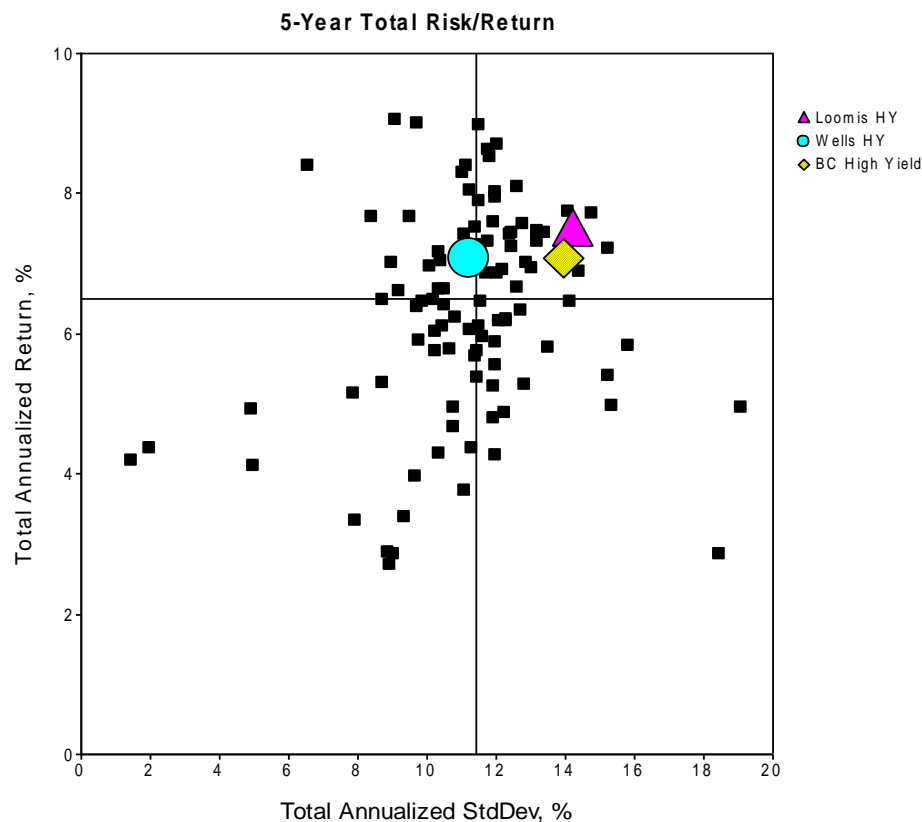
	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
Wells	1.45	0.92	1.57
BC Aggregate	0.00	0.00	NA
Fixed Income Manager Universe Median	0.16	2.15	0.09



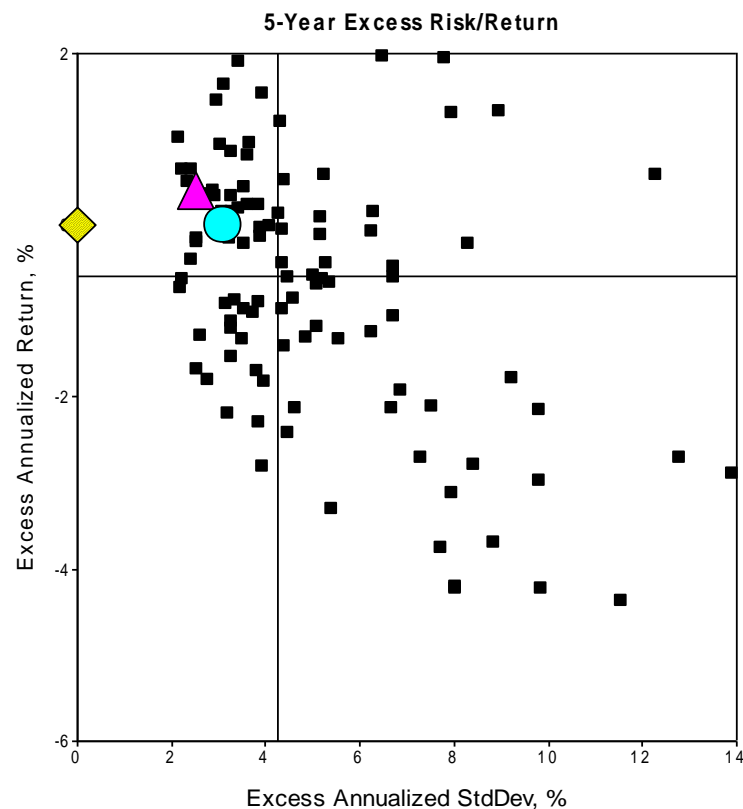
# WPERP Fixed Income Manager Comparisons as of September 30, 2011



# WPERP High Yield Manager Comparisons as of September 30, 2011

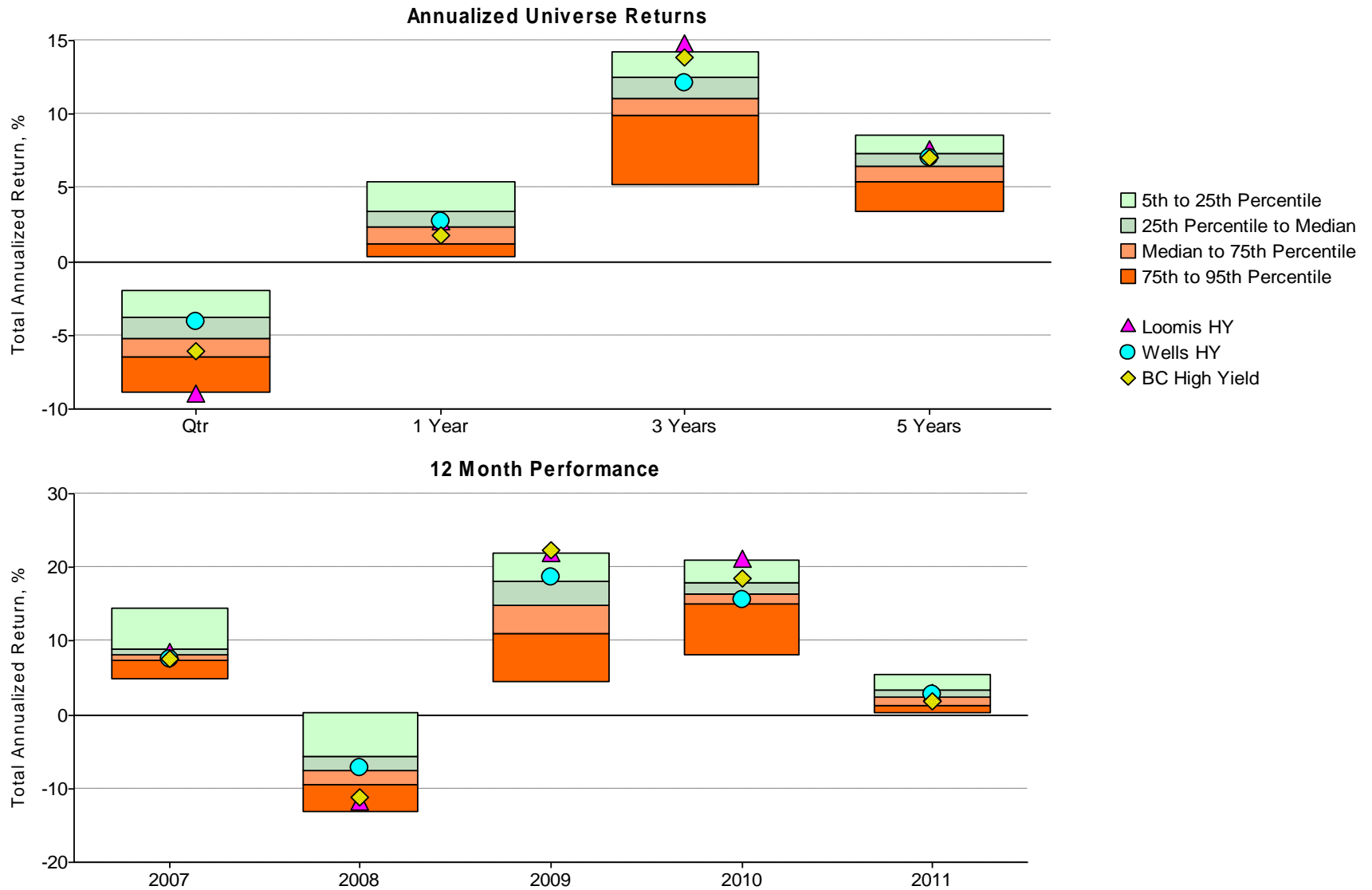


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Loomis HY	7.42	14.22	0.52
Wells HY	7.09	11.21	0.63
BC High Yield	7.08	13.95	0.51
U.S. High Yield Universe Median	6.49	11.42	0.58



	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
Loomis HY	0.34	2.50	0.14
Wells HY	0.01	3.08	0.00
BC High Yield	0.00	0.00	NA
U.S. High Yield Universe Median	-0.59	4.24	-0.12

# WPERP High Yield Manager Comparisons as of September 30, 2011





# APPENDIX

## MANAGERS WATCH CRITERIA

<b>Asset Class</b>	<b>Short-term (Rolling 12 mth periods)</b>	<b>Medium-term (Rolling 36 mth periods)</b>	<b>Long-term</b>
Active Domestic Equity	Portfolio Return < Benchmark Return – 3.0% at 2 consecutive calendar qtr end dates.	Portfolio Annlzd. Return < Benchmark Annlzd. Return – 1.5% at 2 consecutive calendar qtr end dates.	VRR < 0.98 at 2 consecutive calendar qtr end dates.
Passive Domestic Equity	Tracking Error > 0.35% at 2 consecutive calendar qtr end dates	Tracking Error > 0.20% at 2 consecutive calendar qtr end dates.	Portfolio Annlzd. Return < Benchmark Annlzd. Return –0.10% at 2 consecutive calendar qtr end dates.
Active International Equity	Portfolio Return < Benchmark Return – 4.5% at 2 consecutive calendar qtr end dates.	Portfolio Annlzd. Return < Benchmark Annlzd. Return – 2.5% for 2 consecutive calendar qtr end dates.	VRR < 0.98 at 2 consecutive calendar qtr end dates.
Active Fixed Income	Portfolio Return < Benchmark Return – 1.0% at 2 consecutive calendar qtr end dates.	Portfolio Annlzd. Return < Benchmark Annlzd. Return – 0.6% at 2 consecutive calendar qtr end dates.	VRR < 0.99 at 2 consecutive calendar qtrs.
Fund of Hedge Funds (Real Return)	Portfolio Return < Benchmark Return – 3.5% at 2 consecutive calendar qtr end dates.	Portfolio Annlzd. Return < Benchmark Annlzd. Return – 2.5% at 2 consecutive calendar qtr end dates.	VRR < 1.00 at 2 consecutive calendar qtr end dates.
Global Inflation Linked Securities (Real Return)	Portfolio Return < Benchmark Return – 2.0% at 2 consecutive calendar qtr end dates.	Portfolio Annlzd. Return < Benchmark Annlzd. Return – 1.5% at 2 consecutive calendar qtr end dates.	VRR < 0.99 at 2 consecutive calendar qtr end dates.

\*All portfolio returns are gross of manager fees.

## SUMMARY OF WPERP RETIREMENT PLAN PORTFOLIO TRANSITIONS

Manager	Mandate	Funded	Terminated
<b>2003</b>			
BlackRock (formerly Merrill Lynch)	Passive Core	3Q 2003	
Northern Trust	Passive Core	3Q 2003	1Q 2005
<b>2004</b>			
Fred Alger	Large Cap Growth	1Q 2004	---
Intech	Large Cap Growth	1Q 2004	3Q 2009
MFS	Large Cap Value	1Q 2004	---
T. Rowe Price	Large Cap Value	3Q 2004	---
Invesco	International	2Q 2004	---
ING/Aeltus	Core Fixed Income	3Q 2004	4Q 2009
Wells Capital	Core Fixed Income	3Q 2004	---
Bank of New York	Small Cap Growth	4Q 2004	1Q 2006
Earnest Partners	Small Cap Value	4Q 2004	---
Pyramis (formerly Fidelity)	International	4Q 2004	---
Wells Capital	High Yield	4Q 2004	---
<b>2005</b>			
Boston Company	International	1Q 2005	---
Loomis Sayles	High Yield	1Q 2005	---
Boston Company	Emerging Markets	1Q 2005	---
T. Rowe Price	Emerging Markets	1Q 2005	3Q 2011
Boston Company	Large cap Active	---	1Q 2005
<b>2006</b>			
Lexington VI	Private Equity	3Q 2006	---
Northpointe	Small Cap Growth	3Q 2006	2Q 2009
Paradigm	Small Cap Growth	3Q 2006	1Q 2010
Landmark XIII	Private Equity	4Q 2006	---
Prisa	Real Estate	4Q 2006	---
<b>2007</b>			
Aetos	Hedge Fund	1Q 2007	---
PAAMCO	Hedge Fund	1Q 2007	4Q 2010
Prisa II	Real Estate	2Q 2007	---
JPM Strategic	Real Estate	3Q 2007	---
<b>2008</b>			
HRJ	Private Equity	1Q 2008	---
Fisher Lynch	Private Equity	2Q 2008	---
CB Richard Ellis	Real Estate	2Q 2008	---
Landmark XIV	Private Equity	3Q 2008	---
<b>2009</b>			
Oaktree V	Private Equity	1Q 2009	---

(Continued)

Manager	Mandate	Funded	Terminated
<b>2010</b>			
Mesa West	Real Estate	1Q 2010	---
Lexington VII	Private Equity	1Q 2010	---
T. Rowe Price	Large Cap Growth	2Q 2010	---
Frontier	Small Cap Growth	2Q 2010	---
JP Morgan	Core Fixed Income	2Q 2010	---
WAMCO	GILS	2Q 2010	---
<b>2011</b>			
EnergyCap VIII	Private Equity	1Q 2011	---
Audax Mezz III	Private Equity	1Q 2011	---
Lone Star II	Real Estate	3Q 2011	---
Lone Star VII	Real Estate	3Q 2011	---

## WPERP RETIREMENT PLAN POLICY BENCHMARK DESCRIPTION

Time Period	Policy Benchmarks
Thru 3/31/2003	60% S&P 500 30% Citigroup BIG 10% Citigroup T-Bill
4/1/2003-12/31/2006	40% Russell 3000 15% MSCI ACWI ex U.S. 35% BC Universal 1% T-Bill <i>The Plan had allocated 5% to Alternatives and 4% to Real Estate asset classes. Since both of these asset classes were not funded until 1Q 2007, the policy benchmark was calculated on a pro-weighted basis (on total of 91%) during this period.</i>
1/1/2007-2/28/2007	40% Russell 3000 15% MSCI ACWI ex U.S. 35% BC Universal 4% NCREIF Lag 4.25% Cambridge U.S. Private Equity Lag , 0.75% Cambridge U.S. Venture Capital Lag 1% T-Bill
3/1/2007-6/30/2008	40% Russell 3000 15% MSCI ACWI ex U.S. 35% BC Universal 4% NCREIF Lag 3.40% Cambridge U.S. Private Equity Lag , 0.60% Cambridge U.S. Venture Capital Lag 1% T-Bill + 3% Lag 1% T-Bill
7/1/2008-12/31/2008	40% Russell 3000 24% MSCI ACWI ex U.S. 30% BC Universal 2% NCREIF Lag 0.85% Cambridge U.S. Private Equity Lag , 0.15% Cambridge U.S. Venture Capital Lag 2% T-Bill + 3% Lag 1% T-Bill
1/1/2009-6/30/2009	40% Russell 3000 24% MSCI ACWI ex U.S. IMI 30% BC Universal 2% NCREIF Lag 0.85% Cambridge U.S. Private Equity Lag , 0.15% Cambridge U.S. Venture Capital Lag 2% T-Bill + 3% Lag 1% T-Bill

## WPERP RETIREMENT PLAN POLICY BENCHMARK DESCRIPTION - CONTINUED

Time Period	Policy Benchmarks
7/1/2009-9/30/2010	33% Russell 3000 17% MSCI ACWI ex U.S. IMI 40% BC Universal 3% NCREIF Lag 1.70% Cambridge U.S. Private Equity Lag , 0.30% Cambridge U.S. Venture Capital Lag 3% T-Bills + 3% Lag 2% T-Bill
10/1/2010-9/30/2011	34% Russell 3000 20% MSCI ACWI ex U.S. IMI 33% BC Universal 4% NCREIF Lag 2.55% Cambridge U.S. Private Equity Lag , 0.45% Cambridge U.S. Venture Capital Lag 5% T-Bills + 3% Lag 1% T-Bill





## WPERP HEALTH PLAN POLICY BENCHMARK DESCRIPTION

Time Period	Policy Benchmarks
Thru 9/30/2009	60% Russell 3000 40% BC Universal
10/1/09-6/30/10	37% Russell 3000 15% MSCI ACWI ex U.S. IMI 45% BC Universal 0.85% Cambridge U.S. Private Equity Lag , 0.15% Cambridge U.S. Venture Capital Lag 2% T-Bill
7/1/2010-9/30/2011	34% Russell 3000 18% MSCI ACWI ex U.S. IMI 42% BC Universal 0.85% Cambridge U.S. Private Equity Lag , 0.15% Cambridge U.S. Venture Capital Lag 3% T-Bill + 3% Lag 2% T-Bill

**Retirement Plan Evolving Investment Policy Allocations**

Asset Class	10/1/2011- 6/30/2012	7/1/2012- 6/30/2013	7/1/2013- 6/30/2014
Cash	1	1	1
Fixed Income	28	25	24
Real Return	5	6	6
Real Estate	2	4	5
Covered Calls	5	5	5
Domestic Equity	35	34	33
International Equity	22	21	21
Private Equity	2	4	5

**Health Plan Evolving Investment Policy Allocations**

Asset Class	10/1/2011- 6/30/2012	7/1/2012- 6/30/2013	7/1/2013- 6/30/2014
Cash	1	1	1
Fixed Income	31	26	24
Real Return	5	6	6
Real Estate	1	3	5
Covered Calls	5	5	5
Domestic Equity	36	35	33
International Equity	20	21	21
Private Equity	1	3	5

**Performance Attribution** - the process of comparing a portfolio's performance with its benchmark, and identify and quantify sources of differential returns (also called active returns).

**Differential Returns / Active Returns / Value Added** – The difference between the return on a portfolio and the return on the benchmark.

#### Impact on Return

Attribution Segment	Definition	Formula	Where:
Weighting (also called allocation, sector allocation, or pure sector allocation)	The effects of portfolio manager decisions to over/underweight each sector	Allocation $(w_i - W_i) \times (b_i - b)$	$w_i$ = portfolio segment weight $W_i$ = benchmark segment weight $b_i$ = benchmark segment return $b$ = total benchmark return
Selection (also called within-sector selection)	The effects of portfolio manager decision to buy specific securities	Selection $(r_i - b_i) \times W_i$	$r_i$ = portfolio segment return $b_i$ = benchmark segment return $W_i$ = benchmark segment weight
Interaction (also called allocation/selection interaction)	The effects of portfolio managers decisions to security selection can inadvertently cause sector over/underweighting.	Interaction $(r_i - b_i) \times (w_i - W_i)$	$r_i$ = portfolio segment return $b_i$ = benchmark segment return $w_i$ = portfolio segment weight $W_i$ = benchmark segment weight



## GLOSSARY OF TERMS

**Alpha** - The premium an investment earns above a set standard. This is usually measured in terms of a common index (i.e., how the stock performs independent of the market). An Alpha is usually generated by regressing a security's excess return on the S&P 500 excess return.

**Annualized Performance** - The annual rate of return that when compounded  $t$  times generates the same  $t$ -period holding return as actually occurred from period 1 to period  $t$ .

**Batting Average** - Percentage of periods a portfolio outperforms a given index.

**Beta** - The measure of an asset's risk in relation to the Market (for example, the S&P 500) or to an alternative benchmark or factors. Roughly speaking, a security with a Beta of 1.5 will have moved, on average, 1.5 times the market return.

**Bottom-up** - A management style that de-emphasizes the significance of economic and market cycles, focusing instead on the analysis of individual stocks.

**Dividend Discount Model** - A method to value the common stock of a company that is based on the present value of the expected future dividends.

**Growth Stocks** - Common stock of a company that has an opportunity to invest money and earn more than the opportunity cost of capital.

**Information Ratio** - The ratio of annualized expected residual return to residual risk. A central measurement for active management, value added is proportional to the square of the information ratio.

**R-Squared** - Square of the correlation coefficient. The proportion of the variability in one series that can be explained by the variability of one or more other series a regression model. A measure of the quality of fit. 100% R-square means perfect predictability.

**Standard Deviation** - The square root of the variance. A measure of dispersion of a set of data from its mean.

**Sharpe Ratio** - A measure of a portfolio's excess return relative to the total variability of the portfolio.

**Style Analysis** - A returns-based analysis using a multi-factor attribution model. The model calculates a product's average exposure to particular investment styles over time (i.e., the product's normal style benchmark).

**Top-down** - Investment style that begins with an assessment of the overall economic environment and makes a general asset allocation decision regarding various sectors of the financial markets and various industries.

**Tracking Error** - The standard deviation of the difference between the performance of a portfolio and an appropriate benchmark.

**Turnover** - For mutual funds, a measure of trading activity during the previous year, expressed as a percentage of the average total assets of the fund. A turnover rate of 25% means that the value of trades represented one-fourth of the assets of the fund.

**Value Stocks** - Stocks with low price/book ratios or price/earnings ratios. Historically, value stocks have enjoyed higher average returns than growth stocks (stocks with high price/book or P/E ratios) in a variety of countries.



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## DEFINITION OF BENCHMARKS

**BC 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.

**BC High Yield:** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included. Must be rated high-yield (Ba1/BB+ or lower) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. All issues must have at least one year to final maturity regardless of call features and have at least \$150 million par amount outstanding.

**BC Multiverse Non-US Hedged:** provides a broad-based measure of the international fixed-income bond market. The index represents the union of the BC Global Aggregate Index and the BC Global High Yield Index. In this sense, the term "Multiverse" refers to the concept of multiple universes in a single macro index.

**BC U.S. Credit:** includes publicly issued U.S. corporate and foreign debentures and secured notes that which are rated investment grade or higher by Moody's Investor Services, Standard and Poor's Corporation, or Fitch Investor's Service, with all issues having at least one year to maturity and an outstanding par value of at least \$250 million. Issues must be publicly issued, dollar-denominated and non-convertible.


**BC U.S. Government:** includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government).

**BC Universal:** includes market coverage by the Aggregate Bond Index fixed rate debt issues, which are rated investment grade or higher by Moody's Investor Services, Standard and Poor's Corporation, or Fitch Investor's Service, 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.

**Citigroup 3-Month Treasury Bills (T-bills):** tracks the performance of U.S. Treasury bills with 3-month maturity.

**MSCI ACWI ex US ND:** comprises both developed and emerging markets less the United States. As of August 2008, the index consisted of 23 countries classified as developed markets and 25 classified as emerging markets. This series approximates the minimum possible dividend reinvestment. The dividend is reinvested after deduction of withholding tax, applying the rate to non-resident individuals who do not benefit from double taxation treaties. MSCI Barra uses withholding tax rates applicable to Luxembourg holding companies, as Luxembourg applies the highest rates.

**MSCI EAFE Free (Europe, Australasia, Far East) ND:** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. This series approximates the minimum possible dividend reinvestment. The dividend is reinvested after deduction of withholding tax, applying the rate to non-resident individuals who do not benefit from double taxation treaties. MSCI Barra uses withholding tax rates applicable to Luxembourg holding companies, as Luxembourg applies the highest rates.



**MSCI EM (Emerging Markets) GD:** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. This series approximates the maximum possible dividend reinvestment. The amount reinvested is the entire dividend distributed to individuals resident in the country of the company, but does not include tax credits.

**MSCI Europe** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. As of June 2007, this index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

**MSCI Pacific** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in the Pacific region. As of June 2007, this index consisted of the following 5 Developed Market countries: Australia, Hong Kong, Japan, New Zealand, and Singapore.

**NAREIT Index:** consists of all tax-qualified REITs listed on the New York Stock Exchange, American Stock Exchange, and the NASDAQ National Market System. The data is market weighted.

**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 1000:** measures the performance of the 1,000 largest securities in the Russell 3000 Index. Russell 1000 is highly correlated with the S&P 500 Index and capitalization-weighted.

**Russell 1000 Growth:** measures the performance of those Russell 1000 securities with a greater-than-average growth orientation. Securities in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the Value universe.

**Russell 1000 Value:** measures the performance of those Russell 1000 securities with a less-than-average growth orientation. Securities in this index tend to exhibit lower price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Growth universe.

**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 2000 Growth:** measures the performance of those Russell 2000 securities with a greater-than-average growth orientation. Securities in this index tend to exhibit higher price-to-book and price-to-earnings ratios.

**Russell 2000 Value:** measures the performance of those Russell 2000 securities with a less-than-average growth orientation. Securities in this index tend to exhibit lower price-to-book and price-to-earnings ratios.

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

US Equity Markets:

Metric:  $P/E \text{ ratio} = \text{Price} / \text{"Normalized" earnings for the S\&P 500 Index}$


To represent the price of US equity markets, we have chosen the S&P 500 index. This index has the longest published history of price, is well known, and also has reliable, long-term, published quarterly earnings. The price= $P$  of the  $P/E$  ratio is the current price of the market index (the average daily price of the most recent full month for the S&P 500 index). Equity markets are very volatile. Prices fluctuate significantly during normal times and extremely during periods of market stress or euphoria. Therefore, developing a measure of earnings power ( $E$ ) which is stable is vitally important, if the measure is to provide insight. While equity prices can and do double, or get cut in half, real earnings power does not change nearly as much. Therefore, we have selected a well known measure of real, stable earnings power developed by Yale Professor Robert Shiller known as the Shiller E-10. The calculation of E-10 is simply the average real annual earnings over the past 10 years. Over 10 years, the earnings shenanigans and boom and bust levels of earnings tend to even out (and often times get restated). Therefore, this earnings statistic gives a reasonably stable, slow-to-change estimate of average real earnings power for the index. Professor Shiller's data and calculation of the E-10 are available on his website at <http://www.econ.yale.edu/~shiller/data.htm>. We have used his data as the base for our calculations. Details of the theoretical justification behind the measure can be found in his book *Irrational Exuberance* [Princeton University Press 2000, Broadway Books 2001, 2nd ed., 2005].

Developed Equity Markets Excluding the US:

Metric:  $P/E \text{ ratio} = \text{Price} / \text{"Normalized" earnings for the MSCI EAFE Index}$

To represent the price of non-US developed equity markets, we have chosen the MSCI EAFE index. This index has the longest published history of price for non-US developed equities. The price= $P$  of the  $P/E$  ratio is the current price of the market index (the average daily price of the most recent full month for the MSCI EAFE index). The price level of this index is available starting in December 1969. Again, for the reasons described above, we elected to use the Shiller E-10 as our measure of earnings ( $E$ ). Since 12/1972, a monthly price earnings ratio is available from MSCI. Using this quoted ratio, we have backed out the implied trailing-twelve month earnings of the EAFE index for each month from 12/1972 to the present. These annualized earnings are then inflation adjusted using CPI-U to represent real earnings in US dollar terms for each time period. The Shiller E-10 for the EAFE index (10 year average real earnings) is calculated in the same manner as detailed above.

However, we do not believe that the pricing and earnings history of the EAFE markets are long enough to be a reliable representation of pricing history for developed market equities outside of the US. Therefore, in constructing the Long-Term Average Historical  $P/E$  for developed ex-US equities for comparison purposes, we have elected to use the US equity market as a developed market proxy, from 1881 to 1982. This lowers the Long-Term Average Historical  $P/E$  considerably. We believe this methodology provides a more realistic historical comparison for a market with a relatively short history.



### Emerging Market Equity Markets:

Metric: Ratio of Emerging Market P/E Ratio to Developed Market P/E Ratio

To represent the Emerging Markets P/E Ratio, we have chosen the MSCI Emerging Market Free Index, which has P/E data back to January 1995 on Bloomberg. To represent the Developed Markets PE Ratio, we have chosen the MSCI World Index, which also has data back to January 1995 on Bloomberg. Although there are issues with published, single time period P/E ratios, in which the denominator effect can cause large movements, we feel that the information contained in such movements will alert investors to market activity that they will want to interpret.

### US Private Equity Markets:

Metrics: S&P LCD Average EBITDA Multiples Paid in LBOs and US Quarterly Deal Volume

The Average Purchase Price to EBITDA multiples paid in LBOs is published quarterly by S&P in their LCD study. This is the total price paid (both equity and debt) over the trailing-twelve month EBITDA (earnings before interest, taxes, depreciation and amortization) as calculated by S&P LCD. This is the relevant, high-level pricing metric that private equity managers use in assessing deals. Data is published monthly.

US quarterly deal volume for private equity is the total deal volume in \$ billions (both equity and debt) reported in the quarter by Thomson Reuters Buyouts. This metric gives a measure of the level of activity in the market. Data is published quarterly.


### U.S Private Real Estate Markets:

Metrics: US Cap rates and Transactions as a % of Market Value Trailing-Four Quarters

Real estate cap rates are a measure of the price paid in the market to acquire properties versus their annualized income generation before financing costs (NOI=net operating income). The data is published by NCREIF. We chose to use current value cap rate. These are capitalization rates from properties that were revalued during the quarter. While this data does rely on estimates of value and therefore tends to be lagging, (estimated prices are slower to rise and slow to fall than transaction prices), the data series goes back to 1979, providing a long data series for valuation comparison. Data is published quarterly.

Transactions as a % of Market Value Trailing-Four Quarters is a measure of property turnover activity in the NCREIF Universe. This metric is a measure of activity in the market. Data is published quarterly.





### Credit Markets US Fixed Income:

Metric: Spreads

The absolute level of spreads over treasuries and spread trends (widening / narrowing) are good indicators of credit risk in the fixed income markets. Spreads incorporate estimates of future default, but can also be driven by technical dislocations in the fixed income markets. Abnormally narrow spreads (relative to historical levels) indicate higher levels of valuation risk, wide spreads indicate lower levels of valuation risk and / or elevated default fears. Investment grade bond spreads are represented by the Barclays Capital US Corporate Investment Grade Index Intermediate Component. The high yield corporate bond spreads are represented by the Barclays Capital US Corporate High Yield Index.

### Measure of Equity Market Fear / Uncertainty


Metric: VIX – Measure of implied option volatility for U.S. equity markets

The VIX is a key measure of near-term volatility conveyed by implied volatility of S&P 500 index option prices. VIX increases with uncertainty and fear. Stocks and the VIX are negatively correlated. Volatility tends to spike when equity markets fall.

### Measure of Monetary Policy

Metric: Yield Curve Slope

We calculate the yield curve slope as the 10 year treasury yield minus the 1 year treasury yield. When the yield curve slope is zero or negative, this is a signal to pay attention. A negative yield curve slope signals lower rates in the future, caused by a contraction in economic activity. Recessions are typically preceded by an inverted (negatively sloped) yield curve. A very steep yield curve (2 or greater) indicates a large difference between shorter-term interest rates (the 1 year rate) and longer-term rates (the 10 year rate). This can signal expansion in economic activity in the future, or merely higher future interest rates.



### Measures of US Inflation Expectations

Metrics: Breakeven Inflation and Inflation Adjusted Commodity Prices

Inflation is a very important indicator impacting all assets and financial instruments. Breakeven inflation is calculated as the 10 year nominal treasury yield minus the 10 year real yield on US TIPS (treasury inflation protected securities). Abnormally low long-term inflation expectations are indicative of deflationary fears. A rapid rise in breakeven inflation indicates an acceleration in inflationary expectations as market participants sell nominal treasuries and buy TIPS. If breakeven inflation continues to rise quarter over quarter, this is a signal of inflationary worries rising, which may cause Fed action and / or dollar decline.

Commodity price movement (above the rate of inflation) is an indication of anticipated inflation caused by real global economic activity putting pressure on resource prices. We calculate this metric by adjusted in the Dow Jones UBS Commodity Index (formerly Dow Jones AIG Commodity Index) by US CPI-U. While rising commodity prices will not necessarily translate to higher US inflation, higher US inflation will likely show up in higher commodity prices, particularly if world economic activity is robust.

These two measures of anticipated inflation can, and often are, conflicting.

### Measures of US Treasury Bond Interest Rate Risk

Metrics: 10-Year Treasury Forward-Looking Real Yield and 10-Year Treasury Duration

The expected annualized real yield of the 10 year U.S. Treasury Bond is a measure of valuation risk for U.S. Treasuries. A low real yield means investors will accept a low rate of expected return for the certainty of receiving their nominal cash flows. PCA estimates the expected annualized real yield by subtracting an estimate of expected 10 year inflation (produced by the Survey of Professional Forecasters as collected by the Federal Reserve Bank of Philadelphia), from the 10 year Treasury constant maturity interest rate.

Duration for the 10-Year Treasury Bond is calculated based on the current yield and a price of 100. This is a measure of expected percentage movements in the price of the bond based on small movements in percentage yield. We make no attempt to account for convexity.

### Definition of “extreme” metric readings

A metric reading is defined as “extreme” if the metric reading is in the top or bottom decile of its historical readings. These “extreme” reading should cause the reader to pay attention. These metrics have reverted toward their mean values in the past.