



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

## **Quarterly Report Executive Summary**

Creation Date: March 2, 2012

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## PERFORMANCE SUMMARY OF MAJOR WPERP INVESTMENT PLANS

As of December 31, 2011, the WPERP Total Retirement Plan had an aggregate value of \$7.0 billion. This represents a \$328.5 million increase in value over the last quarter. During the most recent 1-year period, the WPERP Total Retirement Plan decreased by (\$39.0) million. Throughout the year, long-term investors were plagued by the markets' continuously alternating appetite between "risk-on" and "risk-off". Although the second and third quarters of 2011 saw some of the largest historical short-term declines and subsequent recoveries – the fourth quarter endured with less volatility and mostly positive returns. As improving economic news and statistics continue to slowly trickle in and provide support for the markets, European and U.S. fiscal problems, along with a still struggling housing sector, remain as considerable headwinds on the road to a global economic recovery.

As of December 31, 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 evolving allocation targets for the 10/1/2011-3/31/2012 period. As of December 31, 2011, the Total Retirement Portfolio had a 54% allocation in Equities, 34% in Fixed Income, 5% in Real Return, 1% in Private Equity, 2% in Real Estate, and 4% in Cash. The Total Retirement Portfolio is in the process of funding a Covered Calls asset class, and is expected to be completed near the beginning of the second quarter of 2012. The Health Plan strategic allocation targets reflect the evolving allocation targets for the 10/1/2011-3/31/2012 period. The WPERP Total Health Plan had a 51% allocation in Equities, 41% in Fixed Income, 6% in Real Return, 1% in Cash, and less than 1% each in Private Equity and Real Estate. The new interim policy targets are structured in a series of phased allocation targets that initially began on 10/1/2011.

### Recent Investment Performance of Major WPERP Investment Plans

Period ending December 31, 2011

#### WPERP Total Retirement Plan

	Quarter	1 Year	3 Year	5 Year	10 Year
Total Portfolio <sup>1</sup>	5.1	0.0	10.4	2.0	4.6
Policy Benchmark <sup>2</sup>	5.3	1.2	11.1	2.0	4.9
<b>Excess Return</b>	<b>-0.2</b>	<b>-1.2</b>	<b>-0.7</b>	<b>0.0</b>	<b>-0.3</b>
Reference: Median Fund <sup>3</sup>	5.4	0.9	11.2	2.0	5.5
Reference: Net of Fees <sup>4</sup>	5.0	-0.2	10.2	1.8	4.4

#### WPERP Total Health Plan

	Quarter	1 Year	3 Year	5 Year
Total Portfolio <sup>1</sup>	5.1	1.4	10.7	2.8
Policy Benchmark <sup>2</sup>	5.5	1.4	10.5	2.2
<b>Excess Return</b>	<b>-0.4</b>	<b>0.0</b>	<b>0.2</b>	<b>0.6</b>

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

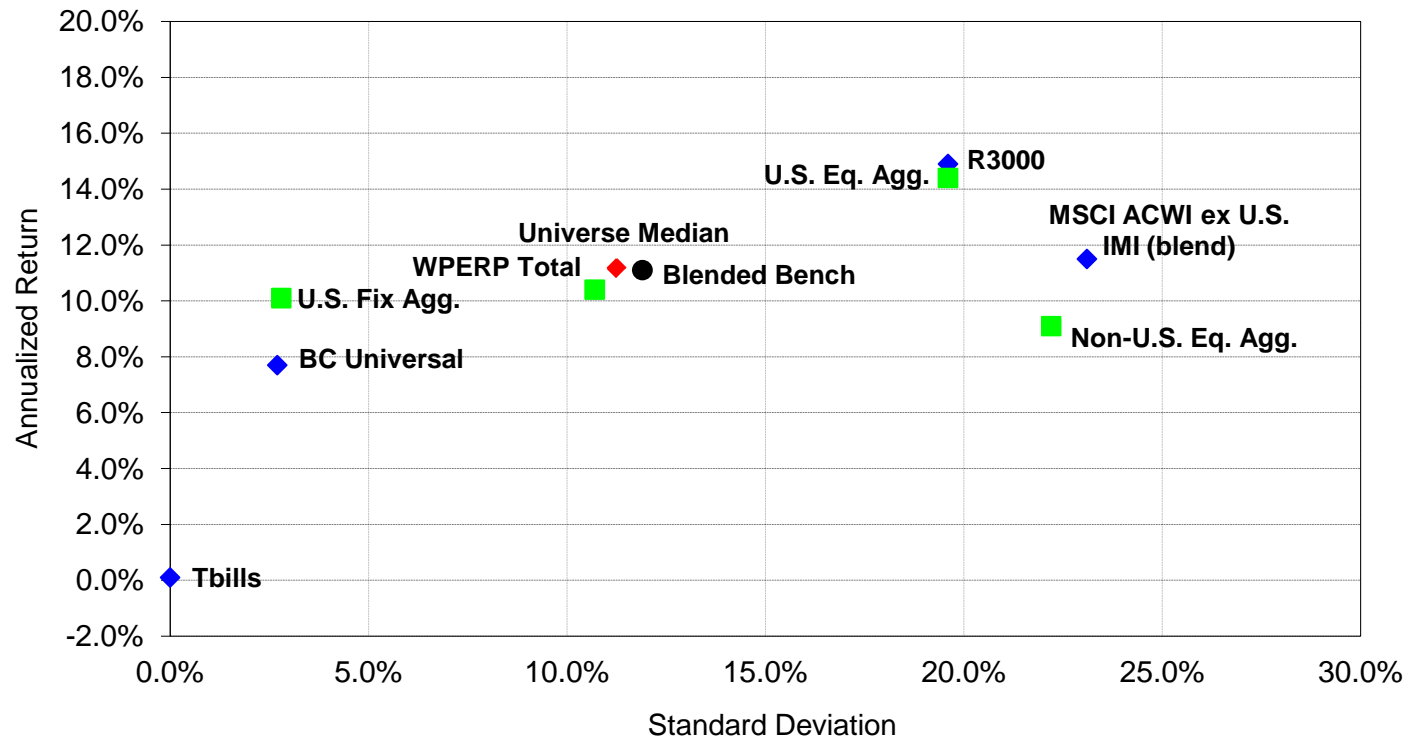
<sup>2</sup> See appendix for policy benchmark descriptions.

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

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

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

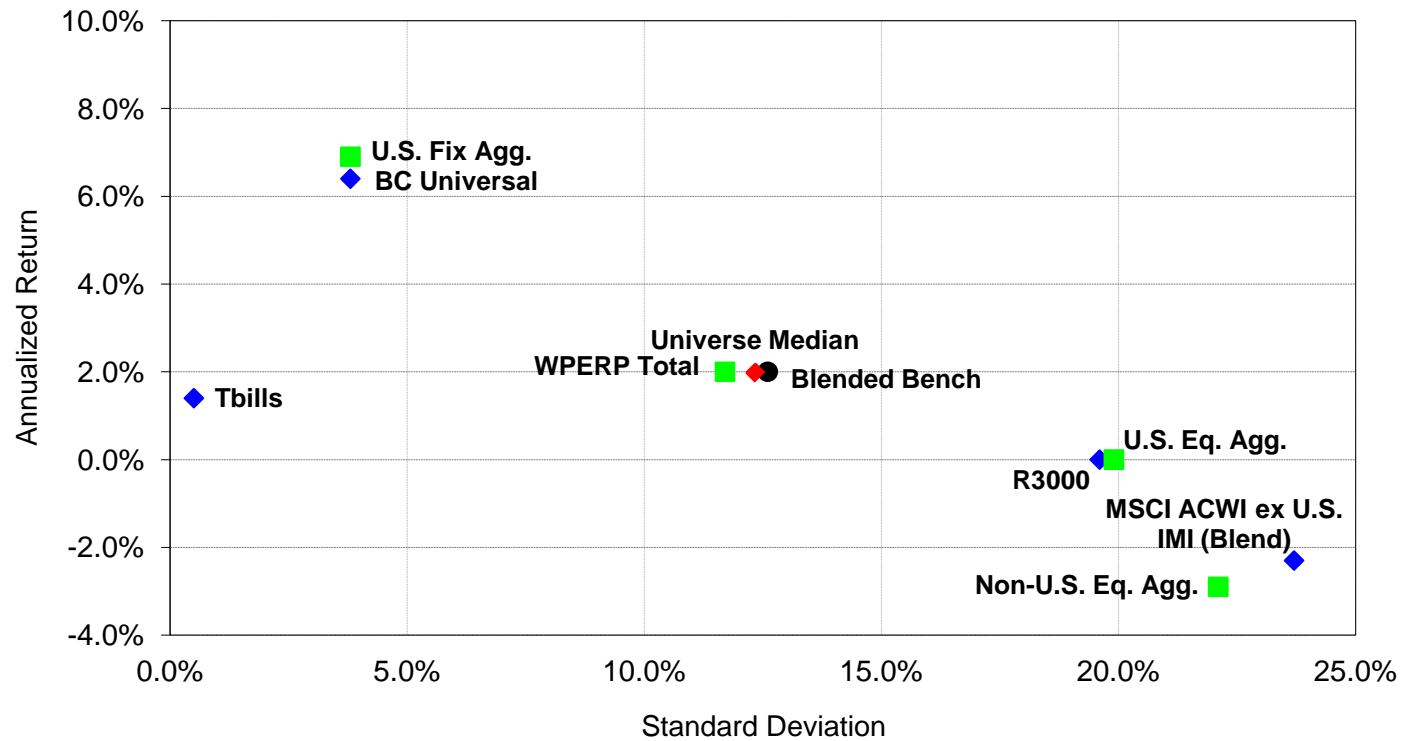
Period ending December 31, 2011



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

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

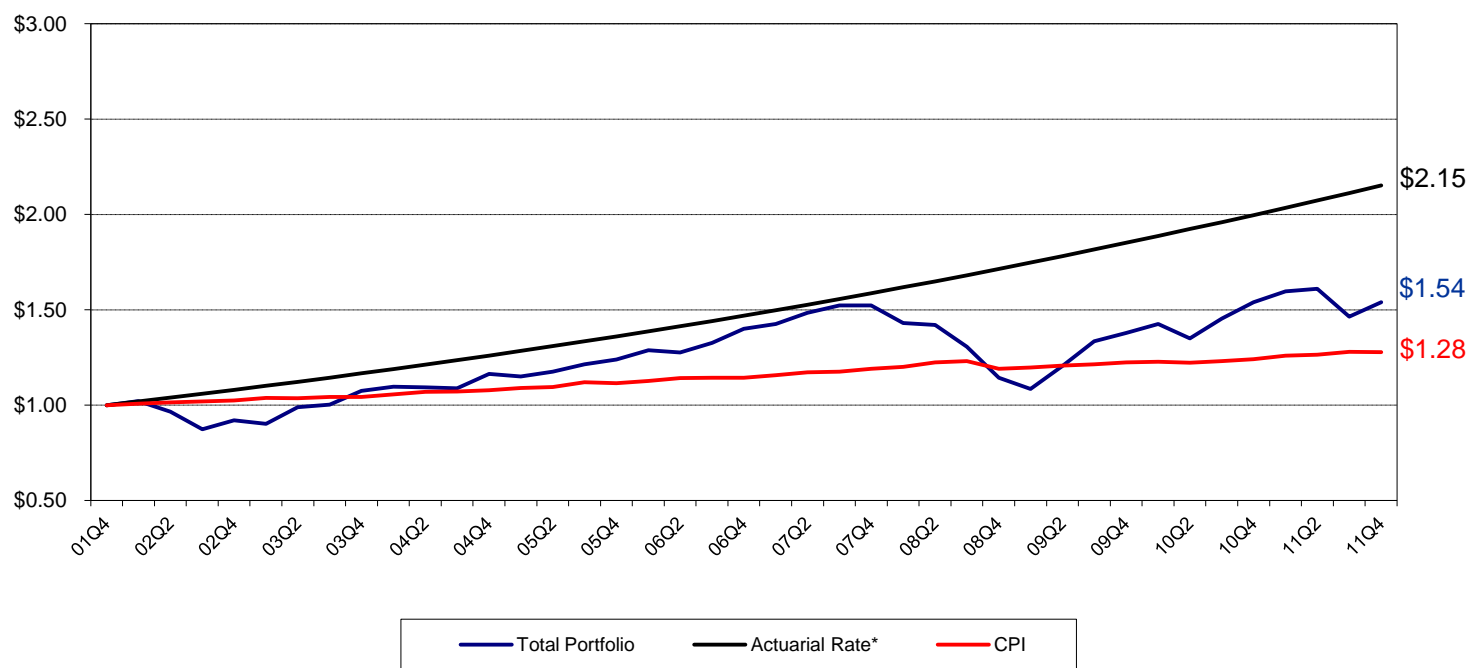
Period ending December 31, 2011



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

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

Period ending December 31, 2011



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

## Investment Market Risk Metrics

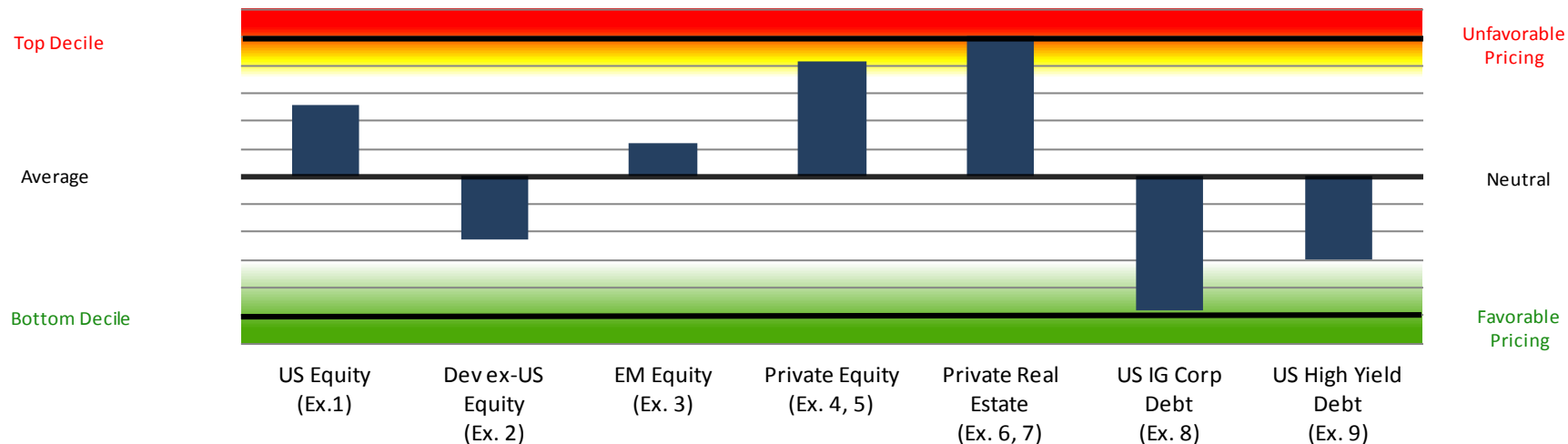
### Takeaways

- The bond market continues to signal more concern about economic risks than the equity market:
  - Credit spreads remain at the highest level since mid-2009.
  - The 10-year Treasury yield of approximately 2% remains historically low.
  - The 10-year Treasury real yield (net of inflation) is estimated at -0.5%.
  - Bond sensitivity to interest rates (duration) remains at 30 year highs.
- Equity market valuations remain reasonable (cheap outside the U.S.) and equity market volatility (VIX) has come down to the mid-20's.
- Private market valuation metrics remain high, likely due to low interest rates.
  - Core-risk real estate properties located in key coastal cities are at top decile (rich) cap rates; other markets and risk levels are thinly traded.
  - Private equity multiples are approaching a top decile reading – while pricing is up, volume is down.

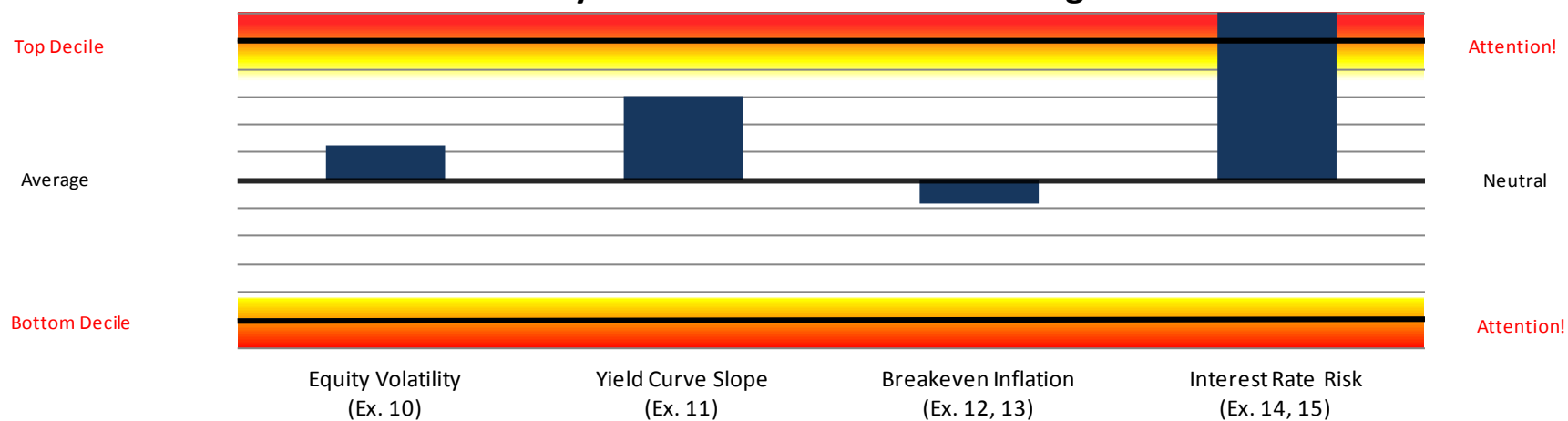
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<sup>1</sup> See Appendix for the rationale for selection and calculation methodology used for the risk metrics.

## Valuation Metrics versus Historical Range A Measure of Risk



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

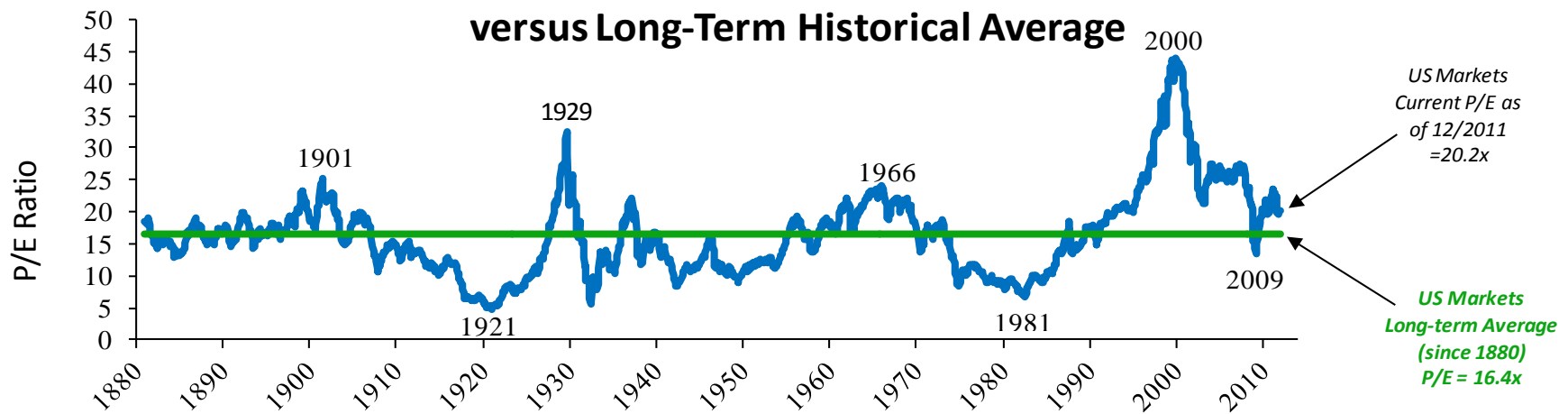




## Developed Public Equity Markets

Exhibit 1

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

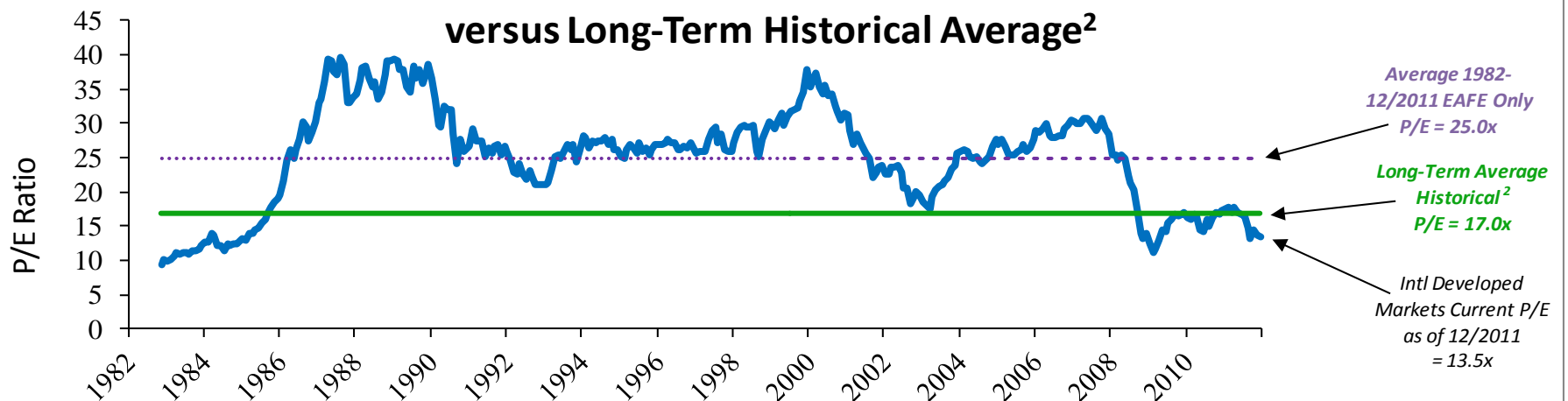


<sup>1</sup> P/E ratio is a Shiller P/E-10 based on 10 year real S&P 500 earnings over S&P 500 index level.

(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>



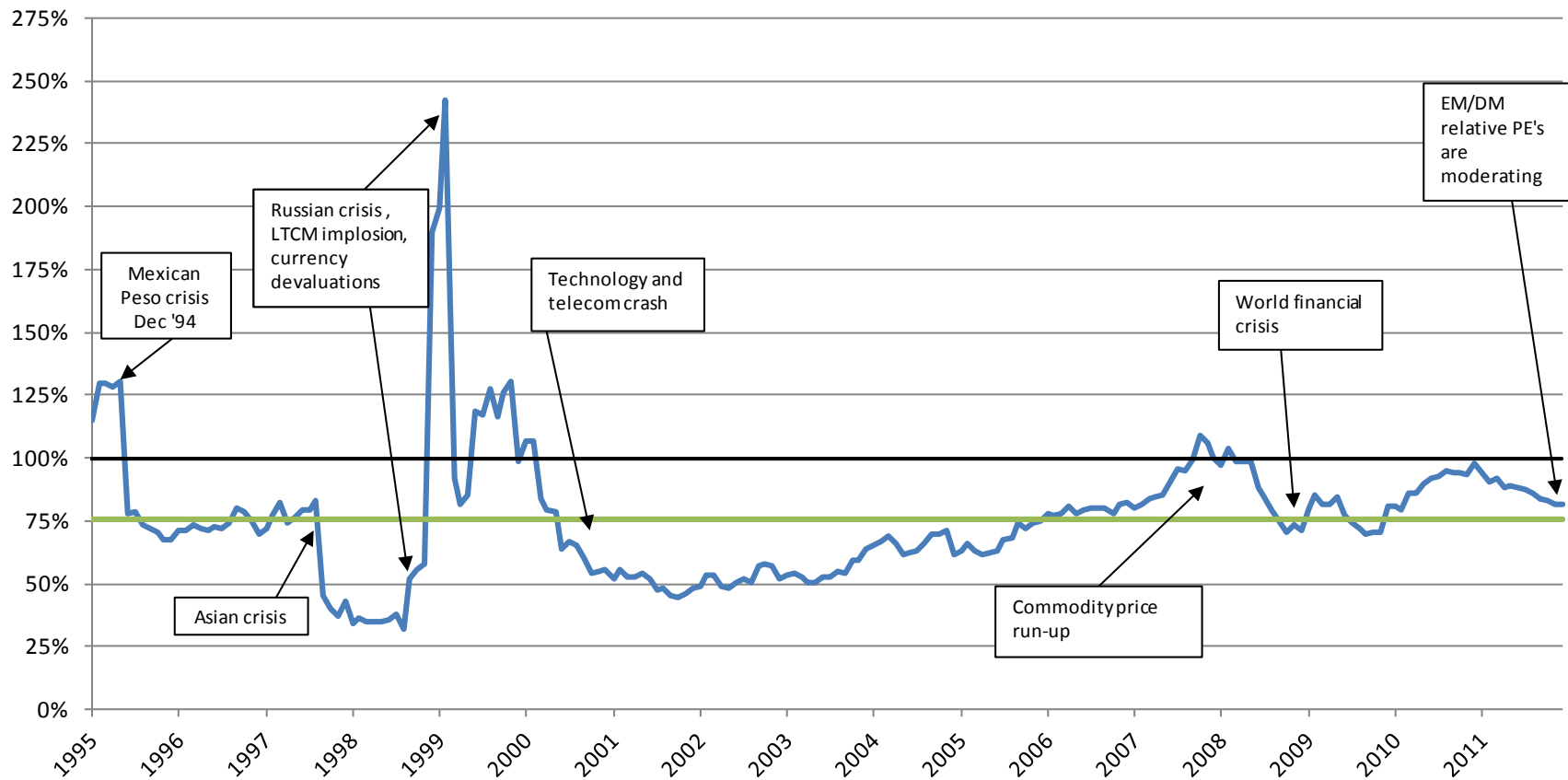
<sup>1</sup> P/E ratio is a Shiller P/E-10 based on 10 year real MSCI EAFE earnings over EAFE index level.

<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

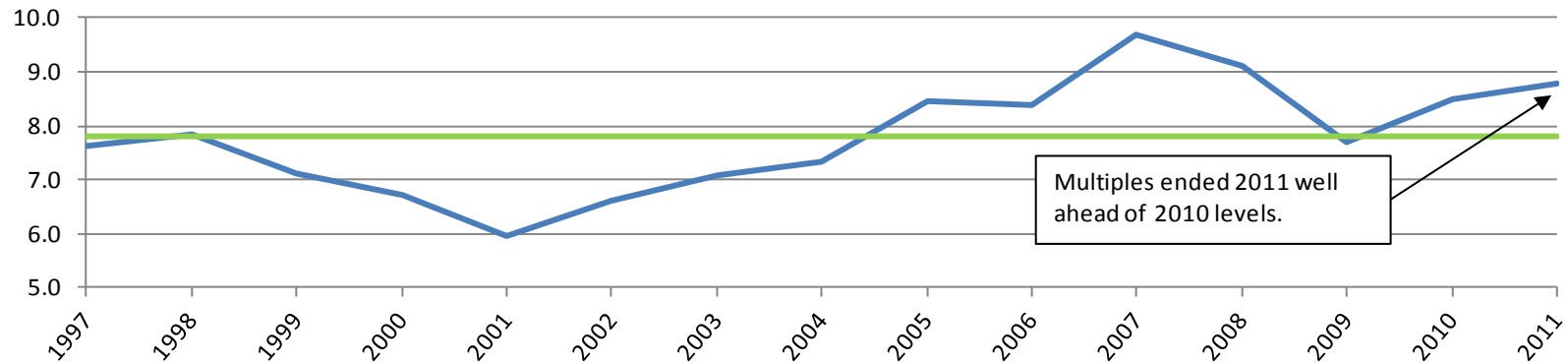
— Average EM/DM PE

— Parity

## US Private Equity Markets

Exhibit 4

### Price to EBITDA Multiples Paid in LBOs

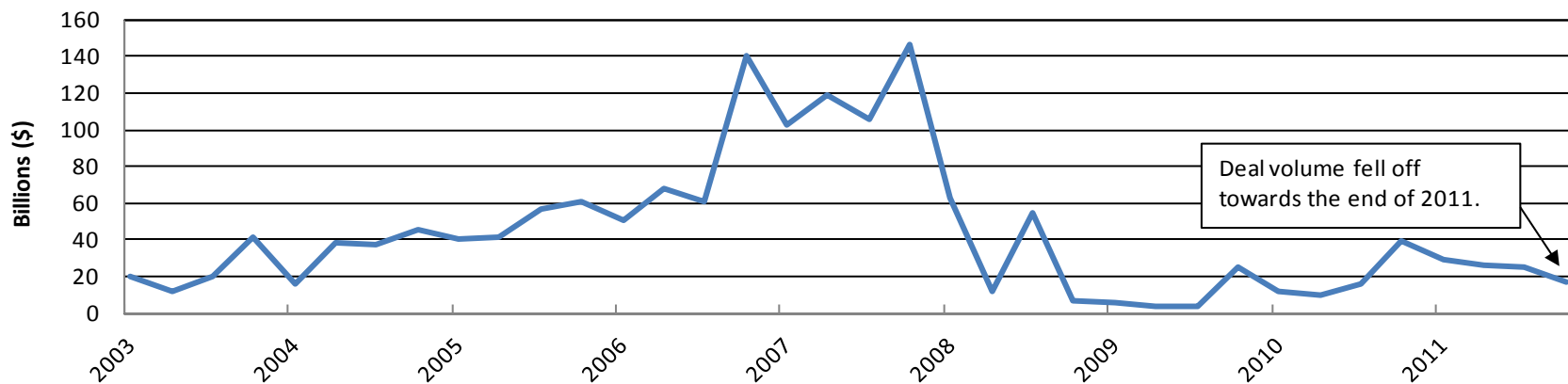


Source: S&P LCD study

(Please note different time scales)

Exhibit 5

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

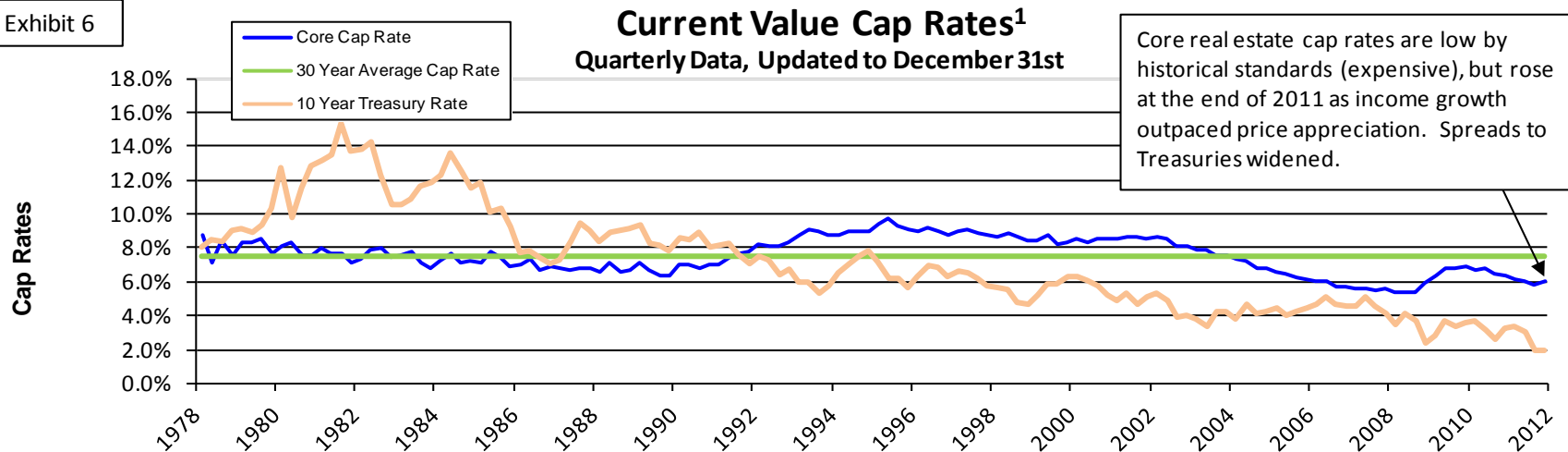


Source: Thomson Reuters Buyouts

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

## Private Real Estate Markets

Exhibit 6



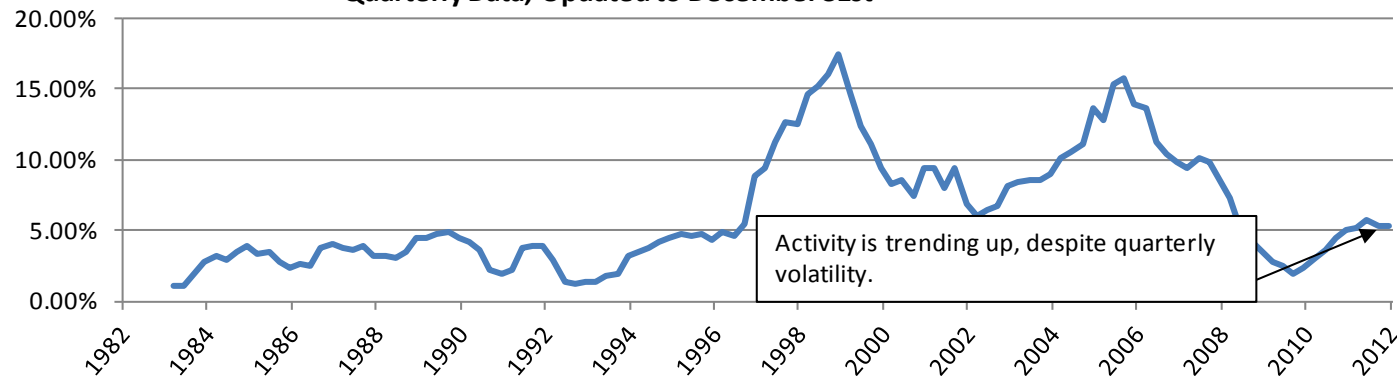
Source: NCREIF

<sup>1</sup>A cap rate is the current annual income of the property divided by an estimate of the current value of the property. It is the current yield of the property. Low cap rates indicate high valuations.

Exhibit 7

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

Quarterly Data, Updated to December 31st

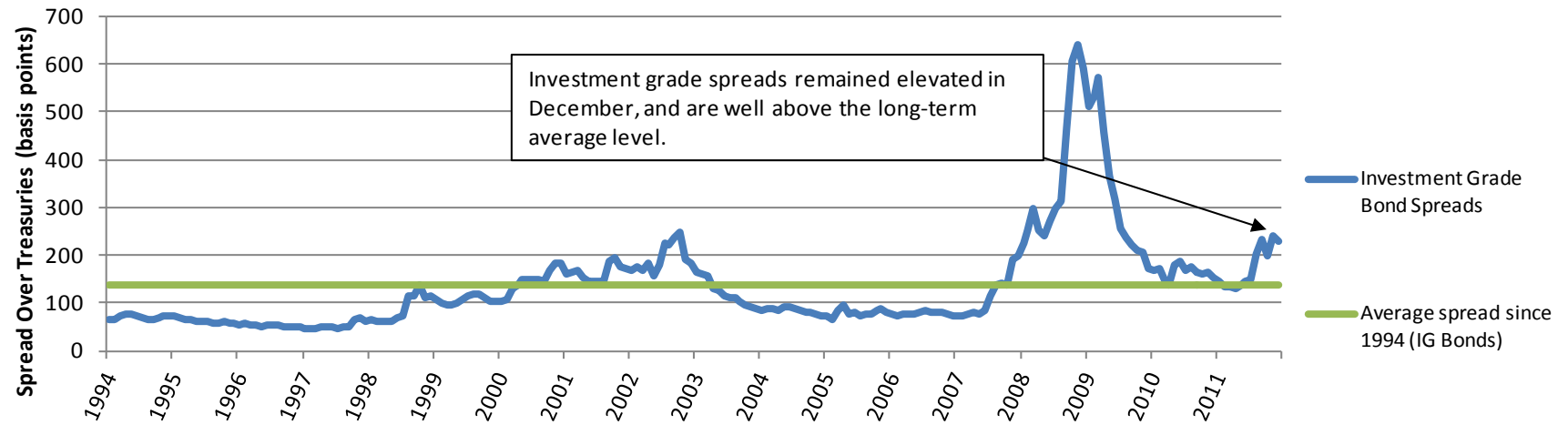


Source: NCREIF, PCA calculation

## Credit Markets US Fixed Income

Exhibit 8

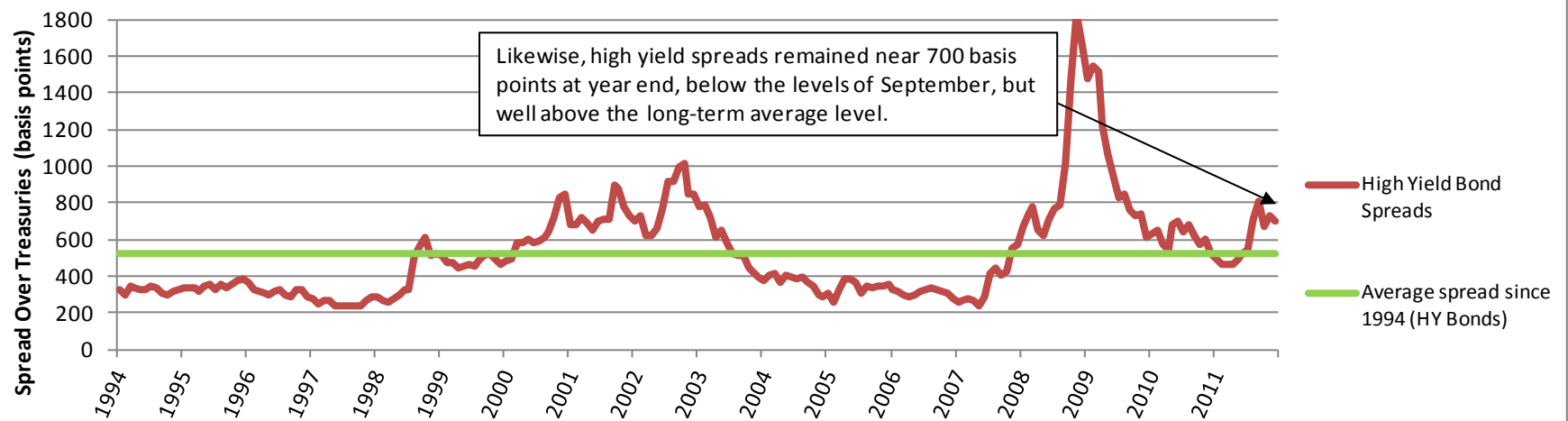
### Investment Grade Corporate Bond Spreads



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

Exhibit 9

### High Yield Corporate Bond Spreads

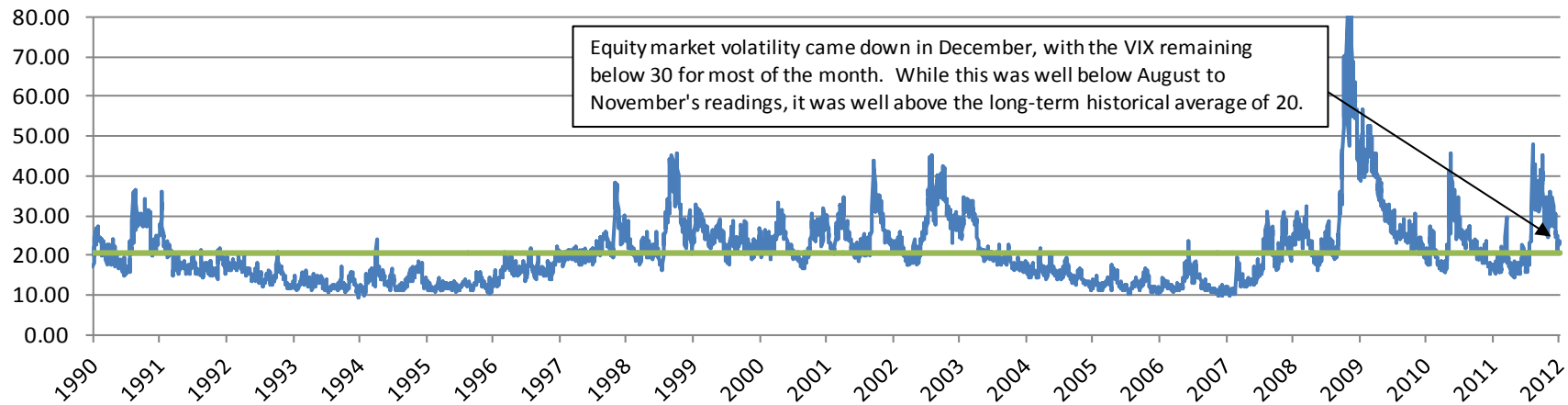


Source: LehmanLive: Barclays Capital U.S. Corporate High Yield Index.

## Other Market Metrics

Exhibit 10

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

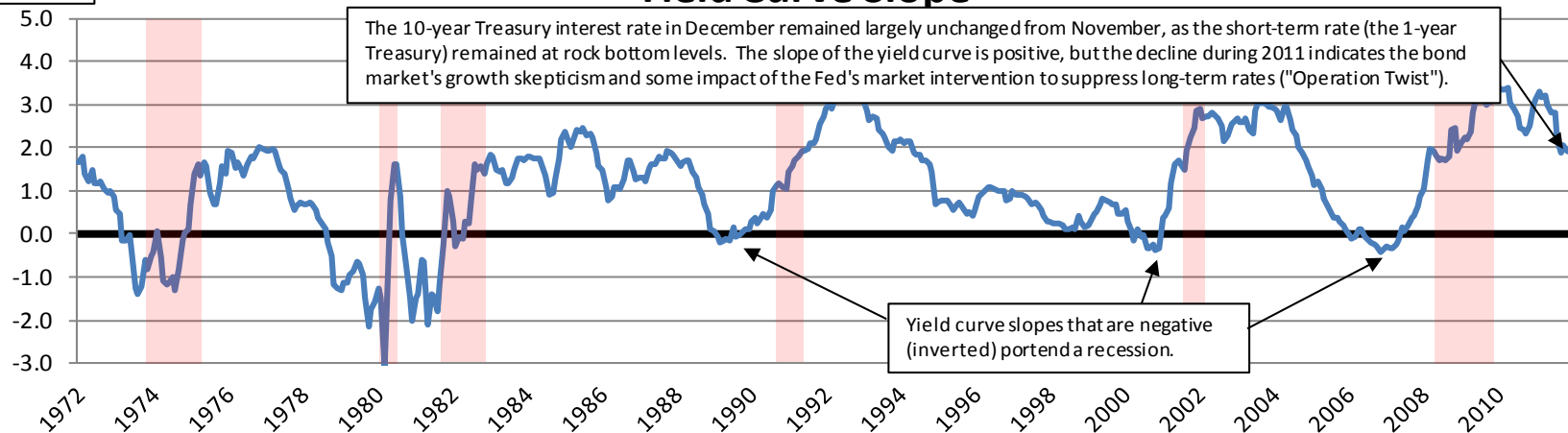


Source: <http://www.cboe.com/micro/vix/historical.aspx>

(Please note different time scales)

Exhibit 11

### Yield Curve Slope



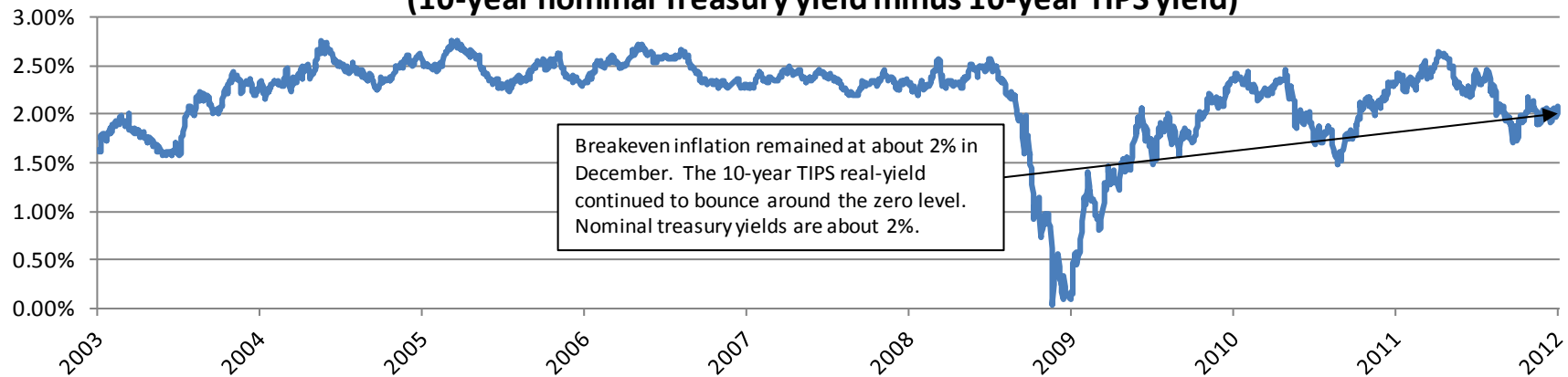
Source: [www.ustreas.gov](http://www.ustreas.gov) (10-year treasury yield minus 1-year treasury yield)

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)



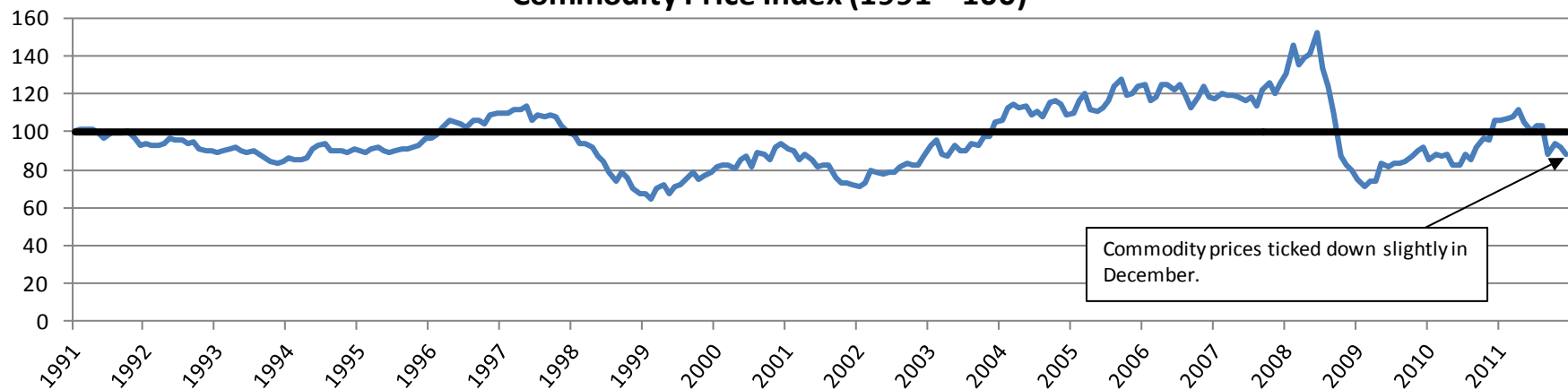
Source: [www.ustreas.gov](http://www.ustreas.gov)

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)

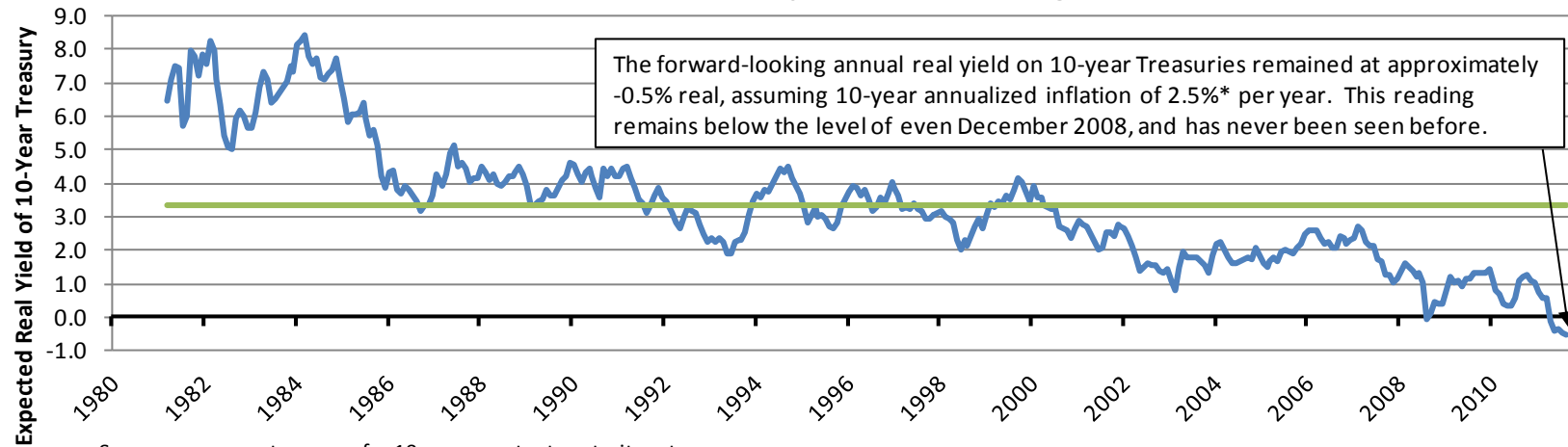


Source: Bloomberg DJUBS Index, St. Louis Fed for US CPI all urban consumers.

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

Exhibit 14

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

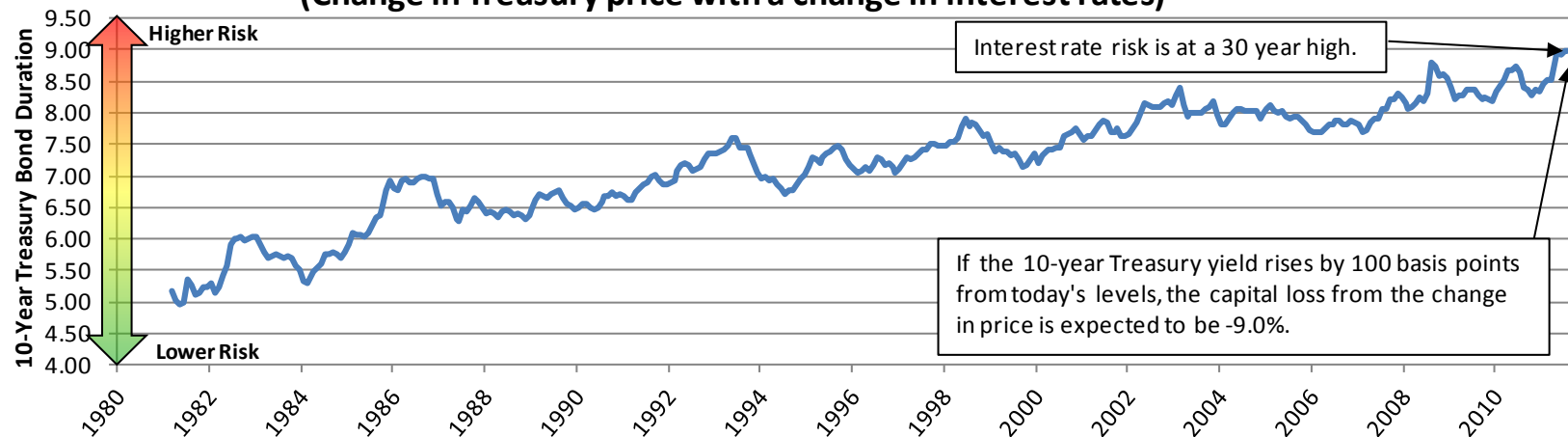


Sources: [www.ustreas.gov](http://www.ustreas.gov) for 10-year constant maturity rates

\*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



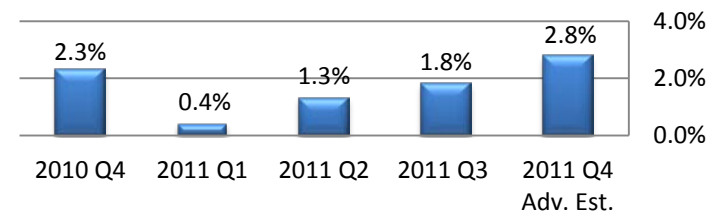
## ECONOMIC & MARKET OVERVIEW

**Overview:** Throughout a tumultuous year that punished risky assets such as equities, the fourth quarter brought signs of hope. The U.S. economy remained resilient as investor confidence increased and quarter end returns remained positive. While a solution to the eurozone debt crisis remains at the forefront of European leaders' doors, many questions still remain unanswered and the situation continues to periodically wreak havoc on the markets. With many of the main factors that created concerns amongst investors persisting, volatility may continue to sustain itself moving forward. Throughout the year, the markets were constantly overpowered by short-term risk aversion, creating abnormalities and opportunities for fundamental investors to buy attractive assets at low valuations.

### Economic Growth

- Real GDP grew at an annualized rate of 2.8 percent in the fourth quarter of 2011, rising from 1.8 percent in the third quarter.
- The rise in GDP growth was largely attributed to an increase in inventory investment.
- Consumer spending increased as a whole, as spending for durable goods jumped, mainly reflecting a sharp acceleration in motor vehicles and parts.

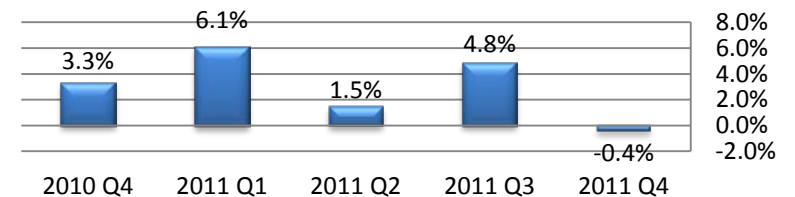
#### Annualized Quarterly GDP Growth



### Inflation

- The Consumer Price Index for All Urban Consumers (CPI-U) decreased by 0.4 percent in the quarter on an annualized basis, after seasonal adjustment.
- Core CPI-U increased by 1.8 percent for the quarter on an annualized basis.
- Over the last 12 months, CPI-U increased 3.0 percent before seasonal adjustment.

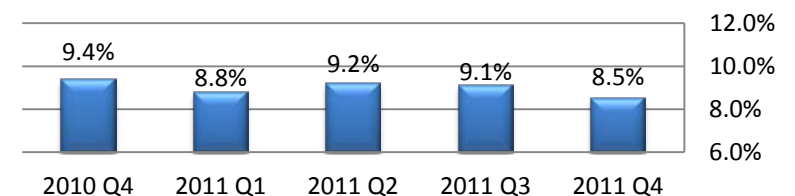
#### CPI-U After Seasonal Adjustment



### Unemployment

- The U.S. economy gained 400,000 jobs in the quarter.
- The official unemployment rate fell from 9.1 to 8.5 percent in the fourth quarter.
- The majority of jobs gained occurred in transportation and warehousing, retail trade, manufacturing, health care, and mining.

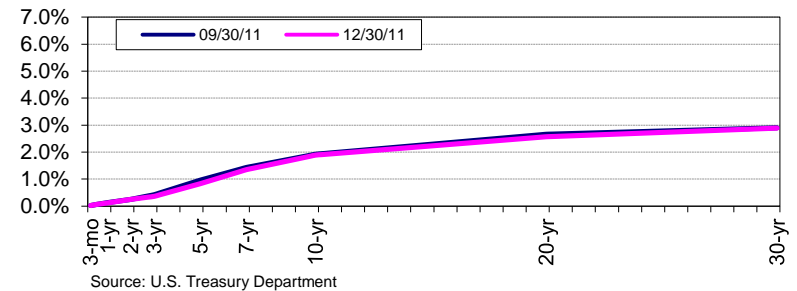
#### Unemployment Rate



## Interest Rates & U.S. Dollar

- U.S. Treasury yields remained essentially unchanged 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 3.2% and 0.3%, respectively, while depreciating against the Yen by (0.2%).
- Subsequent to quarter end, rates remained near historic levels.

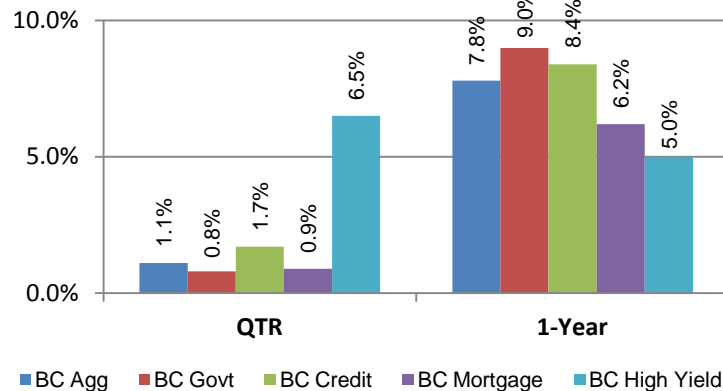
### Treasury Yield Curve Changes



## Fixed Income

- The bond markets trailed most equity markets during the fourth quarter as volatility increased due to the continued European sovereign debt crisis, sending European credit spreads wider and sovereign yield levels higher, while U.S. dollar assets, including risk assets, benefited and downward pressure was placed on U.S. yields.
- The High Yield return for the quarter significantly outperformed other sectors after trailing the previous quarter.

### Fixed Income Returns



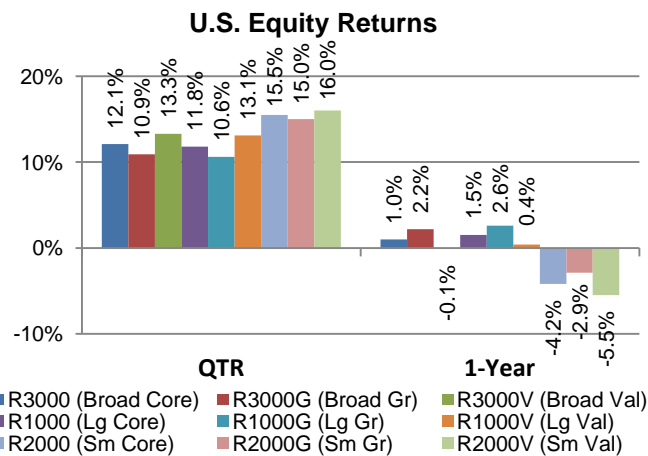
### U.S. Fixed Income Sector Performance (BC Aggregate Index)

Sector	Weight	QTR	1 Year
Governments*	39.1%	0.8%	9.0%
Inv. Grade Credit	20.0%	1.7%	8.4%
Agencies	6.9%	0.6%	5.3%
MBS	31.8%	0.9%	6.2%
ABS	0.2%	0.2%	5.1%
CMBS	2.0%	3.1%	6.0%

\*U.S. Treasuries and Government Related

## U.S. Equities

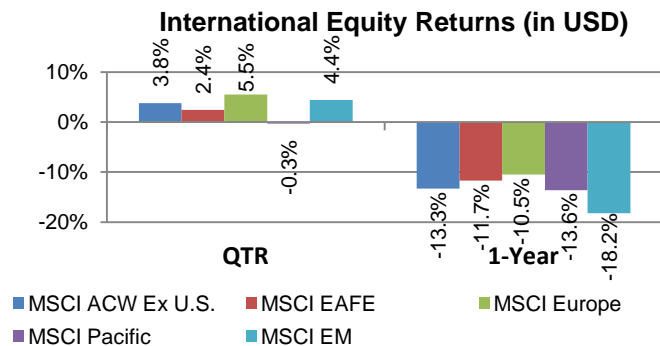
- The U.S. stock market proved resilient, overcoming the fear of recession and rallying over the quarter. U.S. markets fared much better than global markets over the quarter, and trailing one-year period.
- Equity indices produced their best quarter of the year, pushing most indices to positive returns, excluding small cap, during the trailing 1-year period, as unemployment fell, retail sales rose and consumer confidence posted its largest monthly gain since April 2003.
- During the quarter, value indices outperformed growth throughout all market capitalizations.
- All sectors produced a positive return within the quarter, and only Industrials, Materials, and Financials produced a negative return for the trailing 12-month period.



U.S. Equity Sector Performance (Russell 3000 Index)			
Sector	Weight	QTR	1 Year
Energy	11.3%	18.7%	3.4%
Industrials	11.3%	17.2%	-2.0%
Materials	4.0%	16.2%	-9.4%
Consumer Disc	11.7%	12.5%	3.5%
Financials	14.8%	11.7%	-14.0%
Health Care	11.8%	9.8%	10.6%
Consumer Staples	10.0%	9.7%	13.9%
Information Tech	18.3%	9.0%	0.6%
Utilities	3.9%	8.7%	19.0%
Telecom Svc	2.9%	7.7%	4.2%

## International Equities

- The international developed equity markets increased modestly in the fourth quarter, while still producing a negative return for the year as the sovereign debt crisis remained unresolved. An impactful market rally will likely be stalled until a credible resolution to the debt crisis emerges.
- Emerging equities regained part of their steep losses from the third quarter, but still finished with a negative return for the year while trailing developed markets.



International Equity Region Performance (in USD) (MSCI ACW Index ex U.S.)			
Sector	Weight	QTR	1 Year
United Kingdom	16.0%	9.1%	-2.5%
Pacific Ex. Japan	9.1%	6.0%	-12.7%
Canada	8.4%	5.2%	-12.2%
Emerging Markets	23.4%	4.5%	-18.2%
Europe Ex. UK	28.3%	3.5%	-14.5%
Japan	14.8%	-3.9%	-14.2%

# Quarterly Report

Q4-11

## Market Summary – Long-term Performance\*

Indexes	1 Year	3 Year	5 Year	10 Year	20 Year
<b>Global Equity</b>					
MSCI All Country World	-6.9%	12.6%	-1.4%	4.8%	6.4%
<b>Domestic Equity</b>					
S&P 500	2.1%	14.1%	-0.2%	2.9%	7.8%
Russell 3000	1.0%	14.9%	0.0%	3.5%	8.0%
Russell 3000 Growth	2.2%	18.1%	2.5%	2.7%	6.5%
Russell 3000 Value	-0.1%	11.6%	-2.6%	4.1%	9.0%
Russell 1000	1.5%	14.8%	0.0%	3.3%	8.0%
Russell 1000 Growth	2.6%	18.0%	2.5%	2.6%	6.6%
Russell 1000 Value	0.4%	11.5%	-2.6%	3.9%	8.9%
Russell 2000	-4.2%	15.6%	0.2%	5.6%	8.5%
Russell 2000 Growth	-2.9%	19.0%	2.1%	4.5%	5.8%
Russell 2000 Value	-5.5%	12.4%	-1.9%	6.4%	10.7%
<b>International Equity</b>					
MSCI All Country World ex US	-13.3%	11.2%	-2.5%	6.8%	5.7%
MSCI EAFE	-11.7%	8.2%	-4.3%	5.1%	4.9%
MSCI Pacific	-13.6%	7.6%	-3.4%	5.8%	1.7%
MSCI Europe	-10.5%	8.6%	-4.6%	4.9%	7.4%
MSCI EM (Emerging Markets)	-18.2%	20.4%	2.7%	14.2%	8.5%
<b>Fixed Income</b>					
BC Aggregate Bond	7.8%	6.8%	6.5%	5.8%	6.5%
BC Government	9.0%	4.0%	6.6%	5.6%	6.4%
BC Credit Bond	8.4%	10.9%	6.8%	6.3%	7.0%
BC Mortgage Backed Securities	6.2%	5.8%	6.5%	5.7%	6.4%
BC High Yield Corporate Bond	5.0%	24.1%	7.5%	8.9%	8.2%
BC WGILB - Hedged	11.1%	8.4%	6.7%	6.8%	NA
<b>Real Estate</b>					
NCREIF (Private RE)	14.3%	2.4%	3.1%	8.1%	8.1%
NAREIT (Public RE)	7.3%	20.4%	-2.1%	9.5%	10.2%
<b>Commodity Index</b>					
DJ-UBS Commodity	-13.3%	6.4%	-2.1%	6.6%	NA

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

## WPERP RETIREMENT PLAN REVIEW

### Actual vs. Target Allocations

The strategic allocation targets reflect the evolving allocation targets for the 10/1/2011-3/31/2012 period.

With respect to its long-term policy targets, the Total Retirement Portfolio ended the latest quarter **overweight Fixed Income and Cash**, while **underweight International Equity, and Private Equity. Domestic Equity, Real Return, and Real Estate** were on target. **Covered Calls** will be introduced into the strategic allocation beginning in 2Q 2012, when they receive funding. The Board recently approved a new long-term investment policy plan in June 2011. The new investment policy will be implemented over a series of phased asset allocation targets that initially began in 4Q 2011.

### As of December 31, 2011

Segment	Actual (\$MM)	Actual %	Target% <sup>1</sup>	Variance	Min.	Max.
Total Portfolio <sup>2</sup>	8,204	100	100	---	---	---
Total Retirement <sup>3</sup>	7,004	100	100	---	---	---
Domestic Equity	2,453	35	35	0	30	40
International Equity	1,303	19	22	-3	18	26
Fixed Income	2,345	34	33	1	28	38
Real Return	358	5	5	0	---	---
Private Equity	99	1	2	-1	---	---
Real Estate	147	2	2	0	---	---
Cash	276	4	1	3	0.5	1.5

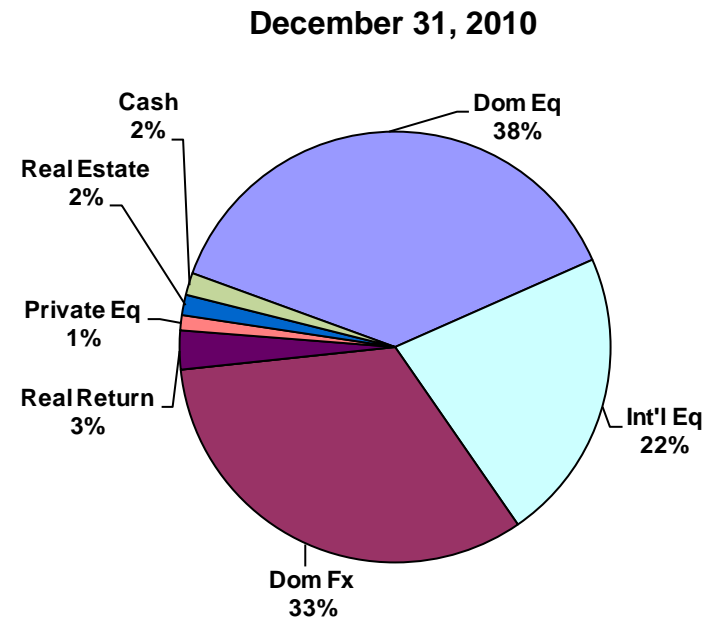
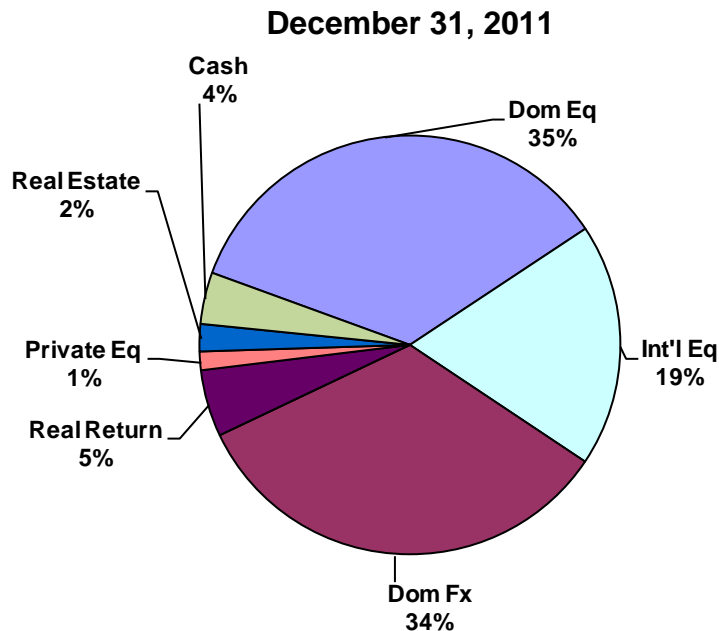
<sup>1</sup> 10/1/2011-3/31/2012 strategic allocation policy targets.

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

<sup>3</sup> Including \$28.2 million in transition assets and a negative balance of (\$6.4) million in securities lending.

## Actual Strategic Allocation Comparison

As of December 31, 2011, the Total Retirement Portfolio had a 54% allocation in Equities, 34% in Domestic Fixed Income, 5% in Real Return, 1% in Private Equity, 2% in Real Estate, and 4% in Cash. The Total Retirement Portfolio is in the process of funding a Covered Calls asset class, and is expected to be completed near the beginning of 2Q 2012. During the latest 1-year period, the actual weightings of Domestic Fixed Income, Real Return, and Cash increased by 1%, 2%, and 2%, respectively, while Domestic Equity and International Equity each decreased by (3%). The actual weightings of Private Equity and Real Estate remained the same. As previously noted, 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 initially began in 4Q 2011 (see Appendix for a description of the new policy benchmark composition).



## WPERP RETIREMENT PLAN PERFORMANCE

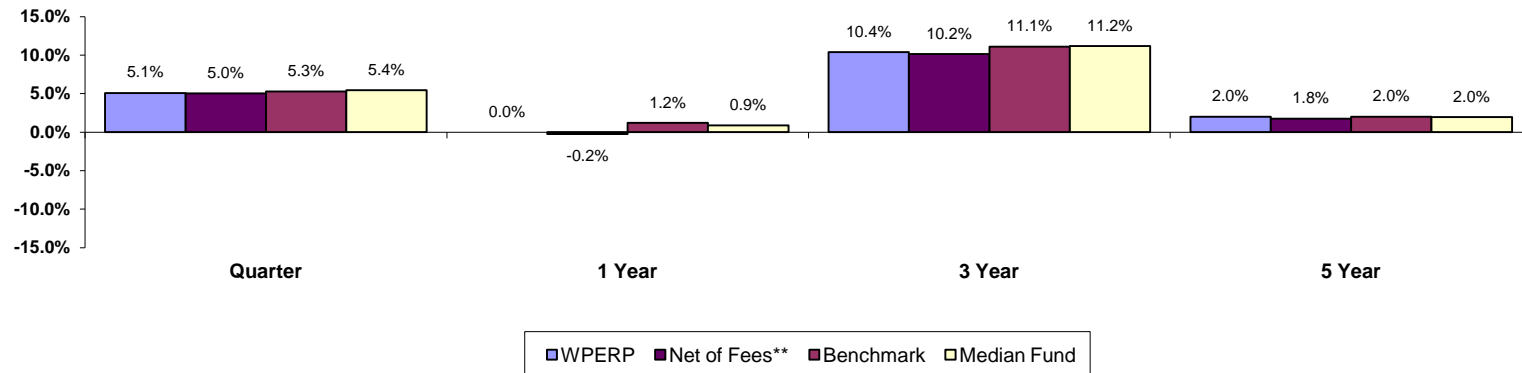
This section includes an overview of the performance of WPERP's Total Retirement Portfolio and a detailed analysis of strategic classes and specific mandates.

### Portfolio Performance Overview (Gross of Fees)

The Total Retirement Portfolio underperformed its policy benchmark over the most recent quarter by (20) basis points. Over the latest 1- and 3-year periods, the Total Retirement Portfolio trailed its policy benchmark by (1.2%) and (0.7%), respectively. Underperformance relative to the policy benchmark over the trailing 1-year period can be mainly attributed to the Domestic and International Equity asset classes. The Total Retirement Portfolio matched its policy benchmark over the latest 5-year period with a 2.0% return per annum.

The Total Retirement Portfolio trailed the Median Public Fund over the most recent quarter by (30) basis points. Over the latest 1- and 3-year periods, the Total Retirement Portfolio underperformed the Median Public Fund by (90) and (80) basis points, respectively. The Total Retirement Portfolio matched the Median Public Fund's annual return over the most recent 5-year period, returning 2.0% per annum.

### Periods Ending December 31, 2011 (annualized)\*

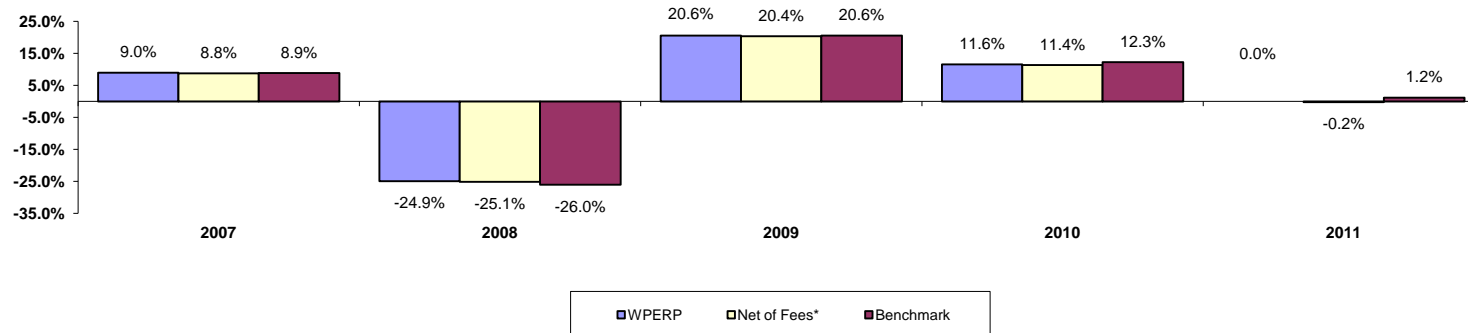


\* WPERP performance reported gross of fees.

\*\*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 three of the five trailing 12-month periods. The Total Retirement Portfolio matched or outperformed its policy benchmark three times over the same time periods, gross of fees.

## 12-month Performance – Periods Ending December 31



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

## Portfolio Valuation

As of December 31, 2011, the Total Retirement Portfolio had an aggregate value of \$7.0 billion. This represents a \$328.5 million increase in value over last quarter, including minus (\$10.0) million in net withdrawals. During the previous 1-year period, the Total Retirement Portfolio decreased by (\$39.0) million.

## Portfolio Valuation as of December 31, 2011, Gross of Fees\*

	<u>4Q 2011</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>
Beginning Market Value	\$6,675.1	\$7,042.6	\$5,467.5	\$7,050.4
Net Flow	-10.0	-39.0	-353.3	-780.6
<b>Investment Return in \$ (in%)</b>	<b>338.5</b>	<b>5.1%</b>	<b>0.0</b>	<b>0.0%</b>
Ending Market Value	\$7,003.6	\$7,003.6	\$7,003.6	\$7,003.6

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

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



## PERFORMANCE ATTRIBUTION – RETIREMENT PLAN VS. POLICY BENCHMARK

### Performance Attribution - 4Q 2011

	Policy		Portfolio		Impact on Return			
	Allocation*	Return	Allocation*	Return	Weighting	Selection	Interaction	Total
Domestic Equity	35.0%	12.1	33.5%	11.3	(0.1)	(0.3)	0.0	(0.4)
International Equity	22.0%	3.3	19.0%	2.7	0.1	(0.1)	0.0	(0.1)
Fixed Income	33.0%	1.4	35.0%	1.6	(0.1)	0.1	0.0	(0.0)
Real Return	5.0%	0.7	5.2%	2.7	(0.0)	0.1	0.0	0.1
Private Equity	2.0%	(14.6)	1.5%	1.8	0.1	0.3	(0.1)	0.3
Real Estate	2.0%	3.3	2.0%	3.6	0.0	0.0	(0.0)	0.0
Cash	1.0%	0.0	3.8%	0.0	(0.1)	0.0	0.0	(0.1)
Total	100.0%	5.3	100.0%	5.1	(0.2)	0.1	(0.0)	(0.1)

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

### Performance Attribution - Trailing 12-month

	Policy		Portfolio		Impact on Return			
	Allocation*	Return	Allocation*	Return	Weighting	Selection	Interaction	Total
Domestic Equity	34.3%	1.0	35.9%	(0.7)	(0.1)	(0.5)	(0.0)	(0.7)
International Equity	20.5%	(14.3)	20.2%	(14.2)	(0.1)	(0.0)	0.0	(0.1)
Fixed Income	33.0%	7.4	32.7%	7.9	(0.2)	0.2	0.0	(0.1)
Real Return	5.0%	3.1	4.9%	5.7	(0.0)	0.1	0.0	0.1
Private Equity	2.8%	1.7	1.3%	21.8	(0.4)	0.3	(0.1)	(0.3)
Real Estate	3.5%	16.1	1.8%	23.4	(0.3)	0.1	0.1	(0.1)
Cash	1.0%	0.1	3.2%	0.2	(0.1)	0.0	0.0	(0.1)
Total	100.0%	1.2	100.0%	0.0	(1.3)	0.1	(0.0)	(1.2)

\*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. Selection within Domestic and International Equity, as well as a large allocation to Cash, detracted from relative performance. The Private Equity class was the largest contributor to the Total Retirement Portfolio's relative performance.
- During the trailing 12-month period, the Total Retirement Portfolio underperformed its policy benchmark. Selection within Domestic Equity and weighting in Fixed Income, Private Equity, Real Estate, and Cash were significant detractors from relative performance. The Real Return class contributed to relative performance.

# Quarterly Report

Q4-11

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

### Performance Attribution - 4Q 2011

	Median Public Fund		Portfolio		Impact on Return			
	Allocation	Return	Allocation*	Return	Weighting	Selection	Interaction	Total
Domestic Equity	35.9%	12.1	33.5%	11.3	(0.2)	(0.3)	0.0	(0.4)
International Equity	16.6%	4.0	19.0%	2.7	(0.0)	(0.2)	(0.0)	(0.3)
Fixed Income	29.2%	1.6	35.0%	1.6	(0.2)	0.0	0.0	(0.2)
Real Estate	6.2%	1.8	2.0%	3.6	0.2	0.1	(0.1)	0.2
Alternative Investments	9.7%	0.0	6.7%	2.5	0.2	0.2	(0.1)	0.3
Cash	2.4%	0.0	3.8%	0.0	(0.1)	0.0	0.0	(0.1)
	100.0%	5.4	100.0%	5.1	(0.2)	(0.1)	(0.2)	(0.5)

\*Portfolio allocation utilizes beginning-of-the period market values.

### Performance Attribution - Trailing 12-month

	Median Public Fund		Portfolio		Impact on Return			
	Average Allocation	Return	Average Allocation	Return	Weighting	Selection	Interaction	Total
Domestic Equity	37.7%	0.5	35.9%	(0.7)	0.0	(0.4)	0.0	(0.4)
International Equity	16.5%	(12.7)	20.2%	(14.2)	(0.5)	(0.3)	(0.1)	(0.8)
Fixed Income	27.8%	7.7	32.7%	7.9	0.3	0.0	0.0	0.4
Real Estate	5.9%	13.2	1.8%	23.4	(0.5)	0.6	(0.4)	(0.3)
Alternative Investments	9.6%	4.0	6.2%	9.1	(0.1)	0.5	(0.2)	0.2
Cash	2.4%	0.2	3.2%	0.2	(0.0)	0.0	0.0	(0.0)
	100.0%	0.9	100.0%	0.0	(0.8)	0.4	(0.6)	(0.9)

\*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 and selection in Domestic and International Equity, as well as weighting in Fixed Income. The Real Estate and Alternative Investments classes were the largest contributors to the Total Retirement Portfolio's relative performance.
- During the trailing 12-month period, The Total Retirement Portfolio underperformed the Median Public Fund. Weighting in International Equity and Real Estate, as well as selection in Domestic and International Equity, were large detractors. The Fixed Income and Alternative Investments classes were the largest contributors to the Total Retirement Portfolio's relative 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 (80) basis points with an 11.3% return. Over the latest 1-year period, the portfolio trailed its policy benchmark by (1.7%). Underperformance over the trailing 1-year period can be mainly attributed to the two large cap growth managers, as well as the small cap growth manager. Over the previous 3-year period, the portfolio trailed its policy benchmark by (50) basis points. Over the latest 5-year period, the portfolio matched its policy benchmark with a 0.0% return.

The **International Equity** portfolio posted a 2.7% quarterly return, underperforming its policy benchmark by (60) basis points. Over the latest 1-year period, the portfolio bested its policy benchmark by 10 basis points. Over the longer 3- and 5-year periods, the portfolio underperformed its policy benchmark by (2.4%) and (0.6%), respectively. Underperformance during the trailing 3-year period can be mainly attributed to one of the Plan's developed markets managers and one emerging markets manager.

The **Fixed Income** portfolio outperformed its policy benchmark across all trailing 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 over the trailing 1-year period, but outperformed over the most recent quarter. The two high yield managers produced mixed results across the examined periods.

### Periods ending December 31, 2011

Asset Class	Quarter	1 Year	3 Year	5 Year
Total Retirement	5.1	0.0	10.4	2.0
<i>Policy Benchmark<sup>1</sup></i>	<i>5.3</i>	<i>1.2</i>	<i>11.1</i>	<i>2.0</i>
Domestic Equity	11.3	-0.7	14.4	0.0
<i>Russell 3000 (blend)<sup>3</sup></i>	<i>12.1</i>	<i>1.0</i>	<i>14.9</i>	<i>0.0</i>
International Equity	2.7	-14.2	9.1	-2.9
<i>MSCI ACWI ex U.S. IMI ND (blend)<sup>4</sup></i>	<i>3.3</i>	<i>-14.3</i>	<i>11.5</i>	<i>-2.3</i>
Fixed Income	1.6	7.9	10.1	6.9
<i>BC Universal</i>	<i>1.4</i>	<i>7.4</i>	<i>7.7</i>	<i>6.4</i>
Real Return <sup>2</sup>	2.7	5.7	5.5	---
<i>Tbill + 3%<sup>2</sup></i>	<i>0.7</i>	<i>3.1</i>	<i>3.2</i>	<i>---</i>
Private Equity <sup>2,5</sup>	1.8	21.8	8.1	9.0
<i>Russell 3000 + 3% (PE blend)</i>	<i>-14.6</i>	<i>1.7</i>	<i>2.1</i>	<i>5.4</i>
Real Estate <sup>2</sup>	3.6	23.4	-6.5	---
<i>NCREIF<sup>2</sup></i>	<i>3.3</i>	<i>16.1</i>	<i>-1.4</i>	<i>---</i>
Cash	0.0	0.2	0.4	1.7
<i>Citigroup T-bills</i>	<i>0.0</i>	<i>0.1</i>	<i>0.1</i>	<i>1.4</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 thru 9/30/11, and Russell 3000 + 3% to present.

## WPERP RETIREMENT PLAN MANAGER PERFORMANCE

### Domestic Equity – Periods ending December 31, 2011

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
BlackRock	613,862	Large Cap Core	11.8	1.5	14.9	0.0	5.2	8/2003
<i>Russell 1000 Index</i>	---	---	<i>11.8</i>	<i>1.5</i>	<i>14.8</i>	<i>0.0</i>	<i>5.1</i>	---
MFS	404,491	Large Cap Value	12.2	0.8	11.1	0.6	5.4	2/2004
<i>Russell 1000 Value Index</i>	---	---	<i>13.1</i>	<i>0.4</i>	<i>11.5</i>	<i>-2.6</i>	<i>3.2</i>	---
T. Rowe Price	406,691	Large Cap Value	12.8	0.5	13.9	-0.4	4.6	10/2004
<i>Russell 1000 Value Index</i>	---	---	<i>13.1</i>	<i>0.4</i>	<i>11.5</i>	<i>-2.6</i>	<i>3.3</i>	---
Fred Alger	404,254	Large Cap Growth	8.4	-4.1	19.1	3.8	5.0	2/2004
<i>Russell 1000 Growth Index</i>	---	---	<i>10.6</i>	<i>2.6</i>	<i>18.0</i>	<i>2.5</i>	<i>3.9</i>	---
T. Rowe Price	403,917	Large Cap Growth	9.3	-2.0	---	---	1.7	4/2010
<i>Russell 1000 Growth Index</i>	---	---	<i>10.6</i>	<i>2.6</i>	---	---	<i>8.0</i>	---
Earnest Partners	110,886	Small Cap Value	17.4	2.6	16.2	1.1	4.2	11/2004
<i>Russell 2000 Value Index</i>	---	---	<i>16.0</i>	<i>-5.5</i>	<i>12.4</i>	<i>-1.9</i>	<i>2.7</i>	---
Frontier	108,587	Small Cap Growth	13.2	-6.8	---	---	3.8	4/2010
<i>Russell 2000 Growth Index</i>	---	---	<i>15.0</i>	<i>-2.9</i>	---	---	<i>9.1</i>	---

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

\*\* Inception date reflects 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 fourth quarter of 2011, two 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 an 11.8% quarterly return. **MFS**, one of the Plan's large cap value managers, generated a 12.2% quarterly return, underperforming 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 (30) basis points with a 12.8% quarterly return. **Fred Alger**, the Plan's active large cap growth manager, completed the quarter with an 8.4% return, underperforming the Russell 1000 Growth Index by (2.2%). Stock selection within Information Technology and Materials detracted from relative performance. **T. Rowe Price LCG**, the Plan's other large cap growth manager, posted a quarterly return of 9.3% and underperformed the Russell 1000 Growth Index by (1.3%), due primarily to security selection within Financials, Health Care, and Energy, as well as an overweight position to Information Technology. **Earnest Partners**, WPERP's small cap value manager, ended the quarter with a 17.4% return, outperforming the Russell 2000 Value Index by 1.4%, due primarily to security selection within Financials, Energy, Consumer Discretionary, and Health Care. **Frontier**, the Plan's small cap growth manager, posted a quarterly return of 13.2% and underperformed the Russell 2000 Growth Index by (1.8%), due primarily to stock selection within Energy, Consumer Discretionary, and Health Care.

## Latest Year

During the latest 1-year period, **BlackRock** matched its benchmark's return of 1.5% return. **MFS** posted a 0.8% return and outperformed its benchmark by 40 basis points. **T. Rowe Price LCV** generated a 0.5% return, outperforming its benchmark by 10 basis points. **Fred Alger** posted a minus (4.1%) return, underperforming its benchmark by (6.7%). Stock selection within Energy, Information Technology, and Financials detracted from relative performance. **T. Rowe Price LCG** posted a minus (2.0%) return and underperformed the Russell 1000 Growth Index by (4.6%), due primarily to stock selection within Health Care, Consumer Discretionary, and Energy, as well as a significant underweight position to Consumer Staples. **Earnest Partners** completed the latest 1-year period with a 2.6% return, outperforming its benchmark by 8.1%. Security selection within Energy, Industrials, Consumer Discretionary, and Utilities largely aided the relative outperformance. **Frontier** posted a minus (6.8%) return and underperformed its benchmark by (3.9%), due primarily to security selection within Consumer Discretionary, Financials, and Technology.

## Latest Three Years

During the latest 3-year period, **BlackRock** outperformed its benchmark by 10 basis points with a 14.9% return. **MFS** trailed its benchmark by (40) basis points with an 11.1% return. **T. Rowe Price LCV** posted a 13.9% return, outperforming its benchmark by 2.4%. The portfolio's active weighting positions and stock selection in both Energy and Financials, as well as stock selection within Consumer Discretionary and Information Technology, drove the relative outperformance. **Fred Alger** posted a 19.1% return, outperforming its benchmark by 1.1%. Security selection within Industrials, Energy, and Consumer Discretionary contributed to relative outperformance. **Earnest Partners'** latest 3-year return of 16.2% bested its benchmark by 3.8%. Security selection within Energy, Industrials, Consumer Discretionary, and Telecommunication Services benefited relative outperformance.

## Latest Five Years

During the latest 5-year period, **BlackRock** matched its benchmark with a 0.0% return. **MFS** finished the period surpassing the Russell 1000 Value Index return by 3.2% with a 0.6% return. Stock selection in Financials, Energy, Information Technology, Consumer Staples and Industrials largely aided relative outperformance. **T. Rowe Price LCV** outperformed its benchmark by 2.2% with a minus (0.4%) return, due primarily to an underweight allocation and stock selection in Financials, as well as stock selection within Information Technology and Consumer Staples. **Fred Alger** posted a 3.8% return, outperforming its benchmark by 1.3%. Stock selection within Energy, Consumer Discretionary, and Industrials contributed the most to relative performance. **Earnest Partners** generated a 1.1% return, besting its benchmark by 3.0%. Stock selection in Energy, Industrials, and Telecommunication Services benefited relative outperformance.

## International Equity – Periods ending December 31, 2011

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
Invesco	366,610	Developed Markets	2.4	-11.7	7.9	-3.5	3.9	6/2004
<i>MSCI World ex US IMI ND Index (blend – Invesco)<sup>1</sup></i>	---	---	3.2	-12.7	9.4	-3.7	4.4	---
The Boston Company	346,597	Developed Markets	1.1	-15.7	6.1	-4.4	1.3	3/2005
<i>MSCI World ex US IMI ND Index (blend – Boston)<sup>2</sup></i>	---	---	3.2	-12.7	9.4	-3.9	2.9	---
Pyramis	372,805	Developed Markets	3.6	-11.2	9.1	-2.8	3.8	11/2004
<i>MSCI World ex US IMI ND Index (blend – Pyramis)<sup>3</sup></i>	---	---	3.2	-12.7	9.4	-3.8	3.0	---
The Boston Company	105,859	Emerging Markets	2.9	-23.0	17.5	2.8	10.0	3/2005
T. Rowe Price***	111,586	Emerging Markets	5.3	-18.1	22.5	1.1	10.4	3/2005
<i>MSCI EMF IMI ND Index (blend)<sup>4</sup></i>	---	---	3.8	-19.5	20.7	2.9	10.9	---

\* 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 second quarter of 2012.

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 value managers. Additionally, T. Rowe Price has been terminated and replaced with Vontobel. Funding for Vontobel is anticipated to occur during 2Q 2012.

## Latest Quarter

During the fourth 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 2.4% and underperformed the MSCI World ex US IMI ND Index (blend) return by (80) basis points. **The Boston Company**, the Plan's active international value manager, completed the quarter with a 1.1% return, underperforming the MSCI World ex US IMI ND Index (blend) return by (2.1%). **Pyramis**, the Plan's active international growth manager, outperformed the MSCI World ex US IMI ND Index (blend) by 40 basis points with a 3.6% quarterly return. **The Boston Company**, one of WPERP's two emerging markets managers, finished the quarter with a 2.9% 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 5.3% return, outperforming the MSCI Emerging Markets IMI ND Index (blend) by 1.5%.

<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 (11.7%) return, besting its benchmark by 1.0%. **The Boston Company** completed the period underperforming its benchmark by (3.0%) with a minus (15.7%) return. **Pyramis** completed the period with a minus (11.2%) return, outperforming its benchmark by 1.5%. Stock selection within Information Technology, Consumer Discretionary, and Energy added to relative performance. **The Boston Company** emerging markets portfolio produced a minus (23.0%) return, trailing its benchmark by (3.5%). **T. Rowe Price** generated a minus (18.1%) return and outperformed its benchmark by 1.4%.

## Latest Three Years

**Invesco** finished its latest 3-year period with a 7.9% return, underperforming its benchmark by (1.5%). **The Boston Company** completed the period returning 6.1%, underperforming its benchmark by (3.3%). **Pyramis** trailed its benchmark by (30) basis points, returning 9.1% for the period. **The Boston Company** emerging markets portfolio produced a 17.5% return and underperformed its benchmark by (3.2%). **T. Rowe Price** generated a 22.5% return and bested its benchmark by 1.8%.

## Latest Five Years

**Invesco** finished its latest 5-year period outperforming its benchmark by 20 basis points with a minus (3.5%) return. **The Boston Company** completed the period posting a minus (4.4%) return, underperforming its benchmark by (50) basis points. **Pyramis** returned minus (2.8%), outperforming its benchmark by 1.0%. **The Boston Company** emerging markets portfolio trailed its benchmark by (10) basis points, returning 2.8%. **T. Rowe Price** returned 1.1% and underperformed its benchmark return by (1.8%).

## Fixed Income – Periods ending December 31, 2011

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
JP Morgan	1,040,826	Core	1.2	7.7	---	---	7.4	4/2010
<i>BC Aggregate Index</i>	---	---	<i>1.1</i>	<i>7.8</i>	---	---	<i>7.2</i>	---
Wells	1,074,849	Core	1.4	9.1	9.4	8.0	6.8	7/2004
<i>BC Aggregate Index</i>	---	---	<i>1.1</i>	<i>7.8</i>	<i>6.8</i>	<i>6.5</i>	<i>5.7</i>	---
Loomis	115,170	High Yield	3.9	2.1	24.3	7.2	8.3	3/2005
<i>BC High Yield Index</i>	---	---	<i>6.5</i>	<i>5.0</i>	<i>24.1</i>	<i>7.5</i>	<i>8.0</i>	---
Wells	114,145	High Yield	5.2	5.5	20.6	7.3	7.2	11/2004
<i>BC High Yield Index</i>	---	---	<i>6.5</i>	<i>5.0</i>	<i>24.1</i>	<i>7.5</i>	<i>7.6</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 fourth 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, bested the BC Aggregate Index by 10 basis points with a quarterly return of 1.2%. **Wells**, the Plan's other core fixed income manager, outperformed the BC Aggregate Index by 30 basis points with a quarterly return of 1.4%. **Loomis Sayles**, one of the Plan's two high yield managers, produced a quarterly return of minus 3.9%, underperforming the BC High Yield Index by (2.6%). The portfolio's relative underperformance was largely driven by positions in Convertibles and Non-US Dollar issues. The Plan's other high yield manager, **Wells High Yield**, finished the quarter underperforming the BC High Yield Index by (1.3%) with a 5.2% return. Security selection, and specifically a higher credit quality bias, hurt relative performance.

### Latest Year

**JP Morgan** finished its latest 1-year period with a 7.7% return and underperformed its benchmark by (10) basis points. **Wells** generated a 9.1% return and outperformed its benchmark by 1.3%, due primarily to security selection. **Loomis Sayles** generated a 2.1% return and underperformed its benchmark by (2.9%). Convertibles and Non-US Dollar issues detracted from relative performance. **Wells High Yield** finished the period returning 5.5%, besting its benchmark by 50 basis points.

### Latest Three Years

**Wells** finished its latest 3-year period posting a 9.4% return and outperformed its benchmark by 2.6%, due primarily to security selection. **Loomis Sayles** generated a 24.3% return and outperformed its benchmark by 20 basis points. **Wells High Yield** posted a 20.6% return, underperforming its benchmark by (3.5%). 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 Sayles** completed the period with a 7.2% return, underperforming its benchmark by (30) basis points. **Wells High Yield** posted a 7.3% return, underperforming its benchmark by (20) basis points.



## Real Return – Periods ending December 31, 2011

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception**	Inception Date***
Aetos Capital*	34,987	Hedge FOFs	-4.6	-0.1	3.3	---	1.4	2/2007
<i>Tbills + 3 %*</i>	---	---	<i>0.7</i>	<i>3.1</i>	<i>3.2</i>	---	<i>4.4</i>	---
<i>HFRI FOF Diversified Index*</i>	---	<i>Hedge FOFs</i>	<i>-4.3</i>	<i>-1.0</i>	<i>0.4</i>	---	<i>-0.8</i>	---
WAMCO*	323,266	GILS	3.5	6.3	---	---	7.0	4/2010
<i>BC WGILB Index* ****</i>	---	---	<i>3.1</i>	<i>7.0</i>	---	---	<i>7.5</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 reflects the month when portfolio received initial funding.

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

The WPERP Board is considering adding timber and commodities to the real return asset class.

### Latest Quarter

**Aetos** posted a minus (4.6%) return, underperforming the Tbill+3% by (5.3%), and underperforming the HFRI FOF Diversified Index by (30) basis points. **WAMCO**, the Plan's GILS (Global Inflation-Linked Securities) manager, posted a quarterly return of 3.5%, outperforming the BC WGILB Index by 40 basis points.

### Latest Year

Over the latest 1-year period, **Aetos** returned minus (0.1%), underperforming the Tbill+3% by (3.2%), but outperforming the HFRI FOF Diversified Index by 0.9%. **WAMCO** generated a 6.3% return, underperforming its benchmark by (70) basis points.

### Latest Three Years

**Aetos** finished its latest 3-year period with a 3.3% return, outperforming the Tbill+3% by (0.1%), and outperforming the HFRI FOF Diversified Index by 2.9%.

## Private Equity and Real Estate - Periods ending December 31, 2011

Asset Class	Mkt Value (\$000)	Quarter	1 YR	3 YR	5 YR	Since Inception***	Inception Date****
Private Equity*	98,926	1.8	21.8	8.1	9.0	7.7	9/2006
<i>Russell 3000 + 3% (PE blend)**</i>	---	<i>-14.6</i>	<i>1.7</i>	<i>2.1</i>	<i>5.4</i>	<i>5.1</i>	---
Real Estate*	147,454	3.6	23.4	-6.5	---	-0.4	3/2007
<i>NCREIF*</i>	---	<i>3.3</i>	<i>16.1</i>	<i>-1.4</i>	---	<i>2.6</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 thru 9/30/11, and Russell 3000 + 3% to present.

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

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

The **Private Equity** portfolio consists of ten investments including **Lexington VI**, **Lexington VII**, **Landmark XIII**, **Landmark XIV**, **Capital Dynamics** (previously HRJ Capital), **Fisher Lynch**, **Oaktree V**, **Energy Cap**, **Audax Mezz**, and **Vista Equity IV**. **Vista Equity IV** was funded in the fourth quarter of 2011. The private equity portfolio outperformed the Russell 3000 + 3% (PE Blend) across all trailing time periods.

The **Real Estate** portfolio currently consists of eight investments including **Prisa**, **Prisa II**, **JP Morgan Strategic**, **CB Richard Ellis**, **Mesa West**, **Lone Star II**, **Lone Star VII**, and **Invesco**. **Invesco** was funded in the third quarter of 2011. The portfolio outperformed the NCREIF Index during the previous quarter by 30 basis points. The portfolio outperformed the benchmark over the latest 1-year period by 7.3%. Over the latest 3-year period, the portfolio trailed its benchmark by (5.1%).

# Quarterly Report

Q4-11

## WPERP RETIREMENT PLAN MANAGERS ON WATCH

### Return vs. Benchmark Since Watch

As of December 31, 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	18.3
MSCI EMF IMI (blend)	Emerging Markets				17.8	29.6	41.3	45.5	60.0	15.9
T. Rowe vs. Target	MSCI EMF IMI (blend)				N/M	N/M	N/M	N/M	4.3	2.4
Invesco	Developed Markets	Performance	8/1/2011	In RFP Process	-7.3	-9.1	---	---	---	-13.9
MSCI Wld ex US IMI ND	Developed Markets				-8.4	-9.9	---	---	---	-15.2
Invesco vs. Target	MSCI Wld ex US IMI ND				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	-6.9	-8.1
MSCI Wld ex US IMI ND	Developed Markets				8.4	14.5	15.1	2.3	-4.1	-4.9
Boston vs. Target	MSCI Wld ex US IMI ND				N/M	N/M	N/M	N/M	-2.8	-3.2
Pyramis	Developed Markets	Organizational	5/1/2011	9/28/2011	-3.0	-4.7	-14.6	---	---	-19.2
MSCI Wld ex US IMI ND	Developed Markets				-2.9	-5.9	-15.2	---	---	-20.1
Pyramis vs. Target	MSCI Wld ex US IMI ND				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.

**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.

**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 continue to retain **Wells HY**. The manager's status in regard to watch will be calculated based on the new contract date.

## WPERP Retirement Plan Estimated Performance Results Net and Gross of Fees Comparison For Quarter Ending 12/31/2011

			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	613,861,992	11.79%	11.80%	-0.01%	-61,392
Large Value	MFS	404,491,461	12.12%	12.20%	-0.08%	-323,852
Large Value	T. Rowe Price	406,691,210	12.71%	12.80%	-0.09%	-366,352
Large Growth	Fred Alger	404,253,932	8.32%	8.40%	-0.08%	-323,662
Large Growth	T. Rowe Price	403,917,163	9.21%	9.30%	-0.09%	-363,853
Small Value	Earnest Partners	110,886,140	17.24%	17.40%	-0.16%	-177,702
Small Growth	Frontier	108,586,947	12.95%	13.20%	-0.25%	-272,148
	Transition	855	---	---	---	---
		\$2,452,689,700				
International Equity						
Active Equities	Invesco	366,610,063	2.30%	2.40%	-0.11%	-403,715
Active Equities	The Boston Co.	346,596,578	0.99%	1.10%	-0.11%	-381,676
Active Equities	Pyramis	372,804,711	3.52%	3.60%	-0.08%	-335,826
Emerging Markets	The Boston Company	105,858,962	2.67%	2.90%	-0.23%	-244,037
Emerging Markets	T. Rowe Price	111,586,161	5.06%	5.30%	-0.25%	-279,665
		\$1,303,456,475				
Domestic Fixed Income						
Core	JP Morgan	1,040,826,498	1.18%	1.20%	-0.03%	-312,342
Core	Wells	1,074,849,286	1.37%	1.40%	-0.03%	-322,552
High Yield	Loomis Sayles	115,170,044	3.78%	3.90%	-0.13%	-149,916
High Yield	Wells	114,144,886	5.09%	5.20%	-0.12%	-137,138
		\$2,344,990,714				
Real Return <sup>3</sup>						
	Aetos	34,986,616	-4.60%	-4.41%	-0.19%	-66,601
	WAMCO	323,265,966	3.45%	3.50%	-0.05%	-161,714
		\$358,252,582				
Private Equity <sup>3</sup>						
	Lexington VI	21,618,036	-1.30%	-1.09%	-0.21%	-86,819
	Lexington VII*	11,112,141	4.10%	4.35%	-0.25%	-44,627
	Landmark XIII	15,674,205	4.70%	4.95%	-0.25%	-62,949
	Cap Dynamics	17,495,219	2.80%	3.03%	-0.23%	-70,262
	Fisher Lynch	14,096,709	1.20%	1.45%	-0.25%	-56,613
	Landmark XIV*	8,288,381	4.60%	4.85%	-0.25%	-33,287
	Oaktree*	7,740,895	-4.20%	-3.76%	-0.44%	-31,088
	Audax Mezz*	1,582,960	3.70%	4.08%	-0.38%	-6,357
	Energy Cap*	1,317,611	12.50%	12.88%	-0.38%	-5,292
		\$98,926,157				
Real Estate <sup>3</sup>						
	Prisa	44,479,286	4.10%	4.33%	-0.23%	-102,538
	Prisa II	18,506,359	5.20%	5.43%	-0.23%	-42,663
	JP Morgan	42,802,293	3.20%	3.43%	-0.23%	-98,672
	CBRE	20,464,975	0.30%	0.53%	-0.23%	-47,178
	Mesa West	9,915,680	4.00%	4.23%	-0.23%	-22,859
	Lone Star II	912,892	30.00%	30.23%	-0.23%	-2,104
	Lone Star VII	1,614,655	34.30%	34.53%	-0.23%	-3,722
	Invesco	8,758,333	---	---	---	---
		\$147,454,473				
Cash						
		276,011,135	---	0.00%	---	---
TOTAL PORTFOLIO <sup>1</sup>						
		\$7,003,579,470	5.04%	5.10%	-0.06%	-\$5,401,173
Total Fund Policy						
			---	6.00%	---	---

<sup>1</sup> Total portfolio market value includes \$28.2 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 fourth quarter of 2011 with an aggregate value of approximately \$38.6 million.

### Portfolio Performance Overview

Periods ending December 31, 2011, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year	Since Inception**	Inception Date***
Total Portfolio	1.6	9.0	9.2	7.4	---	---
<i>Policy Benchmark*</i>	<i>1.1</i>	<i>7.5</i>	<i>6.4</i>	<i>6.3</i>	---	---
Wells	1.7	9.1	10.1	8.0	6.8	7/2004
<i>BC Aggregate</i>	<i>1.1</i>	<i>7.8</i>	<i>6.8</i>	<i>6.5</i>	5.7	---

\* 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 reflects the month when portfolio received initial funding.

**4Q 2011** – During the quarter, the Disability Plan posted a 1.6% return and outperformed its policy benchmark by 50 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 1.5%, 2.8%, and 1.1%, respectively.

### Portfolio Strategic Allocation (as of 12/31/11)

Segment	Actual \$(000)	Actual %	Target %	Variance
Total Portfolio	\$38,552	100	100	---
Fixed Income	38,235	99	95	4
Wells	38,235	99	95	4
Cash	317	1	5	-4

**Strategic allocation** – The Disability Plan target allocation consists of 95% fixed income investments and 5% cash. At the close of 4Q 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 fourth quarter of 2011 with an aggregate value of approximately \$25.7 million.

### Portfolio Performance Overview

Periods ending December 31, 2011, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year	Since Inception**	Inception Date***
Total Portfolio	1.6	8.7	8.6	7.1	---	---
<i>Policy Benchmark*</i>	<i>1.1</i>	<i>7.5</i>	<i>6.5</i>	<i>6.3</i>	---	---
Wells	1.7	9.1	10.0	7.9	6.8	7/2004
<i>BC Aggregate</i>	<i>1.1</i>	<i>7.8</i>	<i>6.8</i>	<i>6.5</i>	<i>5.7</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 reflects the month when portfolio received initial funding.

**4Q 2011** – During the quarter, the Death Plan posted a 1.6% return and outperformed its policy benchmark by 50 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 1.2%, 2.1%, and 0.8%, respectively.

### Portfolio Strategic Allocation (as of 12/31/11)

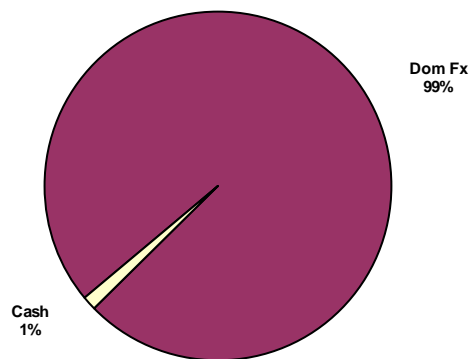
Segment	Actual \$(000)	Actual %	Target %	Variance
Total Portfolio	\$25,748	100	100	---
Fixed Income	24,832	96	96	---
Wells	24,832	96	96	---
Cash	916	4	4	---

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

## Actual Strategic Allocation Comparison – Disability and Death Plans

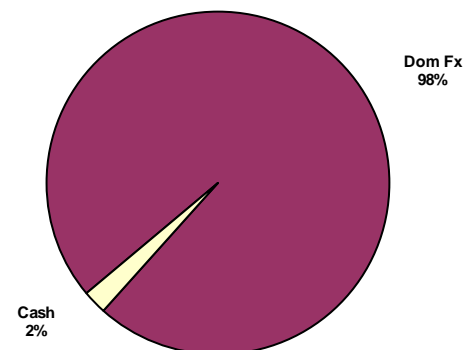
December 31, 2011

Disability

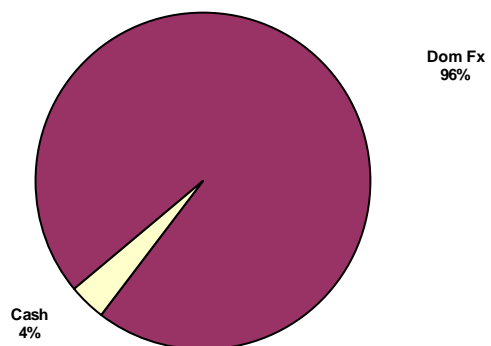


December 31, 2010

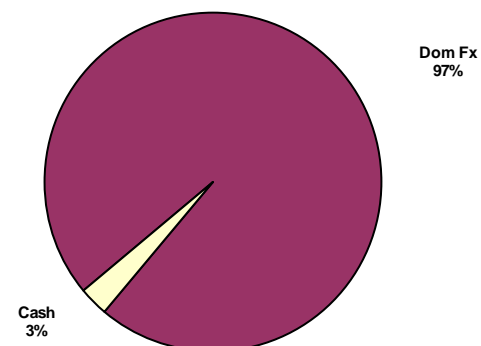
Disability



Death



Death





## HEALTH PLAN REVIEW

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

### Portfolio Performance Overview

Periods ending December 31, 2011, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year	Since Inception*	Inception Date**
Total Health	5.1	1.4	10.7	2.8	2.8	12/2006
<i>Policy Benchmark<sup>1</sup></i>	<i>5.5</i>	<i>1.4</i>	<i>10.5</i>	<i>2.2</i>	<i>2.2</i>	---
Domestic Equity	11.4	-0.2	14.1	-0.4	-0.4	1/2007
<i>Russell 3000 (blend)<sup>2</sup></i>	<i>12.1</i>	<i>1.0</i>	<i>14.8</i>	<i>0.0</i>	<i>0.0</i>	---
International Equity	2.4	-12.9	---	---	-0.2	9/2009
<i>MSCI ACWI ex U.S. IMI ND</i>	<i>3.3</i>	<i>-14.3</i>	---	---	<i>2.3</i>	---
Fixed Income	1.7	8.2	9.2	8.0	8.0	1/2007
<i>BC Universal (blend)<sup>3</sup></i>	<i>1.4</i>	<i>7.4</i>	<i>7.0</i>	<i>6.6</i>	<i>6.6</i>	---
Real Return <sup>4</sup>	2.5	7.8	---	---	8.5	4/2010
<i>Tbill + 3%<sup>4</sup></i>	<i>0.7</i>	<i>3.1</i>	---	---	<i>3.1</i>	---
Private Equity <sup>4</sup>	2.6	28.6	26.1	---	26.1	9/2008
<i>Russell 3000 + 3% (PE blend)<sup>4,5</sup></i>	<i>-14.6</i>	<i>1.7</i>	<i>2.1</i>	---	<i>2.1</i>	---
Real Estate <sup>4</sup>	4.8	20.2	---	---	5.8	4/2010
<i>NCREIF<sup>4</sup></i>	<i>3.3</i>	<i>16.1</i>	---	---	<i>13.9</i>	---
Cash	0.0	0.1	0.3	1.7	1.7	12/2006
<i>Citigroup T-bills</i>	<i>0.0</i>	<i>0.1</i>	<i>0.1</i>	<i>1.4</i>	<i>1.4</i>	---

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

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

The Health Plan Total Portfolio underperformed its policy benchmark over the latest quarter by (40) basis points with a 5.1% return. Over the latest 1-year period, the portfolio matched its policy benchmark, returning 1.4%. Over the latest 3-year period, the portfolio bested its policy benchmark by 20 basis points with a 10.7% return. Over the latest 5-year period, and since inception, the portfolio outperformed its policy benchmark by 60 basis points with a 2.8% return.

<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 thru 9/30/11, and Russell 3000 + 3% to present.

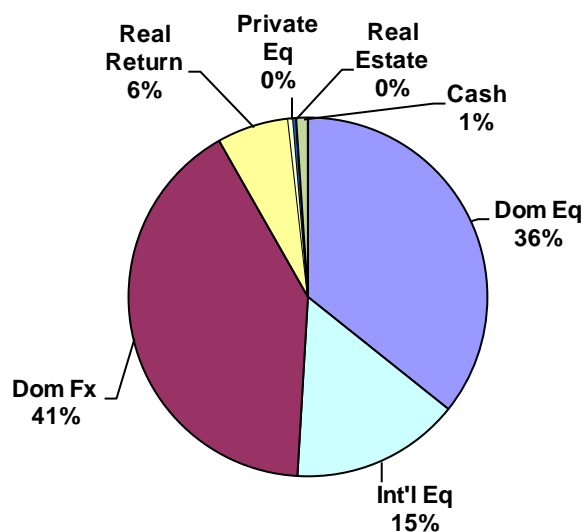
## Portfolio Strategic Allocation (as of 12/31/11)

Segment	Actual (\$MM)	Actual %	Target* %	Variance
Health Plan***	1,136*	100	100	0
Domestic Equity	404	36	36	0
International Equity	172	15	20	-5
Domestic Fixed	462	41	36	5
Real Return	73	6	5	1
Private Equity	5	0	1	-1
Real Estate	3	0	1	-1
Cash	12	1	1	0

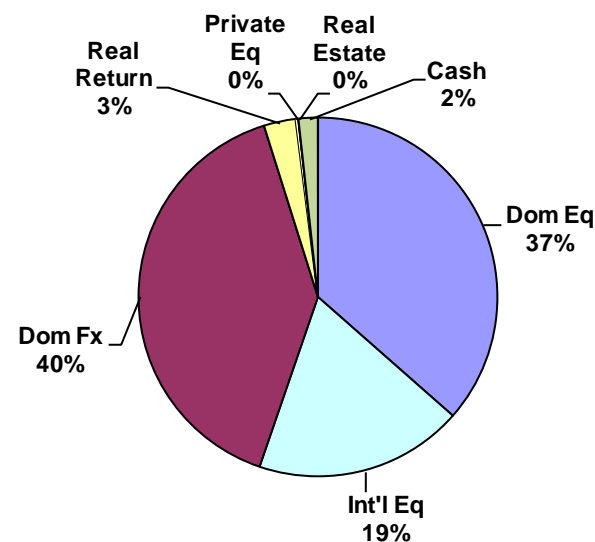
\*Includes \$5.4 million in transition assets and a negative balance of (\$224,181) in securities lending.

As of December 31, 2011, the portfolio had a 51% allocation in Equities, 41% in Domestic Fixed Income, 6% in Real Return, 1% in Cash, and less than 1% each in Private Equity and Real Estate. The portfolio is in the process of funding a Covered Calls asset class, and is expected to be completed near the beginning of the second quarter of 2012. During the latest 1-year period, the actual weightings of Domestic Equity, International Equity, and Cash decreased by (1%), (4%), and (1%), respectively, while Domestic Fixed Income and Real Return increased by 1% and 3%, respectively. Private Equity and Real Estate remained the same.

December 31, 2011



December 31, 2010



## PERFORMANCE ATTRIBUTION – HEALTH PLAN

### Performance Attribution - 4Q 2011

	Policy		Portfolio		Impact on Return			
	Allocation*	Return	Allocation*	Return	Weighting	Selection	Interaction	Total
Domestic Equity	36.0%	12.1	33.6%	11.4	(0.2)	(0.3)	0.0	(0.4)
International Equity	20.0%	3.3	15.5%	2.4	0.1	(0.2)	0.0	(0.0)
Fixed Income	36.0%	1.4	42.2%	1.7	(0.3)	0.1	0.0	(0.1)
Real Return	5.0%	0.7	6.6%	2.5	(0.1)	0.1	0.0	0.0
Private Equity	1.0%	(14.6)	0.4%	2.6	0.1	0.2	(0.1)	0.2
Real Estate	1.0%	3.3	0.1%	4.8	0.0	0.0	(0.0)	0.0
Cash	1.0%	0.0	1.6%	0.0	(0.0)	0.0	0.0	(0.0)
Total	100.0%	5.5	100.0%	5.1	(0.3)	(0.0)	(0.0)	(0.3)

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

### Performance Attribution - Trailing 12-month

	Policy		Portfolio		Impact on Return			
	Allocation*	Return	Allocation*	Return	Weighting	Selection	Interaction	Total
Domestic Equity	34.5%	1.0	36.3%	(0.2)	(0.1)	(0.4)	0.0	(0.5)
International Equity	18.5%	(14.3)	16.9%	(12.9)	0.5	0.2	0.0	0.7
Fixed Income	40.5%	7.4	40.2%	8.2	(0.5)	0.3	0.0	(0.2)
Real Return	3.5%	3.1	4.6%	7.8	(0.2)	0.1	0.0	0.0
Private Equity	1.0%	1.7	0.4%	28.6	0.0	0.0	(0.0)	0.0
Real Estate	0.3%	16.1	0.1%	20.2	(0.0)	0.1	(0.0)	(0.0)
Cash	1.8%	0.1	1.5%	0.1	(0.0)	0.0	0.0	(0.0)
Total	100.0%	1.4	100.0%	1.4	(0.4)	0.4	0.1	0.1

\*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 the Domestic Equity asset class. Private Equity was the primary contributor to the Total Health Plan Portfolio's relative performance.
- During the trailing 12-month period, The Total Health Plan Portfolio matched its policy benchmark. The weighting effect detracted from relative performance, while the selection effect aided relative performance. Among asset classes, International Equity contributed to the Total Health Plan Portfolio's relative performance, while Domestic Equity and Fixed Income detracted.

# Quarterly Report

Q4-11

## WPERP HEALTH PLAN MANAGER PERFORMANCE

### Domestic Equity - Periods ending December 31, 2011

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
BlackRock	140,089	Large Cap Core	11.9	1.9	15.0	0.1	0.1	1/2007
<i>Russell 1000 Index</i>	---	---	<i>11.8</i>	<i>1.5</i>	<i>14.8</i>	<i>0.0</i>	<i>0.0</i>	---
MFS	58,065	Large Cap Value	12.2	0.7	---	---	8.3	9/2009
<i>Russell 1000 Value Index</i>	---	---	<i>13.1</i>	<i>0.4</i>	---	---	<i>10.2</i>	---
T. Rowe Price	58,415	Large Cap Value	12.5	0.6	---	---	9.3	9/2009
<i>Russell 1000 Value Index</i>	---	---	<i>13.1</i>	<i>0.4</i>	---	---	<i>10.2</i>	---
Fred Alger	58,130	Large Cap Growth	8.5	-4.0	---	---	10.5	9/2009
<i>Russell 1000 Growth Index</i>	---	---	<i>10.6</i>	<i>2.6</i>	---	---	<i>13.7</i>	---
T. Rowe Price	58,013	Large Cap Growth	9.3	-2.0	---	---	1.7	4/2010
<i>Russell 1000 Growth Index</i>	---	---	<i>10.6</i>	<i>2.6</i>	---	---	<i>8.0</i>	---
Earnest Partners	15,815	Small Cap Value	16.8	1.9	---	---	13.4	9/2009
<i>Russell 2000 Value Index</i>	---	---	<i>16.0</i>	<i>-5.5</i>	---	---	<i>11.2</i>	---
Frontier	15,543	Small Cap Growth	13.2	-6.8	---	---	3.7	4/2010
<i>Russell 2000 Growth Index</i>	---	---	<i>15.0</i>	<i>-2.9</i>	---	---	<i>9.1</i>	---

### International Equity - Periods ending December 31, 2011

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
Invesco	57,860	Developed Markets	2.4	-11.7	---	---	0.0	9/2009
<i>MSCI World ex US IMI ND Index</i>	---	---	<i>3.2</i>	<i>-12.7</i>	---	---	<i>1.3</i>	---
The Boston Company	54,935	Developed Markets	1.1	-15.7	---	---	-2.8	9/2009
<i>MSCI World ex US IMI ND Index</i>	---	---	<i>3.2</i>	<i>-12.7</i>	---	---	<i>1.3</i>	---
Pyramis	58,888	Developed Markets	3.6	-11.2	---	---	2.2	9/2009
<i>MSCI World ex US IMI ND Index</i>	---	---	<i>3.2</i>	<i>-12.7</i>	---	---	<i>1.3</i>	---

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

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

# Quarterly Report

Q4-11

## Fixed Income - Periods ending December 31, 2011

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
JP Morgan	209,522	Core	1.3	7.9	---	---	7.2	4/2010
<i>BC Aggregate Index</i>	---	---	<i>1.1</i>	<i>7.8</i>	---	---	<i>7.2</i>	---
Wells	210,755	Core	1.4	9.0	9.4	8.1	8.1	1/2007
<i>BC Aggregate Index</i>	---	---	<i>1.1</i>	<i>7.8</i>	<i>6.8</i>	<i>6.5</i>	<i>6.5</i>	---
Wells	41,856	High Yield	5.4	5.7	---	---	9.1	9/2009
<i>BC High Yield Index</i>	---	---	<i>6.5</i>	<i>5.0</i>	---	---	<i>14.0</i>	---

## Real Return - Periods ending December 31, 2011

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
Aetos Capital***	7,588	Hedge FOFs	-4.6	-0.2	---	---	1.4	9/2010
<i>Tbills + 3 %***</i>	---	---	<i>0.7</i>	<i>3.1</i>	---	---	<i>4.4</i>	---
WAMCO***	65,601	GILS	3.4	6.2	---	---	7.0	4/2010
<i>BC WGILB Index***</i>	---	---	<i>3.1</i>	<i>7.0</i>	---	---	<i>7.5</i>	---

## Private Equity and Real Estate - Periods ending December 31, 2011

Asset Class	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
Private Equity***	4,986	Private Equity	2.6	28.6	26.1	---	26.1	9/2008
<i>R3000 + 3% (PE blend)****</i>	---	---	<i>-14.6</i>	<i>1.7</i>	<i>2.1</i>	---	<i>2.1</i>	---
Real Estate***	2,808	Real Estate	4.8	20.2	---	---	5.8	4/2010
<i>NCREIF***</i>	---	---	<i>3.3</i>	<i>16.1</i>	---	---	<i>13.9</i>	---

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

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

\*\*\* 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 thru 9/30/11, and Russell 3000 + 3% to present.

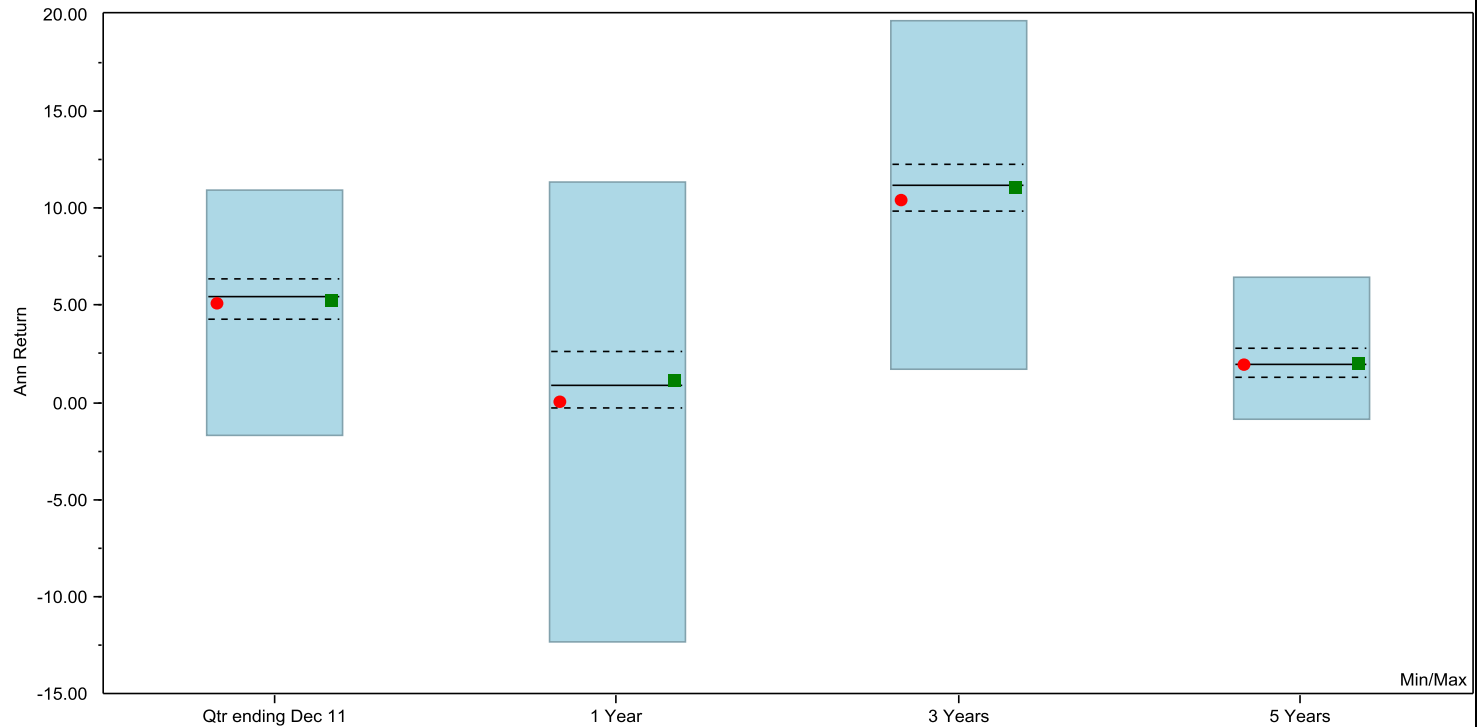
The **Private Equity** portfolio currently consists of six investments including **Lexington VII**, **Landmark XIV**, **Oaktree V**, **Energy Cap**, **Audax Mezz**, and **Vista Equity IV**. **Vista Equity IV** was funded in the fourth quarter of 2011. The **Real Estate** portfolio currently consists of four investments including **Mesa West**, **Lone Star II**, **Lone Star VII**, and **Invesco**. **Invesco** was funded in the third quarter of 2011.

# Water and Power Employees' Retirement Plan

TOTAL FUNDS - PUBLIC (USD) - Monthly

As of December 31, 2011

## Cumulative Performance Comparisons



	Value	%Tile	Rank	Value	%Tile	Rank	Value	%Tile	Rank	Value	%Tile	Rank
Maximum	10.93			11.35			19.65			6.44		
25th Percentile	6.33			2.65			12.27			2.76		
Median Percentile	5.44			0.88			11.17			1.98		
75th Percentile	4.31			-0.27			9.89			1.27		
Minimum	-1.67			-12.37			1.75			-0.86		
# of Portfolios	121			111			101			96		
● Total Fund	5.10	60	73	0.03	70	79	10.43	64	65	1.96	51	50
■ Policy Benchmark	5.27	56	69	1.15	44	50	11.07	52	53	2.00	50	48

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

### Notes:

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

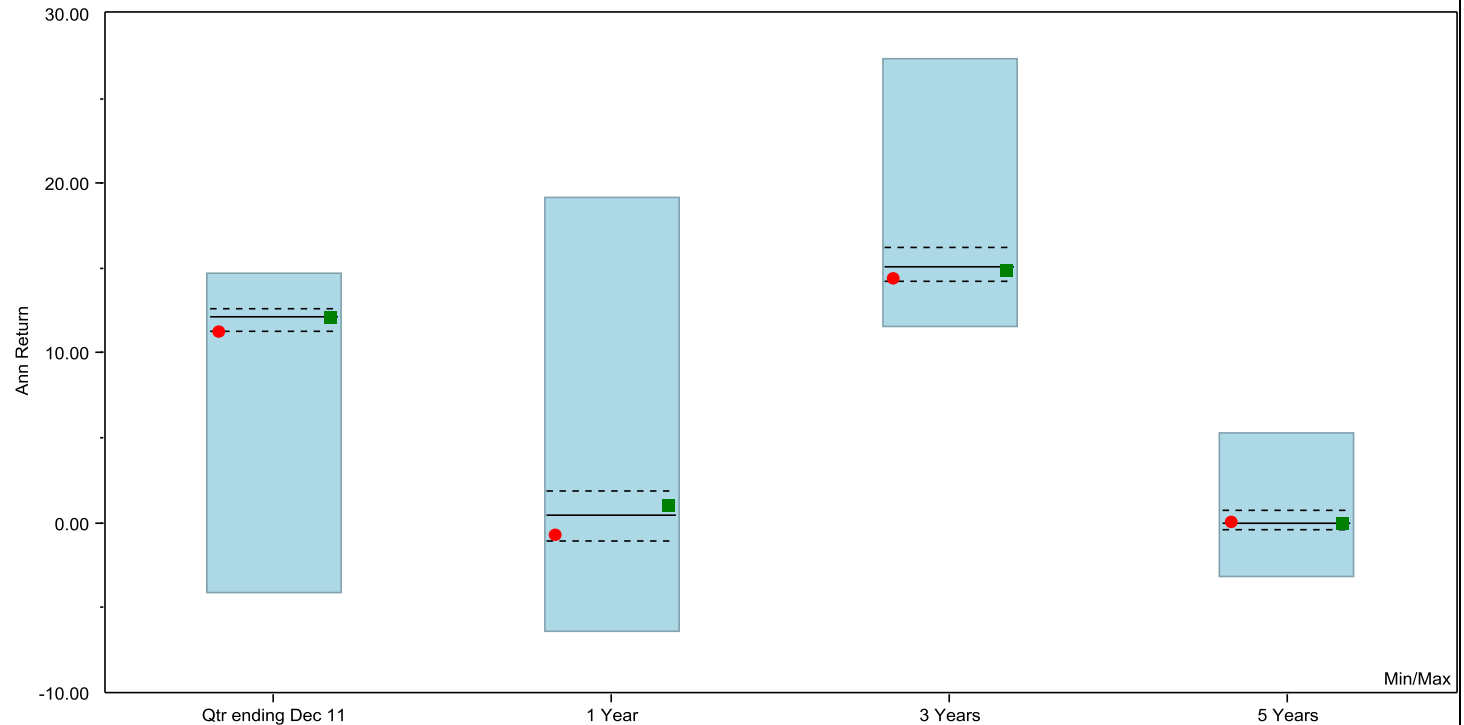
All performance is shown **gross of fees**.

# Water and Power Employees' Retirement Plan

US Equity Segment - Public (USD) - Monthly

As of December 31, 2011

## Cumulative Performance Comparisons



	Value	%Tile	Rank	Value	%Tile	Rank	Value	%Tile	Rank	Value	%Tile	Rank
Maximum	14.66			19.20			27.34			5.26		
25th Percentile	12.61			1.86			16.22			0.72		
Median Percentile	12.09			0.47			15.11			-0.07		
75th Percentile	11.24			-1.04			14.23			-0.39		
Minimum	-4.10			-6.38			11.57			-3.16		
# of Portfolios	100			90			67			54		
● Domestic Equity	11.30	74	74	-0.73	72	65	14.40	71	48	0.03	45	25
■ Russell 3000 (blend)	12.12	49	49	1.02	37	34	14.87	55	37	-0.02	46	26

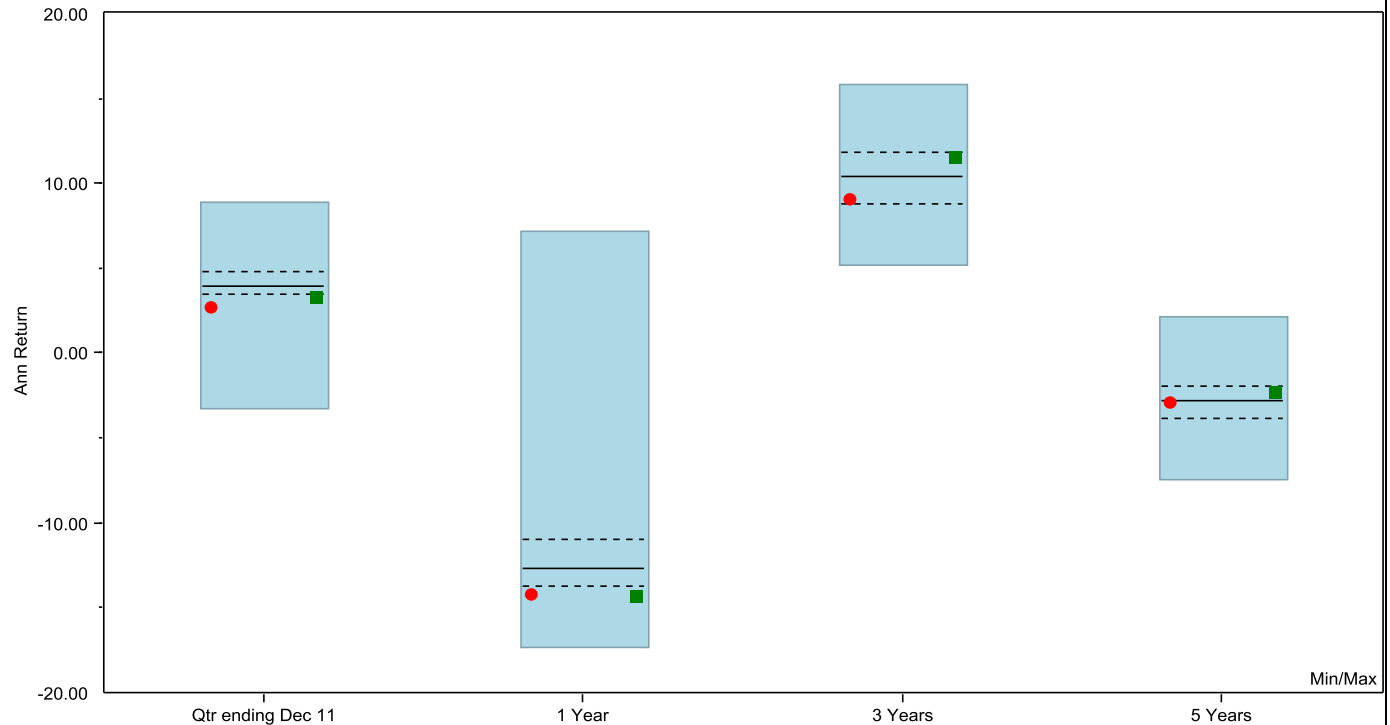
Universe Source: The Bank of New York Mellon Corporation; Universe Status: Final

# Water and Power Employees' Retirement Plan

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

As of December 31, 2011

## Cumulative Performance Comparisons



	Value	%Tile	Rank	Value	%Tile	Rank	Value	%Tile	Rank	Value	%Tile	Rank
Maximum	8.90			7.21			15.81			2.18		
25th Percentile	4.83			-11.01			11.84			-1.99		
Median Percentile	3.95			-12.65			10.42			-2.83		
75th Percentile	3.48			-13.75			8.75			-3.87		
Minimum	-3.24			-17.30			5.22			-7.50		
# of Portfolios	88			79			61			50		
● International Equity	2.67	91	81	-14.24	81	65	9.07	73	45	-2.92	58	30
■ MSCI ACWI ex US IMI (blend)	3.31	84	74	-14.31	83	67	11.53	29	18	-2.31	34	18

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

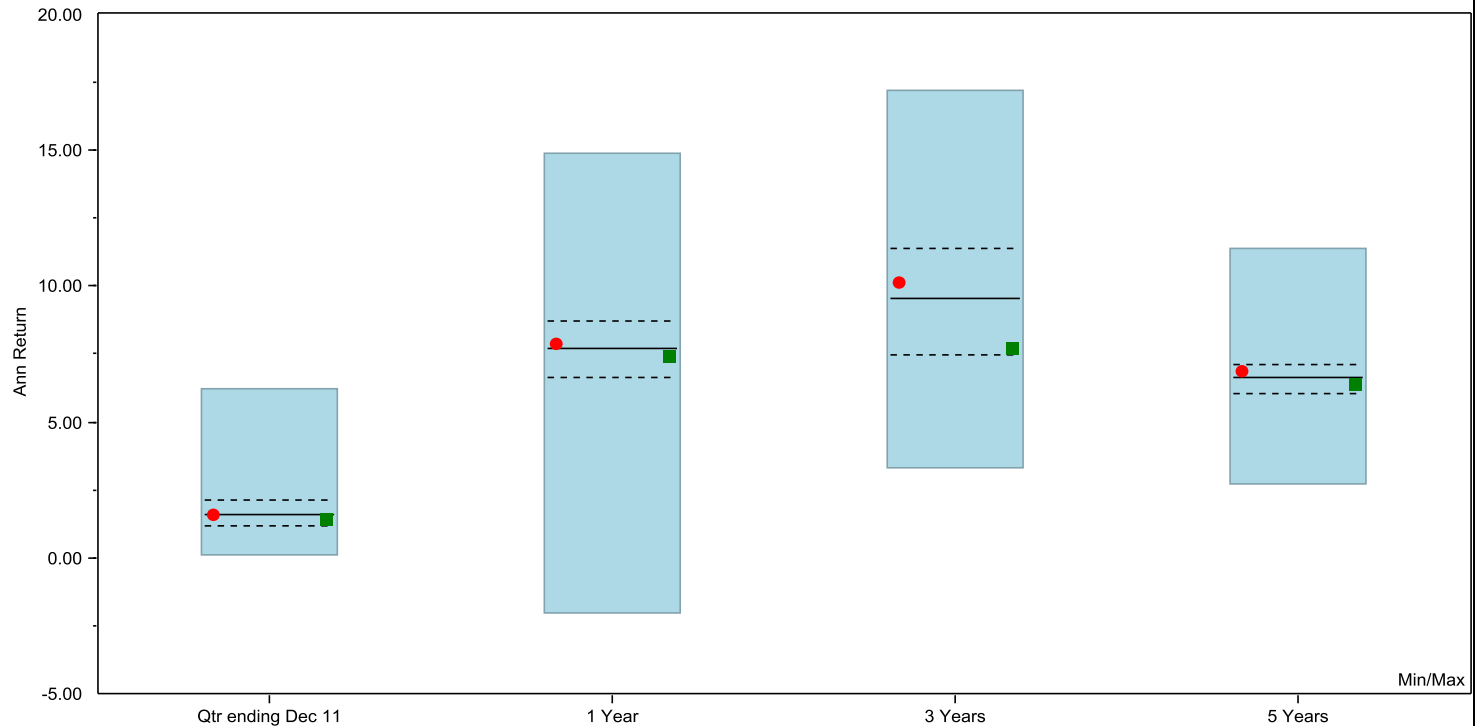


# Water and Power Employees' Retirement Plan

US Fixed Income Segment - Public (USD) - Monthly

As of December 31, 2011

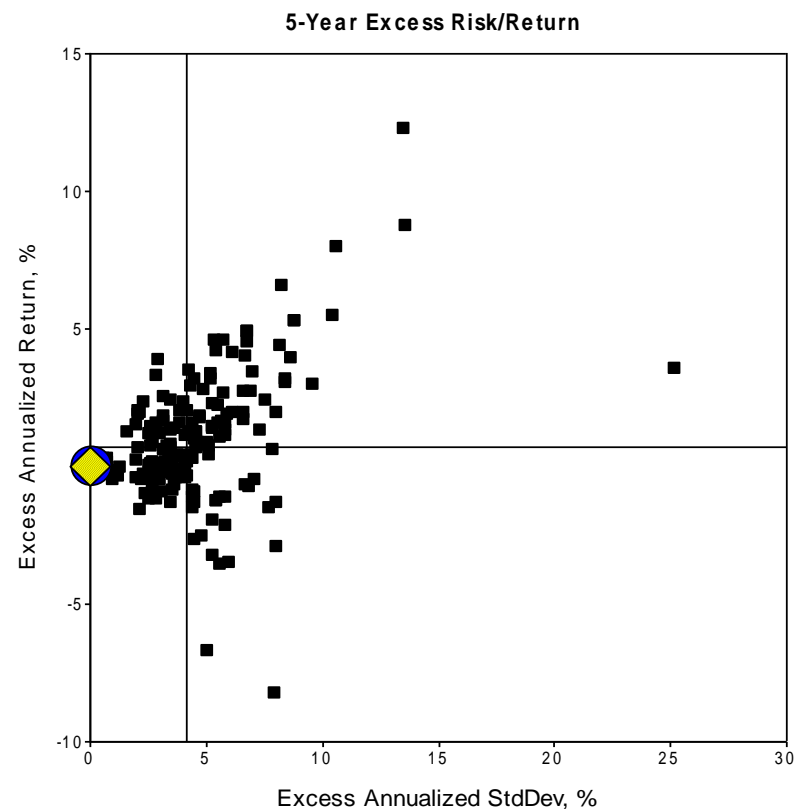
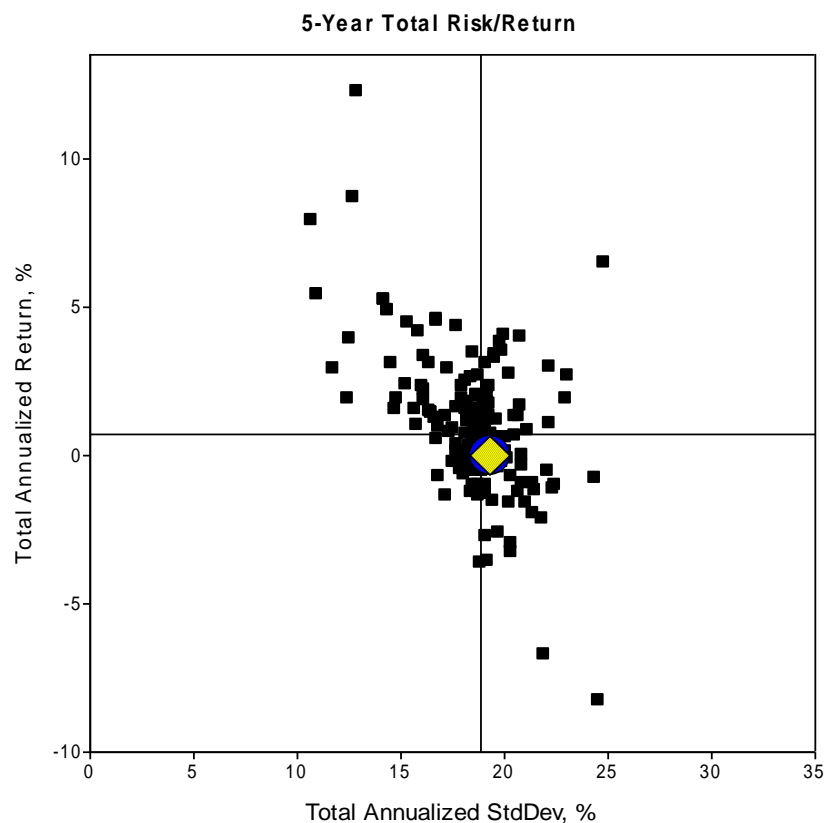
## Cumulative Performance Comparisons



	Value	%Tile	Rank	Value	%Tile	Rank	Value	%Tile	Rank	Value	%Tile	Rank
Maximum	6.23			14.92			17.23			11.37		
25th Percentile	2.14			8.71			11.37			7.10		
Median Percentile	1.60			7.73			9.54			6.63		
75th Percentile	1.20			6.67			7.49			6.06		
Minimum	0.09			-2.05			3.29			2.73		
# of Portfolios	94			86			63			51		
● Fixed Income	1.62	50	48	7.90	42	36	10.12	41	26	6.86	38	20
■ BC Universal	1.44	58	55	7.40	60	52	7.71	73	47	6.39	62	32

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

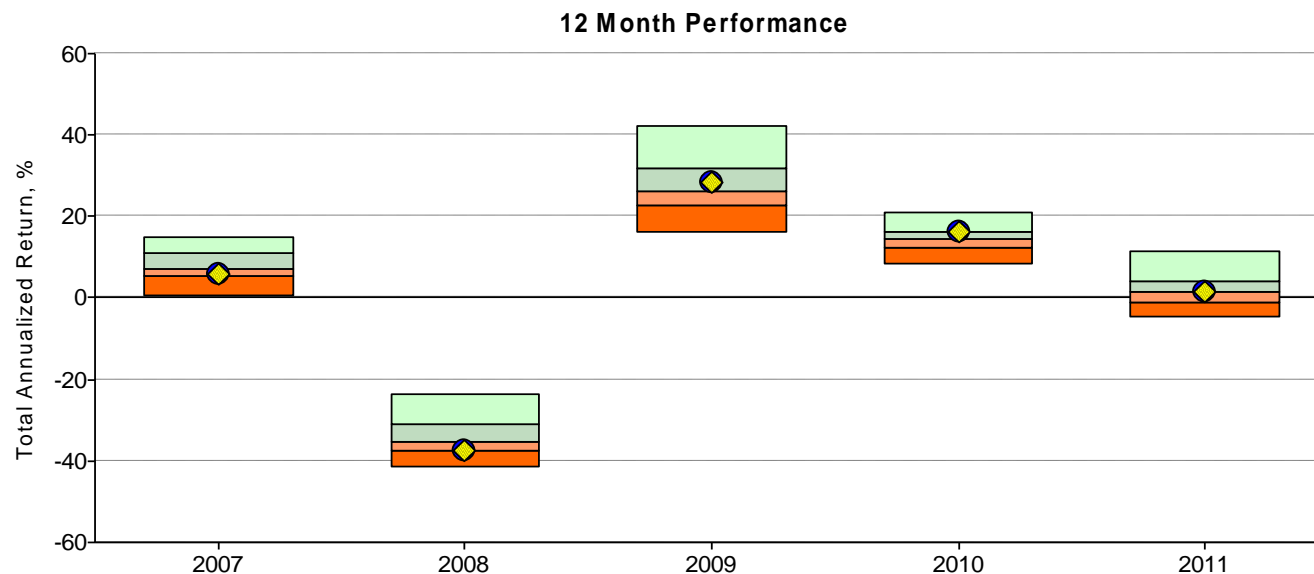
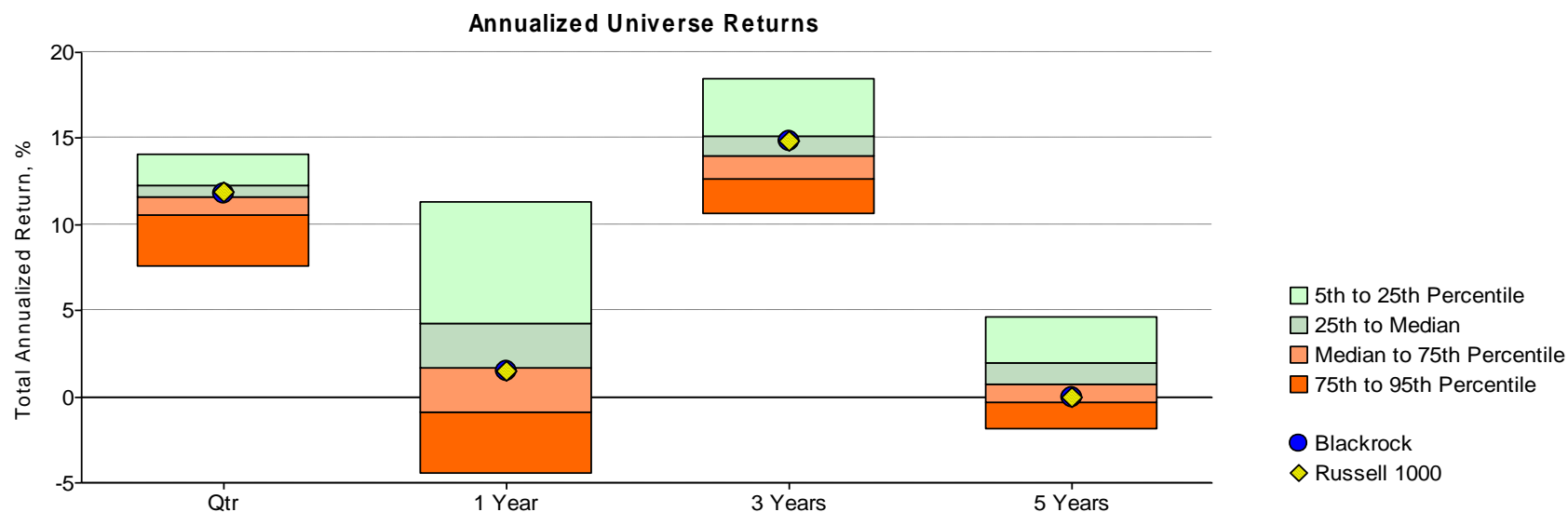
# WPERP Large Cap Core Manager Comparisons as of December 31, 2011



	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Blackrock	0.00	19.30	0.00
Russell 1000	-0.02	19.29	0.00
Large Cap Manager Universe Median	0.69	18.82	0.04

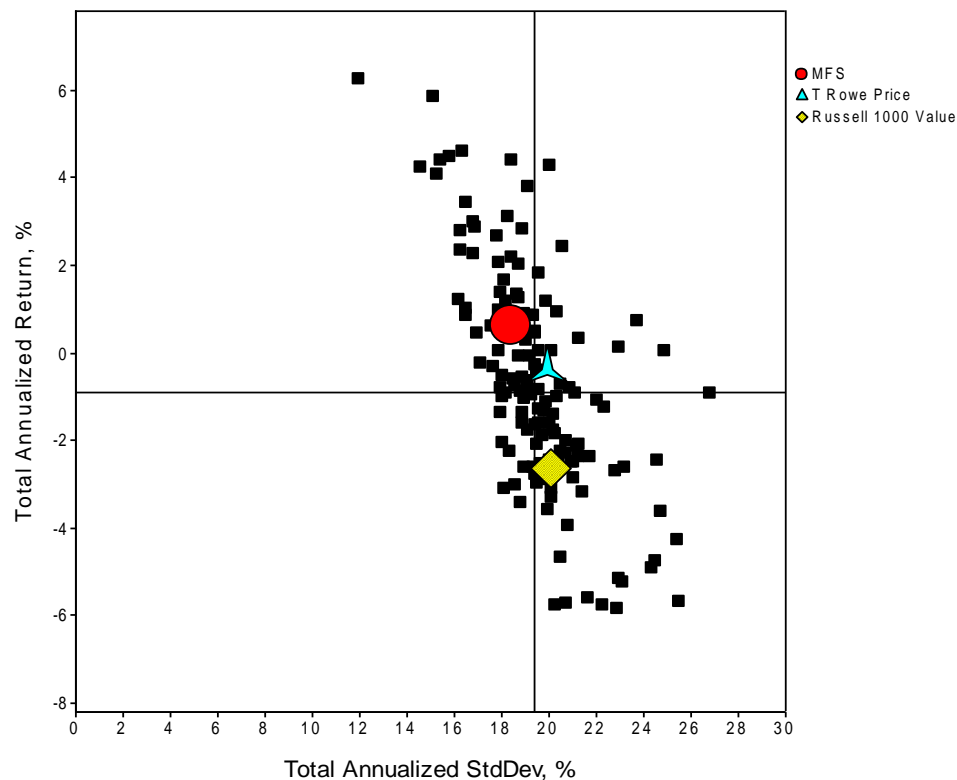
	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
Blackrock	0.02	0.10	0.25
Russell 1000	0.00	0.00	NA
Large Cap Manager Universe Median	0.71	4.13	0.20

# WPERP Large Cap Core Manager Comparisons as of December 31, 2011



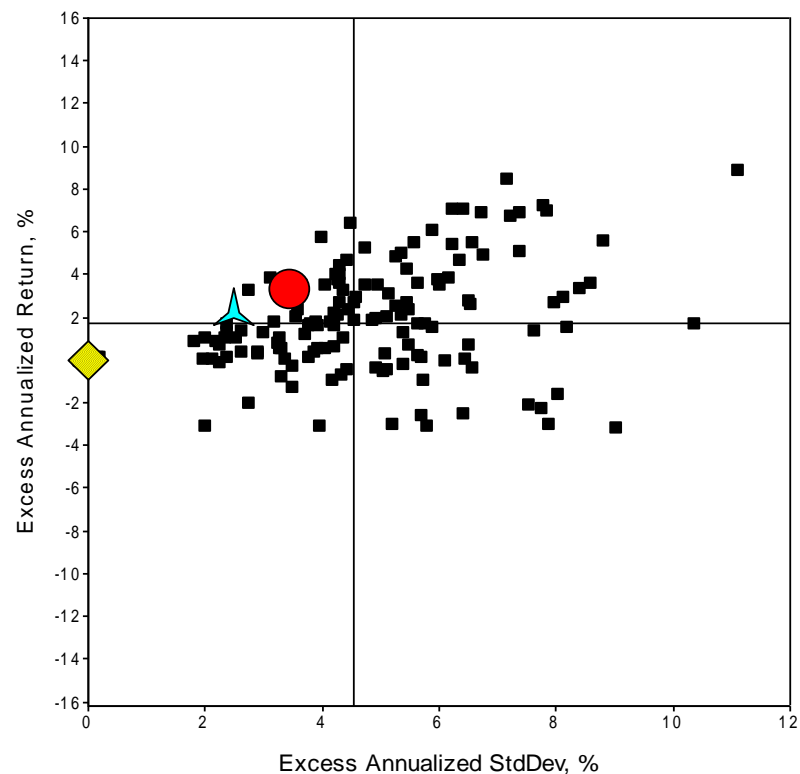
# WPERP Large Cap Value Manager Comparisons as of December 31, 2011

5-Year Total Risk/Return



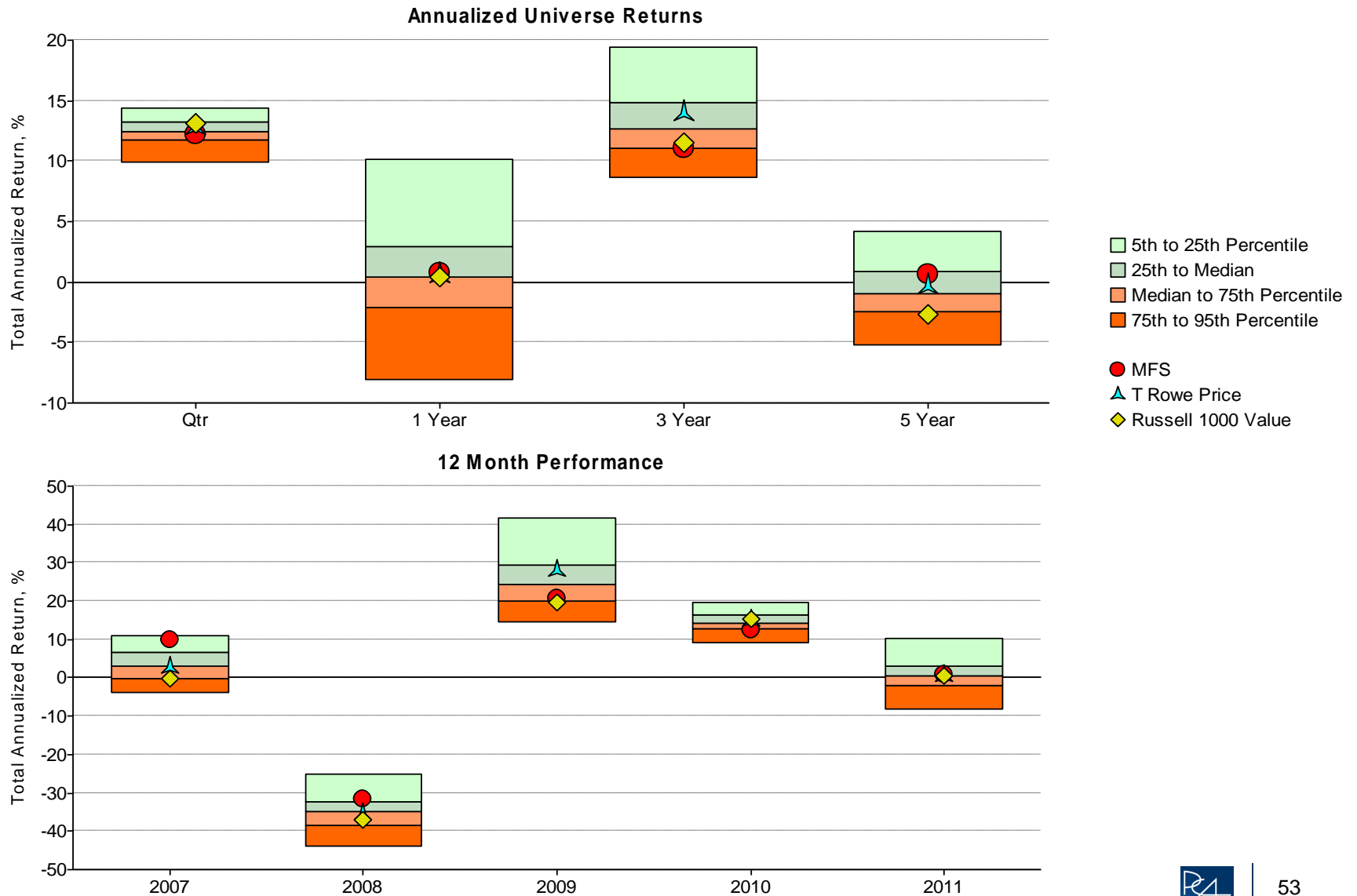
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
MFS	0.63	18.36	0.03
T Rowe Price	-0.39	19.93	-0.02
Russell 1000 Value	-2.64	20.09	-0.13
Large Value Manager Universe Median	-0.91	19.39	-0.05

5-Year Excess Risk/Return

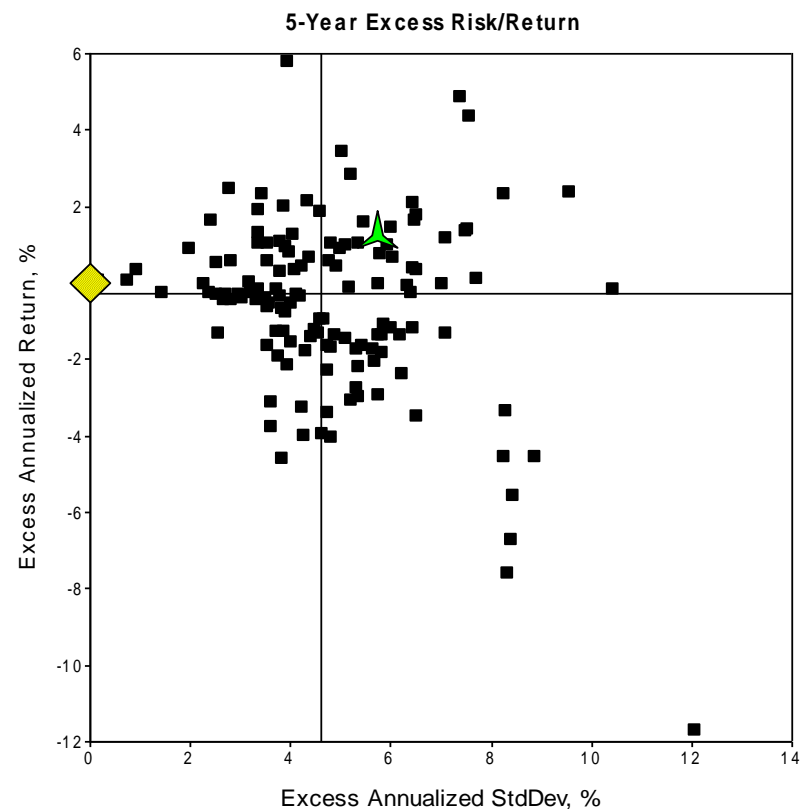
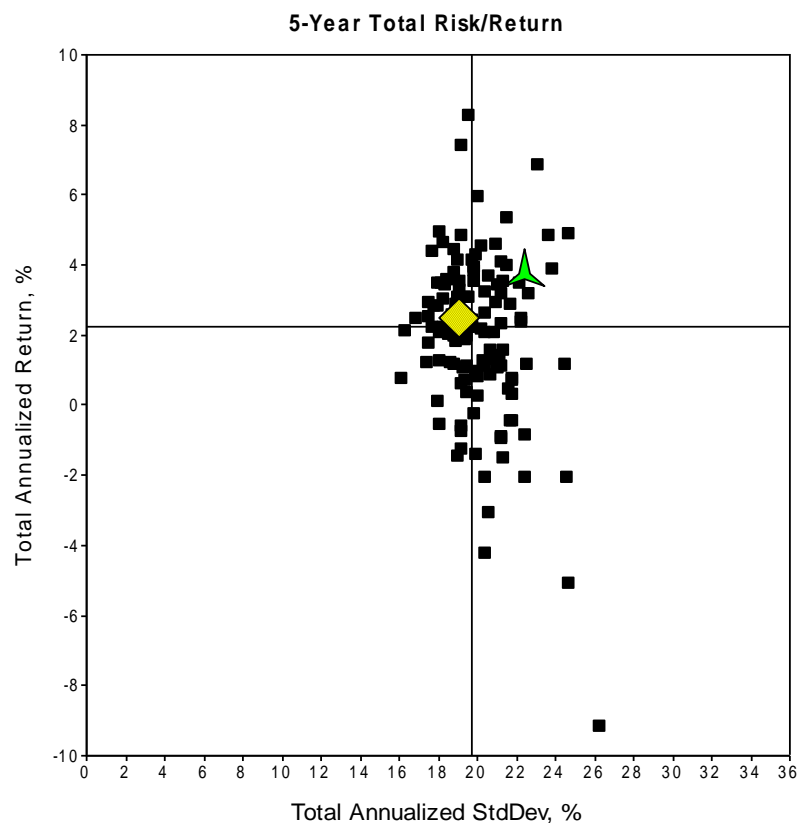


	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
MFS	3.27	3.46	0.95
T Rowe Price	2.25	2.48	0.91
Russell 1000 Value	0.00	0.00	NA
Large Value Manager Universe Median	1.73	4.55	0.42

# WPERP Large Cap Value Manager Comparisons as of December 31, 2011



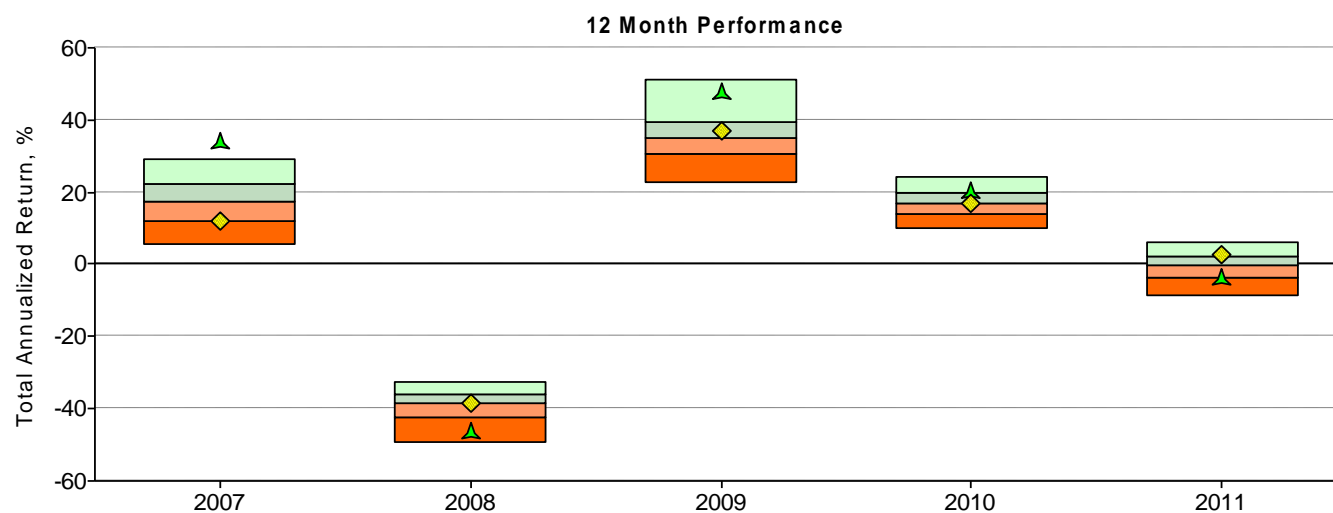
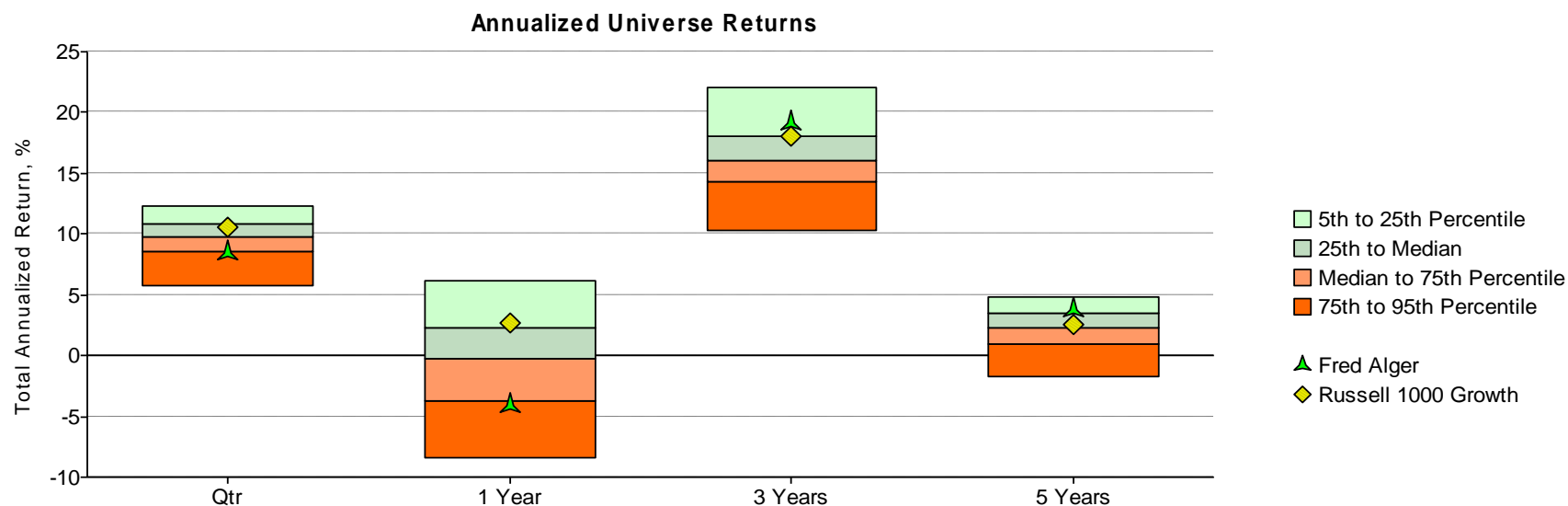
# WPERP Large Cap Growth Manager Comparisons as of December 31, 2011



	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Fred Alger	3.76	22.39	0.17
Russell 1000 Growth	2.50	19.08	0.13
Large Growth Manager Universe Median	2.24	19.71	0.11

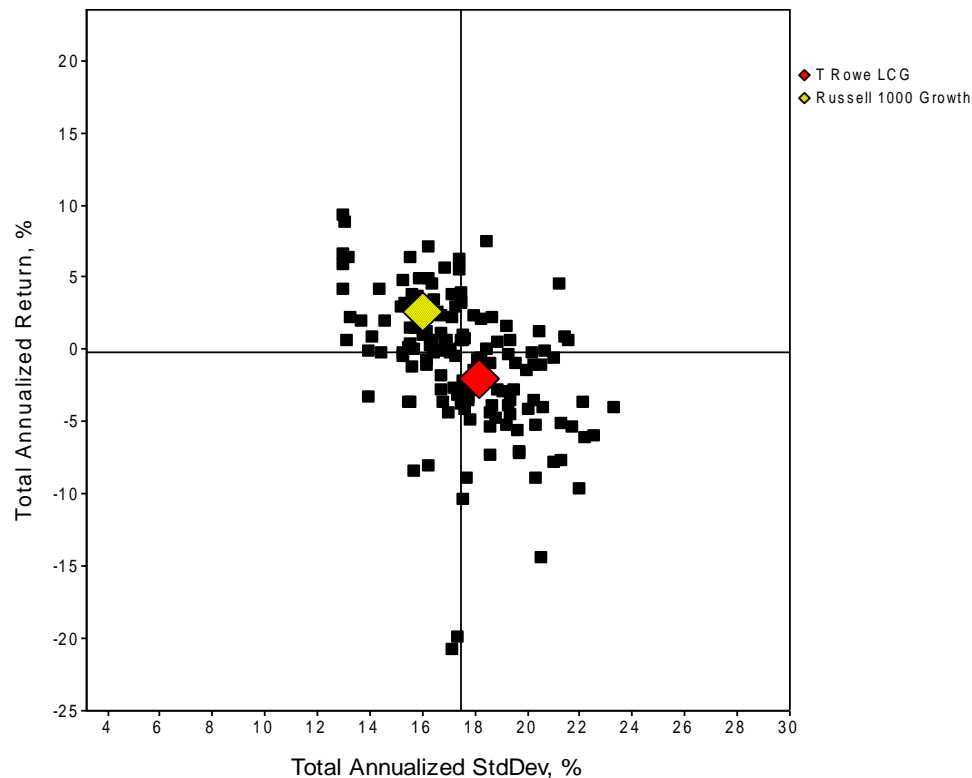
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Fred Alger	1.26	5.72	0.22
Russell 1000 Growth	0.00	0.00	NA
Large Growth Manager Universe Median	-0.26	4.59	-0.09

# WPERP Large Cap Growth Manager Comparisons as of December 31, 2011



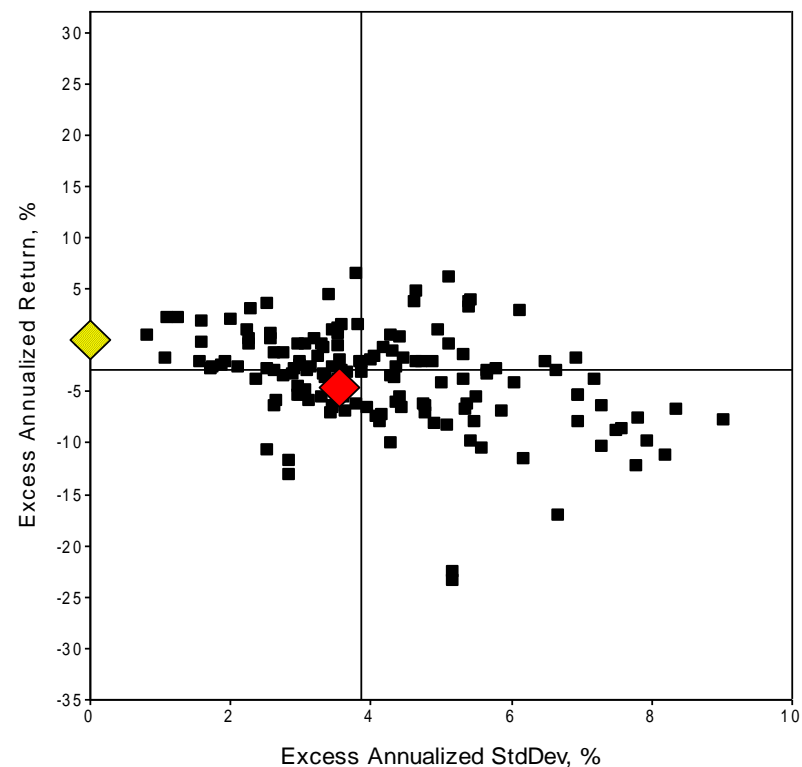
# WPERP Large Cap Growth Manager Comparisons as of December 31, 2011

1-Year Total Risk/Return



	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
T Rowe LCG	-2.02	18.14	-0.11
Russell 1000 Growth	2.64	15.98	0.17
Large Growth Manager Universe Median	-0.22	17.45	-0.01

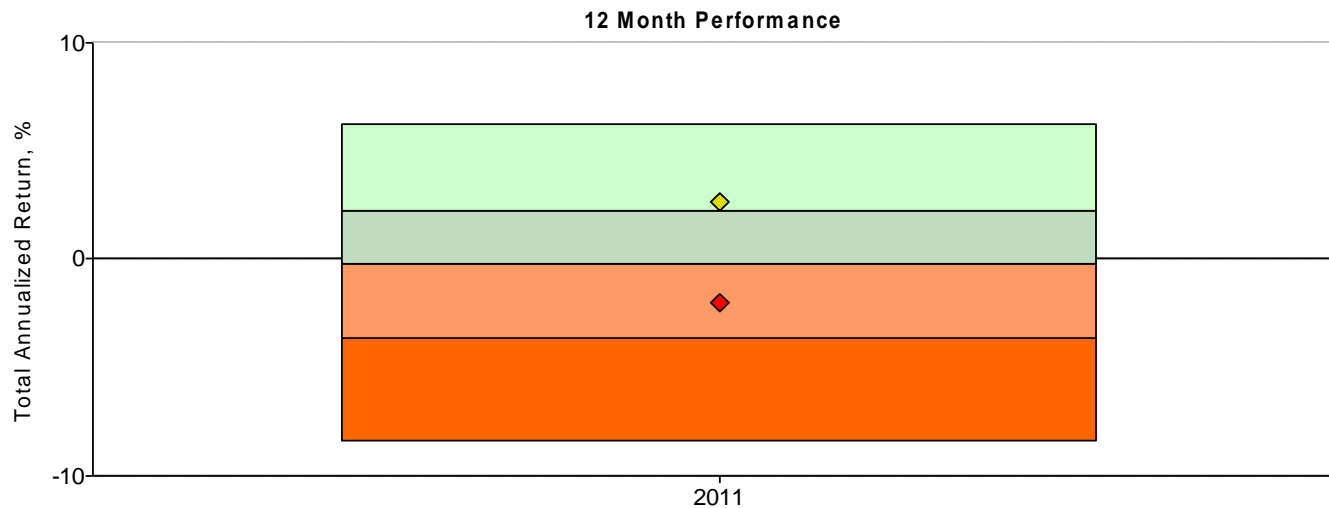
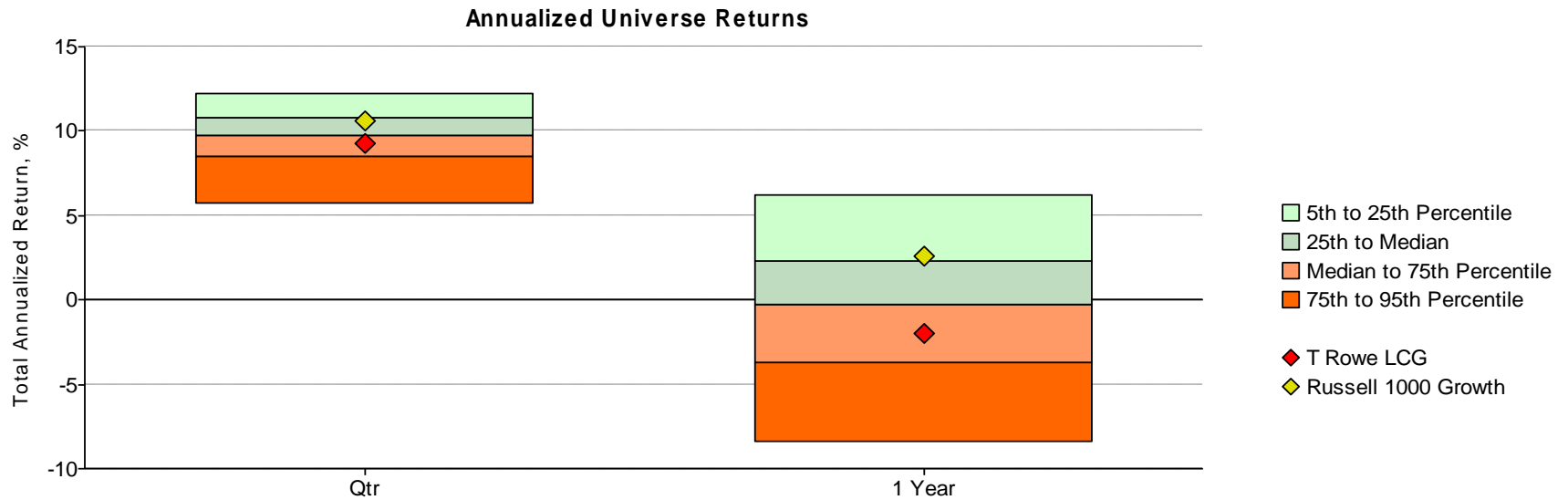
1-Year Excess Risk/Return



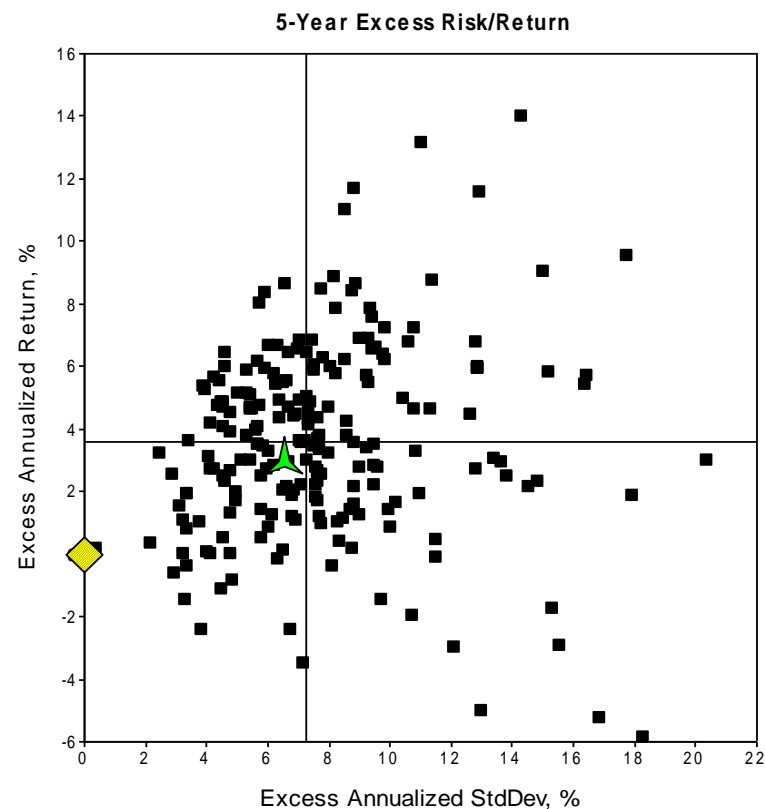
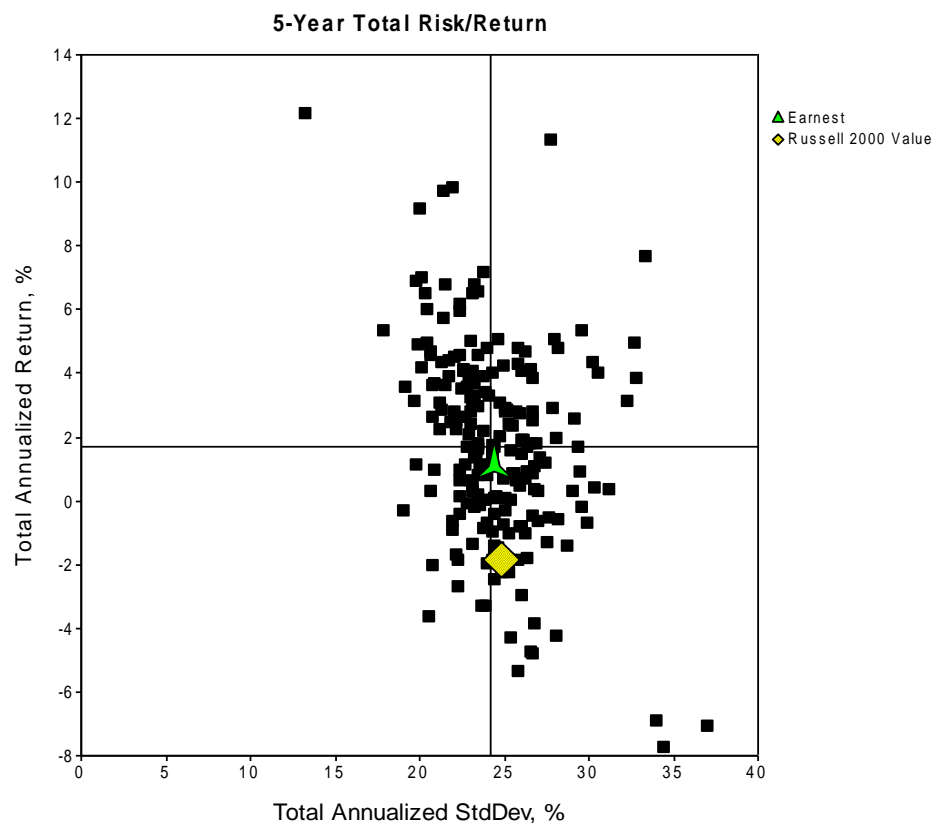
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
T Rowe LCG	-4.66	3.56	-1.31
Russell 1000 Growth	0.00	0.00	NA
Large Growth Manager Universe Median	-2.87	3.85	-0.80



# WPERP Large Cap Growth Manager Comparisons as of December 31, 2011



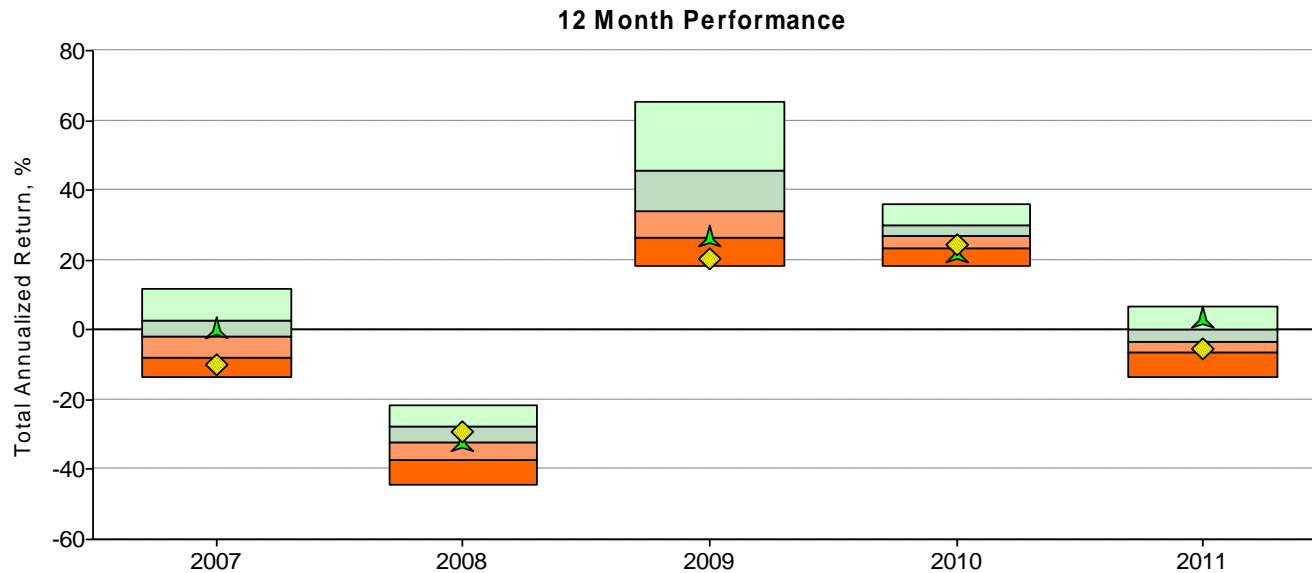
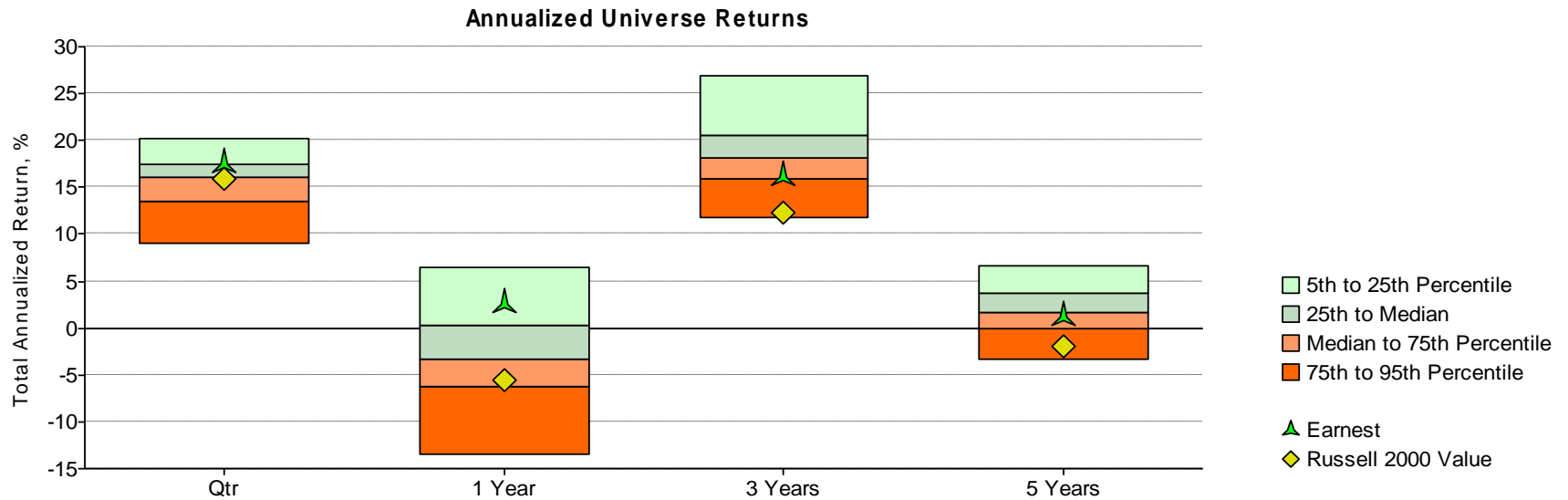
# WPERP Small Cap Value Manager Comparisons as of December 31, 2011



	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Earnest	1.08	24.42	0.04
Russell 2000 Value	-1.87	24.87	-0.08
Small Cap Value Universe Median	1.70	24.24	0.07

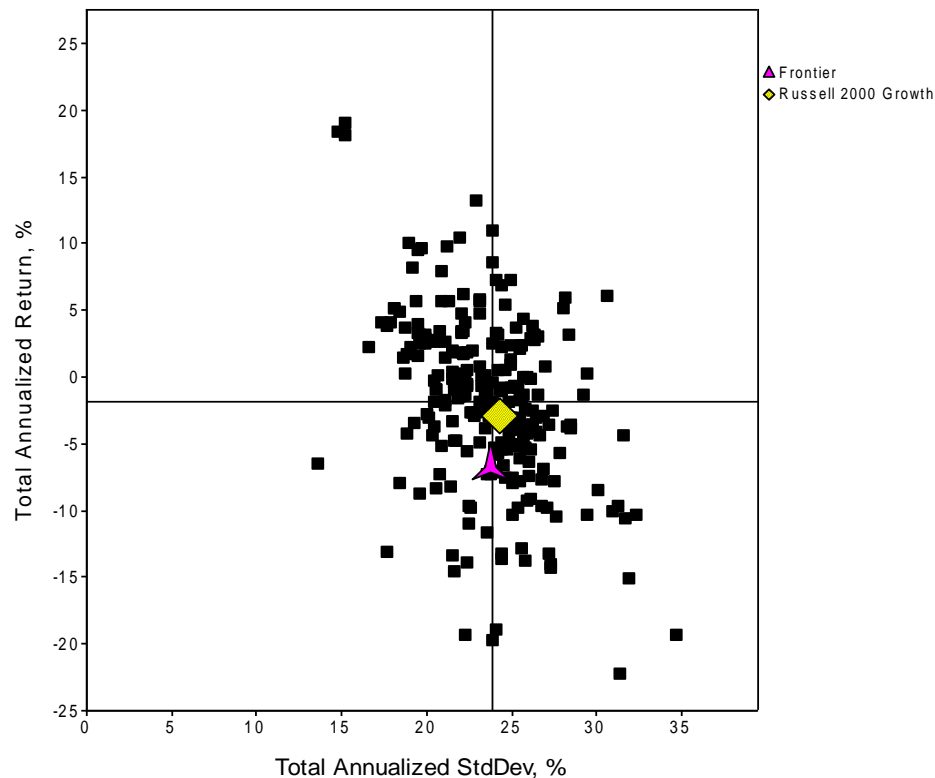
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Earnest	2.95	6.52	0.45
Russell 2000 Value	0.00	0.00	NA
Small Cap Value Universe Median	3.57	7.24	0.51

# WPERP Small Cap Value Manager Comparisons as of December 31, 2011

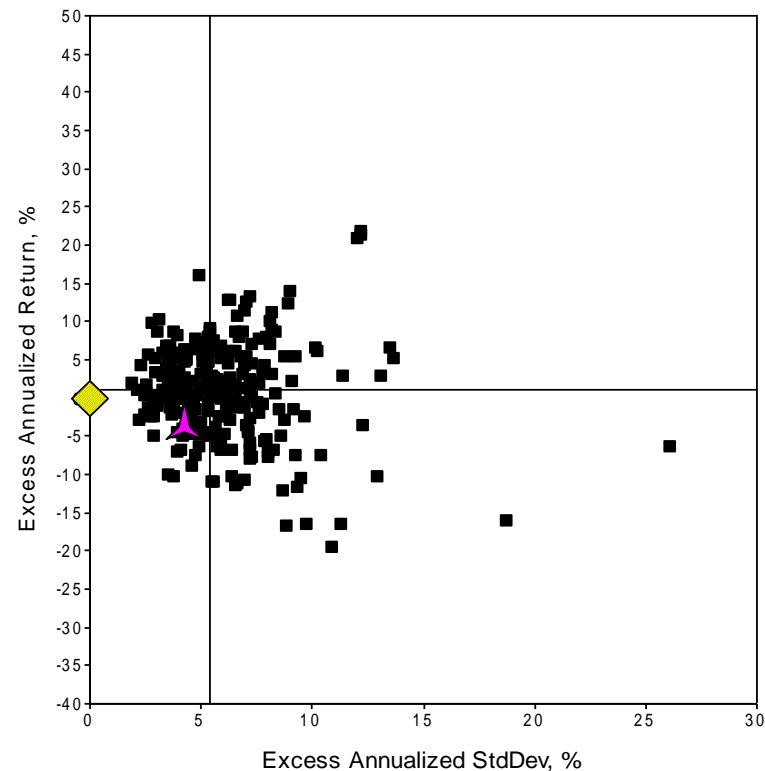


# WPERP Small Cap Growth Manager Comparisons as of December 31, 2011

1-Year Total Risk/Return



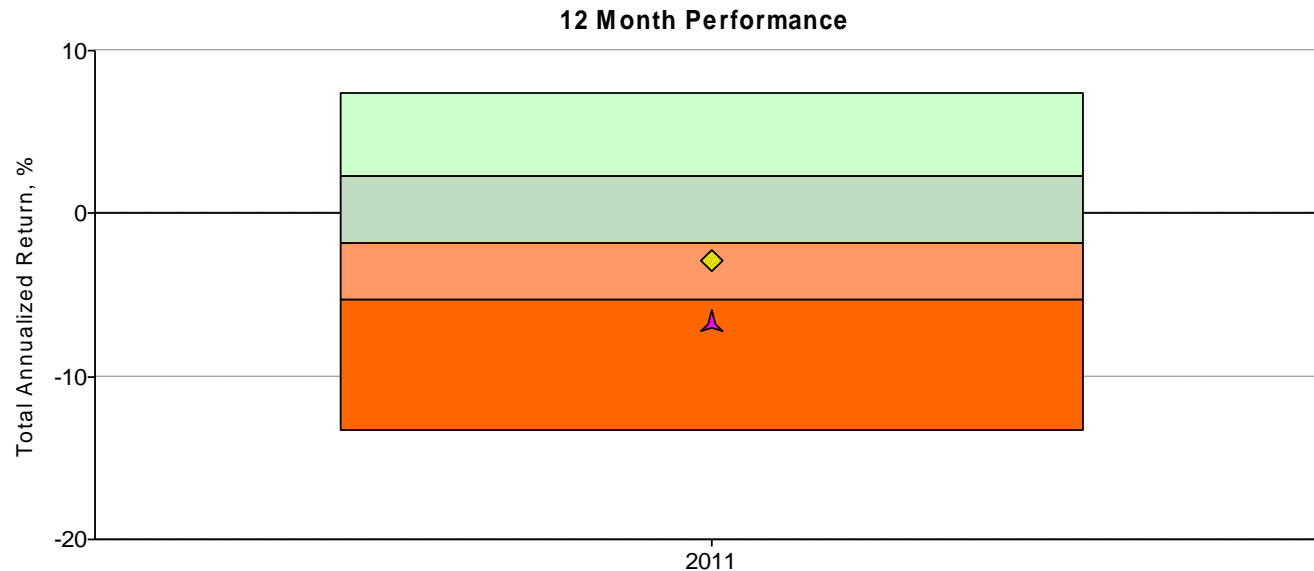
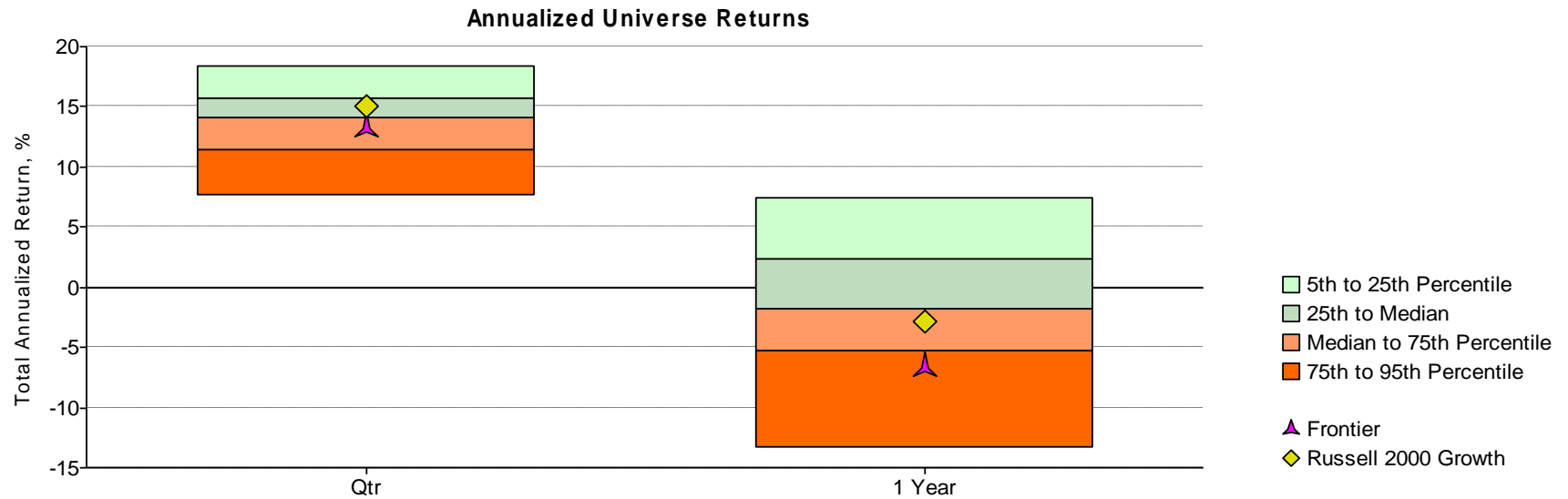
1-Year Excess Risk/Return



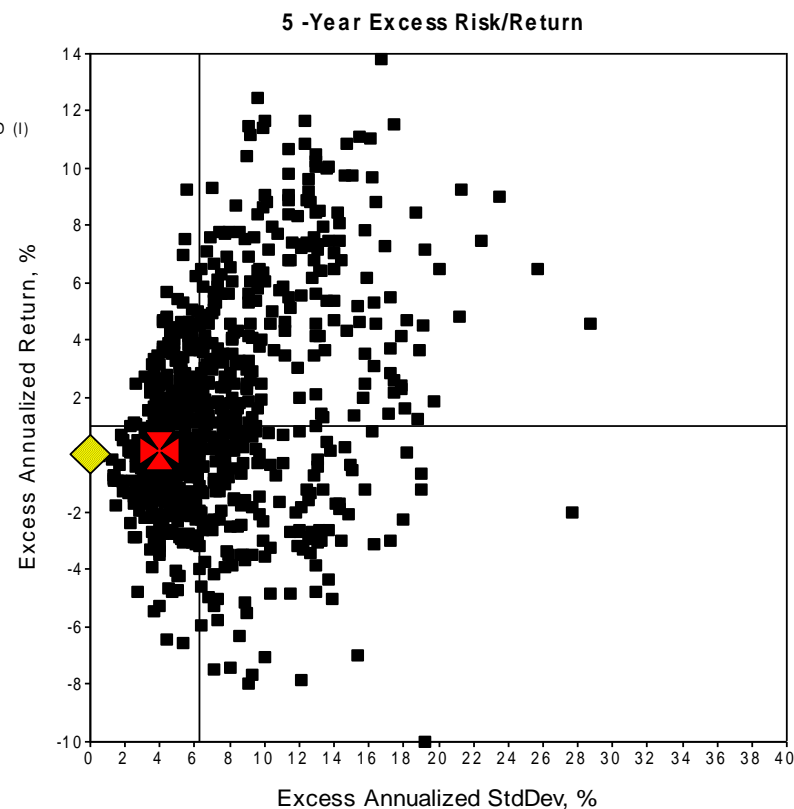
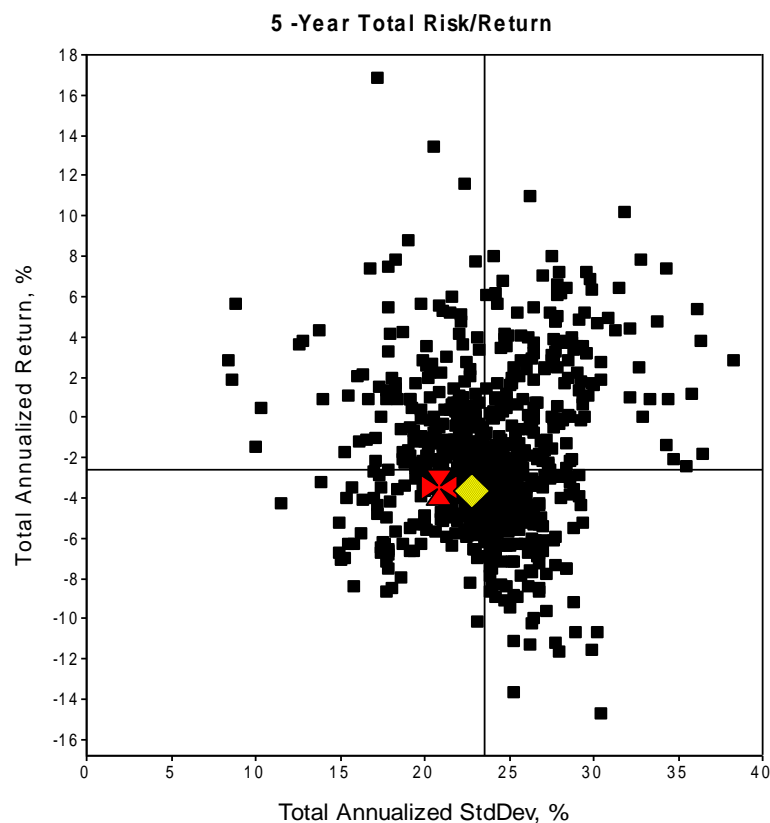
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Frontier	-6.78	23.72	-0.29
Russell 2000 Growth	-2.91	24.34	-0.12
Small Cap Growth Universe Median	-1.83	23.87	-0.08

	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Frontier	-3.87	4.25	-0.91
Russell 2000 Growth	0.00	0.00	NA
Small Cap Growth Universe Median	1.08	5.42	0.23

# WPERP Small Cap Growth Manager Comparisons as of December 31, 2011



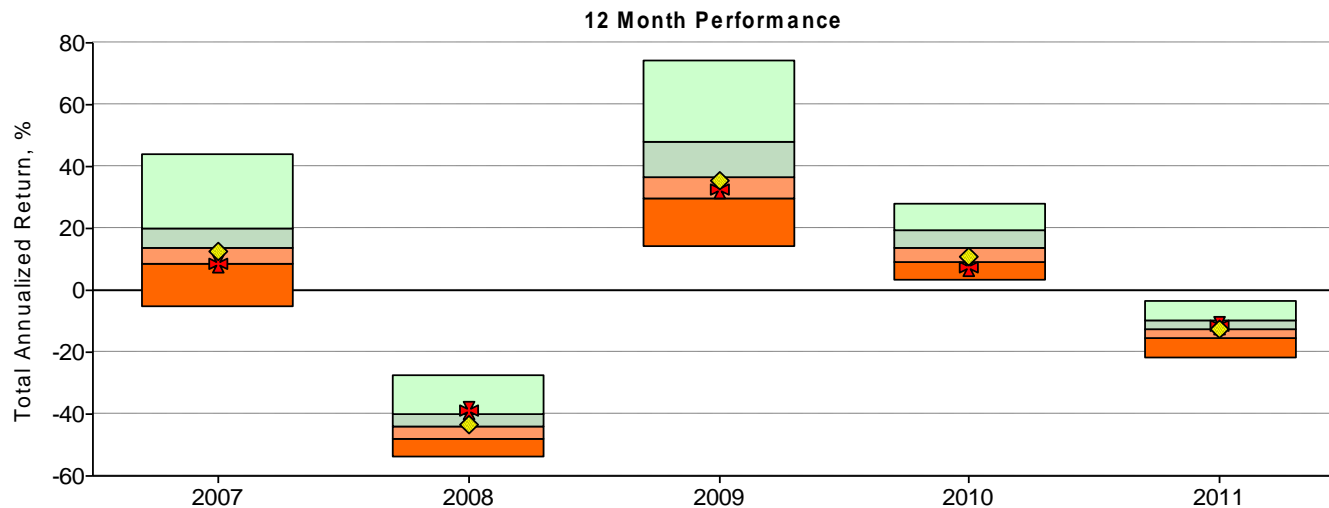
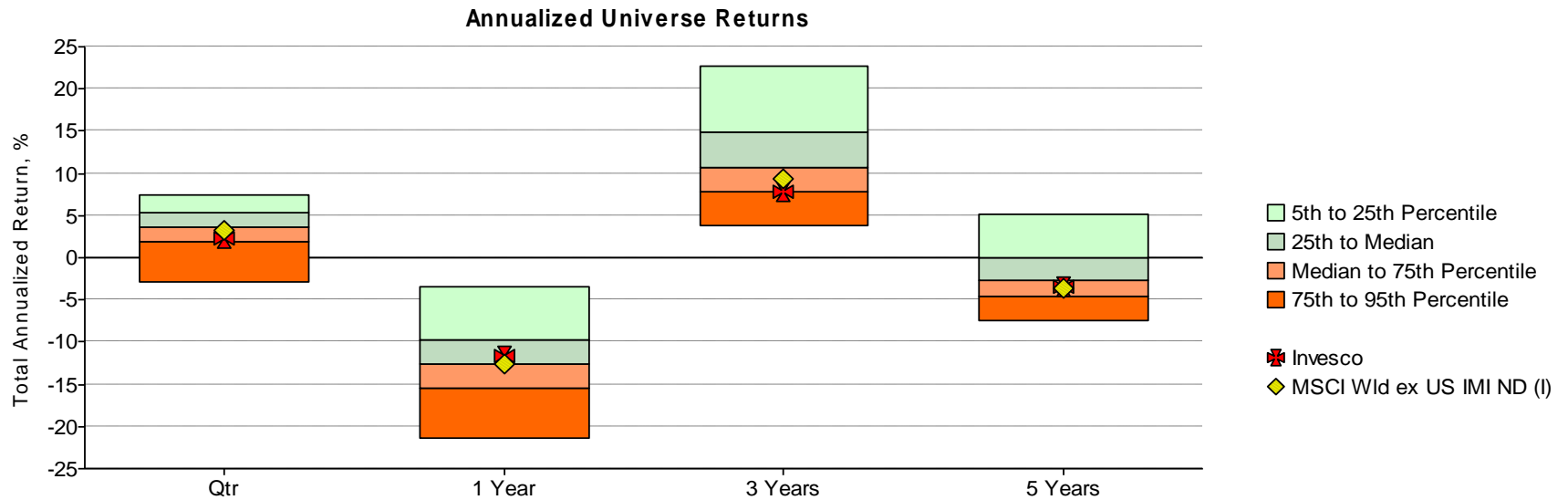
# WPERP International Equity Manager Comparisons as of December 31, 2011



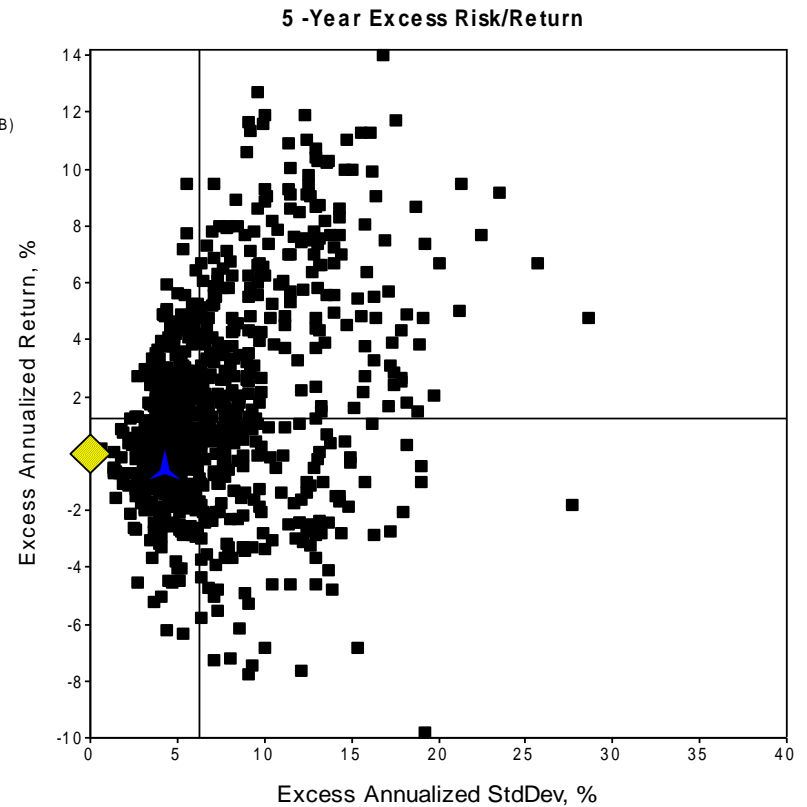
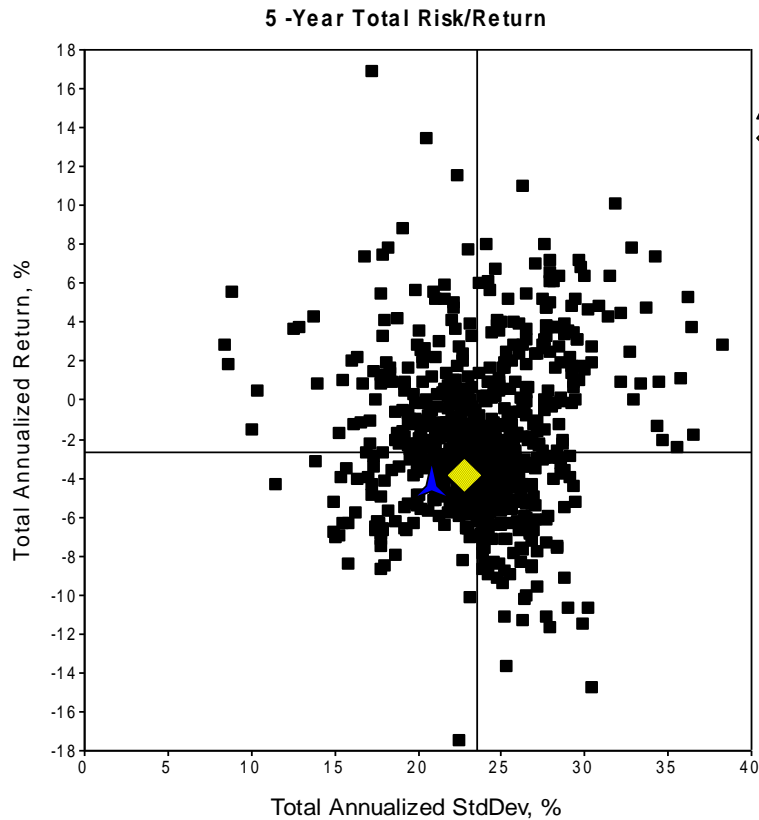
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Invesco	-3.50	20.82	-0.17
MSCI Wld ex US IMI ND (I)	-3.65	22.76	-0.16
International Equity Universe Median	-2.64	23.51	-0.11

	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Invesco	0.15	3.93	0.04
MSCI Wld ex US IMI ND (I)	0.00	0.00	NA
International Equity Universe Median	1.01	6.24	0.16

# WPERP International Equity Manager Comparisons as of December 31, 2011



# WPERP International Equity Manager Comparisons as of December 31, 2011

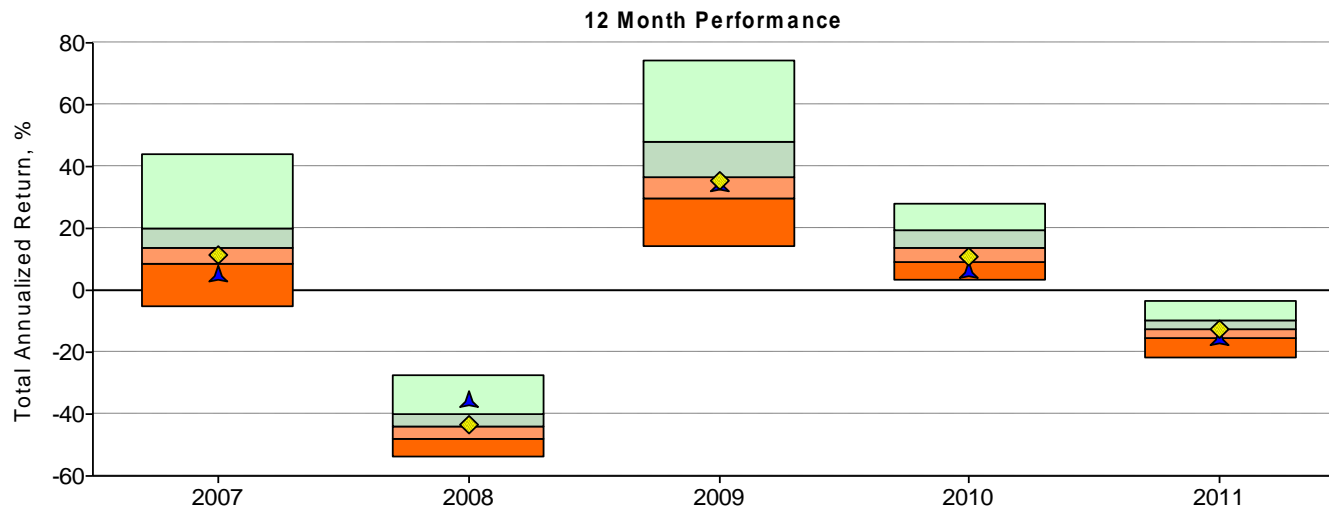
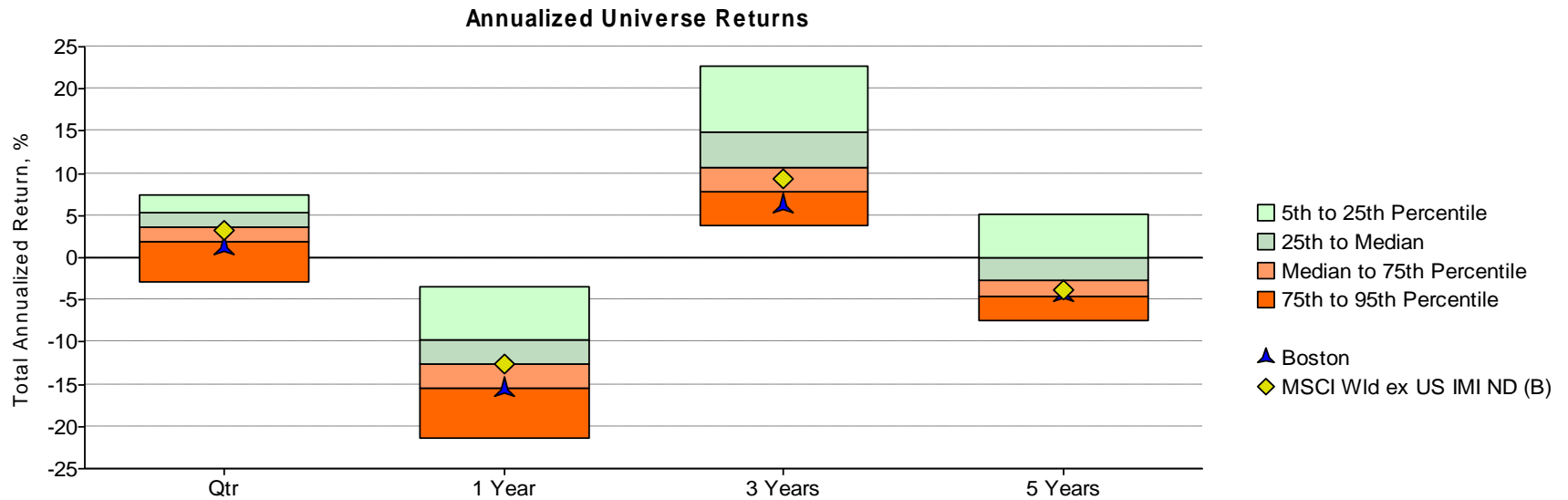


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Boston	-4.43	20.78	-0.21
MSCI Wld ex US IMI ND (B)	-3.85	22.74	-0.17
International Equity Universe Median	-2.64	23.51	-0.11

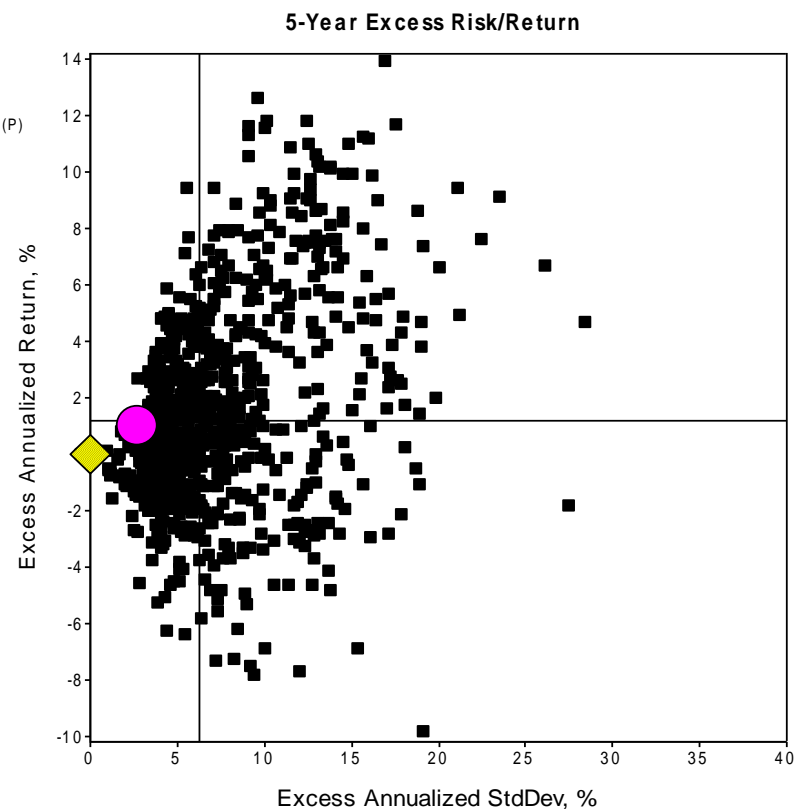
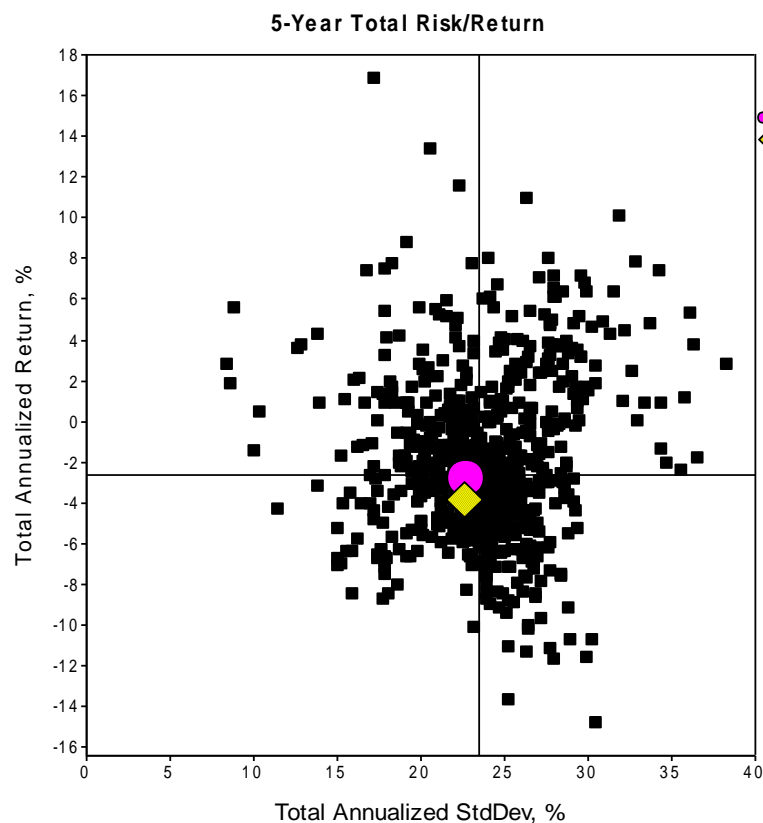
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Boston	-0.58	4.32	-0.13
MSCI Wld ex US IMI ND (B)	0.00	0.00	NA
International Equity Universe Median	1.22	6.25	0.19



# WPERP International Equity Manager Comparisons as of December 31, 2011



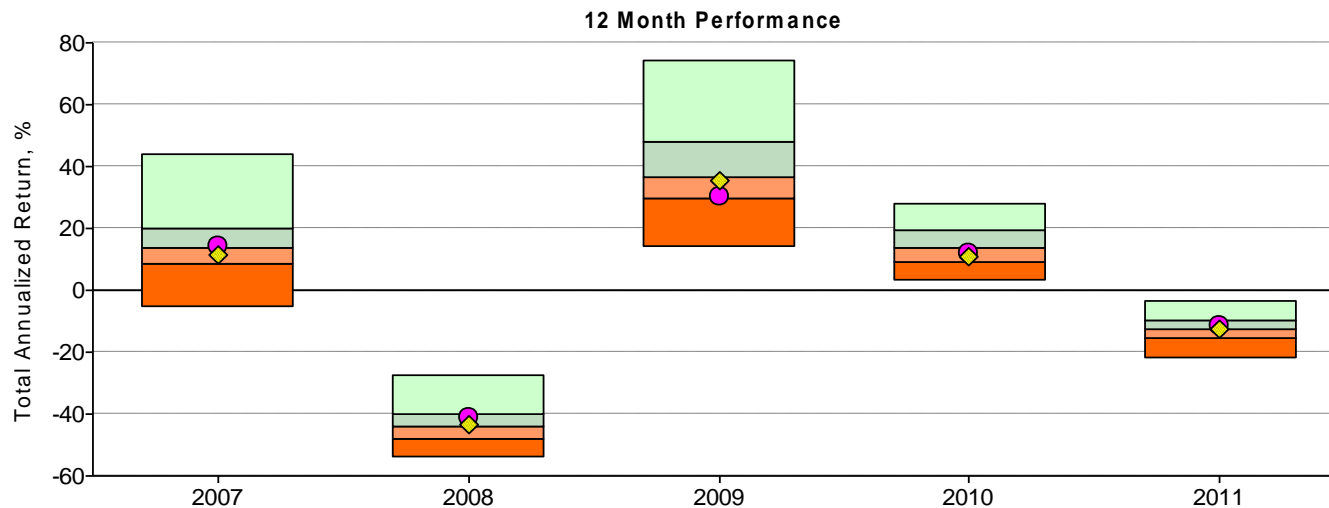
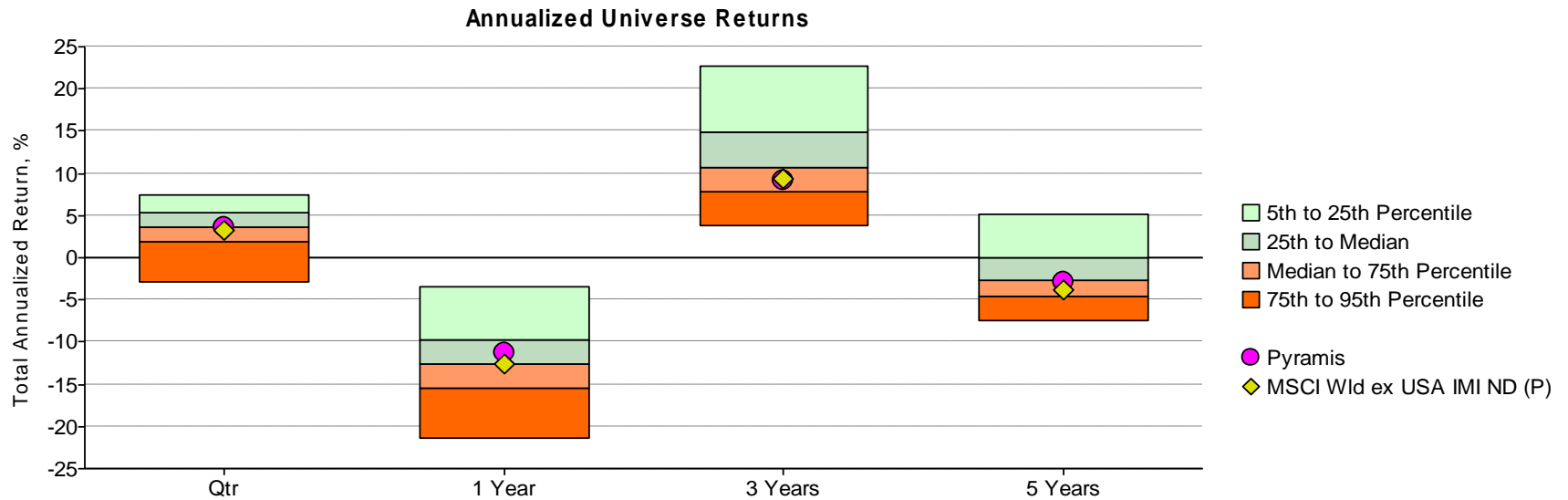
# WPERP International Equity Manager Comparisons as of December 31, 2011



	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Pyramis	-2.79	22.77	-0.12
MSCI Wld ex USA IMI ND (P)	-3.81	22.65	-0.17
International Equity Universe Median	-2.64	23.51	-0.11

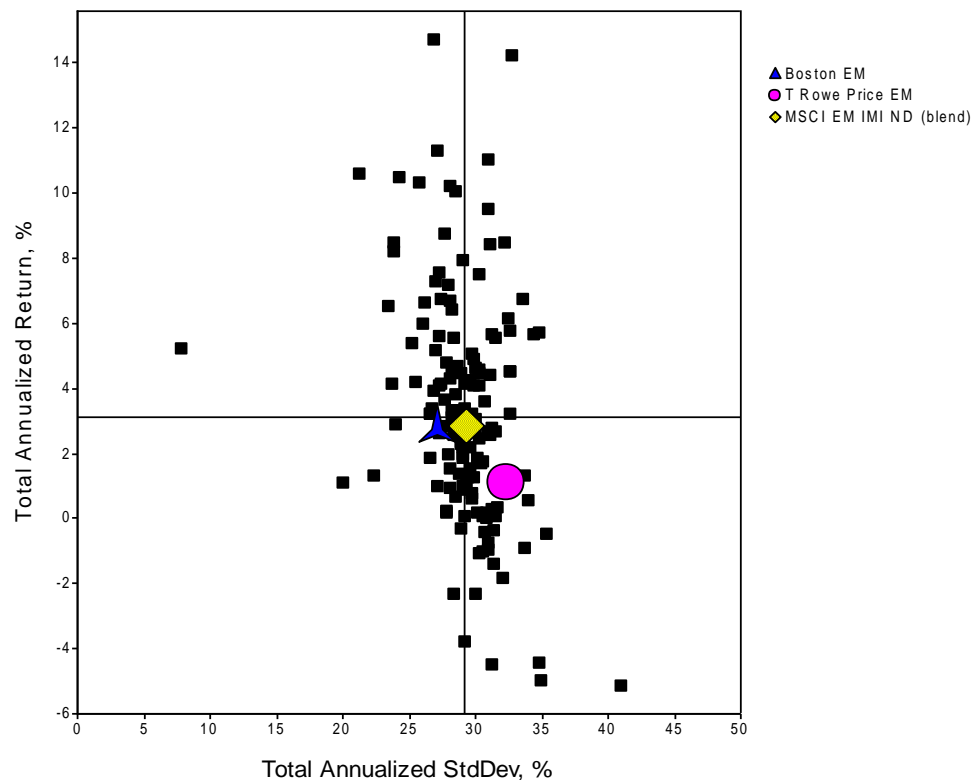
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Pyramis	1.02	2.76	0.37
MSCI Wld ex USA IMI ND (P)	0.00	0.00	NA
International Equity Universe Median	1.17	6.27	0.18

# WPERP International Equity Manager Comparisons as of December 31, 2011



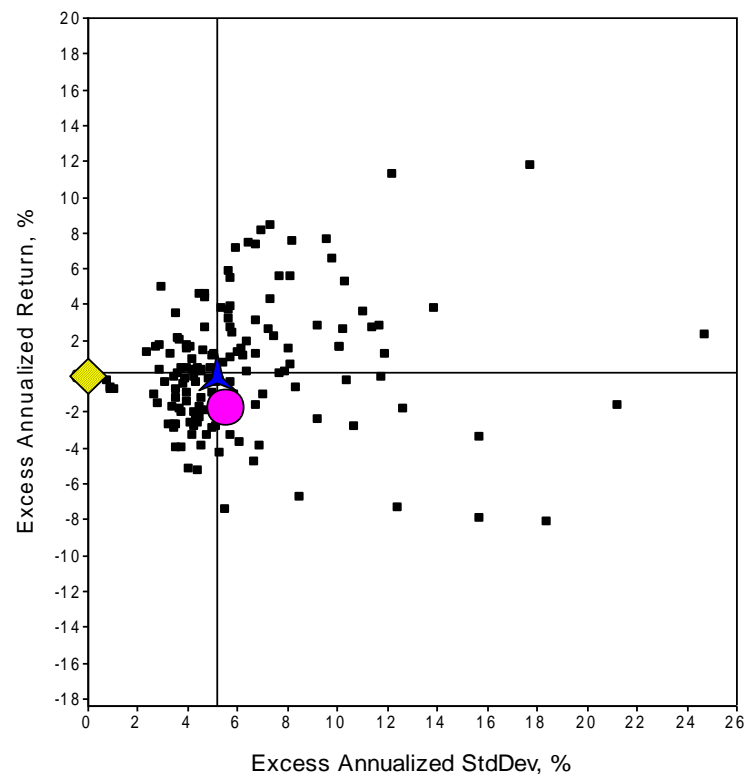
# WPERP Emerging Market Equity Manager Comparisons as of December 31, 2011

5-Year Total Risk/Return



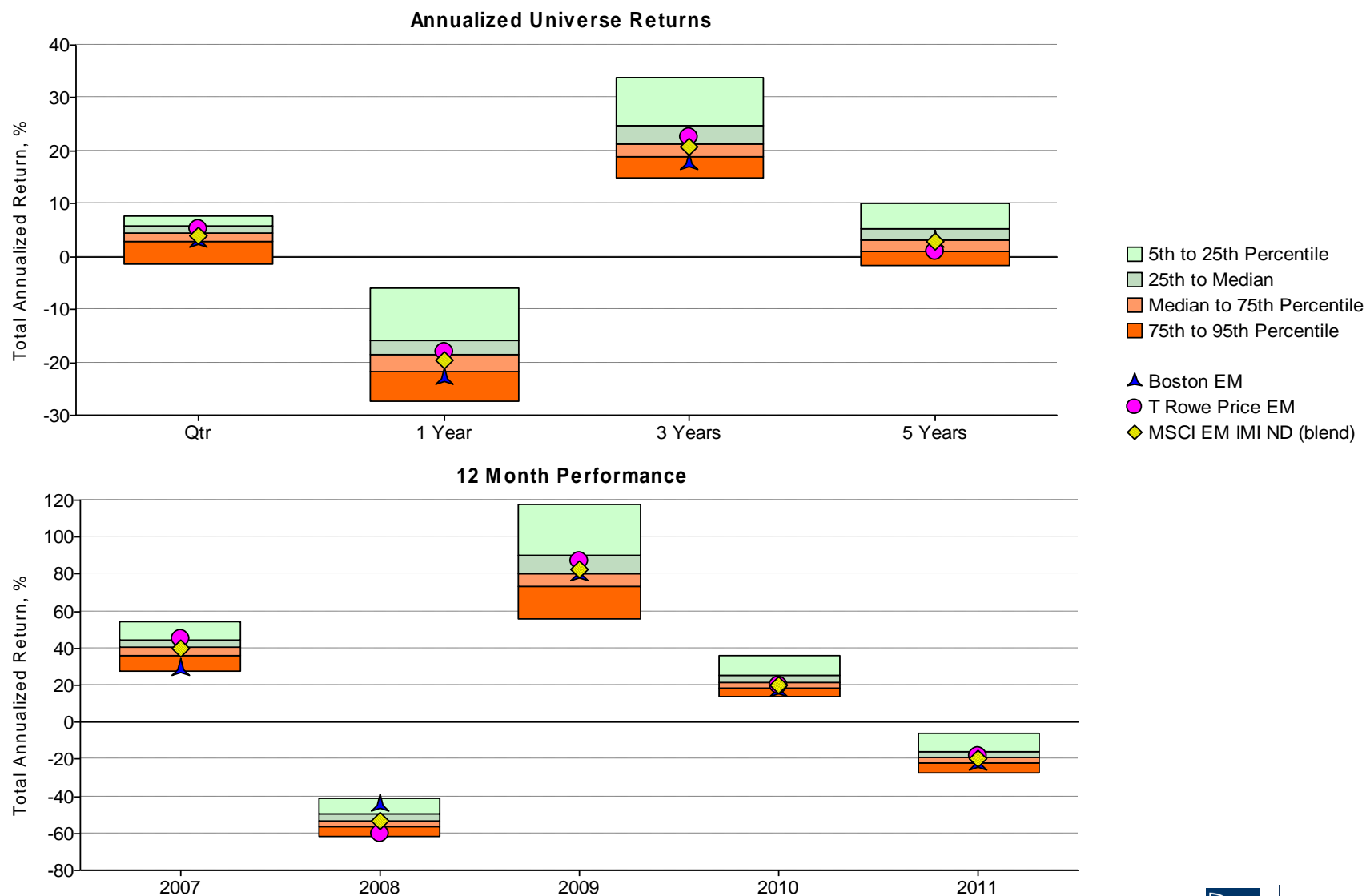
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Boston EM	2.76	27.06	0.10
T Rowe Price EM	1.12	32.29	0.03
MSCI EM IMI ND (blend)	2.87	29.26	0.10
Emerging Equity Universe Median	3.10	29.17	0.11

5-Year Excess Risk/Return

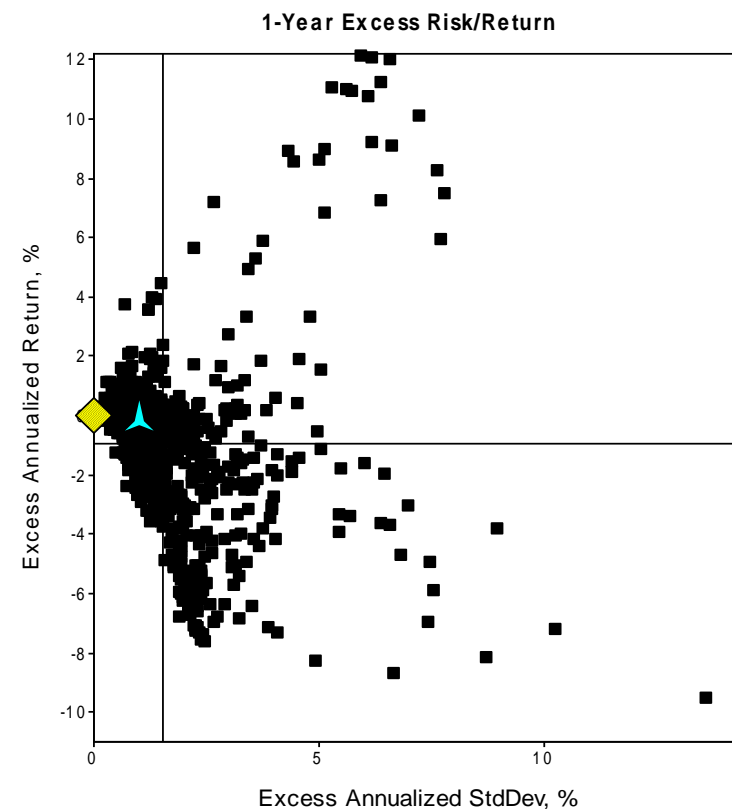
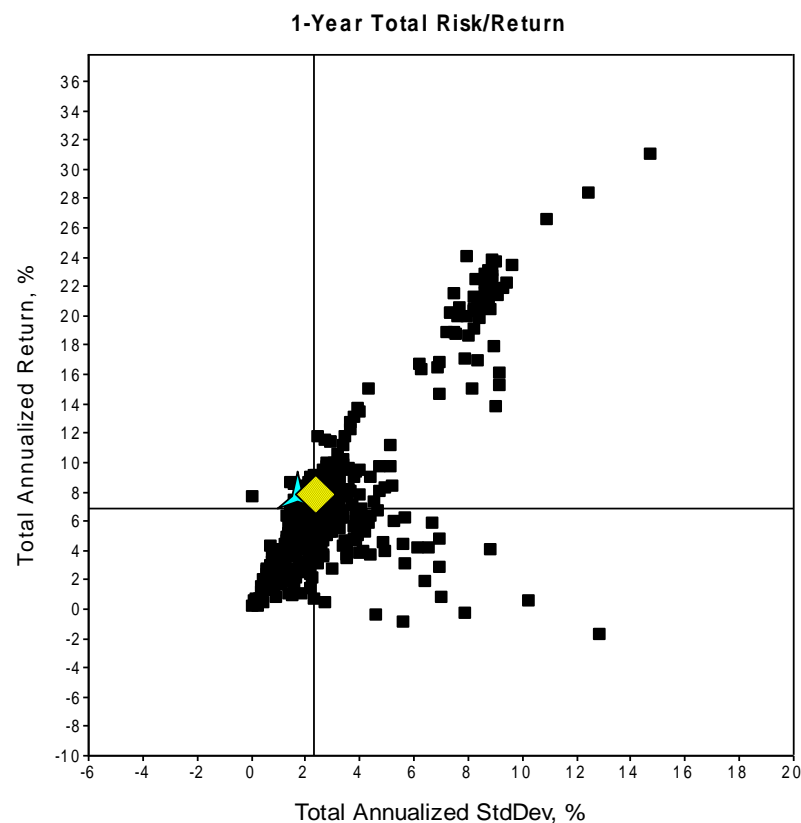


	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Boston EM	-0.11	5.17	-0.02
T Rowe Price EM	-1.76	5.54	-0.32
MSCI EM IMI ND (blend)	0.00	0.00	NA
Emerging Equity Universe Median	0.23	5.14	0.04

# WPERP Emerging Market Equity Manager Comparisons as of December 31, 2011



# WPERP Fixed Income Manager Comparisons as of December 31, 2011

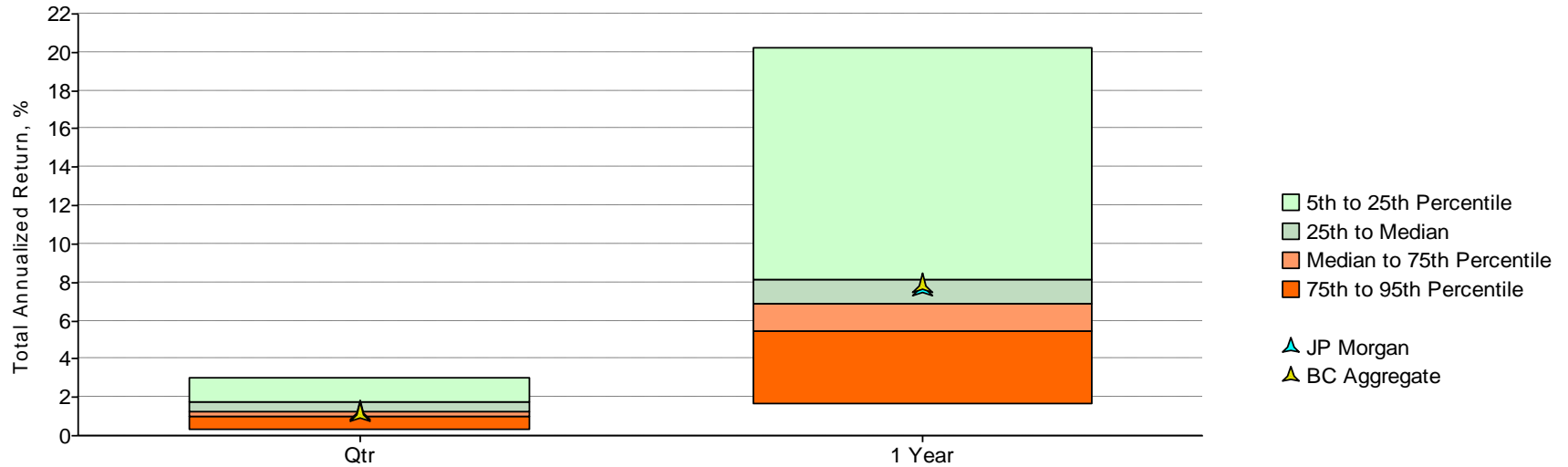


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
JP Morgan	7.66	1.70	4.51
BC Aggregate	7.84	2.35	3.33
Fixed Income Manager Universe Median	6.91	2.34	2.90

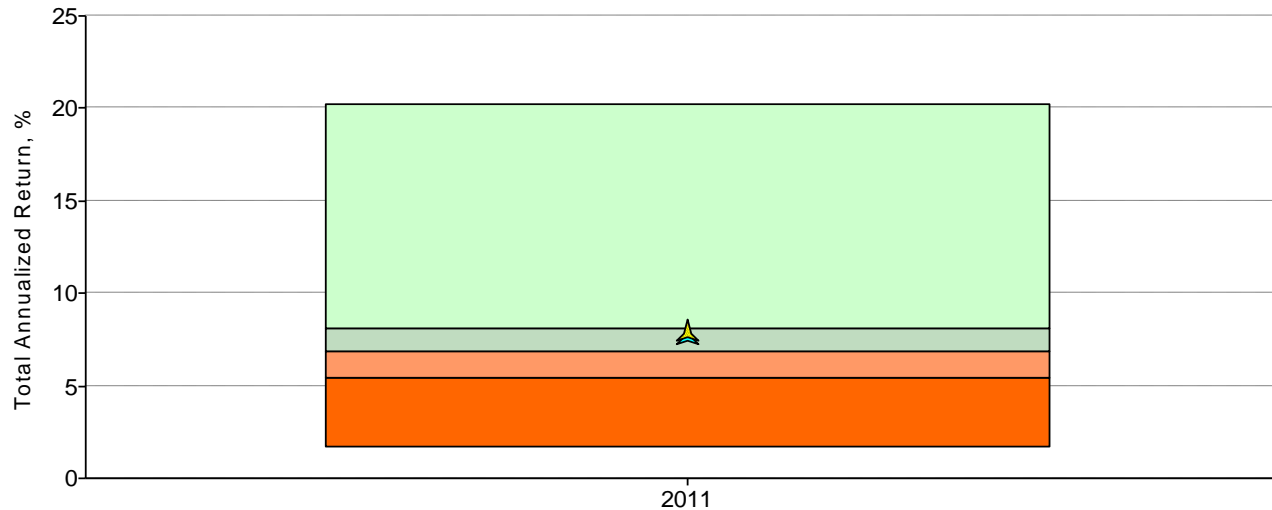
	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
JP Morgan	-0.18	1.00	-0.18
BC Aggregate	0.00	0.00	NA
Fixed Income Manager Universe Median	-0.93	1.54	-0.59

# WPERP Fixed Income Manager Comparisons as of December 31, 2011

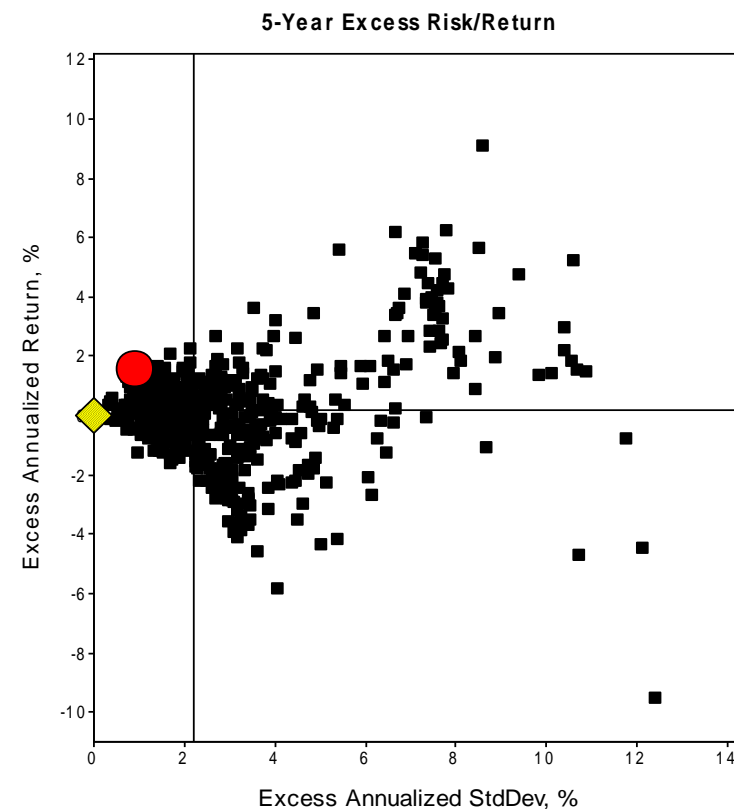
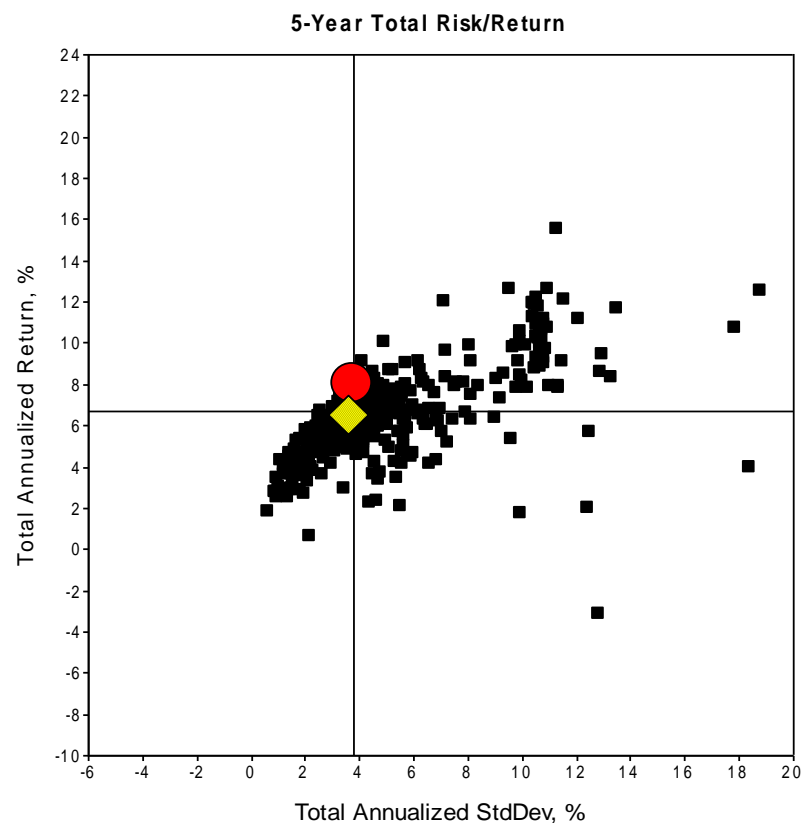
## Annualized Universe Returns



## 12 Month Performance



# WPERP Fixed Income Manager Comparisons as of December 31, 2011

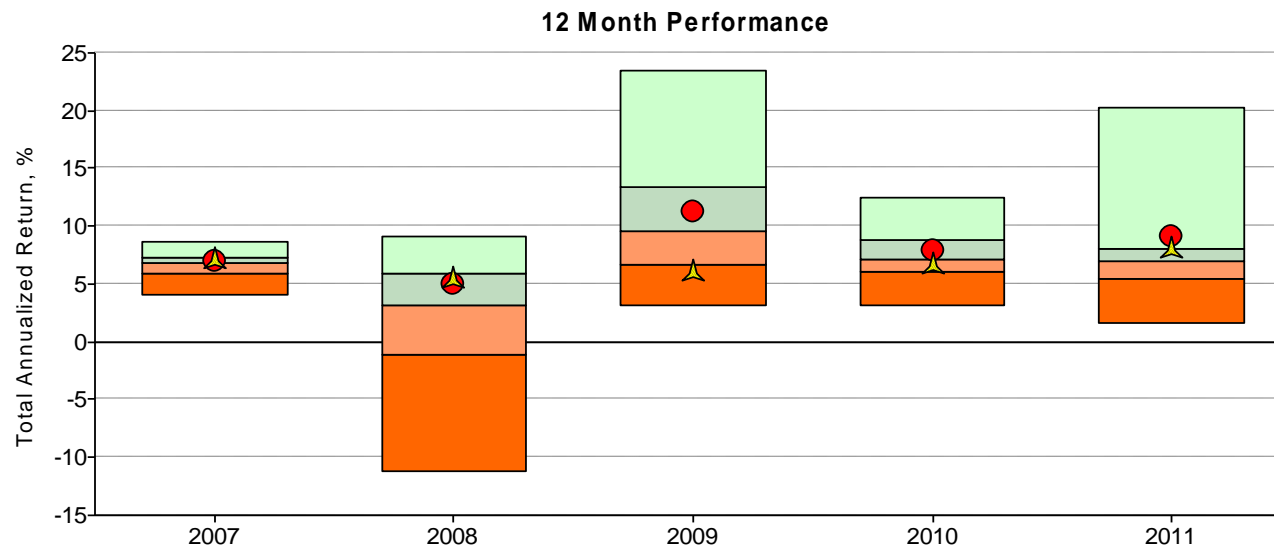
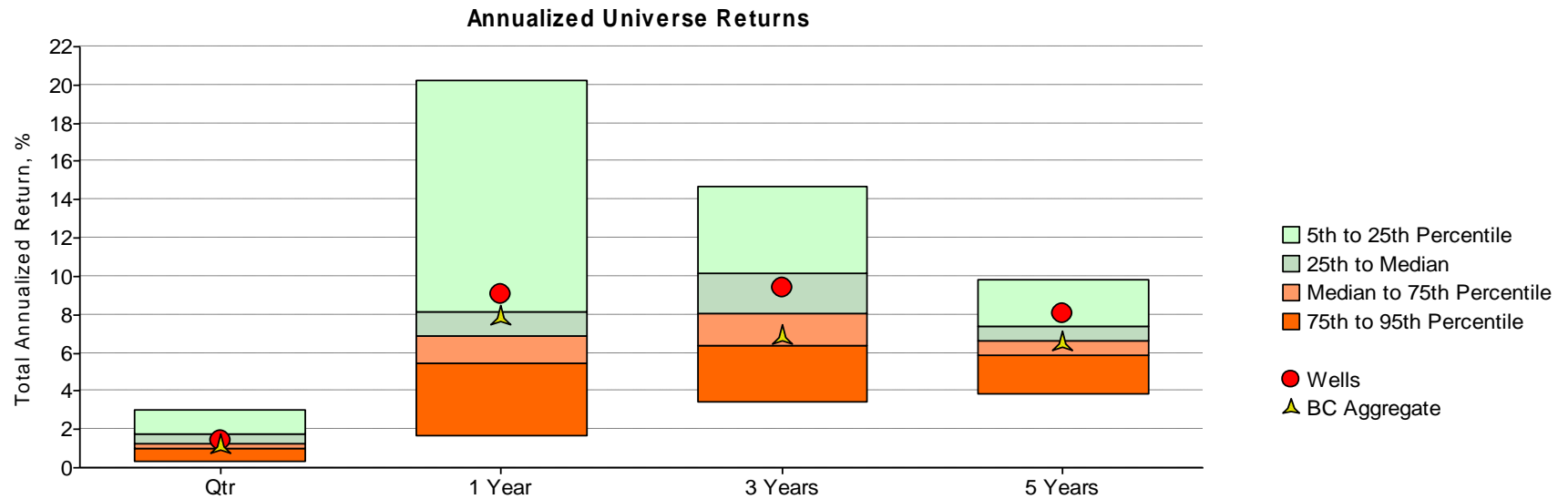


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Wells	8.03	3.72	2.16
BC Aggregate	6.50	3.60	1.81
Fixed Income Manager Universe Median	6.68	3.79	1.75

	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
Wells	1.53	0.92	1.66
BC Aggregate	0.00	0.00	NA
Fixed Income Manager Universe Median	0.17	2.22	0.10

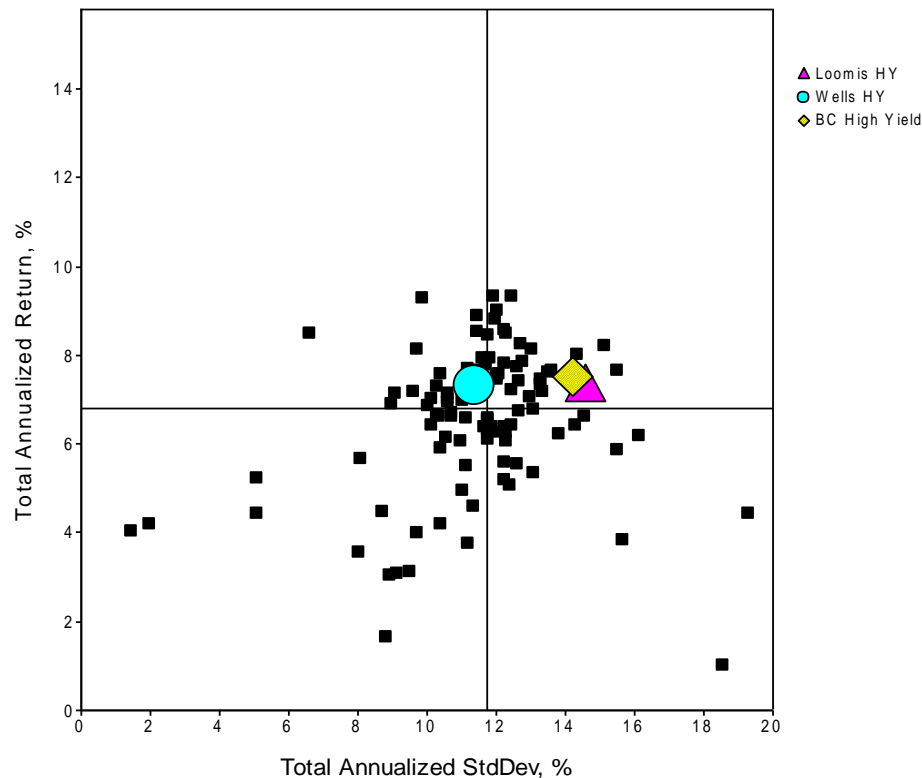


# WPERP Fixed Income Manager Comparisons as of December 31, 2011



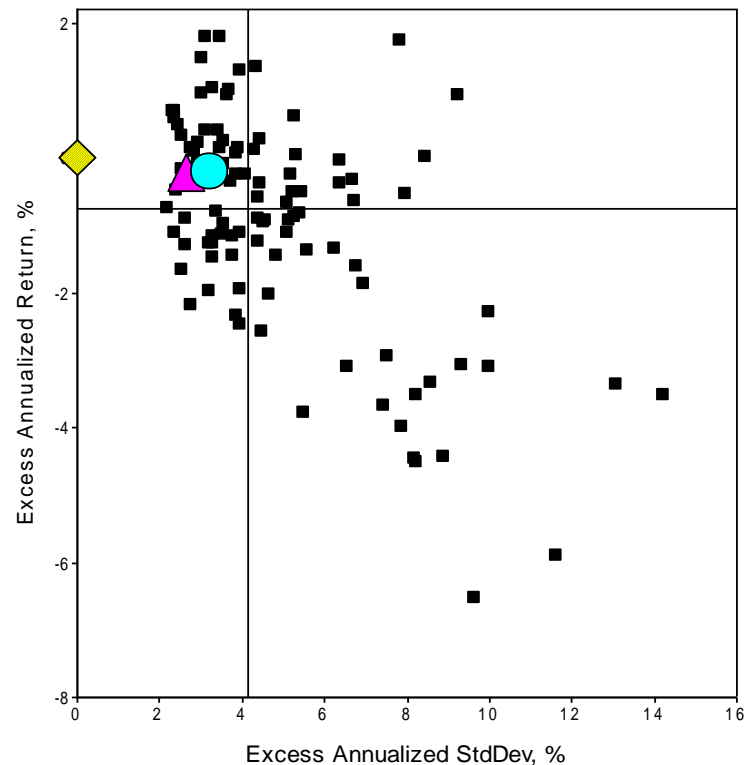
# WPERP High Yield Manager Comparisons as of December 31, 2011

5-Year Total Risk/Return



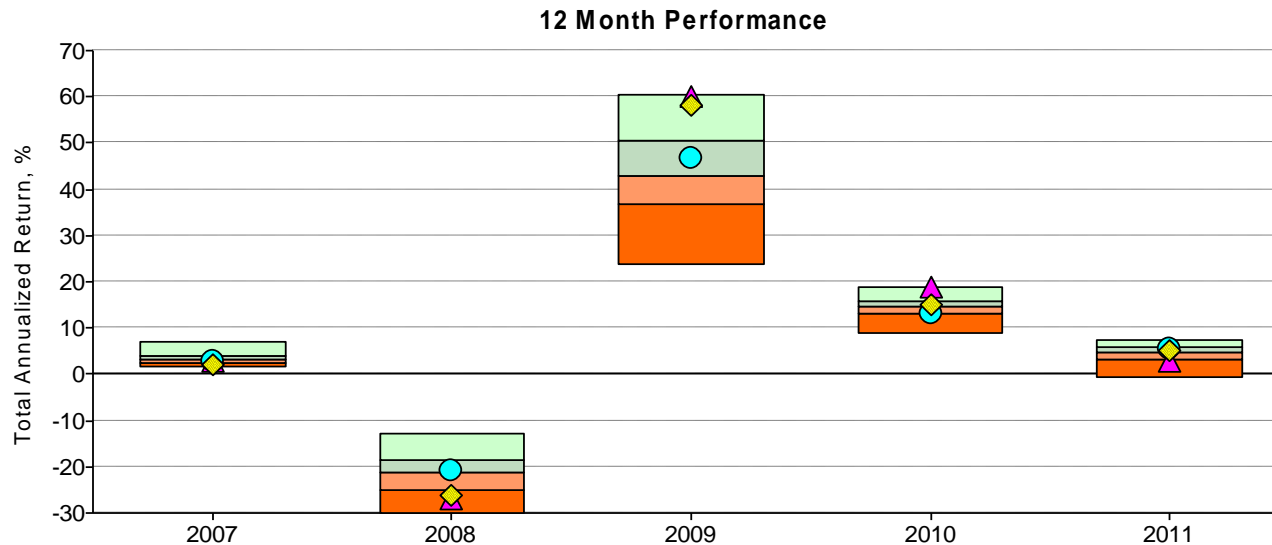
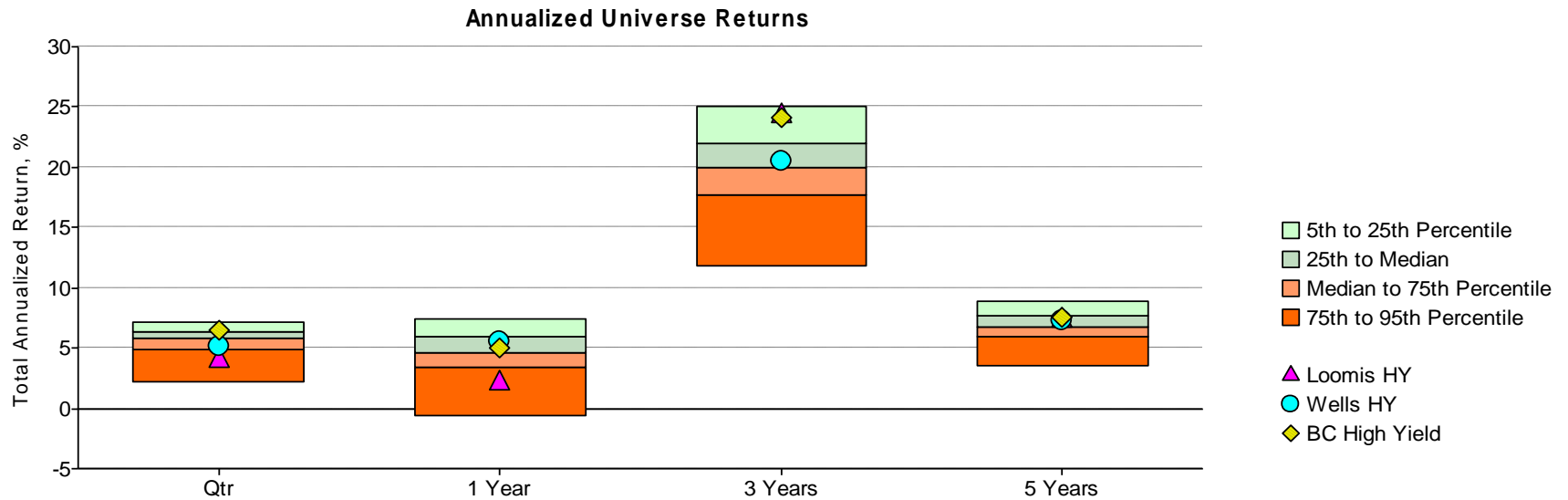
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Loomis HY	7.23	14.60	0.50
Wells HY	7.33	11.35	0.65
BC High Yield	7.54	14.23	0.53
U.S. High Yield Universe Median	6.79	11.74	0.59

5-Year Excess Risk/Return



	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Loomis HY	-0.31	2.66	-0.12
Wells HY	-0.21	3.24	-0.07
BC High Yield	0.00	0.00	NA
U.S. High Yield Universe Median	-0.76	4.15	-0.17

# WPERP High Yield Manager Comparisons as of December 31, 2011





# APPENDIX

## MANAGERS WATCH CRITERIA

<b>Asset Class</b>	<b>Short-term (Rolling 12 month periods)</b>	<b>Medium-term (Rolling 36 month 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	---
Invesco	International	2Q 2004	4Q 2011
T. Rowe Price	Large Cap Value	3Q 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	4Q 2011
Loomis Sayles	High Yield	1Q 2005	---
Boston Company	Emerging Markets	1Q 2005	4Q 2011
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	2Q 2011	---
Lone Star VII	Real Estate	2Q 2011	---
Invesco	Real Estate	3Q 2011	---
Vista Equity Partners IV	Private Equity	4Q 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
10/1/2011-3/31/2012	35% Russell 3000 22% MSCI ACWI ex U.S. IMI 33% BC Universal 2% NCREIF Lag 2% Russell 3000 + 3% 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
10/1/2011-3/31/2012	36% Russell 3000 20% MSCI ACWI ex U.S. IMI 36% BC Universal 1% NCREIF Lag 1% Russell 3000 + 3% Lag 5% T-Bill + 3% Lag 1% T-Bill

### Retirement Plan Evolving Investment Policy Allocations

Asset Class	10/1/2011- 3/31/2012	4/1/2012- 6/30/2013	7/1/2013- 6/30/2014
Domestic Equity	35	34	33
International Equity	22	21	21
Fixed Income	33	25	24
Covered Calls	0	5	5
Real Return	5	6	6
Private Equity	2	4	5
Real Estate	2	4	5
Cash	1	1	1

### Health Plan Evolving Investment Policy Allocations

Asset Class	10/1/2011- 3/31/2012	4/1/2012- 6/30/2013	7/1/2013- 6/30/2014
Domestic Equity	36	35	33
International Equity	20	21	21
Fixed Income	36	26	24
Covered Calls	0	5	5
Real Return	5	6	6
Private Equity	1	3	5
Real Estate	1	3	5
Cash	1	1	1

**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 securities.

**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 in 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.