



Gallagher Fiduciary Advisors, LLC
a Subsidiary of Gallagher Benefit Services, Inc.

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MEMORANDUM

To: Regis P. Garris, Jr., Deputy Controller
From: Christiaan J. Brokaw, CFA, AIF®, Senior Consultant
Date: April 25, 2012
Re: Westmoreland County – 1Q12 Performance Report

The equity markets proved resilient during the first quarter of 2012, regularly shaking off the same headline risks that plagued the markets during 2011. Volatility and correlations declined during the quarter, resulting in a market where underlying fundamentals became increasingly relevant. The macroeconomic issues remain: the U.S. Federal Government did not come up with a meaningful debt reduction plan, several peripheral European countries' finances continued to deteriorate, and concerns regarding slowing Chinese growth remained elevated. The critical element for capital markets, however, is that investors expected those conditions to continue. Investors did not necessarily expect the U.S. economy to gain momentum as it did. Improving labor market conditions and renewed optimism that housing prices have bottomed helped fuel investor optimism. The S&P 500 Index gained 12.6%, which is the best first quarter performance since 1998. International equities also posted strong returns during the quarter, driven largely by emerging markets equities as investors' appetite for risk returned yet again.

Looking forward, we approach the remainder of 2012 with caution and hope. The risk of another global recession remains, as several potentially damaging tail-risk events are still left unresolved. The risks associated with the Federal Reserve's decision to maintain near-zero short-term interest rates has led to a market where real (inflation-adjusted) interest rates are negative (expected inflation is higher than interest rates). The low yields among fixed-income securities should be one of the primary concerns for investors. Bonds have outperformed equities by 4.5% per year since the turn of the century. Many investors continue to prefer the perceived safety of bonds and fail to recognize the risks. The technology bubble is a painful reminder of the risks associated with 'chasing past performance'. The thirty-year decline in interest rates has resulted in strong fixed-income returns over that period. That trend cannot continue, as interest rates cannot fall below 0% for any meaningful period of time. Investors need to understand the risks and limited future returns of fixed income and seek to position their portfolio in a prudent manner to navigate the markets.

Please contact me should you have any questions.



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**Westmoreland County
Employees' Retirement Fund
Performance Analysis
Through March 31, 2012**

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Westmoreland County Employees' Retirement Fund Performance Analysis Through March 31, 2012

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Market Background

1st Quarter 2012

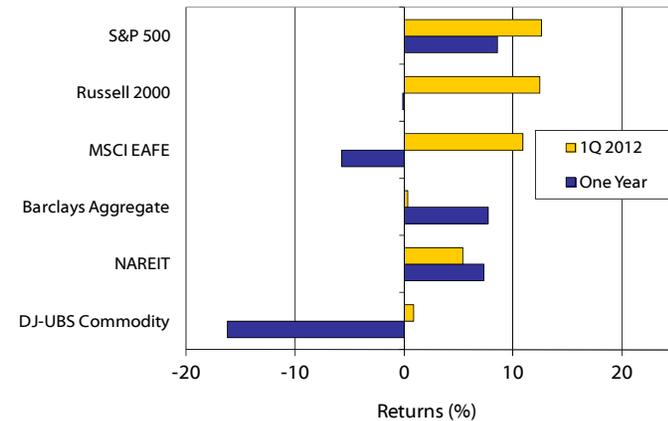
Economy

- The Federal Reserve kept short-term rates near zero during the quarter, and the 10-year U.S. Treasury note finished the quarter yielding 2.2%.
- The Conference Board's Consumer Confidence Index increased 5.7 during the quarter, closing in March at 70.2. Consumer Confidence has improved dramatically over the last year, as the Index was at 63.4 in March 2011.
- The Consumer Price Index (CPI) rose 1.7% during the first quarter and 2.7% over the past year.
- Fourth quarter 2011 GDP growth increased 3.0% net of inflation. Positive contributions from an upturn in inventory investment and consumer spending were the main drivers of growth.
- The unemployment rate fell from 8.5% to 8.2% during the quarter.

U.S. Equities

- Domestic equity indices generally posted solid gains during the quarter. Large cap growth was the best performing segment for the quarter and year. There was a wide dispersion in sector performance as information technology and financials posted returns in excess of 20%, while utilities, energy and telecom lagged the broader market.

Index Performance by Asset Class

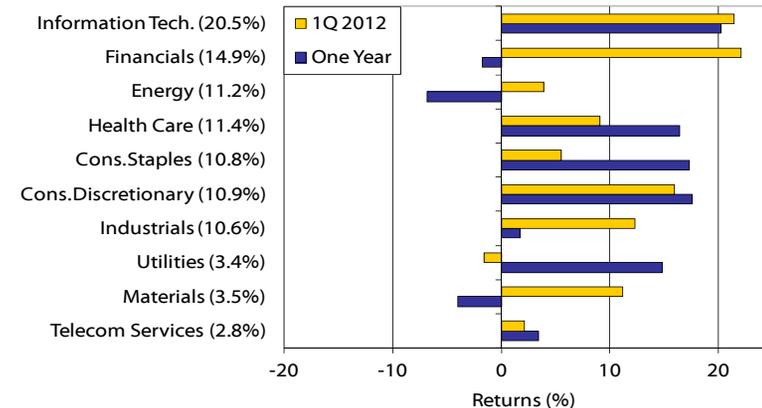


U.S. Equity Returns (%)

	Value	Core	Growth
Large	11.1	12.9	14.7
	4.8	7.9	11.0
Mid	11.4	12.9	14.5
	2.3	3.3	4.4
Small	11.6	12.4	13.3
	-1.1	-0.2	0.7

Legend: 1Q 2012 (Yellow), 1 Year (Blue), Best total return during the period (Green)

U.S. Equities: Sector Performance



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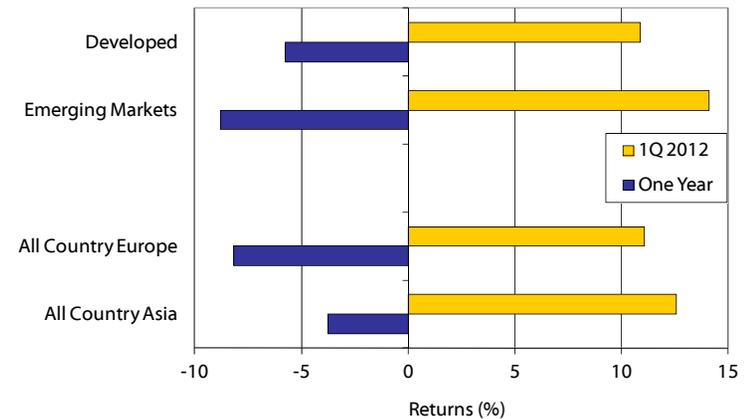
Market Background

1st Quarter 2012

International Equities

- The U.S. dollar rose 6.0% against the yen and was relatively flat versus the euro, rising just 0.4% during the quarter.
- Among developed nation stock markets, Germany gained 20.9% and Spain fell 3.3% during the quarter. Spain was the worst performing market during the quarter amid rising concerns over budget deficits.
- The MSCI Emerging Markets index gained 14.1% during the quarter as investors appeared to shift portfolios toward riskier assets, continuing the risk on/risk off trade of 2011.
- Among Emerging Markets, India posted the best quarterly return (20.1%) amid the expectation for increasing future growth.

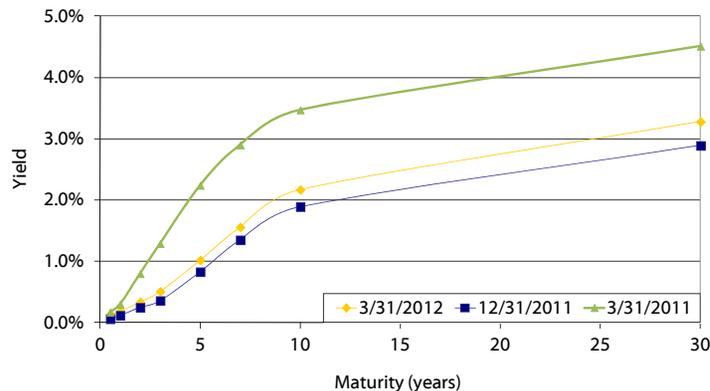
International Equities: Market Performance



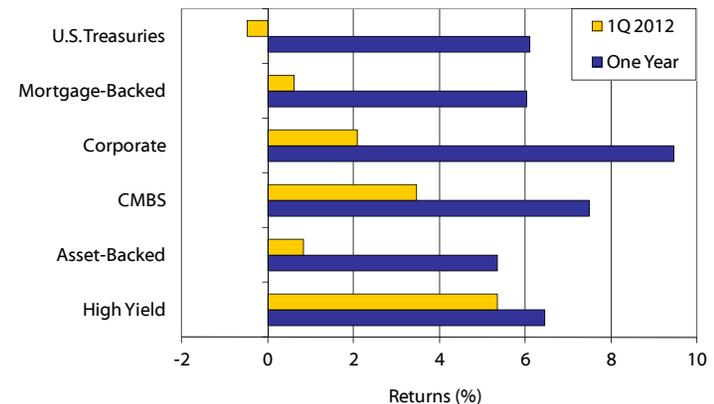
Fixed Income

- Rates ended the quarter higher as the short end of the yield curve steepened amid a rally in the equity market and expectations for the Federal Reserve to increase rates.
- Lower quality outperformed as spread sectors, including corporate bonds, commercial mortgages and high yield, outperformed the market during the first quarter and over the last 12 months.

Treasury Yield Curve: 3/31/12, 12/31/11 and 3/31/11



Fixed Income: Sector Performance



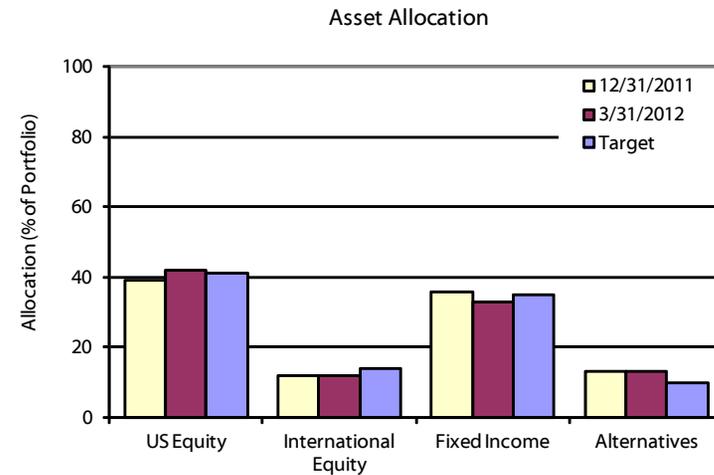
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Portfolio Summary

Westmoreland County As of 3/31/2012

<u>Principal Changes - \$(000)</u>	<u>One Year</u>	<u>Three Years</u>
Beginning Balance	340,033	232,321
Net Cash Flows	(3,081)	(8,800)
Investment Earnings:	15,596	129,027
Policy Asset Allocation Effect	15,739	122,934
Deviation from Policy Effect	(1,045)	(3,023)
Investment Manager Effect	902	9,116
Ending Balance	352,548	352,548
Total change in market value:	12,515	120,227



Portfolio Observations:

- Total Equity allocation is in-line with the target
- Investment Manager Effect was positive during the quarter due primarily to strong performance by the plan's equity managers.

Definitions:

Policy Asset Allocation Effect: amount portfolio would have earned if portfolio was exactly in-line with target allocation and investment managers matched benchmark performance.

Deviation from Policy Effect: impact of the portfolio being either overweight or underweight asset classes relative to the target allocation.

Investment Manager Effect: impact of investment managers outperforming or underperforming their benchmarks.



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Report Highlights

Net of Fees Investment Performance Ending March 31, 2012

	<u>Quarter</u>	<u>Year To Date</u>	<u>One Year</u>	<u>Two Years</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
Equity							
C.S. McKee	13.1%	13.1%	4.1%	10.6%	23.1%	2.0%	N.A.
Russell 1000 Value Index	11.1	11.1	4.8	9.8	22.8	-0.8	4.6%
Sit	15.5	15.5	10.4	13.2	N.A.	N.A.	N.A.
Russell 1000 Growth Index	14.7	14.7	11.0	14.6	25.3	5.1	4.3
CIM	13.5	13.5	7.7	11.0	22.6	1.3	3.5
Manning & Napier Equity	11.5	11.5	-0.4	6.8	21.2	1.8	N.A.
Vanguard S&P 500 Index Fund	12.6	12.6	8.5	12.0	23.4	N.A.	N.A.
Emerald - LCC	12.6	12.6	10.4	11.7	N.A.	N.A.	N.A.
S&P 500 Index	12.6	12.6	8.5	12.0	23.4	2.0	4.1
Emerald - MCG	18.3	18.3	2.2	14.6	27.1	N.A.	N.A.
Russell Mid Cap Growth Index	14.5	14.5	4.4	15.0	29.2	4.4	6.9
Victory Gradison	9.8	9.8	3.6	12.9	29.3	4.4	9.2
Russell 2000 Value Index	11.6	11.6	-1.1	9.2	25.3	0.0	6.6
Emerald - SCG	20.7	20.7	5.4	20.3	30.9	4.9	N.A.
Russell 2000 Growth Index	13.3	13.3	0.7	14.8	28.4	4.2	6.0
International Equity							
C.S. McKee - Int'l Equity	12.2	12.2	-7.9	0.7	18.5	-2.1	6.2
MSCI EAFE Index	10.9	10.9	-5.8	2.0	17.1	-3.5	5.7
Total Fund - Equity							
S&P 500 Index	12.6	12.6	8.5	12.0	23.4	2.0	4.1



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Report Highlights

Net of Fees Investment Performance Ending March 31, 2012

	<u>Quarter</u>	<u>Year To Date</u>	<u>One Year</u>	<u>Two Years</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
Alternatives							
CCA Gold I	2.6%	2.6%	11.6%	12.8%	11.8%	N.A.	N.A.
CCA Gold II	0.6	0.6	7.9	11.5	12.3	N.A.	N.A.
CCA Blue	1.7	1.7	7.8	N.A.	N.A.	N.A.	N.A.
Grosvenor	4.3	4.3	-1.6	2.1	6.6	0.6%	4.2%
HFR Fund of Funds	3.5	3.5	-3.3	0.8	4.6	-0.7	3.5
Fixed Income							
C.S. McKee	0.6	0.6	8.9	6.9	7.6	7.7	N.A.
MetWest	2.4	2.4	7.0	7.8	13.2	8.4	7.2
Barclays AGG Index	0.3	0.3	7.7	6.4	6.8	6.2	5.8
Total Portfolio							
Total Fund	8.0	8.0	4.7	8.3	15.8	3.7	5.9
TMI (34/7/14/10/35)	7.0	7.0	4.8	8.0	15.3	3.1	5.2
TMI (65/35)	8.2	8.2	8.6	10.4	17.7	3.9	5.0
CPI Index	1.6	1.6	2.7	2.7	2.5	2.2	2.5



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Report Highlights

Asset Allocation Ending March 31, 2012

	<u>Target</u>	<u>@3/31/12</u>	<u>@12/31/11</u>	<u>@9/30/11</u>	<u>@6/30/11</u>
Large Cap Equity	27%	29%	27%	27%	28%
All Cap Equity	7	5	4	4	5
Small/Mid Cap Equity	7	9	9	8	9
International Equity	14	12	12	12	14
Alternatives	10	12	12	13	11
Fixed Income	35	32	34	35	31
Short Term Investment	0	1	2	1	2



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Report Highlights

Summary of Principal Changes \$(000) - Current Quarter

	<u>12/31/2011 Beginning Balance</u>	<u>+ Net Flows</u>	<u>+ Net Earnings</u>	<u>= 3/31/2012 Ending Balance</u>
C.S. McKee - Equity	\$29,922	\$(99)	\$3,986	\$33,809
C.S. McKee - Fixed Income	64,865	279	443	65,587
C.S. McKee - Cash	3,586	(192)	0	3,394
Sit	33,303	(3)	5,211	38,511
CIM	12,094	(2)	1,647	13,739
Manning & Napier Equity	14,537	(2)	1,691	16,226
Vanguard S&P 500 Index Fund	4,874	0	612	5,486
Emerald - LCC	8,900	(2)	1,136	10,034
Emerald - MCG	6,948	(3)	1,285	8,230
Victory Gradison	15,027	(8)	1,505	16,524
Emerald - SCG	7,006	(7)	1,464	8,463
International Equity	38,073	0	4,672	42,745
CCA Gold I	13,058	0	344	13,402
CCA Gold II	1,673	0	10	1,683
CCA Blue	6,758	0	112	6,870
Grosvenor	18,910	0	807	19,717
MetWest	<u>46,966</u>	<u>(5)</u>	<u>1,168</u>	<u>48,129</u>
Combined	\$326,500	\$(44)	\$26,093	\$352,549



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Portfolio Objectives

Total Fund

Three-Year Trailing Period

Asset Allocation*

	<u>Target</u>	<u>Actual</u>	<u>Achievement?</u>	
			<u>Yes</u>	<u>No</u>
The Total Equity allocation may range between 50% and 60% with a target of 55%.	50 - 60%	55%	•	
The Large Cap Value allocation may range between 7% and 15% with a target of 11%.	7 - 15%	10%	•	
The Large Cap Growth allocation may range between 7% and 15% with a target of 11%.	7 - 15%	11%	•	
The Large Cap Core allocation may range between 3% and 7% with a target of 5%.	3 - 7%	8%		•
The All Cap Variable Style allocation may range between 4% and 10% with a target of 7%.	4 - 10%	5%	•	
The Small and Mid Cap allocation may range between 4% and 10% with a target of 7%.	4 - 10%	9%	•	
The International allocation may range between 10% and 18% with a target of 14%.	10 - 18%	12%	•	
The Alternatives allocation may range between 7% and 13% with a target of 10%.	7 - 13%	12%	•	
The Fixed Income allocation may range between 30% and 40% with a target of 35%.	30 - 40%	32%	•	
The Short Term Investment allocation may range between 0% and 10% with a target of 0%.	0 - 10%	1%	•	

Return Objectives

The Total Fund return (net of fees) should exceed the TMI (34/7/14/10/35) by 0.4%. (New TMI effective 2/1/09)	15.7%	15.8%	•	
The Total Fund return should exceed the rate of inflation, as measured by the CPI, by 4.0% over a five-year period.	6.2%	3.7%		•
The Total Fund return should exceed the actuarial rate (7.5%) plus 0.1%	7.6%	15.8%	•	

*Asset allocation objectives are measured as of the current quarter-end.



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Portfolio Objectives

Large-Cap Equity Managers

Three-Year Trailing Period

	<u>Target</u>	<u>Actual</u>	<u>Achievement?</u>	
			<u>Yes</u>	<u>No</u>
C.S. McKee & Co., Inc.				
The Large Cap Value Equity return (net of fees) should exceed the Russell 1000 Value Index return.	22.8%	23.3%	•	
The Large Cap Value Equity return should rank in the top 50% of the GRID® Mutual Fund Large-Cap Value Universe.	50%	20%	•	
No more than 5% (at cost) of equity portfolios may be invested in a single equity security.	< 5%	1.9%	•	
No more than 10% (at market) of equity portfolios may be invested in a single equity security.	< 10%	1.9%	•	
No more than 20% (at market) of equity portfolios may be invested in any one industry sector.	< 20%	17.5%	•	
Emerald Asset Management				
The Large Cap Core return (net of fees) should exceed the S&P 500 Index.*	12.0%	11.7%		•
The Total Portfolio return (net of fees) should rank in the top 50% of the GRID® Mutual Fund Large-Cap Core Equity Universe.*	50%	20%	•	
No more than 5% (at cost) of equity portfolios may be invested in a single equity security.	< 5%	7.1%		•
No more than 10% (at market) of equity portfolios may be invested in a single equity security.	< 10%	5.4%	•	
No more than 20% (at market) of equity portfolios may be invested in any one industry sector.	< 20%	13.1%	•	
CIM Investment Management				
The Large Cap Core Equity return (net of fees) should exceed the S&P 500 Index.	23.4%	22.6%		•
The Total Portfolio return should rank in the top 50% of the GRID® Mutual Fund Large-Cap Core Equity Universe.	50%	40%	•	
No more than 5% (at cost) of equity portfolios may be invested in a single equity security.	< 5%	1.8%	•	
No more than 10% (at market) of equity portfolios may be invested in a single equity security.	< 10%	5.3%	•	
No more than 20% (at market) of equity portfolios may be invested in any one industry sector.	< 20%	15.9%	•	

* Trailing two-year period



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Portfolio Objectives

Large-Cap Equity Managers

Three-Year Trailing Period

Sit Investment Associates

	<u>Target</u>	<u>Actual</u>	<u>Achievement?</u>	
			<u>Yes</u>	<u>No</u>
The Total Portfolio return (net of fees) should exceed the Russell 1000 Growth Index.*	11.0%	10.4%		•
The Total Portfolio return should rank in the top 50% of the GRID® Total Fund Large-Cap Growth Equity Universe.*	50%	25%	•	
No more than 5% (at cost) of equity portfolios may be invested in a single equity security.	< 5%	3.2%	•	
No more than 10% (at market) of equity portfolios may be invested in a single equity security.	< 10%	6.7%	•	
No more than 20% (at market) of equity portfolios may be invested in any one industry sector.	< 20%	19.6%	•	

* Trailing one-year period



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Portfolio Objectives

All-Cap & Mid-Cap Equity Managers

Three-Year Trailing Period

	<u>Target</u>	<u>Actual</u>	<u>Achievement?</u>	
			<u>Yes</u>	<u>No</u>
Manning & Napier				
The Total Portfolio return (net of fees) should exceed the S&P 500 Index.	23.4%	21.2%		•
The Total Portfolio return should rank in the top 50% of the GRID® Total Fund All Cap Equity Universe.	50%	70%		•
No more than 5% (at cost) of equity portfolios may be invested in a single equity security.	< 5%	3.5%	•	
No more than 10% (at market) of equity portfolios may be invested in a single equity security.	< 10%	3.8%	•	
No more than 20% (at market) of equity portfolios may be invested in any one industry sector.	< 20%	9.7%	•	
Emerald Asset Management				
The Total Portfolio return (net of fees) should exceed the Russell Mid Cap Growth Index.	29.2%	27.1%		•
The Total Portfolio return (net of fees) should rank in the top 50% of the GRID® Mutual Fund Mid-Cap Growth Universe.	50%	40%	•	
No more than 5% (at cost) of equity portfolios may be invested in a single equity security	< 5%	3.2%	•	
No more than 10% (at market) of equity portfolios may be invested in a single equity security.	< 10%	3.0%	•	
No more than 20% (at market) of equity portfolios may be invested in any one industry sector	< 20%	16.1%	•	



Portfolio Objectives

Small-Cap & International Equity Managers

Three-Year Trailing Period

Small-Cap Equity Managers

Victory Gradison

	<u>Target</u>	<u>Actual</u>	<u>Achievement?</u>
			<u>Yes</u> <u>No</u>
The Total Portfolio return (net of fees) should exceed the Russell 2000 Value Index.	25.3%	29.3%	•
The Small Cap Value Equity return should rank in the top 50% of the GRID® Mutual Fund Small-Cap Value Universe.	50%	25%	•
No more than 5% (at cost) of equity portfolios may be invested in a single equity security	< 5%	1.6%	•
No more than 10% (at market) of equity portfolios may be invested in a single equity security.	< 10%	1.8%	•
No more than 20% (at market) of equity portfolios may be invested in any one industry sector.	< 20%	17.0%	•

Emerald Asset Management

The Total Portfolio return (net of fees) should exceed the Russell 2000 Growth Index.	28.4%	30.9%	•
The Total Portfolio return (net of fees) should rank in the top 50% of the GRID® Mutual Fund Small-Cap Growth Universe.	50%	5.0%	•
No more than 5% (at cost) of equity portfolios may be invested in a single equity security	< 5%	2.0%	•
No more than 10% (at market) of equity portfolios may be invested in a single equity security.	< 10%	2.8%	•
No more than 20% (at market) of equity portfolios may be invested in any one industry sector.	< 20%	12.6%	•

International Equity Manager

C.S. McKee & Co., Inc.

The Total Portfolio return (net of fees) should exceed the MSCI EAFE Index.	17.1%	18.5%	•
The International Equity return should rank in the top 50% of the GRID® Mutual Fund International Equity Universe.	50%	50%	•



Portfolio Objectives

Fixed Income Managers

Three-Year Trailing Period

C.S. McKee & Co., Inc.

	<u>Target</u>	<u>Actual</u>	<u>Achievement?</u>	
			<u>Yes</u>	<u>No</u>
The Fixed Income return (net of fees) should exceed the BC AGG Index.	6.8%	7.6%	•	
The Fixed Income return (net of fees) should rank in the top 50% of the GRID® Mutual Fund Fixed Income Universe.	50%	50%	•	
Excluding U.S. Govt and Agencies, no more than 10% (at market) of fixed income portfolios may be invested in any one issuer.	< 10%	0.8%	•	
The effective duration should range within 1.5 years of the BC Agg duration.	3.0 - 6.0 yrs.	4.9 yrs.	•	
The average market-weighted quality shall be no less than 3.0 based on the following scale: U.S. Govt & Agencies, 5.0; Aaa bonds, 4.0; Aa bonds, 3.0; A bonds, 2.0; Baa bonds, 1.0.	> 3.0	4.0	•	

Metropolitan West Asset Management

The Fixed Income return should exceed the BC AGG Index.	6.8%	13.2%	•	
The Fixed Income return should rank in the top 50% of the GRID® Mutual Fund Fixed Income Universe.	50%	5%	•	
Excluding U.S. Govt and Agencies, no more than 10% (at market) of fixed income portfolios may be invested in any one issuer.	< 10%	0.7%	•	
The effective duration should range within 1.5 years of the BC Agg duration.	3.0 - 6.0 yrs.	4.1 yrs.	•	
The average market-weighted quality shall be no less than 3.0 based on the following scale: U.S. Govt & Agencies, 5.0; Aaa bonds, 4.0; Aa bonds, 3.0; A bonds, 2.0; Baa bonds, 1.0.	> 3.0	3.0	•	



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Manager Impact

Investment performance is determined by three primary factors; the target mix policy, the impact of asset allocation, and the impact of security selection. These factors are defined and measured as follows:

Target Mix Return

The long-term target for the mix of stocks, bonds, and cash equivalents in the portfolio. For measurement purposes, a fixed weight index composed of a predetermined proportion of the stock, bond, and T-bill indexes is used.

Asset Allocation Impact

The cumulative effect of the manager's decisions to hold a portfolio with an asset mix that differs from the asset mix policy.

Security Selection Impact

The cumulative impact of the manager's ability to select securities which produce returns different from the returns of the respective market index.

Periods Ending March 31, 2012

	<u>Quarter</u>	<u>One Year</u>	<u>Since Inception</u>
Sit			3/10
Target Mix Return**	14.7%	11.0%	14.6%
+ Asset Allocation	-0.2	-0.1	-0.2
+ <u>Security Selection</u>	<u>+1.0</u>	<u>-0.6</u>	<u>-1.2</u>
= Total Return	15.5%	10.4%	13.2%
CIM			3/02
Target Mix Return***	12.6%	8.5%	4.1%
+ Asset Allocation	-0.2	-0.1	+0.3
+ <u>Security Selection</u>	<u>+1.2</u>	<u>-0.7</u>	<u>-0.8</u>
= Total Return	13.5%	7.7%	3.5%
Manning & Napier Equity			5/06
Target Mix Return****	12.6%	8.5%	4.0%
+ Asset Allocation	-0.7	-1.0	-0.3
+ <u>Security Selection</u>	<u>-0.4</u>	<u>-7.9</u>	<u>-0.2</u>
= Total Return	11.5%	-0.4%	3.5%

**Russell 1000 Growth Index

***S&P 500 Index

****S&P 500 Index

Values may not add due to basis point rounding.



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Manager Impact

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Target Mix Return

The long-term target for the mix of stocks, bonds, and cash equivalents in the portfolio. For measurement purposes, a fixed weight index composed of a predetermined proportion of the stock, bond, and T-bill indexes is used.

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Security Selection Impact

The cumulative impact of the manager's ability to select securities which produce returns different from the returns of the respective market index.

Periods Ending March 31, 2012

	Quarter	One Year	Since Inception
Emerald - LCC			
Target Mix Return*	12.6%	8.5%	15.6%
+ Asset Allocation	-0.1	-0.1	-0.1
+ <u>Security Selection</u>	<u>+0.1</u>	<u>+1.9</u>	<u>-1.1</u>
= Total Return	12.6%	10.4%	14.4%
Emerald - MCG			
Target Mix Return**	14.5%	4.4%	7.2%
+ Asset Allocation	-0.6	0.0	+0.4
+ <u>Security Selection</u>	<u>+4.4</u>	<u>-2.3</u>	<u>+2.0</u>
= Total Return	18.3%	2.2%	9.6%
Victory Gradison			
Target Mix Return***	11.6%	-1.1%	7.8%
+ Asset Allocation	+0.2	+1.6	-0.7
+ <u>Security Selection</u>	<u>-2.0</u>	<u>+3.1</u>	<u>+2.4</u>
= Total Return	9.8%	3.6%	9.5%
Emerald - SCG			
Target Mix Return****	13.3%	0.7%	6.1%
+ Asset Allocation	-0.1	0.0	+0.3
+ <u>Security Selection</u>	<u>+7.5</u>	<u>+4.7</u>	<u>+0.1</u>
= Total Return	20.7%	5.4%	6.5%

*S&P 500 Index

**Russell Mid Cap Growth Index

***Russell 2000 Value

****Russell 2000 Growth Index

Values may not add due to basis point rounding.



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Manager Impact

Investment performance is determined by three primary factors; the target mix policy, the impact of asset allocation, and the impact of security selection. These factors are defined and measured as follows:

Target Mix Return

The long-term target for the mix of stocks, bonds, and cash equivalents in the portfolio. For measurement purposes, a fixed weight index composed of a predetermined proportion of the stock, bond, and T-bill indexes is used.

Asset Allocation Impact

The cumulative effect of the manager's decisions to hold a portfolio with an asset mix that differs from the asset mix policy.

Security Selection Impact

The cumulative impact of the manager's ability to select securities which produce returns different from the returns of the respective market index.

Periods Ending March 31, 2012

	Quarter	One Year	Since Inception
C.S. McKee - Intl. Equity			6/96
Target Mix Return*	10.9%	-5.8%	4.0%
+ Asset Allocation	0.0	0.0	0.0
+ <u>Security Selection</u>	<u>+1.4</u>	<u>-2.1</u>	<u>+1.9</u>
= Total Return	12.2%	-7.9%	5.8%
MetWest			12/00
Target Mix Return**	0.3%	7.7%	5.9%
+ Asset Allocation	0.0	-0.5	-0.4
+ <u>Security Selection</u>	<u>+2.1</u>	<u>-0.2</u>	<u>+1.7</u>
= Total Return	2.4%	7.0%	7.2%

*MSCI EAFE Index

**Barclays AGG Index

Values may not add due to basis point rounding.



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GRID[®] Comparison

Gallagher Fiduciary Advisors maintains a database of managed portfolios through the **GRID[®]** (Graphical Ranking of Investment Descriptors) system according to equity exposure and measurement period. Your portfolio is compared to the universe that most closely parallels your equity exposure during the evaluation period. This ensures comparability between rates of return and **GRID[®]** statistics.

The **GRID[®]** database includes composite and/or individually managed portfolio results from nearly 1,200 investment advisors, banks, and insurance companies. There are over 5,000 investment funds tracked in the database.

Performance results are requested from managers who participate in the **GRID[®]** database on a quarterly basis. Either monthly or quarterly data is acceptable. Results are requested as gross of fees. Performance for client accounts is calculated internally, based upon transaction statements and asset listings provided by the custodian. Rates of return include realized and unrealized gains and losses, income, and dividends. Returns have been reduced for expenses and other costs of portfolio management, but not for management fees. In addition, our universes are constructed by grouping together portfolios according to asset class as well as investment style to assure a valid comparison.

The **GRID[®]** Universe Table below describes the equity exposure of the standard **GRID[®]** Universes.

Gallagher Fiduciary Advisors GRID[®] system also produces a number of proprietary balanced fund indices. These are calculated on a monthly basis from specific weightings in recognized market indices (see **GRID[®]** Index Table). They are then used in the evaluation of a balanced fund's performance.

The bar charts on the following page(s) represent the range of returns for your fund's appropriate **GRID[®]** Universe. The median return is identified by the solid line that is approximately in the middle of each bar. The dashed lines denote the 25th and 75th percentiles. The solid line at the top and bottom of each bar indicates the 5th and 95th percentiles, respectively.

Your manager(s) results are plotted on the chart and displayed in the table below the graph.

GRID[®] Universe Table

<u>Universe</u>	<u>Average Equity Exposure (%)</u>
1) Fixed-Income Funds	< 25
2) Balanced (Low Equity)	25-45
3) Balanced (Core Equity)	40-60
4) Balanced (High Equity)	55-75
5) Equity Funds	> 75
6) Aggressive Equity Funds (Beta > 1.5)	> 75
7) Style Universes	Varies

GRID[®] Index Table

<u>Index</u>	<u>S&P 500</u>	<u>Components of Index</u>		
		<u>BC G/C</u>	<u>BC G/C I</u>	<u>T-Bill</u>
1) LOW INDEX	35%	50%	0%	15%
2) LOW INTMD	35	0	50	15
3) CORE INDEX	50	40	0	10
4) CORE INTMD	50	0	40	10
5) HIGH INDEX	65	30	0	5
6) HIGH INTMD	65	0	30	5

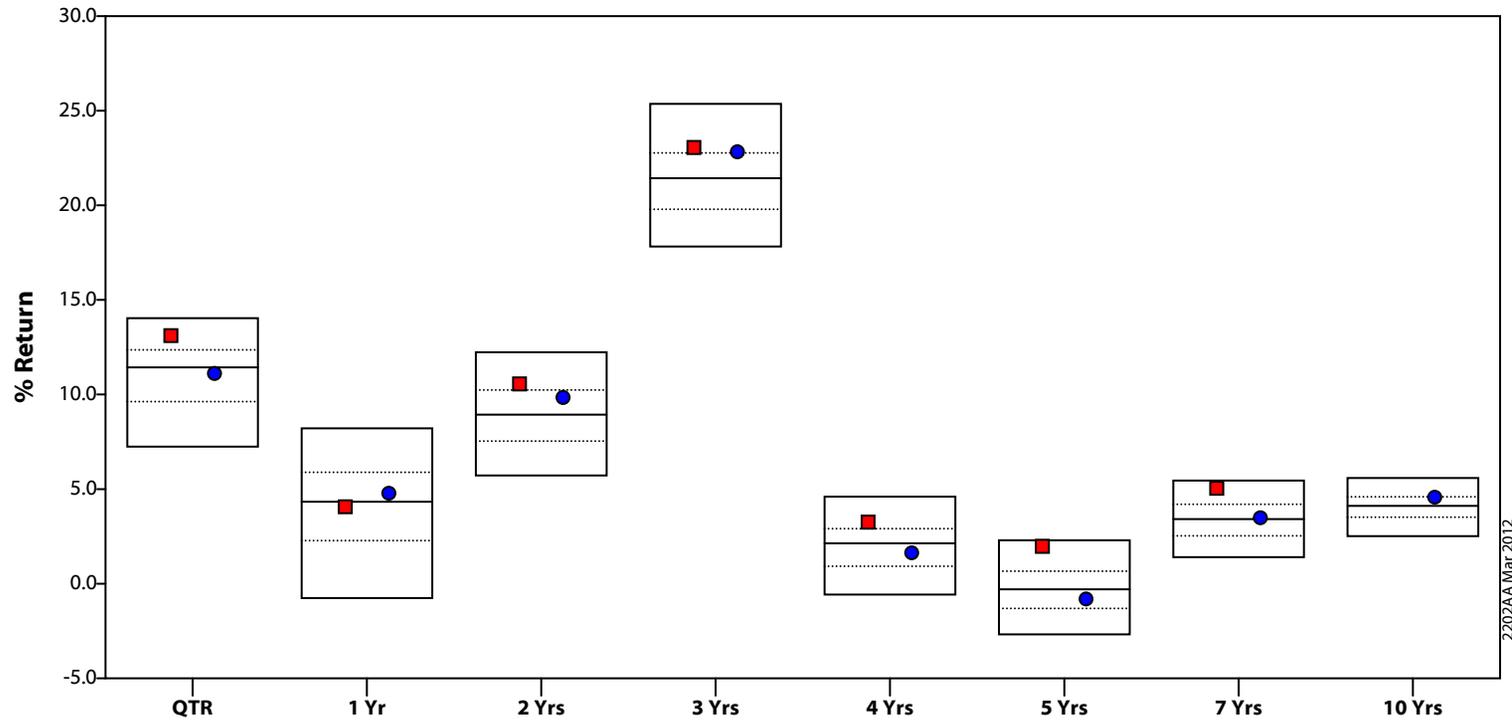


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GRID® Comparison – Trailing Year Performance

Periods Ending Mar 2012

Mutual Fund Large-Cap Value Universe



■ C.S. McKee
● Russell 1000 Value Index

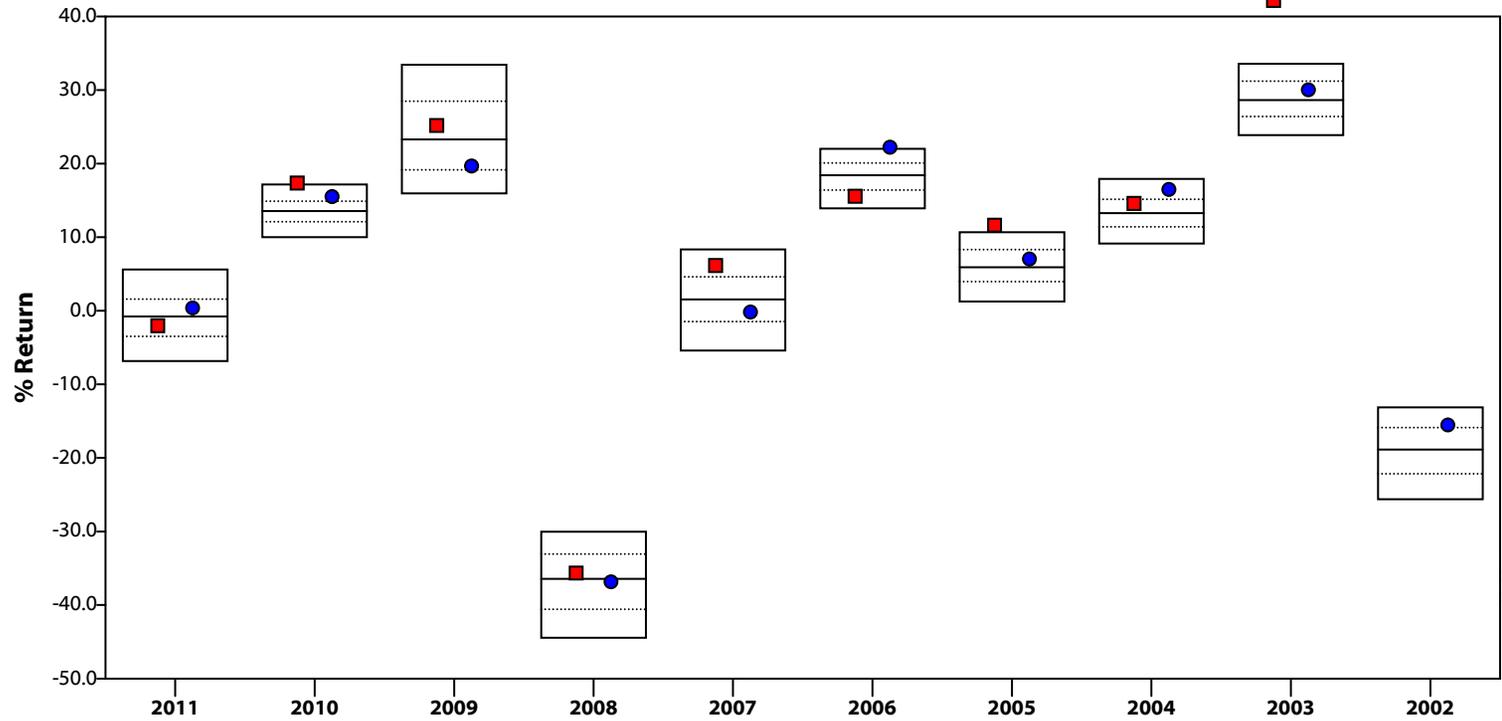
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GRID® Comparison – Calendar Year Performance

Mutual Fund Large-Cap Value Universe



■ C.S. McKee
● Russell 1000 Value Index

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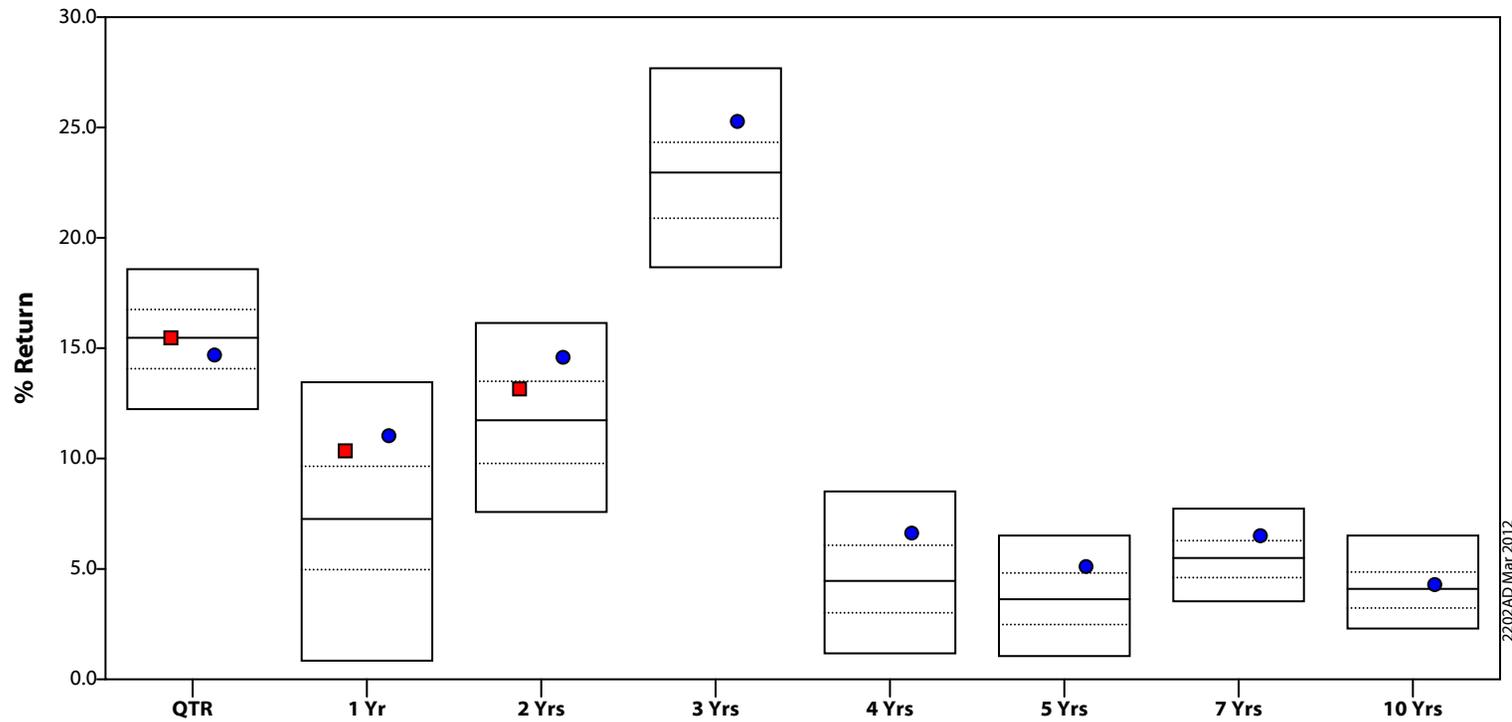


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GRID® Comparison – Trailing Year Performance

Periods Ending Mar 2012

Mutual Fund Large-Cap Growth Universe



■ Sit
● Russell 1000 Growth Index

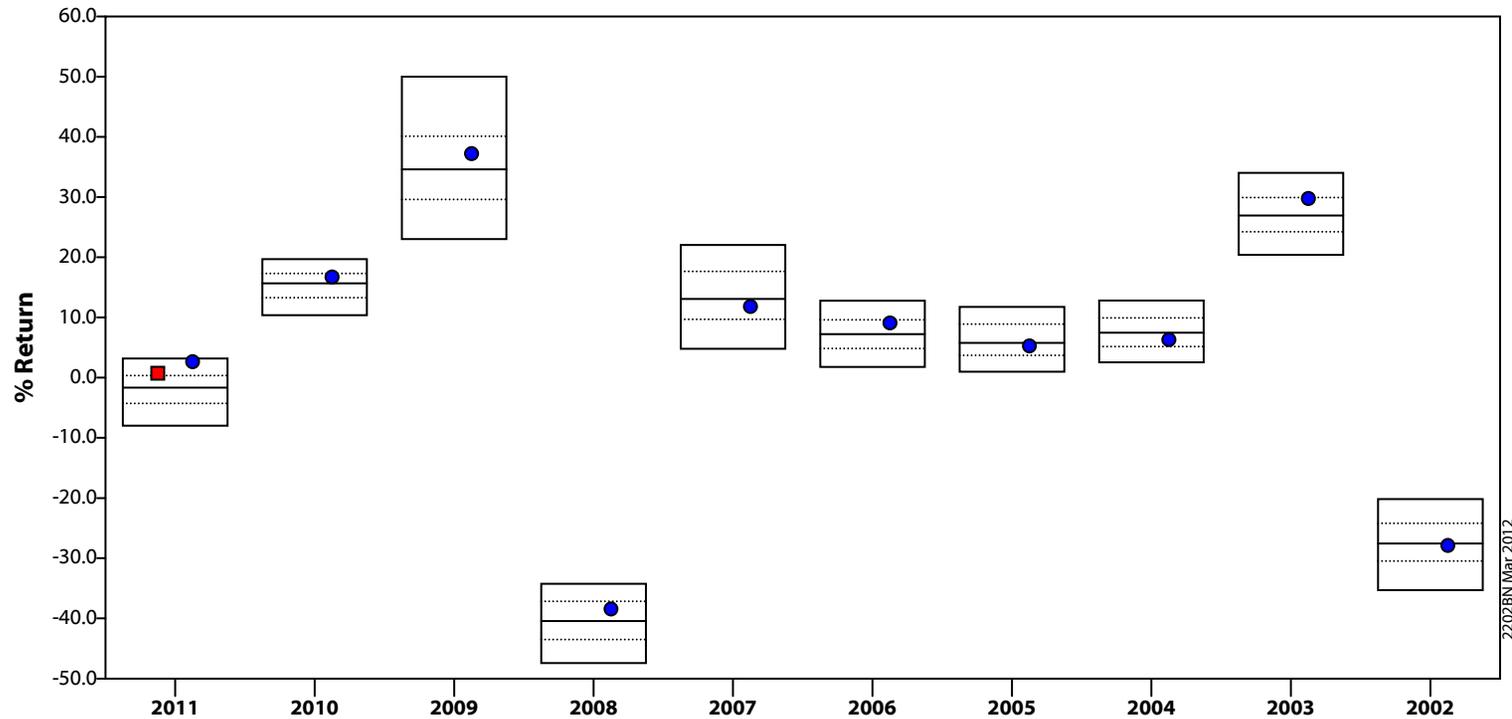
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GRID[®] Comparison – Calendar Year Performance

Mutual Fund Large-Cap Growth Universe



■ Sit
● Russell 1000 Growth Index

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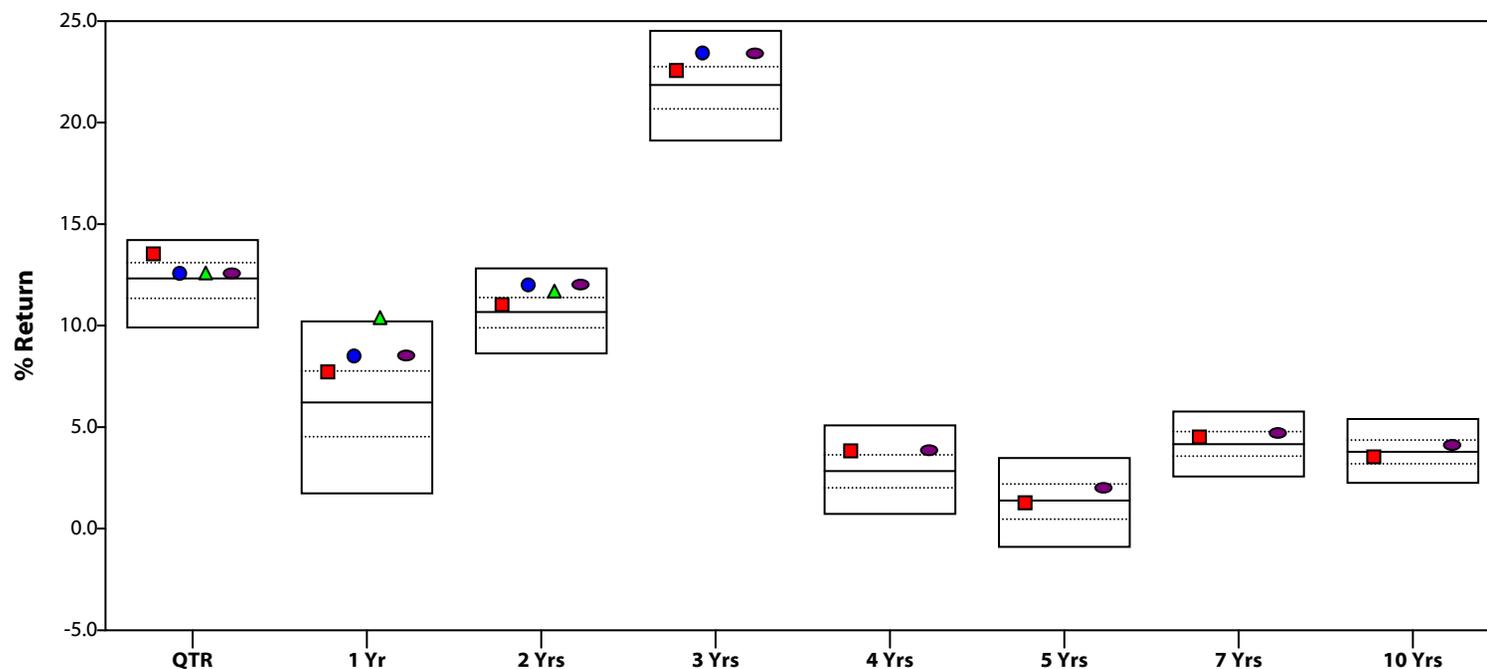


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GRID® Comparison – Trailing Year Performance

Periods Ending Mar 2012

Mutual Fund Large-Cap Core Equity Universe



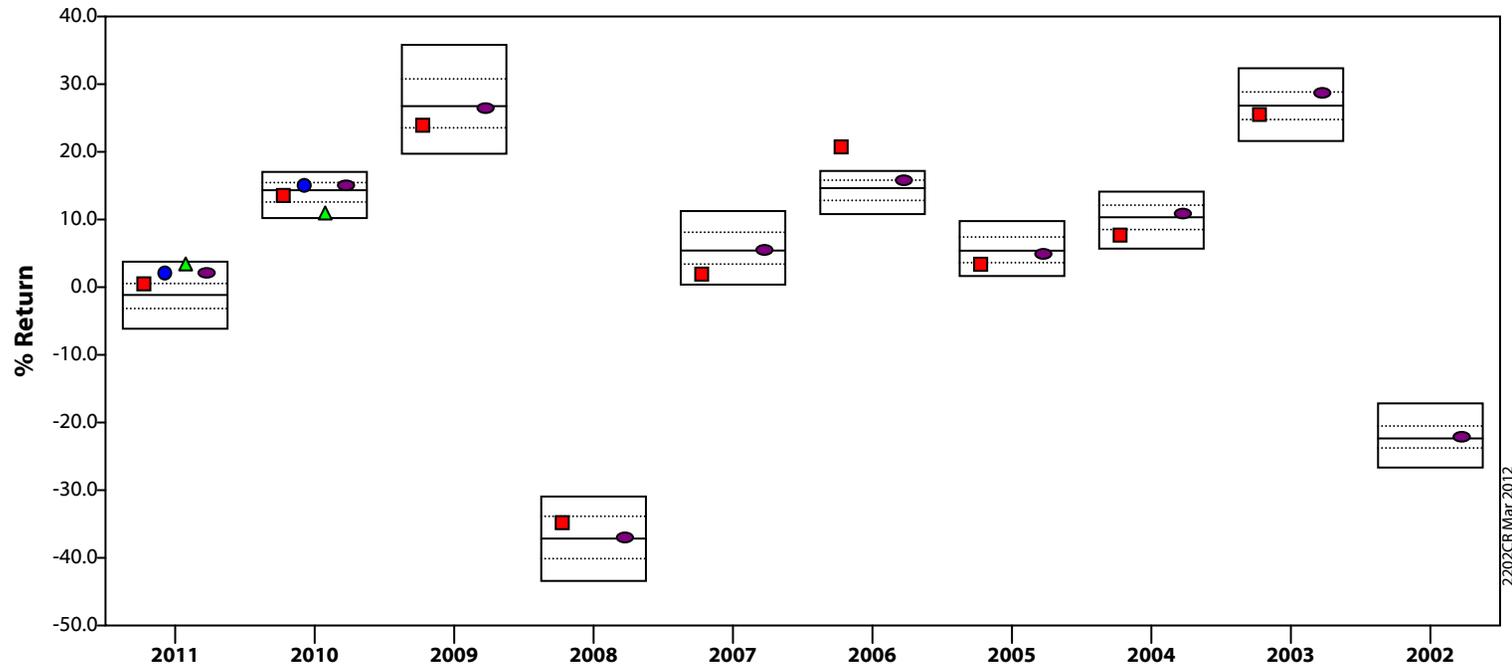
	QTR	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs
■ CIM	13.5	7.7	11.0	22.6	3.8	1.3	4.5	3.5
● Vanguard S&P 500 Index Fund	12.6	8.5	12.0	23.4				
▲ Emerald - LCC	12.6	10.4	11.7					
● S&P 500 Index	12.6	8.5	12.0	23.4	3.9	2.0	4.7	4.1



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GRID® Comparison – Calendar Year Performance

Mutual Fund Large-Cap Core Equity Universe



■ CIM	0.5	13.5	23.9	-34.8	1.9	20.7	3.4	7.7	25.5
● Vanguard S&P 500 Index Fund	2.1	15.1							
▲ Emerald - LCC	3.4	11.0							
● S&P 500 Index	2.1	15.0	26.5	-37.0	5.5	15.8	4.9	10.9	28.7
									-22.1

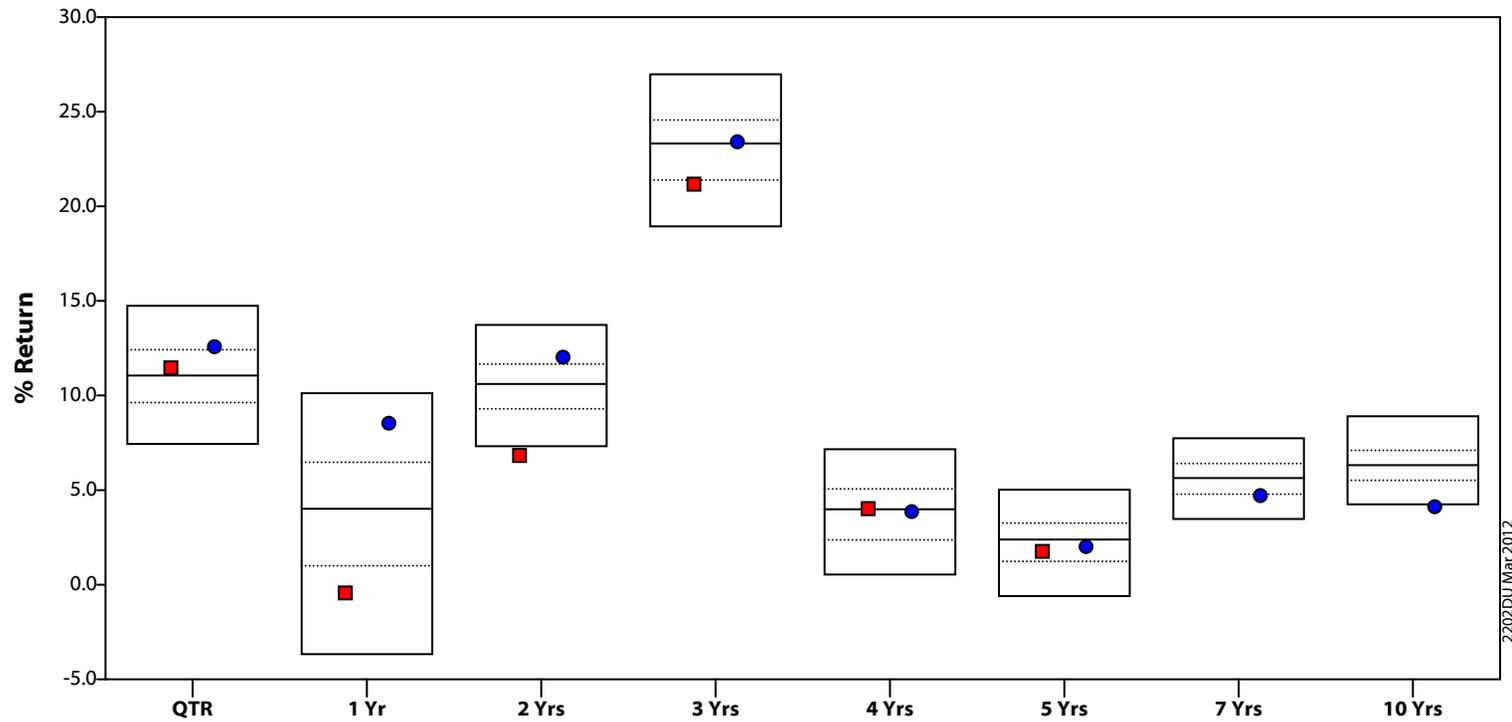


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GRID® Comparison – Trailing Year Performance

Periods Ending Mar 2012

Total Fund All Cap Equity Universe



■ Manning & Napier Equity
● S&P 500 Index

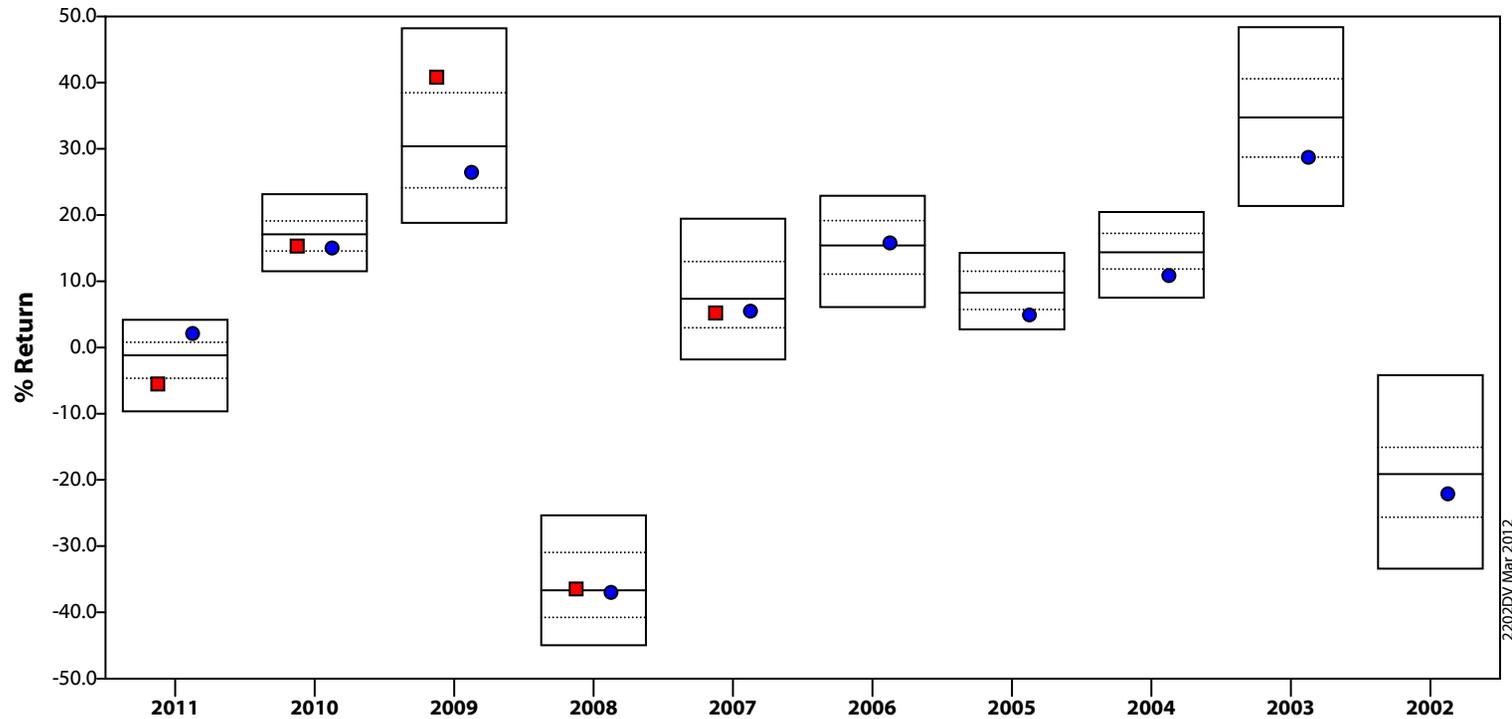
Period	Manning & Napier Equity	S&P 500 Index
QTR	11.5	12.6
1 Yr	-0.4	8.5
2 Yrs	6.8	12.0
3 Yrs	21.2	23.4
4 Yrs	4.0	3.9
5 Yrs	1.8	2.0
7 Yrs		4.7
10 Yrs		4.1



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GRID® Comparison – Calendar Year Performance

Total Fund All Cap Equity Universe



■ Manning & Napier Equity
● S&P 500 Index

-5.5	15.3	40.8	-36.5	5.2	15.8	4.9	10.9	28.7	-22.1
2.1	15.0	26.5	-37.0	5.5	15.8	4.9	10.9	28.7	-22.1

2/20/2012 Mar 2012

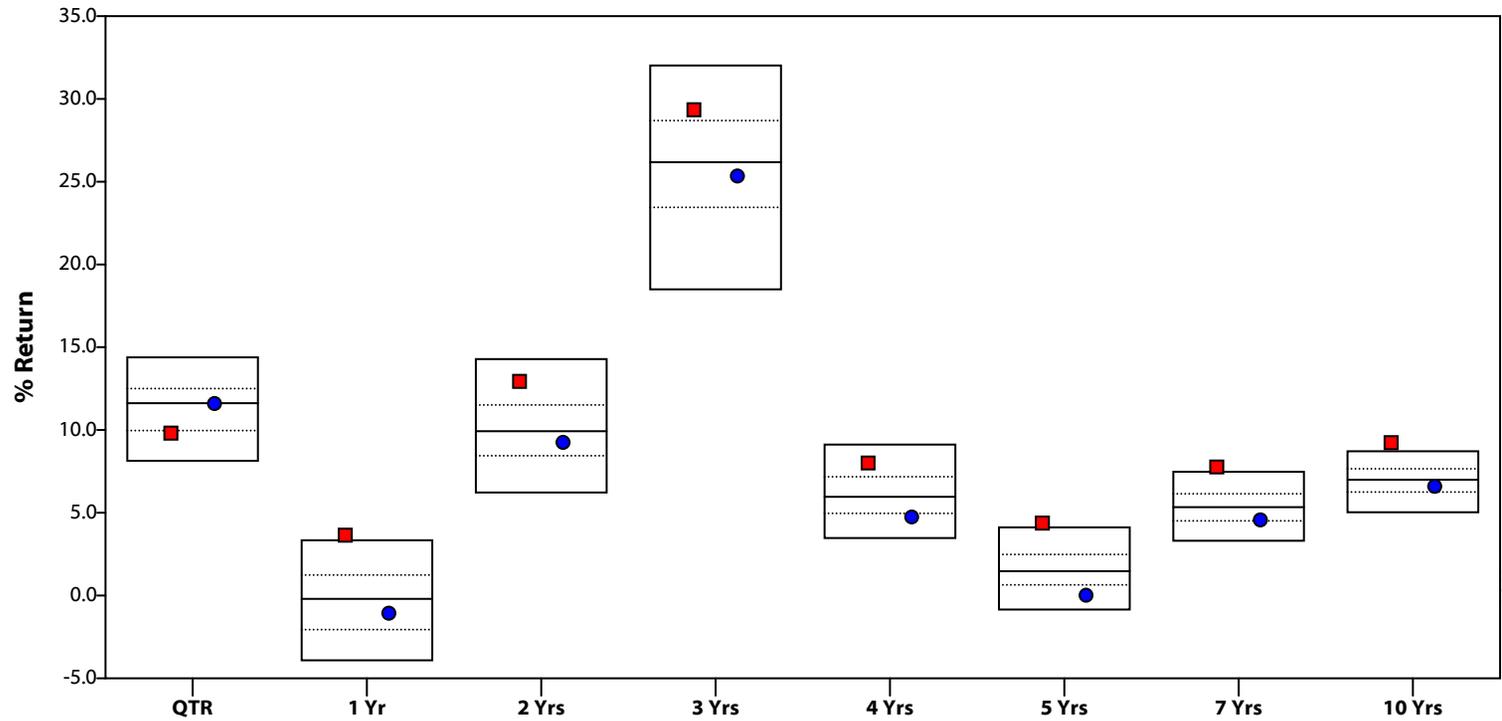


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GRID® Comparison – Trailing Year Performance

Periods Ending Mar 2012

Mutual Fund Small-Cap Value Universe



■ Victory Gradison
● Russell 2000 Value Index

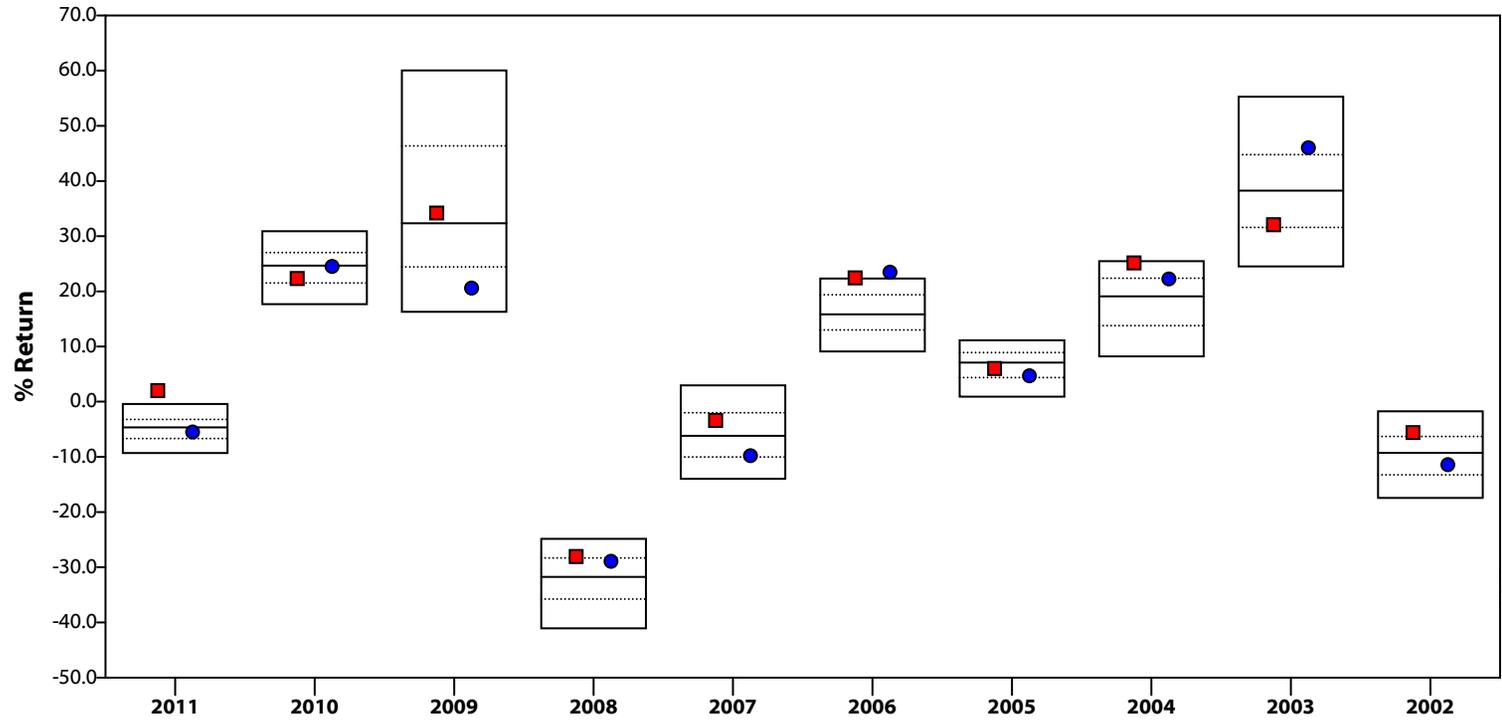
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GRID® Comparison – Calendar Year Performance

Mutual Fund Small-Cap Value Universe



2/20/2012 Mar 2012

■ Victory Gradison
● Russell 2000 Value Index

2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
2.0	22.3	34.2	-28.0	-3.4	22.4	6.0	25.2	32.1	-5.6
-5.5	24.5	20.6	-28.9	-9.8	23.5	4.7	22.3	46.0	-11.4

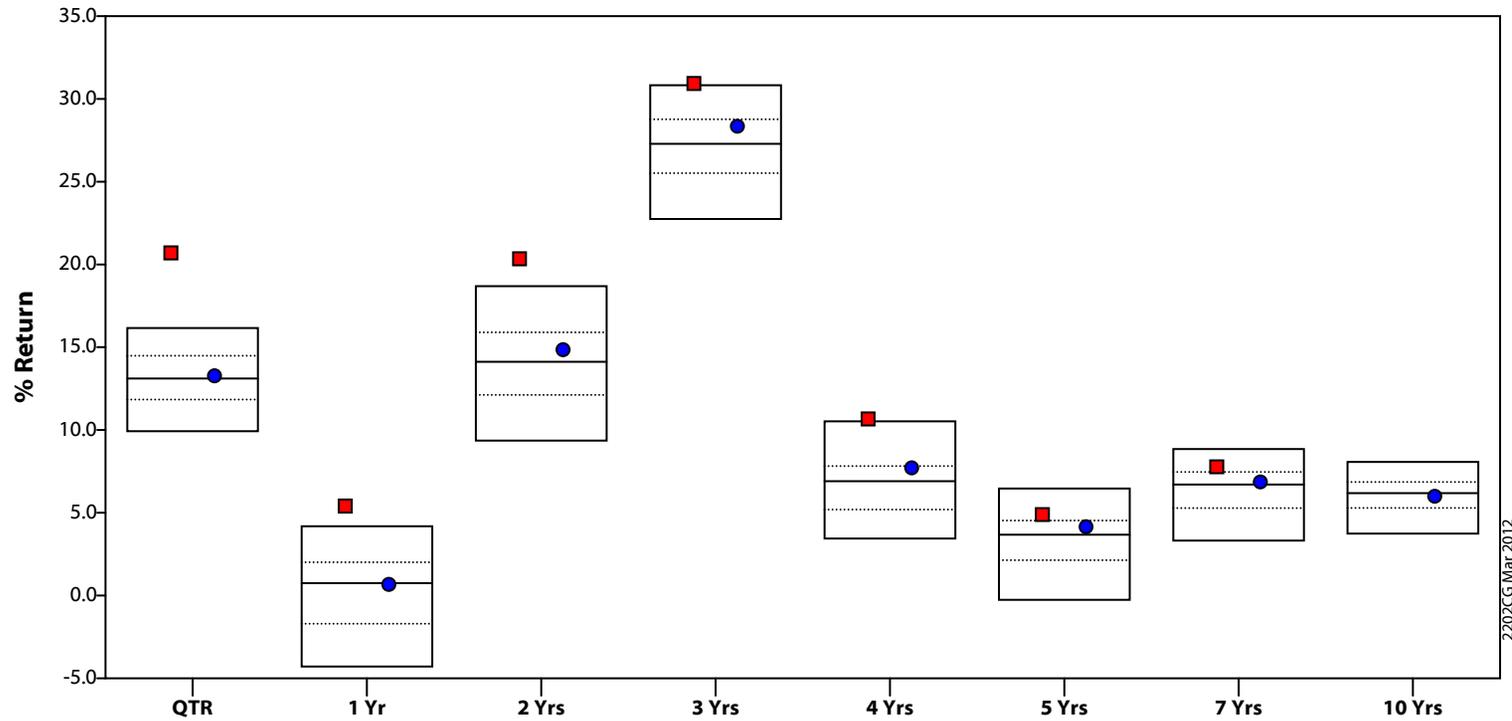


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GRID® Comparison – Trailing Year Performance

Periods Ending Mar 2012

Mutual Fund Small-Cap Growth Universe



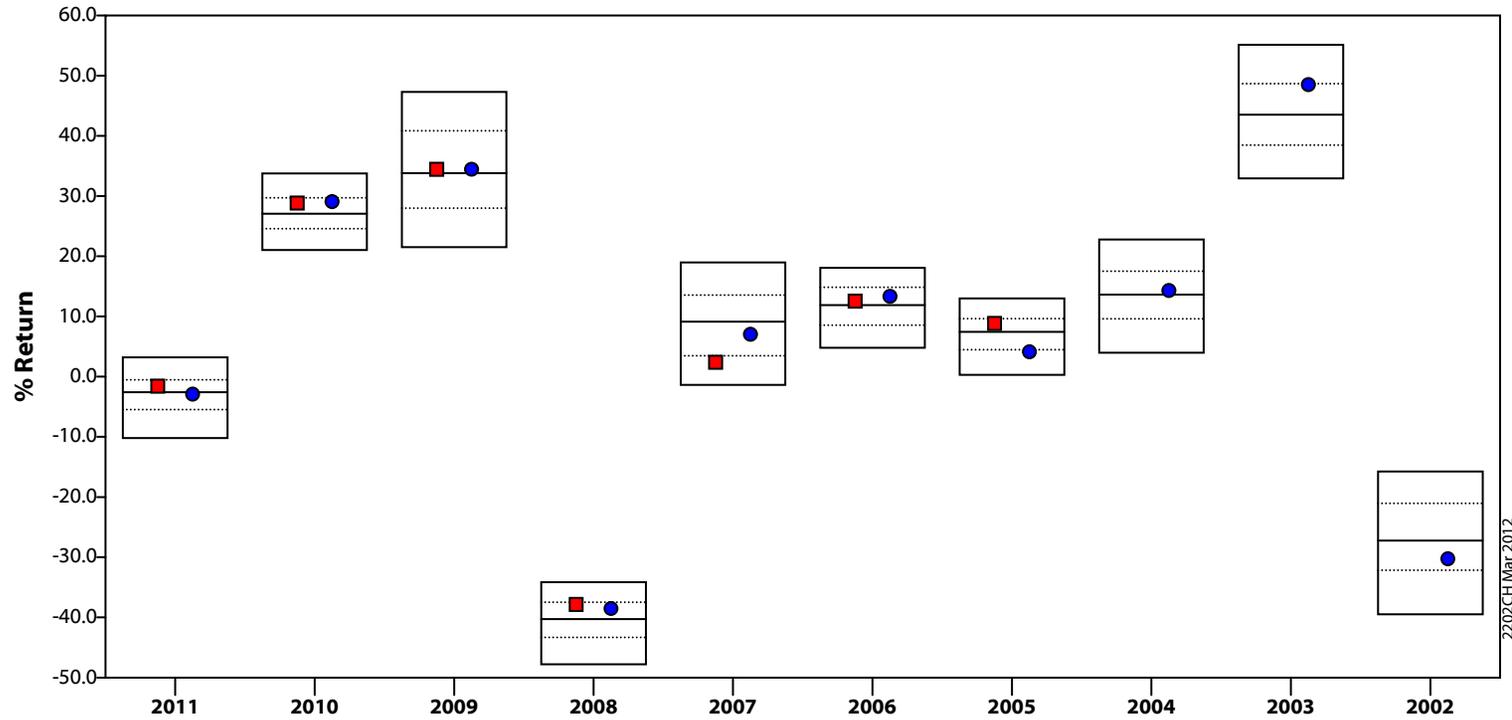
■ Emerald - SCG
● Russell 2000 Growth Index



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GRID® Comparison – Calendar Year Performance

Mutual Fund Small-Cap Growth Universe



■ Emerald - SCG	-1.6	28.8	34.4	-37.8	2.4	12.6	8.8			
● Russell 2000 Growth Index	-2.9	29.1	34.5	-38.5	7.0	13.4	4.1	14.3	48.5	-30.3

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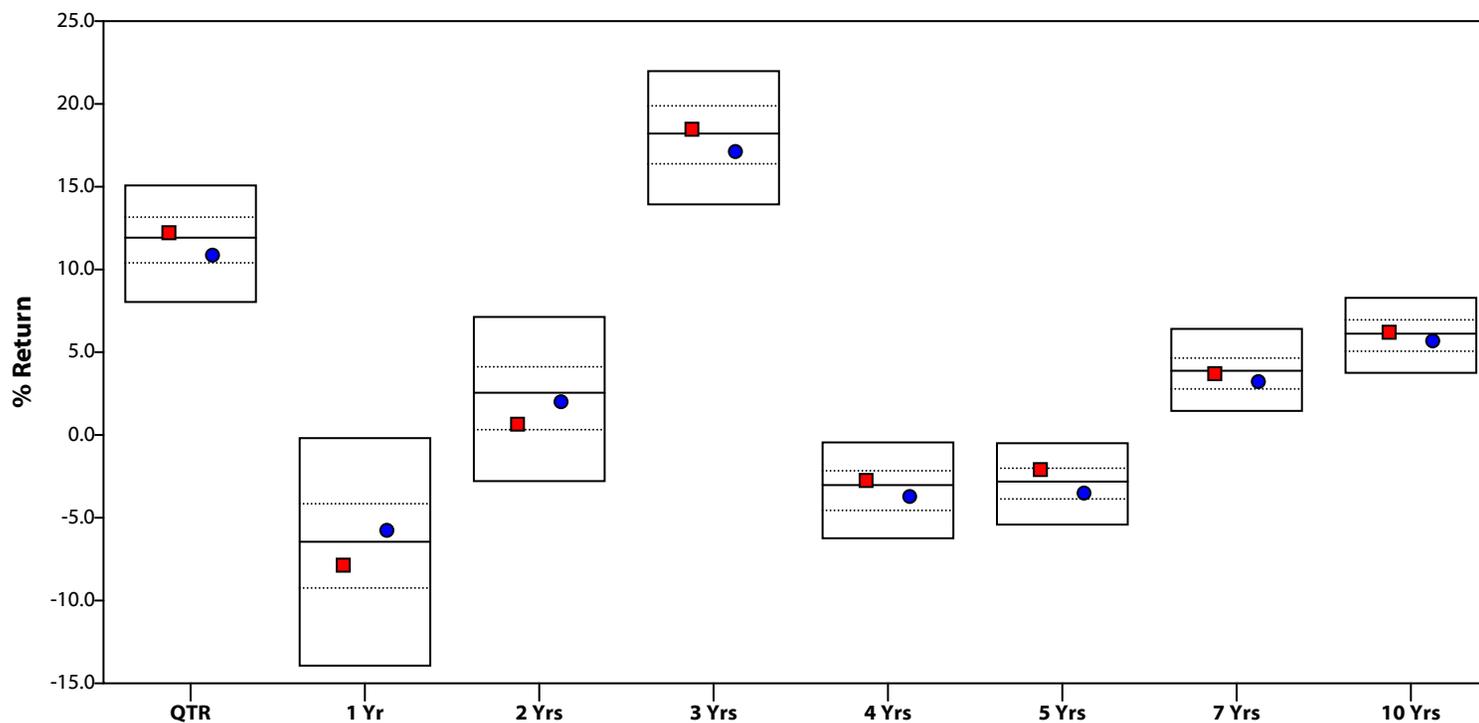


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GRID® Comparison – Trailing Year Performance

Periods Ending Mar 2012

Mutual Fund International Equity Universe



■ C.S. McKee - Int'l Equity
● MSCI EAFE Index

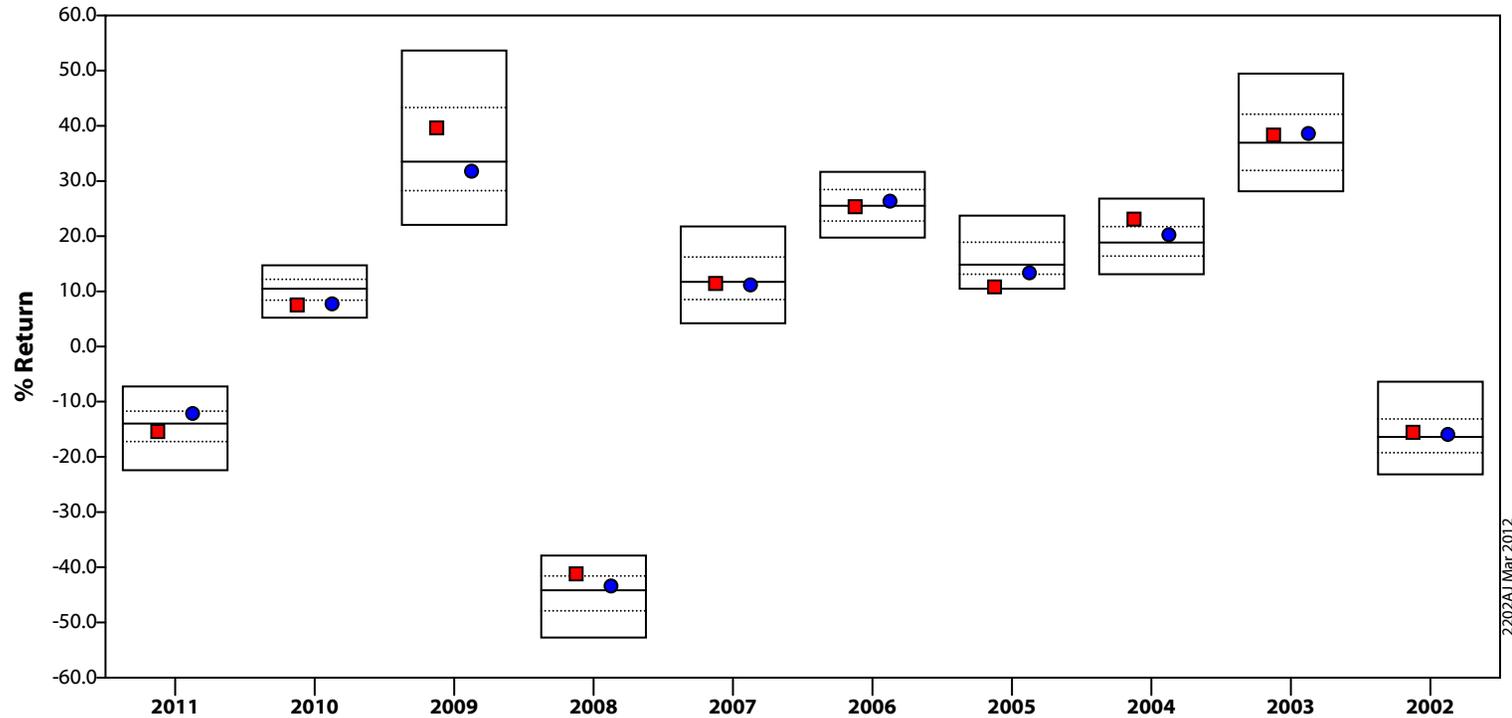
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GRID® Comparison – Calendar Year Performance

Mutual Fund International Equity Universe



■ C.S. McKee - Int'l Equity
● MSCI EAFE Index

-15.4	7.5	39.6	-41.2	11.4	25.3	10.8	23.1	38.3	-15.6
-12.1	7.7	31.8	-43.4	11.2	26.3	13.4	20.2	38.6	-15.9

2/20/2012 Mar 2012

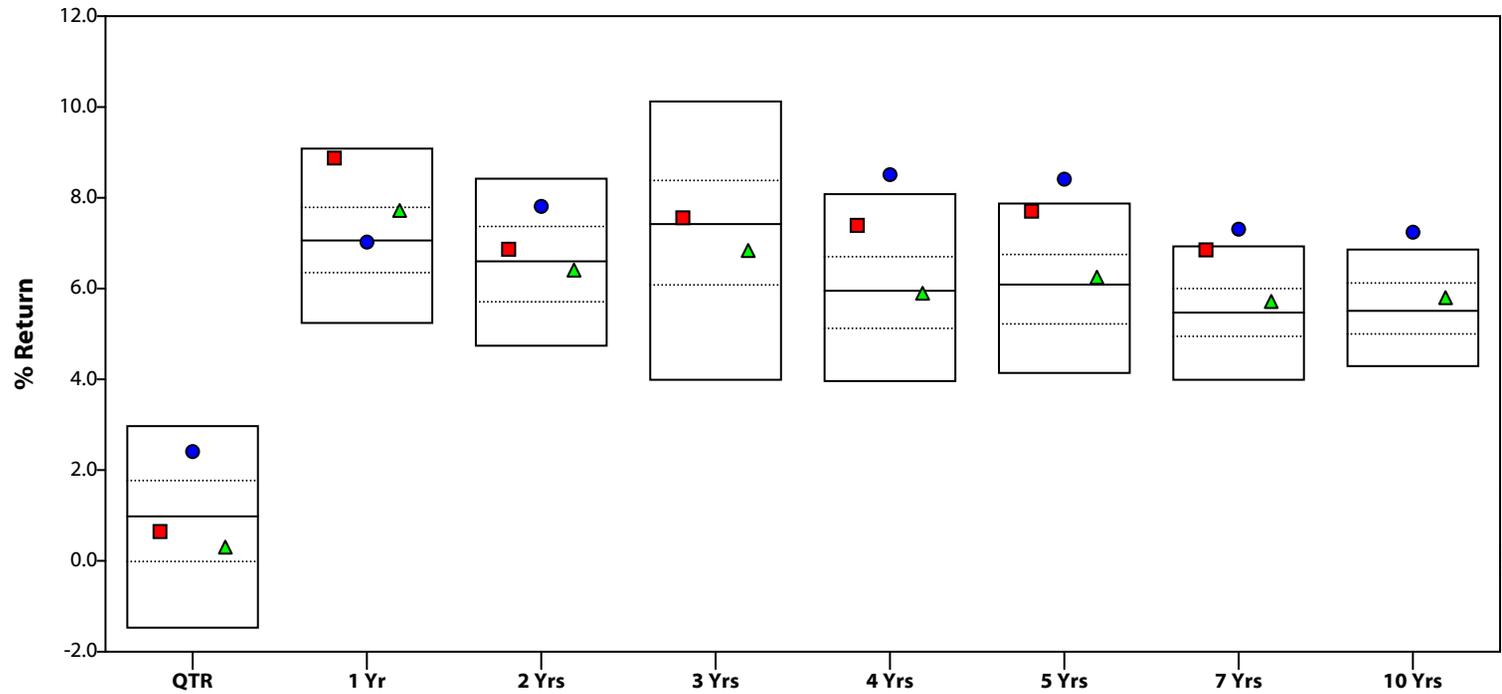


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GRID® Comparison – Trailing Year Performance

Periods Ending Mar 2012

Mutual Fund Fixed Income Universe



	QTR	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs
■ C.S. McKee	0.6	8.9	6.9	7.6	7.4	7.7	6.9	
● MetWest	2.4	7.0	7.8	13.2	8.5	8.4	7.3	7.2
▲ Barclays AGG Index	0.3	7.7	6.4	6.8	5.9	6.2	5.7	5.8

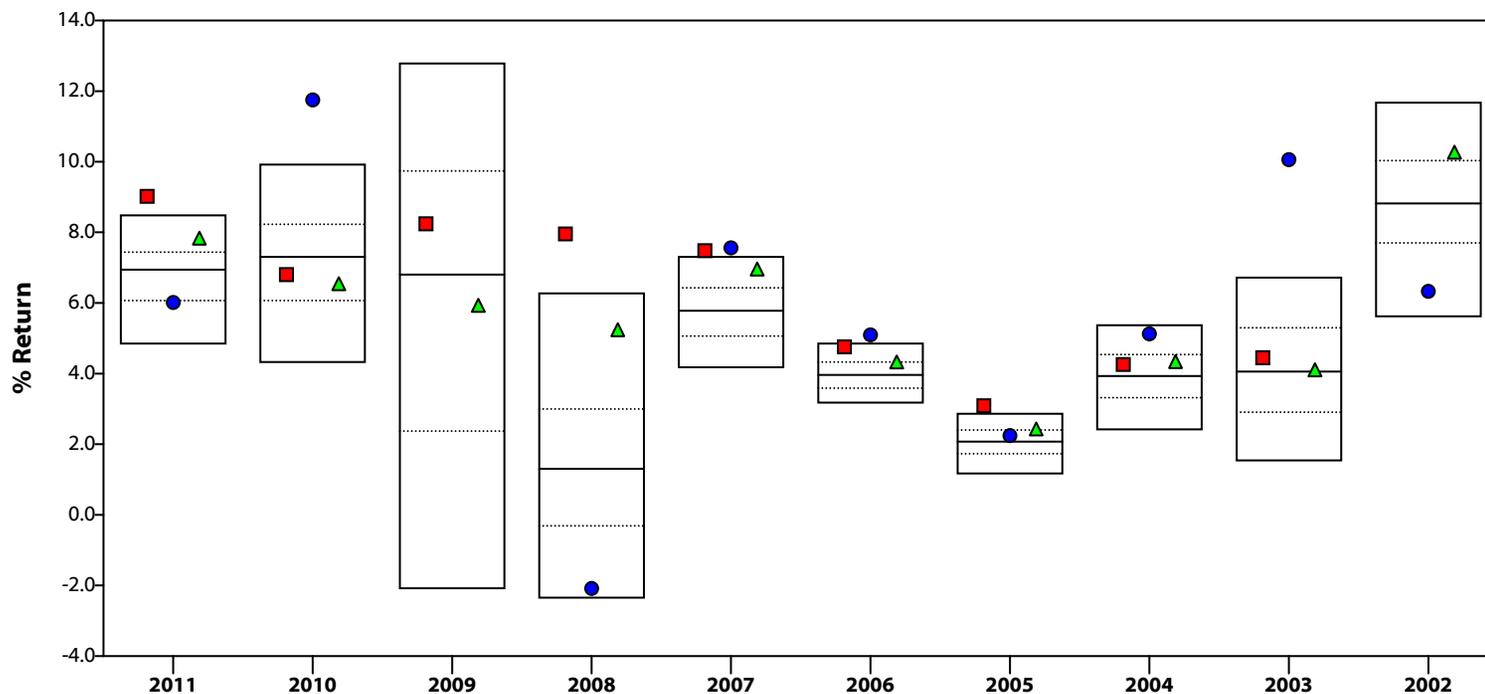
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GRID® Comparison – Calendar Year Performance

Mutual Fund Fixed Income Universe



■ C.S. McKee	9.0	6.8	8.2	8.0	7.5	4.8	3.1	4.3	4.4	
● MetWest	6.0	11.7	19.2	-2.1	7.6	5.1	2.2	5.1	10.1	6.3
▲ Barclays AGG Index	7.8	6.5	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3

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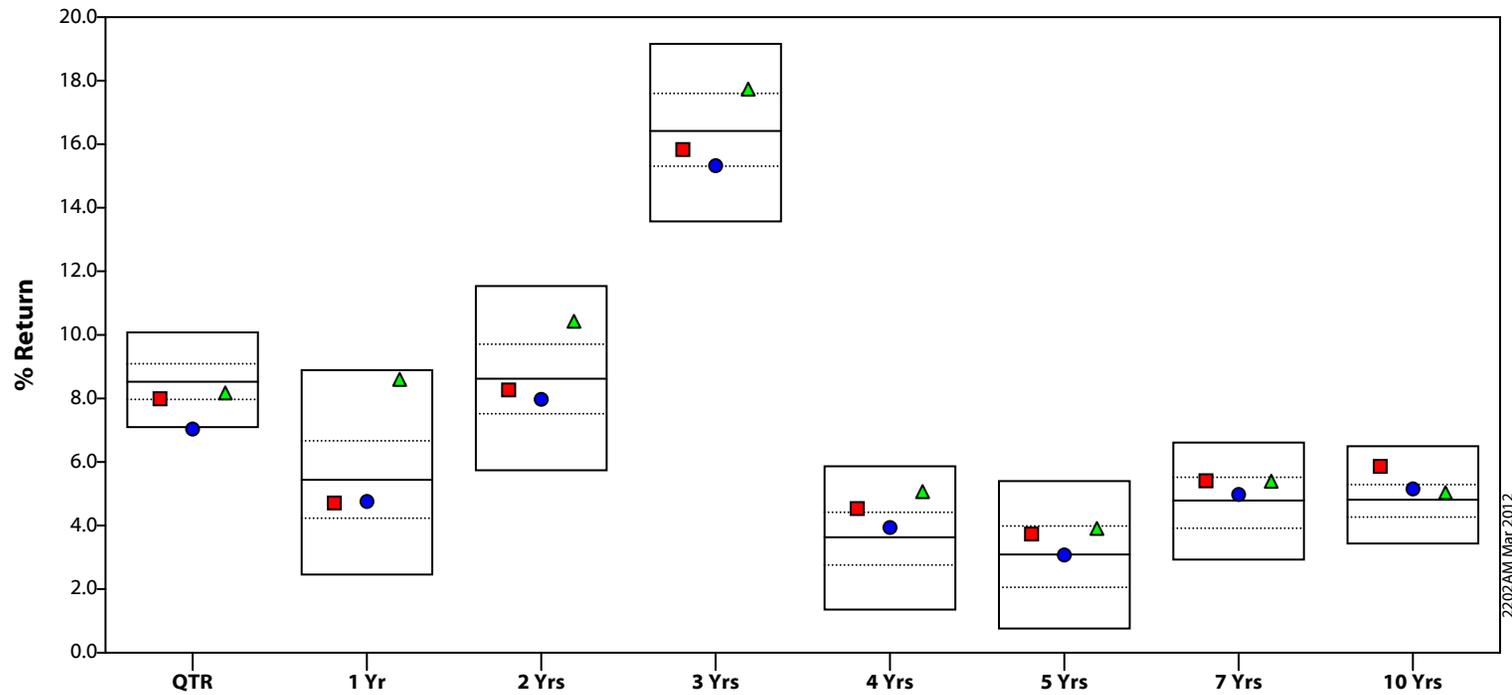


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GRID[®] Comparison – Trailing Year Performance

Periods Ending Mar 2012

Mutual Fund High Balanced Universe



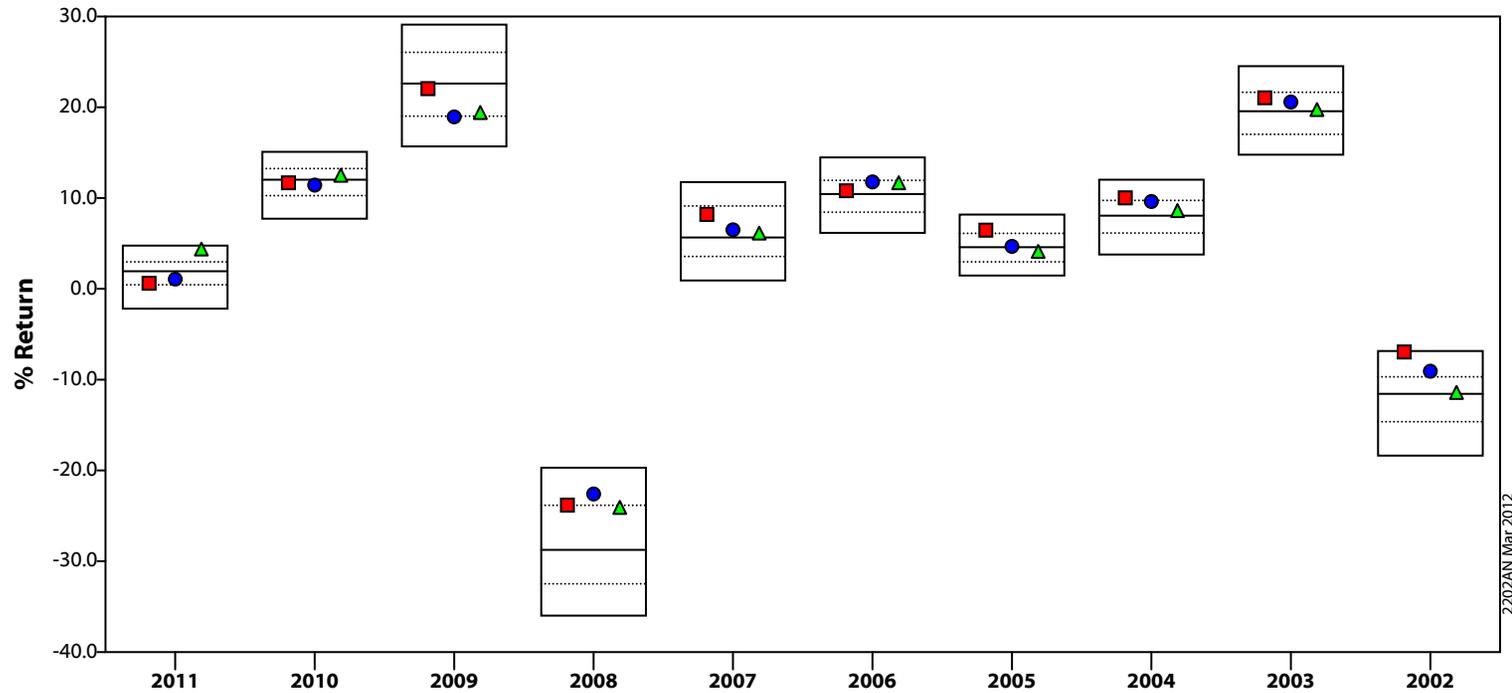
	QTR	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs
■ Total Fund	8.0	4.7	8.3	15.8	4.5	3.7	5.4	5.9
● TMI (34/7/14/10/35)	7.0	4.8	8.0	15.3	3.9	3.1	5.0	5.2
▲ TMI (65/35)	8.2	8.6	10.4	17.7	5.1	3.9	5.4	5.0



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GRID[®] Comparison – Calendar Year Performance

Mutual Fund High Balanced Universe



■ Total Fund	0.6	11.7	22.1	-23.8	8.2	10.8	6.5	10.0	21.1	-7.0
● TMI (34/7/14/10/35)	1.1	11.4	18.9	-22.6	6.5	11.8	4.7	9.6	20.6	-9.1
▲ TMI (65/35)	4.4	12.5	19.4	-24.1	6.1	11.7	4.1	8.6	19.7	-11.4

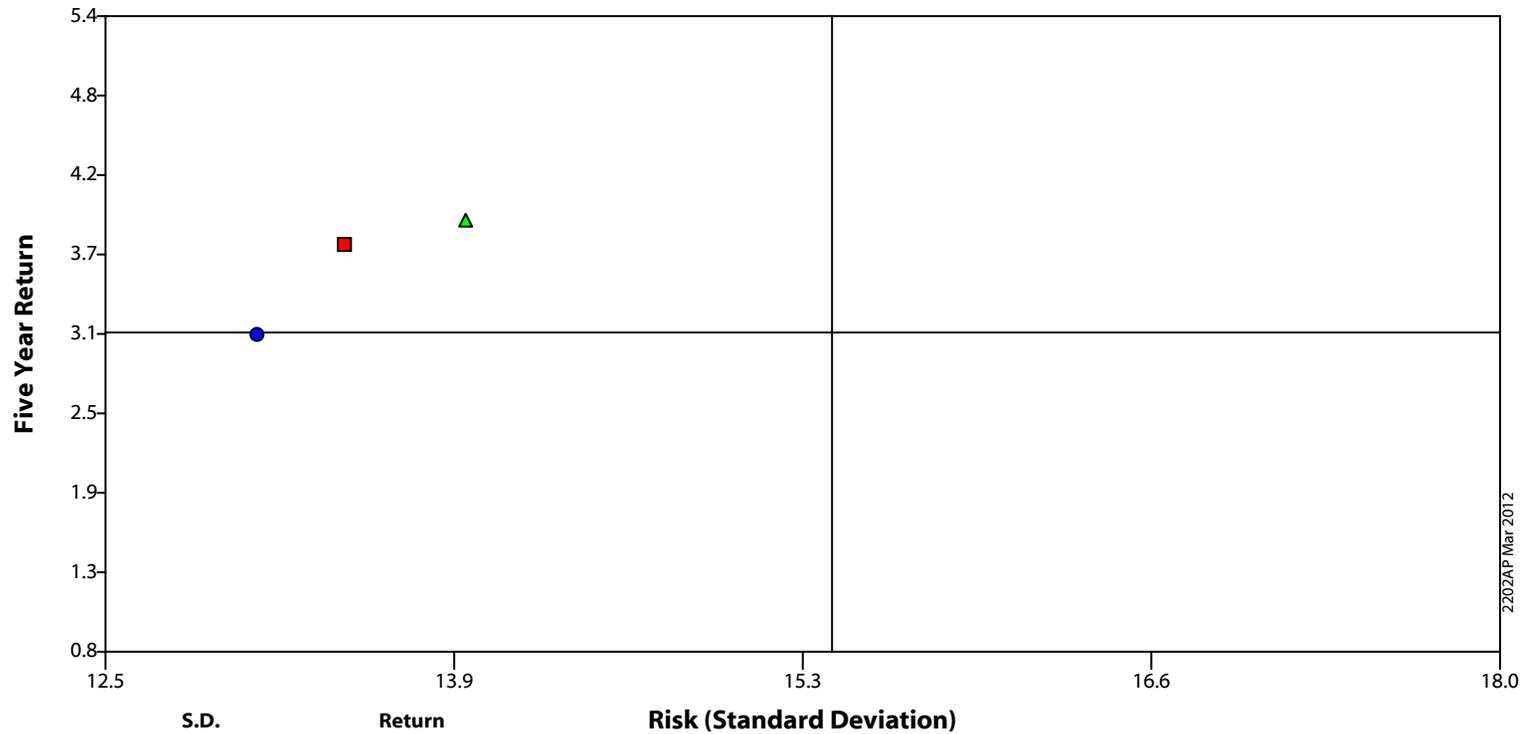


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GRID® Comparison – Risk/Return Analysis

Period Ending Mar 2012

Mutual Fund High Balanced Universe



- Total Fund
- TMI (34/7/14/10/35)
- ▲ TMI (65/35)

	S.D.	Return	Risk (Standard Deviation)
Total Fund	13.5	3.7	
TMI (34/7/14/10/35)	13.1	3.1	
TMI (65/35)	13.9	3.9	



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Appendix



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Overview and Benchmarks

Overview

Gallagher Fiduciary Advisors, LLC was retained by Westmoreland County to measure the ongoing performance results of the Employees' Retirement Fund. The Retirement Fund utilizes a diversified approach that includes large cap domestic value, growth and core equities, small cap domestic value and growth equities, international equities, hedge funds, and diversified fixed income (including a strategic allocation to domestic high yield and emerging market debt instruments). Measuring and diagnosing performance is a key link in the fund management process. It provides information that can be used to evaluate and appraise managers, rethink investment policy, and plan portfolio strategies. Investment monitoring also serves as the basis for a continuing dialogue with your investment managers.

Benchmarks for Comparison

We concentrate our industry-standard comparisons in four fundamental areas. Specifically, we show performance relative to:

- stated investment objectives,
- appropriate market indices,
- the amount of risk taken, and
- other professionally managed funds.

Unless otherwise indicated, the following market benchmarks are used throughout this report:

For equities: Standard & Poor's 500 Stock Index (S&P 500 Index)
Russell 1000 Value Index
Russell 1000 Growth Index
Russell 1000 Mid Cap Growth Index
Russell 2000 Value Index
Russell 2000 Growth Index
Europe, Australasia & Far East Index (EAFE Index)

For hedge funds: HFR Fund of Funds Index

For bonds: Barclays Aggregate Index (BC Agg Index)

For cash reserves: 90-Day T-Bill rate (T-Bills)

For total fund: From 2/1/09 to Present – TMI (34/7/14/10/35) constructed of 34% S&P 500, 7% Russell 2000, 14% EAFE, 10% HFR Fund of Funds, and 35% BC Agg. From 6/1/06 to 1/31/09 – TMI (39/8/8/10/35) constructed of 39% S&P 500, 8% Russell 2000, 8% EAFE, 10% HFR Fund of Funds, and 35% BC Agg. From 12/31/00 to 5/31/06 – TMI (44/8/8/40) constructed of 44% S&P 500, 8% Russell 2000, 8% EAFE, and 40% BC Agg.

In addition, the Consumer Price Index (CPI) is used as a benchmark for inflation.



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Research: Market Review and Outlook – Equities

Equity markets (S&P 500 Index) managed to post another quarter of solid gains, returning 12.6% during the first quarter and 28.1% since the October 2011 low. The U.S. economy served as a positive catalyst during the quarter as the economic data surprised largely to the upside. The U.S. unemployment rate fell to 8.2% in March, which is the lowest since January 2009. Headline risk subsided as European debt woes and China growth concerns took a back seat to the improving U.S. economy and continued strength in corporate America.

U.S. Equities

- Despite the solid gains in equities during the past two quarters, valuations remain reasonable on a stand-alone basis and very attractive relative to fixed income.
- U.S. equities have risen to levels not seen since early 2008, but current valuations remain more attractive than those in 2008.

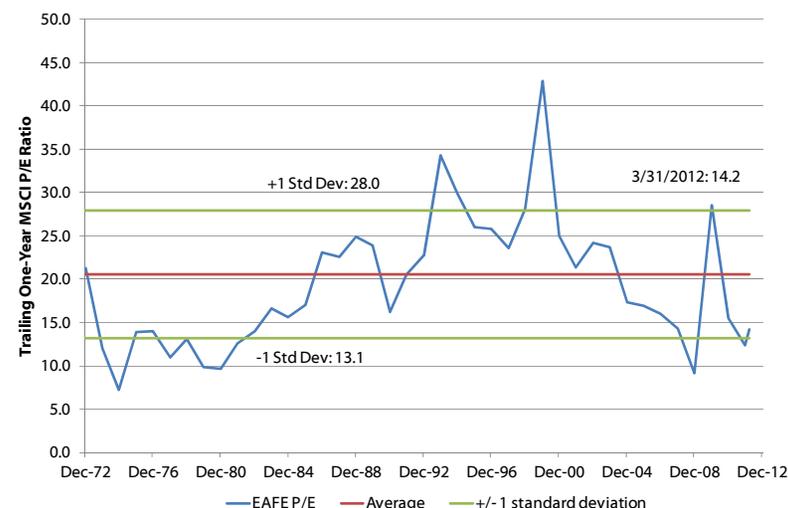
International Equities

- Developed international and emerging market equities posted first quarter gains of 10.9% and 14.0%, respectively. Emerging market equities were the standout, benefitting from investors' increased appetite for risk.
- Developed international equities appear attractively priced both on a stand-alone basis and relative to domestic equities. Emerging market equities remain attractively priced despite the strong rally during the quarter (11.8 P/E as of 3/31/2012).

U.S. Equity Price-to-Earnings Ratio
December 1972 - March 2012



International Equity Price-to-Earnings Ratio
December 1972 - March 2012



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¹ Based on the cyclically adjusted price/earnings ratio developed by Robert Shiller, Yale University

Research: Market Review and Outlook – Alternatives

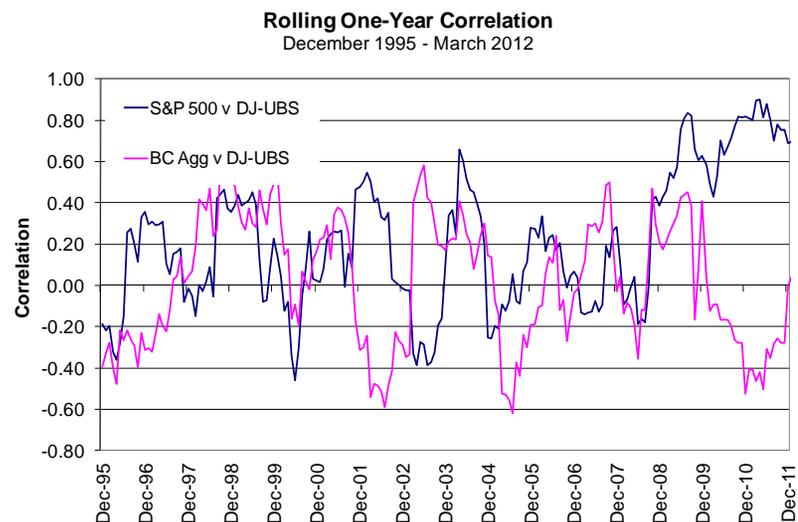
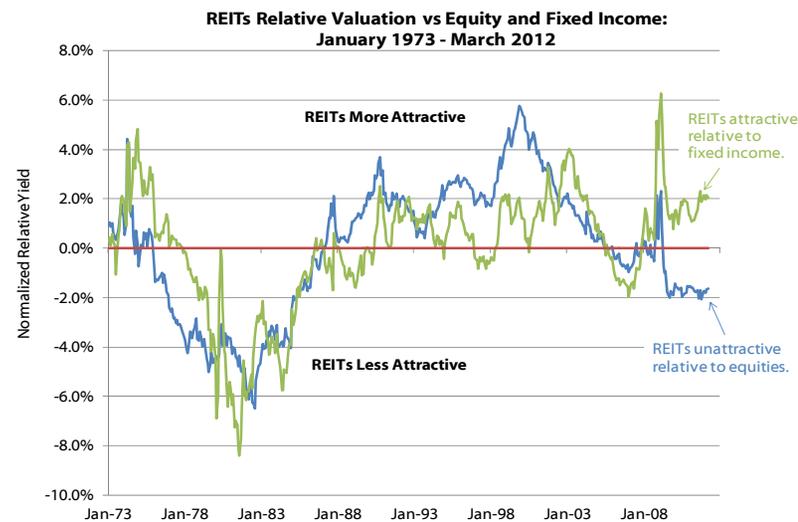
Real Estate Investment Trusts (REITs)

- REITs gained 9.1% during the first quarter.
- The NAREIT* Index dividend yield finished the quarter at 3.5%.
- REITs appear overvalued relative to equities primarily due to the low dividend yield, but appear attractively valued relative to fixed income.
- The late 1970s to early 1980s illustrates that REITs have served as a strong inflation hedge relative to fixed income in the past.

*National Association of Real Estate Investment Trusts

Commodities

- Commodities trailed most indices during the quarter by producing a small gain, advancing 0.9%.
- Natural gas (7.4% of the index) was the worst performing sector by a wide margin during the quarter, falling 37.0%. Gasoline (4.0% of the index) was the best performing sector, returning 19.4%.
- After an initial spike in correlations in 2008, correlations with equities have remained high, but are beginning to decline. Correlation is a measure of diversification; the lower the correlation, the better the diversification. Over the long-term, commodities can provide diversification and offer the potential to hedge inflation more effectively than equities and fixed income.



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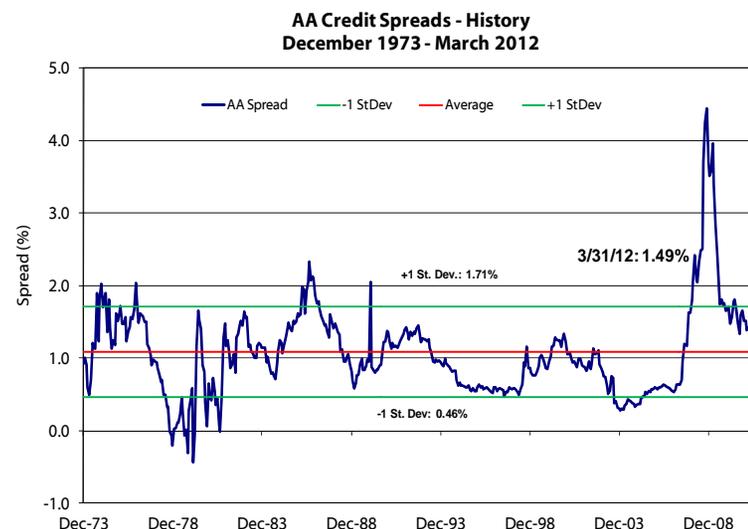
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Research: Market Review and Outlook – Fixed Income

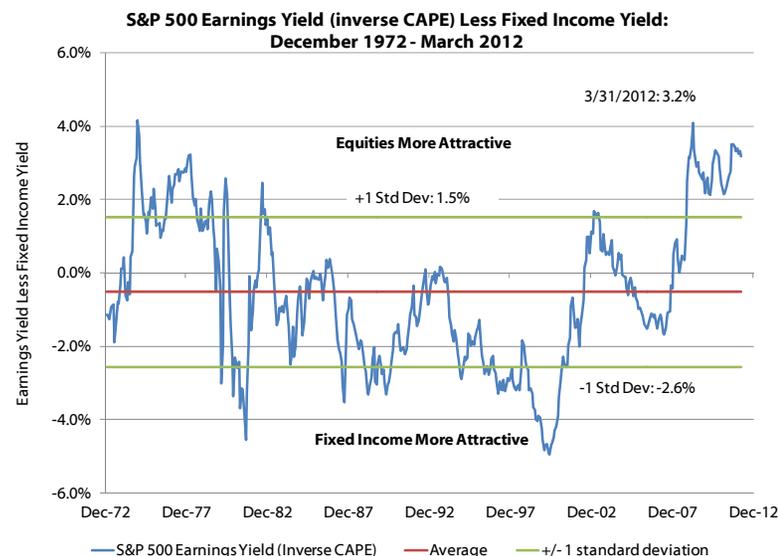
Fixed Income

- Fixed-income markets gained 0.3% during the quarter as tightening credit spreads more than offset rising Treasury yields (bond prices and rates move in opposite directions). Despite the 0.3% tightening in credit spreads, credit remains attractively priced relative to U.S. Treasuries.
- High-yield securities, especially the lower-quality issues, were the best performing segment of the bond market during the quarter. High-yield credit spreads are in-line with the long-term historical average.
- Interest rates remain low by historical standards, and the recent improvement in the U.S. economy has increased the probability of rising rates in the short-run. We continue to believe that rates are likely to be higher three years from now than they are today.



Total Portfolio

- The bottom chart shows the earnings yield for U.S. equities (earnings yield is the inverse of the Price/Earnings ratio: Earnings/Price) minus the yield for fixed income (BC Intermediate Gov't/Credit). The chart illustrates the equity premium, or the additional return investors require to invest in equities rather than fixed income.
- Despite the exceptional bull market during the past several years, the equity premium remains within 1% of the premium during the financial crisis, suggesting that investors are being adequately compensated for taking risk in the equity markets.
- We recommend that most portfolios maintain an equity allocation between the long-term target and the upper bound of the allowable range. Fixed-income allocations should be between the long-term target and the lower bound of the allowable range.



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Research: Market Review and Outlook – Summary

Given the current market characteristics and valuation metrics, we have developed an intermediate-term outlook for capital markets by asset class. These are shorter-term recommendations intended to complement our long-term (10-year) Capital Market Assumptions. The recommendations that follow represent general guidelines for many portfolios, however, the unique investment and operational characteristics of each institution should be carefully considered before implementing any change in portfolio or investment strategy.

Asset Class	Recommended Allocation	Explanation
U.S. Equities	Between target and upper bound of allowable range	U.S. equities appear reasonably priced based on long-term price-to-earnings ratios; the current valuation increased slightly during the first quarter, but remains attractive relative to fixed income. We believe, therefore, that current valuation levels are reasonable. Equity investors should continue to expect above-average market volatility.
International Equities	Between target and upper bound of allowable range	International equities appear cheap based on current valuation metrics. Europe continues to struggle under the weight of sovereign debt concerns, but European fiscal and monetary authorities have taken several proactive steps to stem the crisis. Emerging Market equities outperformed developed equities during the first quarter. We continue to believe that these countries will be the world’s primary growth engine going forward. Investors should consider an allocation to Emerging Markets.
Real Estate	At target	REIT dividend yields remain low by historical standards, but the decline in fixed income yields has made REITs slightly more attractive on a comparative basis. REITs remain likely to underperform equities, but the degree of their expected outperformance relative to fixed income is a positive development for investors.
Commodities	Between target and lower bound of allowable range	Commodities posted a modest gain during the first quarter and continue to offer potential as both a hedge against unexpected inflation and a diversifying asset in most portfolios. Despite modest expected returns, the diverse nature of the asset class can help to mute volatile price swings for any single commodity (such as oil, gold or wheat).
Fixed Income	Between target and lower bound of allowable range	Short- and intermediate-term interest rates remain extremely low compared to long-term averages, and we expect rates to rise if and when economic growth resumes. Credit spreads are above long-term averages, suggesting that investors will be better compensated by investing their fixed-income allocation outside the U.S. Treasury sector.



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Glossary

Alpha (Manager Impact)

Alpha, a measure of the manager's contribution to performance, is expressed as an annual compounded rate of return, adjusted for risk. Alpha represents the difference between the actual performance and the expected performance of a fund given its volatility (or risk). The expected value for alpha is zero. If positive, the fund has achieved a return above that expected for its volatility. A negative alpha reflects fund performance below that expected for its volatility.

Beta (Volatility)

Beta measures the sensitivity of a fund's return to changes in the S&P 500 Index. It is commonly referred to as "market-related risk". A fund's beta measures the historical percentage change in the fund's rate of return accompanying a 1% change in the index return. Funds with a beta of 1.00 are, by definition, as volatile as the market index. Funds with a beta of 0.50 are half as volatile.

Cash and Equivalents

Cash and equivalents include all money market funds (sweep accounts), bonds and debentures that have a maturity of less than one year at a time of purchase, and cash held in the income and principal accounts.

Diversification Factor

Diversification measures the correlation between a fund's performance and the performance of a comparable index. This correlation identifies the amount of variability that is derived from the market. A value of 1.00 means that all variability is due to the market while a value of 0.85 means that only 85% of the variability can be traced to the market.

Equities

Equities include all common stocks, convertible preferred stock, convertible bonds and debentures, and warrants.

Fixed Income

Fixed income includes all bonds and debentures that have a maturity greater than one year at time of purchase. When a fixed-income issue's maturity has become less than one year, it remains in the fixed-income section.

Market

For comparative purposes, the term "market" normally refers to the S&P 500 for

equities and to one of the Lehman Brothers Government/Corporate Bond Indices (LB G/C or LB G/C I) for fixed-income securities. For the total fund, a composite index is constructed from the S&P 500 Index, the Bond Index and the three-month Treasury Bill rates in the same target mix allocation for the fund.

Rates of Return

All returns are time weighted. Returns for less than one year are not annualized. Returns for periods greater than one year are presented as annual-compounded rates.

Selection

Selection measures the manager's ability to select investments that outperform a comparable index. Selection is calculated as the difference between your fund's return and the return of a hypothetical composite market index which has the same asset allocation.

Standard Deviation (Variability)

Standard deviation measures the dispersion of monthly returns around their average. The higher the variability, the greater the total risk associated with the portfolio.

Timing

Timing measures the manager's ability to add value by altering asset mix. Shifting assets into markets that are rising results in positive timing, while shifting assets into markets that are falling results in a negative timing impact.

Total Fund

Total fund includes equities, fixed-income securities, cash equivalents, and any other investments such as real estate, international, etc.



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Firm Update: Gallagher Fiduciary Advisors, LLC

On Thursday, March 1, 2012, Gallagher Benefit Services, Inc. announced the renaming of our firm to Gallagher Fiduciary Advisors, LLC, a subsidiary of Gallagher Benefit Services, Inc. The new name better reflects our scope of services to help clients achieve their investment objectives and mitigate fiduciary risk.

About Gallagher Fiduciary Advisors, LLC

- Independent investment consulting arm of Arthur J. Gallagher & Co. (NYSE: AJG)
- Approximate \$48.8 billion in total assets (as of Dec. 31, 2011)
 - \$46.3 billion Investment Advisory Assets
 - \$2.5 billion Discretionary Assets
- Primary Offices: Newark, Pittsburgh, Washington D.C.
- 239 Clients
- 56 Employees
 - 19 Chartered Financial Analyst (CFA) charterholders*
 - 7 Accredited Investment Fiduciary® designees
 - 4 Attorneys (JDs)
 - 2 Chartered Alternative Investment Analyst (CAIA) designees
 - 1 Certified Public Accountant (CPA) designee

*8 Chartered Financial Analyst (CFA) candidates



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