E. Discretionary Fiduciary Investment Management Services

1. **Describe your firm's background and experience serving as both a discretionary and non discretionary investment advisor in evaluating, selecting and monitoring investments on behalf of pension fund investors – and specifically ERISA investors.**

Russell ranks among the world's leading providers of consulting and investment management services, providing investment solutions for some 2,300 clients in over 35 countries. Firm-wide, we advise on $2.4 trillion (as of 12/31/2012) and manage over $152 billion in assets (as of 6/30/12). In North America, Russell serves nearly 200 institutional investment management clients with more than $36 billion in assets under management.

2. **Describe how your firm would approach planning and implementing a discretionary investment program for the Board. How would your firm develop an appropriate asset allocation for each Fund? What unique client factors would your firm consider in establishing the Fund's asset allocation? What are the steps your firm would take to execute this plan? Explain your philosophy and methodologies for developing asset allocation for a Multi-Employer Defined Benefit Plan.**

Asset allocation methodology is an area in which Russell's size and depth of resources benefits our clients. Our associate base currently includes nearly 20 PhDs, many of whom are involved in allocation strategy and forecasting efforts. We have 15 associates devoted to capital markets research alone, and another 28 devoted to investment strategy. Our goal when providing asset allocation recommendations is not to simply deliver a set of allocation weights, but to assist our clients in understanding the benefits of these weights versus an alternative. We also believe that, since the financial crisis began, asset allocation must be reviewed in depth both for its longer and shorter term assumptions and return expectations. Only by exploring the range of consequences for a specific choice and its alternatives can investors confidently establish an investment policy to guide them forward. Our asset allocation analysis includes a range of activities, such as:

- Identification of appropriate asset classes
- A joint analysis of assets and plan objectives to understand viable allocation strategies
- An implementation strategy designed to execute the selected strategies
- Discussion about on-going rebalancing and monitoring, or the application of an enhanced asset allocation process to apply a shorter term overlay on top of a long term strategic decision.

CAPITAL MARKETS MODEL AND ASSUMPTIONS

Russell's capital markets model and assumptions have been used by clients over the past 25 years. We have a dedicated team entrusted with the ongoing calibration, and improvement of the model through rigorous capital markets research. The basic model framework is a third-party solution from Barrie & Hibbert, a firm well known for providing world-class risk modeling solutions to financial services firms. At its core, the model is open architecture, and Russell has highly customized the overall structure to best serve our clients needs. Key model features are global consistency in asset returns, and global coverage of the wide set of asset classes that are of interest to clients. Russell's capital market assumptions are also built very conservatively as compared to our peers.

In Russell's work, there is an underlying multi-factor econometric model which generates interest rates, inflation, dividend yields, and asset class returns. The factor and asset returns possess "real world" features, such as distributions that have fat tails and time-varying volatilities and correlations. This is especially helpful as we move into a multi-currency and multi-inflationary world.

Our modeling of alternative asset classes (private equity, hedge funds, and real estate) has become more realistic as we have benefitted from both academic work and improved data resources for these asset classes.

Every time the model is updated, there is a new set of starting conditions. In our model, key variables—such as interest rates—move from their start values to equilibrium rates gradually over a period of many years. Along the transition from current values to equilibrium, there are random shocks, which capture the imbedded uncertainty of future values. The movement from starting values to equilibrium interest rates has a big impact on returns for bonds. Equity returns are built as a premium over the riskless rate and thus are sensitive to cash returns as well as having variability that depends on other model factors.

CAPITAL MARKETS FORECASTS

Russell's capital markets forecasts and asset class forecasting process is designed to project market outcomes over strategic planning horizons and are constructed by identifying and estimating structural relationships among market elements. Key elements include:

- **Building block approach to individual asset classes.** Asset class modeling is a complicated process that takes into account variation in asset returns through time and across possible "states" of asset markets. Russell captures the dynamic behavior of returns using a statistical factor model that incorporates stochastic (i.e. time-varying) volatility. Interdependence among returns is modeled using a correlation structure that applies proprietary expertise to historical information. But we do understand that time horizons differ for individuals and that relationships amongst the asset classes change.
- **A globally integrated perspective.** Recognizing that international capital markets have a common set of factors that drive asset returns and interest rates, we link multiple economies in a single modeling framework to achieve global consistency. A common set of equilibrium conditions is applied to a broad set of market components, including nominal and real interest rates forward rates and inflation rates.
- **Equity Risk Premiums (ERPs).** Russell uses a globally-consistent capital-markets model that is comprised of both regional and country components. With a globally-integrated model, a single global ERP is used and regional-specific and country-specific expected returns are obtained by applying global Capital Asset Pricing Model methodology. By incorporating observed equity market returns, ERPs for individual economies are derived through a "reverse optimization" process.
- **Frequent updates of capital market assumptions.** Russell remains vigilant in using the most up-to-date capital market assumptions, updating our data on a quarterly basis.
- **Comprehensive, risk-free term-structure modeling for real and nominal interest rates.** Initial yield curves (for forward interest rates and real interest rates) are fitted using available market data. The evolution of yield curves through time is based on a two-factor, stochastic model.
- **Comprehensive credit yield-curve modeling.** Credit yields are modeled for multiple ratings as spreads from the risk-free term structure. The credit premium is targeted for a specific rating and term, and other credit spreads are set relative to this target.

3. Describe your firm's experience in serving as a discretionary fiduciary on behalf of collectively bargained multi-employer defined benefit pension plans. Describe your experience in working with clients who have established either "Funding Improvement Plans" or "Rehabilitation Plans" as required by the Pension Protection Act.

Russell serves collectively bargained multi-employer (Taft-Hartley) clients in a number of capacities. Of our 176 U.S. institutional clients, 5 are union clients whose total AUM is nearly $900 million (as of 6/30/12).

Since the passage of the Pension Protection Act, Russell has been advising clients to de-risk pension plans. Our process for determining asset allocation will be driven by the term structure of liabilities for each plan, funded status, and the Fund's pension contribution strategy. Given today's interest rate environment, Russell advocates de-risking each plan as funded status improves. We focus on providing clients pension strategy using a 'surplus' approach to view their liabilities. Examples of this process are provided in question 4 on the next page.

4. Provide at least two (2) examples of your firm's quantitative and qualitative analyses used to support decisions regarding asset allocation on behalf of ERISA defined-benefit plans. In each case, describe the client's investment objectives and how your asset allocation decisions were determined.

Improving Funded Status

In this example, Russell worked with a client to improve focus on and management of a pension surplus, while adjusting market and risk exposures as opportunities presented themselves. In mid-2007, the Plan's Investment Committee decided to embark on a funding plan that included both increased contributions and a focus on managing surplus volatility.

Actions

In the post Pension Protection Act ("PPA") environment, the Plan decided to change asset allocation over time from 75% equity and 25% bonds to 25% equity and 75% bonds based on recommendations included in a Strategic Plan Review performed by Russell.

- **CONTRIBUTIONS**, the plan sponsor contributed $130M and allocated the contribution to Long Bonds in the second quarter of 2008.
- **ALLOCATION SHIFTS**, In response to the adverse effects from significant equity market declines resulting from the financial crisis in the U.S. Russell recommended accelerating the mix shift from equities to bonds, avoiding some of the equity market decline and benefiting from lower interest rates.

Results

The Russell recommended allocation changes resulted in a funded status of 89% compared to the 75% that would have resulted with the legacy allocation – an improvement of $64M for the plan. A presentation outlining the timeline and actions included in this case study has been included in the **Attachments**.

Dynamic Management of LDI portfolios

In the midst of the market turmoil that engulfed plan sponsors in 2008/09, Russell was one of the first firms in the industry to advocate to its clients the need to reduce exposure to Treasury STRIPS and interest rate swap exposures and increase allocations to high quality corporate bonds within liability-hedging portfolios. The paper in the **Attachment** *Attractive yields on corporate bonds may be of strategic interest to DB plans (Nov 24, 2008)* was written right around what turned out to be the peak in corporate bond yield spreads when corporate bonds had 'de-coupled' from Treasuries and swap curves, in simple terms making Treasuries and swaps unattractive from a liability-hedging perspective. Clients who took our advice in this area benefited as long corporate bonds substantially outperformed Treasuries and swap based LDI portfolios over the following 12-18 month period.

5. **Describe in detail the process by which your firm would identify, evaluate and select appropriate investments within the following asset classes. What are the critical features or terms your firm looks for in evaluating the attractiveness and risks associated with prospective investment strategies and products within these asset classes?**

- **US Equities**
- **Non-US Equities**
- **Global Equities**
- **Fixed Income**
- **Real Estate**
- **Private Markets**
- **Hedge Funds**

In 2011 Russell's manager research analysts evaluated nearly 5,500 investment products, including all asset classes listed above. By employing quantitative standards and in-person evaluations we reduced this field to over 600 that were assigned a "hire" rank.

The following table details the manager products in our database for which we've assigned a ranking, organized by asset classes as of April 30, 2012.

Asset Class	Manager products ranked in Russell's database (as of 4/30/2012)	Percentage of those manager products that were also rated "hire" five years ago
US Equities (large, mid and small cap)	1,623	42%
Global Equities	619	31%
International Equities	315	41%
Emerging Market Equities	268	29%
High Yield Bonds	84	75%
Reinsurance	0	0%
Commodities	33	0%
Hedge Funds	123	2%
Private Equity	8	0%
Real Estate	114	45%

Manager products that are currently hire ranked and were also hire ranked in 2007 have not necessarily retained that rank throughout the intervening period.

6. **Describe the extent to which your firm normally uses active vs. passive management in the publicly-traded asset classes noted above.**

Russell prefers to incorporate elements of both active and passive management. Beginning with a process called "alpha mapping," Russell establishes a preference hierarchy for which asset classes we believe are most likely to generate excess returns in magnitude, persistence, and risk-adjusted terms. How much active versus passive to include depends upon several factors, such as the return needs of the fund, current market conditions, fees budgets, the tracking error and cost of the passive alternative, and the ability of a "smart beta" allocation to offset an uncompensated factor bet in the active portfolio.

The underlying question in any discussion about active and passive management is the degree to which managers add value to a portfolio above what the market contributes. The greatest distinction between active and passive investing is the belief that an informed, expertise-rich investment process can produce above benchmark returns. Our insight in distinguishing managers who we believe capable of outperforming can be used to the investor's advantage. Russell's process helps clients increase their odds of success in pursuing excess returns above a benchmark while maintaining broad diversification.

Russell does, however, recognize that some asset classes (such as US large cap) are more efficient than others. This may lead some investors to prefer a passive implementation in that asset class and subsequently seek to be more active in other areas of the portfolio when allocating their total risk budget. This is another area in which our research and advice have helped inform our clients' investment strategies.

7. In making rebalancing decisions, describe the extent to which your firm tactically rebalances portfolio assets to take advantage of short term market movements or makes rebalancing decisions solely focused on maintaining the long term asset allocation targets.

To respond to shorter term changes in the market environment and as a result of the evolving economics of the global financial crisis, Russell introduced a set of tactical services that we call Enhanced Asset Allocation (EAA). EAA is designed to provide investors a disciplined and strategic response to market conditions by utilizing a proprietary model to help "tilt" a client's asset allocation within their defined strategic rebalancing ranges. As we all know, rebalancing and the decisions around it have been one of the most important and difficult governance decisions since 2007.

EAA can be tailored at one end of the spectrum to a tactical return-seeking exercise, or at the opposite end of the spectrum to more of a risk management tool to inform the timing of asset allocation changes. In particular, on the latter, we are often asked to use EAA views to inform whether it is appropriate to fully implement an asset allocation change along a client's dynamic glide path or LRAA schedule. We describe our techniques in a paper in the **Attachment** called "*Informed De-Risking".*

We work with clients to ensure that any tilts resulting from EAA don't overwhelm the risk budget or interfere with other active investments, such as manager selection or asset class structure strategy. The EAA deliverables are tailored to client governance and decision-making structures to help ensure that fiduciaries can take full advantage of our recommendations.

Russell has been providing a portfolio tilting approach for a large investment program for the past five years and would be happy discuss the provision of such service with the Fund if appropriate. The origins of this program lie in a number of initiatives that date back many years, such as forecasting models that have been built for specific client needs and strategic modeling that have been carried out by Senior Markets Advisor emeritus Ernie Ankrim and others. Additional information is available in a research paper introducing Russell's approach to Enhanced Allocation, which is available upon request.

8. Discuss your firm's tracking system for prospective investments. What asset classes continually evaluated? How many investment opportunities and managers are tracked? What quantitative and qualitative criteria are maintained? How many in-person meetings did the firm conduct in 2010 and 2011?

Russell's manager research is retained in our proprietary database—we believe one of the largest and most comprehensive investment manager tracking databases in the world—that serves as Russell's primary repository for our global research effort. It contains historical data on approximately 8,500 manager investment products, and includes opinion statements, details on investment approach, biographies, notes from all evaluation sessions historically, performance, and many more details to allow our portfolio managers and analysts to establish in-depth understanding of the investment managers and their capabilities.

Managers in our database are reviewed continuously, and new managers and products are added as we become aware of them. We do not charge and will not accept compensation from investment advisors to be included in our manager research database, consulting recommendations, or multi-manager funds assignments.

Manager Research

Our research focuses on the four aspects of a product: the people, the process, the portfolio and the performance. Of these, an ongoing evaluation of the first three have the potential to give early warning of future problems, and they are, therefore, the most important factors in judging whether or not one has lost confidence in the product. Poor performance can never be an advance indicator; it can only signal problems after they occur. As such, our ranks are geared towards those products we believe will out-perform on a forward looking basis, and not simply reflect any prior experience with a manager.

Our fundamental evaluations encompass organizational and investment process characteristics. Among the important features of our fundamental evaluations are:

▪ Organization	▪ Information management
▪ Leadership	▪ Investment process
▪ Experience	▪ Stability of personnel
▪ Realistic goals	▪ Conceptual basis for philosophy
▪ Research and development efforts	▪ Adherence to philosophy
▪ Decision-making efficiency	▪ Investment Risk management
▪ Competitive drive	▪ Integrity

Our quantitative research involves analyzing portfolio characteristics and performance. The following summarizes some important quantitative evaluation factors:

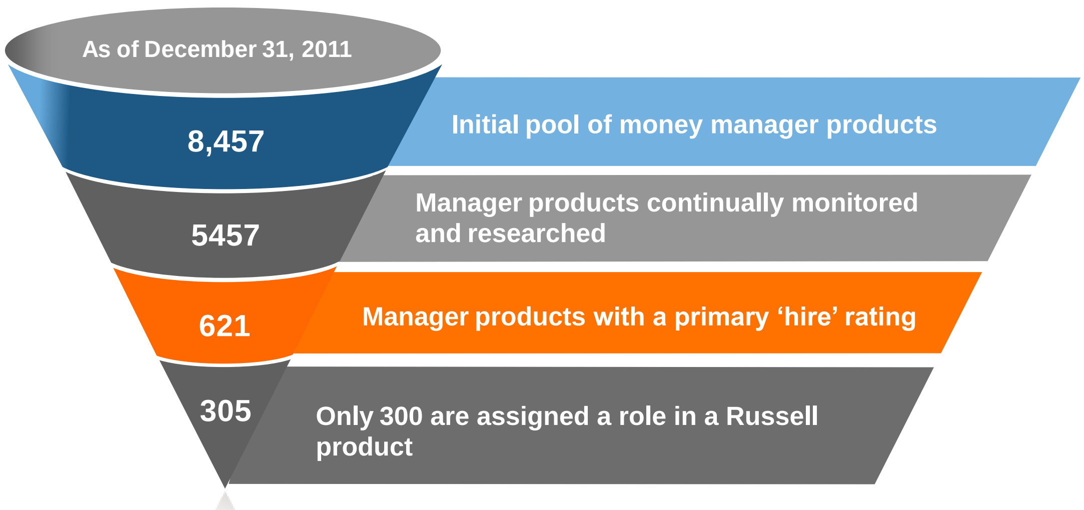
▪ Portfolio construction	▪ Absolute and risk-adjusted performance vs: ◦ Broad manager universe ◦ Broad market indexes ◦ Peer group ◦ Style indexes ◦ Source of relative performance ◦ Effects of portfolio turnover
▪ Consistency with philosophy	
▪ Stability through time	
▪ Magnitude of risk assumed	
▪ Ability to manage sizable accounts	
▪ Performance	

Quantitative investment parameters contained in manager guidelines are monitored daily using the Charles River platform. This state-of-the-art application receives daily holdings files and produces alerts and warnings which are investigated and monitored by Russell for resolution.

Russell also monitors portfolio characteristics to identify shifts in portfolio structure relative to expectations for each of our managers. When we see changes that are outside of our expectations, we intensify our evaluation of those managers. This includes monitoring the movement of key people and associated organizational changes in the industry.

9. Please describe your firm's approach to the investment selection/due diligence process. What are the most important criteria? Who is involved in the decision-making process? How many investment opportunities did the firm screen in 2011? How many investment opportunities did the firm perform in-depth due diligence upon in 2011?

Russell's manager research emphasizes both a fundamental (organization, people, and investment process) and a quantitative (performance and investment profile) analysis process for conducting comprehensive evaluations of individual investment products. Our fundamental and quantitative assessments gained from multiple meetings and evaluations over time allow Russell to establish an overall opinion of the organization and its investment strategies. In 2011 Russell's manager research analysts evaluated nearly 5,500 investment products. By employing quantitative standards and in-person evaluations we reduced this field to over 600 that were assigned a "hire" rank, as shown in the graphic on the next page.



Russell believes so strongly in the face-to-face meeting approach to manager research that our analysts spend nearly 80% of their time with the investment management community. On average, each of our manager research analysts makes between 30 and 50 onsite visits to managers each year, and supplement these in-person meetings with teleconferences and videoconferences.

Russell currently employs 60 full-time manager research analysts conducting research in 23 countries. We believe their efforts grant our clients a critical information advantage regarding the global institutional investment manager community, placing them in a stronger fiduciary position. The most recent evidence of the value they deliver to our clients has been provided in FundFire's annual surveys of investment professionals in each of the last four years. The surveys polled consultant relations and sales specialists at asset manager firms. When asked which consulting firm put managers through the most stringent due diligence review, Russell was rated among the top in every survey.

Our research process is distinguished by five key strengths:

- Depth of coverage
- Number and quality of dedicated investment professionals
- Availability of historical information
- State of the art analytical tools
- Reputation and length of history with investment management firms

10. If your firm manages (or anticipates or is contemplating managing) any fund-of-funds please describe those vehicles and detail how the decision is made to invest client assets in proprietary commingled vehicles relative to separate account allocations.

Russell has been managing assets for clients since 1980, and we believe strongly in the importance of diversification—not only of the asset classes comprising a portfolio, but also of the styles and managers comprising each of those asset classes.

The portfolios we develop for our clients can include separate accounts, multi-manager funds, passive investments, derivatives for hedging, ETFs, enhanced asset allocation, and smart beta or factor exposures—all of which make continuous and integrated use of Russell's extensive experience in asset allocation, manager research, and implementation services. As summarized in the table below, Russell provides our U.S. clients with access to a wide range of institutional investment strategies, all of which are comprised of multiple, independent investment managers selected by Russell based on our assessment of their unique investment styles and abilities. Russell has no ownership in any external investment managers.

Traditional asset classes

U.S. Equity – Large Cap

- Core multi-style
  - Russell Equity I Fund
- Quantitative
  - Russell Large Cap Defensive Equity Fund[1]
- Enhanced
  - Russell Enhanced Index U.S. Equity Fund
- Concentrated
  - Russell Concentrated Equity Fund
- Style
  - Russell U.S. Value Fund
  - Russell Growth Fund
- Passive
  - Russell 1000® Index Fund (Series I)
  - RIFL Russell 1000® Defensive Index Fund[2]

U.S. Equity - Small Cap

- Core small
  - Russell Small Cap Fund
- Core small-mid
  - Russell Equity II Fund

Non-U.S. Equity

- Developed markets
  - Russell International Fund
- Developed markets - with active currency
  - Russell International Fund with Active Currency
- Emerging markets
  - Russell Emerging Markets Fund
- All markets
  - Russell All International Markets Fund
- Frontier markets
  - Russell Frontier Markets Equity Fund

U.S. and Non-U.S. Equity

- World equity
  - Russell World Equity Fund

Multi-Asset

- Russell Multi-Asset Core Fund[4]

Fixed Income

- Money market
  - Russell Short Term Investment Fund
- TIPS
  - Russell Inflation-Protected Securities Fund
- Short duration
  - Russell Fixed Income II Fund
- Core quantitative/passive (intermediate)
  - Russell Quantitative Bond Fund
- Core (intermediate)
  - Russell Fixed Income I Fund
- Core plus (intermediate)
  - Russell Multi-Manager Bond Fund

Liability Driven Investing

- Target Duration
  - Russell 6-Year LDI Fund
  - Russell 8-Year LDI Fund
  - Russell 10-Year LDI Fund
  - Russell 12-Year LDI Fund
  - Russell 14-Year LDI Fund
  - Russell 16-Year LDI Fund
- Long duration
  - Russell Long Duration Fixed Income Fund
- Ultra duration
  - Russell Ultra Duration Fixed Income Fund

Marketable Real Assets

- Real Asset Fund of Funds
  - Russell Real Asset Fund
- Global Public REIT's
  - Russell Global Real Estate Securities Fund
- Commodities
  - Russell Commodities Fund
- Global Listed Infrastructure
  - Russell Global Listed Infrastructure Fund

Alternative investments

Private Equity (Pantheon)[3]

- U.S.
- Europe
- Asia

Private Real Estate

- Core real estate
  - Russell Real Estate Equity Fund
- Opportunistic real estate
  - Russell Real Estate Recapitalization and Recovery Fund[2] (not yet funded)

Hedge Funds

- Russell Total Return Fund Ltd.[2]

Unless otherwise noted the strategies listed above are available through collective or commingled trusts for which Russell Trust Company serves as trustee.

1 Effective July 2, 2012 the Russell Large Cap Structured Equity Fund was renamed to the Russell Large Cap Defensive Equity Fund. As a result, the Fund's investment strategy changed from investing in stocks within the Russell 1000® Index to investing in stocks within the Russell 1000® Defensive Index. In addition, the Fund's primary benchmark changed from the Russell 1000® Index to the Russell 1000® Defensive Index.

2 These strategies are available as private placements only. Offering documents for these investments would be provided prior to making any investment in the fund.

3 On June 30, 2010 the purchase of Pantheon Ventures by Affiliated Managers Group became final. Pantheon funds are still available to Russell clients as private placements.

4 Effective April 2, 2012 the Russell Global Equity Fund changed its name to the Russell Multi-Asset Core Fund and changes were made to the underlying allocations/investments.

11. Please describe your firm's ability to educate trustees on investment matters. What experience do the individuals have conducting educational workshops? What types of research materials does your firm develop or have available for clients? Please provide samples of such research reports or white paper.

Russell is actively engaged with our clients and we are committed to their education and development. In addition to the experience brought by your dedicated team, Russell is always happy to bring in the right experts to provide education to staff and committees based on your interests.

Manager Research

The results of our manager research efforts are added to our extensive database, and the information is summarized in Manager Research Reports, in which we weight each assessment factor and assign the manager a ranking. A sample manager evaluation report has been included in the **Attachments**.

Research Publications

As a thought and practice leader in the investment management industry, we provide regular research and commentary via frequent publications, white papers, teleconferences, and webcasts. We devote considerable resources to investment research, and our professionals work to transform that research into practical recommendations for our clients.

In the **Attachments**, we have provided sample research pieces that we believe may be of interest to the Fund's staff. They include: *"Attractive yields on corporate bonds may be of strategic interest to DB plans" (Nov 24, 2008),* and *"Informed De-Risking" (January 2011)*.

Education, Conferences & Events

Russell hosts several events each year in which our clients can hear from and interact with some of the industry's leading practitioners from both within Russell and without.

- **RUSSELL SUMMIT** Clients are invited to our Summit where we introduce new ideas and research on current market trends. Topics range from asset allocation decisions to optimization strategies to fund accounting. Break-out sessions cover topical and timely issues relevant to all types of investors
- **REGIONAL CLIENT CONFERENCES** Similar to the Russell Summit, our regional conferences are intended to cover investment management topics to our clients on a smaller, more intimate scale.
- **RUSSELL INVESTMENT SEMINARS** These seminars are designed to provide Russell clients with an introduction to the investment decision-making process, the issues of asset class structure and manager research, and the characteristics of the major asset classes used by institutional investment funds.
- **RUSSELL SYMPOSIUM** These sessions are group discussions where Russell brings research results or research in progress to our clients in a road show format.

12. Describe any significant innovations or insightful investments your firm implemented for institutional investors over the past several years. Include the names of key staff involved in these developments.

Russell has made a number of significant improvements to its fiduciary solutions offering over the last five years. Some improvements include:

Multi-Asset Investing

Multi-asset investing is the process of gaining exposure to a globally diverse mix of asset classes and styles in a single investment portfolio. Multi-asset investing may combine traditional securities, such as equities and bonds, with non-traditional alternative investments.

The term, multi-asset, is relatively new to most companies. So the definitions vary widely, making it vital that investors compare offerings. Some firms define multi-asset simply by the number of asset classes in a portfolio. Others by the types of asset classes, saying that alternatives, such as private equity and hedge funds, are a must. Still others might align multi-asset with fund-of-fund portfolios, or combinations of short-term and long-term approaches

Multi-asset solutions may provide investors with more opportunities, greater flexibility and enhanced diversification potential. Russell's multi-asset approach carefully examines every component of an investment strategy – with a total-portfolio perspective. Because success requires a willingness – and ability – to use every asset class and every investment strategy in its design to achieve investment outcomes.

Dynamic Asset Allocation Strategies

Russell continues to be at the forefront of liability driven investing and interest rate management strategy development. In the midst of the market turmoil that engulfed plan sponsors in 2008/09, Russell was one of the first firms in the industry to advocate dynamic asset allocation strategies or what we call Liability-Responsive Asset Allocation (LRAA) to our clients. In simple terms, this approach proposed a more systematic approach to risk reduction by reducing equity allocations and increasing allocations to liability-hedging fixed income assets as the plan's funded status improved. This has proven particularly attractive to our clients from a governance perspective for its simplicity.

Liability Driven Investing (LDI)

Russell has been at the forefront of providing advice on asset/liability considerations, and many of Russell's clients were early adopters of LDI strategies and their experience has benefited our client base at large.

Russell remains at the forefront of leading industry developments in the LDI space. On May 2nd 2012, we launched the Barclays-Russell LDI Index Series in collaboration with Barclays to provide US corporate pension funds with benchmarks that match the interest rate, credit and yield curve risks of their liabilities better than any other investable benchmark index series available today. The series consists of six high-quality, mostly corporate-bond-based, benchmarks with target durations of six, eight, 10, 12, 14 and 16 years. Because of their ability to provide lower tracking error versus liabilities while remaining investable, we believe these indexes, and other actively managed LDI products benchmarks managed against these indexes will become a new standard in LDI investing. More information is available on request.

Russell can assist the Fund to determine an effective process to implement an LDI strategy. We have developed a suite of multi-manager interest rate management funds that we use to synchronize our clients' duration of liabilities to that of their asset portfolio. The different average durations of these funds allow us to easily customize the portfolio blend to dial in the desired duration and credit mix for each client.

The benefits of our approach to this problem include:

- A customized approach providing ongoing strategic reviews and an interest rate management solution that's designed specifically for each plan.
- Consolidated asset/liability reporting through Russell's proprietary Pension Funding Report Card.
- Management of duration and credit risks.
- Elements of active management.

Russell also recognizes the evolving nature of LDI portfolios, and we are constantly researching ways to enhance our product offerings to meet the liability-hedging needs of clients with improving funding levels and the desire to further reduce interest rate risk.

Tactical Investment Opportunities

Russell believes that defined benefit plans should be primarily strategic investors, making only modest tactical changes to asset allocation based on market swings. There may be instances, however, for informed and opportunistic rebalancing that may provide incremental gains without adding significant risk to the portfolio. In this context we have developed what we call *Enhanced Asset Allocation (EAA)* – a process which takes small, but very risk-managed tilts of the portfolio towards areas where perceived opportunities are greatest, or to avoid areas of perceived risk.

13. Please provide a sample/model contract that your firm would propose for the scope of services described.

A sample of our Investment Management Agreement has been included in the **Attachments**.

14. Describe your firm's experience advising or structuring portfolios for defined benefit plans headed for insolvency, including the type of plan (corporate, multi-employer, etc). Additionally, please detail the investment strategies you have put in place (or recommended) to address the solvency issue.

Russell is a leading provider of pension management investment services. Approximately half of our pension clients have frozen their plans, with the ultimate goal for plan termination. Russell believes that as funded status improves, it's appropriate to further de-risk. We will work with your actuary to customize strategy for each DB plan with termination as the ultimate goal.

Russell has deep experience working with corporate pension plans, frozen plans and was an early adopter of liability driven investments (LDI). A dedicated client service team will help create an investment plan designed to achieve the Fund's investment goals of minimizing funded status volatility, pension expense and cash contribution, while maintaining an appropriate expected return on assets.

Liability Driven Investing

In addition to our deep experience in providing strategic asset-liability advice, and our industry leading developments more recently in Liability Responsive Asset Allocation ("LRAA") and Liability Driven Investing ("LDI), clients have also found it appropriate and attractive to have a way to respond to market conditions more proactively.

Russell continues to be at the forefront of liability driven investing and interest rate management strategy development. Russell has implemented an LDI Steering Committee, chaired by Martin Jaugietis as Head of LDI Solutions. Our LDI steering committee is a cross-functional entity that draws from the expertise of several Russell departments including: Consulting, Client Service, the Investment Division, and Product Development. This team, currently consisting of 13 members, meets regularly to bring together an understanding of real client needs, academic research and product implementation with the goal of improving solutions Russell brings to its clients. The credentials of this team include six CFA's, two Masters, one PhD, three Actuaries, and over 21 years of average industry experience.

Russell has been at the forefront of providing advice on asset/liability considerations since the early 1990s. Many of Russell's clients were early adopters of LDI strategies and their experience has benefited our client base at large. Russell believes that LDI is a dynamic process involving many moving parts. At the asset allocation level this includes reducing equity-like exposure and increasing liability-hedging fixed income. Within the liability-hedging portfolio, important issues to consider include when to lengthen duration, the importance of the use of credit-based mandates, and sometimes include the use of various duration extension strategies including STRIPS, futures and swaps where applicable and allowable. Solutions for each client will vary depending on liability structure, return requirements, comfort with derivatives, liquidity needs, risk management and monitoring capabilities, and Investment Committee knowledge level. Recognizing that not all LDI strategies will be appropriate at all times, Russell advocates regularly monitoring market conditions and adjusting the LDI strategy if needed. We continue to understand that LDI and its applicable techniques is an evolving practice and will be buffeted by issues such as domestic debt problems and global sovereign risk. However, we believe that the knowledge, experience and depth of our team will contribute to the success of these strategies in the future as they have in the past decade. In the **Attachments** you will find a publication on the subject, "Liability-responsive asset allocation."

Russell can assist the Fund to determine an effective process to implement an LDI strategy. We have developed a suite of Multi-Manager interest rate management funds that we use to synchronize our clients' duration of liabilities to that of their asset portfolio: the Russell Long Credit Fixed Income Fund, Russell Long Duration Fixed Income Fund, and Russell Ultra Duration Fixed Income Fund. The different average durations of these funds allow us to easily customize the portfolio blend to dial in the desired duration and credit mix for each client.

The benefits of our approach to this problem include:

- A customized approach providing ongoing strategic reviews and an interest rate management solution that's designed specifically for each plan.
- Consolidated asset/liability reporting through Russell's proprietary Pension Funding Report Card.
- Management of duration and credit risks.
- Elements of active management.

Russell also recognizes the evolving nature of LDI portfolios, and we are constantly researching ways to enhance our product offerings to meet the liability-hedging needs of clients with improving funding levels and the desire to further reduce interest rate risk.

15. Describe your firm's experience with frozen plans including the type of plan (corporate, multi-employer, etc).

Russell has ample experience with a wide variety of plan types, as detailed in question 14 above. Please see the chart on page 10 for further information about our client counts and AUM over the past five years.

16. With respect to newly formed plans, describe your firm's experience advising or structuring portfolios, including the type of plan (corporate, multi-employer, etc). Additionally, please detail the investment strategies you have put in place (or recommended) for brand new plans.

Investment Philosophy

Russell seeks to add value for all our clients through strategic advice, manager selection, intelligent asset allocation, highly efficient implementation, and the bundling of these (and other) services to reduce the administrative workload of our institutional investment clients. The beliefs outlined below form part of Russell's global investment beliefs, and have been developed over our past 40 years of working with institutional investors around the world.

1. Good governance is a key ingredient for investment success; it is all about assigning responsibility for decisions and actions to parties who are best qualified and resourced to deal with them.
2. Diversification is not only an obligation, it is a necessity. Diversification is virtually costless and reduces risk. It is therefore a necessary part of any investment program.
3. Asset allocation strategy is investor-specific; one size does not fit all. Because investment is a means to an end, an asset allocation strategy should constitute a plan that maximizes the probability of a fund meeting its objectives.
4. Best practice in active management entails multiple, specialist managers. Our research has found that specialist managers are better than generalists at managing individual classes of securities. Moreover, combining managers with complementary skills and processes reduces the risk associated with active management.
5. In selecting managers, past performance is not a predictor of future results. Computer-based statistics are not a good basis for finding good managers. This requires fundamental research of managers' people and investment processes. Excellence in manager research can locate managers who are likely to outperform in the future.

Strategic Review

Russell's methodology for analyzing a client's investment structure and determining the asset class/manager mix begins with a strategic review. Our starting point in collaborating with the Fund in asset allocation and asset-liability studies is in the development of a thorough understanding of the context in which policy is set. Key factors include:

- Nature of the liabilities that the assets are financing
- Length of the investment horizon
- Required level of liquidity

- Ability and desire to bear risk

After we have a thorough understanding of the above factors, we analyze the ramifications of various policy alternatives. The model we would use in evaluating these issues with you would most likely be comprised of five sets of inputs:

- Actuarial assumptions and methods
- Plan population
- Plan provisions
- Asset classes for consideration
- Capital markets forecasts

The first three items provide input for the liability valuations used in the model. These items are integrated with the fourth and fifth items to evaluate the behavior of the plan over time for various investment strategies. We recognize that asset-liability analysis is not only an exercise in mathematical precision, but the application of business wisdom using quantitative tools and judgment, guided by years of experience.

Our asset liability studies are focused, in-depth evaluations that combine information from two main documents: Strategic Review Needs Analysis (questionnaire designed to help determine the current state of the pension plan relative to its goals, various risks and objectives the sponsors are willing to explore), and the Strategic Review Data Questionnaire, completed by the plan's actuary which captures the asset and liability information of the plan as of the most recent valuation date.

The Russell Strategic Review Data Questionnaire assembles a 10-year projection of liabilities, expected benefit payments, sensitivity of the liability measures to changes in yields, and other information to calculate metrics relevant to your regulatory environment including contributions and pension expense. This information along with Russell's capital markets assumptions is used to construct a Monte Carlo simulation of a variety of policy alternatives in which both assets and liabilities are consistently valued across more than 1,000 paths of interest rates, inflation, and returns to individual asset classes. Along each path, our models track assets, liabilities, funded status, contributions, expense, and virtually any other pension metric of interest to a particular client. These metrics are summarized in the form of statistics which capture the average levels as well as the variability and range of outcomes across the distribution of market scenarios. The statistical summary allows comparison of the various policy alternatives of interest to the client.