

## Active Management versus Passive Analysis 10-Year Analysis 1/1/01 - 12/31/10

<b><u>MERS' decision to hire some active managers versus hiring only passive managers.</u></b>							
		<b><u>Time Weighted Returns</u></b>			<b><u>Dollar Weighted Estimates (Net of fees)</u></b>		
		<b><u>Annualized MERS Asset Class</u></b>		<b><u>Annualized Index</u></b>	<b><u>Value of a Dollar Invested in</u></b>		<b><u>Active Management Impact</u></b>
<b><u>MERS Asset Class</u></b>	<b><u>Index</u></b>	<b><u>Gross</u></b>	<b><u>Net of fees</u></b>	<b><u>Net of fees</u></b>	<b><u>MERS Asset Class</u></b>	<b><u>Index</u></b>	<b><u>\$Millions</u></b>
<b>Domestic Equity</b>	Russell 3000	3.66%	3.36%	2.14%	\$ 1.39	\$ 1.24	\$ 243.8
<b>International Equity</b>	EAFE	6.00%	5.54%	3.48%	\$ 1.72	\$ 1.41	\$ 139.7
<b>Global Equity *</b>	MSCI World	8.01%	7.64%	8.21%	\$ 1.08	\$ 1.08	\$ 1.2
<b>Fixed Income</b>	Barclays Aggregate	7.60%	7.51%	5.82%	\$ 2.06	\$ 1.76	\$ 155.1
Estimate of Fund's benefit from its decision to hire active managers over past 10 years.							\$ 539.7

Manager Fees for indices are assumed to be:

Russell 3000 Index - 2 basis points

MSCI EAFE Index - 5 basis points

MSCI World Index - 5 basis points

Barclays Aggregate Index - 2 basis points

Value estimates are based on monthly ERS asset class balances.

Data Sources include Northern Trust, Mercer and Index providers

\* Global Equity inception was March 2010