

WILSHIRE

COMPASS

Fall 2005

Setting New Standards in Fund Sponsor Information Systems and Investment Technology

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2005 Report on City & County Retirement Systems: Funding Levels and Asset Allocation

Wilshire's 2005 report is the third on the financial condition of city- and county-sponsored defined benefit retirement systems and is based upon data gathered from the most recent financial and actuarial reports published by 104 retirement systems. Of these 104 retirement systems, 60 systems reported actuarial values on or after June 30, 2004 and 44 systems reported before June 30, 2004.

For the 60 city and county retirement systems which provided actuarial data on or after June 30, 2004, pension assets and liabilities were \$170.1 billion and \$192.7 billion, respectively. Pension assets grew 13% while liabilities grew 7%. With asset growth outpacing the continued growth in liabilities, the 60 city and county pension plans went from a \$29.8 billion shortfall in 2003 to a \$22.6 billion shortfall in 2004. The ratio of pension assets-to-liabilities, or *funding ratio*, for all 60 city and county pension plans was 88% in 2004, up markedly from 83% for the same 60 plans in 2003.

For the 96 city and county retirement systems which provided actuarial data on or after June 30, 2003, pension assets and liabilities were \$236.6 billion and \$293.3 billion, respectively. The funding ratio for the 96 city and county pension plans was 81% in 2003.

City and county pension portfolios have a 66% average allocation to equities – including real estate and private equity – and a 34% allocation to fixed income. The 66% allocation is slightly higher than the 65% equity allocation in the prior year. The higher equity allocation suggests that pension funds remain committed to stocks, real estate and private equity.

Wilshire's findings of asset shortfall for city and county pension plans are slightly lower than corporate pension plans. Wilshire estimates that as of December 31, 2004 defined benefit pension assets for S&P 500 companies totaled \$1.115 trillion, \$99 billion less than pension liabilities of \$1.214 trillion, giving an aggregate funding ratio for corporate plans of 92%.

For the complete results of the report, please login to the client area of www.wilshire.com with your username and password and search the Resource Library. Should you have any questions, always feel free to contact any of the Compass Client Service team members.

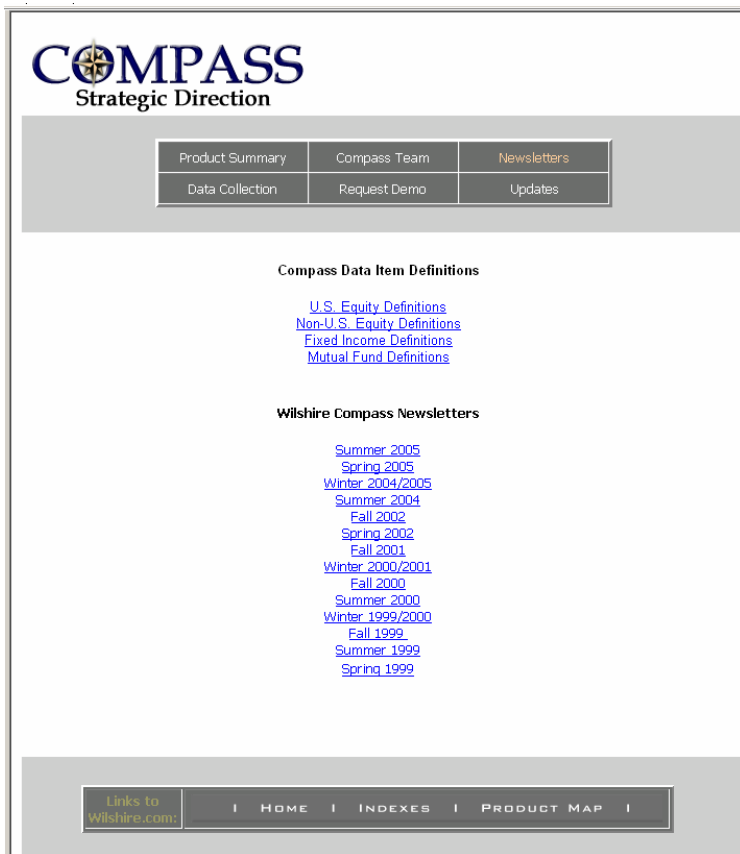
Note: The information contained herein has been obtained from sources believed to be reliable. Wilshire Consulting gives no representations or warranties as to the accuracy of such information, and accepts no responsibility or liability (including for indirect, consequential or incidental damages) for any error, omission or inaccuracy in such information and for results obtained from its use.

Compass Tips and Tricks

These suggestions come from a session at our 2005 Investment Technology Seminar. We welcome and encourage our users to share any tips and tricks they find useful and we will include them in future newsletters.

Compass Newsletters and Wilshire Research

Prior Compass Newsletters and Compass Database definitions are available on the Compass webpage www.wilshirecompass.com



In addition, all Compass clients have access to Wilshire Research via the Wilshire web site: www.wilshire.com

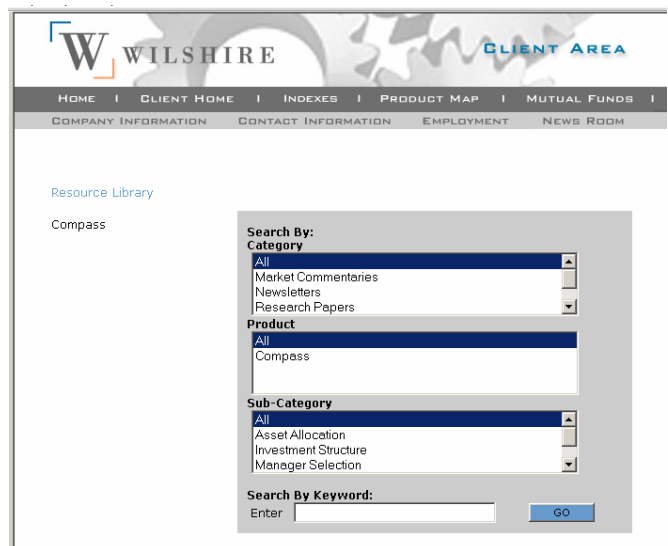
Enter your client id and password, then click Client Log-In.




At the Client Homepage, select the Resource Library.



At the *Resource Library*, the entire database of research can be viewed by leaving the default of *All* and clicking on Go.



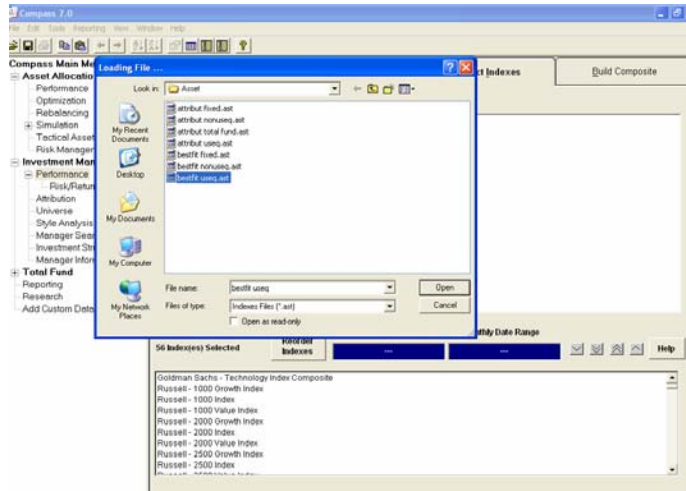
Pre-saved Compass files

Compass includes seven previously saved index files. These files can be accessed within the *Select Indexes* tab by choosing *File* and then *Open* from the tool bar or by using the  button.


The “*Bestfit*” files can be used in the *Benchmark Fit Skill Analysis* analytic. The US Equity group includes 56 common equity benchmarks, the Non US equity group has 39 and the Fixed Income has 9 common fixed income benchmarks.

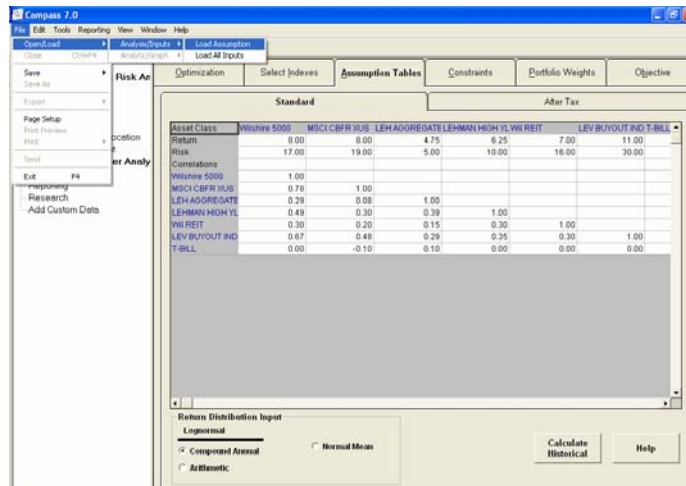
Compass Tips and Tricks

The “Attribut” files can be used in the *Returns Based Attribution Analysis*.




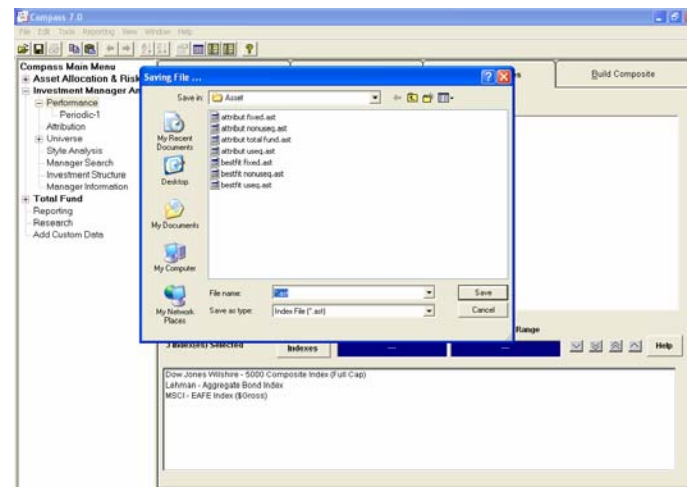
In the *Asset Allocation & Risk Analysis* module, Compass includes a file with Wilshire’s forward looking return and risk assumptions along with asset correlations (as presented in the annual Asset Allocation Return and Risk Assumptions paper).

The file can be accessed within the *Assumption Table* tab under *Optimization* or *Simulation* in the *Asset Allocation and Risk Analytic*. Click on the  button or use File/Load/Assumptions from the command menu and then select the Wilshire.cmt file.



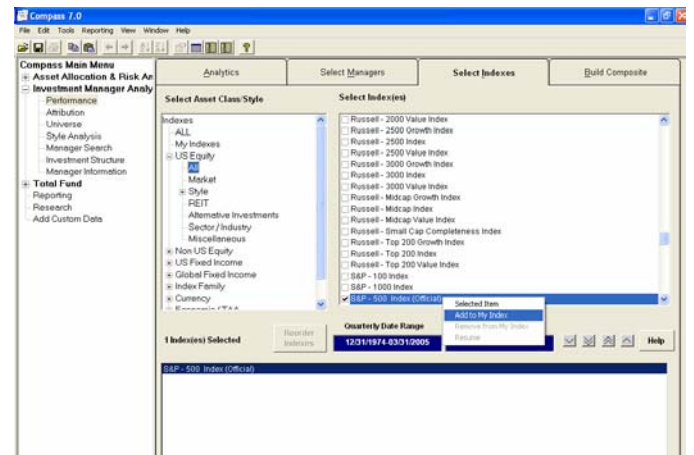
Saving Compass Files

Manager search criteria, manager lists, index lists, assumptions, constraints, portfolio weights, and other inputs can be saved as files in Compass. To save inputs, click on the  button or use the File/Save from the command menu. The Saving File window will open. Although the file extension appears in the file name line, simply click on the line and enter the file name. Compass will automatically add the correct file extension (there is no need to insert the name in front of the extension).



My Indexes and My Managers

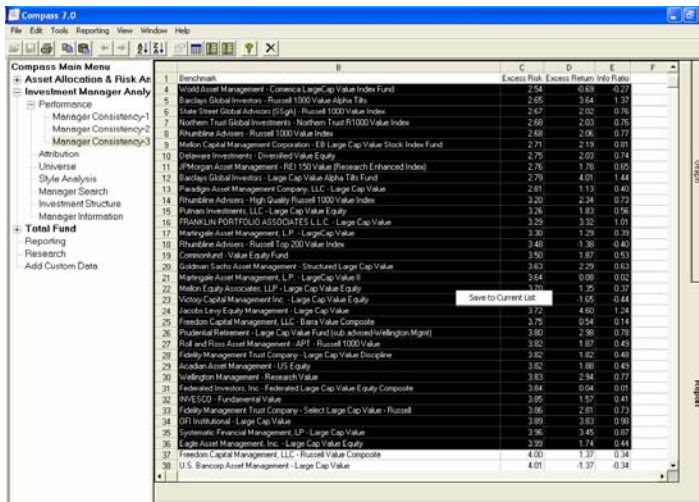
A list of commonly used indexes and managers can be saved by right mouse clicking on individual managers or indexes from the *Select Index(es)* or *Select Product(s)* list and then choosing *Add to My Indexes* or *Add to My Managers*.



Compass Tips and Tricks

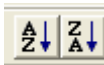
Save Current List

Reducing a list of selected managers to only those that meet specific criteria from various analytics has been simplified. Within the *Report* tab, highlight the managers you wish to retain and right mouse click. This will bring up a "Save to Current List" option which allows you to focus future analytics on only those managers that possess the desired criteria.

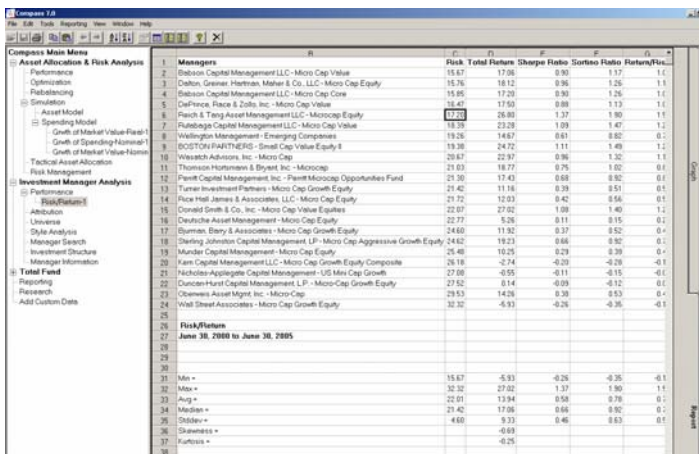


Easy Sort

Report data can be easily sorted in Compass by clicking in any cell within the column to be sorted and

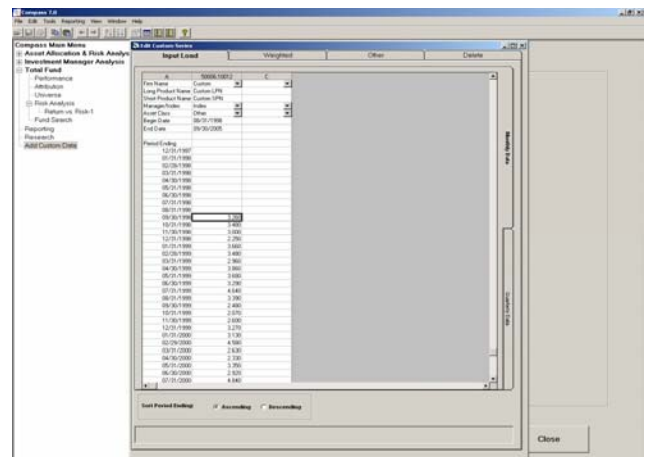


then using the sort buttons. There is no need to highlight the entire spreadsheet.



Add Custom Data

Multiple Custom Data Series can be added from Excel by completing the first five rows of the *Title Information* for each series. Highlight all of the returns in the Excel spreadsheet and use the *CTRL+C* command to copy the data. Return to Compass and highlight the row with the period ending date corresponding to that of the Excel data (note that this assumes the returns are in Ascending order). Now use the *CTRL+V* command to paste the data to all of the custom series at once. The *Begin Date* and *End Date* will automatically populate as the data is pasted in.



Minneapolis Users' Group

The Hilton Minneapolis/St. Paul Airport was the site of an all-day, hands-on training session for Compass users on September 22, 2005. Clients worked through various investment topics including Asset Allocation and Simulation Techniques, U.S. Equity Investment Structure, and Non-U.S. Equity Manager Performance Evaluation and Attribution.

Looking ahead, we are planning one additional Users' Group Meeting in 2005. The next meeting will be held at The Westin San Francisco Airport in San Francisco, CA on November 15, 2005.