

WILSHIRE

COMPASS

Summer 2005

Setting New Standards in Fund Sponsor Information Systems and Investment Technology

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State and Corporate Pension Surveys

Wilshire's 2005 surveys are the tenth on the financial condition of state-sponsored defined benefit retirement systems and the fifth covering defined benefit plans sponsored by S&P 500 companies.

The State study included 125 state retirement systems. Of these 125, 64 systems provided actuarial data for 2004 with pension assets and liabilities of \$778.9 billion and \$942.3 billion, respectively. The ratio of pension assets-to-liabilities, or *funding ratio*, for all 64 state pension plans was 83% in 2004, up from 77% for the same 64 plans in 2003. Of the 109 state retirement systems which provided actuarial data for 2003, 94% are *underfunded*. The average *underfunded* plan has a ratio of assets-to-liabilities equal to 79%.

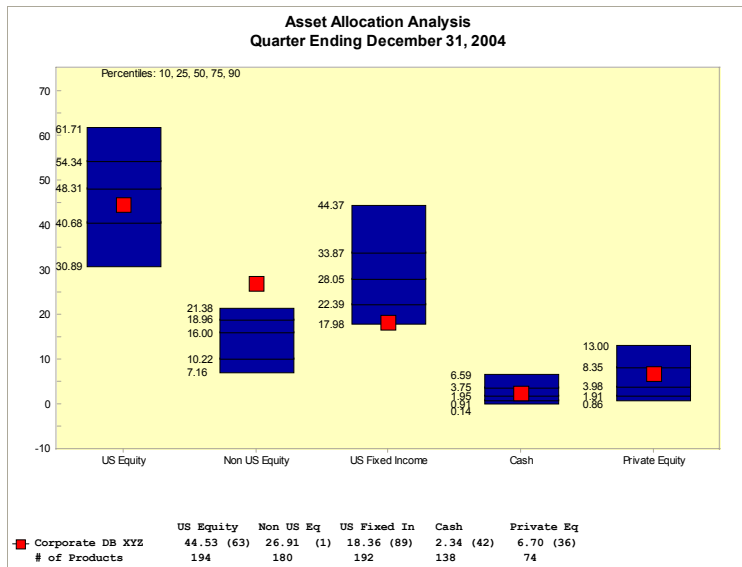
The financial health of corporate pension plans continued to improve in 2004. Defined benefit pension assets for S&P 500 companies grew \$84 billion, from \$1,031 billion to \$1,115 billion, while liabilities increased by \$60 billion, from \$1,154 to \$1,214 billion. As a result, the funding ratio for all plans rose from 89% to 92% and a \$123 billion deficit at the beginning of the year was reduced to \$99 billion. Eighty-one percent of corporate pension plans are *underfunded*, which is unchanged from the previous year. The median corporate funded ratio is 85%, up from 82% a year ago.

Contributions by S&P 500 companies into their defined benefit plans decreased from \$65.0 billion in 2003 to \$48.3 billion in 2004. However, excluding General Motors, which contributed \$18.6 billion in 2003 compared to \$0.1 billion in 2004, contributions increased slightly, from \$46.4 billion in 2003 to \$48.2 billion in 2004.

For the complete results of the two studies, 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.

Compass Total Fund

As a Wilshire Compass client you have access to the Compass Total Fund Database. The Total Fund Database enables you to produce reports ranking your fund against comparable funds. This module of Compass includes many analytical tools and flexible reporting capabilities. The Total Fund Performance analytic contains the same returns based analysis that is available in the Investment Manager module. The Total Fund Risk Analysis analytic produces rankings, relative to a peer group, of policy and implementation return and risk. The Total Fund Attribution analytic allows you to build multiple and single factor returns based attribution analysis. Currently more than 208 institutional funds provide quarterly return and allocation information to this database.



Participation involves an initial input of historical information along with a few fund details. After the initial input, participation requires only a quarterly update to composite returns and allocations. Anonymity is assured via a numeric coding process. Only you will know which fund is yours. The process is quick, and completely confidential.

To begin participating, you may access our website at www.wilshirecompass.com and click on the link to the Initial Total Fund Questionnaire. After we receive your submitted questionnaire, we will assign you a username and password. You can then use these to login to the

Odyssey data collection platform. Odyssey is the same platform we have been using for years to collect investment returns from Investment Managers for over 4,000 separate account investment management products.

Copy of Total Fund Initial Questionnaire

Total Fund Questionnaire

Company:

Name:

Title:

Address 1:

Address 2:

City:

State:

Zip Code:

Phone:

Fax:

Email:

Return Information

Periodicity - Monthly or Quarterly

Gross or Net of Fees

Organization Type

- Public
- Corporate / Private
- Endowment / Foundation

Fund Type

- Defined Benefit Plan
- Defined Contribution Plan
- Endowment / Foundation
- Insurance - Life
- Insurance - P&C
- Corporate / Taxable
- Other

Fund Size

- Less than \$100 million
- \$100 - \$500 million
- \$500 million - \$1 billion
- \$1 - \$5 billion
- \$5 - \$10 billion
- Greater than \$10 billion

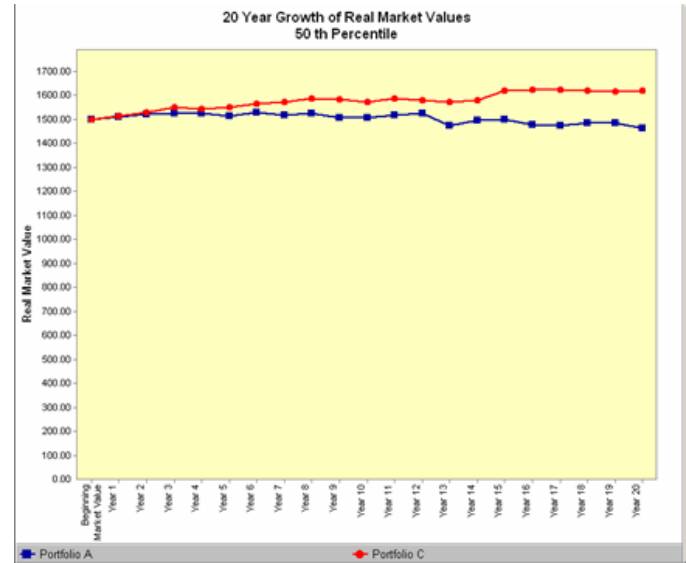
Thank you for providing this information, we will contact you shortly to provide you with a user ID and Password for the Wilshire Odyssey. You will then be able to submit you fund's return information. In the mean time if you have any questions please do not hesitate to contact us.

Compass Features

New Spending Model Analytics



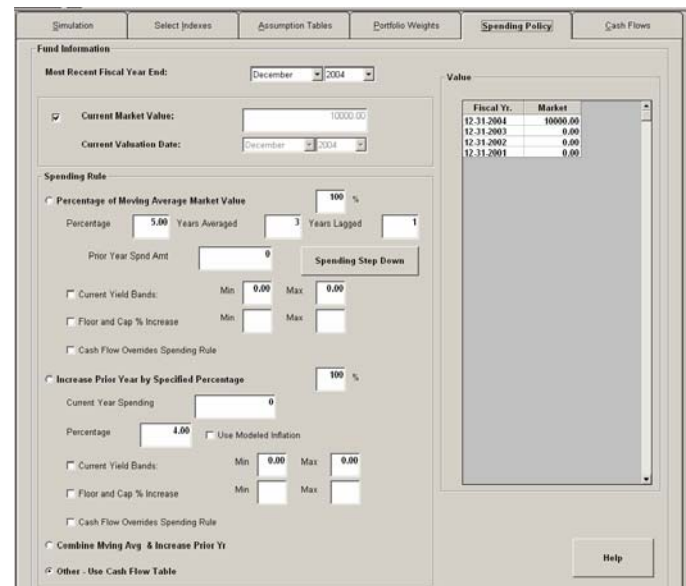
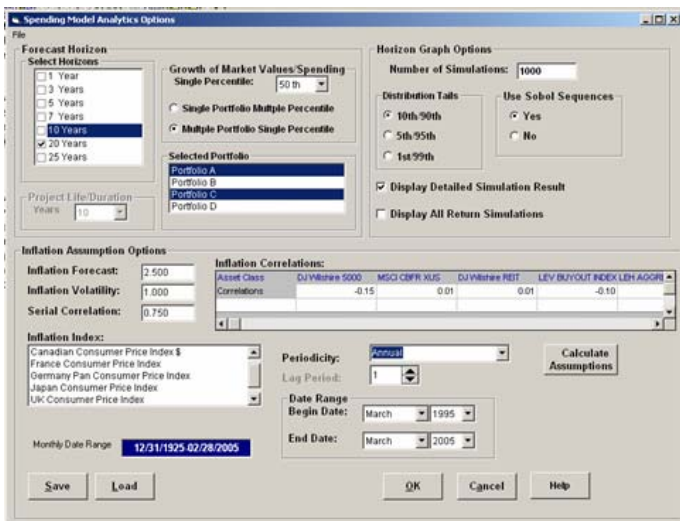
The spending module includes several new analytics. First, the growth of market value and spending through time, both nominal and real values, is now available. The user selects the forecast horizon and either a single portfolio with multiple percentile forecasts or multiple portfolios with a single percentile forecast:



Second, a series of probability analytics have been developed, including one to assess project funding. Select the portfolios to evaluate:

		Portfolio Weights					
		A	B	C	D	E	F
1	Wilshire 5000			10.00	35.00	55.00	
2	MSCI CBFR XUS			5.00	15.00	25.00	
3	LEH AGGREGATE	25.00	50.00	75.00	45.00	20.00	
4	T-BILL	75.00	50.00	10.00	5.00		
5							
6	Total Portfolio	100.00	100.00	100.00	100.00	100.00	

Use the Cash Flow Table option from the Spending Policy:



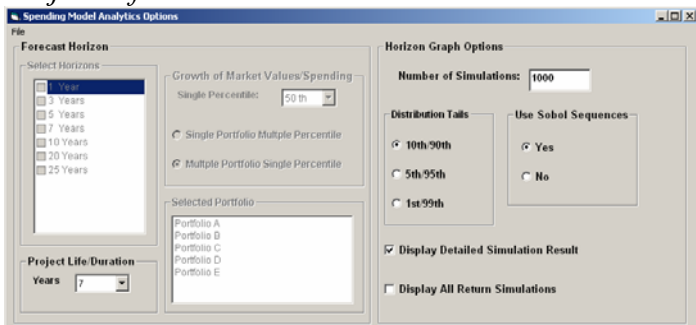
Enter the projected cash flows associated with the project:

Compass Features (cont.)

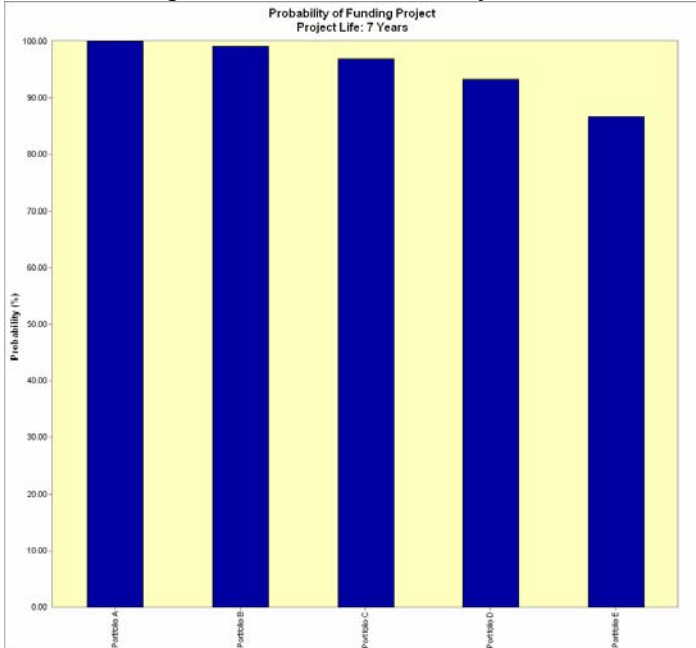
2005 Technology Conference

Year		Gilt Fund Additions		Year		Spending/Deductions	
1	0.00			1	0.00		
2	0.00			2	0.00		
3	0.00			3	0.00		
4	0.00			4	0.00		
5	0.00			5	4000.00		
6	0.00			6	3000.00		
7	0.00			7	2000.00		
8	0.00			8			

Return to the Simulation tab and select the *Probability of Funding Project*. At the *Spending Model Analytics Options* dialogue screen, select the *Project Life/Duration*:



Click OK to produce the run the analytic:



Click on the Report tab to see the data supporting the graph:

	A	B	C	D	F	F	G	H
1	Probability of Funding Project							
2		Year1	Year2	Year3	Year4	Year5	Year6	Year7
3	Portfolio A	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
4	Portfolio B	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	99.10%
5	Portfolio C	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	96.90%
6	Portfolio D	100.00%	100.00%	100.00%	100.00%	100.00%	99.80%	93.20%
7	Portfolio E	100.00%	100.00%	100.00%	100.00%	100.00%	98.70%	86.70%
8								

From April 26-28, The Westin Resort in Hilton Head, South Carolina hosted the 2005 Wilshire Compass Investment Technology Conference.

The conference began with a presentation on Wilshire’s 2005 Capital Markets Research and significant new development in asset/liability management. The other sessions were hands-on, interactive sessions covering a wide variety of investment topics.

Feel free to call any member of the Compass Client Service team if you have questions regarding the conference. Thanks again to all of you who were able to join us. We hope you found the conference to be informative.

Washington, DC Users’ Group

The Westin Embassy Row was the site of an all-day, hands-on training session for Compass users on June 24, 2005. Clients worked through various investment topics including Asset Allocation and Simulation Techniques, U.S. Equity Manager Search and U.S. Equity Investment Structure, Non-U.S. Equity Manager Performance Evaluation and Attribution, Total Fund Analysis, and Building Automated and Custom Reports.

Looking ahead, we are planning two additional Users’ Group Meetings in 2005. The next meeting will be in **Minneapolis, MN** on **September 22, 2005** and a meeting will be held in San Francisco, CA in November 2005.

We will survey users on topics of interest in advance of the meetings.