



CALLAN ASSOCIATES CREATES DEFINED CONTRIBUTION INDEX FOR PLAN SPONSORS AND INVESTMENT MANAGERS

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SAN FRANCISCO, Nov. 5, 2007 – Callan Associates recently unveiled the Callan DC Index™ — the first index in the industry that enables plan sponsors, investment managers and others to track, measure and evaluate how aggregate defined contribution (DC) plan decisions impact fund flows, asset allocation and the investment performance of DC plans.

“The Pension Protection Act of 2006 (PPA) ushered in a new era for DC plans and with an increased focus on performance, plan sponsors and investment managers want a credible resource that gives them insight into where DC monies are invested and how participant and plan sponsor activities impact performance,” said Lori Lucas, DC practice leader at Callan Associates. “We believe clients will find this tool very useful in their decision-making and benchmarking their DC plans.”

The Callan DC Index tracks the asset flows and performance of approximately 60 DC plans representing more than 800,000 plan participants and over \$70 billion in retirement plan assets. The plans are relatively diverse by asset size and the components are equally weighted to ensure the asset allocation, activity and performance of a single large plan does not influence the aggregate results of the Callan DC Index. All plans are participant-directed and include 401(k), 457 and 403(b) type plans.

Each individual plan investment option in the Index is assigned an asset class and benchmark. Using its robust proprietary database, Callan can measure performance relative to benchmarks at the asset class and plan level. Additionally, the design of the Index enables Callan to differentiate between two components: investment option quality offered by plan sponsors and the timing or rebalancing decision of participants.

“With DC assets totaling more than \$4 trillion, investment managers are avidly seeking methods to attract investors to their funds,” said Lucas. “The Callan DC Index gives managers an accurate snapshot of participant, plan sponsor and market activities on a quarterly basis that could be useful when developing new investment products.”

Lucas believes that understanding how the PPA is transforming DC plans is essential. “DC plans are increasingly the primary, or only, employer-sponsored retirement option offered to employees and plan sponsors are seeking ways to supply a rational lineup of high-quality fund options and optimize employee investing decisions,” said Lucas.

Given the impact of the PPA, Callan is not surprised to find the following trends already in motion:

- *Better diversification in DC plans due to outflows of company stock and inflows to target date funds;*
- *The majority of DC participant assets are invested in active investment strategies;*
- *A significant, growing majority of plans – 80% – offer asset allocation funds with target date funds becoming more prevalent over risk-based asset allocation options;*
- *Since its inception, the Callan DC Index has shown strong absolute performance and it was reasonably competitive with the average of all corporate defined benefit plans.*

Mutual funds, collective trusts and separate accounts are all represented in the Callan DC Index and are mapped into twelve distinct asset classes or styles: domestic large cap,

domestic small/mid cap, stable value, international equity, company stock, domestic fixed income, asset allocation, domestic global/balanced, emerging markets equity, money market, brokerage and other.

Callan's initial Index is comprised of second quarter 2007 data and includes results dating back to its inception in January 2006. The company plans to issue quarterly updates of the Callan DC Index to keep clients apprised of the latest trends.

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About Callan Associates Inc.

Founded in 1973, Callan Associates Inc., is one of the largest independently owned investment consulting firms in the country. Headquartered in San Francisco, Calif., the firm provides research, education, decision support and advice to a broad array of institutional investors through five distinct lines of business: Fund Sponsor Consulting, Independent Adviser Group, Institutional Consulting Group, Callan Investments Institute and the Trust Advisory Group. Callan employs more than 170 people and maintains four regional offices located in Denver, Chicago, Atlanta, and Florham Park, N.J. For more information, visit www.callan.com