

Risk Universe Summary

The First Quarter 2006 Northern Trust Risk Universe consists of 115 ERISA plans and 34 Public Fund plans with a combined value of over \$539 billion.

Value at Risk (VaR) is a measure of how much a plan can lose over a 1 year time horizon with a 95% confidence interval. The median VaR of all plans in the Northern Trust Risk Universe decreased in the first quarter to 15.0% from 15.1% last quarter. A VaR of 15.0% means that there is a 5% chance that the plan will lose more than 15.0% over the next 12 months. Due to different asset allocation policies, the VaR of the 149 plans in the universe ranged from 7.6% to 21.7%. To view the Northern Trust Risk Universe, please click on the link below.

[Northern Trust Risk Universe Link](#)

For ERISA and Public Funds plans with more than \$1 billion in assets, the median VaR decreased slightly to 15.1% in the latest quarter from 15.2%. The VaR within this universe ranged from 10.5% to 21.7%.

The median VaR of all the ERISA plans in the Northern Trust Risk Universe at 15.2% is unchanged from last quarter. The median VaR for Public Funds decreased this quarter to 14.9% from 15.0%.

As volatility in the equity markets continued to decline this quarter, the VaR of the broad equity indices also decreased. The VaR of the Russell 3000 declined to 20.7% from 21.6% while the VaR of the MSCI EAFE (GD) index decreased slightly to 22.1% from 22.2%. The VaR of the U.S. Fixed Income market as measured by the Lehman Brothers Aggregate Index, at 6.2%, is unchanged from last quarter.

If you are interested in seeing the Value at Risk level of your plan, please contact your relationship manager.

Median Plan - Value at Risk with 95 % Confidence			
1st Quarter 2006	1 Month	1 Quarter	1 Year
Northern Trust ERISA & Public Funds	4.3%	7.5%	15.0%
Northern Trust ERISA & Public Funds Greater than \$1 Billion	4.3%	7.5%	15.1%
Northern Trust ERISA	4.4%	7.6%	15.2%
Northern Trust Public Funds	4.3%	7.4%	14.9%
Market Indices - Value at Risk with 95% Confidence			
Russell 3000	6.0%	10.4%	20.7%
S & P 500	5.9%	10.1%	20.3%
MSCI EAFE (GD)	6.4%	11.0%	22.1%
Lehman Bros. Aggregate Index	1.8%	3.1%	6.2%

The Northern Trust Risk Universe is an informational survey of the risk characteristics of the portfolios of a diverse population of institutional investors. The Northern Trust Risk Universe does not purport to be a complete risk analysis and thus should not be relied upon to make investment decisions. The Northern Trust Risk Universe is available free of charge, on an "AS IS" and "AS AVAILABLE" basis. All express and implied warranties are disclaimed. Complete methodology information is available at <http://www.northerntrust.com/riskuniverse>

Trends

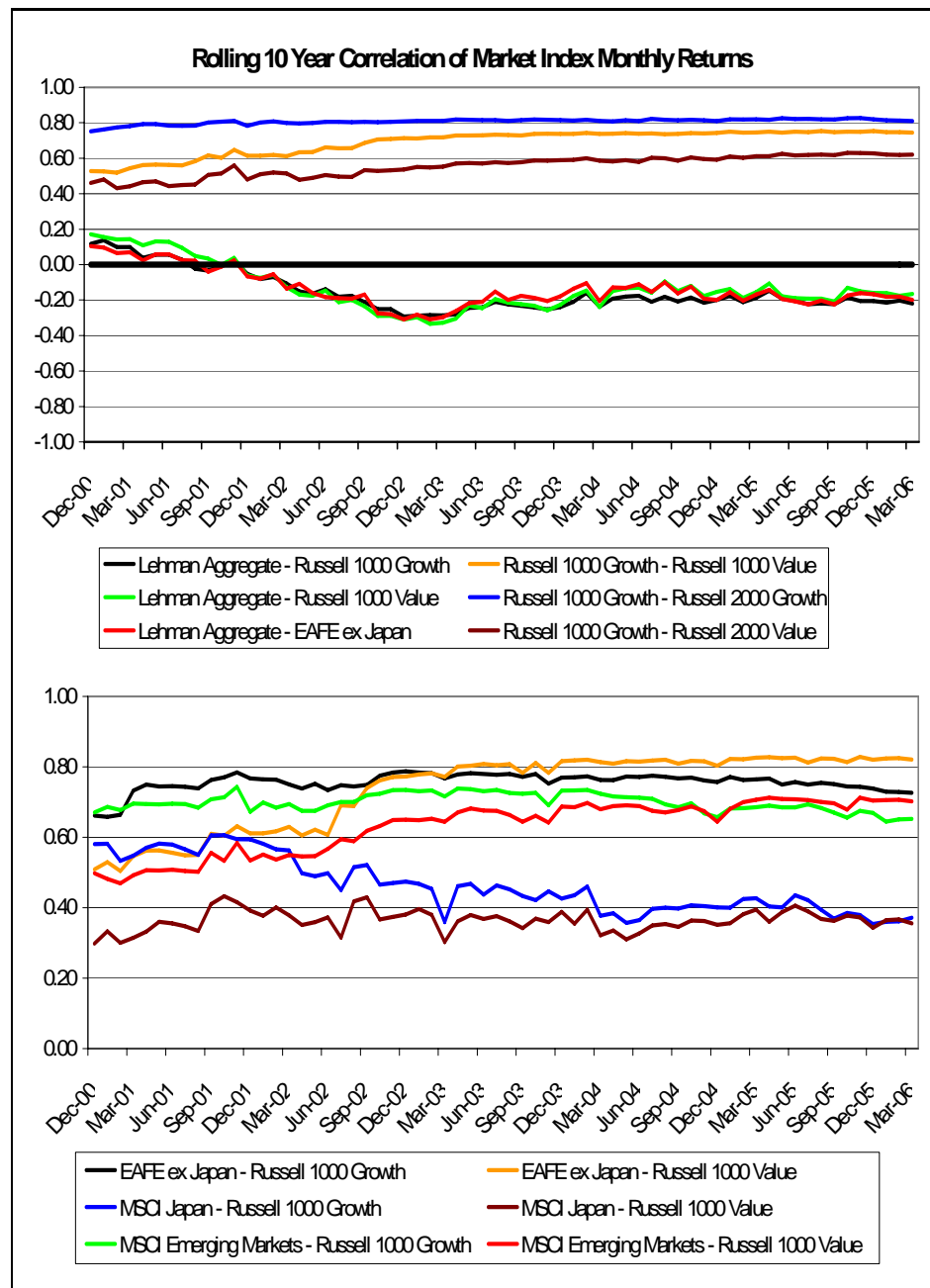
The median Value at Risk (VaR) of plans in the Northern Trust ERISA & Public Funds Risk Universe has trended downward over the past three years. At 15.0%, the median VaR of the entire Northern Trust Risk Universe is lower than its value 1, 3 and 5 years ago. Last quarter we saw that the majority of the decline in VaR over the past three years can be attributed to the lower volatility in the equity markets. This quarter we will look at the role of asset class correlation on total plan VaR.

The graph on the right shows the changes in the correlation between some of the major market indices since December 2000. Changes in the correlation between asset classes combined with changes in the volatility of the asset classes can have a major impact on the VaR of a plan. As the chart below shows, the VaR of domestic and international equity indices increased by almost 2% from 2001 to 2003 (5 Years Ago to 3 Years Ago) and fixed income VaR also increased slightly. However, the median plan VaR of the Northern Trust ERISA & Public Funds Universe only increased slightly during this period. The moderation in the increase of total plan VaR, as the graph shows, was due to a decline in the correlation between equities and fixed income. This correlation decreased from about 0.1 in March 2001 to about -0.3 in March 2003.

The correlation between asset classes however has been very stable over the last three years. Thus, the impact of correlation on the decline of total plan VaR during this period has been minimal. Changes in the stability of correlations in the future however may have an impact on the VaR of a plan and will need to be monitored. Currently the correlation of US fixed income with US and international equity indices is still negative. A return to a positive correlation will decrease the diversification benefit of the asset classes and may lead to an increase in the VaR of a plan.

If you are interested in seeing how the correlation of your managers affect the Value at Risk level of your plan, please contact your relationship manager.

Median Plan - Value at Risk over 1 Year with 95 % Confidence				
	Current	1 Year Ago	3 Years Ago	5 Years Ago
Northern Trust ERISA & Public Funds	15.0%	16.8%	17.7%	17.4%
Northern Trust ERISA & Public Funds Greater than \$1 Billion	15.4%	17.0%	18.0%	18.2%
Northern Trust ERISA	15.1%	17.0%	18.0%	17.9%
Northern Trust Public Funds	14.7%	16.3%	16.2%	16.1%
Market Indices - Value at Risk over 1 Year with 95 % Confidence				
Russell 3000	20.7%	23.6%	29.7%	27.8%
S&P 500	20.3%	23.4%	29.8%	27.6%
MSCI EAFE (GD)	22.1%	24.1%	28.1%	25.2%
Lehman Bros. Aggregate Index	6.2%	6.5%	5.6%	5.3%



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