RYAN LABS
ASSET MANAGEMENT

ASSET/LIABILITY WATCH

JUNE 30, 2009

Index	Estimated Weights %	Total Return		
		QTD %	YTD %	Last 12 Months %
Ryan Labs Cash	5	0.16	0.25	1.91
Lehman Aggregate	30	1.77	1.90	6.03
S&P 500	60	15.93	3.16	-26.23
MSCI EAFE Int'l	5	25.84	8.41	-30.96
Asset Allocation Model	100	11.39	2.90	-15.38
Ryan Labs Liability (PPA)	100	14.91	6.91	11.1
Assets – Liabilities (PPA)		-3.52	-4.01	-26.48
Ryan Labs Liability (FAS158)	100	11.03	3.78	9.08
Assets – Liabilities (FAS 158)		0.36	-0.88	-24.46
Ryan Labs Liability (TSY)	100	-10.64	-19.29	6.17
Assets – Liabilities (TSY)		22.03	22.19	-21.55

PPA liabilities continued to climb through the end of the 2nd quarter, rising 14.91% quarter-to-date and 11.1% for the trailing 12 months ending June 30, 2009. Liabilities based on corporate bond yields started off the year with declines but surged back in the most recent quarter, as corporate bonds posted one of the most impressive quarters on record. While the holder of corporate bonds was rewarded, liabilities valued on the PPA curve increased substantially, hurting funded status.

As Treasuries retreated from record highs posted at the end of 2008, liabilities valued on the Ryan Labs Treasury curve declined -19.29% for the year. For the trailing 12 months, assets lost versus liabilities, posting a -26.48% return when measured versus the Ryan Labs PPA curve. The average pension asset portfolio's recovery in the most recent quarter has not been enough to overcome the rise in liability values.

Even amidst improved asset performance, the funding ratio on a Ryan Labs PPA basis actually declined versus year-end 2008, ending June at 65.75%. Liabilities continued their ascent, which depressed funding ratios. However, funding on an economic basis improved to 63.27% as of June 30th versus 49.63% as of year end 2008. Treasury yields on the long end of the curve have risen dramatically over the past quarter providing some relief.

While at first glance, asset performance across many markets in the second quarter may have given market participants some hope, looking at an asset only framework proved misleading. Liability returns were even more impressive, continuing the deterioration of funding. The U.S. economy has given off many more positive signals, including subsiding declines in the ISM and improved consumer confidence. However, a U.S. jobless rate approaching 10% and a substantial output gap leave much uncertainty throughout the end of the year.

While the buzz around the markets involves the unprecedented level of spending by the government, other economists and market participants still see a threat of deflation, or declines in inflation. There are two sides to every story and while the story of increased government spending has stoked inflation fears, the story of massive deleveraging has certainly prevented inflation thus far. How this will affect long government bond yields remains to be seen. If long rates drop again, pension funded status could be further hampered by rising liability values. Asset liability mismatches implicitly try to time inflation and interest rates, something that has been historically difficult.

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Ryan Labs Pension Protection Act Equal Weighted Index (RL PPA Corp A to AAA Index)					
	Estimated Weights%	YTW[1] %	MDuration (Years)	YTD Returns %	Last 12 Month Returns %
2 Year Corporate	25	3.32	1.97	5.63	3.99
5 Year Corporate	25	4.65	4.28	4.76	6.72
10 Year Corporate	25	5.89	6.94	0.69	5.63
30 Year Corporate	25	6.48	12.25	-1.02	8.94
RL PPA Index[2]	100	5.17	12.91	6.91	11.1

Ryan Labs FAS 158 Pension Protection Expense Equal Weighted Index (RL FAS 158 Corp AA to AAA Index)					
	Estimated Weights%	YTW[1] %	MDuration (Years)	YTD Returns %	Last 12 Month Returns %
2 Year Corporate	25	3.33	2.03	2.69	3.93
5 Year Corporate	25	4.27	4.15	2.91	5.62
10 Year Corporate	25	5.17	7.60	-4.64	2.62
30 Year Corporate	25	6.57	12.33	-7.55	6.95
RL FAS158 Index[2]	100	5.05	12.74	3.78	9.08

1. *Effective Annualized Yield to Worst*
2. *Equal Weighted Index*

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Index	Weights	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	June'09
Ryan Labs Cash	**5%**	5.48	4.24	6.49	4.97	1.75	1.04	1.22	3.17	4.89	5.22	2.61	0.25
Lehman Aggregate	**30%**	8.69	-0.82	11.63	8.44	10.25	4.10	4.34	2.43	4.33	6.96	5.24	1.90
S&P 500	**60%**	28.55	21.03	-9.09	-11.86	-22.08	28.69	10.87	4.89	15.81	5.50	-37.01	3.16
MSCI EAFE Int'l	**5%**	20.24	27.32	-13.87	-21.11	-15.64	39.17	20.70	14.02	26.87	11.62	-43.06	8.41
Asset Allocation Model	**100%**	21.39	13.72	-2.49	-5.40	-11.40	20.05	8.93	4.60	12.26	6.23	-22.66	2.90
RL PPA Liability			-12.68	13.24	14.72	25.57	6.41	8.61	3.97	1.51	4.03	1.83	6.91
Return Difference			26.39	-15.73	-20.12	-36.97	13.64	0.32	0.63	10.74	2.20	-24.49	-4.01
Funding Ratio (RL PPA)			**139.66**	**120.26**	**99.17**	**69.97**	**78.94**	**79.17**	**79.65**	**88.08**	**89.94**	**68.31**	**65.75**
Liabilities (TSY)	**100%**	16.42	-12.02	26.56	3.20	18.78	2.25	10.25	10.64	1.46	9.81	33.58	-19.29
Return Difference		4.97	25.74	-29.05	-8.60	-30.18	17.80	-1.32	-6.05	10.80	-3.59	-56.24	22.19
Funding Ratio (Economic)		**107.25**	**138.62**	**106.80**	**97.90**	**73.03**	**85.74**	**84.71**	**80.08**	**88.61**	**85.71**	**49.63**	**63.27**

Assumptions: Pension plan is fully funded on January 1, 1997 on Treasury valuation basis.
Normal costs = annual contributions
No benefit enhancements
Assets portfolio rebalanced monthly

The material presented and calculated here is based on information considered reliable. Ryan Labs does not represent that it is accurate or complete.

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