

**Callan Associates Inc.
Investment Measurement Service
Quarterly Review**

**Alabama PACT
June 30, 2011**

The following report was prepared by Callan Associates Inc. ("CAI") using information from sources that include the following: fund trustee(s); fund custodian(s); investment manager(s); CAI computer software; CAI investment manager and fund sponsor database; third party data vendors; and other outside sources as directed by the client. CAI assumes no responsibility for the accuracy or completeness of the information provided, or methodologies employed, by any information providers external to CAI. Reasonable care has been taken to assure the accuracy of the CAI database and computer software. In preparing the following report, CAI has not reviewed the risks of individual security holdings or the compliance/non-compliance of individual security holdings with investment policies and guidelines of a fund sponsor, nor has it assumed any responsibility to do so. Copyright 2011 by Callan Associates Inc.



Executive Summary	1
Active Management Overview	
Market Overview	4
Domestic Equity	5
Domestic Fixed-Income	6
International Equity	7
International Fixed-Income	8
Asset Allocation and Performance	
Foreword	10
Actual vs. Target Asset Allocation	11
Quarterly Total Fund Attribution	12
Cumulative Total Fund Attribution	13
Cumulative Performance	15
Total Fund Ranking	16
Asset Class Rankings	17
Investment Manager Asset Allocation	18
Investment Manager Returns	20
Manager List Detail	25
Domestic Fixed-Income	
Domestic Fixed-Income Portfolio Characteristics	28
Longfellow Intermediate	30
MacKay Shields Core Plus	33
MacKay Shields Intermediate	36
Callan Research/Education	39
Disclosures	43



Alabama PACT Executive Summary – 06/30/11

Change in Fund Balance

	June 30, 2011		Net New Inv.	Inv. Return	March 31, 2011	
	Market Value	Percent			Market Value	Percent
Domestic Equity	\$57,803	0.01%	\$(60,598,233)	\$(1,458,755)	\$62,114,791	14.20%
International Equity	\$685,669	0.16%	\$(27,767,185)	\$13,634	\$28,439,220	6.50%
Domestic Fixed-Income	\$350,142,622	80.56%	\$170,502	\$7,209,088	\$342,763,033	78.37%
Cash & Equivalents	\$83,766,015	19.27%	\$79,706,649	\$3,382	\$4,055,984	0.93%
Total Fund	\$434,652,109	100.0%	\$(8,488,266)	\$9,568,118	\$460,236,363	100.0%

2nd Quarter Tuition Payments \$14,749,229

2nd Quarter Cancellations \$4,942,016

2nd Quarter Net Income \$ (13,736,292)

Actual vs. Target Asset Allocation

Asset Class	\$000s Actual	Percent Actual	Percent Target	Percent Difference	\$000s Difference
Domestic Equity	58	0.0%	14.0%	(14.0%)	(60,793)
International Equity	686	0.2%	6.0%	(5.8%)	(25,393)
Domestic Fixed-Income	350,143	80.6%	80.0%	0.6%	2,421
Cash & Equivalents	83,766	19.3%	0.0%	19.3%	83,766
Total	434,652	100.0%	100.0%		

Portfolio Returns

	Last Quarter	Peer Ranking	Last Year	Peer Ranking
Domestic Fixed Income	2.10%	--	5.51%	55
Domestic Fixed Income Benchmark ¹	2.20%	--	3.83%	92
CAI Public Fund Domestic Fixed Income DB ⁵			5.74%	
Longfellow Intermediate	1.98%	64	--	--
MacKay Shields Intermediate	2.09%	46	--	--
Custom Intermediate Benchmark ²	2.15%	26	--	--
CAI Intermediate Fixed Income Style ³	2.05%		--	
MacKay Shields Core Plus	2.27%	27	--	--
Barclays Aggregate	2.29%	25	--	--
CAI Core Plus Bond Style ³	2.16%		--	
Total Fund	1.32%	34	10.30%	94
Total Fund Target⁴	1.78%	11	8.97%	95
CAI Public Fund Sponsor DB ⁵	1.16%		21.59%	

Benchmark and Callan Style Groups Definitions:

¹ Custom fixed income benchmark consists of 56% BC Gov/Credit Intermediate Index, 34% BC Aggregate Index, and 10% BC Mortgage Index.

² Custom Intermediate benchmark consists of 85% Barclays Gov/Credit Intermediate Index and 15% Barclays Mortgage Index.

³ Callan style groups are comprised of institutional investment managers who follow a similar investment strategy. Callan's manager database is proprietary and represents approximately 85% of the institutional marketplace. The style group return represents the median manager's return for that style group.

⁴ Total Fund Target benchmark consists of 45% BC Gov/Credit Intermediate, 27% BC Aggregate, 14% Russell 3000, 8% BC Mortgage and 6% MSCI ACWI ex U.S.

⁵ Public fund sponsor database universe. The return is the median public fund return.

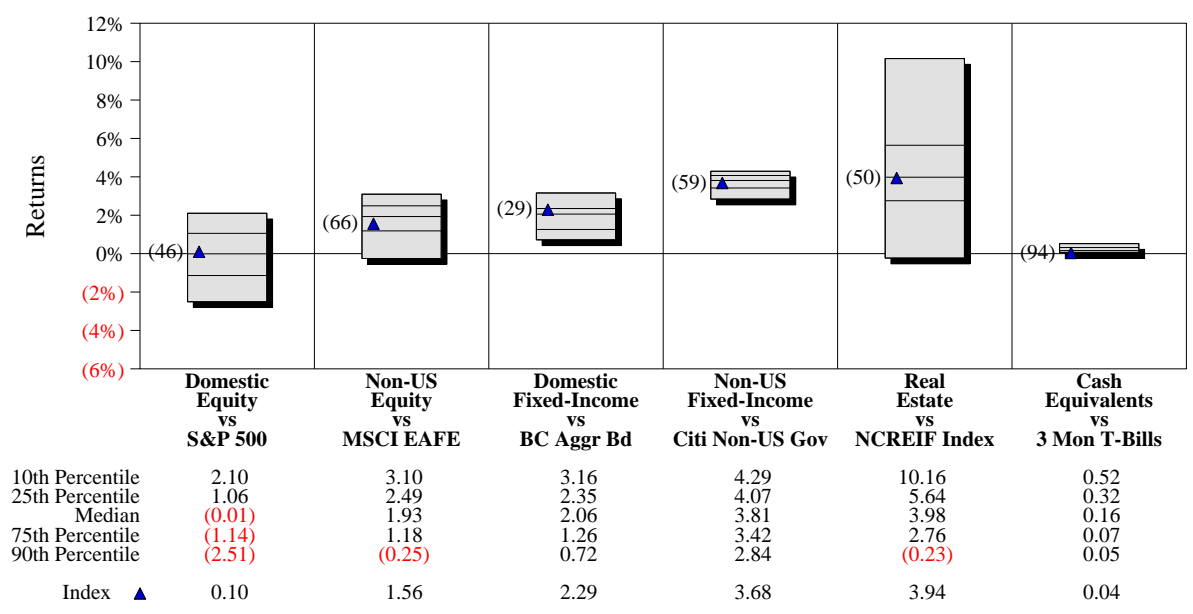
MARKET OVERVIEW

ACTIVE MANAGEMENT VS INDEX RETURNS

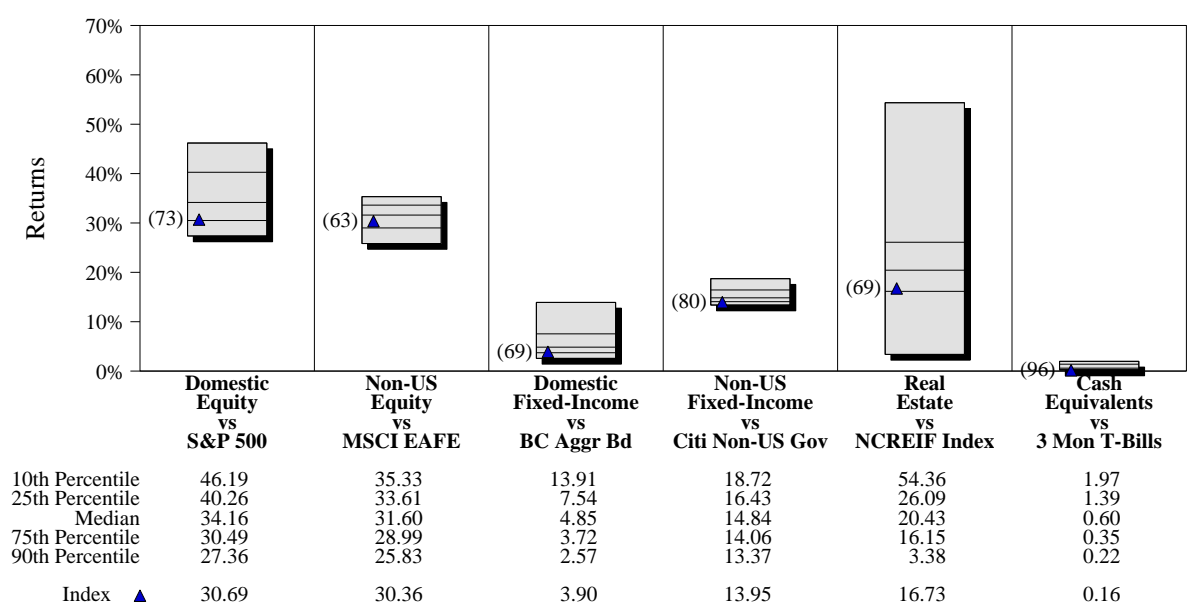
Market Overview

The charts below illustrate the range of returns across managers in Callan's Separate Account database over the most recent one quarter and one year time periods. The database is broken down by asset class to illustrate the difference in returns across those asset classes. An appropriate index is also shown for each asset class for comparison purposes. As an example, the first bar in the upper chart illustrates the range of returns for domestic equity managers over the last quarter. The triangle represents the S&P 500 return. The number next to the triangle represents the ranking of the S&P 500 in the domestic equity manager database.

Range of Separate Account Manager Returns by Asset Class One Quarter Ended June 30, 2011



Range of Separate Account Manager Returns by Asset Class One Year Ended June 30, 2011



DOMESTIC EQUITY Active Management Overview

Active vs. the Index

After a surprisingly robust first quarter, the second quarter of 2011 delivered fewer gains, primarily influenced by the continuing European sovereign debt concern, slowing growth, and rising inflation in developing markets around the globe, especially China. This "soft patch" in the economy was caused, in part, by sluggish job growth, as well as an increase in initial unemployment claims and the general unemployment rate in the U.S. In addition to these economic maladies, the U.S. also endured a rough spring, teeming with natural disasters and a spike in oil and other commodity prices. However, the tail end of the second quarter showed positive improvements in the equity markets with cooling commodity prices and a rebound in stocks. The S&P 500 managed to finish in the black with a 0.10% return for the quarter ended June 30, 2011. The median Large Cap Core manager posted a 0.19% return, 9 basis points ahead of the S&P 500 index return. The median Mid Cap Broad manager yielded a return of -0.08% for the quarter, 65 basis points ahead of the S&P Mid Cap's return of -0.73%. Finally, the median Small Cap Broad manager finished the quarter with a -0.39% return, falling 23 basis points behind the -0.16% return generated by the S&P 600.

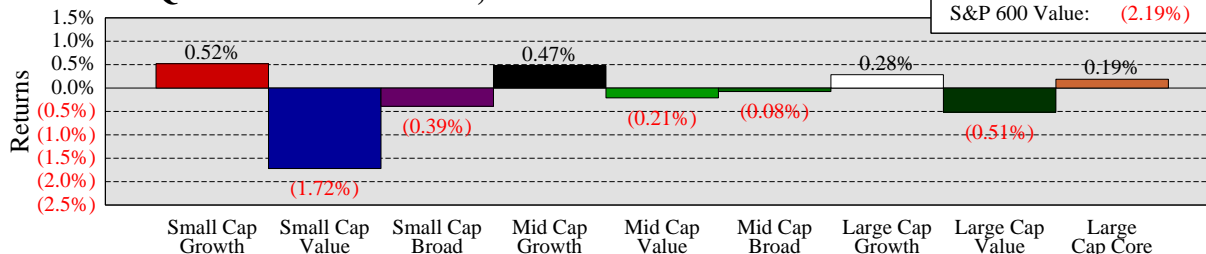
Large Cap vs. Small Cap

The second quarter of 2011 saw a slight shift in the previous trend among the Large, Mid, and Small Cap funds. The median Large Cap manager continued to produce the least volatile returns ranging from -0.51% (Large Cap Value) to 0.28% (Large Cap Growth) or 79 basis points, whereas returns for the median Mid and Small Cap managers were fairly volatile and ranged from -1.72% (Small Cap Value) to 0.52% (Small Cap Growth) or 224 basis points. Small and Mid Cap funds continued to dominate Large Cap funds over the past twelve months as well. For the year ended June 30, 2011, the median Small Cap Broad manager returned 41.22%, or 925 basis points ahead of the median Large Cap Core manager's return of 31.97%. The S&P 600 yielded a return of 37.03% for the same period, well ahead of the S&P 500's return of 30.69%.

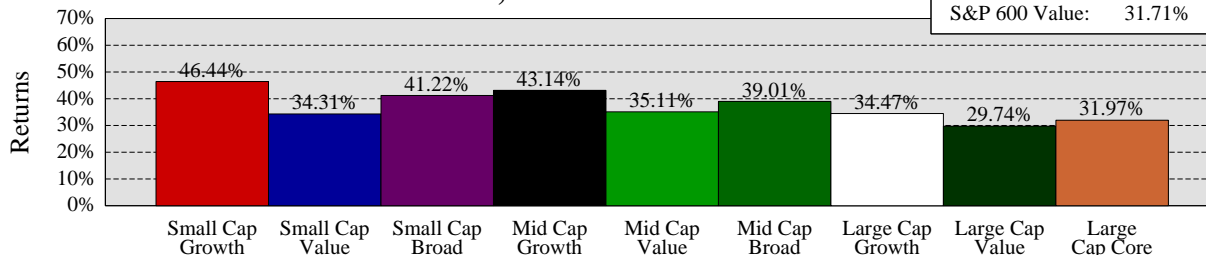
Growth vs. Value

During the second quarter of 2011, growth stocks outperformed value stocks across all capitalizations. The median Small Cap Growth manager returned 0.52%, or 224 basis points ahead of the median Small Cap Value manager's return of -1.72%. Similarly, the median Mid Cap Growth manager outperformed the Mid Cap Value manager, generating a return of 0.47%, or 68 basis points ahead of the -0.21% Mid Cap Value return. The median Large Cap Growth manager posted a return of 0.28%, 79 basis points ahead of Large Cap Value's median fund return of -0.51%. Growth funds continued to outperform Value funds for the year ended June 30, 2011. The largest return difference over the last twelve months was Small Cap, with the median Small Cap Growth manager achieving a remarkable 46.44% return, 1,213 basis points above the median Small Cap Value manager's return of 34.31%.

Separate Account Style Group Median Returns for Quarter Ended June 30, 2011



Separate Account Style Group Median Returns for One Year Ended June 30, 2011



DOMESTIC FIXED-INCOME Active Management Overview

Active vs. the Index

With slowing concerns about the U.S. economy's recovery and the European debt crisis, the domestic fixed-income markets continued its modest, yet positive 2011 performance through the second quarter. The continued positive performance can be linked to investors moving away from the euro and yen and towards U.S. Treasuries. Extended Maturity was the top performer of the quarter, slowing toward the end of June due to the rise in interest rates. The median Core Bond fund posted a return of 2.20%, which was outperformed by the Barclays Capital Aggregate Index by 9 basis points. For the year ended June 30, 2011, the median Core Bond fund finished ahead of the index with a return of 4.87%, 97 basis points ahead of the Barclays Capital Aggregate return of 3.90%.

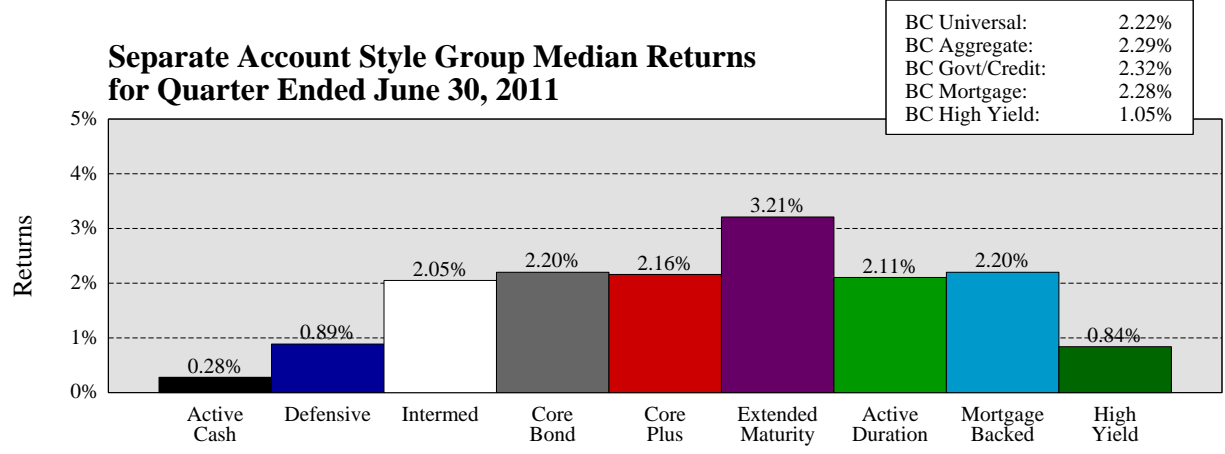
Short vs. Long Duration

Both Extended Maturity and Intermediate bond markets displayed strong second quarter performance recording much higher gains than the first quarter of 2011. The median Extended Maturity Fund gained 3.21% in the quarter ended June 30, 2011, 116 basis points above the median Intermediate Fund which gained 2.05% for the quarter. For the twelve months ended June 30, 2011, the median Extended Maturity fund showed a return of 4.95%, 66 basis points ahead of the median Intermediate Fund's return of 4.29%.

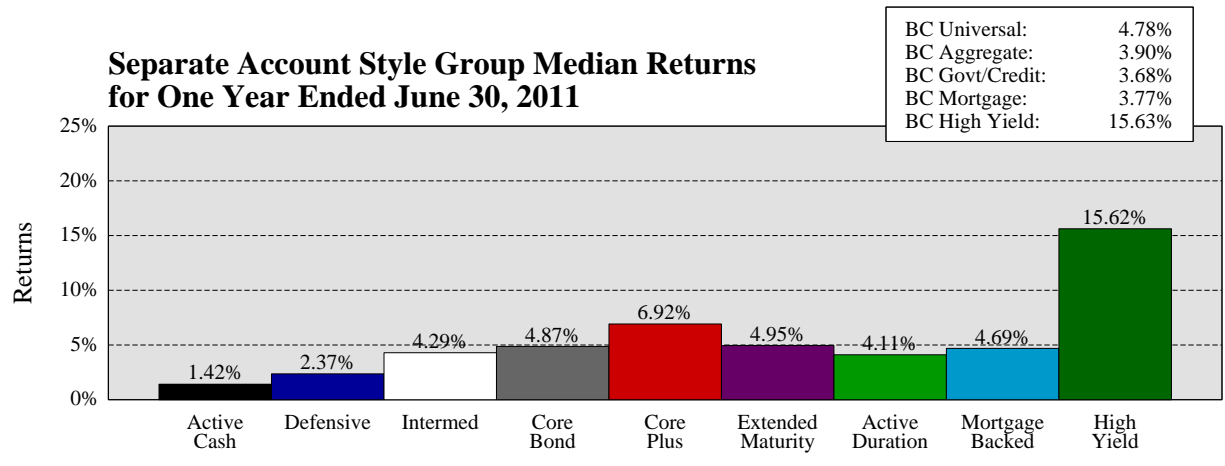
Mortgages and High Yield

The High Yield market was hit the hardest in the second quarter of 2011 as the BC High Yield index fell 97 basis points in June. Housing sales and starts remained at an all-time low despite record low 30 year mortgage rates. The median Mortgage-Backed Fund posted a positive return of 2.20% for the second quarter of 2011, underperforming the Barclays Mortgage Index's return of 2.28% by 8 basis points. For the year ended June 30, 2011, the median Mortgage-Backed Fund outperformed the Barclays Mortgage Index generating a return of 4.69%, 92 basis points higher than the 3.77% index return. High Yield funds were the worst performing group in the second quarter of 2011 with the median fund returning 0.84%, lagging the Barclays High Yield Index by 21 basis points. For the twelve months ended June 30, 2011, the median High Yield Fund produced a healthy return of 15.62%, slightly lagging the Barclays High Yield Index, which returned 15.63%.

Separate Account Style Group Median Returns for Quarter Ended June 30, 2011



Separate Account Style Group Median Returns for One Year Ended June 30, 2011



INTERNATIONAL EQUITY Active Management Overview

Active vs. the Index

International equity markets lost momentum during the second quarter of 2011 with renewed uncertainty about the global economic recovery and continued concerns over European debt, particularly in Greece. Global tightening of monetary policies strained investor confidence as well as the stability of the markets. For the quarter ended June 30, 2011, Europe led the way with a median fund return of 3.23%, while the median Emerging Markets manager slipped into negative territory with a loss of 0.99%. For the one year ended June 30, 2011, the median Europe manager led all groups returning 36.88%, which outperformed the MSCI AC World Index by over 6%.

Europe

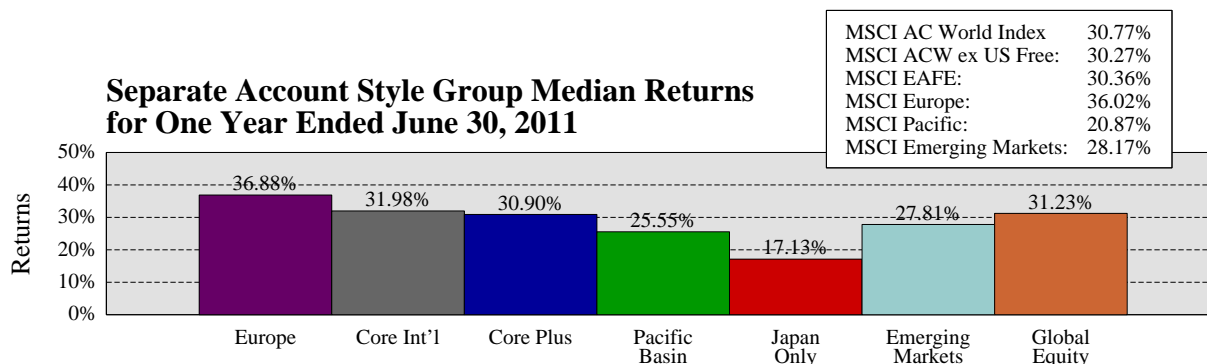
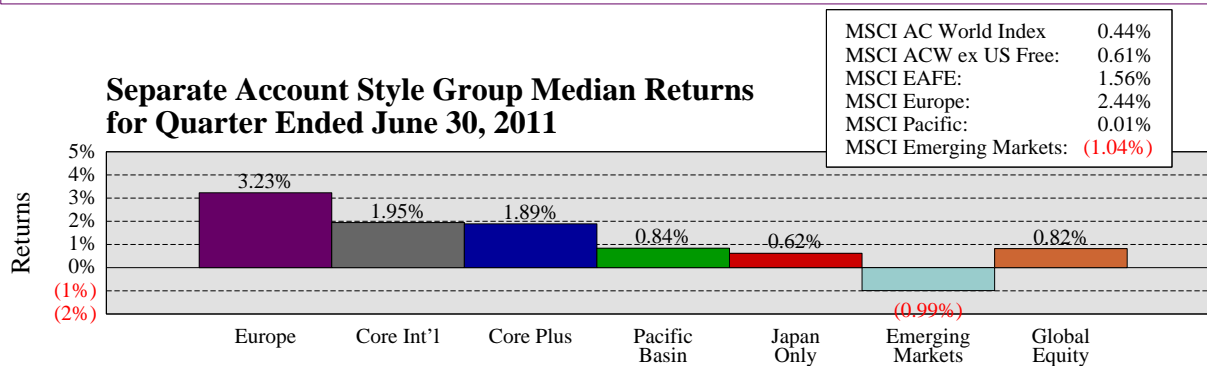
European stocks held the lead of the developed markets during the second quarter despite instability surrounding the sovereign debt crisis and concerns over rising inflation. Expected interest rate increases by the European Central Bank, coupled with recent austerity measures passed by the Greek Parliament to secure further financial aid, helped the euro achieve its second quarterly gain against the U.S. dollar. For the quarter ended June 30, 2011, the median manager gained 3.23%, besting the MSCI Europe Index by 79 basis points. For the one year ended June 30, 2011, the median manager bested the index by 0.86%.

Pacific

Japan rebounded from the devastation of the March earthquake, largely as a result of auto manufacturers restoring their operations at plants affected by the disaster. The median Japan fund return for the second quarter of 2011 showed a gain of 0.62%, beating the MSCI Pacific Index return of 0.01%. For the one year ended June 30, 2011, the median Japan fund yielded 17.13%, underperforming the index's return of 20.87%. In the southern region of the Pacific, Australia suffered from high interest rates, an overvalued Australian dollar, and residual effects from the prior quarter's cyclones and floods. For the quarter ended June 30, 2011, the median Pacific Basin manager was up 0.84%, while the MSCI Pacific Index was flat at 0.01%. For the one year ended June 30, 2011, the median Pacific Basin manager returned 25.55%, outperforming the MSCI Pacific Index by 4.68%.

Emerging Markets

Emerging Markets fell during the quarter amid troubles concerning the debt crisis in Europe and fears of global economic declines. China led the group's descent as speculation about interest rate increases and slow growth forecasts put pressure on Chinese equities. Brazil also declined as interest rates rose for the fourth time this year. Rising oil and commodity prices worldwide further hampered growth in the developing regions. For the quarter ended June 30, 2011, the return for the median manager showed a loss of 0.99%, yet managed to beat the MSCI Emerging Markets Index return of -1.04%. For the one year ended June 30, 2011, the median manager yielded 27.81%, underperforming the index's return of 28.17%.



INTERNATIONAL FIXED-INCOME Active Management Overview

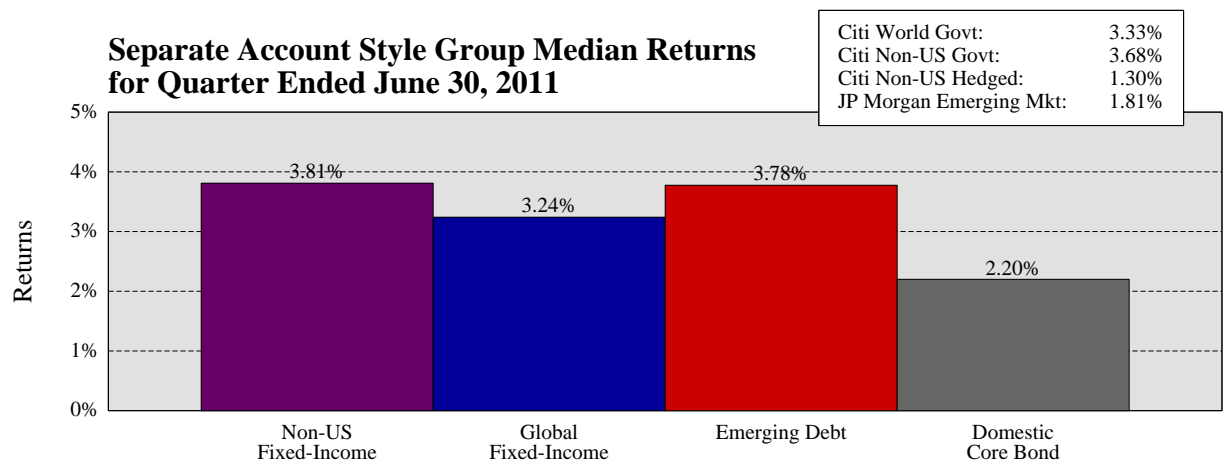
Active vs. the Index

Driven by soaring debt issuance in emerging and developed countries alike, global fixed-income markets continued to perform well in the second quarter of 2011. Companies in Germany and France issued the largest volume of international debt securities, together more than offsetting the weakness in the periphery. While there is still much concern around the ongoing debt crisis in Greece, this has not prevented countries such as Latvia and Iceland from returning to the bond markets for the first time since 2008. The U.S. dollar remained relatively stable throughout the second quarter attracting investors to global high-yield debt and setting new records for the monthly volume of international high-yield deals for May. Asian G3 currency bonds registered a record-high volume this quarter, with proceeds coming largely from South Korea, China and the Philippines. In Japan, where growth is slower, current indicators support the notion that a strong recovery is underway as rebuilding efforts take shape. Australian international debt proceeds increased this quarter, coming mainly from the financial sector. For the three months ended June 30, 2011, the median Non-U.S. Fixed Income manager earned a 3.81% return, leading the index by 13 basis points, while the median Global Fixed-Income manager lagged its index by a 0.09%, earning a 3.24% return. For the year ended June 30, 2011, the median Non-U.S. Fixed Income manager beat its index by 89 basis points, and the median Global Fixed-Income manager was 97 basis points ahead of its index.

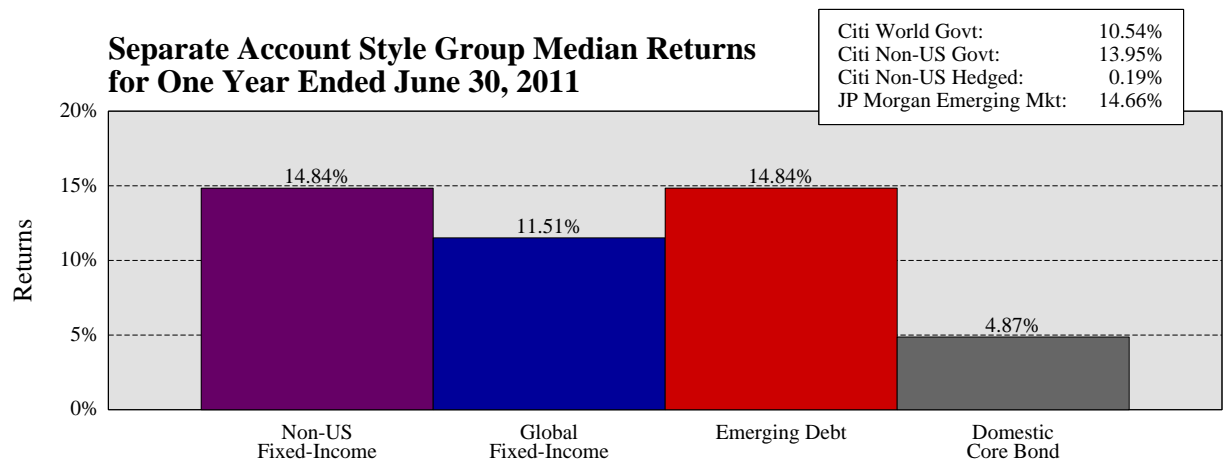
Emerging Markets

Emerging Market Debt issuance soared this quarter, led by issuers from Brazil, India, Russia and the Philippines. Such countries that have gone through substantial deleveraging and restructuring and are now paying investors a hefty spread to return to the market are gaining more attention than those that remain loaded with debt. Moreover, with developed interest rates still at rock bottom levels, emerging issuers had the incentive to lock in as much funding as possible. For the quarter ended June 30, 2011, the median Emerging Debt manager boasted a 3.78% return, a considerable 1.97% above its index. For the year ended June 30, 2011, the median Emerging Debt manager earned 14.84%, 18 basis points ahead of its index.

Separate Account Style Group Median Returns for Quarter Ended June 30, 2011



Separate Account Style Group Median Returns for One Year Ended June 30, 2011



ASSET ALLOCATION AND PERFORMANCE

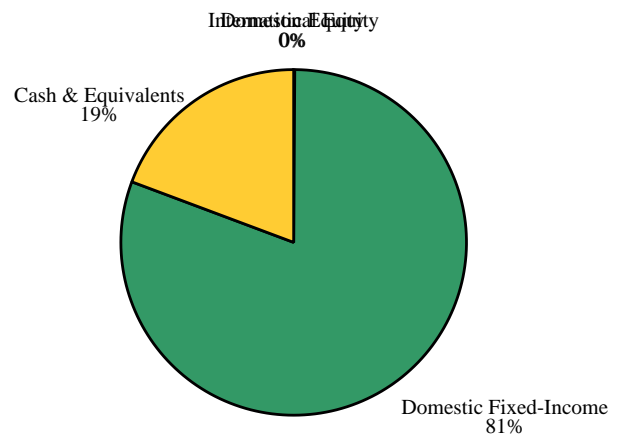
Asset Allocation and Performance

This section begins with an overview of the fund's asset allocation at the broad asset class level. This is followed by a top down performance attribution analysis which analyzes the fund's performance relative to the performance of the fund's policy target asset allocation. The fund's historical performance is then examined relative to funds with similar objectives. Performance of each asset class is then shown relative to the asset class performance of other funds. Finally, a summary is presented of the holdings of the fund's investment managers, and the returns of those managers over various recent periods.

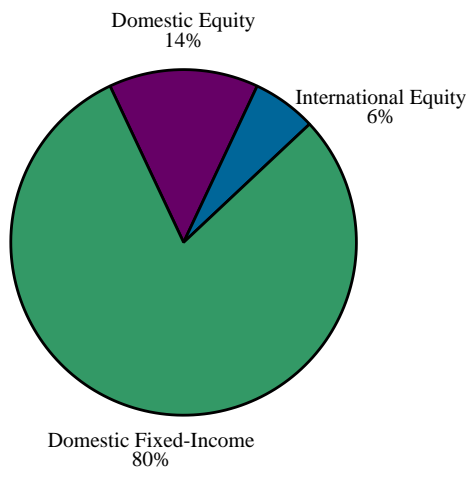
Actual vs Target Asset Allocation

The top left chart shows the Fund's asset allocation as of June 30, 2011. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

Actual Asset Allocation

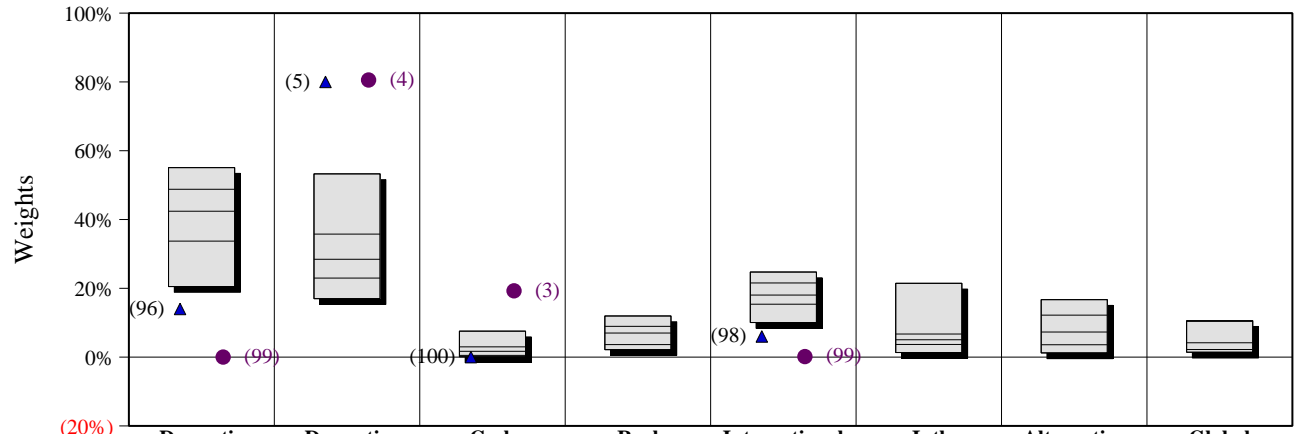


Target Asset Allocation



Asset Class	\$000s Actual	Percent Actual	Percent Target	Percent Difference	\$000s Difference
Domestic Equity	58	0.0%	14.0%	(14.0%)	(60,793)
International Equity	686	0.2%	6.0%	(5.8%)	(25,393)
Domestic Fixed-Income	350,143	80.6%	80.0%	0.6%	2,421
Cash & Equivalents	83,766	19.3%	0.0%	19.3%	83,766
Total	434,652	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



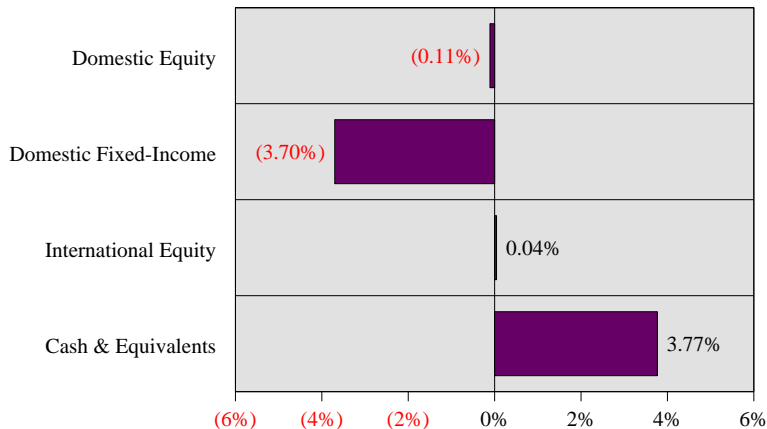
	Domestic Equity	Domestic Fixed-Income	Cash & Equivalents	Real Estate	International Equity	Intl Fixed-Inc	Alternative	Global Equity Broad
10th Percentile	55.08	53.27	7.55	11.96	24.74	21.46	16.71	10.58
25th Percentile	48.79	35.76	2.99	8.94	21.56	6.71	12.20	10.40
Median	42.41	28.44	1.69	7.00	18.04	5.05	7.30	4.17
75th Percentile	33.72	22.98	0.50	3.64	15.38	3.68	3.59	2.21
90th Percentile	20.51	16.99	0.12	2.17	10.06	1.33	1.23	1.42
Fund ●	0.01	80.56	19.27	-	0.16	-	-	-
Target ▲	14.00	80.00	0.00	-	6.00	-	-	-
% Group Invested	97.75%	98.88%	67.42%	48.31%	88.76%	17.98%	48.31%	7.87%

* Current Quarter Target = 45.0% BC Gov/Credit Inter, 27.0% BC Aggregate Index, 14.0% Russell 3000 Index, 8.0% BC Mortgage and 6.0% MSCI ACWI x US (Net).

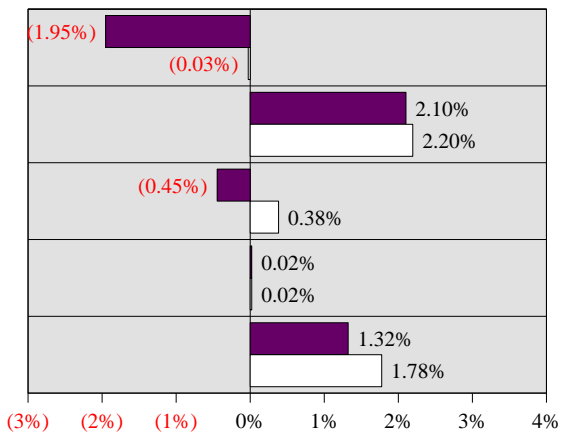
Quarterly Total Fund Relative Attribution - June 30, 2011

The following analysis approaches Total Fund Attribution from the perspective of relative return. Relative return attribution separates and quantifies the sources of total fund excess return relative to its target. This excess return is separated into two relative attribution effects: Asset Allocation Effect and Manager Selection Effect. The Asset Allocation Effect represents the excess return due to the actual total fund asset allocation differing from the target asset allocation. Manager Selection Effect represents the total fund impact of the individual managers excess returns relative to their benchmarks.

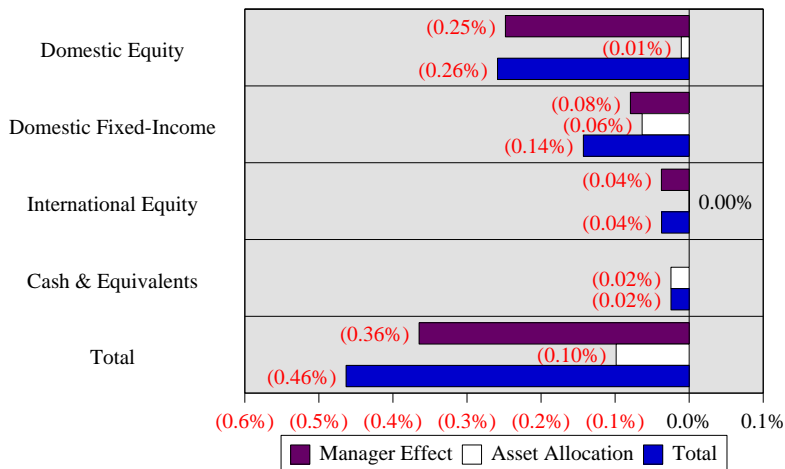
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Quarter ended June 30, 2011

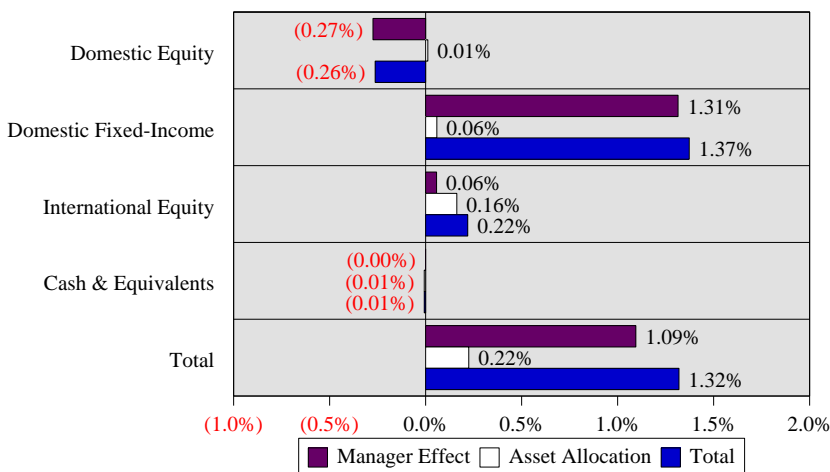
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	14%	14%	(1.95%)	(0.03%)	(0.25%)	(0.01%)	(0.26%)
Domestic Fixed-Income	76%	80%	2.10%	2.20%	(0.08%)	(0.06%)	(0.14%)
International Equity	6%	6%	(0.45%)	0.38%	(0.04%)	0.00%	(0.04%)
Cash & Equivalents	4%	0%	0.02%	0.02%	0.00%	(0.02%)	(0.02%)
Total			1.32%	1.78%	(0.36%)	(0.10%)	(0.46%)

* Current Quarter Target = 45.0% BC Gov/Credit Inter, 27.0% BC Aggregate Index, 14.0% Russell 3000 Index, 8.0% BC Mortgage and 6.0% MSCI ACWI x US (Net).

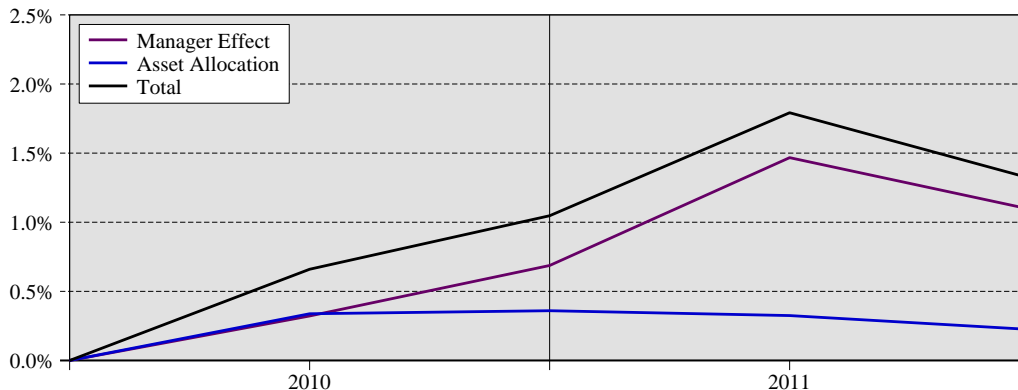
Cumulative Total Fund Relative Attribution - June 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

One Year Relative Attribution Effects



Cumulative Relative Attribution Effects



One Year Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	14%	14%	29.76%	32.37%	(0.27%)	0.01%	(0.26%)
Domestic Fixed-Income	76%	79%	5.51%	3.83%	1.31%	0.06%	1.37%
International Equity	6%	6%	30.10%	29.73%	0.06%	0.16%	0.22%
Cash & Equivalents	3%	1%	0.14%	0.14%	(0.00%)	(0.01%)	(0.01%)
Total			10.30%	8.97%	+ 1.09%	+ 0.22%	1.32%

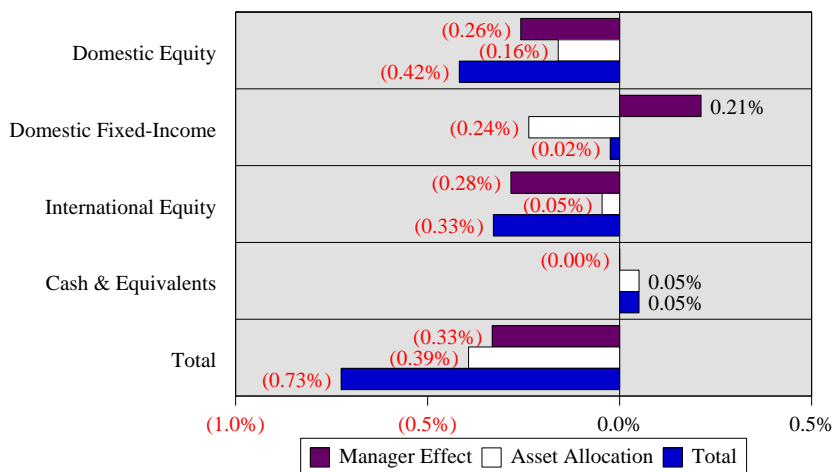
* Current Quarter Target = 45.0% BC Gov/Credit Inter, 27.0% BC Aggregate Index, 14.0% Russell 3000 Index, 8.0% BC Mortgage and 6.0% MSCI ACWI x US (Net).



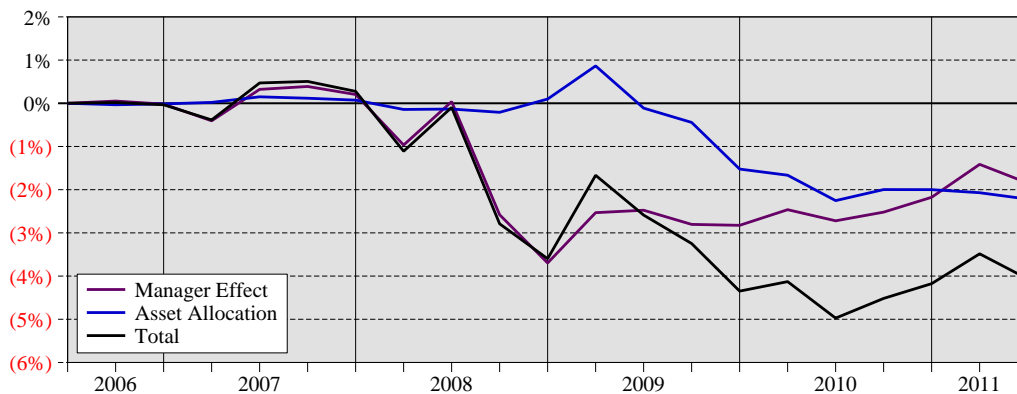
Cumulative Total Fund Relative Attribution - June 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Five Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Five Year Annualized Relative Attribution Effects

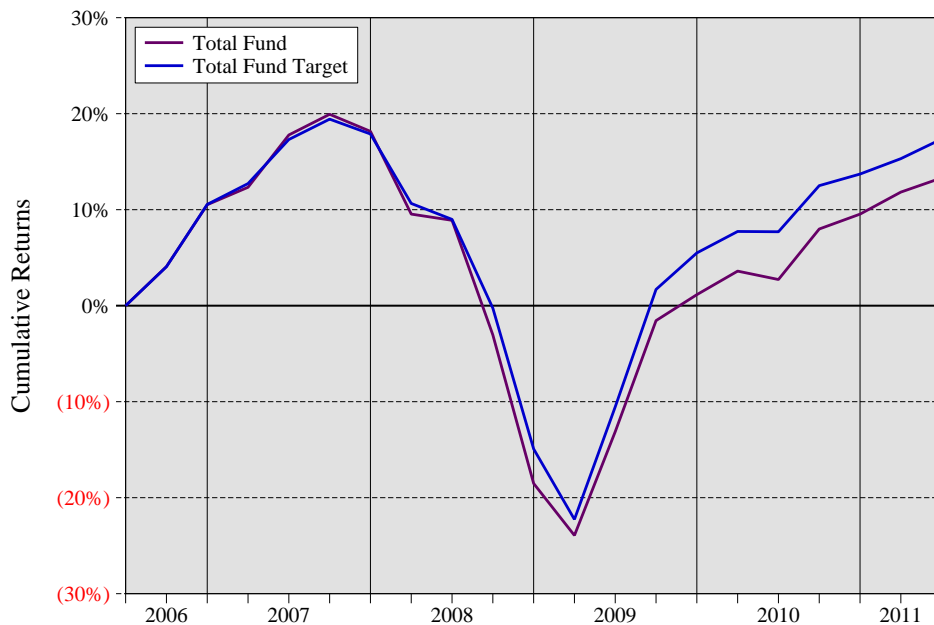
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	39%	40%	2.48%	3.30%	(0.26%)	(0.16%)	(0.42%)
Domestic Fixed-Income	42%	43%	6.57%	6.41%	0.21%	(0.24%)	(0.02%)
International Equity	17%	17%	1.12%	2.58%	(0.28%)	(0.05%)	(0.33%)
Cash & Equivalents	2%	1%	2.01%	2.01%	(0.00%)	0.05%	0.05%
Total			2.53%	3.25%	(0.33%)	(0.39%)	(0.73%)

* Current Quarter Target = 45.0% BC Gov/Credit Inter, 27.0% BC Aggregate Index, 14.0% Russell 3000 Index, 8.0% BC Mortgage and 6.0% MSCI ACWI x US (Net).

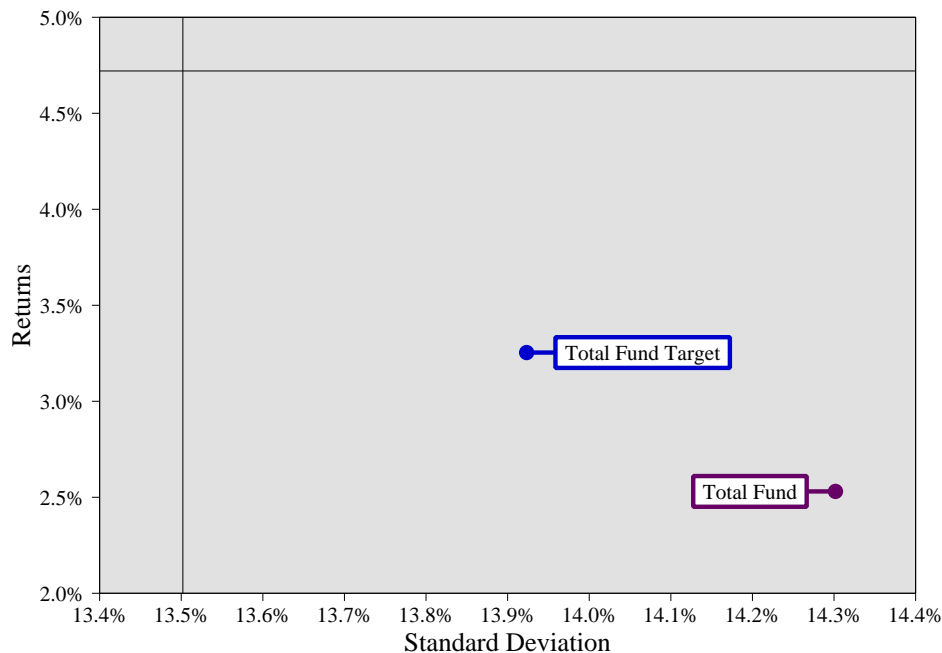
Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The difference between the Total Fund return and the Target Mix return is explained by the performance attribution on the next page. The second chart below shows the return and the risk of the Total Fund and the Target Mix, contrasted with the returns and risks of the funds in the CAI Public Fund Sponsor Database.

Cumulative Returns Actual vs Target



Five Year Annualized Risk vs Return

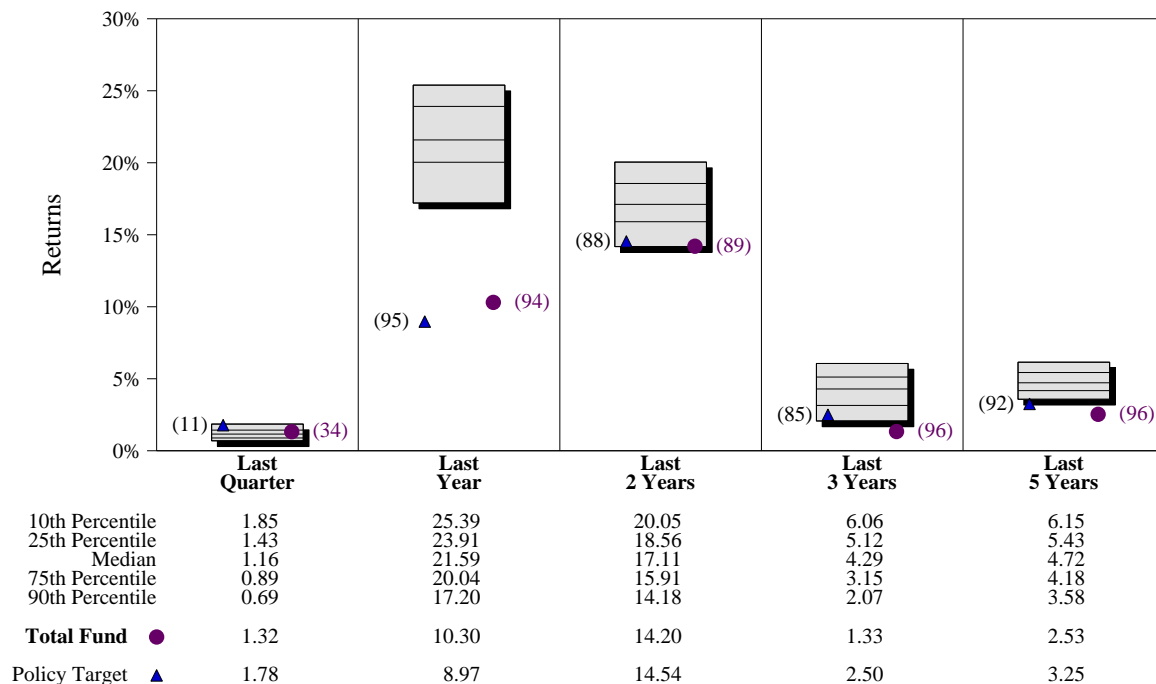


* Current Quarter Target = 45.0% BC Gov/Credit Inter, 27.0% BC Aggregate Index, 14.0% Russell 3000 Index, 8.0% BC Mortgage and 6.0% MSCI ACWI x US (Net).

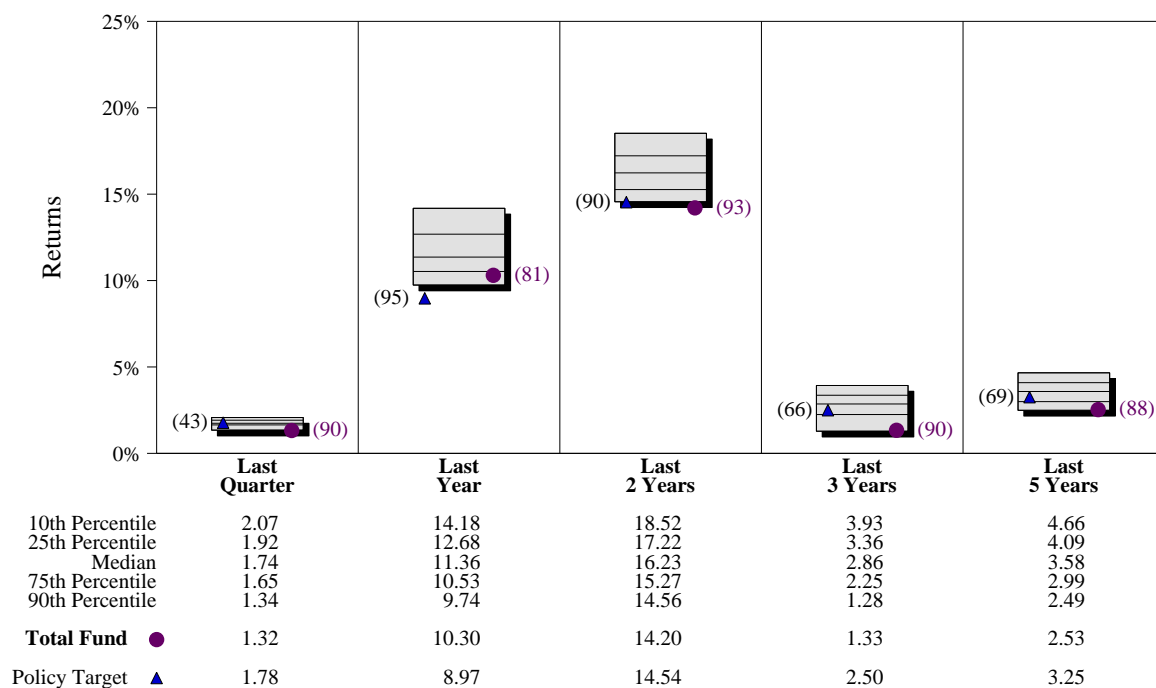
Total Fund Ranking

The first two charts show the ranking of the Total Fund's performance relative to that of the CAI Public Fund Sponsor Database for periods ended June 30, 2011. The first chart is a standard unadjusted ranking. In the second chart each fund in the database is adjusted to have the same historical asset allocation as that of the Total Fund.

CAI Public Fund Sponsor Database



Asset Allocation Adjusted Ranking

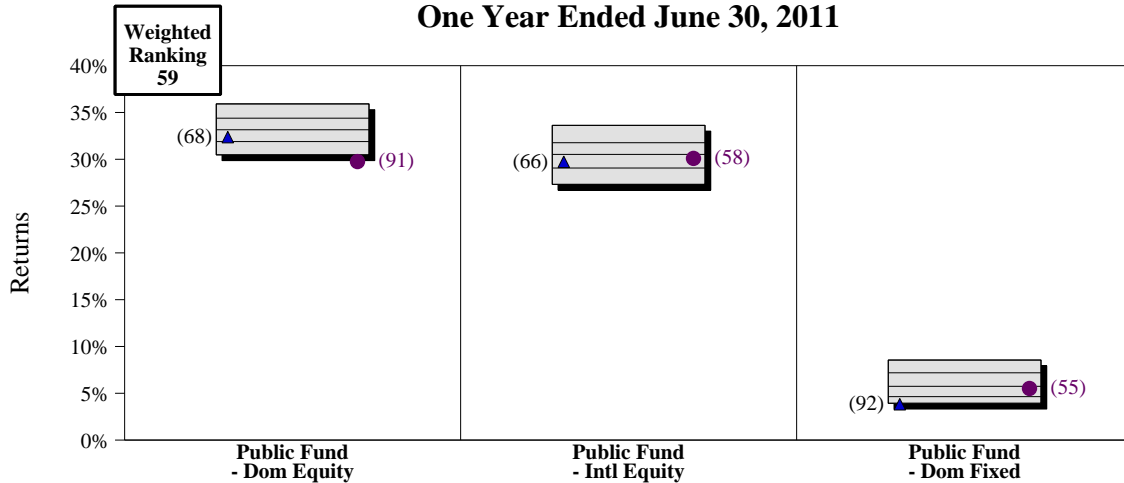


* Current Quarter Target = 45.0% BC Gov/Credit Inter, 27.0% BC Aggregate Index, 14.0% Russell 3000 Index, 8.0% BC Mortgage and 6.0% MSCI ACWI x US (Net).

Asset Class Rankings

The charts below show the rankings of each asset class component of the Total Fund relative to appropriate comparative databases. In the upper left corner of each graph is the weighted average of the rankings across the different asset classes. The weights of the fund's actual asset allocation are used to make this calculation. The weighted average ranking can be viewed as a measure of the fund's overall success in picking managers and structuring asset classes.

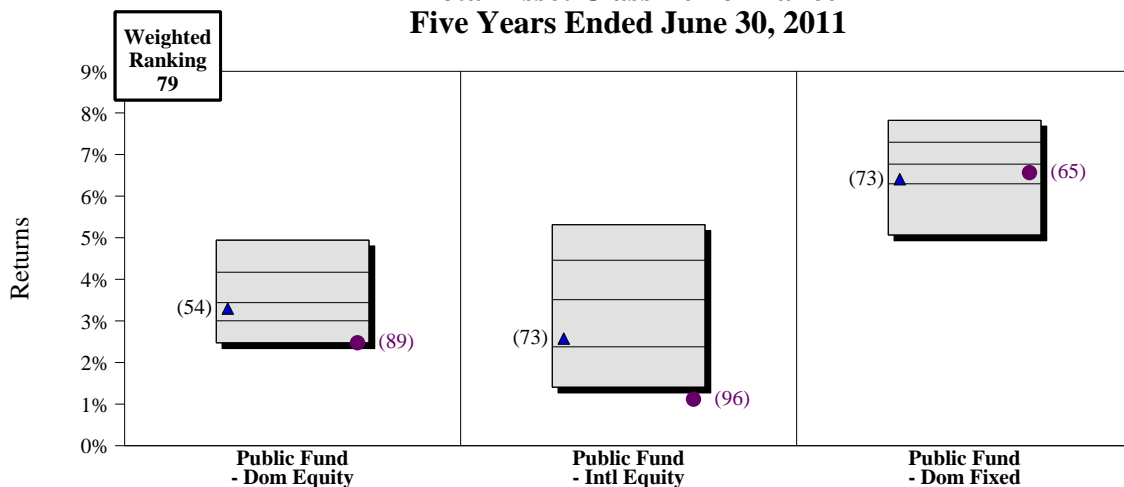
Total Asset Class Performance One Year Ended June 30, 2011



10th Percentile	35.92	33.62	8.55
25th Percentile	34.39	31.77	7.19
Median	33.15	30.52	5.74
75th Percentile	31.89	29.06	4.64
90th Percentile	30.47	27.32	3.93

Asset Class Composite ●	29.76	30.10	5.51
Composite Benchmark ▲	32.37	29.73	3.83

Total Asset Class Performance Five Years Ended June 30, 2011



10th Percentile	4.94	5.31	7.82
25th Percentile	4.17	4.46	7.30
Median	3.44	3.51	6.77
75th Percentile	3.00	2.38	6.30
90th Percentile	2.47	1.41	5.06

Asset Class Composite ●	2.48	1.12	6.57
Composite Benchmark ▲	3.30	2.58	6.41

* Current Quarter Target = 45.0% BC Gov/Credit Inter, 27.0% BC Aggregate Index, 14.0% Russell 3000 Index, 8.0% BC Mortgage and 6.0% MSCI ACWI x US (Net).

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of June 30, 2011, with the distribution as of March 31, 2011. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

	June 30, 2011		Net New Inv.	Inv. Return	March 31, 2011	
	Market Value	Percent			Market Value	Percent
Domestic Equity	\$57,803	0.01%	\$(60,598,233)	\$(1,458,755)	\$62,114,791	14.20%
RhumbLine Advisers	57,800	0.01%	(60,598,233)	(1,458,755)	62,114,788	14.20%
Transition Account	3	0.00%	0	0	3	0.00%
International Equity	\$685,669	0.16%	\$(27,767,185)	\$13,634	\$28,439,220	6.50%
Acadian Asset Mgmt.	166,263	0.04%	0	1,092	165,171	0.04%
New Star Institutional	317,726	0.07%	0	1,759	315,967	0.07%
Principal Global Investors	195,048	0.04%	(27,767,185)	10,782	27,951,450	6.39%
International Transition Acct.	6,632	0.00%	0	1	6,631	0.00%
Domestic Fixed-Income	\$350,142,622	80.56%	\$170,502	\$7,209,088	\$342,763,033	78.37%
Longfellow - CDOs	5,309,286	1.22%	0	120,749	5,188,536	1.19%
Longfellow Intermediate	111,935,551	25.75%	0	2,170,642	109,764,909	25.10%
MacKay Shields Core Plus	116,807,684	26.87%	170,502	2,584,887	114,052,295	26.08%
MacKay Shields Intermediate	115,788,909	26.64%	0	2,369,060	113,419,850	25.93%
Sterne Agee Intermediate	4	0.00%	0	0	4	0.00%
Western Asset Core Plus	301,189	0.07%	0	(36,250)	337,439	0.08%
Cash & Equivalents	\$83,766,015	19.27%	\$79,706,649	\$3,382	\$4,055,984	0.93%
Cash & Equivalents	83,356,015	19.18%	83,326,795	3,237	25,984	0.01%
Regions STIFF	410,000	0.09%	(3,620,145)	145	4,030,000	0.92%
Total Fund	\$434,652,109	100.0%	\$(8,488,266)	\$5,767,349	\$437,373,027	100.0%

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of June 30, 2011, with the distribution as of September 30, 2010. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

	June 30, 2011		Net New Inv.	Inv. Return	September 30, 2010	
	Market Value	Percent			Market Value	Percent
Domestic Equity	\$57,803	0.01%	\$(86,120,461)	\$9,917,763	\$76,260,501	15.65%
RhumbLine Advisers	57,800	0.01%	(86,098,233)	9,917,751	76,238,281	15.65%
Transition Account	3	0.00%	(22,229)	12	22,220	0.00%
International Equity	\$685,669	0.16%	\$(40,267,185)	\$3,475,151	\$37,477,703	7.69%
Acadian Asset Mgmt.	166,263	0.04%	0	5,417	160,846	0.03%
New Star Institutional	317,726	0.07%	0	28,765	288,961	0.06%
Principal Global Investors	195,048	0.04%	(40,267,185)	3,440,955	37,021,278	7.60%
International Transition Acct.	6,632	0.00%	0	13	6,619	0.00%
Domestic Fixed-Income	\$350,142,622	80.56%	\$(28,691,337)	\$8,809,365	\$370,024,594	75.94%
Longfellow - CDOs	5,309,286	1.22%	3,826,331	1,482,954	-	-
Longfellow Intermediate	111,935,551	25.75%	110,539,420	1,396,131	-	-
MacKay Shields Core Plus	116,807,684	26.87%	113,220,190	3,587,494	-	-
MacKay Shields Intermediate	115,788,909	26.64%	114,421,183	1,367,726	-	-
Sterne Agee Core	-	-	(40,347,923)	650,958	39,696,966	8.15%
Sterne Agee Intermediate	4	0.00%	(114,614,705)	1,944	114,612,765	23.52%
Western Asset Core Plus	301,189	0.07%	(100,366,874)	234,139	100,433,924	20.61%
Western Asset Intermediate	-	-	(115,368,959)	88,019	115,280,939	23.66%
Cash & Equivalents	\$83,766,015	19.27%	\$80,223,017	\$15,060	\$3,527,938	0.72%
Cash & Equivalents	83,356,015	19.18%	83,333,926	14,152	7,938	0.00%
Regions STIFF	410,000	0.09%	(3,110,908)	908	3,520,000	0.72%
Total Fund	\$434,652,109	100.0%	\$(74,855,966)	\$22,217,340	\$487,290,736	100.0%



Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2011. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended June 30, 2011

	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
Domestic Fixed-Income	2.10%	5.51%	9.69%	7.96%	6.57%
Domestic Fixed Benchmark	2.20%	3.83%	6.37%	6.26%	6.41%
Longfellow Intermediate	1.98%	-	-	-	-
MacKay Shields Core Plus	2.27%	-	-	-	-
MacKay Shields Intermediate	2.09%	-	-	-	-
BC Aggregate	2.29%	3.90%	6.66%	6.46%	6.52%
Custom Interm. Benchmark**	2.15%	3.78%	-	-	-
Cash & Equivalents	0.02%	0.14%	0.12%	0.40%	2.01%
Cash & Equivalents	0.45%	0.62%	0.43%	0.83%	2.58%
Regions STIFF	0.01%	0.05%	0.05%	0.23%	1.88%
Treasury Bills 90 Day	0.04%	0.16%	0.16%	0.42%	2.00%
Total Fund	1.32%	10.30%	14.20%	1.33%	2.53%
Total Fund Target*	1.78%	8.97%	14.54%	2.50%	3.25%

* Current Quarter Target = 45.0% BC Gov/Credit Inter, 27.0% BC Aggregate Index, 14.0% Russell 3000 Index, 8.0% BC Mortgage and 6.0% MSCI ACWI x US (Net).

** Comprised of 85% Barclays Intermediate Gov/Credit Index and 15% Barclays US Mortgage Index.



Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2011. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended June 30, 2011

	Last 7 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 20-1/2 Years
Domestic Fixed-Income	5.36%	5.95%	6.42%	7.07%	-
Domestic Fixed Benchmark	5.40%	5.69%	6.28%	6.77%	6.83%
Cash & Equivalents	2.31%	2.04%	-	-	-
Cash & Equivalents	2.81%	2.30%	-	-	-
Regions STIFF	2.21%	1.99%	-	-	-
Treasury Bills 90 Day	2.30%	2.13%	3.20%	3.50%	3.56%
Total Fund	4.01%	3.52%	6.11%	7.83%	7.96%
Total Fund Target*	4.91%	4.35%	6.91%	8.62%	9.06%

* Current Quarter Target = 45.0% BC Gov/Credit Inter, 27.0% BC Aggregate Index, 14.0% Russell 3000 Index, 8.0% BC Mortgage and 6.0% MSCI ACWI x US (Net).



Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2011. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	9/2010- 6/2011	FY 2010	FY 2009	FY 2008	FY 2007
Domestic Fixed-Income	2.58%	8.91%	15.35%	(2.64%)	5.07%
Domestic Fixed Benchmark	1.34%	7.63%	10.56%	3.65%	5.14%
BC Aggregate	1.39%	8.16%	10.56%	3.65%	5.14%
Custom Interm. Benchmark**	1.31%	-	-	-	-
Cash & Equivalents	0.10%	0.07%	0.48%	3.05%	5.16%
Cash & Equivalents	0.53%	0.13%	1.22%	4.74%	5.15%
Regions STIFF	0.04%	0.05%	0.14%	2.87%	5.15%
Treasury Bills 90 Day	0.13%	0.13%	0.39%	2.90%	5.22%
Total Fund	4.93%	9.69%	1.54%	(19.16%)	15.24%
Total Fund Target*	4.32%	10.63%	1.95%	(16.48%)	14.78%

* Current Quarter Target = 45.0% BC Gov/Credit Inter, 27.0% BC Aggregate Index, 14.0% Russell 3000 Index, 8.0% BC Mortgage and 6.0% MSCI ACWI x US (Net).

** Comprised of 85% Barclays Intermediate Gov/Credit Index and 15% Barclays US Mortgage Index.



Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	12/2010- 6/2011	2010	2009	2008	2007
Domestic Fixed-Income	3.57%	6.90%	16.43%	(3.88%)	4.48%
Domestic Fixed Benchmark	2.59%	6.10%	5.93%	5.24%	6.97%
Longfellow Intermediate	2.80%	-	-	-	-
MacKay Shields Core Plus	4.37%	-	-	-	-
MacKay Shields Intermediate	2.88%	-	-	-	-
BC Aggregate	2.72%	6.54%	5.93%	5.24%	6.97%
Custom Intern. Benchmark**	2.53%	5.82%	-	-	-
Cash & Equivalents	0.05%	0.12%	0.20%	2.15%	5.06%
Cash & Equivalents	0.48%	0.15%	0.70%	4.16%	4.94%
Regions STIFF	0.03%	0.05%	0.05%	1.82%	5.01%
Treasury Bills 90 Day	0.09%	0.13%	0.21%	2.06%	5.00%
Total Fund	3.45%	8.29%	24.13%	(31.04%)	6.92%
Total Fund Target*	3.21%	7.79%	23.99%	(27.83%)	6.63%

* Current Quarter Target = 45.0% BC Gov/Credit Inter, 27.0% BC Aggregate Index, 14.0% Russell 3000 Index, 8.0% BC Mortgage and 6.0% MSCI ACWI x US (Net).

** Comprised of 85% Barclays Intermediate Gov/Credit Index and 15% Barclays US Mortgage Index.



Investment Manager Returns

The returns presented on this page are net of fees.

Returns for Periods Ended June 30, 2011

	Last Quarter	Last 1/2 Year	Last Year	Last 3 Years	Last 5 Years
Domestic Fixed-Income	2.06%	3.49%	5.35%	7.78%	6.62%
Longfellow Intermediate	1.94%	2.72%	-	-	-
MacKay Shields Core Plus	2.23%	4.30%	-	-	-
MacKay Shields Intermediate	2.05%	2.81%	-	-	-
BC Aggregate	2.29%	2.72%	3.90%	6.46%	6.52%
Custom Intern. Benchmark*	2.15%	2.53%	3.78%	-	-
Cash & Equivalents	0.02%	0.05%	0.14%	0.40%	2.01%
Cash & Equivalents	0.45%	0.48%	0.62%	0.83%	2.58%
Regions STIFF	0.01%	0.03%	0.05%	0.23%	1.88%
Treasury Bills 90 Day	0.04%	0.09%	0.16%	0.42%	2.00%
Total Fund	1.29%	3.38%	10.15%	1.10%	2.27%

* Comprised of 85% Barclays Intermediate Gov/Credit Index and 15% Barclays US Mortgage Index.

Alabama PACT Investment Manager List

Manager	Benchmark	Inception Date	Fees*
<i>Domestic Fixed Income</i>			
MacKay Shields – Core Plus	Lehman Brothers Agg	10/01/2010	15 bps <i>(on combined assets)</i>
MacKay Shields – Intermediate	85% BC Inter Gov/Credit 15% BC US Mortgage	10/01/2010	15 bps <i>(on combined assets)</i>
Longfellow – Intermediate	85% BC Inter Gov/Credit 15% BC US Mortgage	10/01/2010	20 bps first \$50 million, 12.5 bps next \$50 million, 10 bps thereafter <i>(on combined assets)</i>

** Please note that the fees shown in basis points are reported on an annualized basis and are based on the portfolio's quarterly ending market value.*

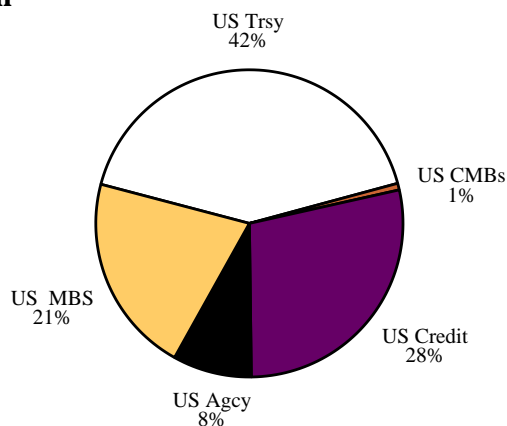
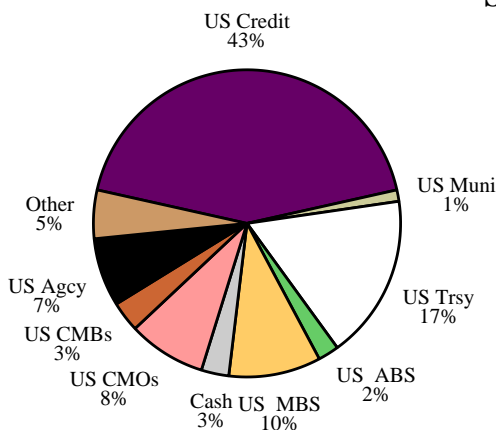


DOMESTIC FIXED-INCOME PORTFOLIO CHARACTERISTICS SUMMARY AS OF JUNE 30, 2011

Portfolio Structure Comparison

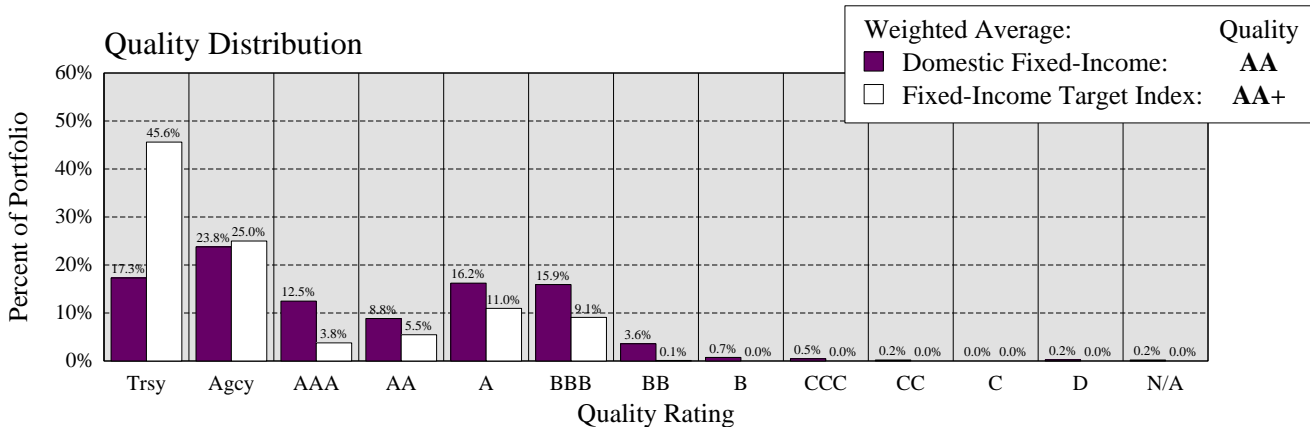
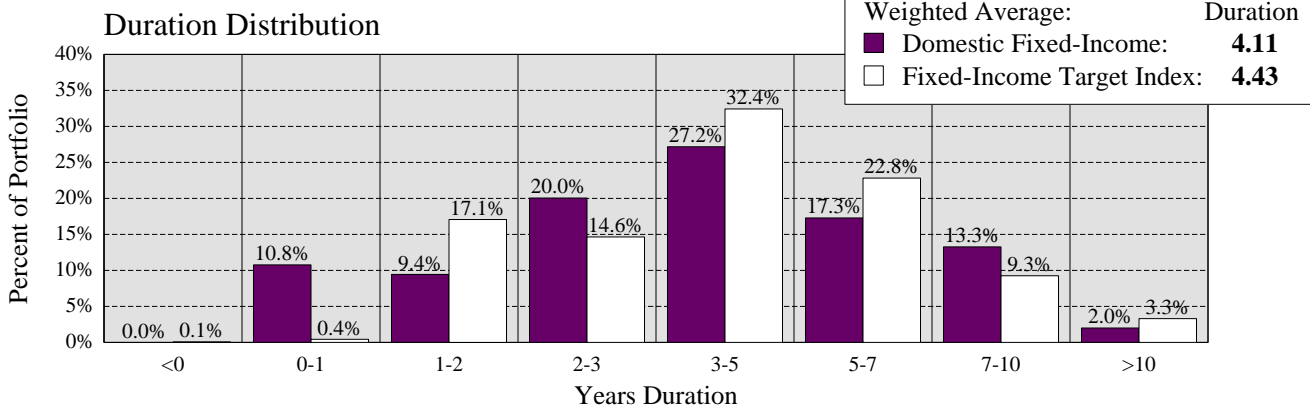
The charts below compare the structure of the portfolio to that of the index from the three perspectives that have the greatest influence on return. The first chart compares the two portfolios across sectors. The second chart compares the duration distribution. The last chart compares the distribution across quality ratings.

Sector Allocation



Domestic Fixed-Income

Fixed-Income Target Index



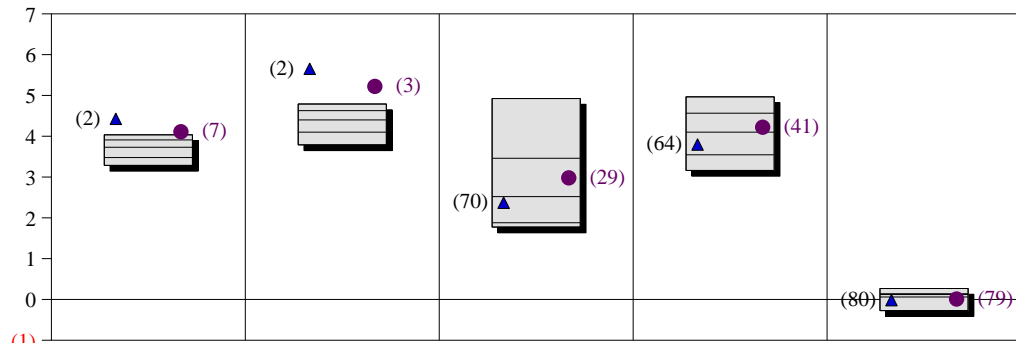
DOMESTIC FIXED-INCOME BOND CHARACTERISTICS ANALYSIS SUMMARY



Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Fixed-Income Portfolio Characteristics Rankings Against CAI Intermediate Fixed-Inc Style as of June 30, 2011

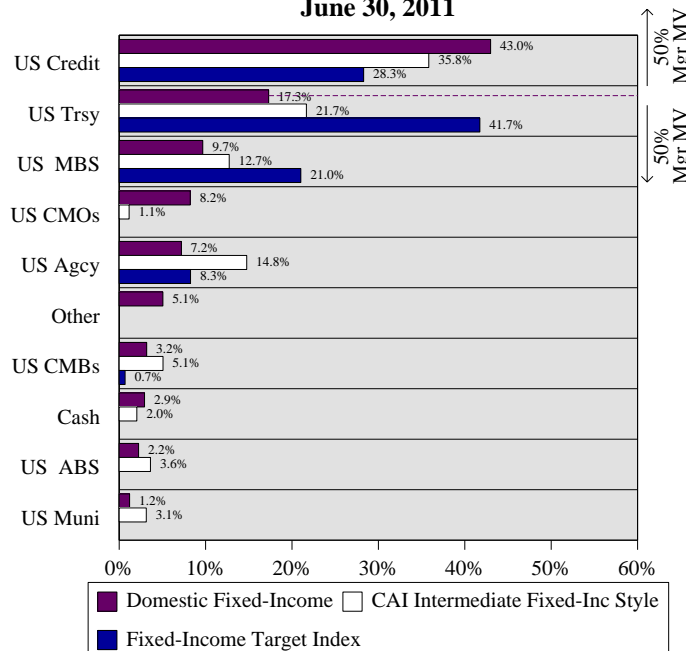


	Duration	Average Life	Effective Yield	Coupon Rate	OA Convexity
10th Percentile	4.03	4.79	4.92	4.97	0.27
25th Percentile	3.91	4.63	3.46	4.57	0.14
Median	3.73	4.40	2.52	4.10	0.12
75th Percentile	3.48	4.10	1.88	3.55	0.06
90th Percentile	3.29	3.79	1.77	3.16	(0.27)
Domestic Fixed-Income ●	4.11	5.22	2.98	4.22	0.01
Fixed-Income Target Index ▲	4.43	5.65	2.37	3.80	(0.02)

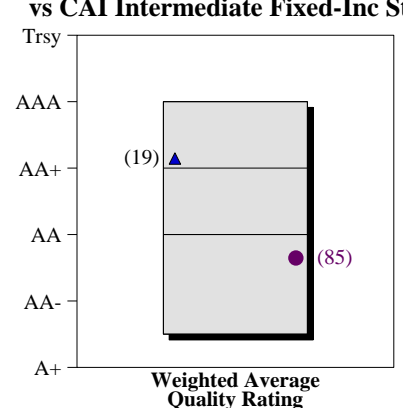
Sector Allocation and Quality Ratings

The first graph compares the manager's sector allocation with the average allocation across all the members of the manager's style. The second graph compares the manager's weighted average quality rating with the range of quality ratings for the style.

Sector Allocation June 30, 2011



Quality Ratings vs CAI Intermediate Fixed-Inc Style



10th Percentile	AAA
25th Percentile	AA+
Median	AA
75th Percentile	AA
90th Percentile	A+
Domestic Fixed-Income ●	AA
Fixed-Income Target Index ▲	AA+

LONGFELLOW INTERMEDIATE PERIOD ENDED JUNE 30, 2011



Investment Philosophy

They produce incremental return by investing in undervalued sectors of the fixed income market and mispriced securities within these sectors. These have included mortgage passthroughs, collateralized mortgage obligations, asset backed securities, and U.S. gov't agency securities with stories such as Title XI ship bonds, GTCs and SBAs. They continuously monitor sector yield spreads using a wide variety of research sources. They seek mispricing that is explained by structural effects such as taxes, analytic or administrative complexity, liquidity preference, or investor biases against new or different security types.

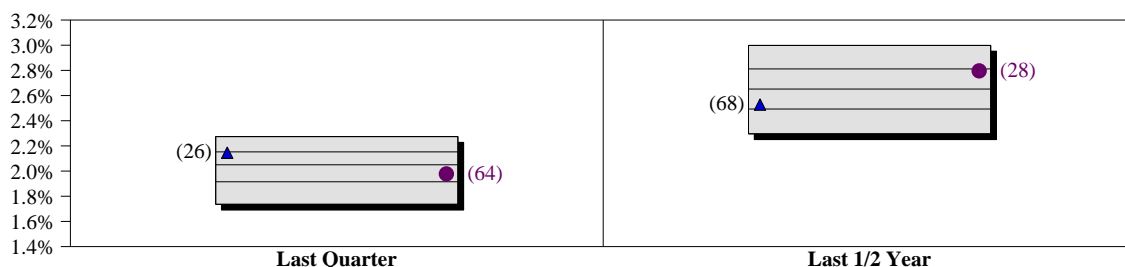
Quarterly Summary and Highlights

- Longfellow Intermediate's portfolio posted a 1.98% return for the quarter placing it in the 64 percentile of the CAI Intermediate Fixed-Inc Style group for the quarter and in the 28 percentile for the last one-half year.
- Longfellow Intermediate's portfolio underperformed the 85% BC Gov/Credit Inter/15% BC Mortgage by 0.17% for the quarter and outperformed the 85% BC Gov/Credit Inter/15% BC Mortgage for the one-half year by 0.27%.

Quarterly Asset Growth

Beginning Market Value	\$109,764,909
Net New Investment	\$0
Investment Gains/(Losses)	\$2,170,642
Ending Market Value	\$111,935,551

Performance vs CAI Intermediate Fixed-Inc Style (Gross)



10th Percentile	2.27	3.00
25th Percentile	2.15	2.81
Median	2.05	2.65
75th Percentile	1.91	2.49
90th Percentile	1.74	2.30

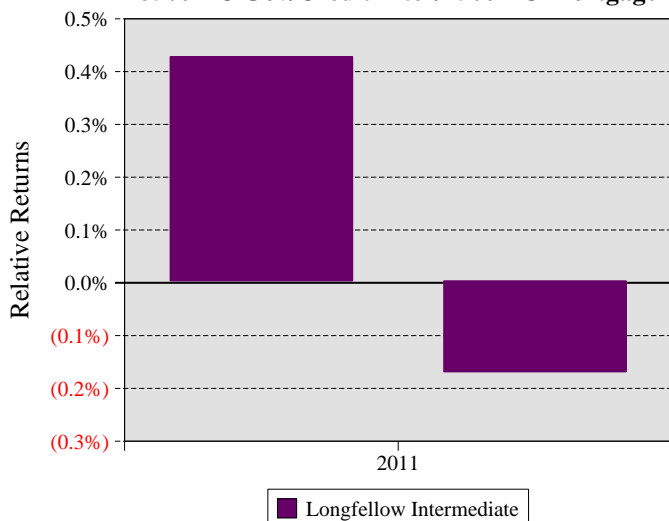
Longfellow Intermediate ●

85% BC Gov/Credit Inter/15% BC Mortgage ▲

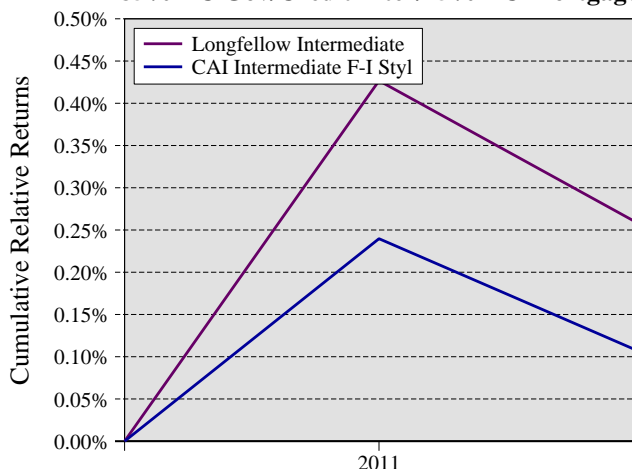
Longfellow Intermediate	1.98
85% BC Gov/Credit Inter/15% BC Mortgage	2.15

Longfellow Intermediate	2.80
85% BC Gov/Credit Inter/15% BC Mortgage	2.53

Relative Returns vs 85% BC Gov/Credit Inter/15% BC Mortgage



Cumulative Returns vs 85% BC Gov/Credit Inter/15% BC Mortgage

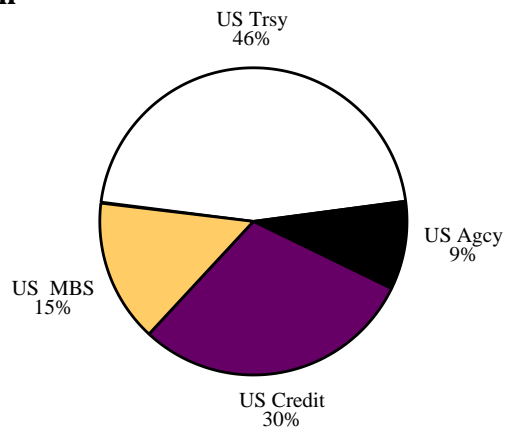
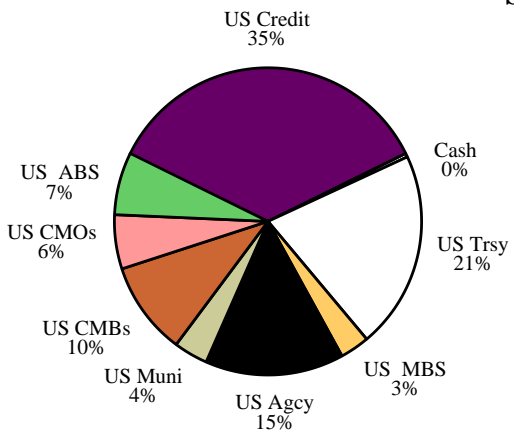


LONGFELLOW INTERMEDIATE PORTFOLIO CHARACTERISTICS SUMMARY AS OF JUNE 30, 2011

Portfolio Structure Comparison

The charts below compare the structure of the portfolio to that of the index from the three perspectives that have the greatest influence on return. The first chart compares the two portfolios across sectors. The second chart compares the duration distribution. The last chart compares the distribution across quality ratings.

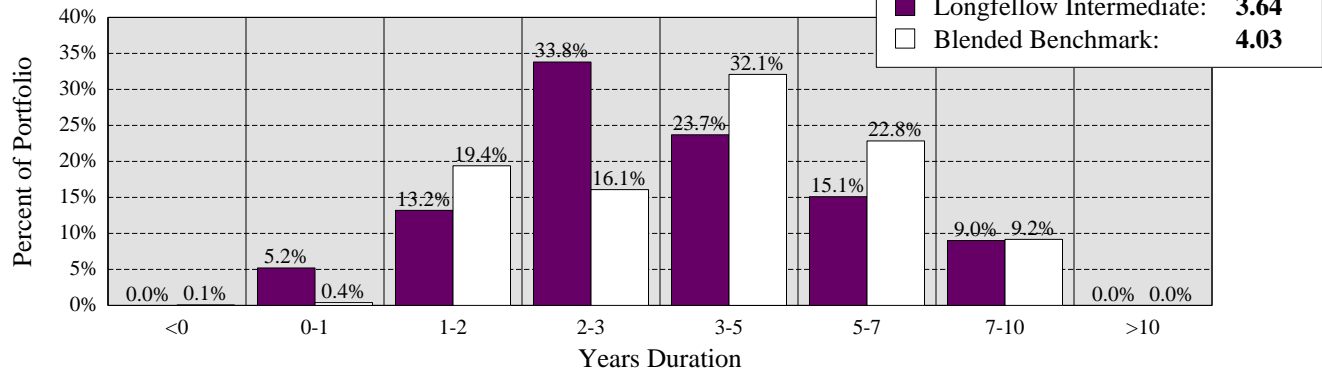
Sector Allocation



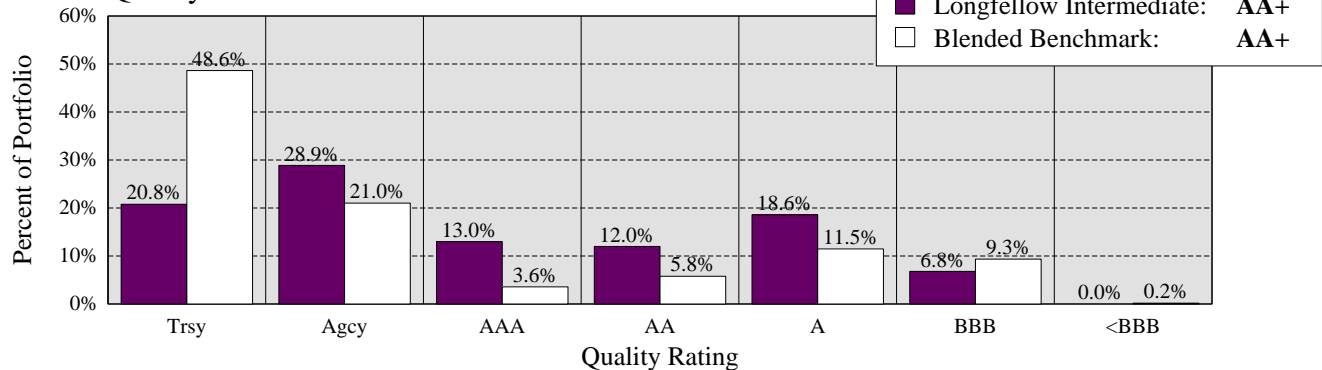
Longfellow Intermediate

Blended Benchmark

Duration Distribution



Quality Distribution



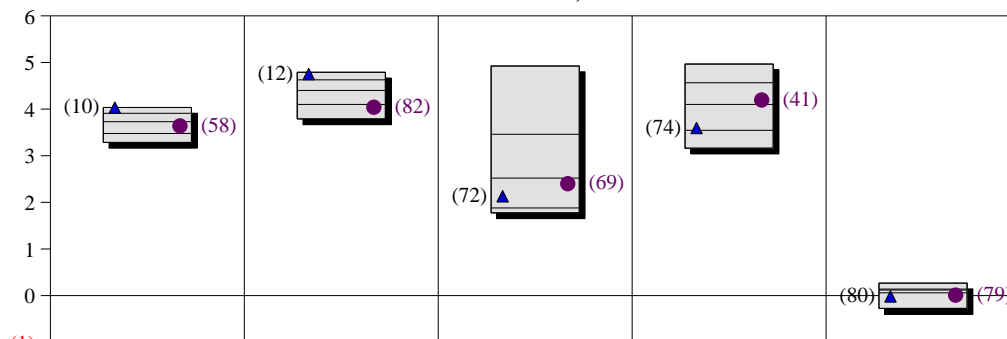
LONGFELLOW INTERMEDIATE BOND CHARACTERISTICS ANALYSIS SUMMARY



Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Fixed-Income Portfolio Characteristics Rankings Against CAI Intermediate Fixed-Inc Style as of June 30, 2011

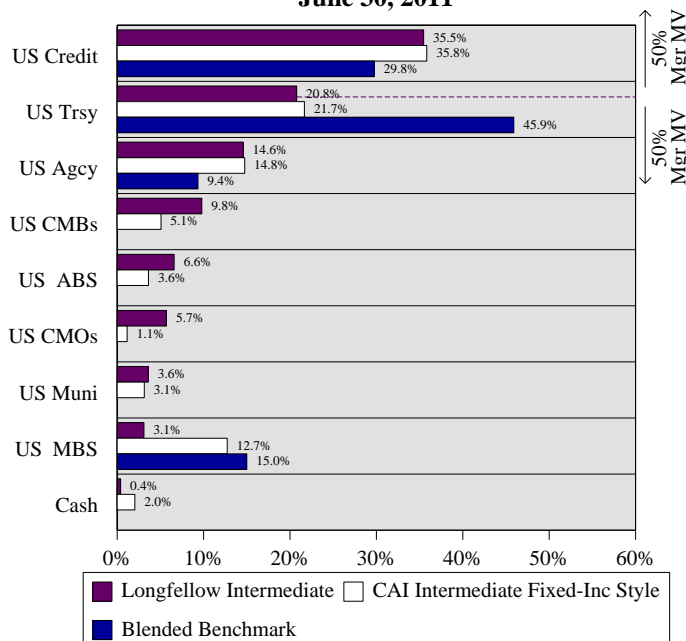


	Duration	Average Life	Effective Yield	Coupon Rate	OA Convexity
10th Percentile	4.03	4.79	4.92	4.97	0.27
25th Percentile	3.91	4.63	3.46	4.57	0.14
Median	3.73	4.40	2.52	4.10	0.12
75th Percentile	3.48	4.10	1.88	3.55	0.06
90th Percentile	3.29	3.79	1.77	3.16	(0.27)
Longfellow Intermediate ●	3.64	4.04	2.40	4.20	0.01
Blended Benchmark ▲	4.03	4.75	2.13	3.60	(0.02)

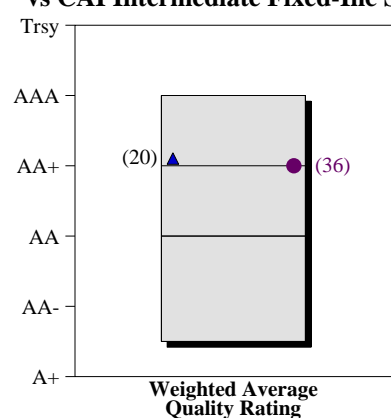
Sector Allocation and Quality Ratings

The first graph compares the manager's sector allocation with the average allocation across all the members of the manager's style. The second graph compares the manager's weighted average quality rating with the range of quality ratings for the style.

Sector Allocation June 30, 2011



Quality Ratings vs CAI Intermediate Fixed-Inc Style



	Quality Rating
10th Percentile	AAA
25th Percentile	AA+
Median	AA
75th Percentile	AA
90th Percentile	A+
Longfellow Intermediate ●	AA+
Blended Benchmark ▲	AA+

MACKAY SHIELDS CORE PLUS PERIOD ENDED JUNE 30, 2011



Investment Philosophy

MacKay Shields is a value-oriented investor seeking to own undervalued securities while managing for risk. They constantly assess "relative value" among all sectors of the bond market, while duration is kept within narrow bands around the benchmark. They will opportunistically use high yield to enhance return.

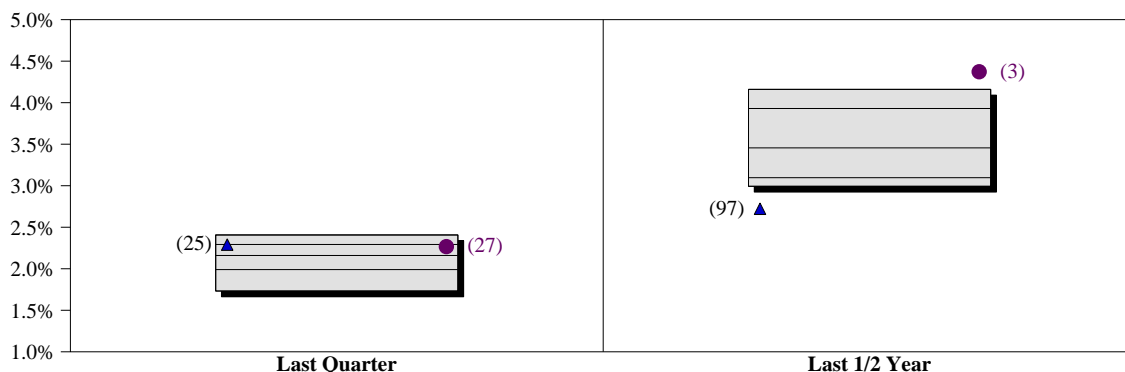
Quarterly Summary and Highlights

- MacKay Shields Core Plus's portfolio posted a 2.27% return for the quarter placing it in the 27 percentile of the CAI Core Bond Plus Style group for the quarter and in the 3 percentile for the last one-half year.
- MacKay Shields Core Plus's portfolio underperformed the BC Aggregate Index by 0.02% for the quarter and outperformed the BC Aggregate Index for the one-half year by 1.65%.

Quarterly Asset Growth

Beginning Market Value	\$114,052,295
Net New Investment	\$170,502
Investment Gains/(Losses)	\$2,584,887
Ending Market Value	\$116,807,684

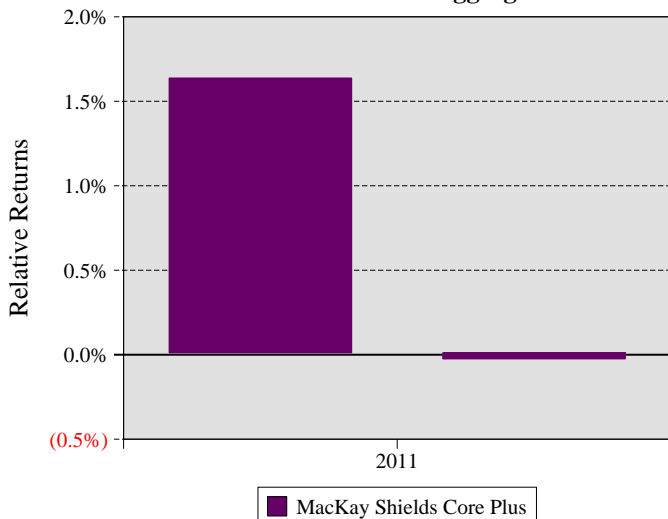
Performance vs CAI Core Bond Plus Style (Gross)



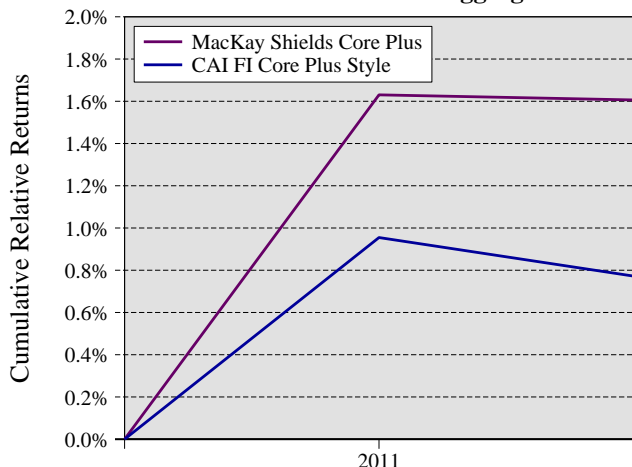
10th Percentile	2.41	4.16
25th Percentile	2.29	3.93
Median	2.16	3.46
75th Percentile	1.99	3.10
90th Percentile	1.73	2.99

MacKay Shields Core Plus ●	2.27	4.37
BC Aggregate Index ▲	2.29	2.72

Relative Return vs BC Aggregate Index



Cumulative Returns vs BC Aggregate Index



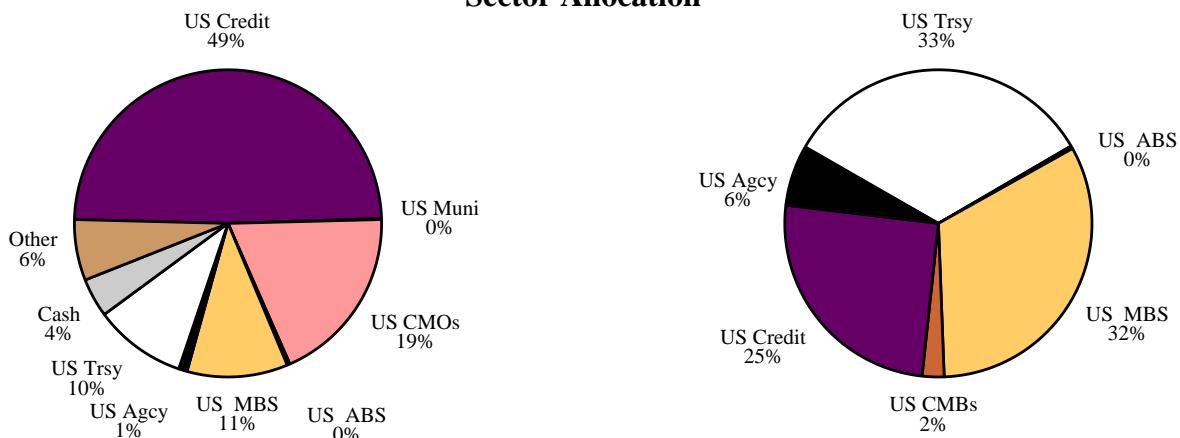


MACKAY SHIELDS CORE PLUS PORTFOLIO CHARACTERISTICS SUMMARY AS OF JUNE 30, 2011

Portfolio Structure Comparison

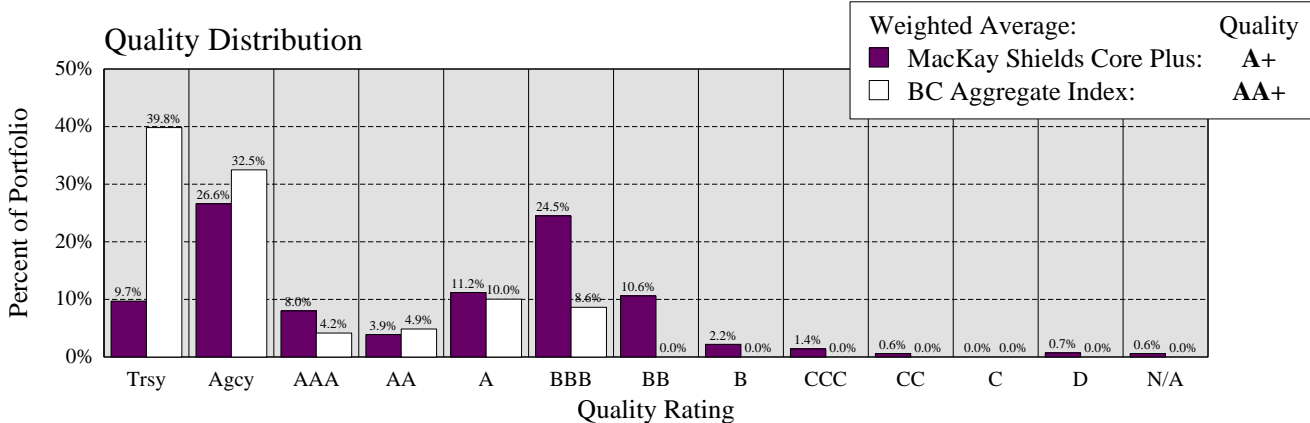
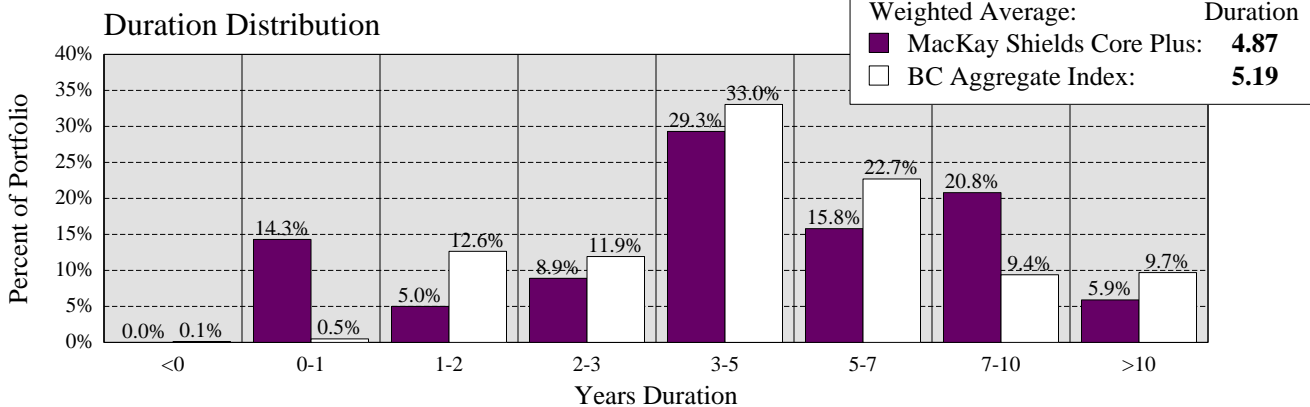
The charts below compare the structure of the portfolio to that of the index from the three perspectives that have the greatest influence on return. The first chart compares the two portfolios across sectors. The second chart compares the duration distribution. The last chart compares the distribution across quality ratings.

Sector Allocation



MacKay Shields Core Plus

BC Aggregate Index



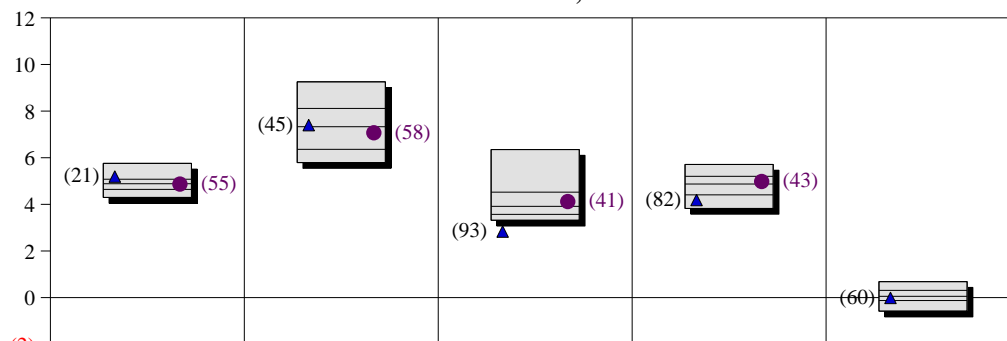
MACKAY SHIELDS CORE PLUS BOND CHARACTERISTICS ANALYSIS SUMMARY



Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Fixed-Income Portfolio Characteristics Rankings Against CAI Core Bond Plus Style as of June 30, 2011

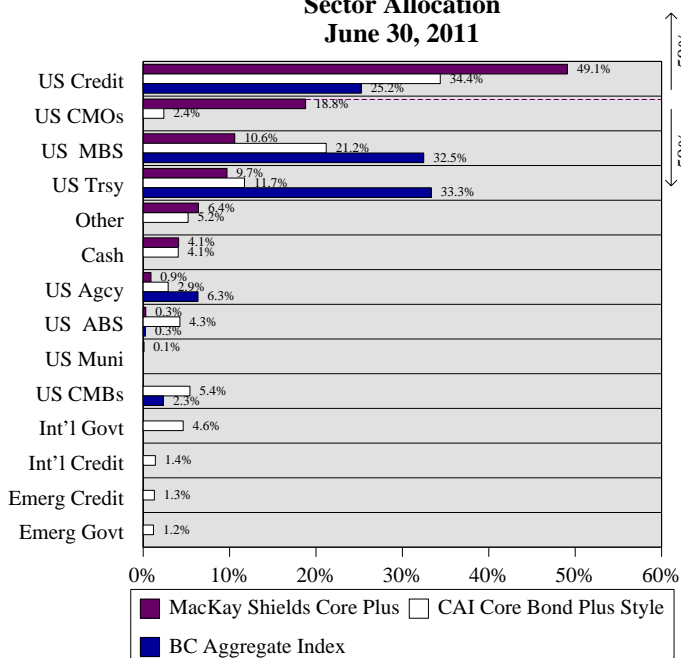


	Duration	Average Life	Effective Yield	Coupon Rate	OA Convexity
10th Percentile	5.76	9.26	6.35	5.71	0.69
25th Percentile	5.08	8.11	4.52	5.20	0.31
Median	4.89	7.33	3.91	4.87	0.05
75th Percentile	4.64	6.36	3.57	4.41	(0.13)
90th Percentile	4.30	5.79	3.32	3.82	(0.58)
MacKay Shields Core Plus ●	4.87	7.07	4.12	4.98	-
BC Aggregate Index ▲	5.19	7.40	2.83	4.19	(0.01)

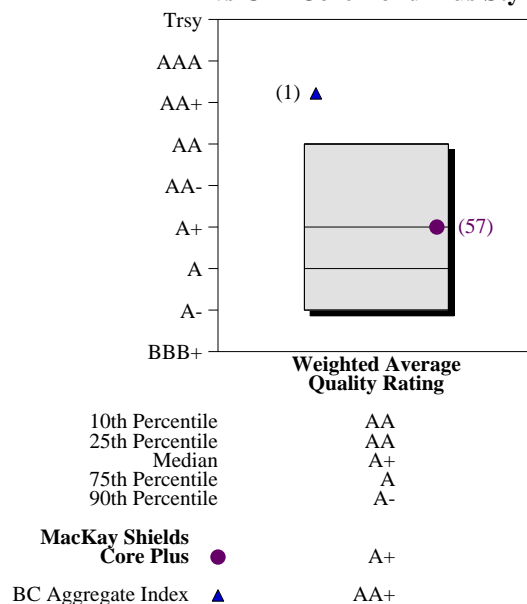
Sector Allocation and Quality Ratings

The first graph compares the manager's sector allocation with the average allocation across all the members of the manager's style. The second graph compares the manager's weighted average quality rating with the range of quality ratings for the style.

Sector Allocation June 30, 2011



Quality Ratings vs CAI Core Bond Plus Style



MACKAY SHIELDS INTERMEDIATE PERIOD ENDED JUNE 30, 2011



Investment Philosophy

The investment process is based on active sector rotation, security selection and controlled duration shifts (20% around the benchmark). MacKay-Shields has developed a statistical model, based on historical regression, for yield curve management, as well. Each portfolio manager is a sector specialist and responsible for security selection within their sectors. All issues are investment grade and the maximum holding in any one issue is 5.0% (AAA), 3.5% (AA), 2.5% (A) and 1.0% (BAA). A quantitative research effort supports the process through risk management and portfolio attribution analysis.

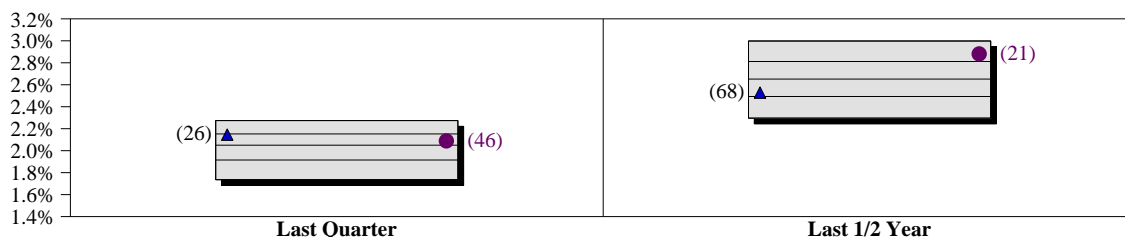
Quarterly Summary and Highlights

- MacKay Shields Intermediate's portfolio posted a 2.09% return for the quarter placing it in the 46 percentile of the CAI Intermediate Fixed-Inc Style group for the quarter and in the 21 percentile for the last one-half year.
- MacKay Shields Intermediate's portfolio underperformed the 85% BC Gov/Credit Inter/15% BC Mortgage by 0.06% for the quarter and outperformed the 85% BC Gov/Credit Inter/15% BC Mortgage for the one-half year by 0.35%.

Quarterly Asset Growth

Beginning Market Value	\$113,419,850
Net New Investment	\$0
Investment Gains/(Losses)	\$2,369,060
Ending Market Value	\$115,788,909

Performance vs CAI Intermediate Fixed-Inc Style (Gross)



	Last Quarter	Last 1/2 Year
10th Percentile	2.27	3.00
25th Percentile	2.15	2.81
Median	2.05	2.65
75th Percentile	1.91	2.49
90th Percentile	1.74	2.30

MacKay Shields Intermediate ●

2.09

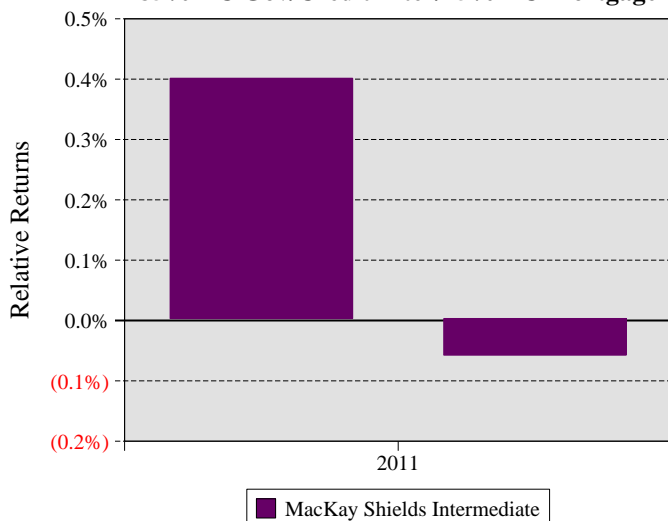
2.88

85% BC Gov/Credit Inter/15% BC Mortgage ▲

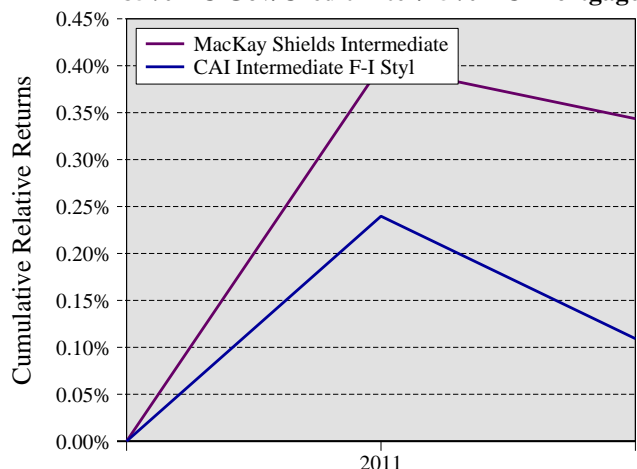
2.15

2.53

Relative Returns vs 85% BC Gov/Credit Inter/15% BC Mortgage



Cumulative Returns vs 85% BC Gov/Credit Inter/15% BC Mortgage

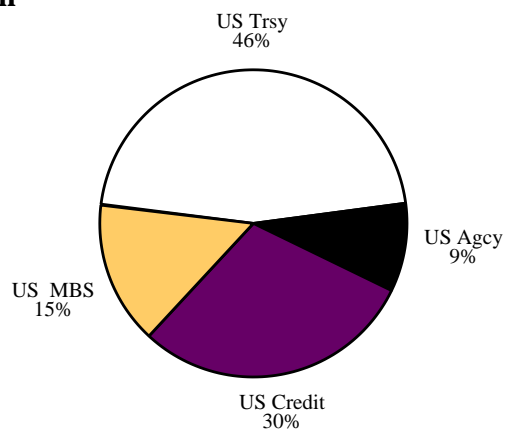
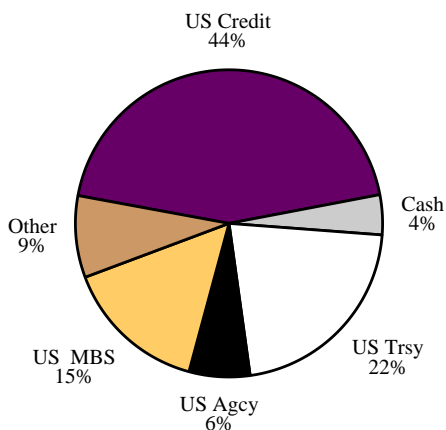


MACKAY SHIELDS INTERMEDIATE PORTFOLIO CHARACTERISTICS SUMMARY AS OF JUNE 30, 2011

Portfolio Structure Comparison

The charts below compare the structure of the portfolio to that of the index from the three perspectives that have the greatest influence on return. The first chart compares the two portfolios across sectors. The second chart compares the duration distribution. The last chart compares the distribution across quality ratings.

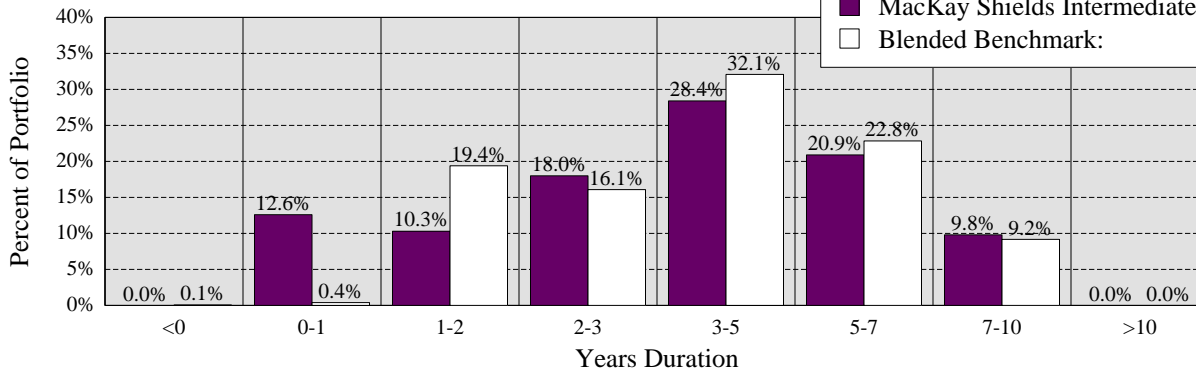
Sector Allocation



MackKay Shields Intermediate

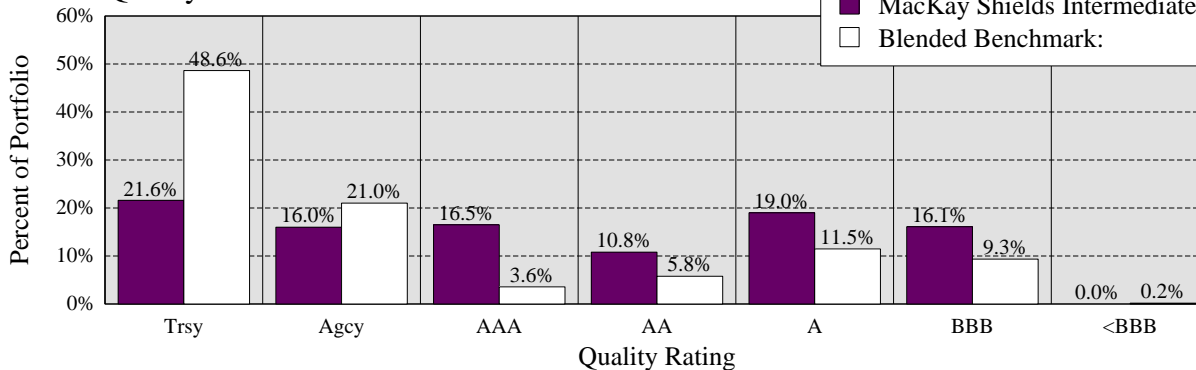
Blended Benchmark

Duration Distribution



Weighted Average:	Duration
■ MacKay Shields Intermediate:	3.80
□ Blended Benchmark:	4.03

Quality Distribution



Weighted Average:	Quality
■ MacKay Shields Intermediate:	AA
□ Blended Benchmark:	AA+

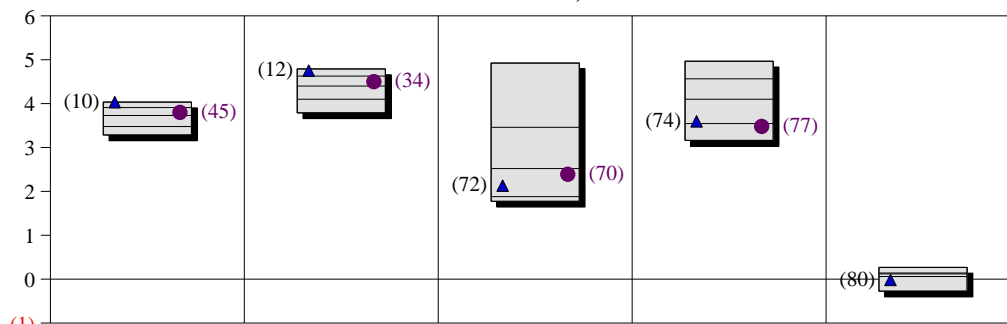
MACKAY SHIELDS INTERMEDIATE BOND CHARACTERISTICS ANALYSIS SUMMARY



Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Fixed-Income Portfolio Characteristics Rankings Against CAI Intermediate Fixed-Inc Style as of June 30, 2011

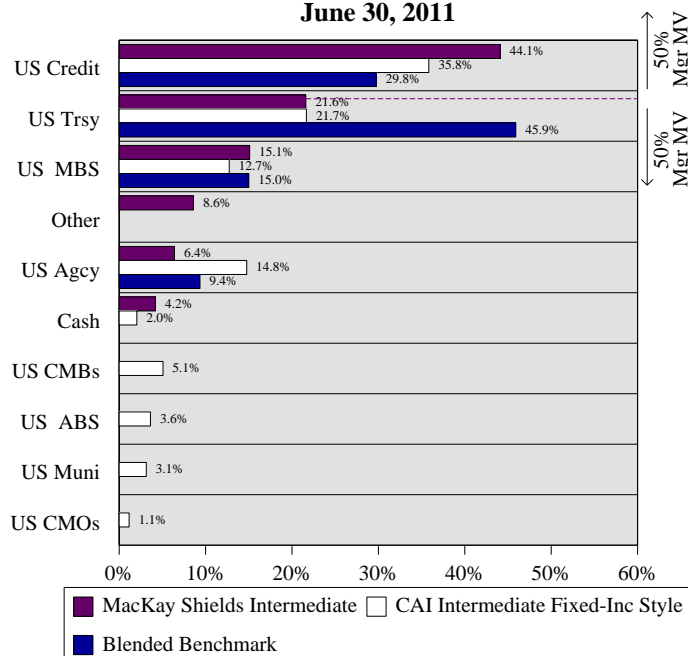


	Duration	Average Life	Effective Yield	Coupon Rate	OA Convexity
10th Percentile	4.03	4.79	4.92	4.97	0.27
25th Percentile	3.91	4.63	3.46	4.57	0.14
Median	3.73	4.40	2.52	4.10	0.12
75th Percentile	3.48	4.10	1.88	3.55	0.06
90th Percentile	3.29	3.79	1.77	3.16	(0.27)
MacKay Shields Intermediate	3.80	4.50	2.39	3.48	-
Blended Benchmark	4.03	4.75	2.13	3.60	(0.02)

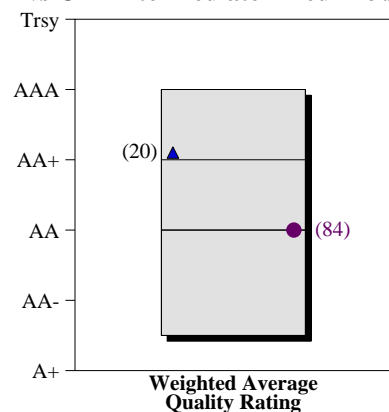
Sector Allocation and Quality Ratings

The first graph compares the manager's sector allocation with the average allocation across all the members of the manager's style. The second graph compares the manager's weighted average quality rating with the range of quality ratings for the style.

Sector Allocation June 30, 2011



Quality Ratings vs CAI Intermediate Fixed-Inc Style



10th Percentile	AAA
25th Percentile	AA+
Median	AA
75th Percentile	AA
90th Percentile	A+

MacKay Shields Intermediate	●	AA
Blended Benchmark	▲	AA+



RESEARCH AND UPCOMING PROGRAMS

Below is a list of recent Callan Institute research and upcoming programs. The Institute's research and educational programs keep clients updated on the latest trends in the investment industry and help clients learn through carefully structured workshops and lectures. For more information, please contact your Callan Consultant or Gina Falsetto at 415.974.5060 or institute@callan.com.

White Papers

Why Plan Sponsors Invest in Private Equity

Gary Robertson

Domestic Equity Benchmark Review: Year End 2010

Jacki Hoagland, Stephanie Meade

Charticle – Real Estate Indicators: Too Hot to Touch or Cool Enough to Handle?

Charticle – Real Return Strategies: A Closer Look

Ask the Expert – Private Equity: The Strategy Comes of Age

Jim Callahan, CFA and Gary Robertson

Publications

DC Observer and Callan DC Index™ – 1st Quarter 2011

Hedge Fund Monitor – 1st Quarter 2011

Capital Market Review – 2nd Quarter 2011

Quarterly Performance Data – 2nd Quarter 2011

Private Markets Trends – Spring 2011

Surveys

2011 Callan Target Date Fund Survey – June 2011

2011 DC Trends Survey – January 2011

2010 Alternative Investments Survey – November 2010



RESEARCH AND UPCOMING PROGRAMS

(continued)

Event Summaries and Presentations

Summary: 2011 Regional Breakfast Workshop - June 2011

“Latest Developments in Asset Allocation for DB and DC Plans”

Presentation: 2011 Regional Breakfast Workshop - June 2011

“Latest Developments in Asset Allocation for DB and DC Plans”

Upcoming Educational Programs

October 2011 Regional Breakfast Workshops

October 25 in New York City

October 26 in Chicago

Subject TBA – Detailed information will be sent to you in August.

**If you have any questions regarding these programs,
please contact Ray Combs at 415.974.5060 or institute@callan.com.**

The Callan Investments Institute, the educational division of Callan Associates Inc., has been a leading educational forum for the pensions and investments industry since 1980. The Institute offers continuing education on key issues confronting plan sponsors and investment managers.

101 California Street, Suite 3500, San Francisco, California 94111, 415.974.5060, www.callan.com



THE CENTER FOR INVESTMENT TRAINING ("CALLAN COLLEGE")

SECOND QUARTER 2011

EDUCATIONAL SESSIONS

An Introduction to Investments

October 18–19, 2011 in San Francisco

This two-day session is designed for individuals who have less than two years' experience with institutional asset management oversight and/or support responsibilities. It will familiarize fund sponsor trustees and staff with basic investment theory, terminology, and practices. Participants in the introductory session will gain a basic understanding of the different types of institutional funds, including a description of their objectives and investment program structures.

Topics for the session will include a description of the different parties involved in the investment management process, a brief outline of the types and characteristics of different plans, an introduction to fiduciary issues as they pertain to fund management and oversight, and an overview of capital market theory, characteristics of various asset classes, and the processes by which fiduciaries implement their investment programs

Tuition for the Introductory "Callan College" session is \$2,350 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

Customized Sessions

A unique feature of the "Callan College" is its ability to educate on a specialized level through its customized sessions. Whether you are a plan sponsor or you provide services to institutional tax-exempt plans, we are equipped to tailor the curriculum to meet the training and educational needs of your organization and bring the program to your venue. Instruction can be tailored to be basic or advanced.

For more information on the "Callan College," please contact Kathleen Cunnie, Manager, at 415.274.3029 or college@callan.com.

The Center for Investment Training ("Callan College") provides relevant and practical educational opportunities to all professionals engaged in the investment decision making process. This educational forum offers basic-to-intermediate level instruction on all components of the investment management process

101 California Street, Suite 3500, San Francisco, California 94111, 415.974.5060, www.callan.com

Confidential – For Callan Client Use Only

Callan Associates takes its fiduciary and disclosure responsibilities to clients very seriously. The list below is compiled and updated quarterly because we believe our fund sponsor clients should have a clear understanding of the investment management organizations that do business with our firm. As of 06/30/11, Callan provided educational, consulting, software, database, or reporting services to this list of managers through one or more of the following business units: Institutional Consulting Group, Independent Adviser Group, Fund Sponsor Consulting, the Callan Investments Institute and the "Callan College." Per strict policy these manager relationships do not affect the outcome or process by which any of Callan's services are conducted.

Fund sponsor clients may request a copy of this list at any time. Fund sponsor clients may also request specific information regarding the fees paid to Callan by the managers employed by their fund. Per company policy, information requests regarding fees are handled exclusively by Callan's Compliance Department.

Clients should also be aware that Callan maintains an asset management division, the Trust Advisory Group (TAG). TAG specializes in the design, implementation and on-going management of multi-manager portfolios for institutional investors. Currently TAG serves as the sponsor and advisor to a multi-manager small cap equity fund and as the non-discretionary adviser to a series of Target Maturity Funds known as the Callan GlidePath® Funds. We are happy to provide clients with more specific information regarding TAG, including detail on the portfolios that it oversees. Per company policy these requests are handled by TAG's Chief Investment Officer.

Manager Name	Educational Services	Consulting Services
1607 Capital Partners, LLC		Y
Aberdeen Asset Management		Y
Acadian Asset Management, Inc.	Y	
Affiliated Managers Group		Y
AllianceBernstein	Y	
Allianz Global Investors Capital	Y	Y
American Century Investment Management	Y	
American Yellowstone Advisors, LLC		Y
Analytic Investors	Y	
AQR Capital Management	Y	
Artio Global Management (fka, Julius Baer)	Y	Y
Atalanta Sosnoff Capital, LLC	Y	
Atlanta Capital Management Co., L.L.C.	Y	Y
Aviva Investors North America	Y	
AXA Rosenberg Investment Management	Y	
Babson Capital Management LLC	Y	
Baillie Gifford International LLC	Y	
Baird Advisors	Y	Y
Bank of America		Y
Barclays Capital Inc.	Y	
Baring Asset Management	Y	
Barrow, Hanley, Mewhinney & Strauss, Inc.		Y
Batterymarch Financial Management, Inc.	Y	
BlackRock		Y
Boston Company Asset Management, LLC (The)	Y	Y
BNY Mellon Asset Management	Y	Y
Brandes Investment Partners, L.P.	Y	Y
Brandywine Global Investment Management, LLC	Y	
Brown Brothers Harriman & Company	Y	
Cadence Capital Management	Y	
Capital Group Companies (The)	Y	
CastleArk Management, LLC		Y
Causeway Capital Management	Y	
Central Plains Advisors, Inc.		Y
Chartwell Investment Partners	Y	
ClearBridge Advisors	Y	
Columbia Management Investment Advisors, LLC	Y	Y
Columbus Circle Investors	Y	Y
Cramer Rosenthal McGlynn, LLC	Y	
Crestline Investors	Y	Y
DB Advisors	Y	Y
DE Shaw Investment Management, L.L.C.	Y	
Delaware Investments	Y	Y
DePrince, Race & Zollo, Inc.		Y
DSM Capital Partners		Y
Eagle Asset Management, Inc.		Y
EARNEST Partners, LLC	Y	

Confidential – For Callan Client Use Only

Callan Associates takes its fiduciary and disclosure responsibilities to clients very seriously. The list below is compiled and updated quarterly because we believe our fund sponsor clients should have a clear understanding of the investment management organizations that do business with our firm. As of 06/30/11, Callan provided educational, consulting, software, database, or reporting services to this list of managers through one or more of the following business units: Institutional Consulting Group, Independent Adviser Group, Fund Sponsor Consulting, the Callan Investments Institute and the "Callan College." Per strict policy these manager relationships do not affect the outcome or process by which any of Callan's services are conducted.

Fund sponsor clients may request a copy of this list at any time. Fund sponsor clients may also request specific information regarding the fees paid to Callan by the managers employed by their fund. Per company policy, information requests regarding fees are handled exclusively by Callan's Compliance Department.

Clients should also be aware that Callan maintains an asset management division, the Trust Advisory Group (TAG). TAG specializes in the design, implementation and on-going management of multi-manager portfolios for institutional investors. Currently TAG serves as the sponsor and advisor to a multi-manager small cap equity fund and as the non-discretionary adviser to a series of Target Maturity Funds known as the Callan GlidePath® Funds. We are happy to provide clients with more specific information regarding TAG, including detail on the portfolios that it oversees. Per company policy these requests are handled by TAG's Chief Investment Officer.

Manager Name	Educational Services	Consulting Services
Eaton Vance Management	Y	Y
Epoch Investment Partners	Y	
Fayez Sarofim & Company	Y	Y
Federated Investors		Y
Fiduciary Asset Management Company		Y
First Eagle Investment Management	Y	
Franklin Templeton	Y	Y
Fred Alger Management Co., Inc.	Y	Y
GAM (USA) Inc.	Y	
GE Asset Management	Y	Y
Goldman Sachs Asset Management	Y	Y
Grand-Jean Capital Management		Y
Grantham, Mayo, Van Otterloo & Co., LLC	Y	
Great Lakes Advisors, Inc.		Y
Harris Associates	Y	
Harris Investment Management, Inc.	Y	
Hartford Investment Management Co.	Y	Y
Henderson Global Investors	Y	
Hennessy Funds	Y	
Hermes Investment Management (North America) Ltd.	Y	
Income Research & Management	Y	
ING Investment Management	Y	Y
INVESCO	Y	Y
Institutional Capital LLC	Y	
Janus Capital Group (fka Janus Capital Management, LLC)	Y	Y
Jensen Investment Management		Y
J.P. Morgan Asset Management	Y	Y
Knightsbridge Asset Management, LLC		Y
Lazard Asset Management	Y	Y
Lee Munder Capital Group	Y	
Login Circle	Y	
Loomis, Sayles & Company, L.P.	Y	Y
Lord Abbett & Company	Y	
Los Angeles Capital Management	Y	
LSV Asset Management	Y	
Lyrical Partners	Y	
MacKay Shields LLC	Y	Y
Madison Square Investors	Y	
Man Investments	Y	
Marvin & Palmer Associates, Inc.	Y	
Mellon Capital Management (fka, Franklin Portfolio Assoc.)	Y	
Metropolitan Life Insurance Company		Y
Metropolitan West Capital Management, LLC		Y
MFC Global Investment Management (U.S.) LLC	Y	
MFS Investment Management	Y	Y
Mondrian Investment Partners Limited	Y	Y
Montag & Caldwell, Inc.	Y	Y

Confidential – For Callan Client Use Only

Callan Associates takes its fiduciary and disclosure responsibilities to clients very seriously. The list below is compiled and updated quarterly because we believe our fund sponsor clients should have a clear understanding of the investment management organizations that do business with our firm. As of 06/30/11, Callan provided educational, consulting, software, database, or reporting services to this list of managers through one or more of the following business units: Institutional Consulting Group, Independent Adviser Group, Fund Sponsor Consulting, the Callan Investments Institute and the "Callan College." Per strict policy these manager relationships do not affect the outcome or process by which any of Callan's services are conducted.

Fund sponsor clients may request a copy of this list at any time. Fund sponsor clients may also request specific information regarding the fees paid to Callan by the managers employed by their fund. Per company policy, information requests regarding fees are handled exclusively by Callan's Compliance Department.

Clients should also be aware that Callan maintains an asset management division, the Trust Advisory Group (TAG). TAG specializes in the design, implementation and on-going management of multi-manager portfolios for institutional investors. Currently TAG serves as the sponsor and advisor to a multi-manager small cap equity fund and as the non-discretionary adviser to a series of Target Maturity Funds known as the Callan GlidePath® Funds. We are happy to provide clients with more specific information regarding TAG, including detail on the portfolios that it oversees. Per company policy these requests are handled by TAG's Chief Investment Officer.

Manager Name	Educational Services	Consulting Services
Morgan Stanley Investment Management	Y	Y
Mountain Lake Investment Management LLC		Y
Newton Capital Management	Y	
Neuberger Berman, LLC (fka, Lehman Brothers)	Y	Y
Northern Lights Capital Group		Y
Northern Trust Global Investment Services	Y	Y
Northern Trust Value Investors		Y
Nuveen Investments Institutional Services Group LLC	Y	Y
OFI Institutional Asset Management	Y	
Old Mutual Asset Management	Y	Y
Oppenheimer Capital	Y	
Opus Capital Management	Y	
Pacific Investment Management Company	Y	
Palisades Investment Partners, LLC	Y	Y
Peregrine Capital Management, Inc.		Y
Perkins Investment Management	Y	
Philadelphia International Advisors, LP	Y	
PineBridge Investments (formerly AIG)	Y	
Pioneer Investment Management, Inc.	Y	
PNC Capital Advisors (fka Allegiant Asset Mgmt)	Y	Y
Principal Global Investors	Y	Y
Prisma Capital		Y
Prudential Investment Management, Inc.	Y	Y
Putnam Investments, LLC	Y	Y
Pyramis Global Advisors	Y	
Rainier Investment Management	Y	
RBC Global Asset Management (U.S.) Inc.		Y
Regions Financial Corporation		Y
Renaissance Technologies Corp.		Y
RCM	Y	Y
Rice Hall James & Associates, LLC		Y
Robeco Investment Management	Y	Y
Rothschild Asset Management, Inc.	Y	Y
Russell Investment Management	Y	
Schroder Investment Management North America Inc.	Y	Y
Scottish Widows Investment Partnership	Y	
Security Global Investors	Y	
SEI Investments		Y
SEIX	Y	
Smith Graham and Company		Y
Smith Group Asset Management	Y	Y
Southeastern Asset Management		Y
Standard Life Investments	Y	
Standish (fka, Standish Mellon Asset Management)	Y	
State Street Global Advisors	Y	
Stone Harbor Investment Partners, L.P.		Y

Confidential – For Callan Client Use Only

Callan Associates takes its fiduciary and disclosure responsibilities to clients very seriously. The list below is compiled and updated quarterly because we believe our fund sponsor clients should have a clear understanding of the investment management organizations that do business with our firm. As of 06/30/11, Callan provided educational, consulting, software, database, or reporting services to this list of managers through one or more of the following business units: Institutional Consulting Group, Independent Adviser Group, Fund Sponsor Consulting, the Callan Investments Institute and the "Callan College." Per strict policy these manager relationships do not affect the outcome or process by which any of Callan's services are conducted.

Fund sponsor clients may request a copy of this list at any time. Fund sponsor clients may also request specific information regarding the fees paid to Callan by the managers employed by their fund. Per company policy, information requests regarding fees are handled exclusively by Callan's Compliance Department.

Clients should also be aware that Callan maintains an asset management division, the Trust Advisory Group (TAG). TAG specializes in the design, implementation and on-going management of multi-manager portfolios for institutional investors. Currently TAG serves as the sponsor and advisor to a multi-manager small cap equity fund and as the non-discretionary adviser to a series of Target Maturity Funds known as the Callan GlidePath® Funds. We are happy to provide clients with more specific information regarding TAG, including detail on the portfolios that it oversees. Per company policy these requests are handled by TAG's Chief Investment Officer.

Manager Name	Educational Services	Consulting Services
Stratton Management		Y
Systematic Financial Management	Y	
T. Rowe Price Associates, Inc.	Y	Y
Taplin, Canida & Habacht	Y	
TCW Asset Management Company	Y	
Thrivent Financial for Lutherans		Y
Thompson, Siegel & Walmsley LLC	Y	
TIAA-CREF		Y
Tradewind Global Investors	Y	
UBP Asset Management LLC	Y	
UBS	Y	Y
Union Bank of California		Y
Victory Capital Management Inc.	Y	
Virtus Investment Partners		Y
Vontobel Asset Management	Y	
Waddell & Reed Asset Management Group	Y	
WEDGE Capital Management		Y
Wellington Management Company, LLP	Y	
Wells Capital Management	Y	
West Gate Horizons Advisors, LLC		Y
Western Asset Management Company	Y	
William Blair & Co., Inc.	Y	Y
Yellowstone Partners		Y
Zephyr Management	Y	