



**Virginia Birth-Related Neurological Injury  
Compensation Fund**

**Market Review & Plan Performance Analysis**

**Period Ending  
December 31, 2011**

**Institutional Advisory Services**

**Capital Advisory Group, LLC • 7100 Forest Avenue, Suite 301 • Richmond, VA 23226**

**804-648-3500**

**[www.thecapgroup.com](http://www.thecapgroup.com)**



# Summary

# Market & Economic Overview

- **The economy** continued to recover slowly but remained near stall speed. GDP grew at a 2.8% annualized rate from the 3<sup>rd</sup> to the 4<sup>th</sup> quarter, following a downward revision of 3<sup>rd</sup> quarter growth to 1.8% from 2.0%. Unemployment continued to drop, reaching 8.5% in December.
- **Global investment markets** continued to be whipsawed by the unfolding financial drama in Europe, particularly for Greece, Italy and Portugal, with Germany playing in a yet-to-be determined supporting role. Risk on-risk off is the new term being used to describe investor reaction to the prevailing market, economic and political winds.
- **U.S. Equities** recorded strong gains in October, helping the S&P 500 Index advance 11.8% for the 4<sup>th</sup> quarter. The gain for 2011 was an anemic 2.1%.
- **Foreign Equities** lagged the U.S. markets considerably as the crisis in Europe and a stronger dollar hurt returns. The MSCI EAFE Index was up 3.3% for the quarter but lost 12.1% for the year.
- **Bonds** rallied, with most of the gains coming in the high yield and emerging markets debt sectors in response to stock market gains. The Barclays Aggregate Bond Index gained 1.1% for the quarter and 7.8% for the year.
- **Commodities**, as measured by the DJ UBS Commodity Index, managed a slim gain of 0.3% in the 4<sup>th</sup> quarter but posted a loss of 13.4% for the year.
- **Hedge fund** strategies turned in another lackluster quarter as the HFRI Fund of Funds Composite Index declined 0.3%, resulting in a 5.5% loss for the category for 2011.

Periods Ending 12-31-2011	4 <sup>th</sup> Quarter	YTD	1 Year	3 Years <sup>1</sup>	5 Years <sup>1</sup>	10 Years <sup>1</sup>
S&P 500	11.8%	2.1%	2.1%	14.1%	-0.2%	2.9%
Russell 1000 Growth	10.6%	2.6%	2.6%	18.0%	2.5%	2.6%
Russell 1000 Value	13.1%	0.4%	0.4%	11.5%	-2.6%	3.9%
Russell 2000	15.5%	-4.2%	-4.2%	15.6%	0.2%	5.6%
MSCI EAFE	3.3%	-12.1%	-12.1%	7.6%	-4.7%	4.7%
MSCI Emerging Markets	4.4%	-18.4%	-18.4%	20.1%	2.4%	13.9%
DJ-UBS Commodities	0.3%	-13.4%	-13.4%	6.3%	-3.3%	4.7%
NAREIT Composite	15.3%	8.3%	8.3%	21.0%	-1.4%	10.2%
Barclays Aggregate	1.1%	7.8%	7.8%	6.8%	6.5%	5.8%
ML High Yield Master II	6.2%	4.4%	4.4%	23.7%	7.3%	8.6%
JPM Emerging Debt	5.3%	9.2%	9.2%	15.4%	8.1%	11.6%
HFRI FoF Composite <sup>2</sup>	-0.3%	-5.5%	-5.5%	3.6%	-0.7%	3.4%

<sup>1</sup>Returns longer than one year are annualized

<sup>2</sup>Preliminary Estimates

# Quarterly Performance Summary

Periods	4 <sup>th</sup> Quarter	YTD	1 Year	3 Years	5 Years	6 <sup>1/4</sup> Years*
VBIF Gross	4.9%	0.6%	0.6%	10.6%	3.2%	4.7%
VBIF Net	4.9%	0.3%	0.3%	10.4%	3.0%	4.5%
Index Target	4.1%	0.3%	0.3%	9.7%	2.8%	4.4%

\* Since inception of measuring period

Returns longer than one year are annualized.

## Overview

- ◆ The 4<sup>th</sup> quarter global stock market rebounded from its plunge in the 3<sup>rd</sup> quarter, helping the VBIF portfolio to a gain of 4.9% for the quarter.
- ◆ The rally helped VBIF manage a slight gain of 0.6% for the year ending December 31, 2011 and to a 10.6% average annual return for the last three years.
- ◆ The VBIF portfolio's gross and net returns have matched or exceeded the Target Returns over all periods measured.
- ◆ The VBIF portfolio's cumulative and risk-adjusted returns continue to exceed the benchmarks as shown in the charts on the following page.
- ◆ For the quarter and full year, 12 of 19 managers/funds matched or exceeded their respective market index. Over the last 2 years, 15 of the 19 managers/funds have achieved similar results.
- ◆ Over all periods measured, the majority of the managers/funds outperformed the median of their respective peer group.
- ◆ Over the last three years, the VBIF portfolio has posted gains in 9 of the 12 quarters.
- ◆ The Fund had contributions of \$17,000,000 in the 4<sup>th</sup> quarter which was used to rebalance the portfolio to maintain compliance with Policy.
- ◆ The VBIF Fund continues to be in compliance with all guidelines and policies.

## Factors Impacting Performance

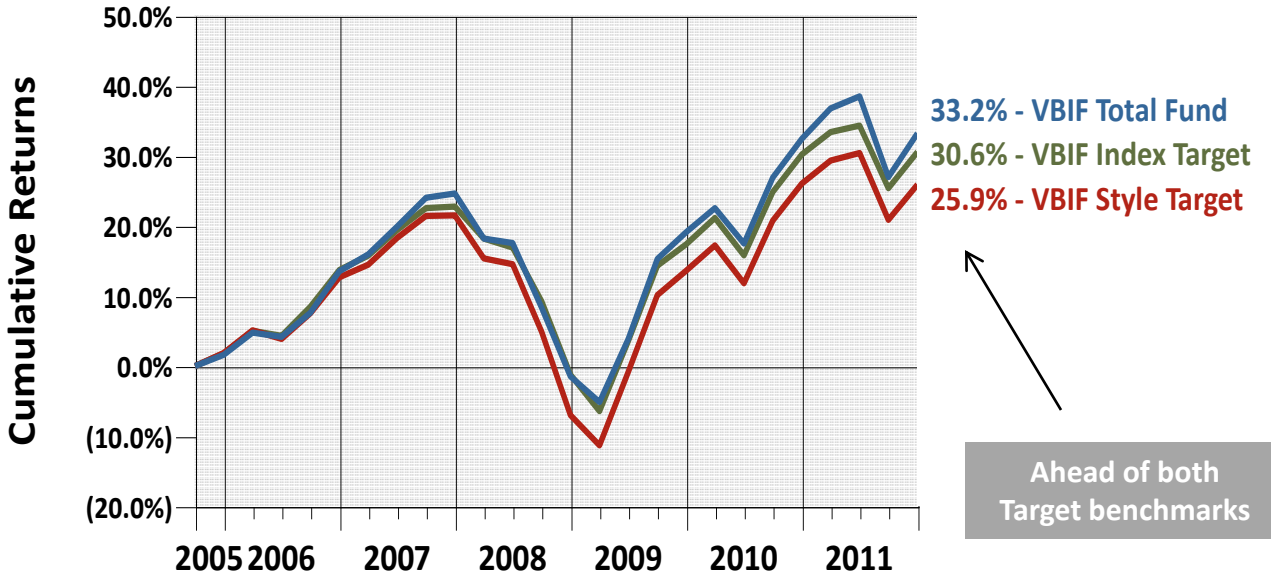
- ◆ Global stocks mounted a remarkable comeback in the 4<sup>th</sup> quarter, with most achieving double digit gains.

*Note: The stock markets have continued to add to their gains through early February 2012.*

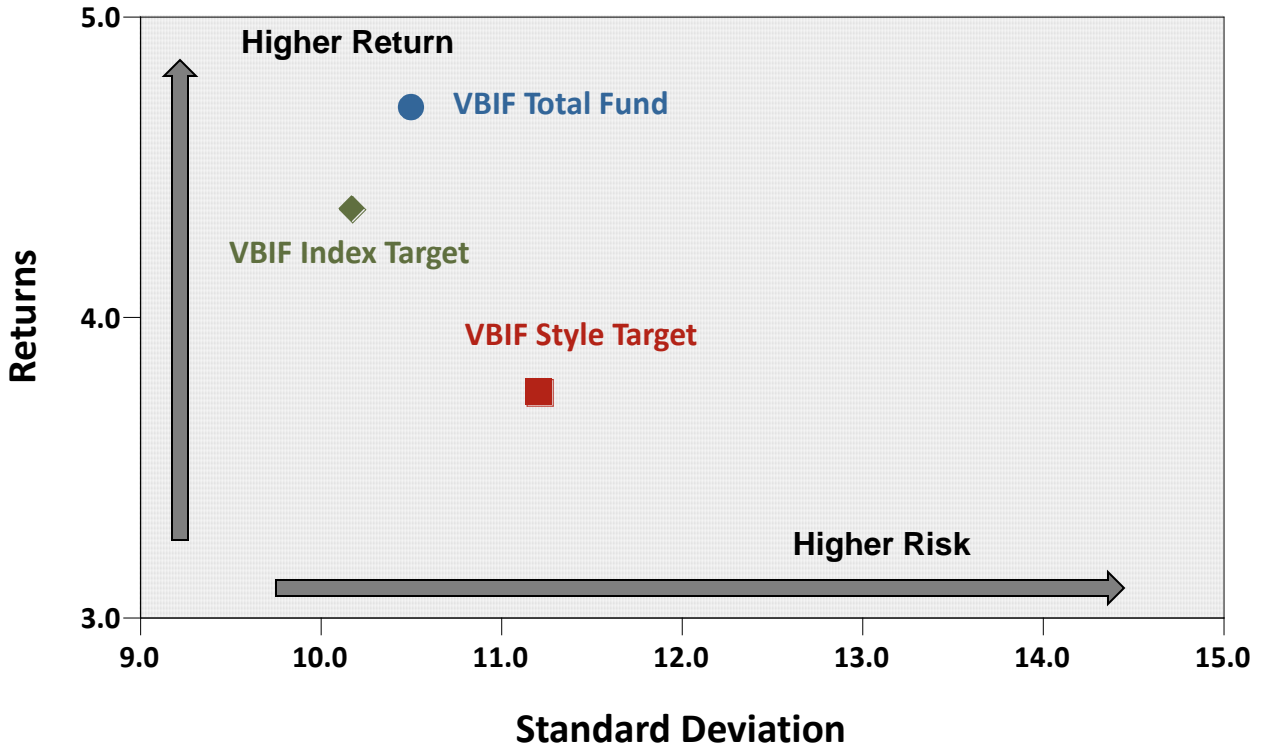
- ◆ Every manager in the portfolio posted gains in the 4<sup>th</sup> quarter, with the best performance coming from the U.S. large cap value and small cap managers.
- ◆ The best relative returns came from the Alternatives Module and Artisan International which ranked in the top 1% of the hedge fund and international equity peer group databases, respectively.
- ◆ Despite gaining 8.2% for the quarter, Rainier Investment Management remains on watchlist due to underperformance.
- ◆ While the results for bonds were moderate in the quarter, all of the Fund's bond managers outpaced their index, led by PIMCO Total Return Fund (+2.2%) and Loomis Global Bond Fund (+1.8%).
- ◆ The broad category of hedge funds actually posted a slight loss of -0.3% for the quarter, while the VBIF Alternatives Module recorded a gain of 3.3%.

# Quarterly Performance Summary

## Cumulative Return: Actual vs Targets

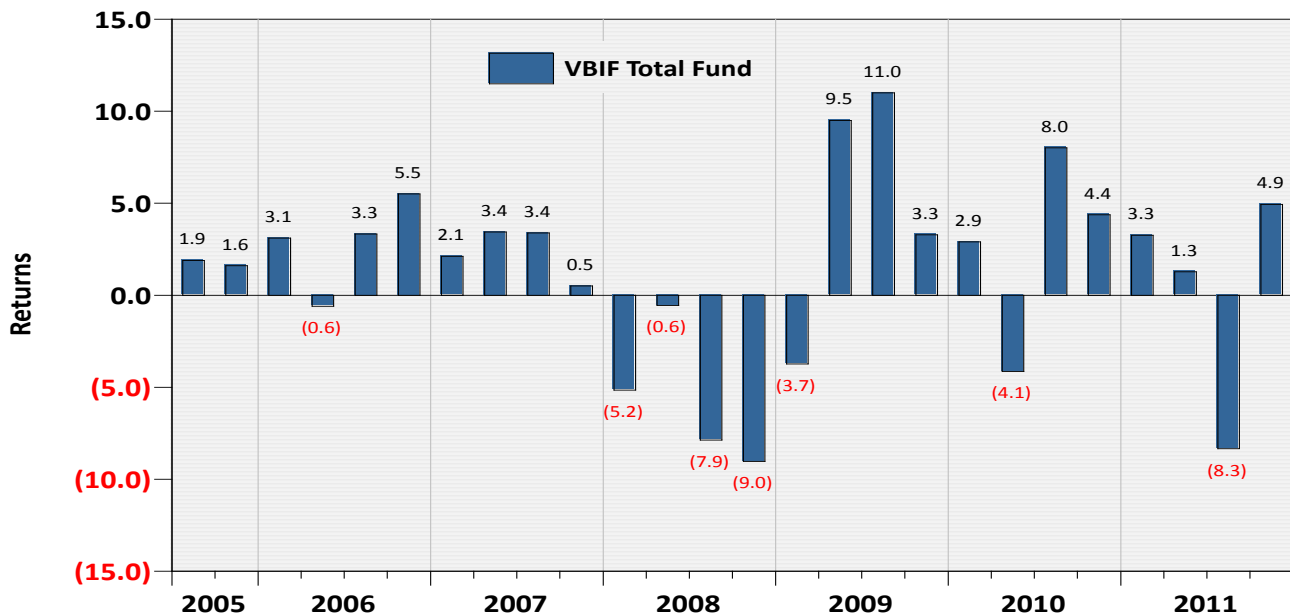


## Scatter Chart for 6 1/4 Years Ended December 31, 2011

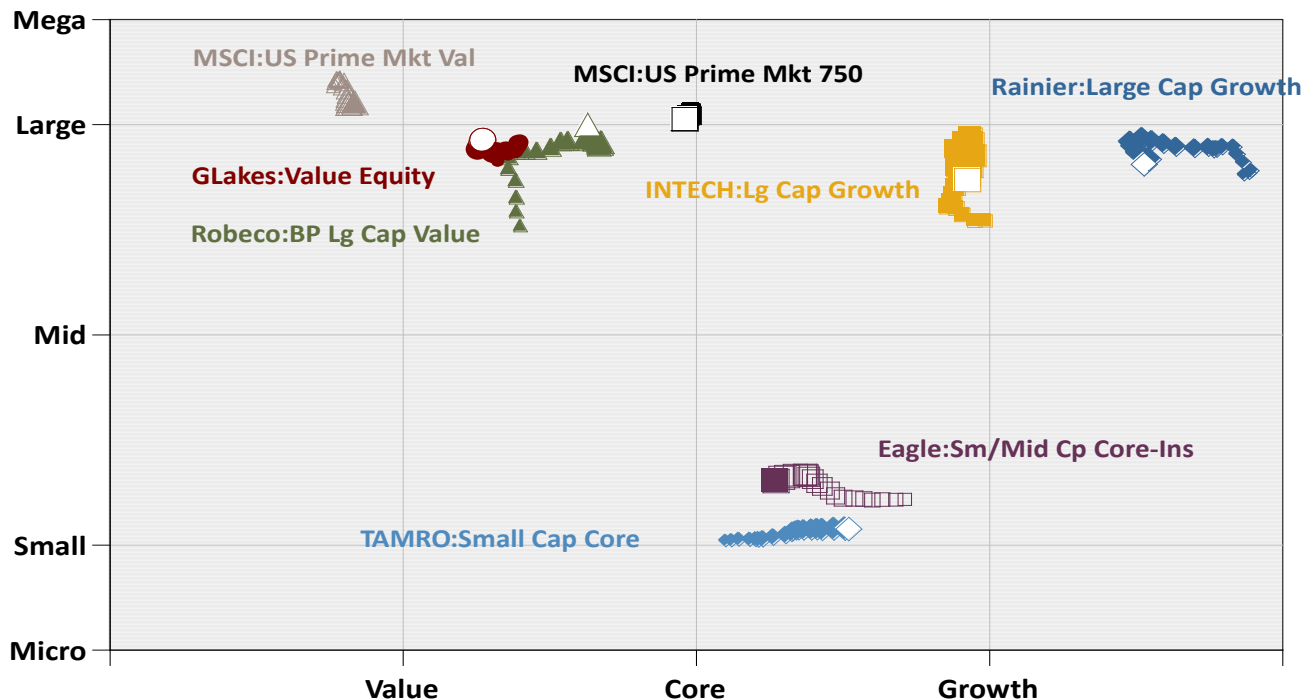


# Quarterly Performance Summary

**Quarterly Returns  
Since Inception of VBIF Total Fund  
Ended December 31, 2011**



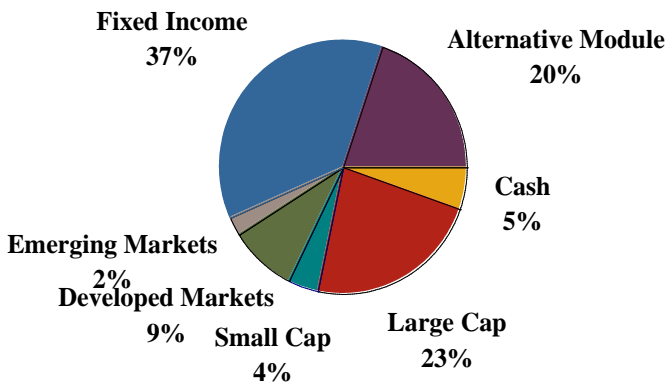
**Rolling 36 Month Domestic Equity Style Map  
for 5 Years Ended December 31, 2011**



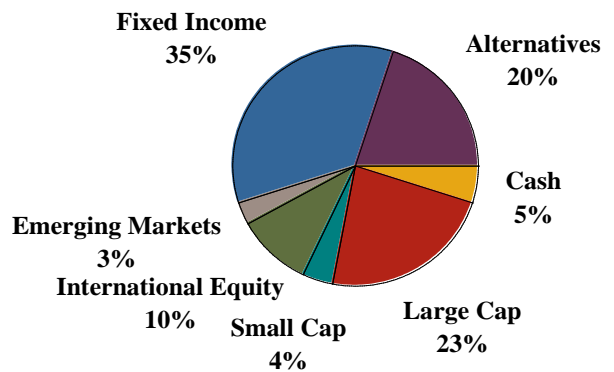
# Allocation and Market Value Comparison

	12/31/2011		Net	9/30/2011	
	Market Value	Percent	Investment	Market Value	Percent
<b>Domestic Equity</b>	<b>\$76,170,132</b>	<b>26.8%</b>		<b>\$68,458,963</b>	<b>26.9%</b>
<b>Large Cap</b>					
Rainier Investment Management, Inc. Large Cap Growth	16,816,673	5.9%		15,556,969	6.1%
Janus INTECH RM Large Cap Growth Fund	12,321,187	4.3%		11,183,960	4.4%
Vanguard Large Cap Index Fund - Instl	13,794,921	4.8%		12,344,580	4.8%
Great Lakes Advisors Large Cap Value	11,209,592	3.9%		9,959,915	3.9%
Robeco Large Cap Value	8,701,742	3.1%		7,663,163	3.0%
Vanguard Large Cap Value Index Fund	1,952,628	0.7%		1,750,260	0.7%
<b>SMID</b>					
Eagle Asset Management	5,698,791	2.0%		5,022,247	2.0%
<b>Small Cap</b>					
TAMRO Capital Partners LLC	5,674,598	2.0%		4,977,869	2.0%
<b>International Equity</b>	<b>37,872,951</b>	<b>13.3%</b>		<b>28,535,338</b>	<b>11.2%</b>
<b>Developed Markets</b>					
Harbor International Fund	14,813,572	5.2%	2,300,000	11,626,670	4.6%
Artisan International Fund	14,551,345	5.1%	2,700,000	10,776,448	4.2%
<b>Emerging Markets</b>					
Acadian Emerging Markets Equity Fund	4,256,287	1.5%	1,100,000	3,069,434	1.2%
Eaton Vance TM Emerging Markets Fund	4,251,747	1.5%	1,100,000	3,062,786	1.2%
<b>Fixed Income</b>	<b>99,872,384</b>	<b>35.1%</b>		<b>93,598,553</b>	<b>36.7%</b>
Western Asset Core Plus Bond Fund	22,407,394	7.9%		22,059,678	8.7%
Richmond Capital Management	20,925,098	7.4%		20,682,195	8.1%
Vanguard Total Bond Index Fund- Instl	18,041,404	6.3%		17,866,768	7.0%
Atlantic Asset Management	16,849,663	5.9%		16,704,588	6.6%
PIMCO Total Return Fund Inst	15,776,239	5.5%	4,000,000	11,503,830	4.5%
Loomis Sayles Global Bond Fund	5,872,586	2.1%	1,000,000	4,781,494	1.9%
<b>Alternative Investments</b>	<b>55,033,861</b>	<b>19.3%</b>		<b>50,532,784</b>	<b>19.8%</b>
Alternative Module	55,033,861	19.3%	2,800,000	50,532,784	19.8%
<b>Cash Equivalents</b>	<b>15,704,872</b>	<b>5.5%</b>	<b>2,000,000</b>	<b>13,700,742</b>	<b>5.4%</b>
<b>Total Fund</b>	<b>\$284,654,200</b>	<b>100.0%</b>	<b>\$17,000,000</b>	<b>\$254,826,380</b>	<b>100.0%</b>

**Actual Allocation**



**Target Allocation**



# Investment Manager Returns

The table below details the rates of return for the Fund's investment managers and mutual funds over various time periods. Returns for periods greater than one year are annualized.

## Returns for Periods Ended December 31, 2011

	Last Quarter	Year to Date	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 6 1/4 Years
<b>Domestic Equity</b>							
<b>INTECH Large Cap Growth</b>	10.3%	2.3%	2.3%	9.6%	15.3%	1.9%	--
<b>S&amp;P:500 Growth</b>	10.8%	4.7%	4.7%	9.7%	16.6%	2.4%	3.9%
<b>Rainier Large Cap Growth</b>	8.2%	(3.1%)	(3.1%)	6.9%	15.1%	1.1%	--
<b>Russell:1000 Growth</b>	10.6%	2.6%	2.6%	9.5%	18.0%	2.5%	3.9%
<b>Vanguard Large Cap Index</b>	11.7%	1.6%	1.6%	8.5%	14.6%	0.2%	2.9%
<b>MSCI:US Prime Mkt 750</b>	11.8%	1.7%	1.7%	8.6%	14.6%	0.2%	2.9%
<b>Robeco/Boston Partners</b>	13.1%	0.7%	0.7%	6.9%	--	--	--
<b>Great Lakes Large Value</b>	12.7%	3.1%	3.1%	10.0%	14.4%	1.1%	--
<b>Russell:1000 Value</b>	13.1%	0.4%	0.4%	7.7%	11.5%	(2.6%)	1.3%
<b>Vanguard Large Cap Value ETF</b>	12.5%	1.1%	1.1%	7.6%	--	--	--
<b>MSCI:US Prime Mkt Val</b>	12.5%	1.2%	1.2%	7.7%	11.5%	(2.3%)	1.6%
<b>Eagle Asset Management</b>	13.7%	(3.3%)	(3.3%)	11.1%	14.5%	3.7%	--
<b>Russell:2500 Index</b>	14.5%	(2.5%)	(2.5%)	11.1%	18.4%	1.2%	3.7%
<b>TAMRO Capital Partners</b>	14.2%	(3.2%)	(3.2%)	13.1%	19.5%	3.1%	--
<b>Russell:2000 Index</b>	15.5%	(4.2%)	(4.2%)	10.3%	15.6%	0.2%	3.0%
<b>International Equity</b>							
<b>Artisan International</b>	9.6%	(7.3%)	(7.3%)	(0.9%)	11.1%	(2.7%)	--
<b>Harbor International</b>	7.3%	(11.1%)	(11.1%)	(0.2%)	11.3%	(0.7%)	--
<b>MSCI:EAFE US\$</b>	3.3%	(12.1%)	(12.1%)	(2.7%)	7.6%	(4.7%)	0.5%
<b>Acadian Emerging Markets Fund</b>	2.5%	(19.6%)	(19.6%)	(0.7%)	--	--	--
<b>Eaton Vance TM EM Fund</b>	2.7%	(18.0%)	(18.0%)	0.5%	--	--	--
<b>MSCI:Emer Mkts -Net</b>	4.4%	(18.4%)	(18.4%)	(1.5%)	20.1%	2.4%	7.8%
<b>Domestic Fixed Income</b>							
<b>Atlantic Asset Management</b>	1.4%	7.9%	7.9%	7.2%	7.4%	5.7%	--
<b>Richmond Capital Mgmt</b>	1.3%	8.3%	8.3%	7.9%	8.2%	6.8%	--
<b>Vanguard Total Bond</b>	1.0%	7.7%	7.7%	7.1%	6.8%	6.5%	6.0%
<b>Western Asset Core Plus</b>	1.6%	6.7%	6.7%	9.4%	14.7%	6.9%	--
<b>PIMCO Total Return Fund</b>	2.2%	4.2%	4.2%	6.5%	--	--	--
<b>BC:Aggr Bd</b>	1.1%	7.8%	7.8%	7.2%	6.8%	6.5%	6.0%
<b>Loomis Sayles Global Bond Fund</b>	1.8%	3.8%	3.8%	5.9%	--	--	--
<b>BC:Gbl Aggr Idx</b>	0.2%	5.6%	5.6%	5.6%	6.0%	6.5%	6.0%
<b>Alternative Investments</b>							
<b>Alternative Module</b>	3.3%	(1.4%)	(1.4%)	--	--	--	--
<b>HFR:FOF Index</b>	(0.3%)	(5.5%)	(5.5%)	(0.1%)	3.6%	(0.7%)	1.4%
<b>VBIF Total Fund</b>	4.9%	0.6%	0.6%	5.8%	10.6%	3.2%	4.7%
<b>VBIF Total Fund (net)</b>	4.9%	0.3%	0.3%	5.5%	10.4%	3.0%	4.5%
<b>VBIF Style Target</b>	4.2%	(0.1%)	(0.1%)	5.3%	10.6%	2.2%	3.7%
<b>VBIF Index Target</b>	4.1%	0.3%	0.3%	5.5%	9.7%	2.8%	4.4%

**Style Target** = 23% CAI: Lg Cap Broad Style; 4% CAI: Sm Cap Broad Style; 10% CAI: Intl Core Equity Style; 3% CAI: Emerging Markets Style; 35% CAI: Core Bond Style; 20% CAI HFoF; 5% CAI: Cash Management

**Index Target** = 23% MSCI U.S. Prime Market 750; 4% Russell 2000; 10% MSCI EAFE; 3% MSCI Emerging Markets; 35% BC Aggregate; 20% HFRI-FoF; 5% 90-day T-Bill



# Investment Manager Returns

The table below details the rates of return for the Fund's investment managers and mutual funds over calendar year time periods.

	Returns for Calendar Years					
	2011	2010	2009	2008	2007	2006
<b>Domestic Equity</b>						
INTECH Large Cap Growth	2.3	17.5	27.4	(33.8)	8.3	--
S&P:500 Growth	4.7	15.1	31.6	(34.9)	9.1	11.0
Rainier Large Cap Growth	(3.1)	17.8	33.5	(43.2)	22.1	--
Russell:1000 Growth	2.6	16.7	37.2	(38.4)	11.8	9.1
Vanguard Large Cap Index	1.6	15.8	27.8	(37.0)	6.4	15.6
MSCI:US Prime Mkt 750	1.7	15.9	27.8	(37.1)	6.4	15.7
Robeco/Boston Partners	0.7	13.4	--	--	--	--
Great Lakes Large Value	3.1	17.4	23.7	(34.2)	7.3	--
Russell:1000 Value	0.4	15.5	19.7	(36.8)	(0.2)	22.2
Vanguard Large Cap Value ETF	1.1	14.5	--	--	--	--
MSCI:US Prime Mkt Val	1.2	14.5	19.5	(36.0)	0.2	22.4
Eagle Asset Management	(3.3)	27.5	21.6	(31.7)	17.0	--
Russell:2500 Index	(2.5)	26.7	34.4	(36.8)	1.4	16.2
TAMRO Capital Partners	(3.2)	32.0	33.4	(32.3)	1.0	--
Russell:2000 Index	(4.2)	26.9	27.2	(33.8)	(1.6)	18.4
<b>International Equity</b>						
Artisan International	(7.3)	5.9	39.8	(46.9)	19.7	--
Harbor International	(11.1)	12.0	38.6	(42.6)	21.8	--
MSCI:EAFE US\$	(12.1)	7.8	31.8	(43.4)	11.2	26.3
Acadian Emerging Markets Fund	(19.6)	22.6	--	--	--	--
Eaton Vance TM EM Fund	(18.0)	23.3	--	--	--	--
MSCI:Emer Mkts -Net	(18.4)	18.9	78.5	(53.3)	39.4	32.2
<b>Domestic Fixed Income</b>						
Atlantic Asset Management	7.9	6.5	7.7	0.3	6.3	--
Richmond Capital Mgmt	8.3	7.6	8.8	2.8	6.6	--
Western Asset Core Plus	6.7	12.2	25.9	(9.9)	2.6	--
Vanguard Total Bond	7.7	6.6	6.1	5.2	7.1	4.4
PIMCO Total Return Fund	4.2	8.8	--	--	--	--
BC:Aggr Bd	7.8	6.5	5.9	5.2	7.0	4.3
Loomis Sayles Global Bond Fund	3.8	8.0	--	--	--	--
BC:Gbl Aggr Idx	5.6	5.5	6.9	4.8	9.5	6.6
<b>Alternative Investments</b>						
Alternative Module	(1.4)	--	--	--	--	--
HFR:FOF Index	(5.5)	5.7	11.5	(21.4)	10.3	10.4
VBIF Total Fund	0.6	11.2	20.9	(20.9)	9.8	11.7
VBIF Total Fund (net)	0.3	11.0	20.6	(21.2)	9.4	11.7
VBIF Style Target	(0.1)	10.9	22.2	(23.5)	7.8	10.6
VBIF Index Target	0.3	10.9	18.8	(19.5)	8.0	11.7

**Style Target** = 23% CAI: Lg Cap Broad Style; 4% CAI: Sm Cap Broad Style; 10% CAI: Intl Core Equity Style; 3% CAI: Emerging Markets Style; 35% CAI: Core Bond Style; 20% CAI HFOF; 5% CAI: Cash Management

**Index Target** = 23% MSCI U.S. Prime Market 750; 4% Russell 2000; 10% MSCI EAFE; 3% MSCI Emerging Markets; 35% BC Aggregate; 20% HFRI-FoF; 5% 90-day T-Bill

## Important Disclosure

---

Past performance may not be indicative of future results. Any specific account performance information contained herein reflects the reinvestment of dividends, and is net of applicable transaction fees. Account information has been compiled solely by Capital Advisory Group, has not been independently verified, and does not reflect the impact of taxes on non-qualified accounts. In preparing this report, Capital Advisory Group has relied upon information provided by the account custodian. Historical performance results for investment indices and/or categories have been provided for general comparison purposes only, and do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your account holdings correspond directly to any comparative indices. Please Note: the performance calculations do not reflect Capital Advisory Group's investment advisory fee, the deduction of which would decrease indicated account performance.

You should compare the account information in this report to the statement you receive directly from your custodian. Minor variances between the values in this report and your custodial statement may exist because of differences in the trade date/settlement date pricing methodologies used to value the holdings or updates posted by the custodian subsequent to the preparation of this report.



# **Market Overview**

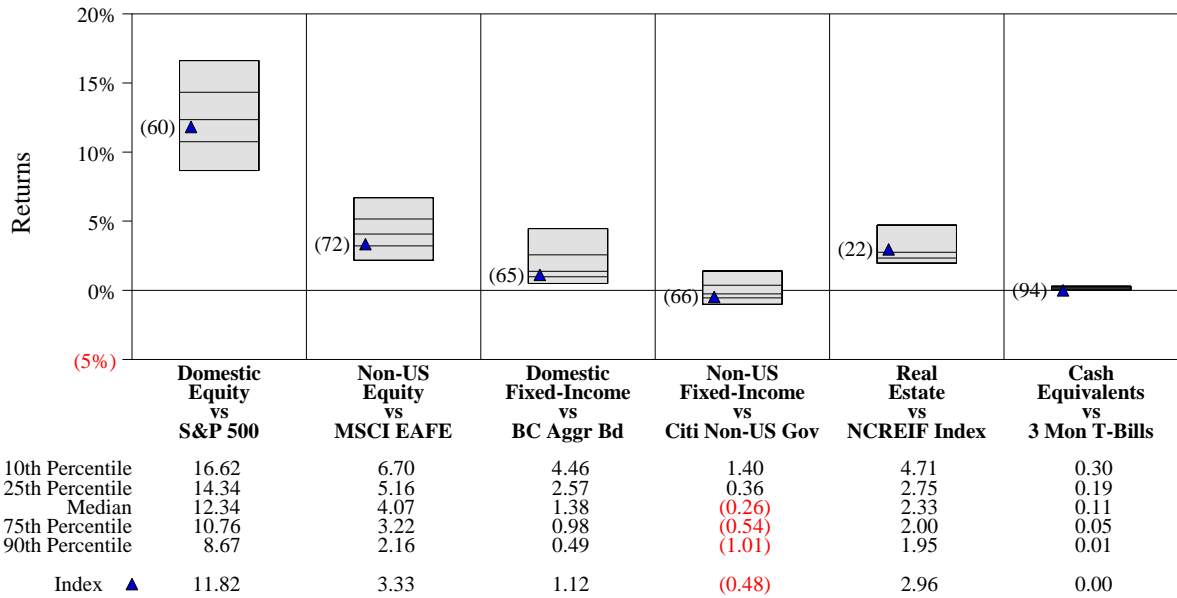
## MARKET OVERVIEW

### ACTIVE MANAGEMENT VS INDEX RETURNS

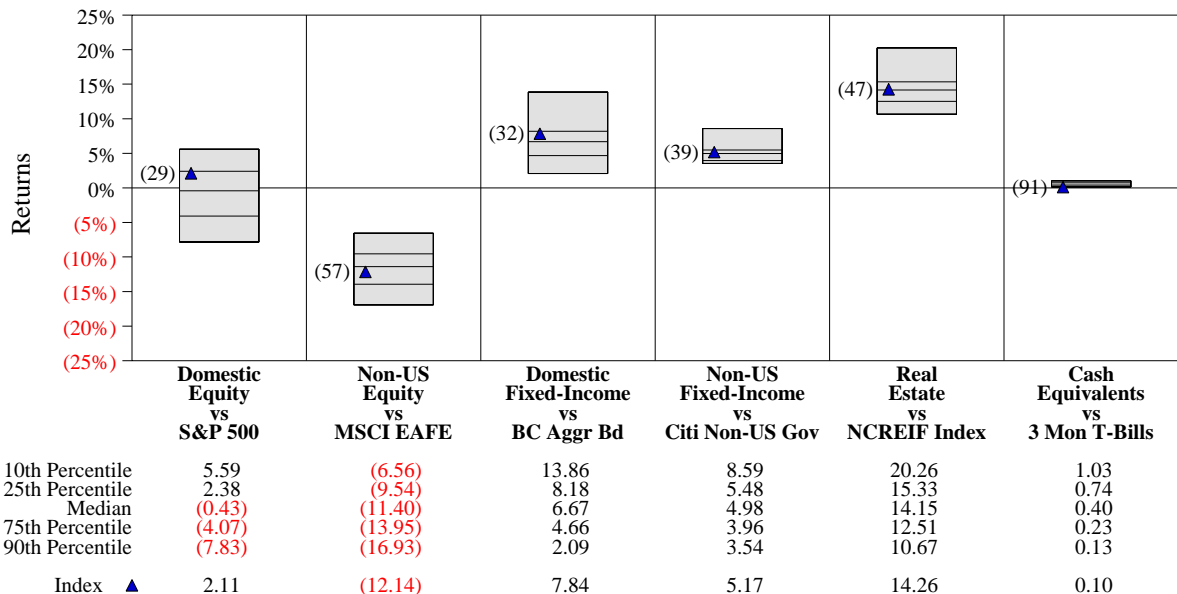
#### Market Overview

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 December 31, 2011



#### Range of Separate Account Manager Returns by Asset Class One Year Ended December 31, 2011



## DOMESTIC EQUITY Active Management Overview

### Active vs. the Index

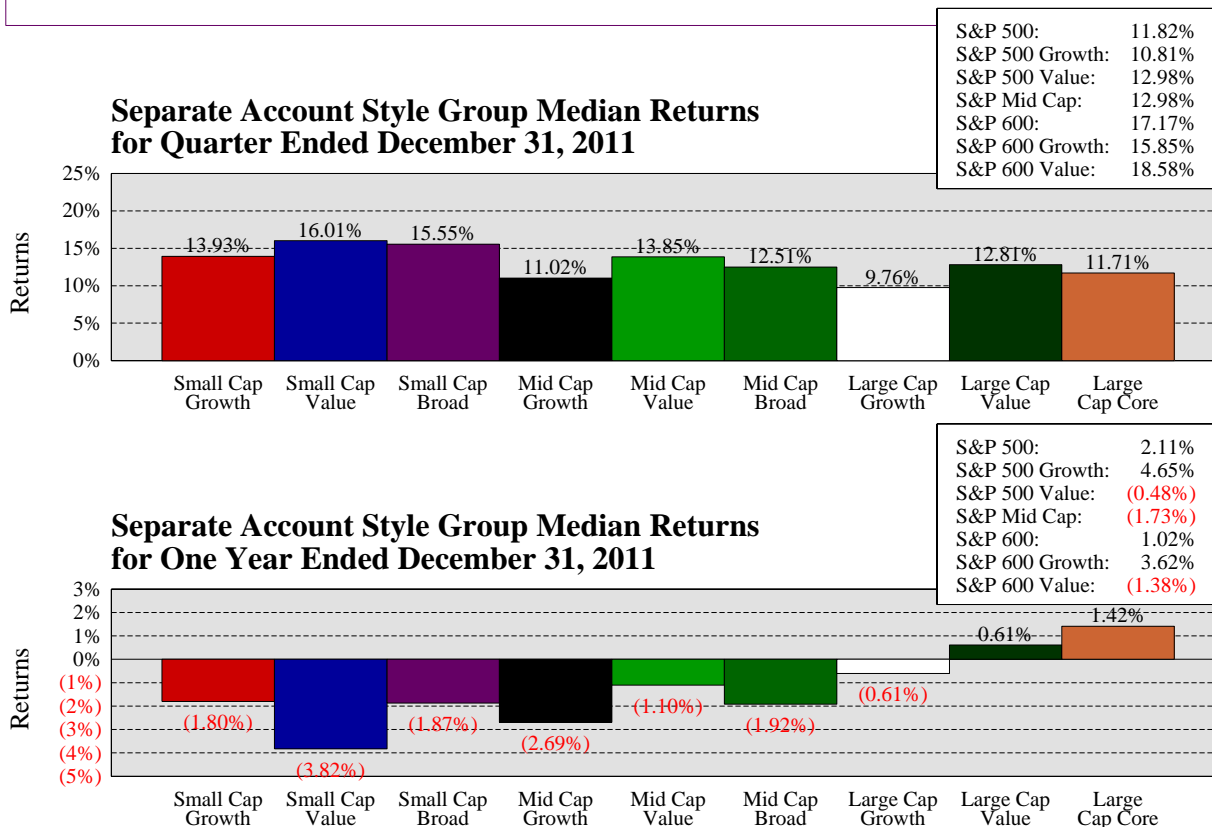
U.S. equities rebounded dramatically during the fourth quarter of 2011 with an 11.82% increase in the S&P 500 Index. However, American consumers remain defensive due in large part to high unemployment, stagnant wages, and weak housing prices; the holiday shopping season was reasonably strong on the back of major discounting by retailers. Unemployment dropped below 9% (8.5% at year-end) and initial jobless claims are at a 3-1/2 year low, however, it appears that declining labor force participation had as much to do with the falling unemployment rate as actual job creation. For the fourth quarter of 2011, the median Large Cap Core manager underperformed the S&P 500 Index by 0.11% with a return of 11.71%. The median Mid Cap Broad manager return was 47 basis points lower than the S&P Mid Cap Index with a return of 12.51%. The median Small Cap Broad manager, with a gain of 15.55%, failed to beat the S&P 600 return by 162 basis points. For the year ended December 31, 2011, the median Large Cap Core fund was 69 basis points lower than the S&P 500 with a gain of 1.42%. The median Mid Cap Broad manager lost 1.92%, underperforming the S&P Mid Cap Index by 19 basis points.

### Large Cap vs. Small Cap

During the fourth quarter of 2011, Small Cap funds performed better than Large Cap funds, which had the lowest returns. The returns for the median Large Cap managers ranged from 9.76% (Large Cap Growth) to 12.81% (Large Cap Value), a difference of 305 basis points. Median Small and Mid Cap manager returns were more volatile with a 499 basis point range from 16.01% (Small Cap Value) to 11.02% (Mid Cap Growth). For the year ended December 31, 2011, Large Cap funds continued to best Small and Mid Cap funds. The median Large Cap Core manager gained 1.42% during the one-year period, besting the median Small Cap Broad manager's loss of 1.87%. This was also reflected in the indices for the year ended December 31, 2011, with the S&P 500's return of 2.11%, 109 basis points ahead of the S&P 600's return of 1.02%.

### Growth vs. Value

For the fourth quarter of 2011, returns for Growth and Value Small Cap managers were diverged, with the median Growth fund increasing 13.93% compared to Value's increase of 16.01%. The median Mid Cap Growth manager returned 11.02%, which trailed the 13.85% return of the median Mid Cap Value manager by 283 basis points. In the Large Cap arena, the median Growth manager's return of 9.76% underperformed the median Value manager's return of 12.81% by 305 basis points. For the year ended December 31, 2011, returns were mixed for Growth and Value. The median Small Cap Value fund underperformed the median Small Cap Growth fund by 202 basis points while for Mid Cap Growth underperformed Value by 159 basis points. The return for the median Large Cap Growth fund was -0.61% in comparison to Large Cap Value's return of 1.42%, a 122 basis point difference.



## DOMESTIC FIXED-INCOME Active Management Overview

### Active vs. the Index

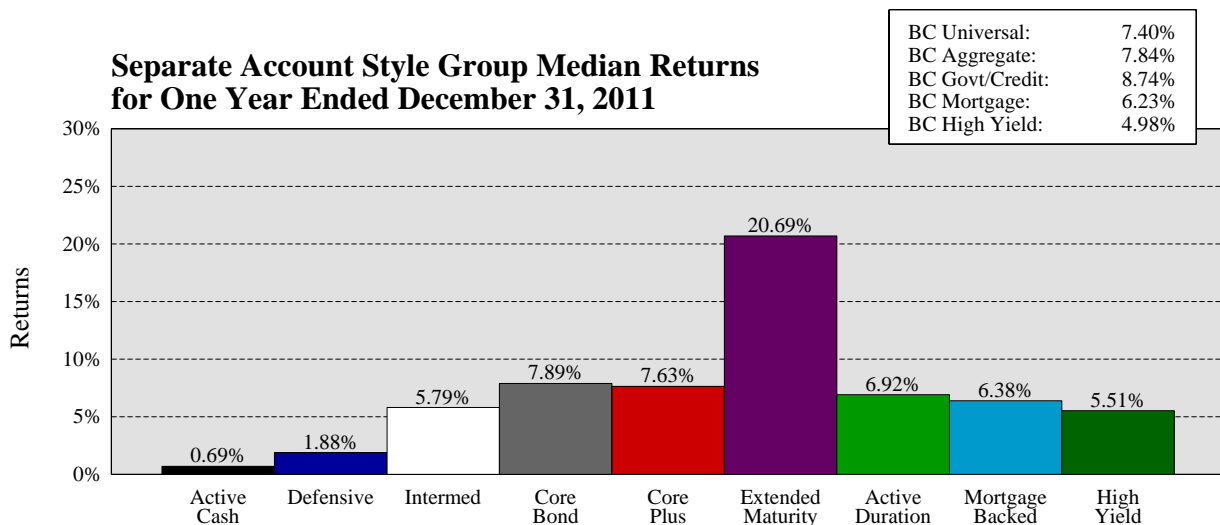
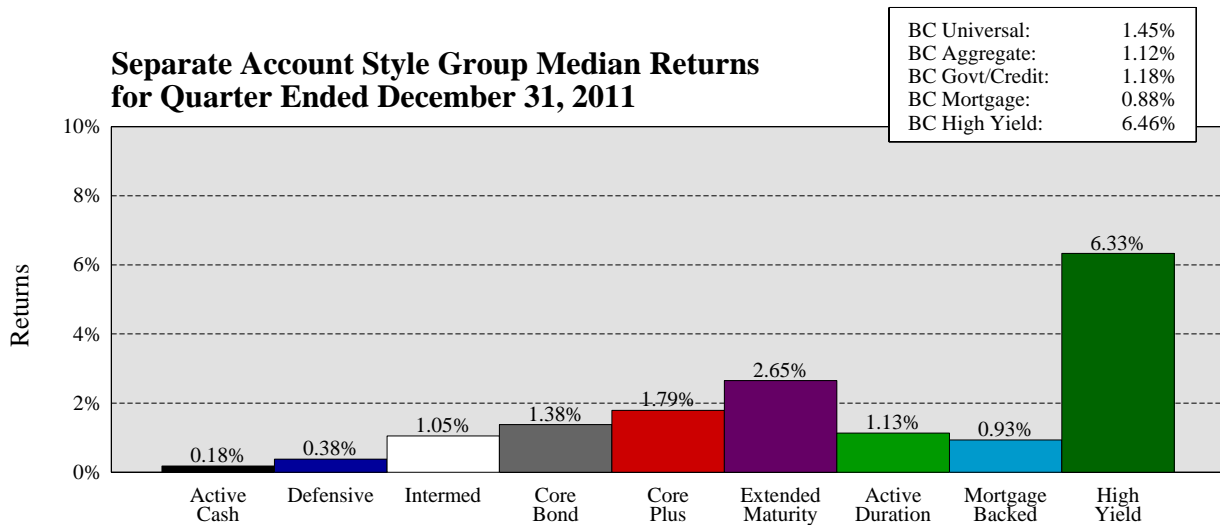
Despite the failure of the Super Committee to come up with a debt reduction package, consumer confidence increased and unemployment fell to 8.6%, though inflation rose to 2.2%. The European sovereign debt crisis continued to be the main driver of global market volatility which benefitted U.S.-dollar assets, including risk assets, resulting in downward pressure on U.S. yields. High Yield was the top performer of the quarter due to declining volatility which lifted risk markets. The median Core Bond Fund posted a return of 1.38% which outperformed the Barclays Capital Aggregate Index by 26 basis points. For the year ended December 31, 2011, the median Core Bond fund finished with a return of 7.89%, 5 basis points ahead of the Barclays Capital Aggregate return of 7.84%.

### Short vs. Long Duration

The median Extended Maturity Fund gained 2.65% during the fourth quarter, while the median Intermediate Fund lagged behind returning 1.05%. For the twelve months ended December 31, 2011, the median Extended Maturity Fund gained an impressive 20.69%, 1,490 basis points ahead of the median Intermediate Fund's return of 5.79%.

### Mortgages and High Yield

The median Mortgage-Backed Fund posted a positive return of 0.93% for the fourth quarter of 2011, beating the Barclays Mortgage Index return of 0.88%. For the year ended December 31, 2011, the median Mortgage-Backed Fund outperformed the Barclays Mortgage Index generating a return of 6.38%, 15 basis points higher than the index's return of 6.23%. High Yield funds were the best performing group with the median fund up 6.33%, yet falling below the Barclays High Yield Index by 13 basis points. For the twelve months ended December 31, 2011, the median High Yield Fund produced a return of 5.51%, besting the index, which returned 4.98%.

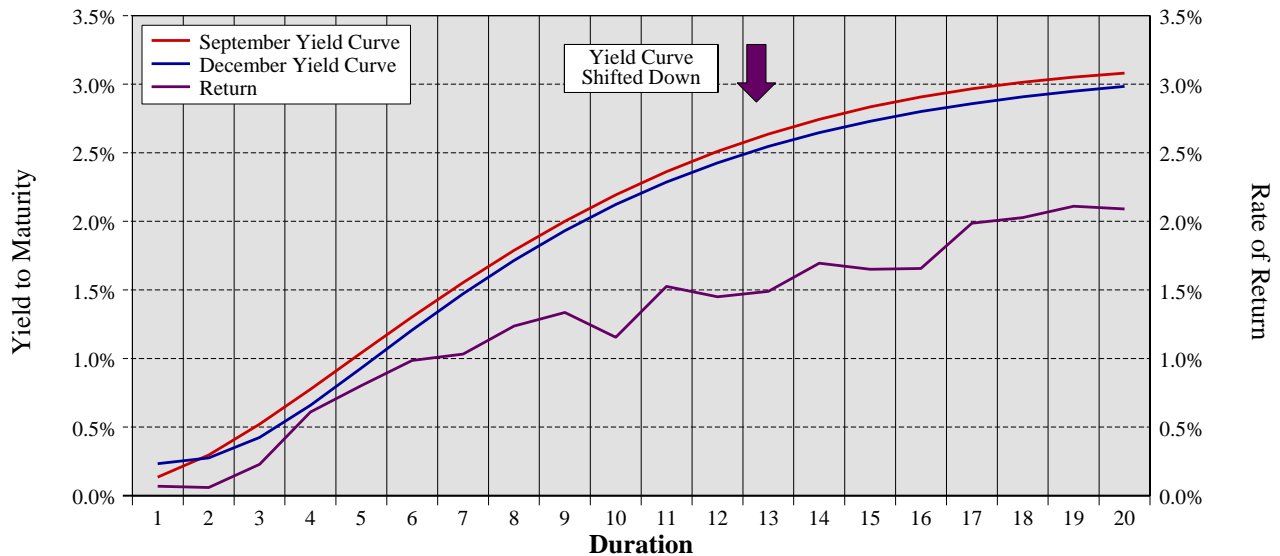


## BOND MARKET ENVIRONMENT

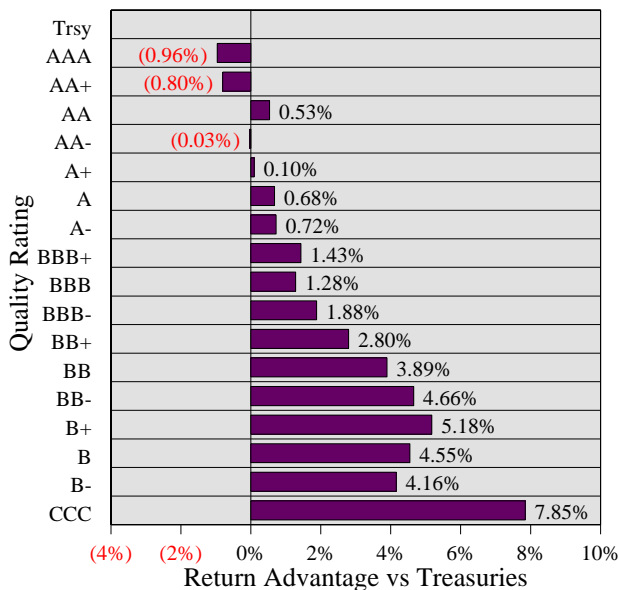
### Factors Influencing Bond Returns

The charts below are designed to give you an overview of the factors that influenced bond market returns for the quarter. The first chart shows the shift in the Treasury yield curve and the resulting returns by duration. The second chart shows the average return premium (relative to Treasuries) for bonds with different quality ratings. The final chart shows the average return premium of the different sectors relative to Treasuries. These sector premiums are calculated after differences in quality and term structure have been accounted for across the sectors. They are typically explained by differences in convexity, sector specific supply and demand considerations, or other factors that influence the perceived risk of the sector.

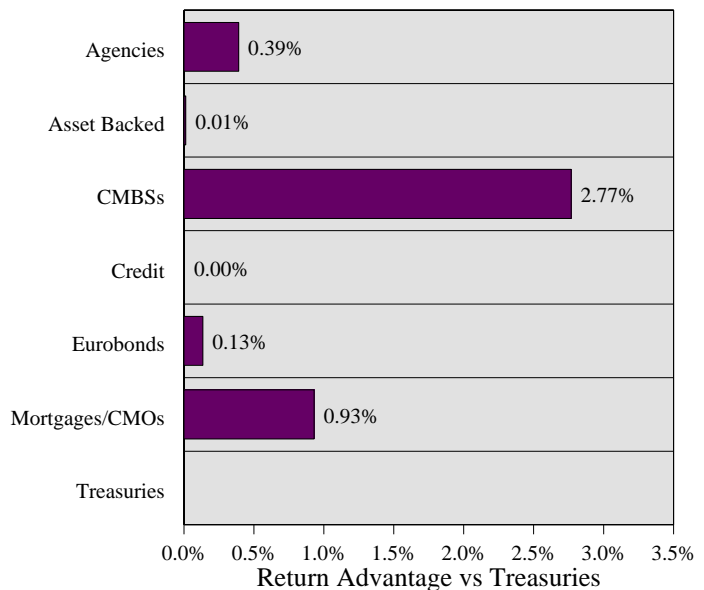
### Yield Curve Change and Rate of Return One Quarter Ended December 31, 2011



### Duration Adjusted Return Premium to Quality One Quarter Ended December 31, 2011



### Quality and Duration Adjusted Return Premium by Sector One Quarter Ended December 31, 2011



## INTERNATIONAL EQUITY Active Management Overview

### Active vs. the Index

International equity markets finished the quarter with respectable performance, despite highly divergent results across the globe and constant attention on European Sovereign debt concerns. Led by strong advances in the UK, Latin America and the Pacific ex-Japan region, the major international benchmarks posted modest gains. Contributing to the shortcoming of these gains (relative to domestic markets for the quarter) were the negative performers which included Japan, Greece, the Southeastern region of Europe, and parts of the Middle East. In contrast to domestic markets, growth outperformed value in the developed international markets, in large part due to the underperformance of the European Banks.

### Europe

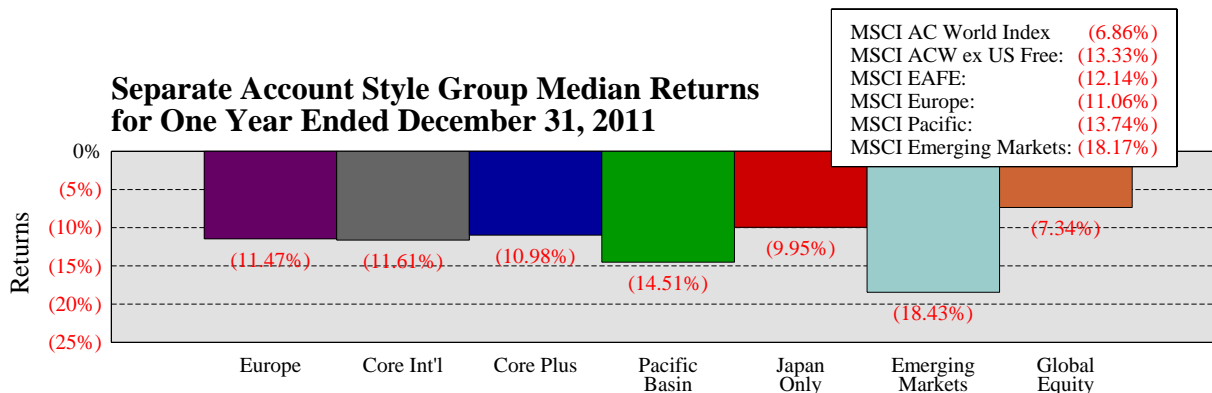
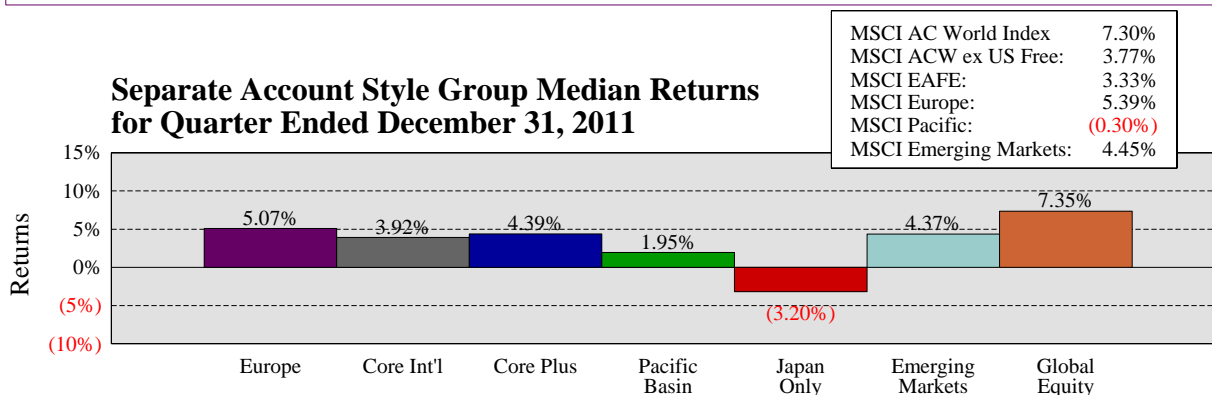
Strong performance in the UK and Scandinavia, coupled with a rally from Ireland after its 3rd quarter sovereign debt downgrade, were enough to override the once-again poor performance in Greece, leading to a 5.39% return for the MSCI Europe Index for the quarter ended December 31, 2011. The underperformance of European banks contributed to a surge in growth as compared to value stocks. For the three months ended December 31, 2011, the median Europe fund lagged the MSCI Europe Index by 32 basis points. For the year ended December 31, 2011, the median Europe manager again fell behind its index by 41 basis points.

### Pacific

Australia and Hong Kong led the Pacific region to finish the quarter in positive territory, despite Japan's negative performance. Losses were seen in Japan as export outlook dimmed amid expectations of slower global growth and the competitive burdens of a strong yen. For the quarter ended December 31, 2011, the median Pacific Basin manager earned a 1.95% return compared to the MSCI Pacific Index, which was down 0.30%. The median Japan manager finished the quarter below the index with a -3.20% return, however, for the year ended December 31, 2011 the median Japan manager beat its index by 3.79%.

### Emerging Markets

Emerging Markets returns for the quarter also varied widely. While the MSCI Emerging Markets Index returned a reasonable 4.45%, its worst performing country (Turkey) sank 16%. Close behind were India and Egypt, all with a strong reliance on the euro-zone for exports. On the flip side, Latin America led index returns with Peru performing best among emerging countries. For the quarter ended December 31, 2011 the median Emerging Markets manager lagged its index by 8 basis points returning 4.37%. For the year ended December 31, 2011 the median Emerging Markets manager lagged its index by 0.26%.





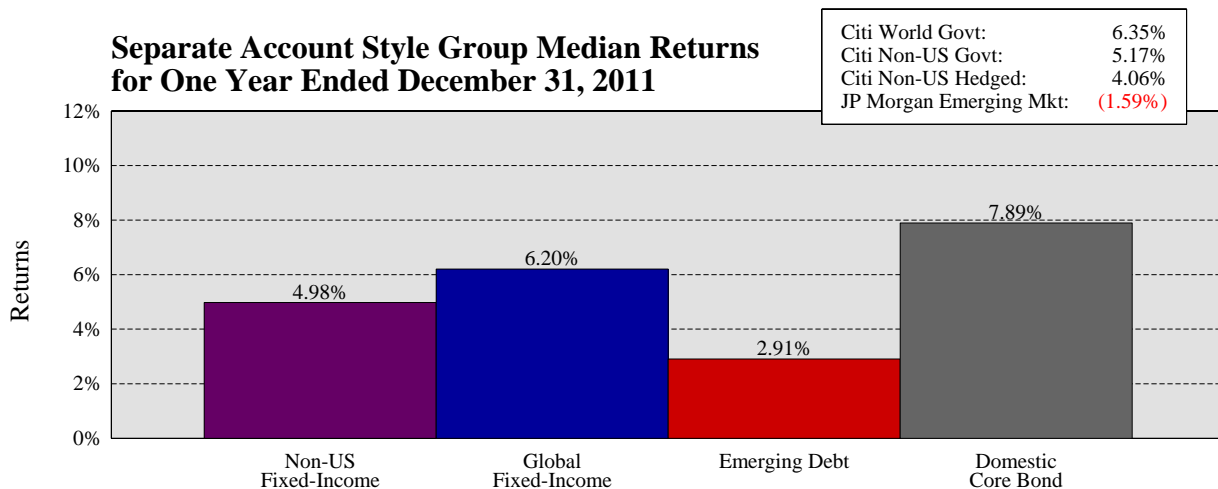
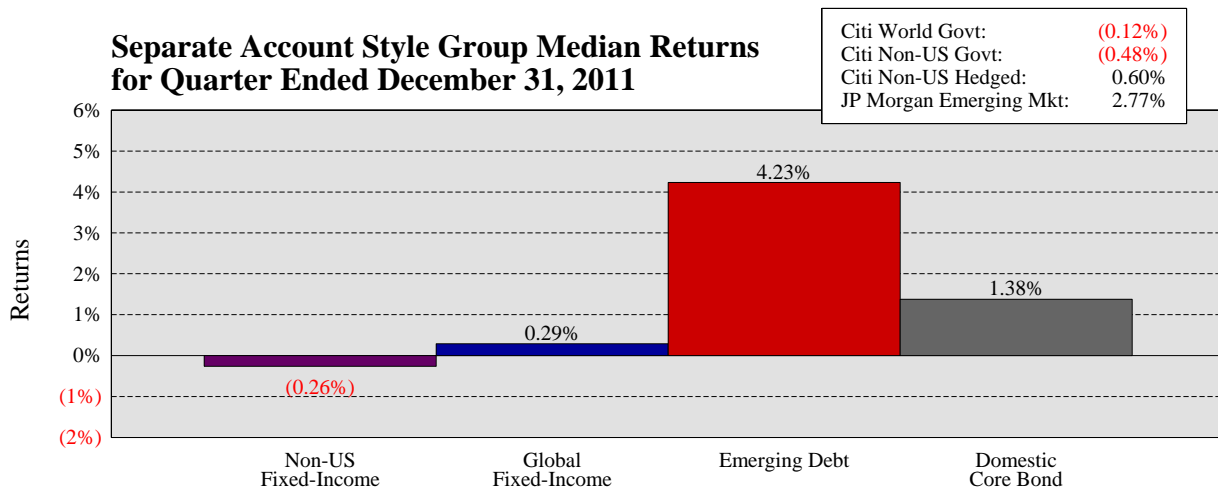
## INTERNATIONAL FIXED-INCOME Active Management Overview

### Active vs. the Index

International Fixed-Income markets wavered through the year, as returns rallied in response to natural disasters, political upheaval, and the European debt crisis. As policy makers continued to craft a plan that allows for the euro to remain intact and stabilize the Eurozone, there was no major restructuring or announcements that would have increased credibility or reassure investors. Meanwhile, Standard & Poors downgraded France and Austria's triple-A credit rating, and cut Italy from A to BBB+. In October, Greece began to investigate ways to restructure debt held by private investors with a 50% haircut, which would reduce the face value of private investors' bond holdings. For the three months ended December 31, 2011, the median Non-U.S. Fixed Income Manager experienced a loss of 0.26%, outperforming the benchmark by 0.22%, while the median Global Fixed-Income manager posted a 0.29% return, besting its index by 0.41%. For the year ended December 31, 2011, the median Non-U.S. Fixed Income Manager posted a gain of 4.98%, but underperformed its index by 0.19%. Similarly, the median Global Fixed-Income Manager lagged 0.15% behind its benchmark.

### Emerging Markets

As long as the sovereign debt crisis and fiscal challenges afflict developed countries, Emerging Markets will continue to take on a more important role for future growth. But uncertainty in Europe and a slowdown in developed markets is trickling down through trade channels and Emerging Countries economies are seeing less demand for their exports. As the overall trend of a global slowdown runs its course, policy makers in countries like China will shift their attention and focus on issues at a national level such as a deteriorating real estate sector and tightening policy to ease and bring down inflation. For the quarter ending December 31, 2011, the median Emerging Debt manager showed a gain of 4.23%, versus the JP Morgan Emerging Mkt Index which experienced a return of 2.77%. For the year ended December 31, 2011, the median Emerging Debt manager experienced a gain of 2.91%, outperforming the index by 4.50%.

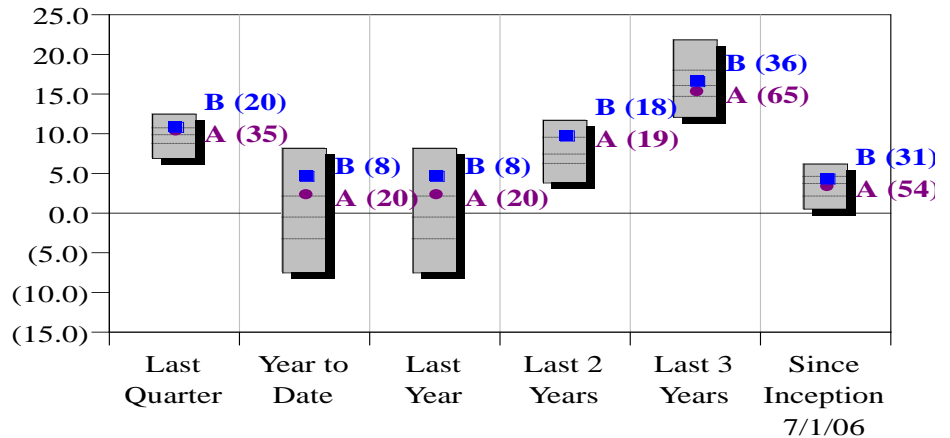




# **Investment Report**

# INTECH Large Cap Growth

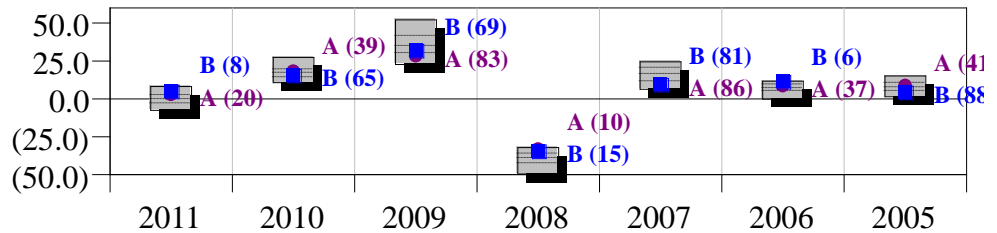
Returns  
for Periods Ended December 31, 2011  
Group: CAI Large Cap Growth Style



10th Percentile	11.8	4.1	4.1	10.8	20.5	5.6
25th Percentile	10.6	2.0	2.0	9.4	17.9	4.5
Median	9.8	(0.6)	(0.6)	7.3	16.0	3.6
75th Percentile	8.7	(3.4)	(3.4)	6.2	14.6	2.0
90th Percentile	7.4	(5.2)	(5.2)	4.3	12.8	1.1

<b>INTECH Large Cap Growth</b>	● A	<b>10.3</b>	<b>2.3</b>	<b>2.3</b>	<b>9.6</b>	<b>15.3</b>	<b>3.3</b>
S&P:500 Growth	■ B	10.8	4.7	4.7	9.7	16.6	4.3

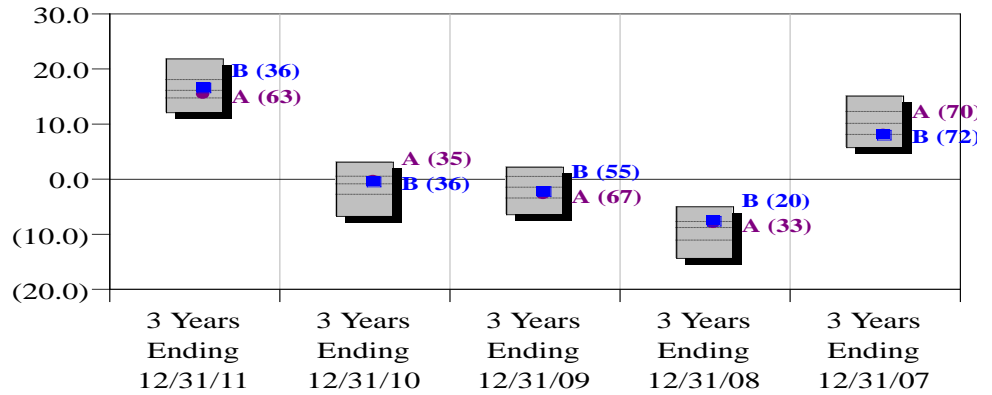
Returns for Calendar Years  
Group: CAI Large Cap Growth Style



10th Percentile	4.1	23.4	47.8	(33.8)	23.6	10.5	13.4	
25th Percentile	2.0	19.0	41.1	(36.6)	20.1	9.0	10.2	
Median	(0.6)	16.8	34.4	(39.5)	16.0	6.7	7.1	
75th Percentile	(3.4)	13.9	29.8	(43.0)	11.1	4.7	4.8	
90th Percentile	(5.2)	12.3	25.9	(47.0)	7.5	2.0	3.8	
<b>INTECH:Lg Cap Growth</b>	● A	<b>2.2</b>	<b>17.5</b>	<b>27.6</b>	<b>(33.8)</b>	<b>8.4</b>	<b>8.0</b>	<b>8.0</b>
S&P:500 Growth	■ B	4.7	15.1	31.6	(34.9)	9.1	11.0	4.0

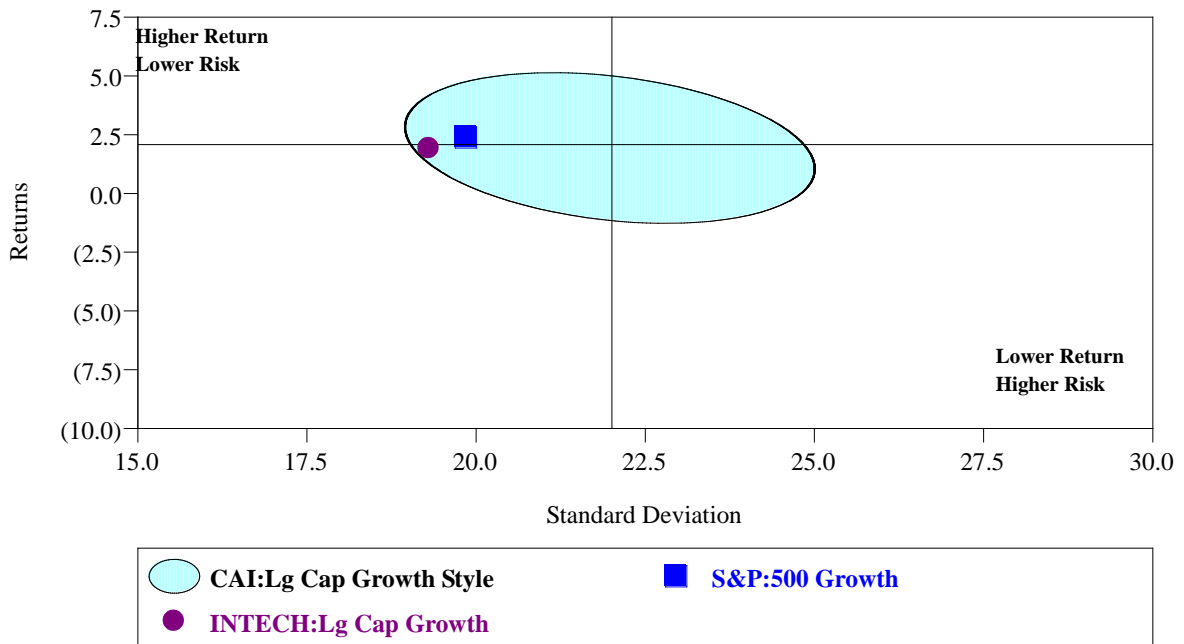
# INTECH Large Cap Growth

Returns  
for 12 Quarter Rolling Periods  
5 Years Ended December 31, 2011  
Group: CAI Large Cap Growth Style



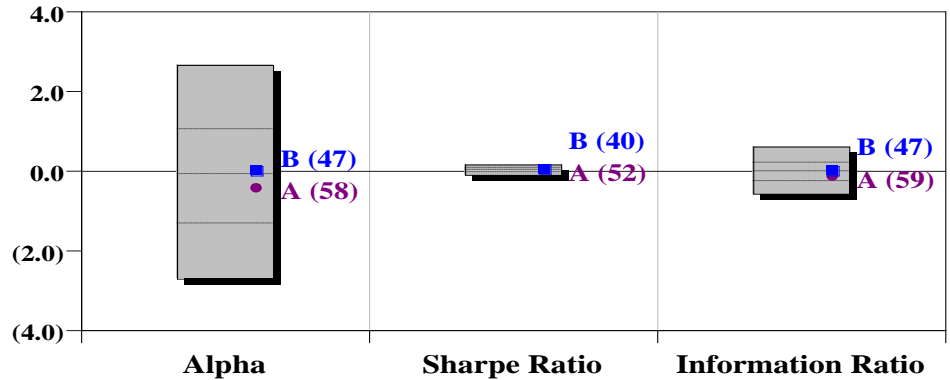
10th Percentile	20.5	1.4	1.2	(6.7)	14.5
25th Percentile	17.9	0.4	0.3	(7.9)	12.2
Median	16.0	(1.0)	(1.6)	(9.0)	10.0
75th Percentile	14.6	(2.9)	(3.6)	(11.2)	8.0
90th Percentile	12.8	(5.4)	(5.2)	(12.6)	6.4
<b>INTECH:Lg Cap Growth</b> ● A	<b>15.3</b>	<b>(0.3)</b>	<b>(2.9)</b>	<b>(8.2)</b>	<b>8.1</b>
S&P:500 Growth ■ B	16.6	(0.5)	(2.2)	(7.6)	8.0

Scatter Chart  
for 5 Years Ended December 31, 2011



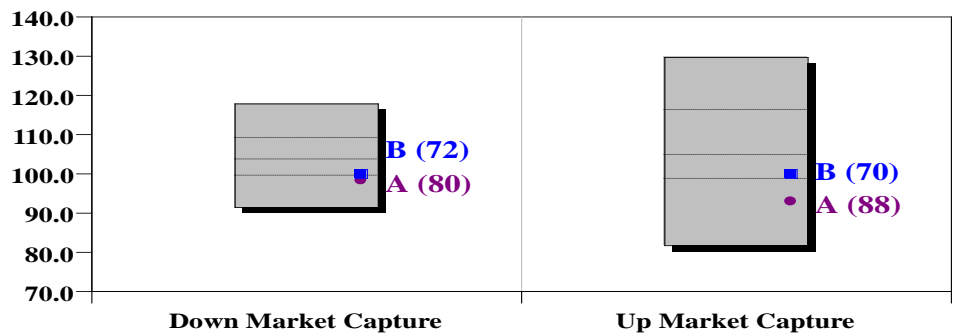
# INTECH Large Cap Growth

Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Large Cap Growth Style



	Alpha	Sharpe Ratio	Information Ratio
10th Percentile	2.3	0.1	0.5
25th Percentile	1.0	0.1	0.2
Median	(0.1)	0.0	0.0
75th Percentile	(1.3)	0.0	(0.3)
90th Percentile	(2.5)	(0.1)	(0.4)
INTECH:Lg Cap Growth (A)	(0.4)	0.0	(0.1)
S&P:500 Growth (B)	0.0	0.0	0.0

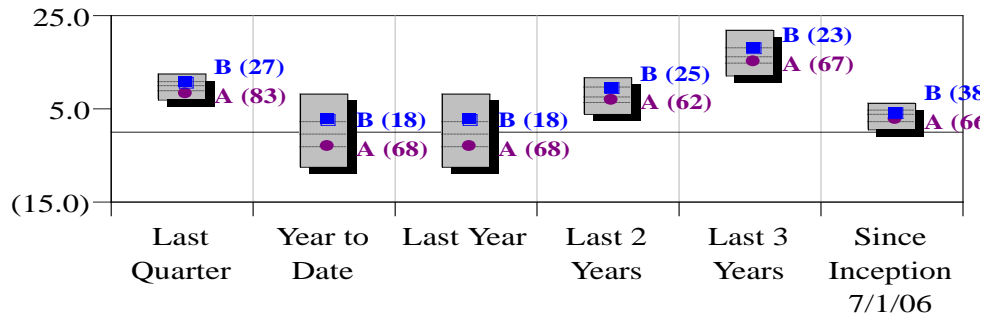
Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Large Cap Growth Style



	Down Market Capture	Up Market Capture
10th Percentile	113.8	123.0
25th Percentile	109.1	116.2
Median	103.6	104.7
75th Percentile	99.5	98.6
90th Percentile	95.4	91.2
INTECH:Lg Cap Growth (A)	98.3	92.9
S&P:500 Growth (B)	100.0	100.0

# Rainier Large Cap Growth

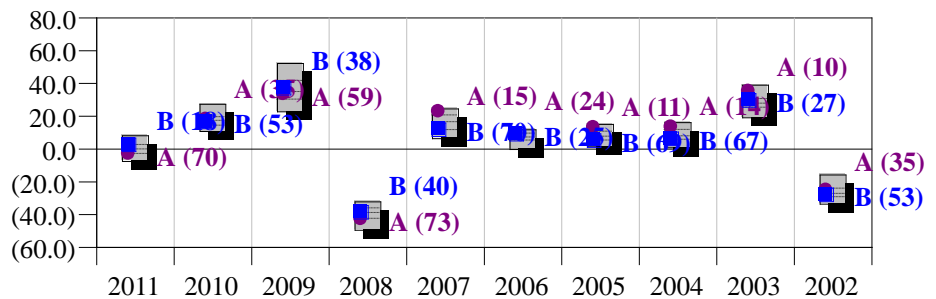
Returns  
for Periods Ended December 31, 2011  
Group: CAI Large Cap Growth Style



	Last Quarter	Year to Date	Last Year	Last 2 Years	Last 3 Years	Since Inception 7/1/06
10th Percentile	11.8	4.1	4.1	10.8	20.5	5.6
25th Percentile	10.6	2.0	2.0	9.4	17.9	4.5
Median	9.8	(0.6)	(0.6)	7.3	16.0	3.6
75th Percentile	8.7	(3.4)	(3.4)	6.2	14.6	2.0
90th Percentile	7.4	(5.2)	(5.2)	4.3	12.8	1.1

<b>Rainier Large Cap Growth</b> ● A	<b>8.2</b>	<b>(3.1)</b>	<b>(3.1)</b>	<b>6.9</b>	<b>15.1</b>	<b>2.7</b>
Russell:1000 Growth ■ B	10.6	2.6	2.6	9.5	18.0	4.1

Returns for Calendar Years  
Group: CAI Large Cap Growth Style

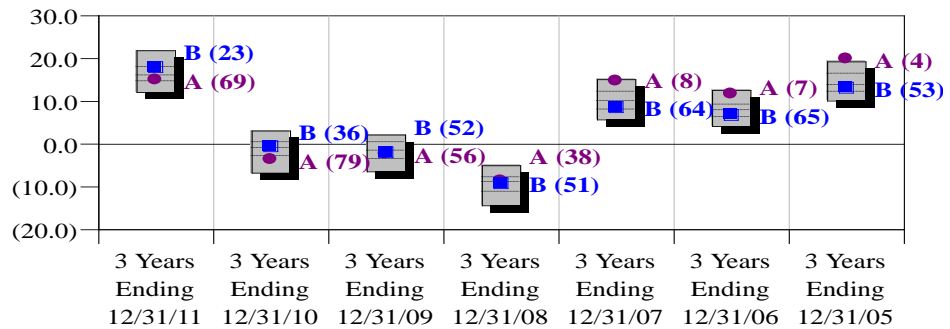


10th Percentile	4.10	23.44	47.80	(33.82)	23.58	10.47	13.37	14.89	34.69	(21.93)
25th Percentile	2.03	18.98	41.11	(36.57)	20.07	9.05	10.16	11.26	30.12	(24.59)
Median	(0.61)	16.77	34.39	(39.49)	16.01	6.70	7.14	7.36	27.26	(27.74)
75th Percentile	(3.35)	13.85	29.79	(42.96)	11.13	4.71	4.79	5.28	24.79	(29.79)
90th Percentile	(5.20)	12.31	25.86	(46.98)	7.46	2.00	3.77	3.31	21.95	(32.07)

<b>Rainier:Large Cap Growth Equity</b> ● A	<b>(3.16)</b>	<b>17.98</b>	<b>33.25</b>	<b>(42.95)</b>	<b>22.70</b>	<b>9.15</b>	<b>12.87</b>	<b>13.25</b>	<b>35.01</b>	<b>(25.29)</b>
Russell:1000 Growth ■ B	2.64	16.71	37.21	(38.44)	11.81	9.07	5.26	6.30	29.75	(27.88)

# Rainier Large Cap Growth (Composite)

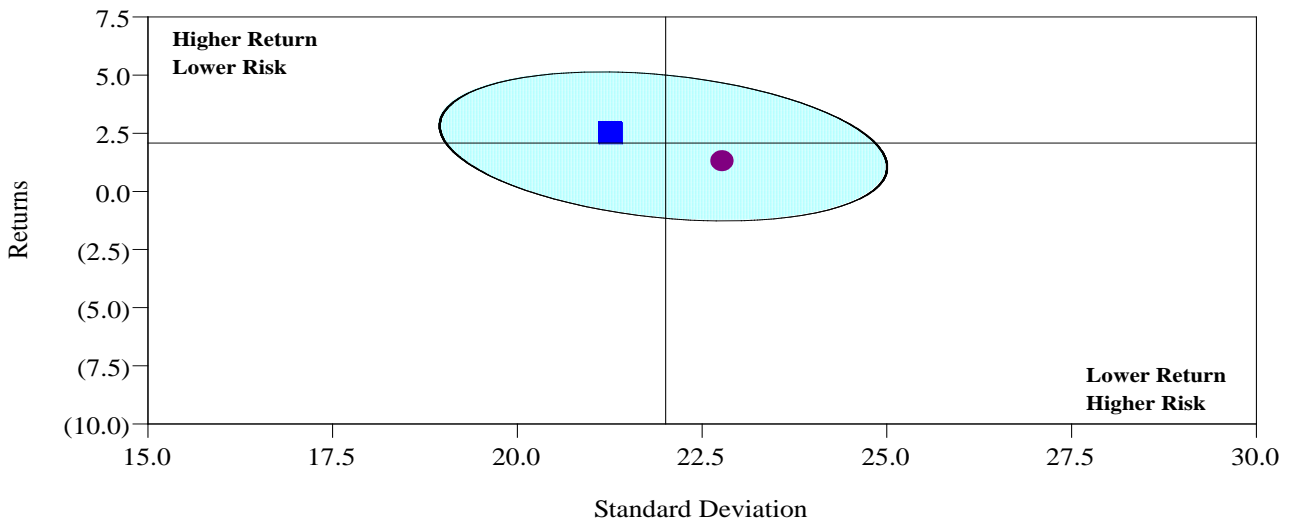
Returns  
for 12 Quarter Rolling Periods  
7 Years Ended December 31, 2011  
Group: CAI Large Cap Growth Style



10th Percentile	20.50	1.40	1.18	(6.74)	14.50	11.49	18.40
25th Percentile	17.90	0.37	0.35	(7.85)	12.15	9.14	16.35
Median	15.96	(1.01)	(1.63)	(8.95)	9.98	7.85	13.71
75th Percentile	14.60	(2.91)	(3.57)	(11.23)	7.98	6.22	12.13
90th Percentile	12.79	(5.40)	(5.17)	(12.62)	6.41	4.82	10.60

<b>Rainier:Large Cap Growth Equity</b>	● A	<b>15.04</b>	<b>(3.56)</b>	<b>(2.30)</b>	<b>(8.58)</b>	<b>14.76</b>	<b>11.74</b>	<b>19.95</b>
Russell:1000 Growth	■ B	18.02	(0.47)	(1.89)	(9.11)	8.68	6.87	13.23

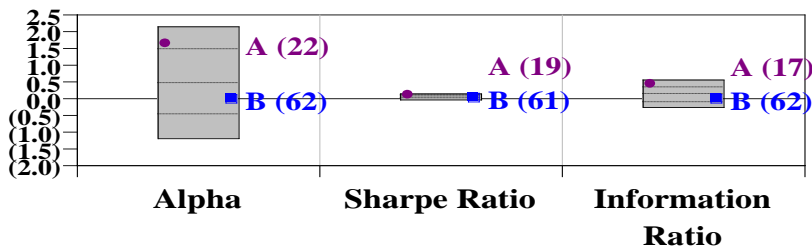
Scatter Chart  
for 5 Years Ended December 31, 2011



	CAI:Lg Cap Growth Style		Russell:1000 Growth
	Rainier:Large Cap Growth Equity		

# Rainier Large Cap Growth (Composite)

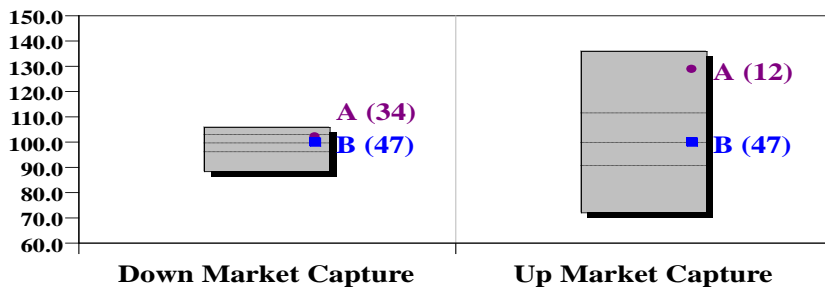
**Statistics  
for 10 Years Ended December 31, 2011  
Group: CAI Large Cap Growth Style**



	Alpha	Sharpe Ratio	Information Ratio
<b>10th Percentile</b>	<b>2.1</b>	<b>0.1</b>	<b>0.6</b>
<b>25th Percentile</b>	<b>1.5</b>	<b>0.1</b>	<b>0.3</b>
<b>Median</b>	<b>0.5</b>	<b>0.1</b>	<b>0.1</b>
<b>75th Percentile</b>	<b>(0.5)</b>	<b>0.0</b>	<b>(0.1)</b>
<b>90th Percentile</b>	<b>(1.2)</b>	<b>0.0</b>	<b>(0.3)</b>

<b>Rainier:Large Cap Growth Equity</b> • <b>A</b>	<b>1.6</b>	<b>0.1</b>	<b>0.4</b>
<b>Russell:1000 Growth</b> ■ <b>B</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Statistics  
for 10 Years Ended December 31, 2011  
Group: CAI Large Cap Growth Style**



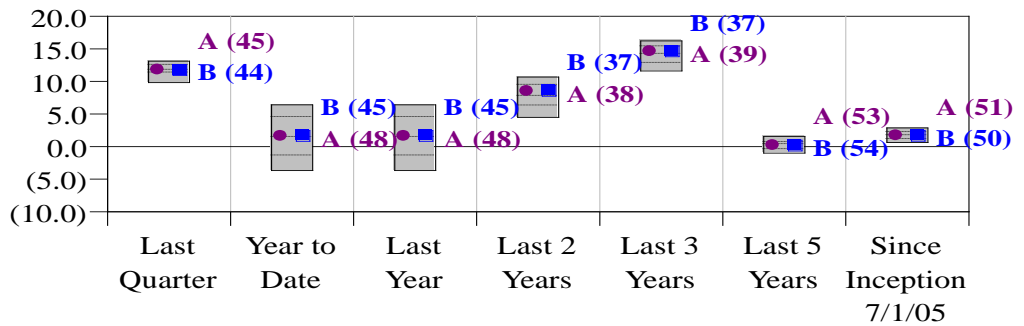
	Down Market Capture	Up Market Capture
<b>10th Percentile</b>	<b>105.3</b>	<b>131.5</b>
<b>25th Percentile</b>	<b>102.7</b>	<b>111.3</b>
<b>Median</b>	<b>99.4</b>	<b>99.6</b>
<b>75th Percentile</b>	<b>95.9</b>	<b>90.4</b>
<b>90th Percentile</b>	<b>90.8</b>	<b>80.3</b>

<b>Rainier:Large Cap Growth Equity</b> • <b>A</b>	<b>102.0</b>	<b>128.7</b>
<b>Russell:1000 Growth</b> ■ <b>B</b>	<b>100.0</b>	<b>100.0</b>



# Vanguard Large Cap Index Fund

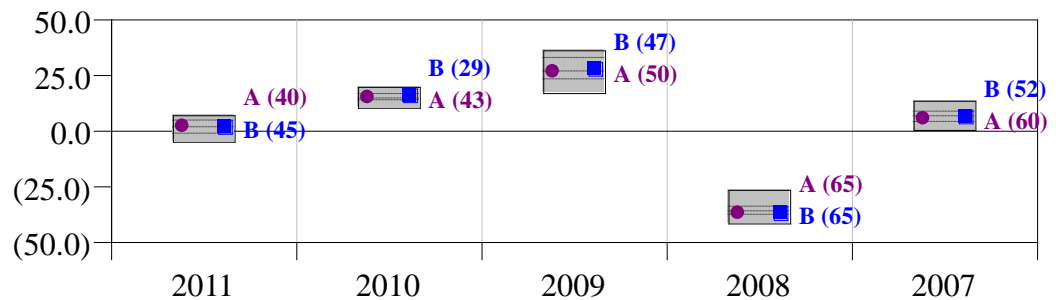
Returns  
for Various Periods  
Current Quarter Ending December 31, 2011  
Group: CAI Large Cap Core Style



	Last Quarter	Year to Date	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Since Inception 7/1/05
10th Percentile	13.1	6.4	6.4	10.7	16.2	1.6	2.9
25th Percentile	12.5	4.5	4.5	9.4	15.3	0.6	2.2
Median	11.7	1.4	1.4	7.7	14.1	0.3	1.7
75th Percentile	11.3	(1.4)	(1.4)	6.2	12.8	(0.5)	1.1
90th Percentile	9.8	(3.7)	(3.7)	4.5	11.6	(1.0)	0.7

<b>Vanguard Large Cap Index</b> ● A	<b>11.7</b>	<b>1.6</b>	<b>1.6</b>	<b>8.5</b>	<b>14.6</b>	<b>0.2</b>	<b>1.7</b>
MSCI:US Prime Mkt 750 ■ B	11.8	1.7	1.7	8.6	14.6	0.2	1.7

Returns for Calendar Years  
Group: CAI Large Cap Core Style

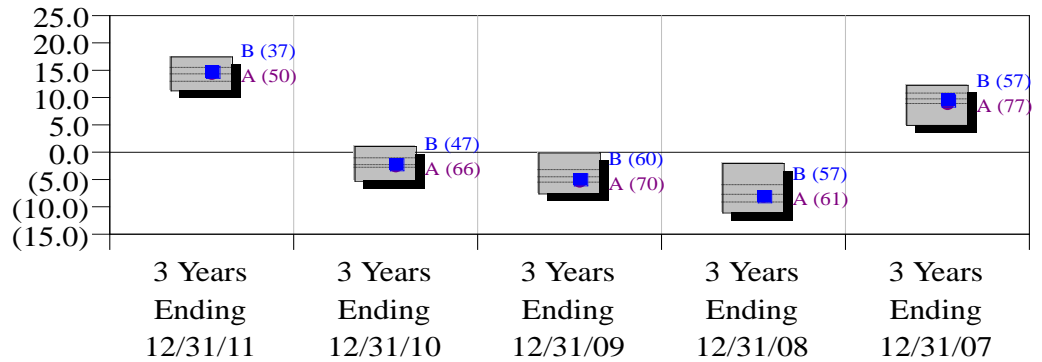


	2011	2010	2009	2008	2007
10th Percentile	6.4	18.7	35.0	(31.8)	11.5
25th Percentile	4.5	16.4	32.6	(34.3)	8.5
Median	1.4	14.4	26.5	(36.4)	6.4
75th Percentile	(1.4)	13.5	23.0	(37.9)	3.9
90th Percentile	(3.7)	11.0	21.0	(40.0)	1.7

<b>Vanguard Instl Indx;Inst</b> ● A	<b>2.1</b>	<b>15.0</b>	<b>26.6</b>	<b>(37.0)</b>	<b>5.5</b>
MSCI:US Prime Mkt 750 ■ B	1.7	15.9	27.8	(37.1)	6.4

# Vanguard Large Cap Index Fund

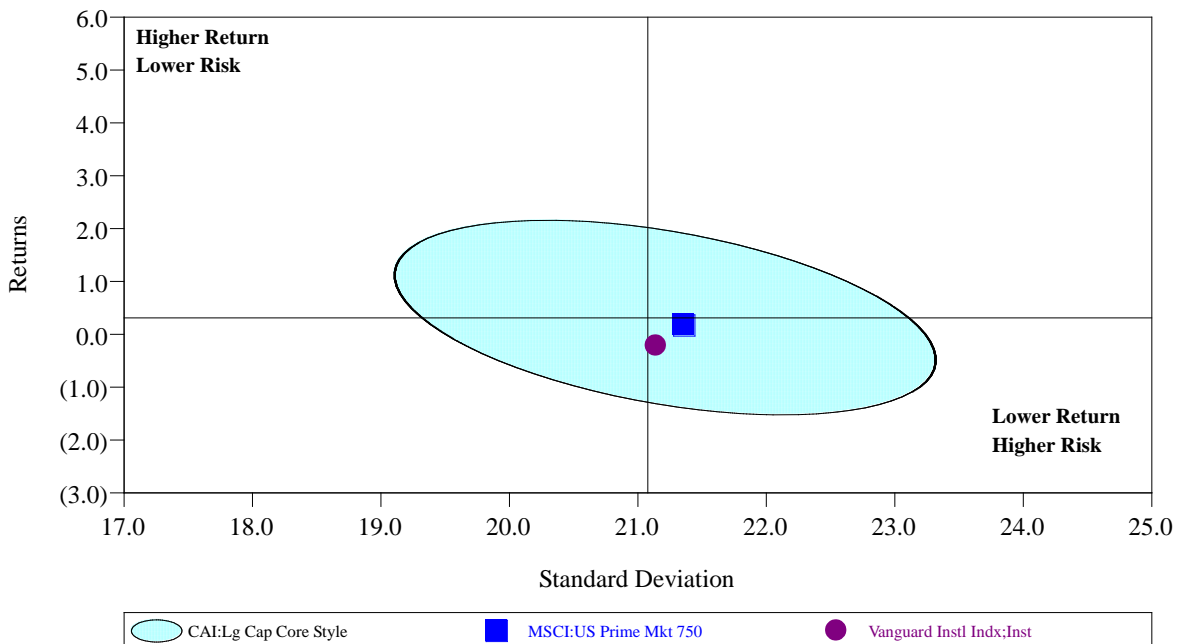
Returns  
for 12 Quarter Rolling Periods  
5 Years Ended December 31, 2011  
Group: CAI Large Cap Core Style



10th Percentile	16.2	0.5	(1.3)	(4.6)	11.6
25th Percentile	15.3	(1.2)	(3.4)	(6.2)	10.6
Median	14.1	(2.5)	(4.7)	(7.9)	9.6
75th Percentile	12.8	(3.0)	(5.7)	(9.3)	8.7
90th Percentile	11.6	(4.4)	(7.1)	(10.3)	6.9

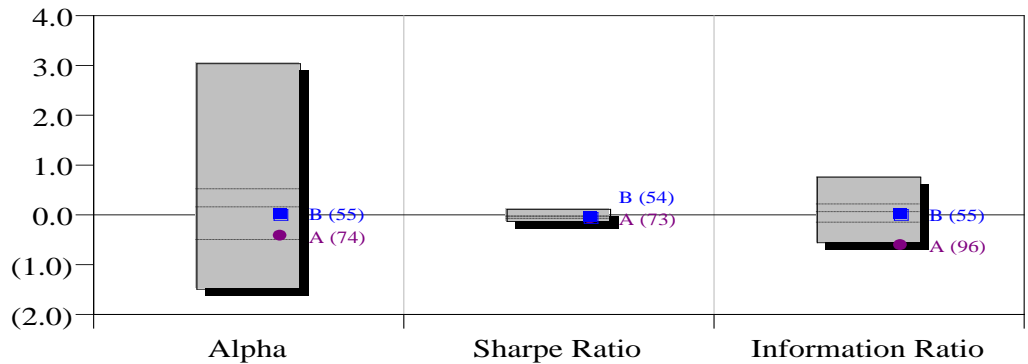
<b>Vanguard Instl Indx;Inst</b>	● A	<b>14.1</b>	<b>(2.8)</b>	<b>(5.6)</b>	<b>(8.3)</b>	<b>8.6</b>
MSCI:US Prime Mkt 750	■ B	14.6	(2.3)	(5.1)	(8.2)	9.4

Scatter Chart  
for 5 Years Ended December 31, 2011



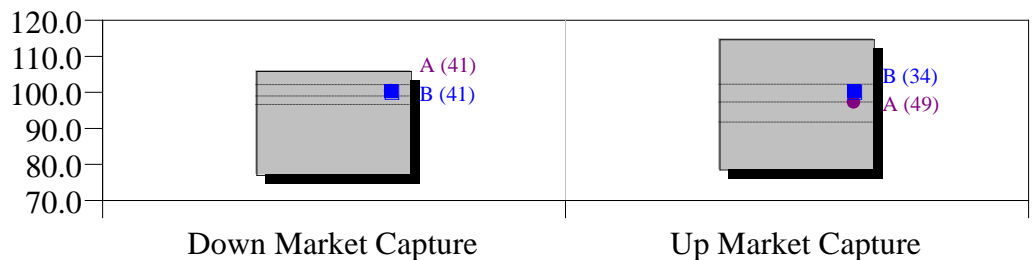
# Vanguard Large Cap Index Fund

Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Large Cap Core Style



10th Percentile	1.3	0.0	0.4
25th Percentile	0.5	0.0	0.2
Median	0.1	(0.1)	0.0
75th Percentile	(0.5)	(0.1)	(0.2)
90th Percentile	(1.2)	(0.1)	(0.5)
<b>Vanguard Instl Indx;Inst</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>(0.6)</b>
<b>MSCI:US Prime Mkt 750</b>	<b>0.0</b>	<b>(0.1)</b>	<b>0.0</b>

Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Large Cap Core Style

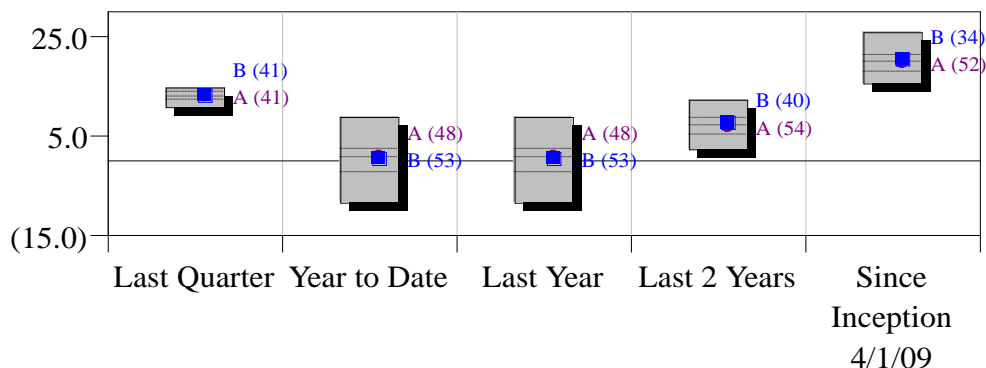


10th Percentile	104.4	110.0
25th Percentile	101.8	101.9
Median	98.6	97.0
75th Percentile	96.3	91.4
90th Percentile	89.9	82.9

<b>Vanguard Instl Indx;Inst</b>	<b>100.1</b>	<b>97.0</b>
<b>MSCI:US Prime Mkt 750</b>	<b>100.0</b>	<b>100.0</b>

# Robeco/Boston Partners Large Cap Value

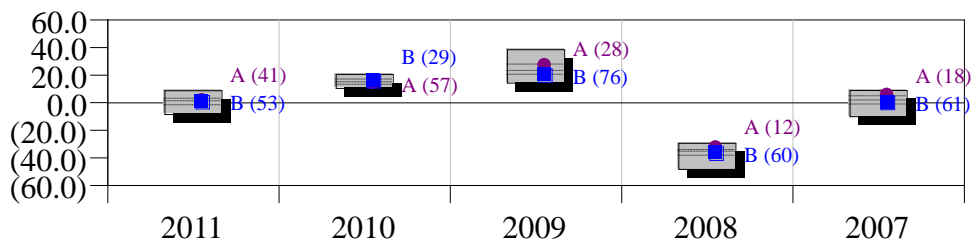
Returns  
for Periods Ended December 31, 2011  
Group: CAI Large Cap Value Style



10th Percentile	14.4	4.6	4.6	10.9	23.2
25th Percentile	13.8	2.3	2.3	8.5	21.2
Median	12.8	0.6	0.6	7.0	19.8
75th Percentile	12.2	(2.4)	(2.4)	5.2	17.8
90th Percentile	11.1	(5.2)	(5.2)	3.7	16.4

<b>Robeco/Boston Partners</b> ● A	<b>13.1</b>	<b>0.7</b>	<b>0.7</b>	<b>6.9</b>	<b>19.8</b>
Russell:1000 Value ■ B	13.1	0.4	0.4	7.7	20.4

Returns for Calendar Years  
Group: CAI Large Cap Value Style

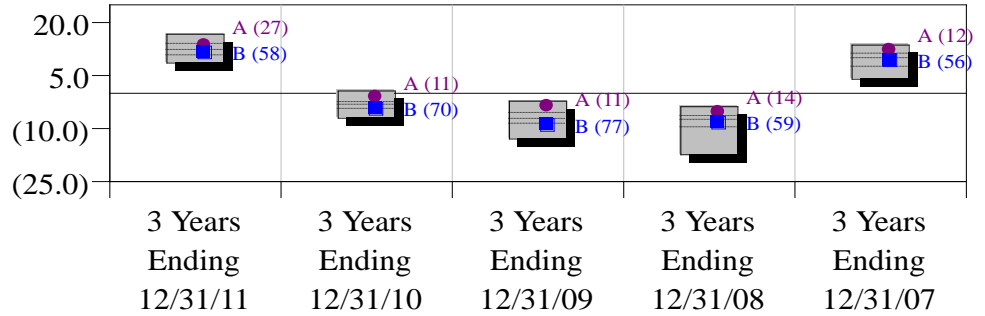


10th Percentile	4.6	18.3	34.5	(32.8)	7.0
25th Percentile	2.3	16.3	27.2	(34.8)	4.2
Median	0.6	14.3	22.6	(36.0)	1.1
75th Percentile	(2.4)	12.6	19.8	(38.9)	(1.8)
90th Percentile	(5.2)	11.4	16.0	(44.9)	(6.2)

<b>Robeco:BP Lg Cap Value</b> ● A	<b>1.3</b>	<b>13.8</b>	<b>26.8</b>	<b>(33.0)</b>	<b>5.1</b>
Russell:1000 Value ■ B	0.4	15.5	19.7	(36.8)	(0.2)

# Robeco/Boston Partners Large Cap Value (Composite)

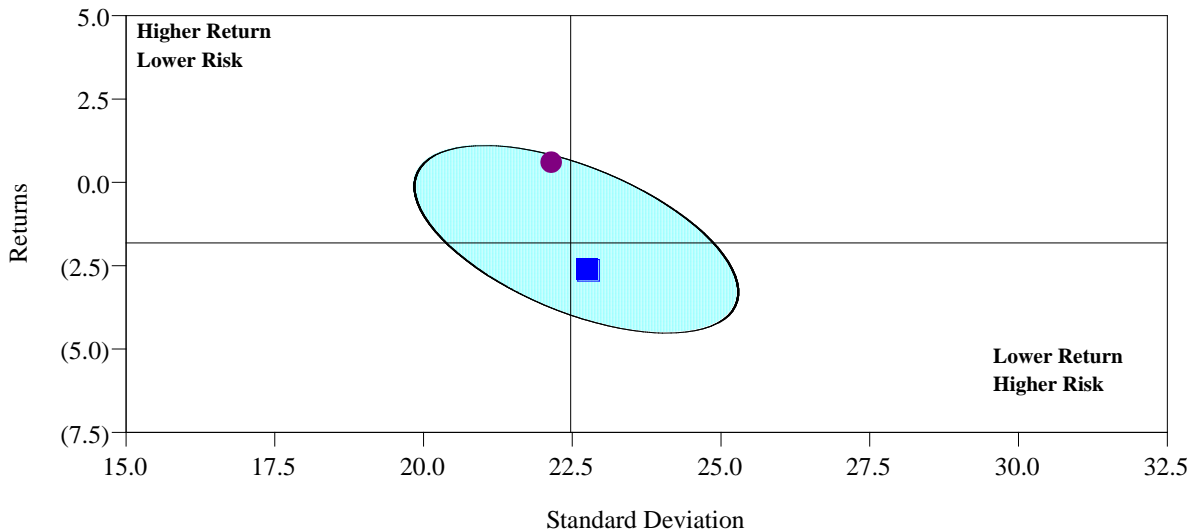
Returns  
for 12 Quarter Rolling Periods  
5 Years Ended December 31, 2011  
Group: CAI Large Cap Value Style



10th Percentile	15.3	(1.1)	(3.6)	(4.6)	12.5
25th Percentile	13.8	(2.7)	(5.8)	(6.6)	11.0
Median	12.1	(3.4)	(7.4)	(7.7)	9.7
75th Percentile	10.5	(4.6)	(8.8)	(9.8)	7.3
90th Percentile	9.5	(6.4)	(11.6)	(14.5)	5.5

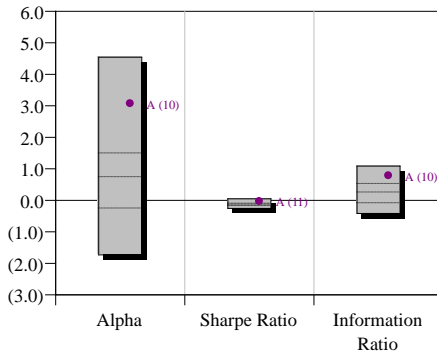
<b>Robeco:BP Lg Cap Value</b> ● A	<b>13.5</b>	<b>(1.1)</b>	<b>(3.7)</b>	<b>(5.4)</b>	<b>12.2</b>
Russell:1000 Value ■ B	11.5	(4.4)	(9.0)	(8.3)	9.3

Scatter Chart  
for 5 Years Ended December 31, 2011



# Robeco/Boston Partners Large Cap Value (Composite)

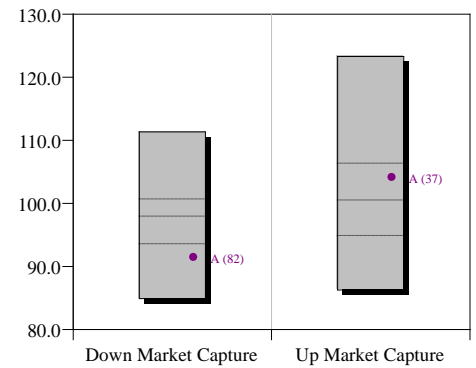
Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Large Cap Value Style



10th Percentile	3.1	0.0	0.8
25th Percentile	1.5	(0.1)	0.5
Median	0.7	(0.1)	0.2
75th Percentile	(0.3)	(0.2)	(0.1)
90th Percentile	(1.3)	(0.2)	(0.3)

Robeco:BP Lg Cap Value • A     **3.1**     **0.0**     **0.8**

Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Large Cap Value Style

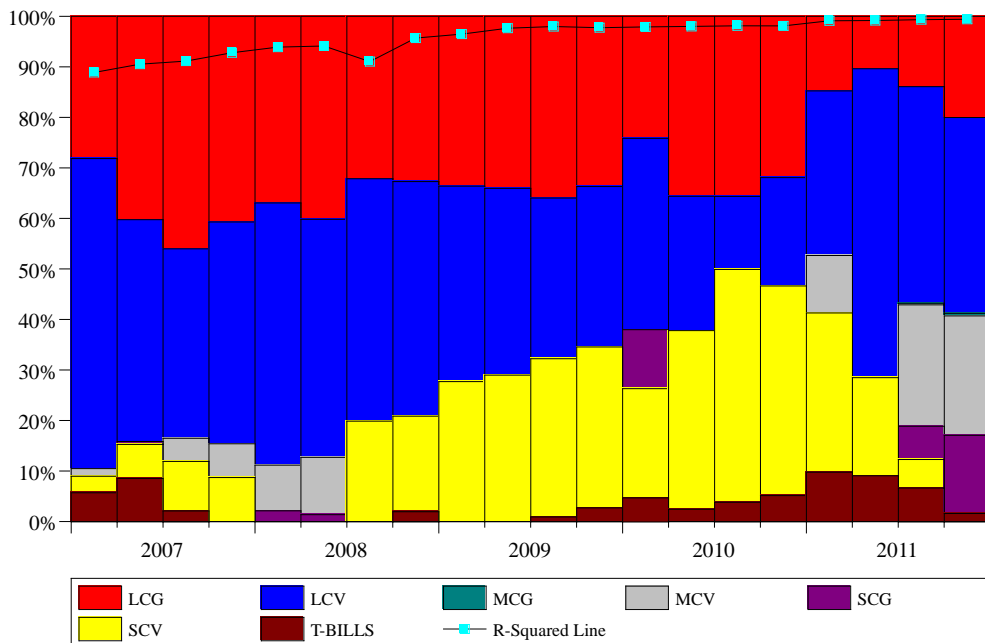


10th Percentile	106.7	115.0
25th Percentile	100.6	106.3
Median	97.9	100.4
75th Percentile	93.5	94.8
90th Percentile	89.1	91.9

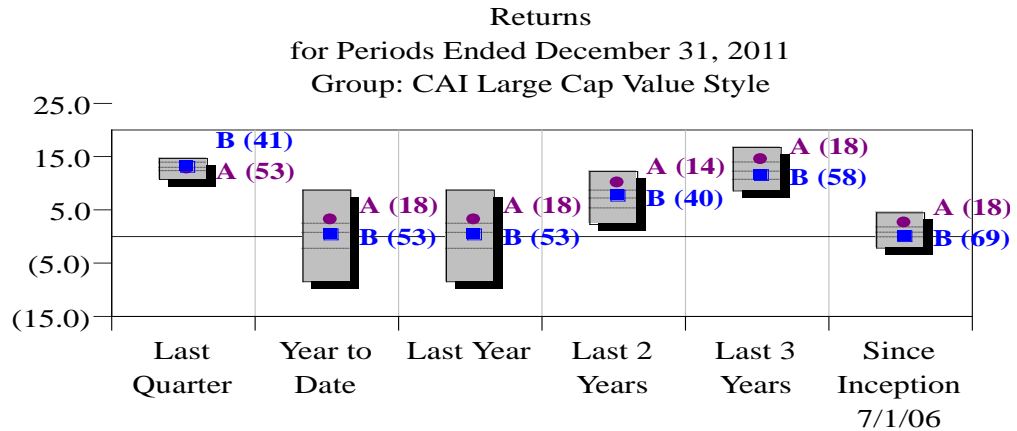
Robeco:BP Lg Cap Value • A     **91.4**     **104.1**

Rolling 12 Quarter Domestic Equity Style  
for 5 Years Ended December 31, 2011  
Portfolio: Robeco:BP Lg Cap Value

R<sup>2</sup>=0.9587

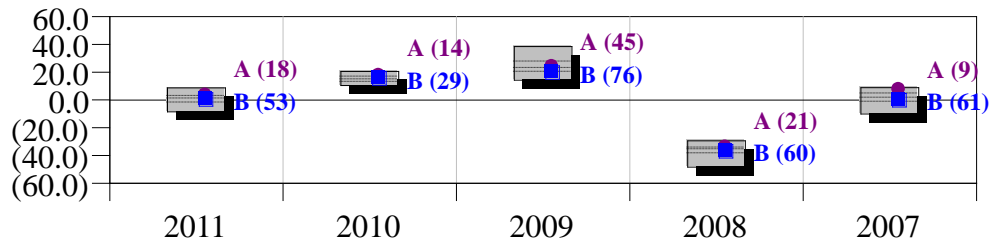


# Great Lakes Large Cap Value



10th Percentile	14.4	4.6	4.6	10.9	15.3	3.3
25th Percentile	13.8	2.3	2.3	8.5	13.8	1.6
Median	12.8	0.6	0.6	7.0	12.1	0.6
75th Percentile	12.2	(2.4)	(2.4)	5.2	10.5	(0.2)
90th Percentile	11.1	(5.2)	(5.2)	3.7	9.5	(1.5)
<b>Great Lakes Large Value</b> ● A	<b>12.7</b>	<b>3.1</b>	<b>3.1</b>	<b>10.0</b>	<b>14.4</b>	<b>2.5</b>
Russell:1000 Value ■ B	13.1	0.4	0.4	7.7	11.5	0.1

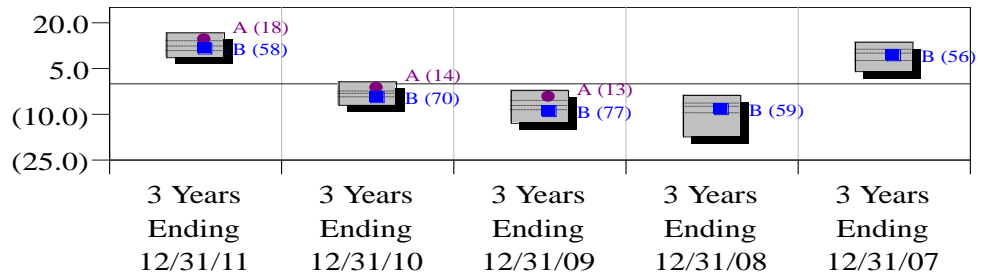
Returns for Calendar Years  
Group: CAI Large Cap Value Style



10th Percentile	4.6	18.3	34.5	(32.8)	7.0
25th Percentile	2.3	16.3	27.2	(34.8)	4.2
Median	0.6	14.3	22.6	(36.0)	1.1
75th Percentile	(2.4)	12.6	19.8	(38.9)	(1.8)
90th Percentile	(5.2)	11.4	16.0	(44.9)	(6.2)
<b>Great Lakes Large Value</b> ● A	<b>3.1</b>	<b>17.4</b>	<b>23.7</b>	<b>(34.2)</b>	<b>7.3</b>
Russell:1000 Value ■ B	0.4	15.5	19.7	(36.8)	(0.2)

# Great Lakes Large Cap Value

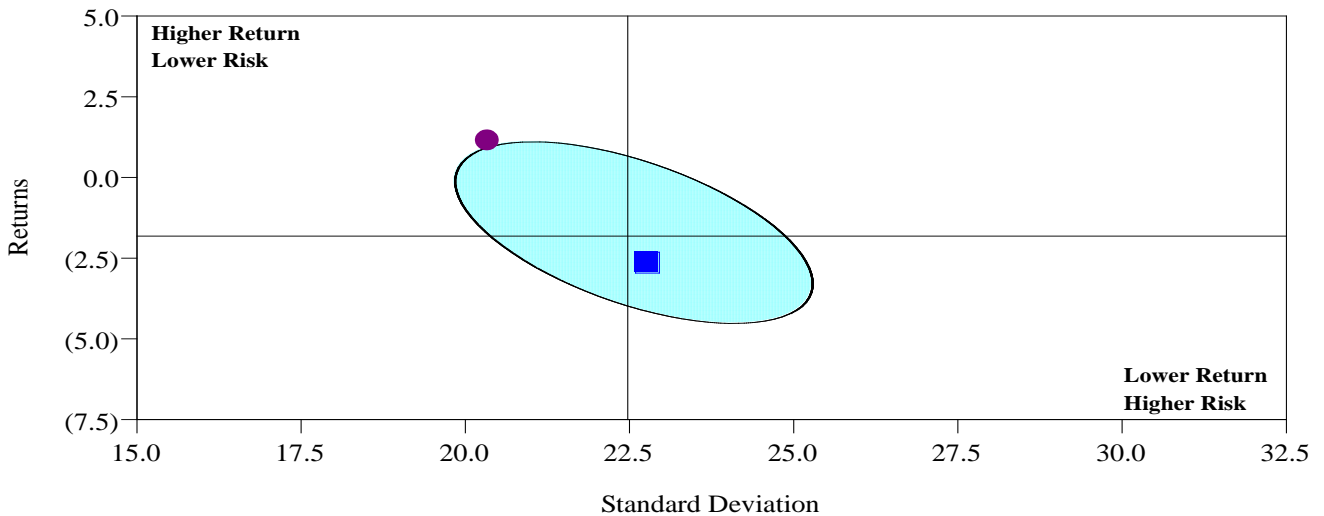
Returns  
for 12 Quarter Rolling Periods  
5 Years Ended December 31, 2011  
Group: CAI Large Cap Value Style



10th Percentile	15.3	(1.1)	(3.6)	(4.6)	12.5
25th Percentile	13.8	(2.7)	(5.8)	(6.6)	11.0
Median	12.1	(3.4)	(7.4)	(7.7)	9.7
75th Percentile	10.5	(4.6)	(8.8)	(9.8)	7.3
90th Percentile	9.5	(6.4)	(11.6)	(14.5)	5.5

<b>Great Lakes Large Value</b> ● A	<b>14.4</b>	<b>(1.5)</b>	<b>(4.4)</b>	--	--
Russell:1000 Value ■ B	11.5	(4.4)	(9.0)	(8.3)	9.3

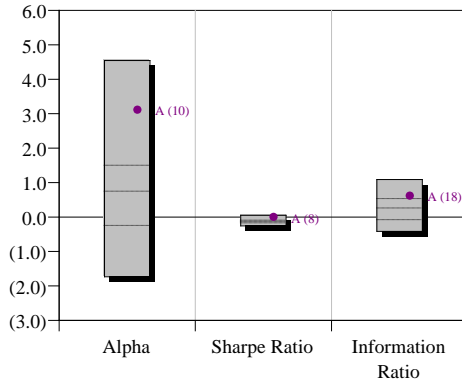
Scatter Chart  
for 5 Years Ended December 31, 2011





# Great Lakes Large Cap Value

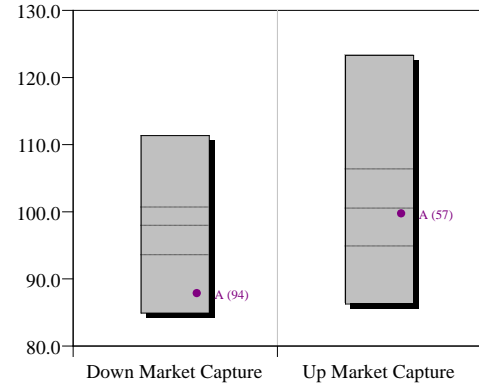
Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Large Cap Value Style



10th Percentile	3.1	0.0	0.8
25th Percentile	1.5	(0.1)	0.5
Median	0.7	(0.1)	0.2
75th Percentile	(0.3)	(0.2)	(0.1)
90th Percentile	(1.3)	(0.2)	(0.3)

Great Lakes Large Value ● A      **3.1**      **0.0**      **0.6**

Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Large Cap Value Style

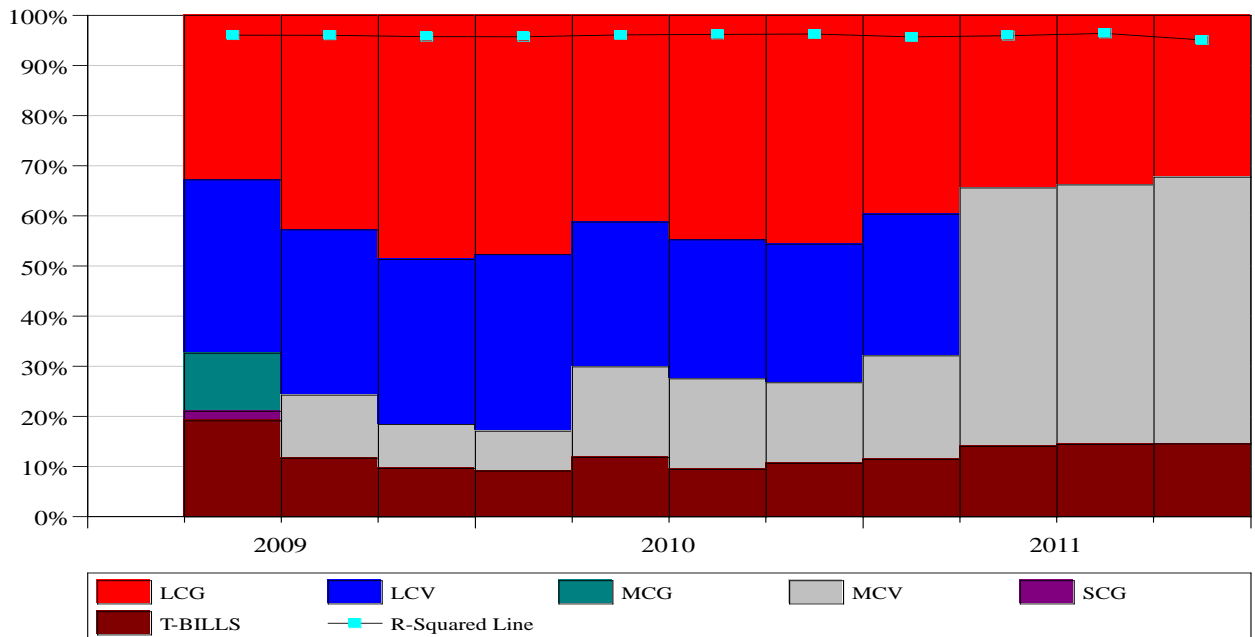


10th Percentile	106.7	115.0
25th Percentile	100.6	106.3
Median	97.9	100.4
75th Percentile	93.5	94.8
90th Percentile	89.1	91.9

Great Lakes Large Value ● A      **87.8**      **99.6**

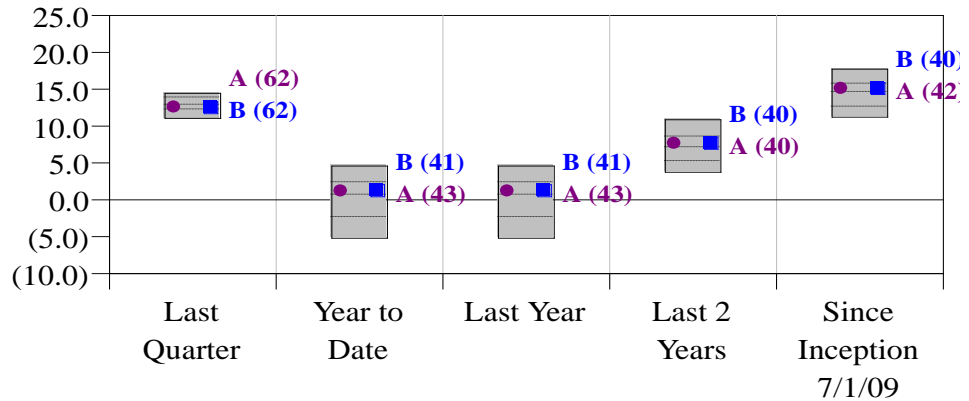
Rolling 12 Quarter Domestic Equity Style  
for 3 Years Ended December 31, 2011  
Portfolio: Great Lakes Large Value

R<sup>2</sup>=0.9595



# Vanguard Large Cap Value Index ETF

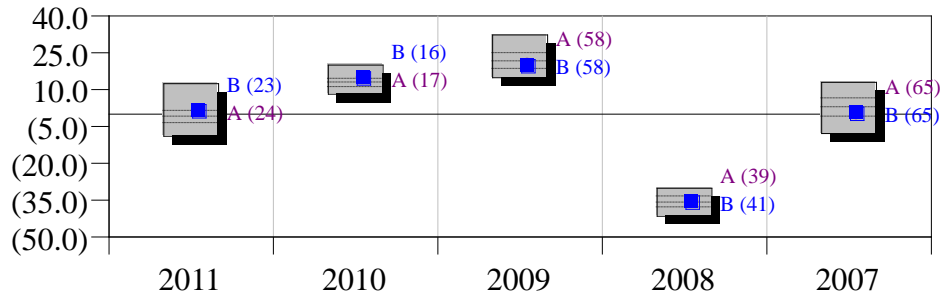
Returns  
for Periods Ended December 31, 2011  
Group: CAI Large Cap Value Style



10th Percentile	14.4	4.6	4.6	10.9	17.7
25th Percentile	13.8	2.3	2.3	8.5	15.7
Median	12.8	0.6	0.6	7.0	14.5
75th Percentile	12.2	(2.4)	(2.4)	5.2	12.6
90th Percentile	11.1	(5.2)	(5.2)	3.7	11.2

<b>Vanguard Large Cap Value ETF</b>	● A	<b>12.5</b>	<b>1.1</b>	<b>1.1</b>	<b>7.6</b>	<b>15.0</b>
MSCI:US Prime Mkt Val	■ B	12.5	1.2	1.2	7.7	15.1

Returns for Calendar Years  
Group: CAI MF - Large Cap Value Style

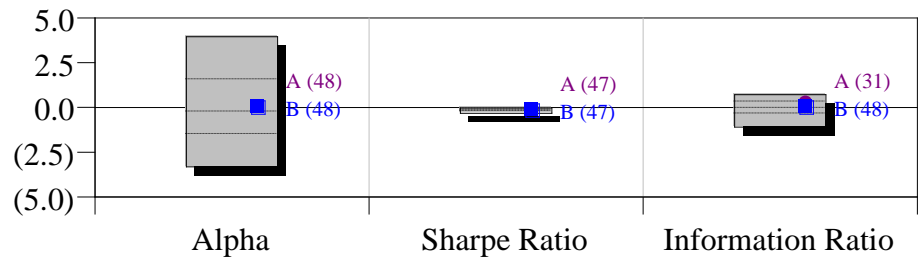


10th Percentile	6.9	15.6	30.6	(32.0)	10.8
25th Percentile	1.1	14.1	24.6	(33.8)	6.2
Median	(1.3)	12.7	21.2	(36.3)	2.5
75th Percentile	(3.9)	10.7	18.2	(38.2)	(1.3)
90th Percentile	(5.2)	9.8	16.4	(40.5)	(5.7)

<b>Vangrd:Vanguard Value Idx;ETF</b>	● A	<b>1.2</b>	<b>14.5</b>	<b>19.7</b>	<b>(35.9)</b>	<b>0.2</b>
MSCI:US Prime Mkt Val	■ B	1.2	14.5	19.5	(36.0)	0.2

# Vanguard Large Cap Value Index ETF

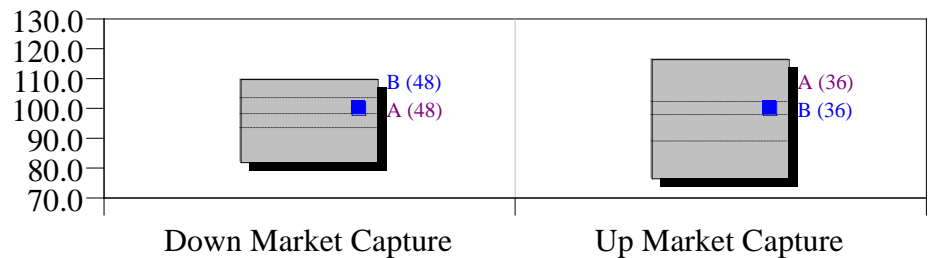
Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI MF - Large Cap Value Style



	Alpha	Sharpe Ratio	Information Ratio
10th Percentile	2.6	0.0	0.6
25th Percentile	1.5	(0.1)	0.3
Median	(0.3)	(0.2)	(0.1)
75th Percentile	(1.5)	(0.2)	(0.4)
90th Percentile	(2.1)	(0.3)	(0.7)

<b>Vangrd:Vanguard Value Idx;ETF</b>	● A	<b>0.0</b>	<b>(0.2)</b>	<b>0.2</b>
MSCI:US Prime Mkt Val	■ B	0.0	(0.2)	0.0

Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI MF - Large Cap Value Style

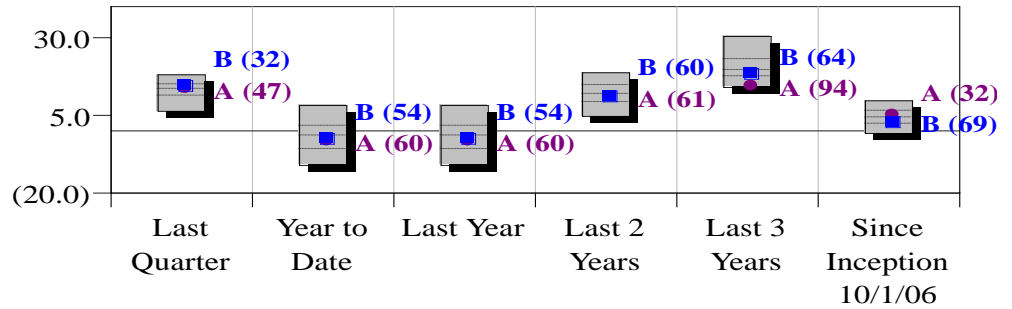


	Down Market Capture	Up Market Capture
10th Percentile	106.0	108.2
25th Percentile	103.2	101.9
Median	97.9	97.6
75th Percentile	93.2	88.7
90th Percentile	87.4	81.5

<b>Vangrd:Vanguard Value Idx;ETF</b>	● A	<b>99.9</b>	<b>100.0</b>
MSCI:US Prime Mkt Val	■ B	100.0	100.0

# Eagle Small/Mid Cap Equity

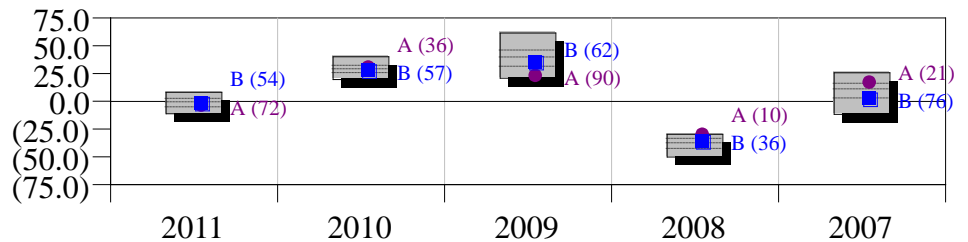
Returns  
for Periods Ended December 31, 2011  
Group: CAI Small/MidCap Broad Style



10th Percentile	16.7	4.5	4.5	16.3	25.3	8.5
25th Percentile	14.9	1.5	1.5	14.6	23.0	6.3
Median	13.4	(1.6)	(1.6)	11.7	19.5	4.2
75th Percentile	11.2	(6.0)	(6.0)	9.1	17.4	2.2
90th Percentile	8.5	(9.8)	(9.8)	6.1	15.4	0.8

<b>Eagle Asset Management</b> ● A	<b>13.7</b>	<b>(3.3)</b>	<b>(3.3)</b>	<b>11.1</b>	<b>14.5</b>	<b>5.1</b>
Russell:2500 Index ■ B	14.5	(2.5)	(2.5)	11.1	18.4	2.8

Returns for Calendar Years  
Group: CAI Small/MidCap Broad Style

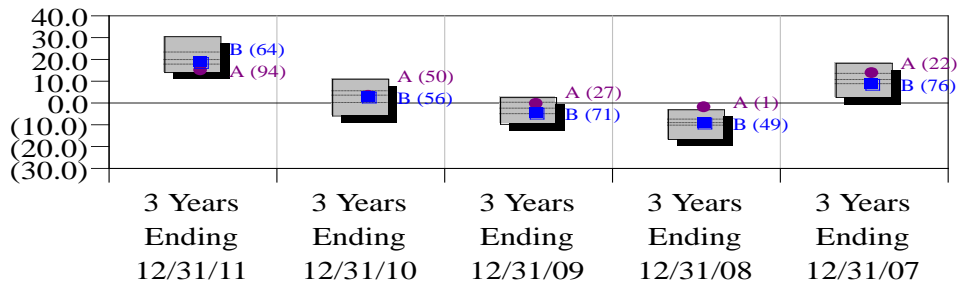


10th Percentile	4.5	36.9	55.4	(30.7)	22.8
25th Percentile	1.5	31.3	44.9	(34.4)	15.2
Median	(1.6)	28.1	38.8	(38.4)	10.1
75th Percentile	(6.0)	24.7	30.5	(43.5)	2.0
90th Percentile	(9.8)	22.4	22.2	(48.8)	(8.5)

<b>Eagle:Sm/Mid Cp Core-Ins</b> ● A	<b>(4.6)</b>	<b>29.7</b>	<b>22.2</b>	<b>(30.8)</b>	<b>16.1</b>
Russell:2500 Index ■ B	(2.5)	26.7	34.4	(36.8)	1.4

# Eagle Small/Mid Cap Equity (Composite)

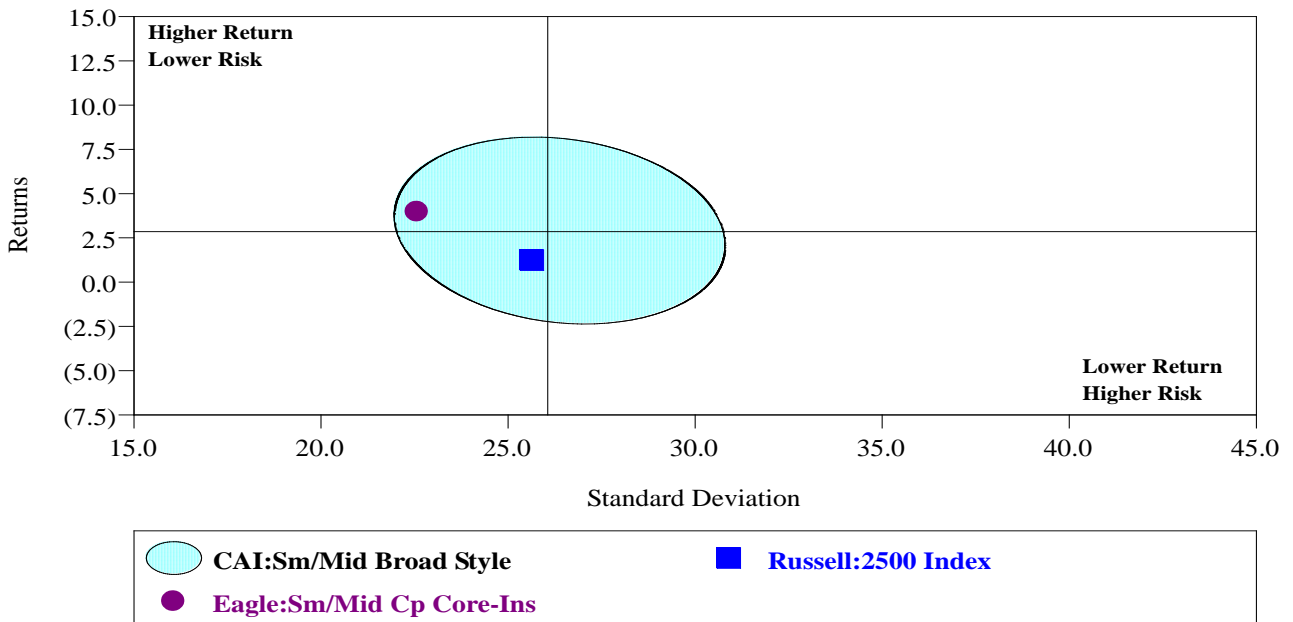
Returns  
for 12 Quarter Rolling Periods  
5 Years Ended December 31, 2011  
Group: CAI Small/MidCap Broad Style



	3 Years Ending 12/31/11	3 Years Ending 12/31/10	3 Years Ending 12/31/09	3 Years Ending 12/31/08	3 Years Ending 12/31/07
10th Percentile	25.3	7.3	1.5	(4.6)	16.4
25th Percentile	23.0	5.1	(0.1)	(7.8)	13.2
Median	19.5	3.2	(2.8)	(9.5)	10.3
75th Percentile	17.4	(0.3)	(5.3)	(10.6)	8.4
90th Percentile	15.4	(4.5)	(9.1)	(14.8)	4.4

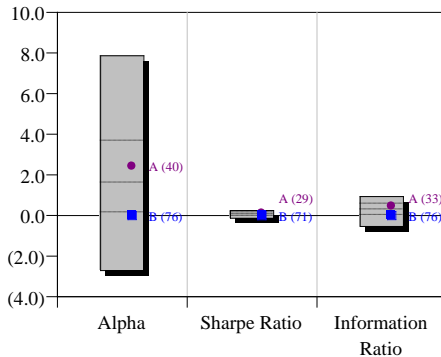
<b>Eagle:Sm/Mid Cp Core-Ins</b> ● A	<b>14.8</b>	<b>3.1</b>	<b>(0.6)</b>	<b>(2.2)</b>	<b>13.5</b>
Russell:2500 Index ■ B	18.4	2.5	(4.9)	(9.4)	8.4

Scatter Chart  
for 5 Years Ended December 31, 2011

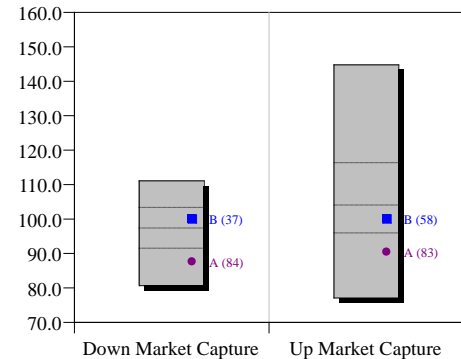


# Eagle Small/Mid Cap Equity (Composite)

Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Small/MidCap Broad Style



Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Small/MidCap Broad Style



10th Percentile	6.3	0.2	0.7
25th Percentile	3.7	0.1	0.6
Median	1.6	0.1	0.3
75th Percentile	0.1	0.0	0.0
90th Percentile	(1.6)	(0.1)	(0.3)

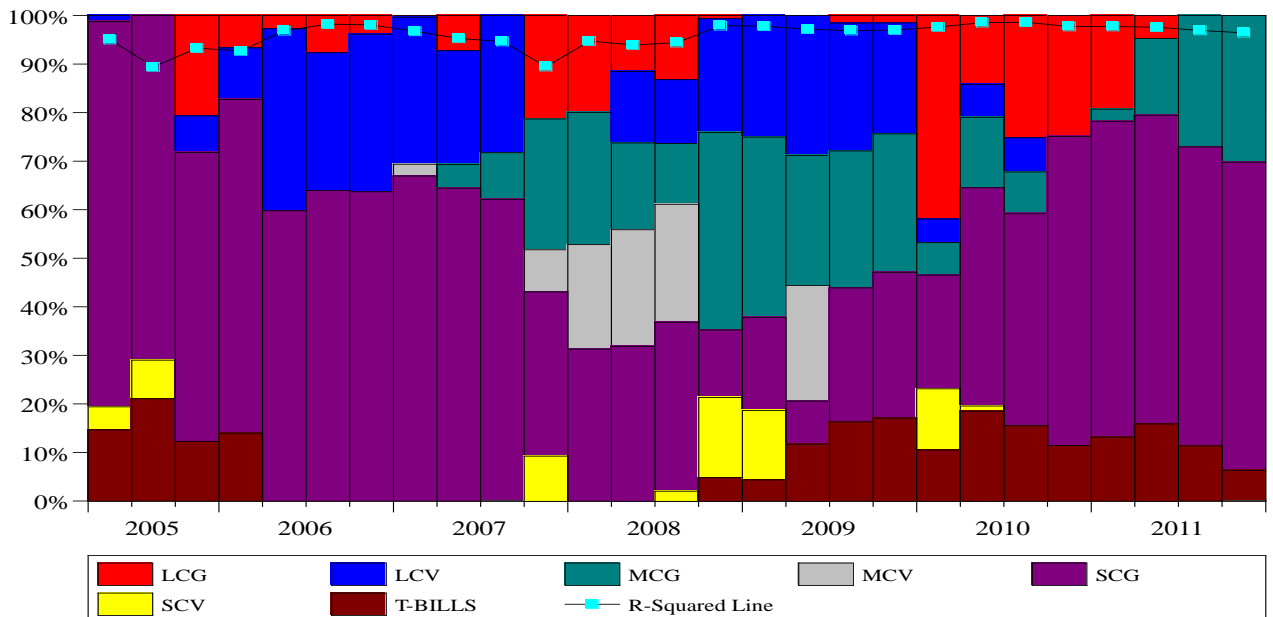
10th Percentile	107.1	136.0
25th Percentile	103.2	116.2
Median	97.2	103.9
75th Percentile	91.3	95.8
90th Percentile	84.4	85.7

Eagle:Sm/Mid Cp Core-Ins ● A **2.4** **0.1** **0.5**  
 Russell:2500 Index ■ B 0.0 0.0 0.0

Eagle:Sm/Mid Cp Core-Ins ● A **87.5** **90.3**  
 Russell:2500 Index ■ B 100.0 100.0

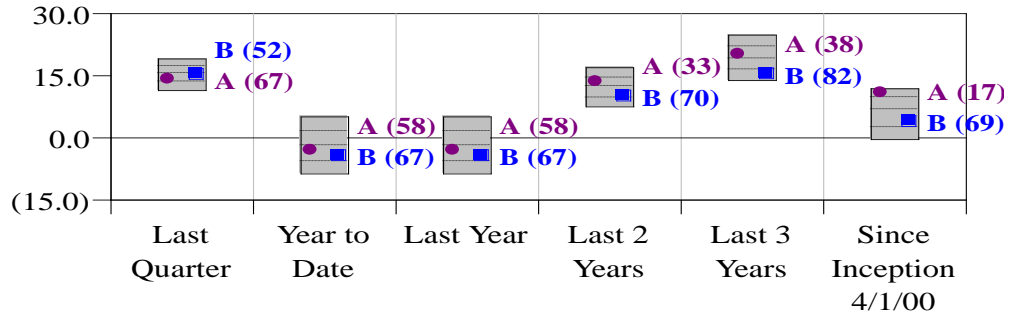
Rolling 12 Quarter Domestic Equity Style  
Since Inception of Eagle:Sm/Mid Cp Core-Ins  
Ended December 31, 2011

R<sup>2</sup>=0.9596



# TAMRO Small Cap Equity

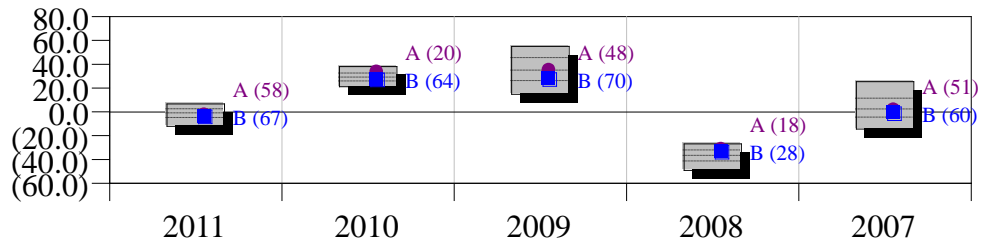
Returns  
for Periods Ended December 31, 2011  
Group: CAI Small Capitalization Style



10th Percentile	19.1	5.1	5.1	17.0	24.8	11.9
25th Percentile	17.3	1.6	1.6	14.5	22.0	9.7
Median	15.6	(1.9)	(1.9)	12.4	19.1	6.8
75th Percentile	13.5	(5.7)	(5.7)	9.6	16.4	2.5
90th Percentile	11.4	(8.7)	(8.7)	7.5	13.9	(0.4)

<b>TAMRO:Small Cap Core</b> ● A	<b>14.2</b>	<b>(3.0)</b>	<b>(3.0)</b>	<b>13.6</b>	<b>20.2</b>	<b>10.9</b>
Russell:2000 Index ■ B	15.5	(4.2)	(4.2)	10.3	15.6	4.1

Returns for Calendar Years  
Group: CAI Small Capitalization Style

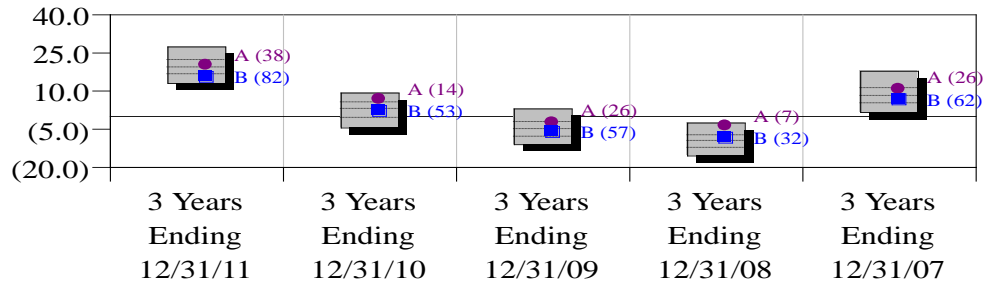


10th Percentile	5.1	35.6	49.8	(29.6)	20.2
25th Percentile	1.6	31.5	44.6	(33.0)	10.5
Median	(1.9)	28.2	34.0	(37.6)	1.4
75th Percentile	(5.7)	25.0	25.2	(42.3)	(5.5)
90th Percentile	(8.7)	22.2	18.0	(46.5)	(11.4)

<b>TAMRO:Small Cap Core</b> ● A	<b>(3.0)</b>	<b>33.0</b>	<b>34.5</b>	<b>(31.9)</b>	<b>1.3</b>
Russell:2000 Index ■ B	(4.2)	26.9	27.2	(33.8)	(1.6)

# TAMRO Small Cap Equity (Composite)

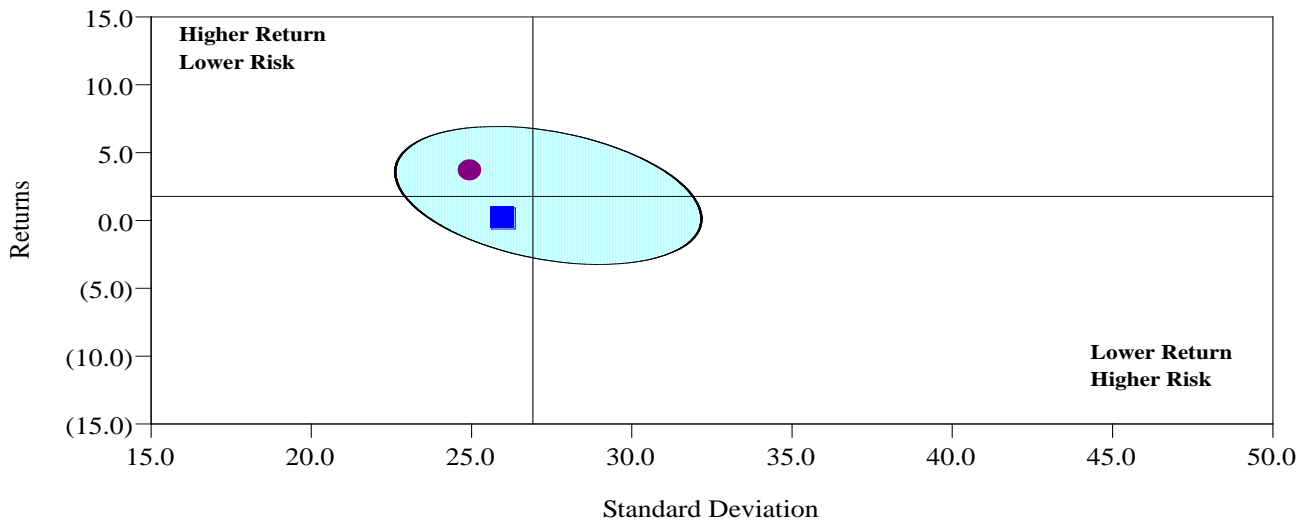
Returns  
for 12 Quarter Rolling Periods  
5 Years Ended December 31, 2011  
Group: CAI Small Capitalization Style



10th Percentile	24.8	7.7	0.7	(4.5)	15.3
25th Percentile	22.0	5.4	(2.3)	(7.6)	11.0
Median	19.1	2.8	(5.2)	(9.8)	7.9
75th Percentile	16.4	(0.7)	(8.1)	(12.5)	5.0
90th Percentile	13.9	(3.4)	(10.3)	(14.4)	3.2

<b>TAMRO:Small Cap Core</b> ● A	<b>20.2</b>	<b>6.8</b>	<b>(2.5)</b>	<b>(3.7)</b>	<b>10.7</b>
Russell:2000 Index ■ B	15.6	2.2	(6.1)	(8.3)	6.8

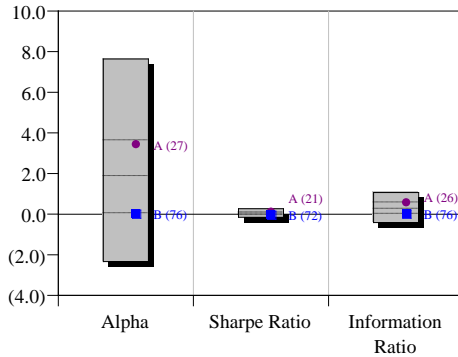
Scatter Chart  
for 5 Years Ended December 31, 2011





# TAMRO Small Cap Equity (Composite)

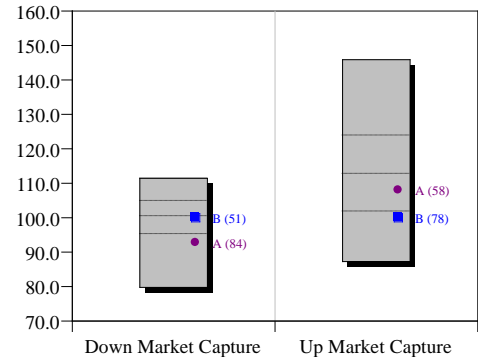
Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Small Capitalization Style



10th Percentile	5.9	0.2	0.8
25th Percentile	3.6	0.1	0.6
Median	1.9	0.0	0.3
75th Percentile	0.0	(0.1)	0.0
90th Percentile	(1.6)	(0.1)	(0.2)

TAMRO:Small Cap Core ● A **3.4**      **0.1**      **0.5**  
 Russell:2000 Index ■ B 0.0      (0.1)      0.0

Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Small Capitalization Style

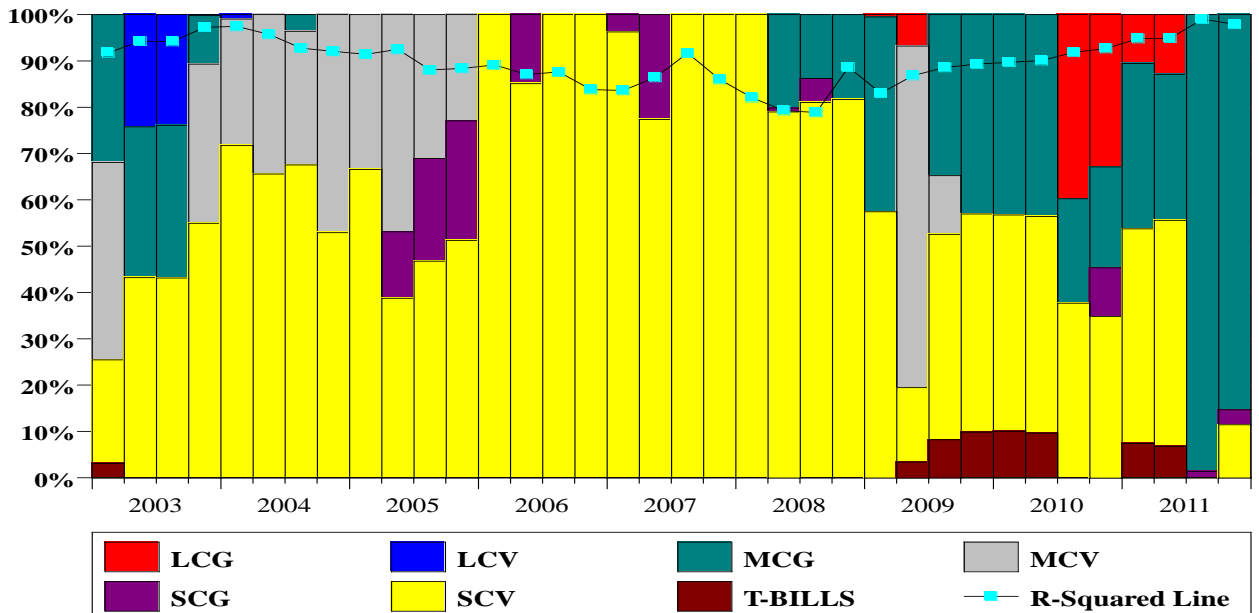


10th Percentile	109.1	136.0
25th Percentile	104.8	123.8
Median	100.4	112.7
75th Percentile	95.2	101.7
90th Percentile	89.0	92.7

TAMRO:Small Cap Core ● A **92.7**      **108.0**  
 Russell:2000 Index ■ B 100.0      100.0

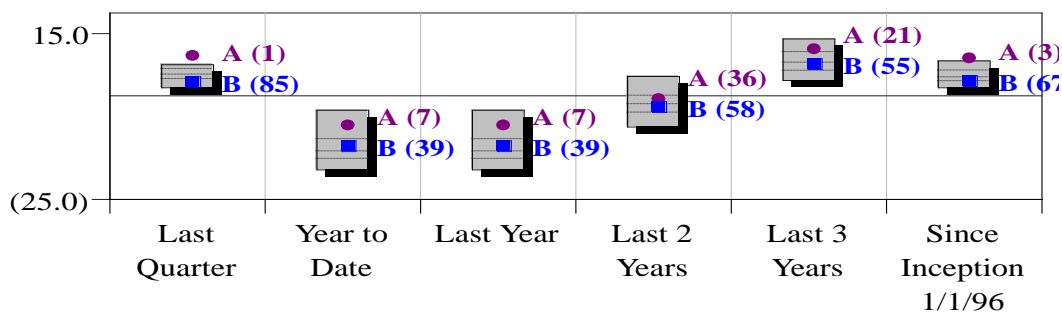
Rolling 12 Quarter Domestic Equity Style  
Since Inception of TAMRO:Small Cap Core  
Ended December 31, 2011

R<sup>2</sup>=0.8998



# Artisan International Equity Fund

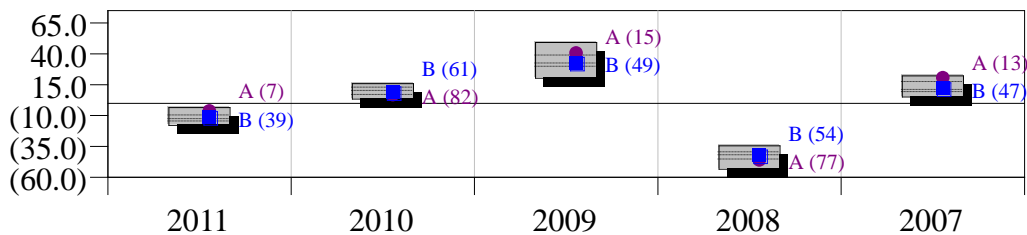
Returns  
for Periods Ended December 31, 2011  
Group: CAI MF - Intl Core Equity Style



10th Percentile	7.3	(7.6)	(7.6)	0.2	12.2	7.6
25th Percentile	6.4	(10.6)	(10.6)	(0.1)	10.4	6.0
Median	5.0	(13.5)	(13.5)	(2.1)	7.9	4.3
75th Percentile	4.0	(15.3)	(15.3)	(4.2)	6.0	3.4
90th Percentile	2.2	(17.4)	(17.4)	(7.0)	4.5	2.5

<b>Artisan: Internat; Inv</b> ● A	<b>9.6</b>	<b>(7.3)</b>	<b>(7.3)</b>	<b>(0.9)</b>	<b>11.1</b>	<b>8.9</b>
MSCI:EAFE US\$ ■ B	3.3	(12.1)	(12.1)	(2.7)	7.6	3.6

Returns for Calendar Years  
Group: CAI MF - Intl Core Equity Style

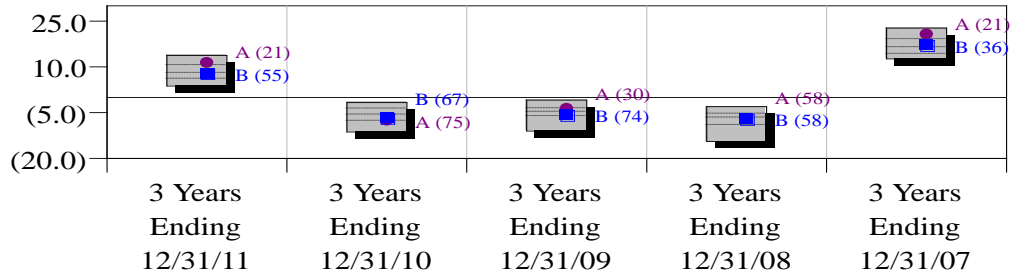


10th Percentile	(7.6)	15.3	41.4	(35.1)	21.9
25th Percentile	(10.6)	12.0	38.0	(40.3)	16.5
Median	(13.5)	9.4	31.7	(42.7)	10.2
75th Percentile	(15.3)	6.1	29.0	(46.1)	8.4
90th Percentile	(17.4)	4.7	22.7	(49.3)	5.7

<b>Artisan: Internat; Inv</b> ● A	<b>(7.3)</b>	<b>5.9</b>	<b>39.8</b>	<b>(47.0)</b>	<b>19.7</b>
MSCI:EAFE US\$ ■ B	(12.1)	7.8	31.8	(43.4)	11.2

# Artisan International Equity Fund

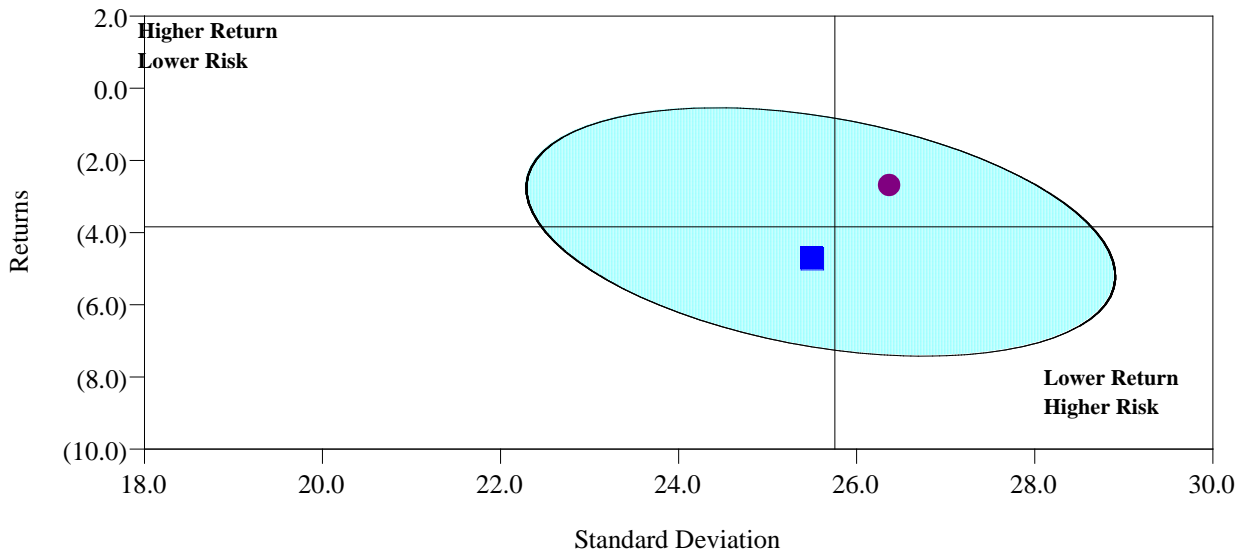
Returns  
for 12 Quarter Rolling Periods  
5 Years Ended December 31, 2011  
Group: CAI MF - Intl Core Equity Style



	3 Years Ending 12/31/11	3 Years Ending 12/31/10	3 Years Ending 12/31/09	3 Years Ending 12/31/08	3 Years Ending 12/31/07
10th Percentile	12.2	(3.1)	(2.0)	(3.5)	21.7
25th Percentile	10.4	(3.8)	(3.7)	(5.5)	18.9
Median	7.9	(5.8)	(4.9)	(6.8)	16.3
75th Percentile	6.0	(7.8)	(6.3)	(9.2)	14.1
90th Percentile	4.5	(9.5)	(9.3)	(11.9)	13.2

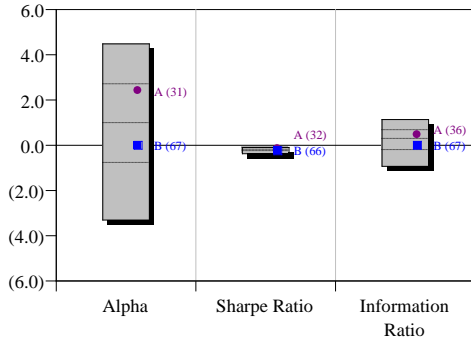
<b>Artisan: Internatl; Inv</b> ● A	<b>11.1</b>	<b>(7.7)</b>	<b>(3.9)</b>	<b>(7.3)</b>	<b>20.5</b>
<b>MSCI:EAFE US\$</b> ■ B	7.6	(7.0)	(6.0)	(7.4)	16.8

Scatter Chart  
for 5 Years Ended December 31, 2011



# Artisan International Equity Fund

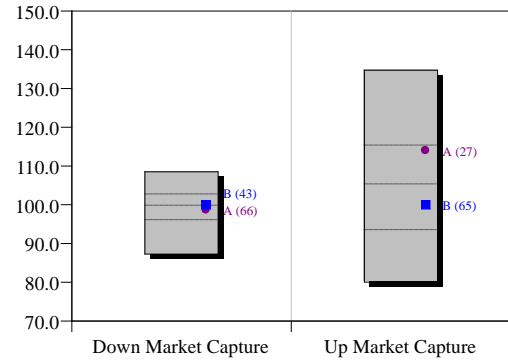
Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI MF - Intl Core Equity Style



10th Percentile	3.4	(0.1)	0.8
25th Percentile	2.7	(0.1)	0.7
Median	1.0	(0.2)	0.3
75th Percentile	(0.8)	(0.3)	(0.2)
90th Percentile	(2.5)	(0.3)	(0.7)

Artisan: Internatl; Inv ● A **2.4** **(0.2)** **0.5**  
 MSCI:EAFE US\$ ■ B 0.0 (0.2) 0.0

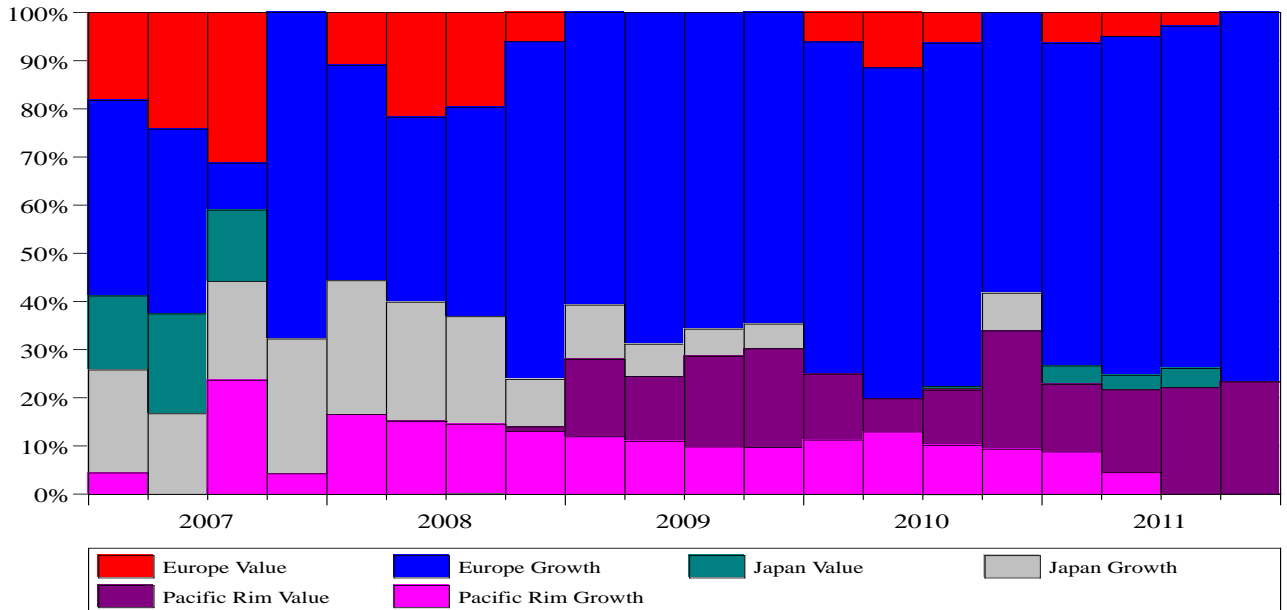
Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI MF - Intl Core Equity Style



10th Percentile	106.8	124.8
25th Percentile	102.6	115.2
Median	99.7	105.2
75th Percentile	96.0	93.4
90th Percentile	91.4	85.7

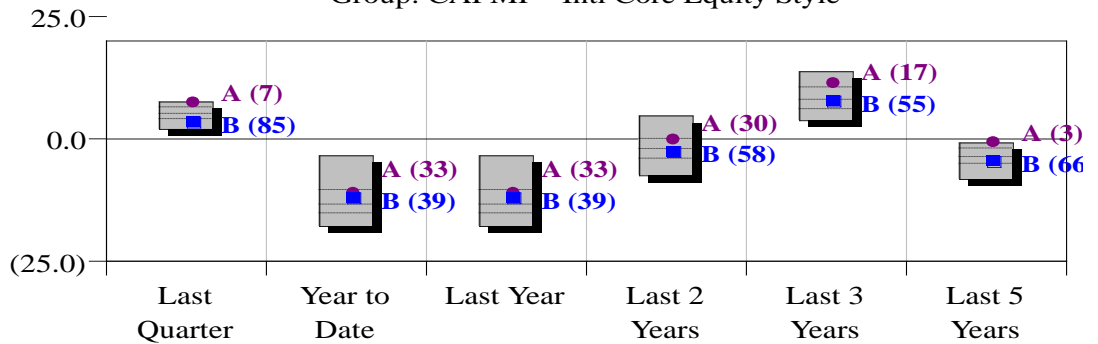
Artisan: Internatl; Inv ● A **98.6** **114.0**  
 MSCI:EAFE US\$ ■ B 100.0 100.0

Rolling 12 Quarter International Equity Style  
for 5 Years Ended December 31, 2011  
Portfolio: Artisan: Internatl; Inv



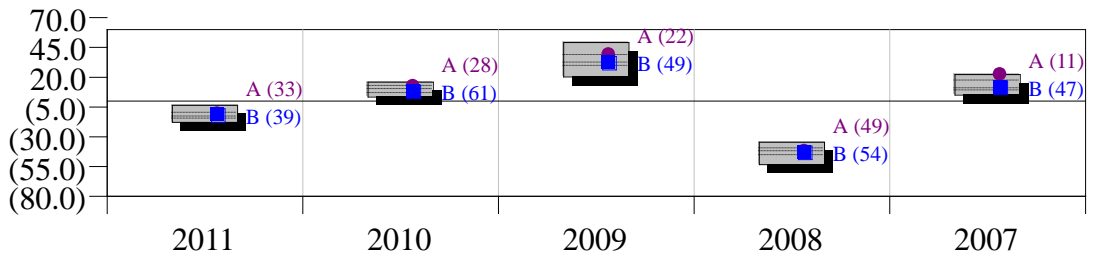
# Harbor International Equity Fund

Returns  
for Periods Ended December 31, 2011  
Group: CAI MF - Intl Core Equity Style



	Last Quarter	Year to Date	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	7.3	(7.6)	(7.6)	0.2	12.2	(1.1)
25th Percentile	6.4	(10.6)	(10.6)	(0.1)	10.4	(2.0)
Median	5.0	(13.5)	(13.5)	(2.1)	7.9	(3.8)
75th Percentile	4.0	(15.3)	(15.3)	(4.2)	6.0	(5.2)
90th Percentile	2.2	(17.4)	(17.4)	(7.0)	4.5	(7.6)
<b>Harbor:Intl;Inst</b> ● A	<b>7.3</b>	<b>(11.1)</b>	<b>(11.1)</b>	<b>(0.2)</b>	<b>11.3</b>	<b>(0.7)</b>
MSCI:EAFE US\$ ■ B	3.3	(12.1)	(12.1)	(2.7)	7.6	(4.7)

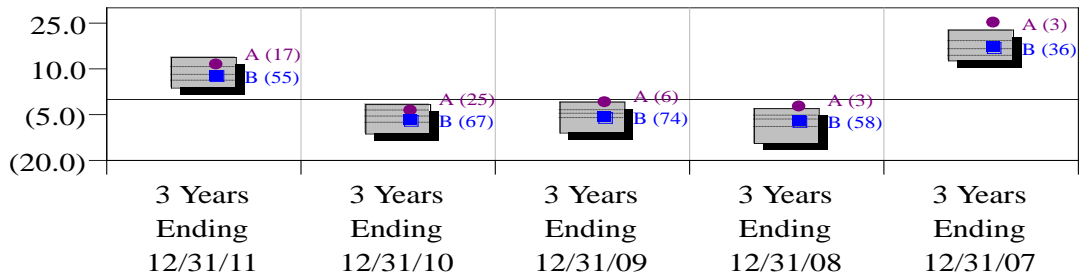
Returns for Calendar Years  
Group: CAI MF - Intl Core Equity Style



	2011	2010	2009	2008	2007
10th Percentile	(7.6)	15.3	41.4	(35.1)	21.9
25th Percentile	(10.6)	12.0	38.0	(40.3)	16.5
Median	(13.5)	9.4	31.7	(42.7)	10.2
75th Percentile	(15.3)	6.1	29.0	(46.1)	8.4
90th Percentile	(17.4)	4.7	22.7	(49.3)	5.7
<b>Harbor:Intl;Inst</b> ● A	<b>(11.1)</b>	<b>12.0</b>	<b>38.6</b>	<b>(42.7)</b>	<b>21.8</b>
MSCI:EAFE US\$ ■ B	(12.1)	7.8	31.8	(43.4)	11.2

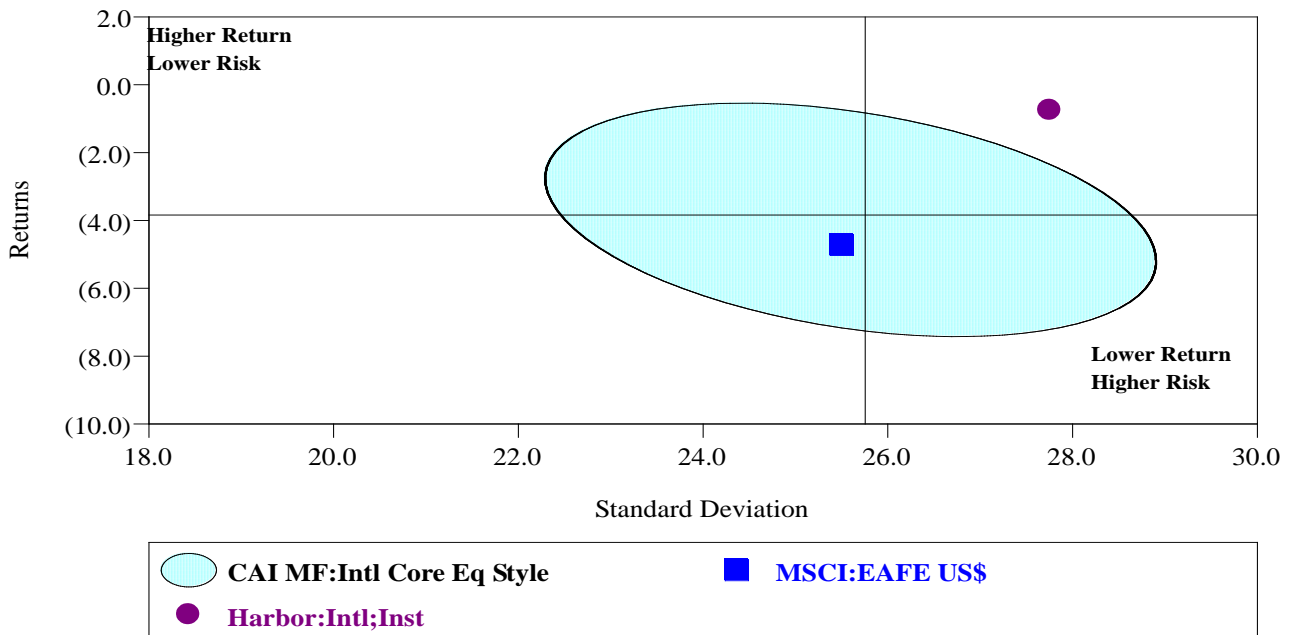
# Harbor International Equity Fund

Returns  
for 12 Quarter Rolling Periods  
5 Years Ended December 31, 2011  
Group: CAI MF - Intl Core Equity Style



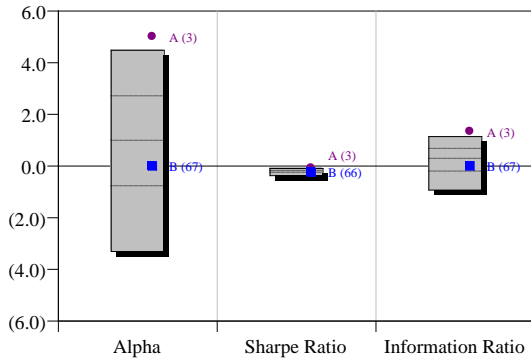
10th Percentile	12.2	(3.1)	(2.0)	(3.5)	21.7
25th Percentile	10.4	(3.8)	(3.7)	(5.5)	18.9
Median	7.9	(5.8)	(4.9)	(6.8)	16.3
75th Percentile	6.0	(7.8)	(6.3)	(9.2)	14.1
90th Percentile	4.5	(9.5)	(9.3)	(11.9)	13.2
<b>Harbor: Intl; Inst</b> ● A	<b>11.3</b>	<b>(3.8)</b>	<b>(1.1)</b>	<b>(2.5)</b>	<b>25.0</b>
<b>MSCI: EAFE US\$</b> ■ B	<b>7.6</b>	<b>(7.0)</b>	<b>(6.0)</b>	<b>(7.4)</b>	<b>16.8</b>

Scatter Chart  
for 5 Years Ended December 31, 2011



# Harbor International Equity Fund

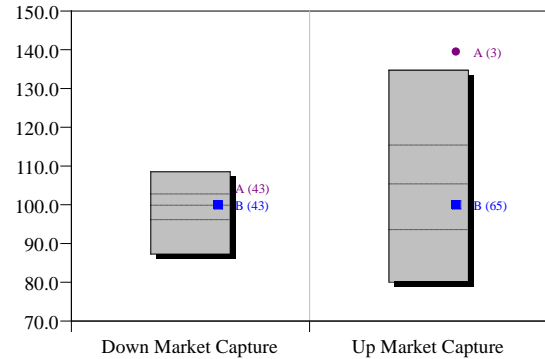
Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI MF - Intl Core Equity Style



	Alpha	Sharpe Ratio	Information Ratio
10th Percentile	3.4	(0.1)	0.8
25th Percentile	2.7	(0.1)	0.7
Median	1.0	(0.2)	0.3
75th Percentile	(0.8)	(0.3)	(0.2)
90th Percentile	(2.5)	(0.3)	(0.7)

Harbor:Intl;Inst ● A **5.0** **(0.1)** **1.3**  
 MSCI:EAFE US\$ ■ B 0.0 (0.2) 0.0

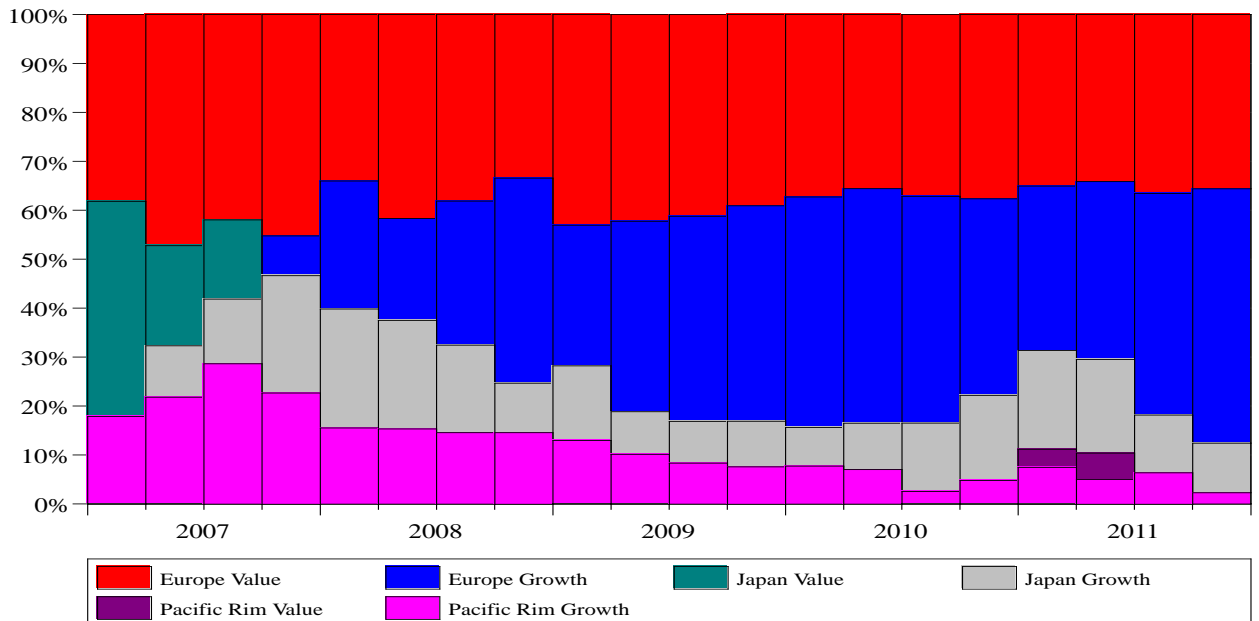
Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI MF - Intl Core Equity Style



	Down Market Capture	Up Market Capture
10th Percentile	106.8	124.8
25th Percentile	102.6	115.2
Median	99.7	105.2
75th Percentile	96.0	93.4
90th Percentile	91.4	85.7

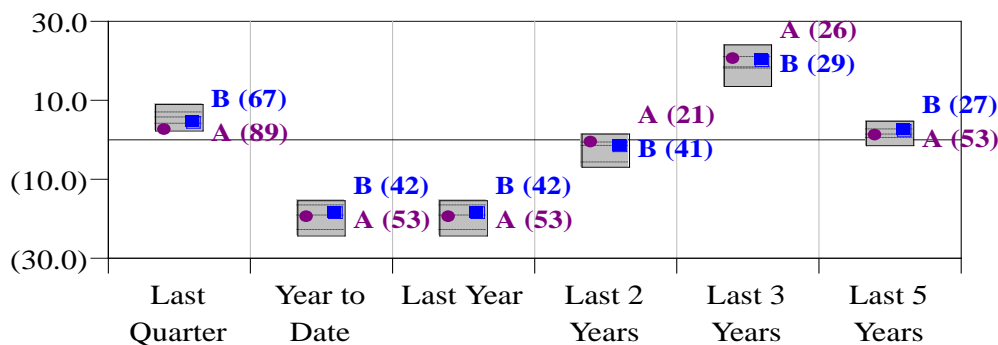
Harbor:Intl;Inst ● A **100.0** **139.4**  
 MSCI:EAFE US\$ ■ B 100.0 100.0

Rolling 12 Quarter International Equity Style  
for 5 Years Ended December 31, 2011  
Portfolio: Harbor:Intl;Inst



# Acadian Emerging Markets Equity Fund

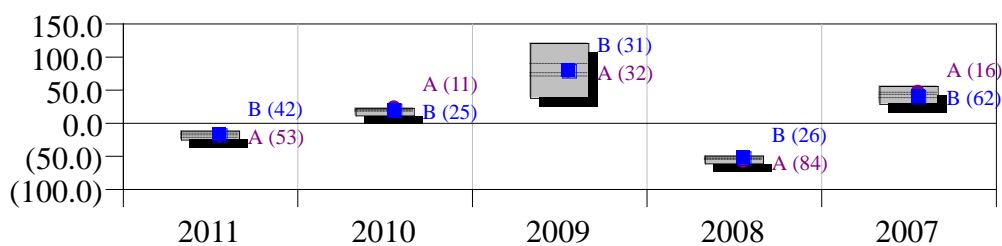
Returns  
for Periods Ended December 31, 2011  
Group: CAI MF - Emerging Markets Style



	Last Quarter	Year to Date	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	9.0	(15.4)	(15.4)	1.5	24.1	4.7
25th Percentile	6.8	(16.8)	(16.8)	(0.8)	20.8	2.5
Median	5.5	(19.3)	(19.3)	(1.7)	18.2	1.2
75th Percentile	3.9	(23.0)	(23.0)	(5.9)	17.9	0.3
90th Percentile	2.2	(24.3)	(24.3)	(7.0)	13.5	(1.5)

<b>Acadian Emrg Mkt;Inst</b> ● A	<b>2.5</b>	<b>(19.6)</b>	<b>(19.6)</b>	<b>(0.7)</b>	<b>20.4</b>	<b>1.1</b>
MSCI:Emer Mkts -Net ■ B	4.4	(18.4)	(18.4)	(1.5)	20.1	2.4

Returns for Calendar Years  
Group: CAI MF - Emerging Markets Style



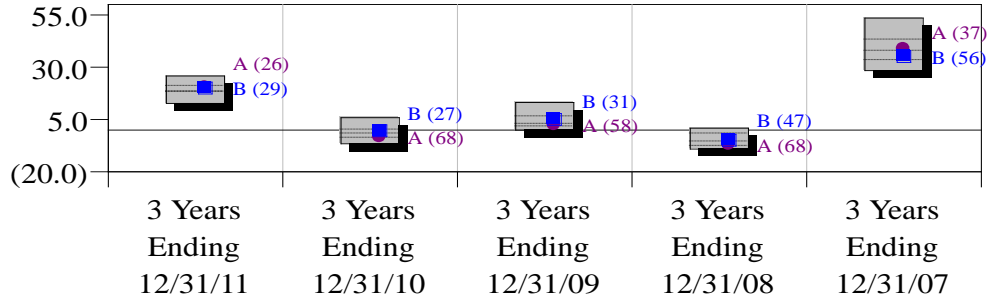
	2011	2010	2009	2008	2007
10th Percentile	(15.4)	22.7	114.9	(49.6)	49.6
25th Percentile	(16.8)	18.9	88.5	(53.1)	45.1
Median	(19.3)	18.2	74.5	(54.9)	41.8
75th Percentile	(23.0)	16.4	69.5	(56.4)	37.0
90th Percentile	(24.3)	12.1	64.2	(59.2)	30.0

<b>Acadian Emrg Mkt;Inst</b> ● A	<b>(19.6)</b>	<b>22.6</b>	<b>77.1</b>	<b>(58.6)</b>	<b>46.0</b>
MSCI:Emer Mkts -Net ■ B	(18.4)	18.9	78.5	(53.3)	39.4



# Acadian Emerging Markets Equity Fund

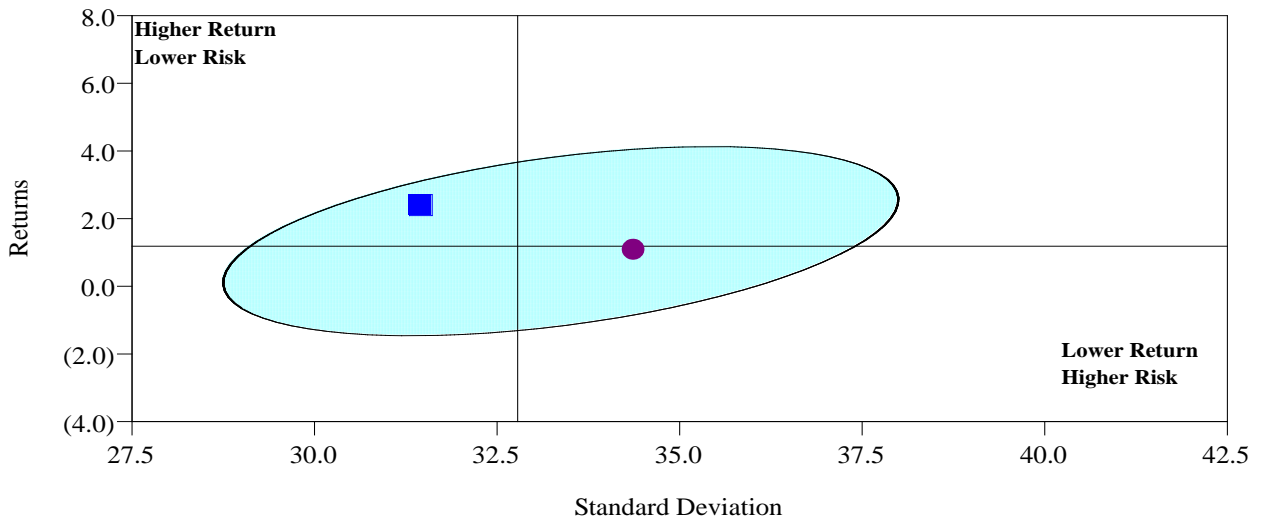
Returns  
for 12 Quarter Rolling Periods  
5 Years Ended December 31, 2011  
Group: CAI MF - Emerging Markets Style



10th Percentile	24.1	4.2	12.3	0.0	49.4
25th Percentile	20.8	(0.1)	6.2	(2.0)	42.9
Median	18.2	(2.0)	2.6	(5.8)	37.6
75th Percentile	17.9	(4.0)	1.5	(7.9)	33.1
90th Percentile	13.5	(6.3)	0.3	(8.9)	29.0

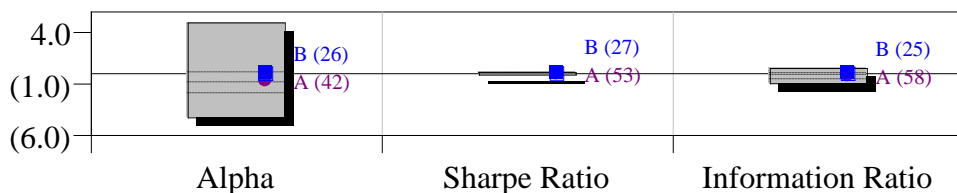
<b>Acadian Emrg Mkt;Inst</b> ● A	<b>20.4</b>	<b>(3.5)</b>	<b>2.3</b>	<b>(7.1)</b>	<b>38.7</b>
MSCI:Emer Mkts -Net ■ B	20.1	(0.3)	5.1	(4.9)	35.2

Scatter Chart  
for 5 Years Ended December 31, 2011



# Acadian Emerging Markets Equity Fund

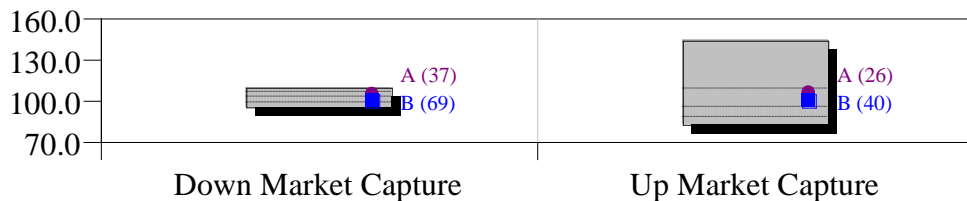
Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI MF - Emerging Markets Style



10th Percentile	3.9	0.1	0.5
25th Percentile	0.1	0.0	0.0
Median	(0.9)	0.0	(0.2)
75th Percentile	(2.0)	0.0	(0.6)
90th Percentile	(3.1)	(0.1)	(0.9)

<b>Acadian Emrg Mkt;Inst</b> ● A	<b>(0.7)</b>	<b>0.0</b>	<b>(0.2)</b>
MSCI:Emer Mkts -Net ■ B	0.0	0.0	0.0

Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI MF - Emerging Markets Style

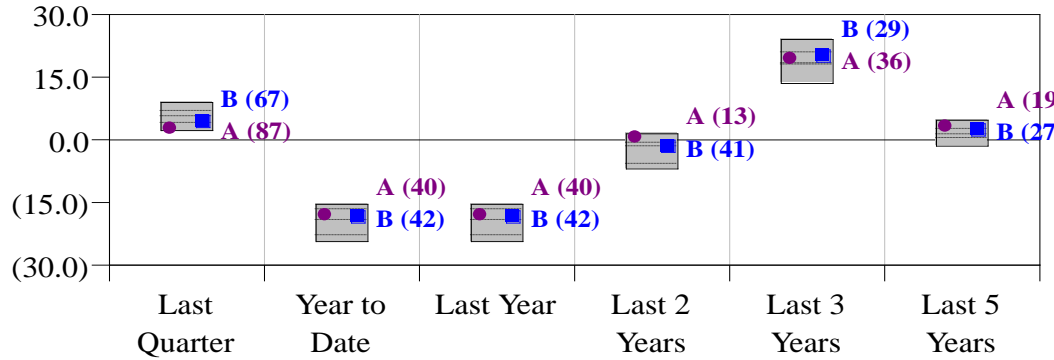


10th Percentile	107.9	143.6
25th Percentile	106.4	108.8
Median	102.9	95.5
75th Percentile	98.8	88.2
90th Percentile	95.5	83.8

<b>Acadian Emrg Mkt;Inst</b> ● A	<b>104.9</b>	<b>105.8</b>
MSCI:Emer Mkts -Net ■ B	100.0	100.0

# Eaton Vance Tax-Managed Emerging Markets Equity Fund

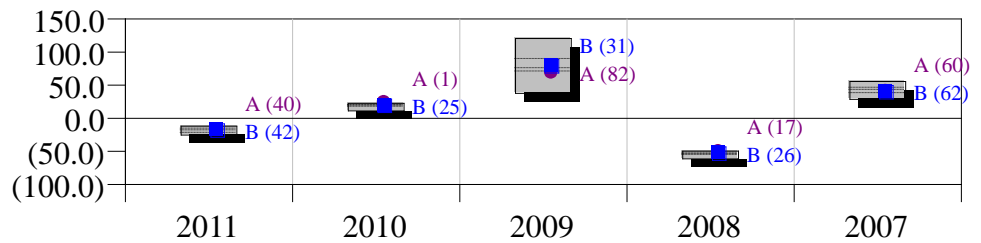
Returns  
for Periods Ended December 31, 2011  
Group: CAI MF - Emerging Markets Style



	Last Quarter	Year to Date	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	9.0	(15.4)	(15.4)	1.5	24.1	4.7
25th Percentile	6.8	(16.8)	(16.8)	(0.8)	20.8	2.5
Median	5.5	(19.3)	(19.3)	(1.7)	18.2	1.2
75th Percentile	3.9	(23.0)	(23.0)	(5.9)	17.9	0.3
90th Percentile	2.2	(24.3)	(24.3)	(7.0)	13.5	(1.5)

<b>Eaton Vance Pm TM EM;I</b> ● A	<b>2.7</b>	<b>(18.0)</b>	<b>(18.0)</b>	<b>0.5</b>	<b>19.4</b>	<b>3.1</b>
MSCI:Emer Mkts -Net ■ B	4.4	(18.4)	(18.4)	(1.5)	20.1	2.4

Returns for Calendar Years  
Group: CAI MF - Emerging Markets Style

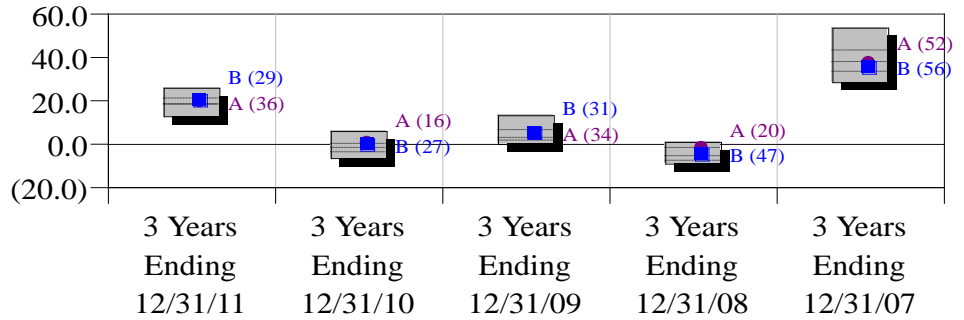


	2011	2010	2009	2008	2007
10th Percentile	(15.4)	22.7	114.9	(49.6)	49.6
25th Percentile	(16.8)	18.9	88.5	(53.1)	45.1
Median	(19.3)	18.2	74.5	(54.9)	41.8
75th Percentile	(23.0)	16.4	69.5	(56.4)	37.0
90th Percentile	(24.3)	12.1	64.2	(59.2)	30.0

<b>Eaton Vance Pm TM EM;I</b> ● A	<b>(18.0)</b>	<b>23.3</b>	<b>68.2</b>	<b>(51.0)</b>	<b>40.2</b>
MSCI:Emer Mkts -Net ■ B	(18.4)	18.9	78.5	(53.3)	39.4

# Eaton Vance Tax-Managed Emerging Markets Equity Fund

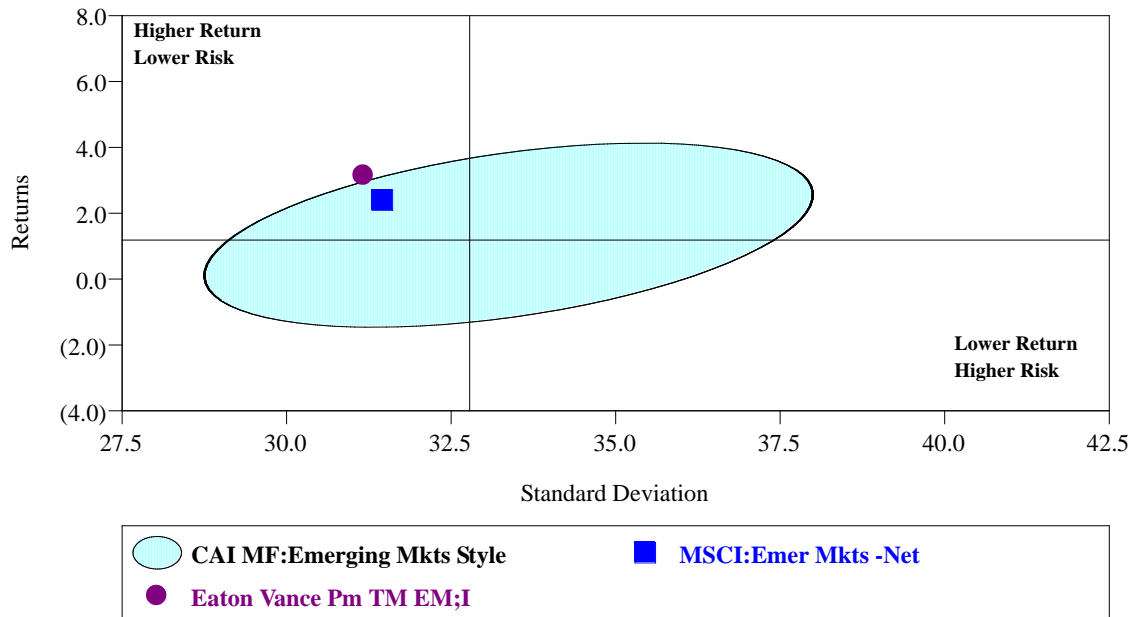
Returns  
for 12 Quarter Rolling Periods  
5 Years Ended December 31, 2011  
Group: CAI MF - Emerging Markets Style



	3 Years Ending 12/31/11	3 Years Ending 12/31/10	3 Years Ending 12/31/09	3 Years Ending 12/31/08	3 Years Ending 12/31/07
10th Percentile	24.1	4.2	12.3	0.0	49.4
25th Percentile	20.8	(0.1)	6.2	(2.0)	42.9
Median	18.2	(2.0)	2.6	(5.8)	37.6
75th Percentile	17.9	(4.0)	1.5	(7.9)	33.1
90th Percentile	13.5	(6.3)	0.3	(8.9)	29.0

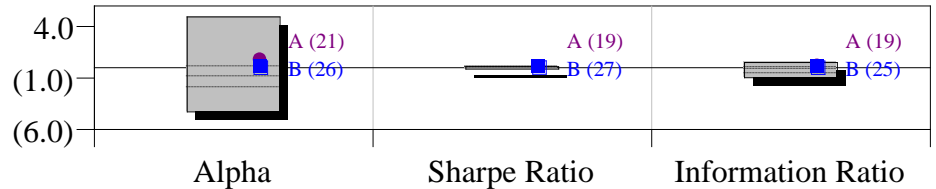
<b>Eaton Vance Pm TM EM;I</b> ● A	<b>19.4</b>	<b>0.5</b>	<b>4.9</b>	<b>(1.8)</b>	<b>37.3</b>
MSCI:Emer Mkts -Net ■ B	20.1	(0.3)	5.1	(4.9)	35.2

Scatter Chart  
for 5 Years Ended December 31, 2011



# Eaton Vance Tax-Managed Emerging Markets Equity Fund

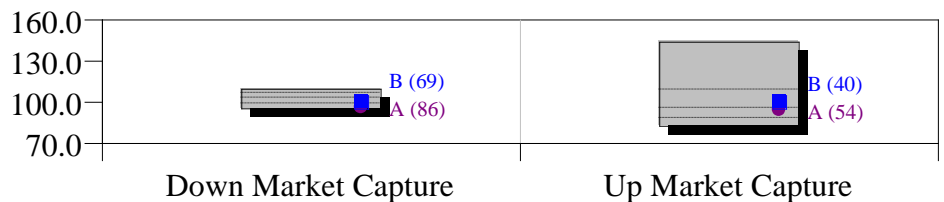
Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI MF - Emerging Markets Style



	Alpha	Sharpe Ratio	Information Ratio
10th Percentile	3.9	0.1	0.5
25th Percentile	0.1	0.0	0.0
Median	(0.9)	0.0	(0.2)
75th Percentile	(2.0)	0.0	(0.6)
90th Percentile	(3.1)	(0.1)	(0.9)

<b>Eaton Vance Pm TM EM;I</b> ● A	<b>0.7</b>	<b>0.1</b>	<b>0.1</b>
MSCI:Emer Mkts -Net ■ B	0.0	0.0	0.0

Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI MF - Emerging Markets Style

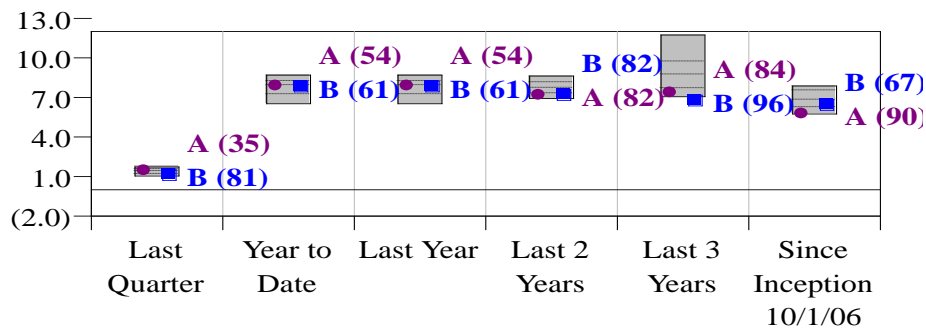


	Down Market Capture	Up Market Capture
10th Percentile	107.9	143.6
25th Percentile	106.4	108.8
Median	102.9	95.5
75th Percentile	98.8	88.2
90th Percentile	95.5	83.8

<b>Eaton Vance Pm TM EM;I</b> ● A	<b>96.0</b>	<b>94.2</b>
MSCI:Emer Mkts -Net ■ B	100.0	100.0

# Atlantic Asset Management Core Fixed Income

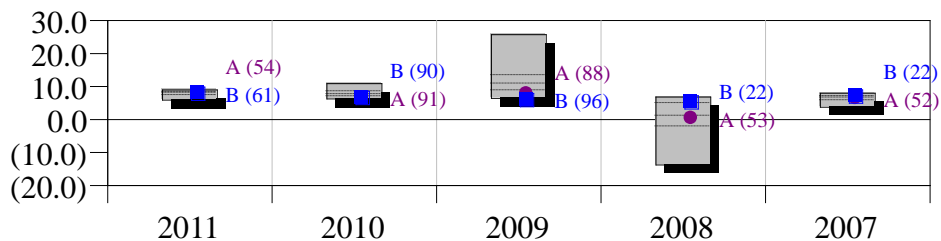
Returns  
for Periods Ended December 31, 2011  
Group: CAI Core Bond Fixed-Inc Style



10th Percentile	1.7	8.7	8.7	8.6	11.7	7.9
25th Percentile	1.5	8.2	8.2	8.1	9.7	7.5
Median	1.4	7.9	7.9	7.7	8.7	6.8
75th Percentile	1.2	7.2	7.2	7.3	7.7	6.2
90th Percentile	1.1	6.5	6.5	6.9	7.1	5.7

<b>Atlantic Asset Management</b>	● A	<b>1.4</b>	<b>7.9</b>	<b>7.9</b>	<b>7.2</b>	<b>7.4</b>	<b>5.8</b>
BC:Aggr Bd	■ B	1.1	7.8	7.8	7.2	6.8	6.4

Returns for Calendar Years  
Group: CAI Core Bond Fixed-Inc Style

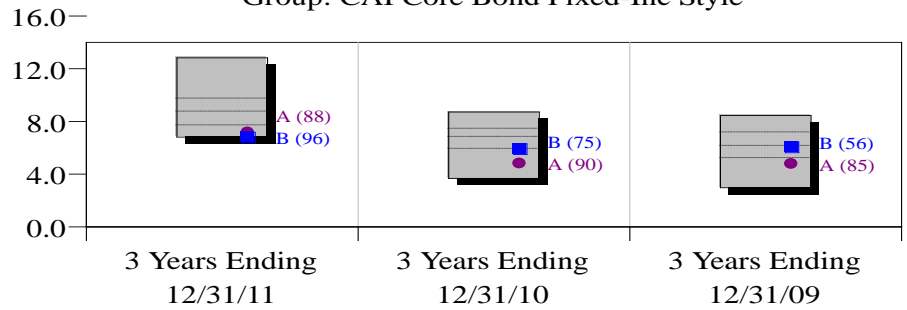


10th Percentile	8.7	9.3	17.4	6.5	7.4
25th Percentile	8.2	8.4	13.2	4.8	6.9
Median	7.9	7.5	10.7	1.0	6.5
75th Percentile	7.2	6.9	8.7	(2.3)	5.6
90th Percentile	6.5	6.6	7.1	(6.1)	4.3

<b>Atlantic Asset Management</b>	● A	<b>7.9</b>	<b>6.5</b>	<b>7.7</b>	<b>0.3</b>	<b>6.3</b>
BC:Aggr Bd	■ B	7.8	6.5	5.9	5.2	7.0

# Atlantic Asset Management Core Fixed Income

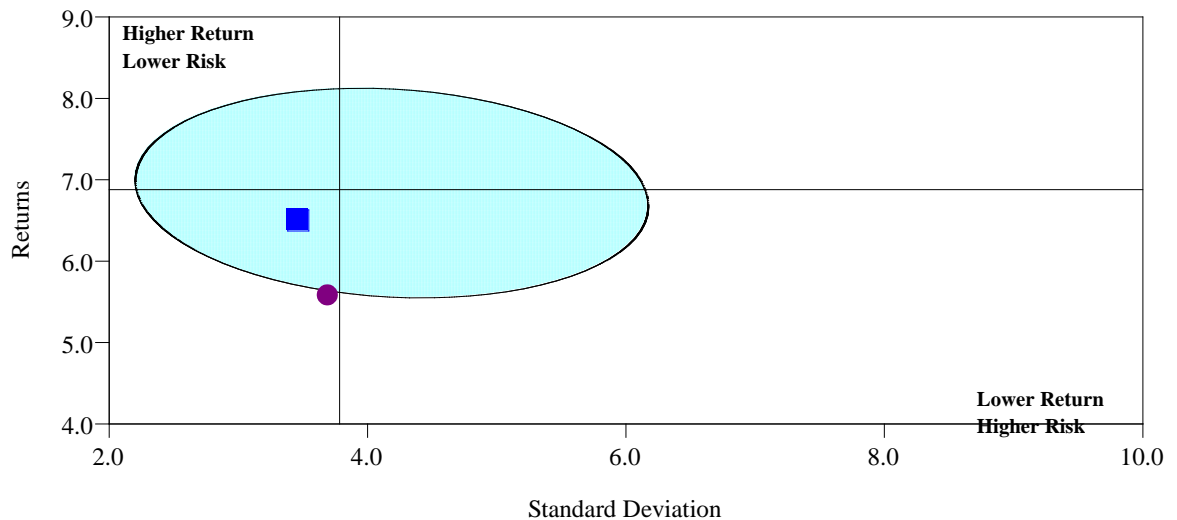
Returns  
for 12 Quarter Rolling Periods  
3 Years Ended December 31, 2011  
Group: CAI Core Bond Fixed-Inc Style



10th Percentile	11.7	8.2	7.7
25th Percentile	9.7	7.4	7.1
Median	8.7	6.8	6.1
75th Percentile	7.7	5.9	5.2
90th Percentile	7.1	4.8	3.7

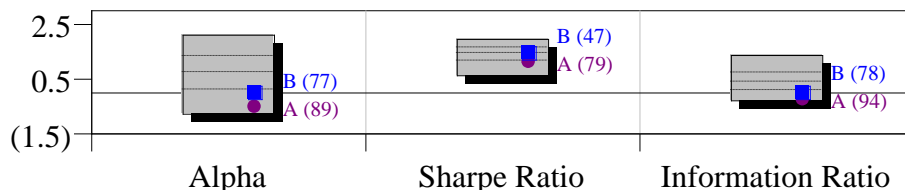
<b>Atlantic Asset Management</b> ● A	<b>7.1</b>	<b>4.8</b>	<b>4.7</b>
BC:Aggr Bd ■ B	6.8	5.9	6.0

Scatter Chart  
for 5 Years Ended December 31, 2011



# Atlantic Asset Management Core Fixed Income

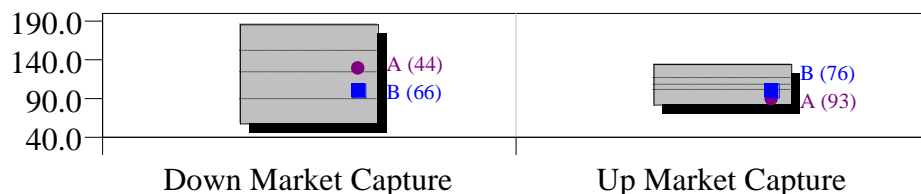
Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Core Bond Fixed-Inc Style



	Alpha	Sharpe Ratio	Information Ratio
10th Percentile	1.9	1.8	1.2
25th Percentile	1.3	1.6	0.7
Median	0.7	1.4	0.4
75th Percentile	0.1	1.2	0.1
90th Percentile	(0.6)	0.8	(0.2)

<b>Atlantic Asset Management</b> ● A	<b>(0.5)</b>	<b>1.1</b>	<b>(0.3)</b>
BC:Aggr Bd ■ B	0.0	1.4	0.0

Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Core Bond Fixed-Inc Style



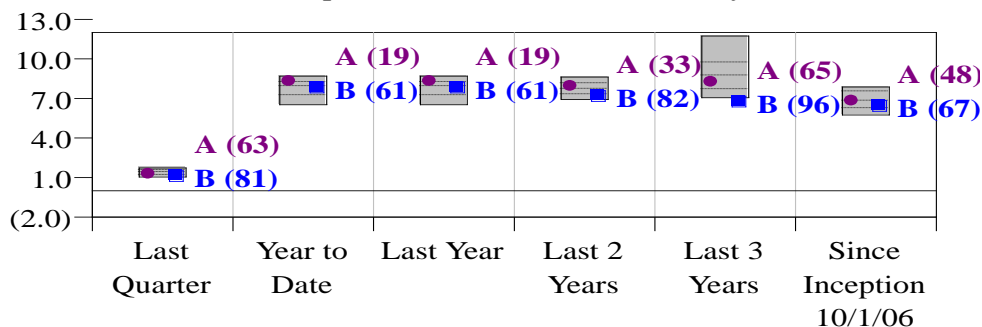
	Down Market Capture	Up Market Capture
10th Percentile	171.9	123.5
25th Percentile	150.7	115.5
Median	123.2	107.0
75th Percentile	88.3	100.1
90th Percentile	76.9	92.3

<b>Atlantic Asset Management</b> ● A	<b>128.1</b>	<b>88.6</b>
BC:Aggr Bd ■ B	100.0	100.0



# Richmond Capital Management Core Fixed Income

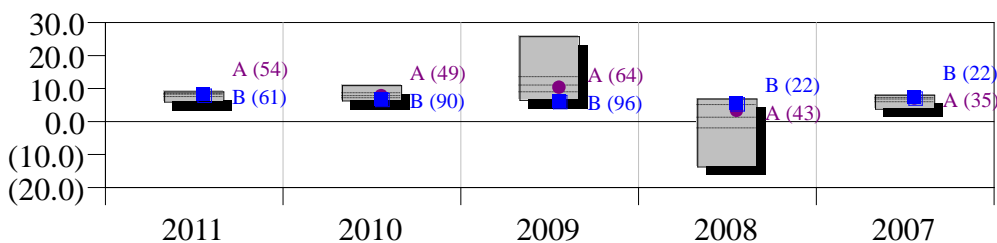
Returns  
for Periods Ended December 31, 2011  
Group: CAI Core Bond Fixed-Inc Style



	Last Quarter	Year to Date	Last Year	Last 2 Years	Last 3 Years	Since Inception 10/1/06
10th Percentile	1.7	8.7	8.7	8.6	11.7	7.9
25th Percentile	1.5	8.2	8.2	8.1	9.7	7.5
Median	1.4	7.9	7.9	7.7	8.7	6.8
75th Percentile	1.2	7.2	7.2	7.3	7.7	6.2
90th Percentile	1.1	6.5	6.5	6.9	7.1	5.7

<b>Richmond Capital Mgmt</b> ● A	<b>1.3</b>	<b>8.3</b>	<b>8.3</b>	<b>7.9</b>	<b>8.2</b>	<b>6.8</b>
BC:Aggr Bd ■ B	1.1	7.8	7.8	7.2	6.8	6.4

Returns for Calendar Years  
Group: CAI Core Bond Fixed-Inc Style



	2011	2010	2009	2008	2007
10th Percentile	8.7	9.3	17.4	6.5	7.4
25th Percentile	8.2	8.4	13.2	4.8	6.9
Median	7.9	7.5	10.7	1.0	6.5
75th Percentile	7.2	6.9	8.7	(2.3)	5.6
90th Percentile	6.5	6.6	7.1	(6.1)	4.3

<b>Richmond:Core Broad</b> ● A	<b>7.9</b>	<b>7.5</b>	<b>10.0</b>	<b>3.0</b>	<b>6.7</b>
BC:Aggr Bd ■ B	7.8	6.5	5.9	5.2	7.0

# Richmond Capital Management Core Fixed Income

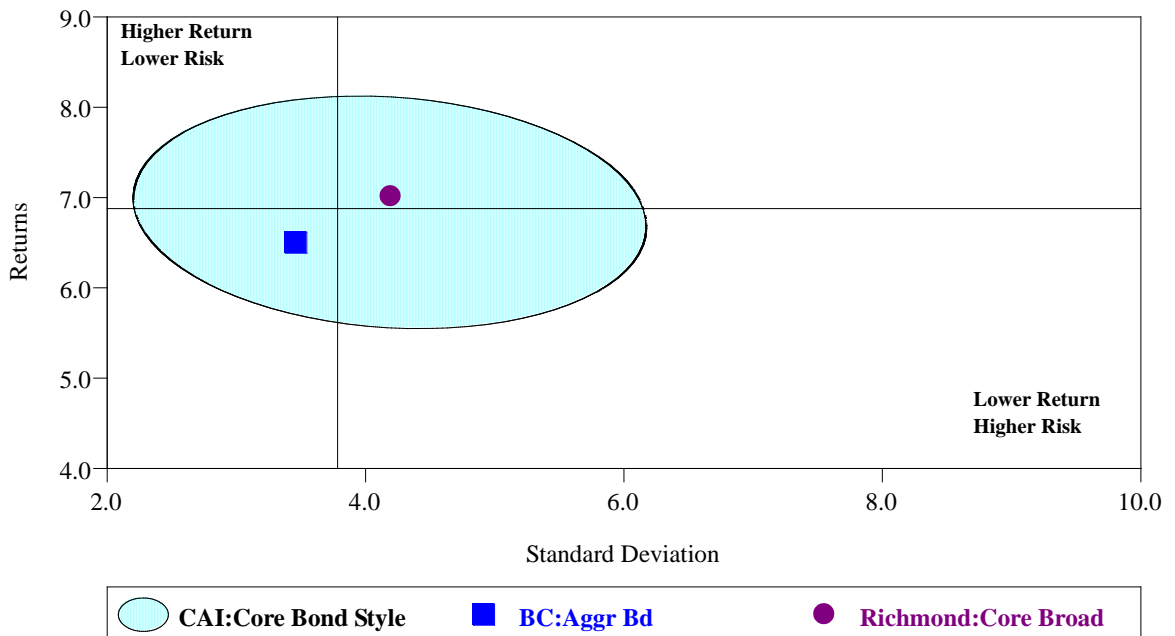
Returns  
for 12 Quarter Rolling Periods  
5 Years Ended December 31, 2011  
Group: CAI Core Bond Fixed-Inc Style



10th Percentile	11.7	8.2	7.7	6.0	4.8
25th Percentile	9.7	7.4	7.1	5.6	4.8
Median	8.7	6.8	6.1	3.8	4.6
75th Percentile	7.7	5.9	5.2	2.7	4.4
90th Percentile	7.1	4.8	3.7	1.2	4.0

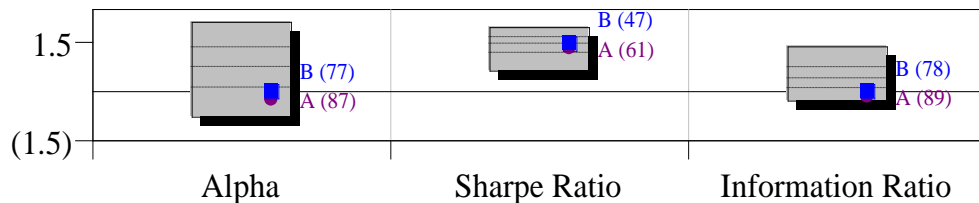
<b>Richmond:Core Broad</b> ● A	<b>8.5</b>	<b>6.8</b>	<b>6.6</b>	<b>4.9</b>	<b>4.6</b>
BC:Aggr Bd ■ B	6.8	5.9	6.0	5.5	4.6

Scatter Chart  
for 5 Years Ended December 31, 2011



# Richmond Capital Management Core Fixed Income

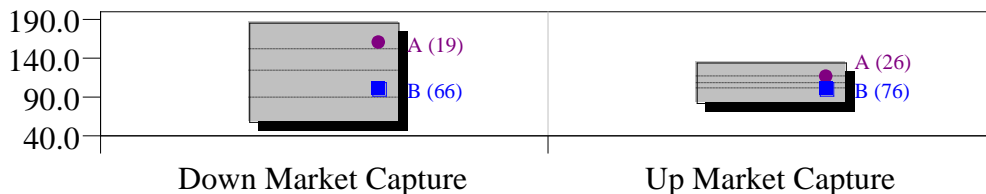
Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Core Bond Fixed-Inc Style



	Alpha	Sharpe Ratio	Information Ratio
10th Percentile	1.9	1.8	1.2
25th Percentile	1.3	1.6	0.7
Median	0.7	1.4	0.4
75th Percentile	0.1	1.2	0.1
90th Percentile	(0.6)	0.8	(0.2)

<b>Richmond:Core Broad</b> ● A	<b>(0.2)</b>	<b>1.3</b>	<b>(0.2)</b>
BC:Aggr Bd ■ B	0.0	1.4	0.0

Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Core Bond Fixed-Inc Style

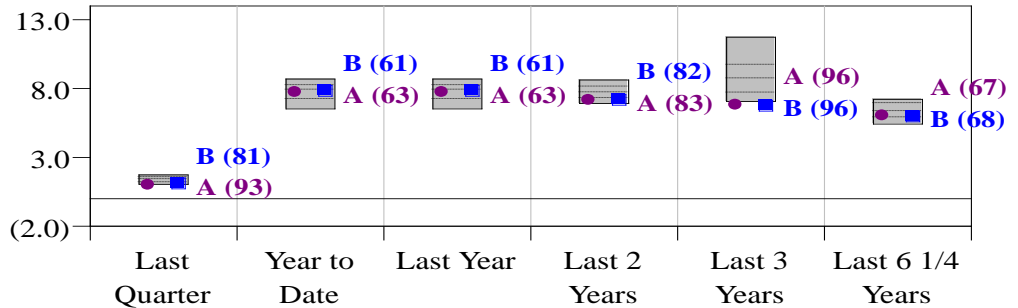


	Down Market Capture	Up Market Capture
10th Percentile	171.9	123.5
25th Percentile	150.7	115.5
Median	123.2	107.0
75th Percentile	88.3	100.1
90th Percentile	76.9	92.3

<b>Richmond:Core Broad</b> ● A	<b>159.5</b>	<b>115.4</b>
BC:Aggr Bd ■ B	100.0	100.0

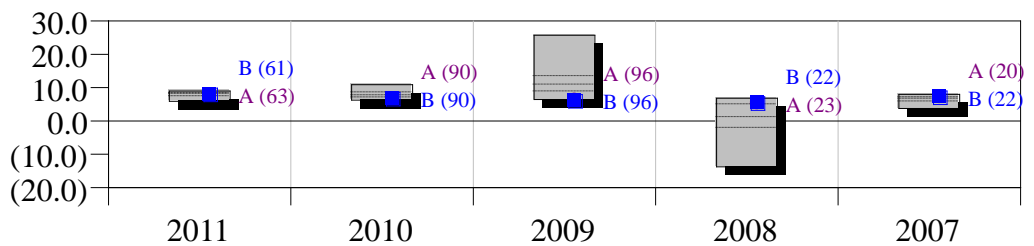
# Vanguard Total Bond Index Fund

Returns  
for Periods Ended December 31, 2011  
Group: CAI Core Bond Fixed-Inc Style



10th Percentile	1.7	8.7	8.7	8.6	11.7	7.2	
25th Percentile	1.5	8.2	8.2	8.1	9.7	6.9	
Median	1.4	7.9	7.9	7.7	8.7	6.3	
75th Percentile	1.2	7.2	7.2	7.3	7.7	5.9	
90th Percentile	1.1	6.5	6.5	6.9	7.1	5.4	
<b>Vanguard Total Bond</b>	● A	<b>1.0</b>	<b>7.7</b>	<b>7.7</b>	<b>7.1</b>	<b>6.8</b>	<b>6.0</b>
BC:Aggr Bd	■ B	1.1	7.8	7.8	7.2	6.8	6.0

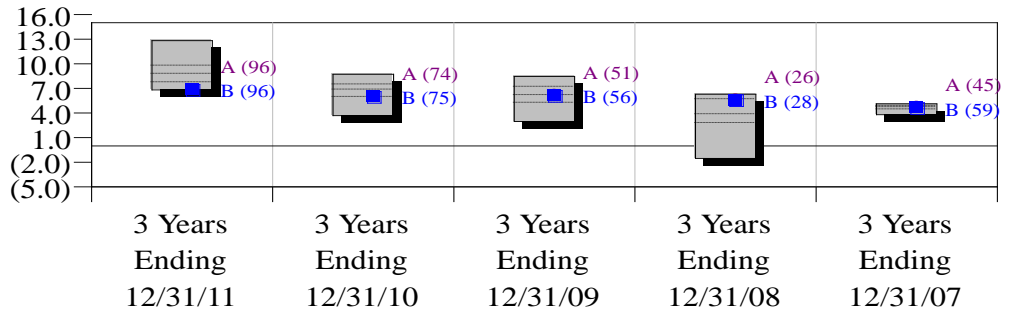
Returns for Calendar Years  
Group: CAI Core Bond Fixed-Inc Style



10th Percentile	8.7	9.3	17.4	6.5	7.4	
25th Percentile	8.2	8.4	13.2	4.8	6.9	
Median	7.9	7.5	10.7	1.0	6.5	
75th Percentile	7.2	6.9	8.7	(2.3)	5.6	
90th Percentile	6.5	6.6	7.1	(6.1)	4.3	
<b>Vanguard Tot Bd;Inst</b>	● A	<b>7.7</b>	<b>6.6</b>	<b>6.1</b>	<b>5.2</b>	<b>7.1</b>
BC:Aggr Bd	■ B	7.8	6.5	5.9	5.2	7.0

# Vanguard Total Bond Index Fund

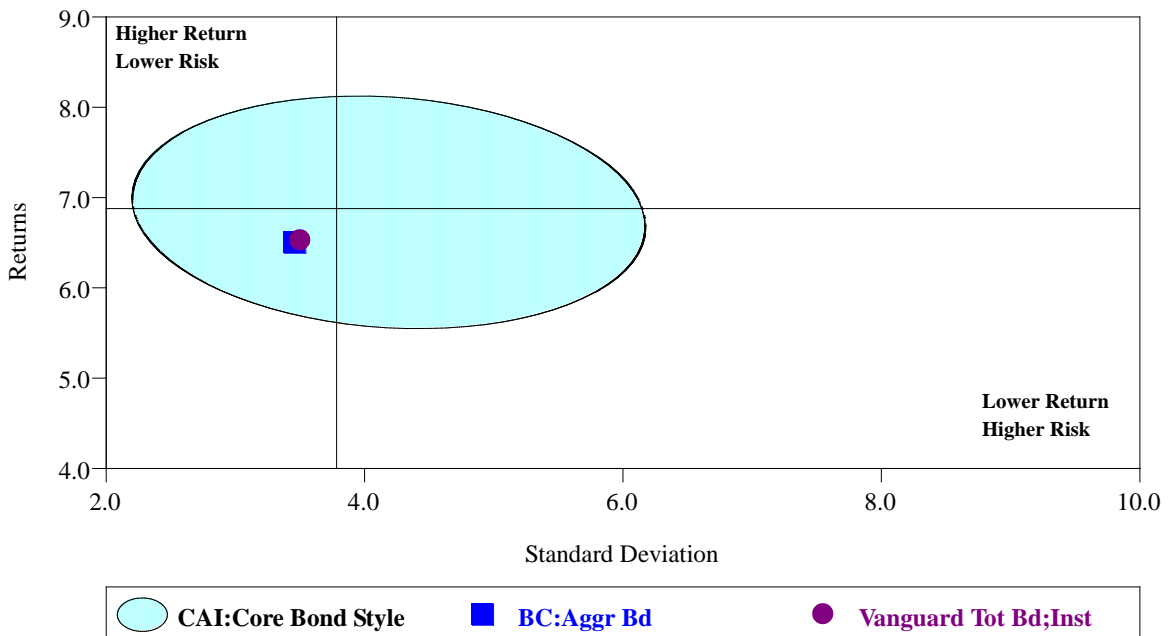
Returns  
for 12 Quarter Rolling Periods  
5 Years Ended December 31, 2011  
Group: CAI Core Bond Fixed-Inc Style



	3 Years Ending 12/31/11	3 Years Ending 12/31/10	3 Years Ending 12/31/09	3 Years Ending 12/31/08	3 Years Ending 12/31/07
10th Percentile	11.7	8.2	7.7	6.0	4.8
25th Percentile	9.7	7.4	7.1	5.6	4.8
Median	8.7	6.8	6.1	3.8	4.6
75th Percentile	7.7	5.9	5.2	2.7	4.4
90th Percentile	7.1	4.8	3.7	1.2	4.0

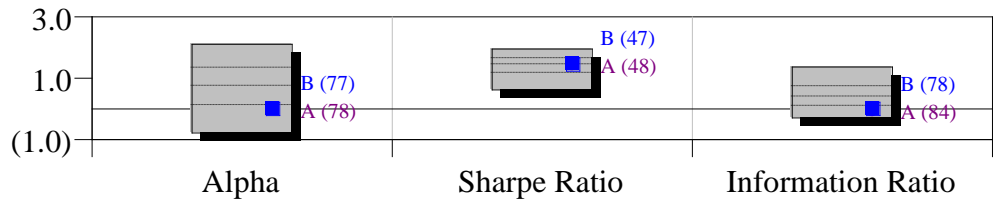
<b>Vanguard Tot Bd;Inst</b> ● A	<b>6.8</b>	<b>6.0</b>	<b>6.1</b>	<b>5.5</b>	<b>4.6</b>
BC:Aggr Bd ■ B	6.8	5.9	6.0	5.5	4.6

Scatter Chart  
for 5 Years Ended December 31, 2011



# Vanguard Total Bond Index Fund

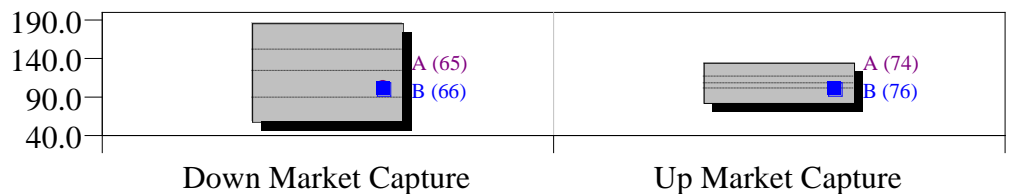
Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Core Bond Fixed-Inc Style



	Alpha	Sharpe Ratio	Information Ratio
10th Percentile	1.9	1.8	1.2
25th Percentile	1.3	1.6	0.7
Median	0.7	1.4	0.4
75th Percentile	0.1	1.2	0.1
90th Percentile	(0.6)	0.8	(0.2)

<b>Vanguard Tot Bd;Inst</b> ● A	<b>0.0</b>	<b>1.4</b>	<b>(0.1)</b>
BC:Aggr Bd ■ B	0.0	1.4	0.0

Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI Core Bond Fixed-Inc Style

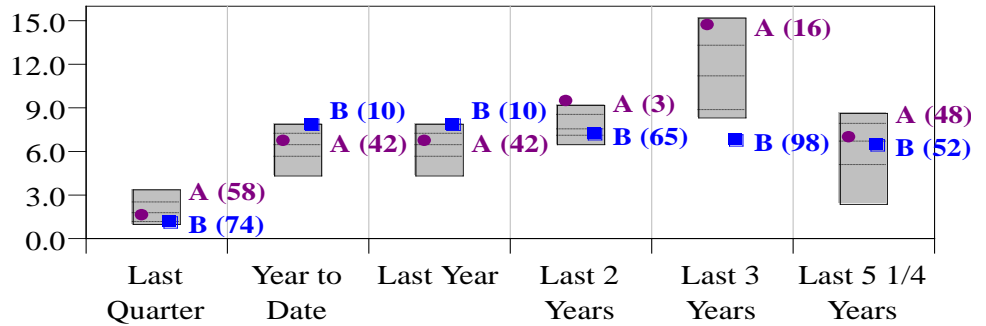


	Down Market Capture	Up Market Capture
10th Percentile	171.9	123.5
25th Percentile	150.7	115.5
Median	123.2	107.0
75th Percentile	88.3	100.1
90th Percentile	76.9	92.3

<b>Vanguard Tot Bd;Inst</b> ● A	<b>101.9</b>	<b>100.6</b>
BC:Aggr Bd ■ B	100.0	100.0

# Western Asset Core Plus Bond Fund

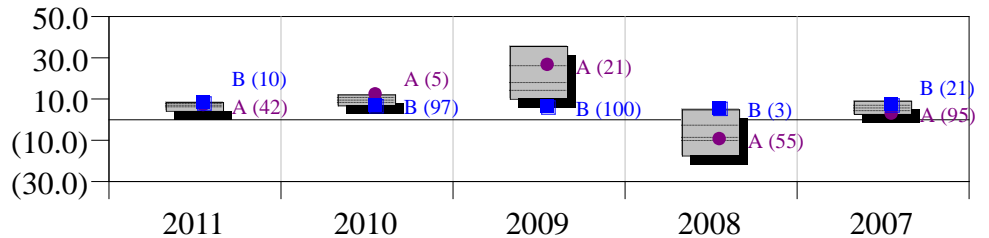
Returns  
for Periods Ended December 31, 2011  
Group: CAI MF - Core Plus Style



10th Percentile	3.4	7.9	7.9	9.2	15.2	8.6
25th Percentile	2.5	7.2	7.2	8.5	13.2	7.9
Median	1.7	6.4	6.4	7.5	11.1	6.6
75th Percentile	1.1	5.6	5.6	7.0	8.8	5.0
90th Percentile	1.0	4.3	4.3	6.5	8.3	2.4

<b>Western Asset Core Plus</b>	● A	<b>1.6</b>	<b>6.7</b>	<b>6.7</b>	<b>9.4</b>	<b>14.7</b>	<b>6.9</b>
BC: Aggr Bd	■ B	1.1	7.8	7.8	7.2	6.8	6.4

Returns for Calendar Years  
Group: CAI MF - Core Plus Style

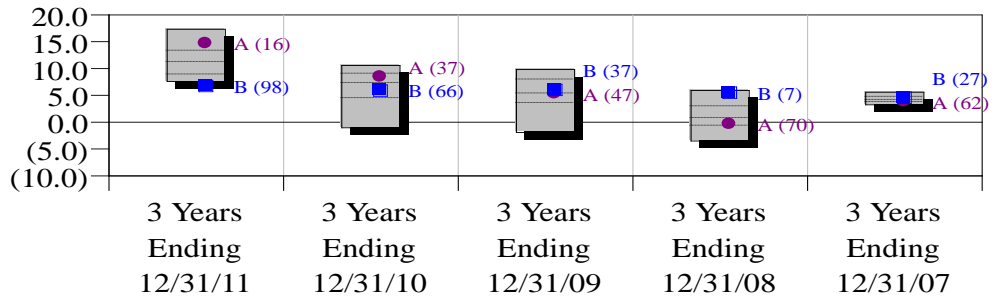


10th Percentile	7.9	11.3	29.1	4.0	7.7
25th Percentile	7.2	10.2	25.6	(3.3)	6.4
Median	6.4	8.9	17.4	(9.2)	5.1
75th Percentile	5.6	7.8	13.6	(10.7)	3.8
90th Percentile	4.3	7.0	10.4	(16.4)	3.5

<b>Western Asset Core PB;I</b>	● A	<b>6.7</b>	<b>12.0</b>	<b>26.2</b>	<b>(9.8)</b>	<b>2.6</b>
BC: Aggr Bd	■ B	7.8	6.5	5.9	5.2	7.0

# Western Asset Core Plus Bond Fund

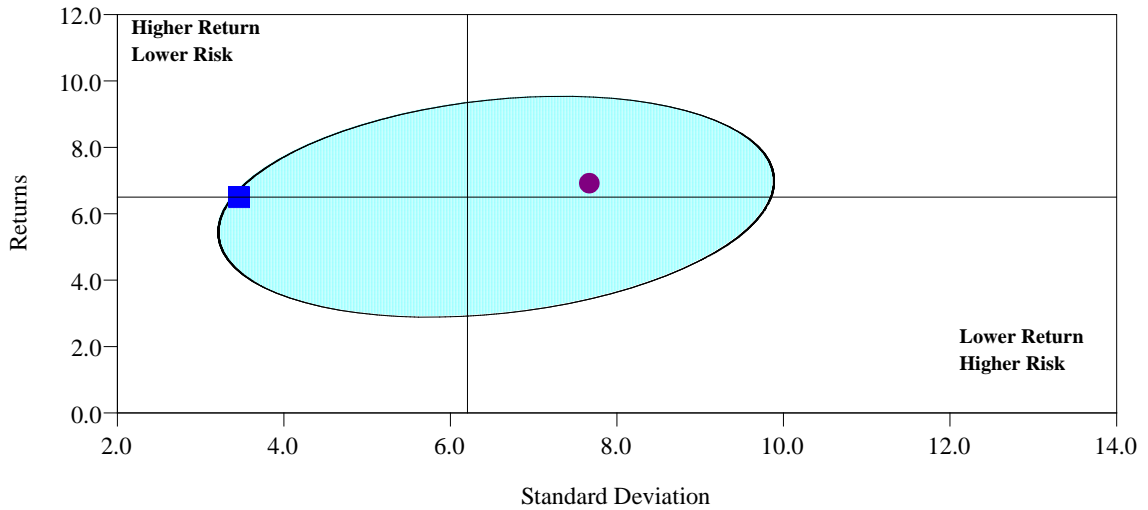
Returns  
for 12 Quarter Rolling Periods  
5 Years Ended December 31, 2011  
Group: CAI MF - Core Plus Style



	3 Years Ending 12/31/11	3 Years Ending 12/31/10	3 Years Ending 12/31/09	3 Years Ending 12/31/08	3 Years Ending 12/31/07
10th Percentile	15.2	9.9	9.2	5.0	5.3
25th Percentile	13.2	9.0	7.9	2.9	4.6
Median	11.1	7.2	5.3	0.7	4.1
75th Percentile	8.8	4.4	3.5	(0.8)	3.7
90th Percentile	8.3	0.1	(0.8)	(2.9)	3.3

<b>Western Asset Core PB;I</b> ● A	<b>14.7</b>	<b>8.4</b>	<b>5.3</b>	<b>(0.4)</b>	<b>3.8</b>
BC:Aggr Bd ■ B	6.8	5.9	6.0	5.5	4.6

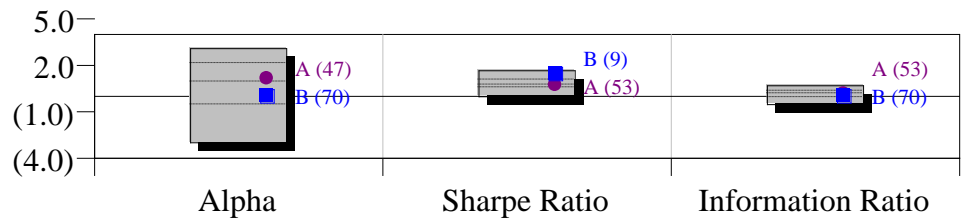
Scatter Chart  
for 5 Years Ended December 31, 2011





# Western Asset Core Plus Bond Fund

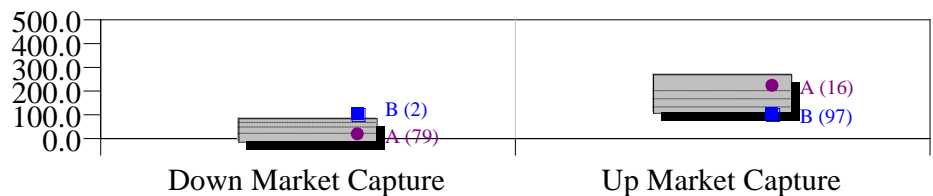
Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI MF - Core Plus Style



	Alpha	Sharpe Ratio	Information Ratio
10th Percentile	2.6	1.4	0.5
25th Percentile	2.1	1.0	0.3
Median	0.9	0.7	0.2
75th Percentile	(0.6)	0.5	(0.1)
90th Percentile	(1.4)	0.1	(0.2)

<b>Western Asset Core PB;I</b> ● A	<b>1.1</b>	<b>0.7</b>	<b>0.1</b>
BC:Aggr Bd ■ B	0.0	1.4	0.0

Statistics  
for 3 Years Ended December 31, 2011  
Group: CAI MF - Core Plus Style

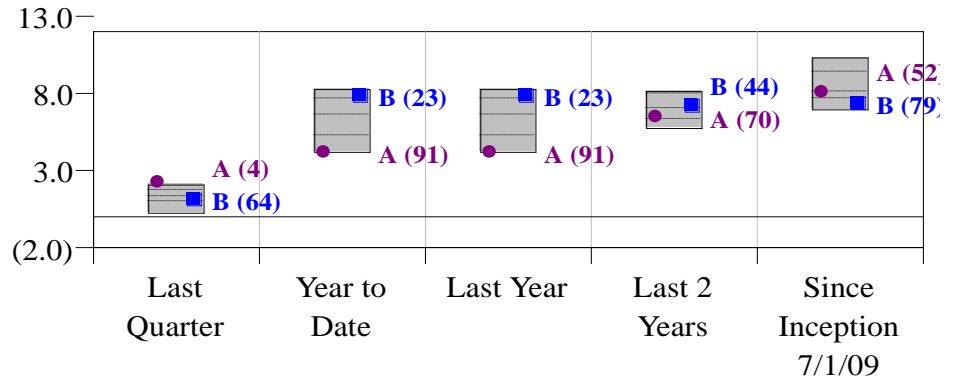


	Down Market Capture	Up Market Capture
10th Percentile	73.4	227.4
25th Percentile	63.0	197.1
Median	44.2	162.8
75th Percentile	17.8	128.7
90th Percentile	(5.4)	121.7

<b>Western Asset Core PB;I</b> ● A	<b>15.3</b>	<b>219.3</b>
BC:Aggr Bd ■ B	100.0	100.0

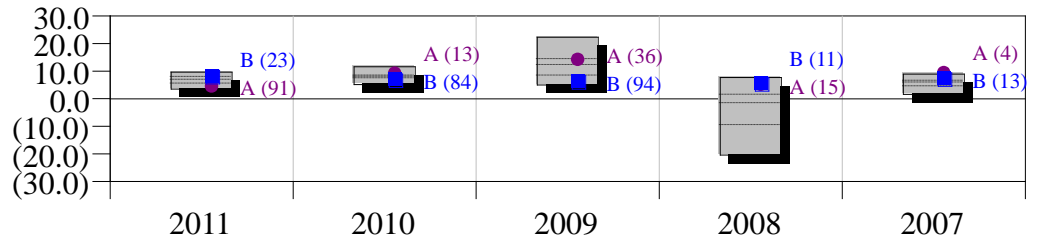
# PIMCO Total Return Bond Fund

Returns  
for Periods Ended December 31, 2011  
Group: CAI MF - Core Bond Style



10th Percentile	2.1	8.2	8.2	8.1	10.3
25th Percentile	1.7	7.6	7.6	8.0	9.4
Median	1.3	6.6	6.6	7.0	8.1
75th Percentile	1.0	5.2	5.2	6.3	7.6
90th Percentile	0.2	4.2	4.2	5.7	6.9
<b>PIMCO Total Return Fund</b> ● A	<b>2.2</b>	<b>4.2</b>	<b>4.2</b>	<b>6.5</b>	<b>8.1</b>
BC:Aggr Bd ■ B	1.1	7.8	7.8	7.2	7.4

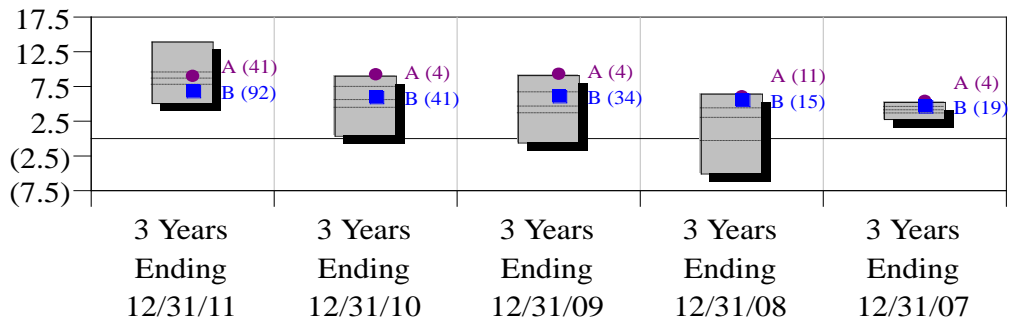
Returns for Calendar Years  
Group: CAI MF - Core Bond Style



10th Percentile	8.2	9.1	17.2	5.6	7.9
25th Percentile	7.6	8.2	14.1	1.2	6.3
Median	6.6	7.7	12.0	(1.9)	5.6
75th Percentile	5.2	7.2	8.2	(9.8)	4.2
90th Percentile	4.2	6.5	7.3	(12.3)	1.9
<b>PIMCO:Tot Rtn;Inst</b> ● A	<b>4.2</b>	<b>8.8</b>	<b>13.9</b>	<b>4.8</b>	<b>9.1</b>
BC:Aggr Bd ■ B	7.8	6.5	5.9	5.2	7.0

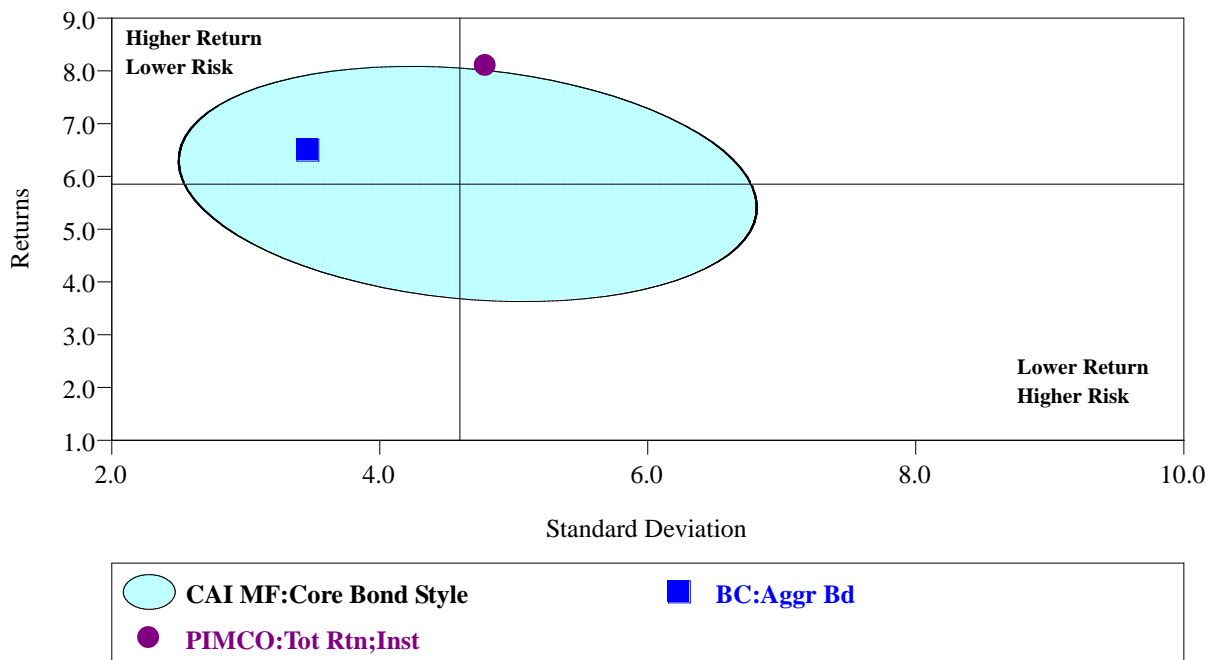
# PIMCO Total Return Bond Fund

Returns  
for 12 Quarter Rolling Periods  
5 Years Ended December 31, 2011  
Group: CAI MF - Core Bond Style



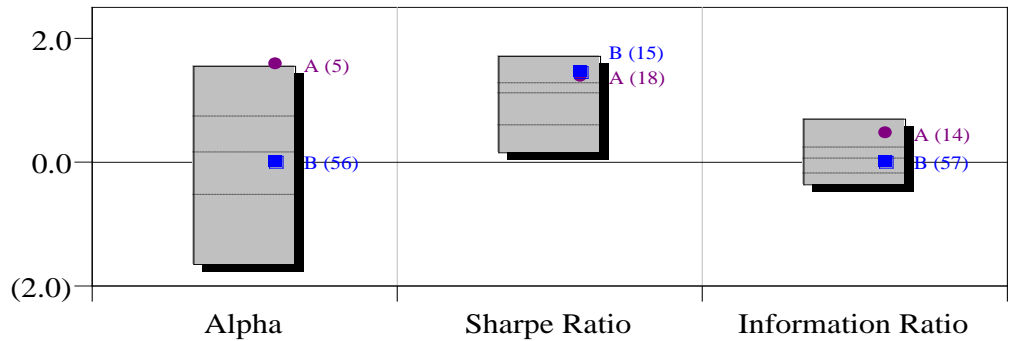
	3 Years Ending 12/31/11	3 Years Ending 12/31/10	3 Years Ending 12/31/09	3 Years Ending 12/31/08	3 Years Ending 12/31/07
10th Percentile	11.1	8.4	8.6	5.9	4.9
25th Percentile	9.4	7.4	6.6	4.3	4.5
Median	8.5	5.4	4.5	2.9	4.0
75th Percentile	7.7	4.3	3.5	(0.4)	3.5
90th Percentile	7.1	3.5	1.0	(1.8)	3.0
<b>PIMCO:Tot Rtn;Inst</b> ● A	<b>8.9</b>	<b>9.1</b>	<b>9.2</b>	<b>5.9</b>	<b>5.3</b>
<b>BC:Aggr Bd</b> ■ B	<b>6.8</b>	<b>5.9</b>	<b>6.0</b>	<b>5.5</b>	<b>4.6</b>

Scatter Chart  
for 5 Years Ended December 31, 2011



# PIMCO Total Return Bond Fund

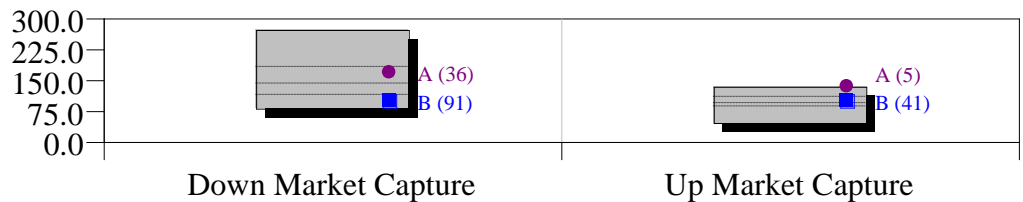
Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI MF - Core Bond Style



	Alpha	Sharpe Ratio	Information Ratio
10th Percentile	1.3	1.5	0.5
25th Percentile	0.7	1.3	0.2
Median	0.1	1.1	0.0
75th Percentile	(0.5)	0.6	(0.2)
90th Percentile	(1.2)	0.5	(0.3)

<b>PIMCO:Tot Rtn;Inst</b> ● A	<b>1.6</b>	<b>1.4</b>	<b>0.5</b>
BC:Aggr Bd ■ B	0.0	1.4	0.0

Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI MF - Core Bond Style

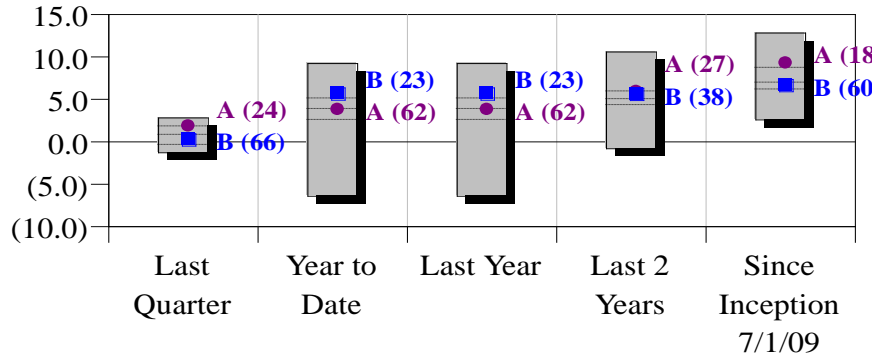


	Down Market Capture	Up Market Capture
10th Percentile	215.6	128.9
25th Percentile	182.1	109.3
Median	141.5	94.0
75th Percentile	113.7	86.2
90th Percentile	100.1	70.6

<b>PIMCO:Tot Rtn;Inst</b> ● A	<b>168.8</b>	<b>135.0</b>
BC:Aggr Bd ■ B	100.0	100.0

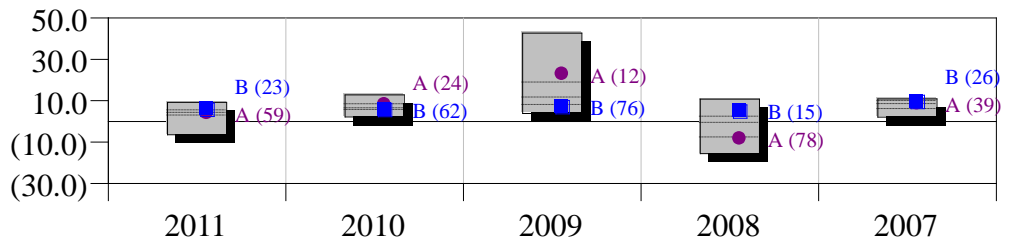
# Loomis Sayles Global Bond Fund

Returns  
for Periods Ended December 31, 2011  
Group: CAI MF - Global Fixed Income Style



10th Percentile	2.4	9.1	9.1	8.5	12.0
25th Percentile	1.7	5.0	5.0	5.9	8.6
Median	0.8	3.8	3.8	4.9	6.9
75th Percentile	(0.4)	2.5	2.5	4.2	6.1
90th Percentile	(1.1)	(3.4)	(3.4)	2.6	4.4
<b>Loomis Sayles Global Bond Fund</b> ● A	<b>1.8</b>	<b>3.8</b>	<b>3.8</b>	<b>5.9</b>	<b>9.2</b>
BC:Gbl Aggr Idx ■ B	0.2	5.6	5.6	5.6	6.6

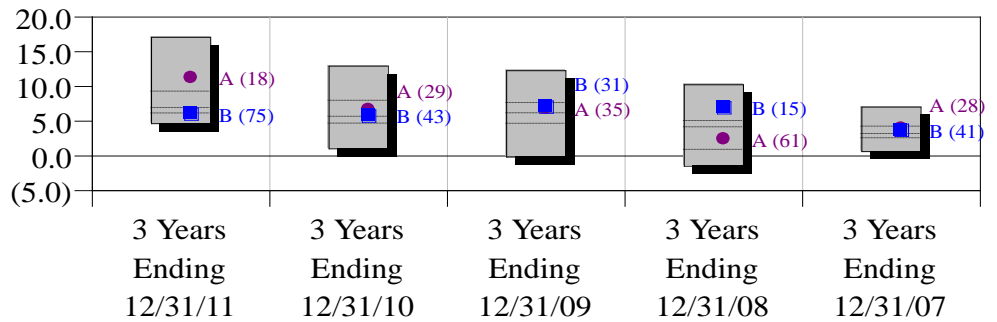
Returns for Calendar Years  
Group: CAI MF - Global Fixed Income Style



10th Percentile	9.1	11.7	28.0	7.1	10.5
25th Percentile	5.0	8.0	18.4	2.0	9.6
Median	3.8	6.0	11.2	(1.1)	8.0
75th Percentile	2.5	5.2	7.6	(8.1)	5.6
90th Percentile	(3.4)	3.8	5.9	(12.6)	2.5
<b>Loomis Sayles:GB;Inst</b> ● A	<b>3.8</b>	<b>8.0</b>	<b>22.7</b>	<b>(8.6)</b>	<b>8.4</b>
BC:Gbl Aggr Idx ■ B	5.6	5.5	6.9	4.8	9.5

# Loomis Sayles Global Bond Fund

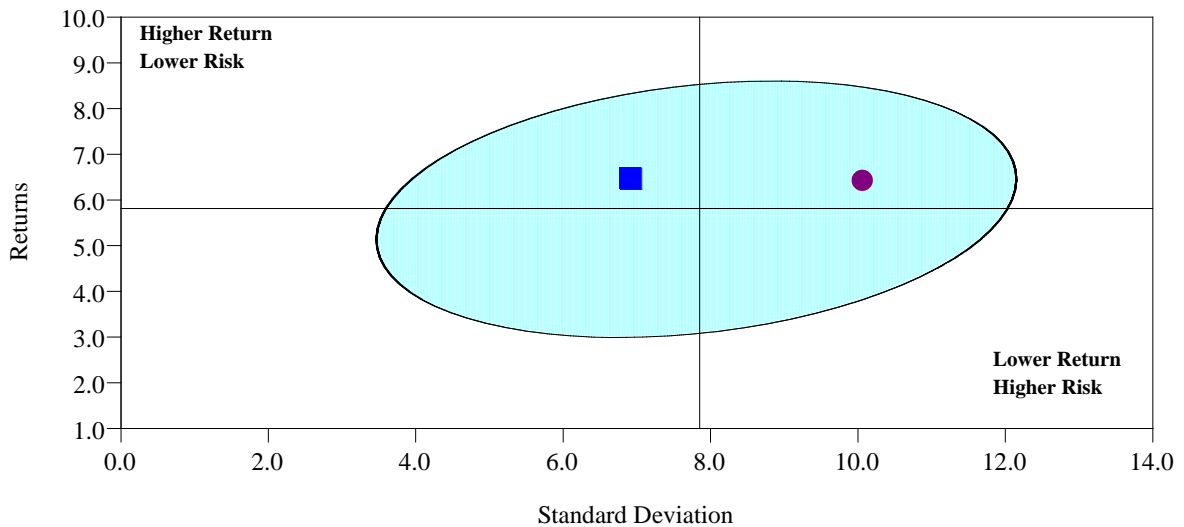
Returns  
for 12 Quarter Rolling Periods  
5 Years Ended December 31, 2011  
Group: CAI MF - Global Fixed Income Style



	3 Years Ending 12/31/11	3 Years Ending 12/31/10	3 Years Ending 12/31/09	3 Years Ending 12/31/08	3 Years Ending 12/31/07
10th Percentile	13.7	10.3	10.0	9.4	5.2
25th Percentile	9.2	7.9	7.5	4.9	4.1
Median	6.8	5.6	6.1	4.0	3.1
75th Percentile	6.0	4.6	4.5	0.8	2.4
90th Percentile	4.7	1.5	3.0	(0.9)	1.8

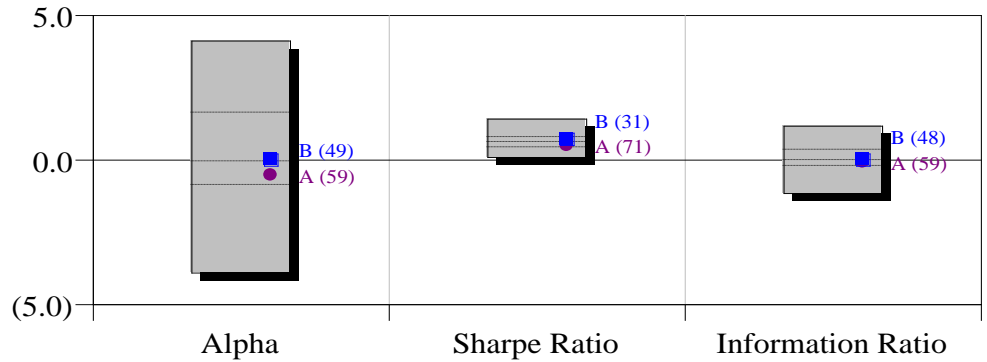
<b>Loomis Sayles:GB;Inst</b> ● A	<b>11.2</b>	<b>6.6</b>	<b>6.8</b>	<b>2.4</b>	<b>3.9</b>
BC:Gbl Aggr Idx ■ B	6.0	5.8	7.0	7.0	3.7

Scatter Chart  
for 5 Years Ended December 31, 2011



# Loomis Sayles Global Bond Fund

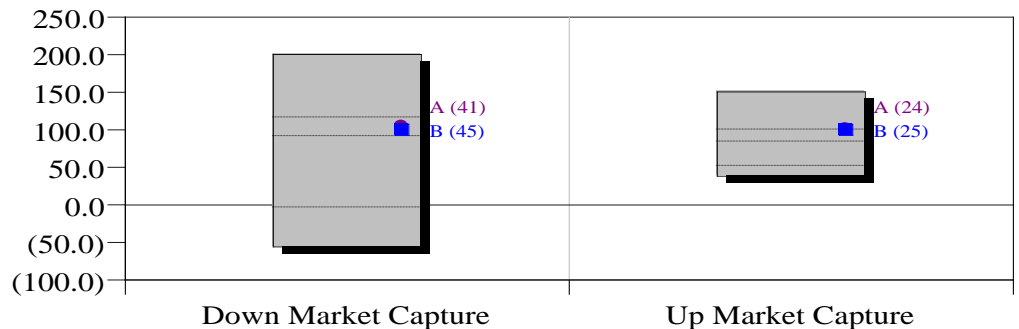
Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI MF - Global Fixed Income Style



	Alpha	Sharpe Ratio	Information Ratio
10th Percentile	3.2	1.2	0.9
25th Percentile	1.6	0.8	0.3
Median	(0.1)	0.6	0.0
75th Percentile	(0.9)	0.4	(0.2)
90th Percentile	(3.3)	0.1	(1.0)

<b>Loomis Sayles:GB;Inst</b> ● A	<b>(0.5)</b>	<b>0.5</b>	<b>(0.1)</b>
BC:Gbl Aggr Idx ■ B	0.0	0.7	0.0

Statistics  
for 5 Years Ended December 31, 2011  
Group: CAI MF - Global Fixed Income Style

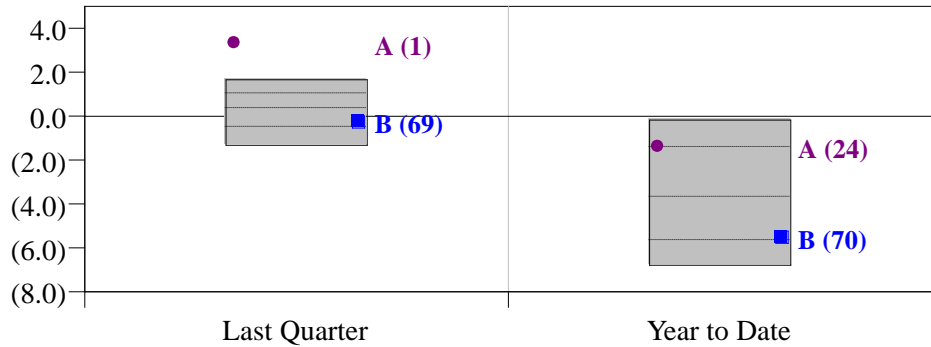


	Down Market Capture	Up Market Capture
10th Percentile	159.1	138.8
25th Percentile	115.7	99.6
Median	90.9	83.7
75th Percentile	(4.1)	51.2
90th Percentile	(29.6)	38.9

<b>Loomis Sayles:GB;Inst</b> ● A	<b>104.8</b>	<b>101.2</b>
BC:Gbl Aggr Idx ■ B	100.0	100.0

# Alternative Module

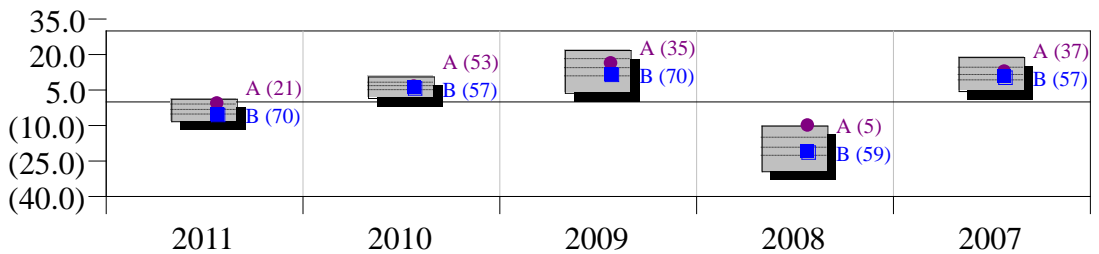
Returns  
for Periods Ended December 31, 2011  
Group: Broadly Diversified Hedge FoF Style



10th Percentile	1.7	(0.2)
25th Percentile	1.0	(1.4)
Median	0.3	(3.7)
75th Percentile	(0.5)	(5.7)
90th Percentile	(1.3)	(6.8)

<b>Alternative Module</b> ● A	<b>3.3</b>	<b>(1.4)</b>
HFR:FOF Index ■ B	(0.3)	(5.5)

Returns for Calendar Years  
Group: Broadly Diversified Hedge FoF Style



10th Percentile	(0.17)	9.02	20.40	(12.29)	16.74
25th Percentile	(1.44)	7.78	17.76	(15.44)	14.17
Median	(3.71)	6.34	13.94	(19.70)	11.08
75th Percentile	(5.67)	4.69	10.51	(23.12)	8.78
90th Percentile	(6.79)	2.26	5.77	(27.21)	5.60

<b>Alt Module 5.10</b> ● A	<b>(0.98)</b>	<b>6.20</b>	<b>15.97</b>	<b>(10.27)</b>	<b>12.55</b>
HFR:FOF Index ■ B	(5.51)	5.70	11.46	(21.39)	10.26



## Alternative Module Funds History

The following charts show the annualized and calendar year returns of the component funds in the Alternatives Module Composite including managed futures.

### Returns for Periods Ended December 31, 2011

	Last Quarter	Year to Date	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
Absolute Strat;Inst	0.39	2.61	2.61	3.38	8.20	2.72
Absolute Opptys;Inst	1.55	(3.76)	(3.76)	2.65	8.34	--
Ivy:Asset Strategy;l	7.03	(7.45)	(7.45)	0.90	8.10	--
PIMCO:All Ast Ath;Inst	4.86	3.01	3.01	6.77	10.81	6.85
TFS:Market Neutral	5.70	0.10	0.10	3.12	7.44	5.09
HFR:FOF Index	(0.26)	(5.51)	(5.51)	(0.06)	3.64	(0.71)

Eaton Vance Global Macro Fund was added to the Alternatives Module at the end of September.

### Returns for Calendar Year Periods

	2011	2010	2009	2008	2007
Absolute Strat;Inst	2.61	4.16	18.51	(13.54)	4.44
Absolute Opptys;Inst	(3.76)	9.48	20.69	--	--
Ivy:Asset Strategy;l	(7.45)	10.00	24.08	(25.73)	--
PIMCO:All Ast Ath;Inst	3.01	10.67	19.35	(6.92)	9.99
TFS:Market Neutral	0.10	6.23	16.64	(7.30)	11.49
HFR:FOF Index	(5.51)	5.70	11.46	(21.39)	10.26

# **IPS Executive Summary**

---

# Virginia Birth-Related Neurological Injury Compensation Fund

## Executive Summary

<b>Planning Time Horizon</b>	10 years
<b>Expected Return</b>	7.0% annualized return or 4¼ % over inflation as measured by the CPI-U. This projection is based on 2010 Callan Capital Markets Projections for the ensuing ten years and the asset allocation strategy set forth in the table below.
<b>Risk Tolerance</b>	<p>The annual nominal return is expected to fall within a range of -1.8% to +15.8% two thirds of the time (one standard deviation) over this period.</p> <p>There is a 95% probability that losses will not exceed -7.5% in any given year and a 99% probability that losses will not exceed -12.9% in any given year.</p>
<b>Evaluation Benchmarks</b>	The Portfolio is expected to meet or exceed Policy-weighted benchmarks comprised of relevant market indices and/or peer manager median returns according to the Strategic Allocations set forth in the table below.
<b>Asset Allocation</b>	The Portfolio will be diversified according to the Strategic Allocations set forth in the following table.

Asset Allocation	Lower Limit	Strategic	Upper Limit
U.S. Large Cap Equities	18	23	28
U.S. Small/Mid Cap Equities	1	4	7
International Developed Market Equities	5	10	15
International Emerging Markets Equities	1	3	6
U.S. Fixed Income	20	30	50
High Yield Fixed Income <sup>1</sup>	1	5	8
Alternatives <sup>2</sup>	0	20	30
Cash & Equivalents	0	5	25

<sup>1</sup> May include international emerging debt

<sup>2</sup> May include hedge funds, mutual funds using hedge fund strategies, private equity, commodities and other alternative strategies approved by the Investment Committee

The actual allocation may be rebalanced quarterly back to the Strategic Allocation target or at other such times as may be required to maintain compliance with this Policy Statement. The target is to be reviewed annually for reasonableness in relation to significant economic and market conditions or to changes in the organization's long-term goals and objectives. A formal asset allocation study should be conducted at least every three years to confirm the validity of the targets.

## Benchmarks

(This table identifies the benchmarks available for comparative performance.)

Asset Class	Market Index	Callan Style Database
Total Portfolio	Custom Weighted Blend	
Large Cap U.S. Equities	S&P 500	Large Cap Broad
	MSCI US Prime Market 750	
	Russell 1000	Large Cap Growth Large Cap Value
	Russell 1000 Growth Russell 1000 Value	
Small Cap U.S. Equities	S&P 600	Small Cap Broad
	Russell 2000	Small Cap Growth Small Cap Value
	Russell 2000 Growth	
	Russell 2000 Value	
International Equities	MSCI EAFE	Core International Equity
Emerging Markets Equity	MSCI Emerging Markets	Emerging Markets Equity
Domestic Fixed Income	Barclays Aggregate	Core Fixed Income
	Barclays Intermediate	
	Aggregate	
Alternatives	HFR Hedge Fund	Hedge Funds

## Manager Structure History

Current Managers	Asset Class	Inception
INTECH Large Cap Growth	Large Cap Growth	04/30/2006
Rainier Investment Management	Large Cap Growth	05/09/2006
Vanguard Large-Cap Index Fund	Large Cap	08/04/2005
Great Lake Advisors	Large Cap Value	05/09/2006
Robeco/Boston Partners	Large Cap Value	02/18/2009
Vanguard Large Cap Value Index Fund	Large Cap Value	05/29/2009
TAMRO Capital Partners	Small Cap Broad	08/31/2006
Eagle Asset Management	Small Cap Broad	08/31/2006
Artisan International Fund	International Equity	06/22/2006
Harbor International Fund	International Equity	06/22/2006
Acadian Emerging Markets Equity Fund	Emerging Markets	06/17/2009
Eaton Vance Emerging Markets	Emerging Markets	06/17/2009
Loomis Sayles Global Bond Fund	Global Bond	06/17/2009
Vanguard Total Bond Market Index	Fixed Income	08/04/2005
Western Asset Core Plus Bond	Fixed Income	09/29/2006
Richmond Capital Management	Domestic Fixed Income	10/03/2006
Atlantic Asset Management	Domestic Fixed Income	10/03/2006
PIMCO Total Return Fund	Domestic Fixed Income	06/17/2009
Alternatives Module	Alternatives	11/04/2010

Terminated Managers/Funds	Asset Class	Inception	Termination
SSgA Emerging Markets Fund	Emerging Markets	06/22/2006	02/09/2011
AllianceBernstein	Large Cap Value	05/24/2006	02/18/2009
Vanguard Small-Cap Index Fund	Small Cap	08/04/2005	08/29/2006
Vanguard Emerging Markets VIPER/ETF	Emerging Markets	08/04/2005	06/20/2006
Vanguard Developed Markets Index Fund	International Equity	08/04/2005	06/15/2006
Merrill Lynch Equity	Large Cap	09/30/2000	07/27/2005
Merrill Lynch Fixed Income	Fixed Income	09/30/2000	07/27/2005

## **Quarterly Performance Report Disclosure/Account Reviews (INST)**

### **Important Disclosure Information**

This report has been prepared by Capital Advisory Group (CapGroup) using information from sources that include the following: the computer software, investment manager and fund sponsor databases of Callan Associates, Inc.; the fund custodian(s); investment manager(s); third party data vendors; the client; and other outside sources as directed by the client. Account information has been compiled solely by CapGroup and has not been independently verified. CapGroup assumes no responsibility for the accuracy or completeness of the information provided, or methodologies employed by any providers external to CapGroup.

In reviewing this report, it should be noted that past performance may not be indicative of future results. The individual account performance information contained in this report reflects the reinvestment of dividends, and is net of applicable transaction fees and mutual fund expenses, but not custody fees, investment manager fees and the investment advisory fees charged to the Account by CapGroup. Historical performance results for investment indices and/or categories have been provided for general comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. Comparative performance information for manager universes has been provided by Callan Associates, Inc. and does not reflect the deduction of investment manager fees, the incurrence of which would have the effect of decreasing the historical returns for the respective universes. It should not be assumed that your account holdings correspond directly to any comparative indices or manager universes. A copy of our current written disclosure statement discussing our advisory services and fees continues to remain available for your review upon request.



**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Comprehensive Annual Financial Report

December 31, 2010

(With Independent Auditors' Report Thereon)

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

**Table of Contents**

	<b>Page</b>
Introductory Section:	
Letter of Transmittal	i
Organization Chart	v
Directory of Officials	vi
Financial Section:	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets (Deficit)	10
Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit)	11
Statement of Cash Flows	12
Notes to Basic Financial Statements	13
Required Supplementary Information:	
Claims Development Information	21
Notes to Required Supplementary Information	22
Statistical Section:	23
Financial Trends:	
Net Deficit by Component	24
Schedule of Revenues, Expenses, and Changes in Fund Net Assets (Deficit)	25
Analysis of Average Cost per Active Claimant	26
Schedule of General and Administrative Expenses	27
Revenue Capacity:	
Rates and Assessments	28
Economic and Demographic Information:	
Physicians, Hospitals, and Insurance Companies	29
Virginia Demographic Statistics	30
Operating Information:	
Number of Admitted, Deceased, and Active Claimants	31
Number of Employees by Identifiable Activities	32
Compliance Section:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33



This page left intentionally blank

## **INTRODUCTORY SECTION**

This page left intentionally blank



VIRGINIA BIRTH-RELATED  
NEUROLOGICAL INJURY  
COMPENSATION PROGRAM

May 10, 2011

The Board of Directors  
7501 Board of Directors, Dr. Suite 210  
Richmond, VA 23225

Dear Members of the Board:

The Comprehensive Annual Financial Report (CAFR) of the Virginia Birth-Related Neurological Compensation Program (the Program) for the year ended December 31, 2010, is submitted herewith. This CAFR has been prepared by the Program's Finance Department in accordance with accounting principles generally accepted in the United States of America and conforms to the requirements of the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Program. We believe the data, as presented, is accurate in all material respects; that the data is presented in a manner designed to fairly set forth the financial position and results of the operations of the Program as measured by the financial activity of its various accounts; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Program's financial affairs have been included.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The Program's MD&A can be found immediately following the independent auditors' report.

A brief history of the Program, its fiscal operations, and selected accomplishments are presented below.

### **Organization and Function**

With soaring medical malpractice insurance rates and insurance companies on the brink of eliminating coverage in the mid-1980s, up to one-quarter of the Commonwealth of Virginia's (the Commonwealth) obstetricians were threatened with having to close their office doors. To alleviate this crisis, the Commonwealth worked with stakeholders including physician associations, insurers, lawyers and others to develop an innovative solution; the Virginia Birth-Related Neurological Injury Compensation Program. The Program was a first of its kind nationally.

The Program's legislation presents a very specific definition of 'birth injury', which represents a very small number of births each year. By keeping many of the most expensive cases out of the court system, combined with a medical malpractice award cap, the medical malpractice insurance industry has been reasonably stabilized in the Commonwealth (especially when compared to other states) allowing physicians to do what they do best – treat patients.

Although the Program was created by the General Assembly of the Commonwealth, it operates as a separate organization. A nine member volunteer board appointed by the Governor of the Commonwealth

directs the Program. The Program is regulated by the Code of Virginia, which is very specific in how it operates.

All admissions are through the Virginia Workers' Compensation Commission; the Program itself does not admit claimants. Financial reports are filed annually with the Governor's office, the Virginia Senate and the Virginia House of Delegates. At least every other year, the State Corporation Commission is required to conduct an actuarial study of the Program.

Entry into the Program does not provide for any pre-determined amount of compensation. The Program operates much like an insurance policy in that it pays for actual medically necessary costs and other legislatively stipulated benefits. Additionally, the Program is the payer of last resort in all situations. There is no cap on the total eligible lifetime costs for a claimant.

No federal or state funds are involved in providing services to claimants. Funding is derived only from legislatively allowed sources including participating physician fees, participating hospital fees, nonparticipating physician assessments and liability insurer assessments.

### **Major Initiatives**

Participating physicians and hospitals are continuing to become more aware of the benefits of participation for themselves as well as their patients. A qualifying birth can occur despite the heroic efforts of everyone involved. When it does happen, entry into the Program is important to both families and health services providers.

During 2010, 678 physicians participated in the Program. Along with the coverage benefits of participation, physicians also receive a reduction or credit on their malpractice insurance premiums. During 2010, 37 hospitals enrolled in the Program. According to estimates approximately 90% of births are covered by the Program due to participating hospitals and doctors.

The Program covers expenses that insurance and other programs do not. Medically necessary expenses such as doctor and hospital visits, therapy, nursing care, and medical equipment are mandated by the guiding legislation. The Code of Virginia also provides a wage benefit paid to the claimant from age 18 to 65, and payment for legal expenses related to filing the claim. In addition, the Program provides benefits including handicapped accessible vans, handicapped accessible bedroom and bath additions to homes, rental assistance, and allowances for therapeutic toys, medical service dogs and experimental therapies.

The Program's administrative cost as a percentage of total expenses (administrative plus claimant) remain low at 9%.

### **Philosophy**

The Program plays a unique role in the Commonwealth. As previously noted, the Program was established due to a need to improve the tort climate for medical care in the Commonwealth, with the specific purpose of keeping malpractice insurers writing policies. It accomplished the goal immediately. According to studies and anecdotal information from key players in the industry, the Program is still fulfilling this role.

However, over the past 23 years the more publicly visible role has become the Program's contribution to caring for this specific group of children. Here the information also shows that they receive more benefits and greater care than those utilizing the tort system.

In fact, an article written by an actuary who has studied the Program and a similar organization in Florida noted that such approaches are highly efficient as compared to tort remedies. He writes that the vast majority of money involved in the Program is used for claimant care whereas in the tort system substantial percentages of funds go to other purposes.

Along with striving for such efficiency, the Program has worked to assure its financial reserves receive maximum growth with minimum risk. This has been accomplished through careful planning and the use of a sophisticated investment policy and practice.

### **Financial Controls**

The Deputy Director is responsible for establishing and maintaining an adequate internal control structure. In fulfilling this responsibility, estimates and judgments are required to assess the expected benefits and related costs of control procedures. The objectives of the control system are to provide the Program with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and are recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. All internal control evaluations occur within this framework.

### **Independent Audit**

The Program's guiding legislation (§38.2-5015B) requires an annual independent audit of the Program's financial records and transactions by an independent certified public accountant selected by the Board of Directors.

### **Acknowledgements**

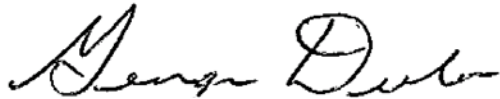
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Program for its comprehensive annual financial report for the fiscal year ended December 31, 2009. This was the third consecutive year that the Program achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

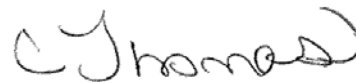
The Board of Directors  
May 10, 2011  
Page iv

The staff of the Finance Department accomplished the preparation of this CAFR for year ended December 31, 2010. We would like to express our appreciation to all members of the Finance Department who assisted and contributed to its preparation.

Respectfully submitted,



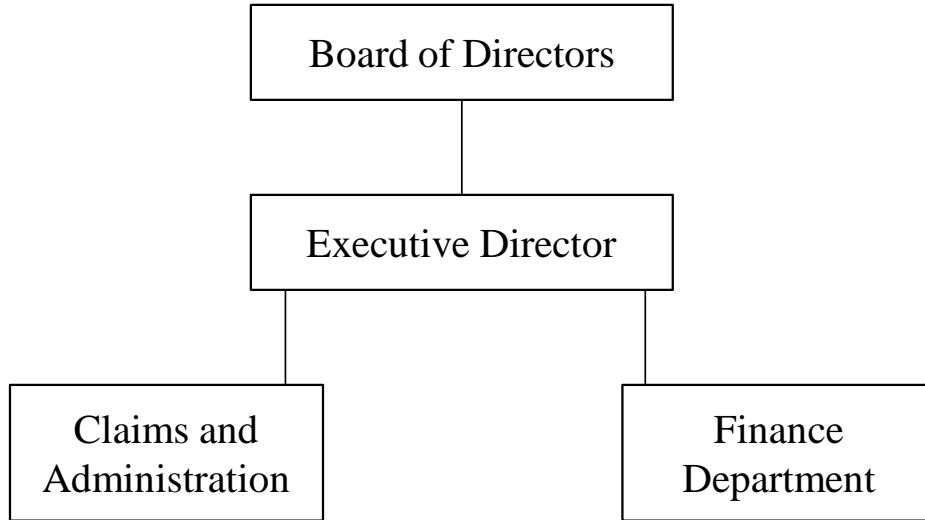
George Deebo  
Executive Director



Candace Thomas, CGFM  
Deputy Director

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

**Organizational Chart**





**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Principal Officials

**BOARD OF DIRECTORS**

Susan Lucas, MD, PHD, Chair  
Susan Riddick-Grisham, RN, BA, Vice Chair  
Gwen Taylor, Esq. MSA  
McLain O’Ferrall  
Jennifer Ogburn  
J. Scott Walters, Esq.  
David R. Barrett  
Hope F. Cupit, CPA  
John W. Seeds, MD

**OTHER OFFICIALS**

Executive Director  
Deputy Director  
Assistant Attorney General

George Deebo  
Candace Thomas, CGFM  
Carla Collins, Esq.

This page left intentionally blank

## **FINANCIAL SECTION**

This page left intentionally blank



KPMG LLP  
Suite 2000  
1021 East Cary Street  
Richmond, VA 23219-4023

## Independent Auditors' Report

The Board of Directors  
Virginia Birth-Related Neurological  
Injury Compensation Program:

We have audited the accompanying statement of net assets (deficit) of the Virginia Birth-Related Neurological Injury Compensation Program (the Program) as of and for the year ended December 31, 2010 and the related statements of revenues, expenses and changes in fund net assets (deficit) and cash flows for the year ended, which collectively comprise the Program's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of December 31, 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2011 on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 and the Claims Development Information on pages 21 through 22 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Program's basic financial statements. The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

May 10, 2011

# VIRGINIA BIRTH-RELATED NEUROLOGICAL INJURY COMPENSATION PROGRAM

## Management's Discussion and Analysis

December 31, 2010

This Section of the Virginia Birth Related Neurological Injury Compensation Program (the Program) Comprehensive Annual Financial Report (CAFR) represents our discussion and analysis of the Program's financial performance during the fiscal years ended December 31, 2010 and 2009. Please read it in conjunction with the Program's basic financial statements and accompanying notes.

### Financial Highlights

- The 2010 revenue from total fees and assessments decreased by \$3,000 or 0.01%. The decrease is primarily due to the general economic slowdown and its impact on liability insurers. Fees assessed from participating physicians increased \$280,000 or 8%, participating hospitals increased \$21,000 or 0.6%, insurance companies decreased \$347,000 or 3.0% and mandated physician fees increased \$44,000 or 1%. (An explanation of significant variances is included later in this report).
- The Program's total net assets decreased by \$2,300,000 from a deficit of \$146,800,000 in 2009 to a deficit of \$149,100,000 in 2010. The decrease in net assets is primarily due to operating revenues of \$24,100,000 and net investment income of \$24,300,000 which were offset by provision for claims expenses of \$50,500,000. (An explanation is included later in this report).
- The Program provided \$7,991,000 in nursing care, \$311,000 in therapy, \$385,000 for 10 handicapped accessible vans, \$423,000 for housing benefits, \$161,000 for durable medical equipment and technology, \$78,000 for hospitals and physician visits, and \$165,000 for claimant legal fees.
- The Program paid one award of \$100,000 according to Virginia Code §38.2-5009.1 – Infants dying shortly after birth.
- An additional 7 claimants became eligible to receive the wage benefit for a total of 27 eligible claimants. Eligible claimants may request and receive half of the average weekly wage of workers in the Commonwealth of Virginia in the private nonfarm sector. (See Virginia Code §38.2-5009.2) A total of \$395,000 was paid to the 18 eligible claimants requesting the benefit.
- The average cost per active claimant in 2010 and 2009 was approximately \$101,000 for both years.
- As of December 31, 2010 there was a record high of 678 participating physicians, up 30 from 648 physicians in 2009. Participating hospitals decreased by 1 from 38 in 2009 to 37 in 2010.
- Administrative expenses were 9% and 8% of the total expenses (administrative plus claimant) paid in 2010 and 2009.
- As of December 31, 2010, 67 families received reimbursement for nursing or attendant care provided by a relative or legal guardian according to Virginia Code §38.2-5009. The Program began to reimburse family members for providing care beginning July 1, 2008.

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Management's Discussion and Analysis

December 31, 2010

As of December 31, 2010, the Program had a total of 155 admitted claimants, 38 of which are deceased. During the year ended December 31, 2010, 5 claimants were admitted into the Program, 1 of which was deceased. No existing claimants became deceased. 10 claimant petitions for admission were pending as of December 31, 2010. See chart below:

	<b>Total December 31, 2009</b>	<b>2010 Activity</b>	<b>Total December 31, 2010</b>
Admitted	\$ 150	5	155
Deceased	37	1	38
Active	\$ 113	4	117

**Overview of the Financial Statements**

The Program's Comprehensive Annual Financial Report (CAFR) consists of four sections: introductory, financial, statistical, and compliance. The financial section consists of five components; the independent auditors' report, management's discussion and analysis (this component), the basic financial statements, notes to the basic financial statements, and required supplementary information.

The basic financial statements include the Statement of Net Assets (Deficit), the Statement of Revenues, Expenses, and Changes in Fund Net Assets (Deficit), and the Statement of Cash Flows. The notes to the basic financial statements provide additional details for understanding information presented in the financial statements. The notes are followed by a section of required supplementary information that includes claims development information.



**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Management's Discussion and Analysis

December 31, 2010

**Financial Analysis**

*Statement of Net Assets*

The following table reflects the summarized Statement of Net Assets (Deficit) of the Program:

**Table 1**

Summarized Statements of Net Assets (Deficit)

December 31, 2010 and 2009

(In millions)

	<b>2010</b>	<b>2009</b>
Current assets	\$ 18.2	29.2
Noncurrent assets	263.8*	216.5*
Total assets	282.0	245.7
Current liabilities	35.3	35.3
Noncurrent unpaid claims reserve:		
Admitted claims	270.8	240.9
Incurred but not reported claims	125.0	116.3
Total unpaid claims reserve, noncurrent	395.8	357.2
Total liabilities	431.1	392.5
Unrestricted net assets (deficit)	(149.1)*	(146.8)*
Total net assets (deficit)	\$ (149.1)	(146.8)

\* Capital assets and Capital assets net of related debt are immaterial and are not subdivided.

At December 31, 2010 and 2009, the total assets of the Program were \$282.0 million and \$245.7 million, respectively; total liabilities were \$431.1 million and \$392.5 million, respectively, while net assets (deficit) were \$(149.1) million and \$(146.8) million, respectively. The actuarial estimate of future claim payments of children born on or prior to December 31, 2010, plus the actuarial estimate of future claim administration expenses, exceeds the assets of the Program.

The \$47.3 million increase in noncurrent assets from \$216.5 million in 2009 to \$263.8 million in 2010 consists primarily of \$18 million in unrealized and realized investment gains, \$7.5 million in dividends and interest, and net cash provided by operating activities of \$12.0 million, which was invested.

The total unpaid claims reserve at December 31, 2010 and 2009 was \$407.8 million and \$369.2 million, respectively. This represents the estimated cost for claimants currently admitted into the Program and an estimated number of not yet admitted claimants (incurred but not reported, (IBNR)) with birth dates prior to

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Management's Discussion and Analysis

December 31, 2010

fiscal year-end that will be admitted to the Program subsequent to fiscal year-end. This reserve is based on an annual actuarial study.

A summary of the claims provision is as follows (in millions):

	<b>2010</b>	<b>2009</b>
Estimated future payments for claimants	\$ 23.5	22.3
Increase in provision for change in methodology and assumptions	7.7	(12.6)
Estimated future payments for new claimants admitted in prior years	22.9	22.4
Estimated claim payments	(15.5)	(16.9)
Net change in claims reserve	\$ 38.6	15.2

The net change in claims reserve for the years ended December 31, 2010 and 2009 was \$38.6 million and \$15.2 million, respectively. The change in the provision for change in methodology and assumptions are due to changes in factors such as mortality, nursing, number of claimants and inflation.

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Management's Discussion and Analysis

December 31, 2010

***Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit)***

The following table shows the summarized Statement of Revenues, Expenses, and Changes in Fund Net Assets (Deficit) of the Program:

**Table 2**

Summarized Statements of Revenues, Expenses, and Changes in Fund Net Assets

Years ended December 31, 2010 and 2009

(In millions)

	<b>Year ended December 31</b>	
	<b>2010</b>	<b>2009</b>
Operating revenues:		
Participating hospitals	\$ 3.8	3.8
Participating physicians	3.8	3.5
Mandated physician fees	4.2	4.2
Insurance fees	12.3	12.6
Total operating revenues	<u>24.1</u>	<u>24.1</u>
Operating expenses:		
Provision for claims	50.5	26.6
General and administration	0.2	0.2
Total operating expenses	<u>50.7</u>	<u>26.8</u>
Operating loss	(26.6)	(2.7)
Nonoperating revenue (expense):		
Net investment income	24.3	36.6
Miscellaneous	—	0.1
Net nonoperating revenue (expense)	<u>24.3</u>	<u>36.7</u>
Change in net assets	<u>(2.3)</u>	<u>34.0</u>
Net assets (deficit) at beginning of year	(146.8)	(182.6)
Cumulative effect of accounting change	—	1.8
Adjusted net assets (deficit) at beginning of year	<u>(146.8)</u>	<u>(180.8)</u>
Net assets (deficit) at end of year	<u><u>\$ (149.1)</u></u>	<u><u>(146.8)</u></u>

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Management's Discussion and Analysis

December 31, 2010

**Revenues**

Revenues consist primarily of legislatively established assessments placed on participating and nonparticipating physicians, hospitals, and insurance companies and net investment income. Nonparticipating physicians pay the mandated physician fee. For the years ended December 31, 2010 and 2009, operating revenue was \$24.1 million for both years, and nonoperating revenue (expense) was \$24.3 million and \$36.7 million, respectively.

Assessments for 2010 for participating and nonparticipating physicians were \$5,900 and \$300, respectively. Participating hospitals are assessed a fee of \$55 per live birth for the prior year, as reported by the Department of Health, not to exceed \$200,000. In 2010 and 2009, liability insurers paid one quarter of one percent on the direct premiums written during the prior year.

The participating physicians' assessments increased \$280,000 or 8% from \$3.5 million in 2009 to \$3.8 million in 2010. The number of physicians participating was 678 and 648 in 2010 and 2009, respectively.

In 2008, the Virginia General Assembly authorized increases in future year's assessments according to the following chart; however the increase in fees will have a minor effect on the net assets.

<u>Year</u>	<u>Participating physician fee</u>	<u>Mandated physician fee</u>	<u>Hospital</u>
2011	\$ 6,000	300	\$55/live birth not to exceed \$200,000
2012	6,100	300	\$55/live birth not to exceed \$200,000
2013	6,200	300	\$55/live birth not to exceed \$200,000

Net investment income decreased \$12 million in 2010 to \$24.3 million from \$36.6 million in 2009. The significant gains experienced in 2009 were the result of a rebound in the markets beginning in the first quarter and continuing throughout the year. During 2010, the market continued to add 11% to the 21% return earned in 2009. Although budget deficits, the European financial crisis, and the expiration of several stimulus programs fostered a sharp correction in the second quarter, the market rebounded in the second half of the year with positive economic reports and investors moving away from fixed income to equities.

**Expenses**

For the years ended December 31, 2010 and 2009, expenditures totaled \$50.7 million and \$26.8 million, respectively. The increase is primarily due to the increase in provision for change in methodology and assumptions, (see above summary of claims provision). Expenses are comprised of general administrative and claims related expenses, the latter of which reflects both the increases in claims reserve and the claims paid during the year.

# **VIRGINIA BIRTH-RELATED NEUROLOGICAL INJURY COMPENSATION PROGRAM**

## **Management's Discussion and Analysis**

December 31, 2010

General administrative expenses include the portion of salaries, rent, cost of office equipment, and all other expenses not directly related to claims. Administrative expenses were 9% and 8% of the total expenses (administrative plus claimant) in 2010 and 2009. Management estimates that approximately 80% of the total administrative expenses are directly related to claims administration. Of the total administrative expenses of approximately \$1,064,000 in 2010, approximately \$851,000 or 80% is related to claims and approximately \$213,000 is related to program administration. Of the total administrative expenses of approximately \$981,000 in 2009, approximately \$785,000 or 80% is related to claims and approximately \$196,000 is related to program administration.

Provision for claims includes the portion of general administration expenses related to claims and actual and future expenses related to claims. Claimant expenses include nursing, therapy, physician and hospital visits, prescriptions, housing, transportation, the wage benefit and durable medical equipment. Provision for claims has increased from \$26.6 million in 2009 to \$50.5 million in 2010. These increases are primarily due to the changes in actuarial assumptions and differences in the estimated future claims expense and actual expense as discussed previously in this report.

### **Economic Factors**

During 2010, the Board of Directors voted to change the Investment Policy Statement to include alternative investments in the Program's portfolio. The asset allocation now includes 20% alternatives, 40% stocks, 35% bonds and 5% cash. As of December 31, 2010, the Program's portfolio includes 20% in registered mutual funds with alternative strategies. As mentioned previously, the Program's funds had a positive return of 11% for the year and exceeded both custom benchmarks. Considering the recent economic challenges the markets have faced, the Board of Directors continue to focus on prudent asset allocations, risk assessment, disciplined rebalancing, manager due diligence, and adherence to a well developed investment policy.

As of December 31, 2010, 32% of the investment portfolio was invested in separate accounts, 66% was invested in mutual funds and 2% in real estate held in trust. The Board believes these actions together with the guidance from CapGroup, the Program's investment advisor, have significantly improved the investment strategy and will continue to enhance the financial position of the Program, which is an important factor in reducing the actuarial deficit.

### **Contacting the Program's Financial Management**

This financial report is designed to provide users (e.g., citizens, taxpayers, claimant families, service providers and creditors) with a general overview of the Program's finances and to demonstrate the Program's accountability for the funds it receives. Questions concerning this report or requests for additional information should be directed to the Deputy Director, 7501 Boulders View Dr. Suite 210, Richmond, VA 23225, 804-330-2471 or visit our website at <http://www.vabirthinjury.com>.

This page left intentionally blank

## **BASIC FINANCIAL STATEMENTS**

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Statement of Net Assets (Deficit)

December 31, 2010

**Assets**

Current assets:	
Cash and cash equivalents	\$ 17,710,515
Accrued interest and dividends	487,067
Total current assets	18,197,582
Noncurrent assets:	
Investments	263,764,774
Capital assets, net	14,943
Other assets	3,008
Total noncurrent assets	263,782,725
Total assets	\$ 281,980,307

**Liabilities**

Current liabilities:	
Accounts payable	\$ 909,690
Accrued liabilities	332,762
Unearned revenue	22,038,626
Current portion of unpaid claims reserve	12,000,000
Total current liabilities	35,281,078
Noncurrent liabilities:	
Unpaid claims reserve:	
Admitted claims, less current portion	270,800,000
Incurred but not reported claims	125,000,000
Total unpaid claims reserve	395,800,000
Total noncurrent liabilities	395,800,000
Total liabilities	\$ 431,081,078

**Net Assets (Deficit)**

Invested in capital assets, net of related debt	\$ 14,943
Unrestricted deficit	(149,115,714)
Total net assets (deficit)	\$ (149,100,771)

See accompanying notes to basic financial statements.



**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Statement of Revenues, Expenses, and Changes in Fund Net Assets (Deficit)

Year ended December 31, 2010

Operating revenues:	
Participating hospitals	\$ 3,771,265
Participating physicians	3,811,821
Mandated physician fees	4,214,365
Insurance fees	12,273,510
Other	8,528
	<hr/>
Total operating revenues	24,079,489
Operating expenses:	
Provision for claims	50,458,868
General and administration	212,856
	<hr/>
Total operating expenses	50,671,724
	<hr/>
Operating loss	(26,592,235)
Nonoperating revenue:	
Net investment income	24,300,439
Miscellaneous	11,913
	<hr/>
Net nonoperating revenue	24,312,352
	<hr/>
Change in net assets (deficit)	(2,279,883)
Net assets (deficit) at beginning of year	<hr/> (146,820,888)
Net assets (deficit) at end of year	<hr/> <hr/> \$ (149,100,771)

See accompanying notes to basic financial statements.

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Statement of Cash Flows

Year ended December 31, 2010

Cash flows from operating activities:	
Receipts from hospitals	\$ 3,439,925
Receipts from participating physicians	3,876,807
Mandated physician fee receipts	4,755,175
Receipts from insurance companies	12,053,341
Other receipts	8,528
Payments on behalf of claimants	(11,171,796)
Payments to suppliers of goods and services	(397,902)
Payments to employees	(567,445)
	<hr/>
Net cash provided by operating activities	11,996,633
Cash flows used in capital and related financing activities:	
Purchase of capital assets	(7,679)
Cash flows from investing activities:	
Purchase of investments	(237,792,911)
Proceeds from sale and maturity of investments	207,966,261
Earnings on investments	6,889,857
	<hr/>
Net cash used in investing activities	(22,936,793)
Net decrease in cash and cash equivalents	(10,947,839)
Cash and cash equivalents:	
Beginning of year	<hr/> 28,658,354
End of year	\$ <hr/> <hr/> 17,710,515
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (26,592,235)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,866
Increase (decrease) in:	
Accounts payable	(164,355)
Accrued liabilities	97,069
Unearned revenue	54,288
Claims reserve	38,600,000
	<hr/>
Net cash provided by operating activities	\$ <hr/> <hr/> 11,996,633
Noncash investing activities:	
Net appreciation in fair value of investments	\$ 10,575,585

See accompanying notes to basic financial statements.

This page left intentionally blank

This page left intentionally blank

**NOTES TO BASIC FINANCIAL STATEMENTS**

This page left intentionally blank

# VIRGINIA BIRTH-RELATED NEUROLOGICAL INJURY COMPENSATION PROGRAM

Notes to Basic Financial Statements

December 31, 2010

## (1) Summary of Significant Accounting Policies

### (a) *Nature of Organization*

The Virginia Birth-Related Neurological Injury Compensation Program (the Program) was established under the Virginia Birth-Related Neurological Injury Compensation Act (1987, c.540) (the Act). The Program is a related organization of the Commonwealth of Virginia of which elected officials are accountable as they appoint a voting majority of the Board of Directors (the Board). The Act creates a compensation program that assures lifetime care of infants with severe neurological injuries. The Program is funded through annual assessments of participating physicians and participating hospitals. Liability insurers and nonparticipating physicians contribute to the fund, if necessary, based upon actual experience of the fund. The Program receives no federal or state government funding.

### (b) *Basis of Accounting*

The Program operates as an insurance enterprise fund subject to Governmental Accounting Standards Board (GASB) Statement No. 10, *Accounting and Financial Reporting/or Risk Financing and Related Insurance Issues*, GASB Statement No. 30, *Risk Financing Omnibus – An Amendment to GASB Statement No. 10*, and Financial Accounting Standards Board (FASB) Statement No. 60, *Accounting and Reporting/or Insurance Enterprises*.

The basic financial statements of the enterprise fund are presented on the accrual basis of accounting, using the economic resources measurement focus. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. The Program distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and collecting fees in connection with the Program's principal ongoing operations.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, proprietary fund types may follow all applicable GASB pronouncements as well as only those FASB pronouncements and predecessor APB Opinions and Accounting Research Bulletins issued on or before November 30, 1989. Under paragraph 7 of GASB Statement No. 20, the Program has elected not to apply FASB pronouncements issued after November 30, 1989.

### (c) *Use of Estimates*

The preparation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported financial statement amounts and disclosures. Accordingly, actual results could differ from these estimates.

### (d) *Administrative Expenses*

Administrative expenses include salaries, rent, cost of noncapitalizable office equipment and other expenses not directly related to claims. In 2010, administrative expenses related to claims processing

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Notes to Basic Financial Statements

December 31, 2010

of approximately \$1,064,000 were allocated to provision for claims expense in the amount of approximately \$851,000 and to general and administrative expense in the amount of approximately \$213,000.

**(e) Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, the Program considers investments with original maturities of three months or less to be cash equivalents.

**(f) Investments**

At December 31, 2010, the Program's investments are stated at fair value based on quoted market prices, if available. The Program's investments consist of various index mutual funds and actively managed investments in separate accounts including large and small cap equities, foreign equities, and bonds. Mutual fund investments are valued at their quoted net asset value on the last trading day of the year. Equity securities are valued at the last reported sale price or, if no sale, the latest available bid price on the last business day of the year. Fixed income investments are valued using market evaluations (evaluated prices) from reputable and approved industry vendors, evaluations are based on available market data. All other investments, excluding real estate held in trust, are valued based on amounts provided by the investment advisor or fund administrator.

Under guidelines established by the Board, the Program could, up until 1999, approve the purchase or construction of a home for the family of a claimant subject to certain restrictions. The home is held in a trust and remains the property of the Program, subject to use by the claimant's family during the term of the trust and subject to conditions imposed by the trust agreement. The trust expires upon the death or institutionalization of the claimant, and stipulates that during occupancy the family is responsible for the payment of utilities, general maintenance of the home, and certain other similar obligations. Real estate held in trust is carried at fair value based on third party appraisals, tax assessments, or other reasonable methodologies.

**(g) Capital Assets**

Capital assets with a cost of \$1,000 or more (threshold implemented in 2004) are recorded at cost. The costs of major improvements are capitalized while the cost of maintenance and repairs, which do not improve or extend the life of an asset, are expensed. Depreciation is provided over the assets' estimated useful lives of three to seven years using the straight-line method.

**(h) Unearned Revenue**

Unearned revenue represents amounts for which revenue recognition criteria have not been met. It is the Program's policy to recognize mandated assessments, participating doctor and hospital fees, and insurance fees on a pro-rata basis over the period in which the assessment or coverage is related, which is one year.



**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Notes to Basic Financial Statements

December 31, 2010

**(i) Estimated Liability for Unpaid Claims**

The liability for unpaid claims represents management's estimate, developed in conjunction with the assistance of the Commonwealth of Virginia's actuary, of the Program's discounted estimated cost of payments for both claimants admitted to the Program and an estimated number of not-yet-admitted claimants with birth dates prior to the date of the statement of net assets (deficit) that will be admitted to the Program subsequent to the date of the statement of net assets (deficit). Changes in estimates of such costs are recognized in results of operations in the period in which the changes in estimate are made.

The development of liabilities for future benefit requires management to make estimates and assumptions regarding mortality, morbidity, lapse, expense, and investment experience. Such estimates are primarily based on historical experience and future expectations of these assumptions. The Program's actual incurred losses may vary significantly from the estimated amount included in the Program's financial statements. Management monitors actual experience and, if circumstances warrant, revises its assumptions and the related future policy benefit estimates.

**(2) Deposits and Investments**

The Program's deposit and investment portfolio consists of the following at December 31, 2010:

Cash and cash equivalents	\$	17,710,515
Investments:		
Mutual funds:		
Large cap		34,598,258
U.S. fixed income		48,917,873
International fixed income		4,690,323
International growth		12,729,937
International value		14,043,385
Emerging markets		7,745,074
Alternative strategies		50,450,746
Separate accounts:		
Large cap growth		17,143,190
Large cap value		18,840,135
Small cap growth		6,943,952
Small cap value		7,041,225
Core fixed income		34,227,143
Real estate held in trust		6,393,533
		263,764,774
Total investments		263,764,774
Total cash and cash equivalents and investments	\$	281,475,289

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Notes to Basic Financial Statements

December 31, 2010

**(a) Deposits**

All cash of the Program is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia or covered by federal depository insurance.

**(b) Investments**

In accordance with the Virginia Birth-Related Injury Compensation Act, Section 38.2-5016 of the Code of Virginia, the Board of Directors is given the authority to invest the Program's funds in a careful and prudent manner at the advice of the investment advisor.

*Credit risk:* – The Program's Investment Policy states that no more than 20% of the fair value of the fixed income portfolio shall be rated less than single "A" quality. The Program's fixed income portfolio at December 31, 2010 is as follows:

		<u>Rating</u>	<u>Fair value</u>	<u>Percent of portfolio</u>	<u>Average maturity (in years)</u>
Mutual funds:					
Vanguard Bond Index	(1)	AA+	\$ 16,743,854	6.3%	7.0
Western Asset Core Plus	(1)	A+	20,920,555	7.9	8.8
Loomis Sayles Global Bond Fund	(1)	Aa1	4,690,323	1.8	7.1
PIMCO Total Return Fund	(1)	AA-	11,253,464	4.3	7.1
Separate accounts:					
Atlantic Asset Management	(2)	Aa2/AA+	15,256,792	5.8	5.7
Richmond Capital Management	(1)	AA	<u>18,970,351</u>	7.2	6.3
Total			<u>\$ 87,835,339</u>		

(1) Average of Moodys and Standard & Poors ratings

(2) Moodys Investors Service/Standard & Poors

*Interest rate risk:* – The Program does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Program mitigates risk through relatively conservative asset allocations and investments.

*Foreign currency risk:* – The Program manages its risk associated with foreign currency fluctuations with the asset allocations outlined in its Investment Policy that limit its investments in international developed and emerging index funds up to 21% of its overall portfolio. The Program's investments subjected to foreign currency risk at December 31, 2010 include U.S. publicly traded mutual funds which have an international strategy totaling \$39,208,719.

*Custodial credit risk:* – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Program will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Program's deposits are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act,

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Notes to Basic Financial Statements

December 31, 2010

Section 2.2-4400 et. Seq. of the Code of Virginia or covered by federal depository insurance. In addition, it is the Program's practice, although not a formal policy that the investment accounts is held in the Program's name. The Program's investment policy states that all fixed income securities held in the portfolio shall have a Standard & Poor's and/or equivalent credit quality rating of no less than Investment Grade. No more than 20% of the market value of the fixed income portfolio shall be rated less than single "A" quality.

The Program's return on investments for the year ending December 31, 2010 is summarized as follows:

Interest income	\$	1,657,474
Dividend income		5,834,031
Realized gain on investments		6,879,659
Net appreciation in fair value of investments		10,575,585
Investment fees		(582,361)
Fiduciary fees		(63,949)
		<u>24,300,439</u>
Net investment income	\$	<u>24,300,439</u>

**(3) Capital Assets**

Capital assets at December 31, 2010 and the related changes for the year ended were as follows:

		<u>January 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2010</u>
Computer equipment	\$	40,057	7,679	—	47,736
Office equipment		36,023	—	—	36,023
Automobiles		17,237	—	—	17,237
		93,317	7,679	—	100,996
Less accumulated depreciation		(84,187)	(1,866)	—	(86,053)
Capital assets, net	\$	<u>9,130</u>	<u>5,813</u>	<u>—</u>	<u>14,943</u>

**(4) Estimated Liability for Unpaid Claims**

The estimated liability for unpaid claims is the discounted estimated cost of payments for both claimants admitted to the Program and an estimated number of not-yet-admitted claimants with birth dates prior to the date of the statement of net assets (deficit) that will be admitted to the Program subsequent to the date of the statement of net assets (deficit). This discounted cost represents the amount that would need to be invested, as of the date of the statement of net assets (deficit), to pay the claimant expenses as they become due. The liability is determined based on an actuarial study, which is mandated to be performed no less frequently than biennially (done annually for 2010 and 2009). Eligible costs under the Program are costs not otherwise paid by private insurance or other government programs. Costs include nursing, housing,

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Notes to Basic Financial Statements

December 31, 2010

hospitals and physicians, physical therapy, vans, medical equipment, prescription drugs, various other incidental items, loss of earnings, and claim filing expenses.

In general terms, the estimated liability for unpaid claims is determined as follows:

- (1) The total number of claimants is estimated (actual number of admitted claimants plus estimate of the number of not-yet-admitted claimants born prior to year-end).
- (2) Future payments, by category of expense paid for each claimant, are forecasted. These estimates are based on the actual payments made by the Program on behalf of the claimants who had been in the program for three or more years as of December 31, 2010 (taking into consideration each claimant's insurance coverage and eligibility for Medicaid), as well as assumptions regarding future cost of inflation and future increases in the utilization of the benefits and services of the Program.
- (3) Projected future payments to each claimant are adjusted to reflect an assumed life expectancy for each claimant and the time value of money.

The estimated liability for unpaid claims is forecasted based on actual information through the prior fiscal year.

Significant actuarial assumptions for 2010 include:

	<b>2010</b>
Rate of claims inflation (varies based on category of expense)	1.01% – 5.78%
Investment earnings/discount rate	6.85%/6.34%
Mortality:	
See paragraph below.	
Estimated number of not-yet-admitted claimants born prior to year end.	
Estimate is based on review of how long it takes for claimants to be admitted to the Program.	47 claimants

The 2010 Mortality table used for determining Program liability balances reflects emerging mortality experience within the Program that continues to be better-than-expected. The Actuary has been reducing the assumed mortality rate each year by blending specific cystic fibrosis mortality study data with standard population mortality rates. The blending formula used recognized a lack of data beyond age 15 for patients in the Fund. Consequently, the valuation table used in 2009 had a life expectancy of 26.4 years from birth, and 28.3 years from age three. This was an improvement from the previous table used in 2000 that assumed life expectancy of 22.1 years at birth and 24.7 years from age 3. The table used in 2010 continues this rate of improvement. The Actuary has attested that the assumed 2010 Mortality table is reasonably consistent with the Program's actual experience.

The total number of claimants (admitted claimants and not-yet-admitted claimants) is estimated to be 207 as of December 31, 2010.

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Notes to Basic Financial Statements

December 31, 2010

The following represents changes in the unpaid claims reserves for the Program for the year ended December 31, 2010:

	<u>2010</u>	<u>2009</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 369,200,000	354,000,000
Incurred claims:		
Estimated future payments for new claimants admitted in current year	23,500,000	22,300,000
Estimated future payments for new claimants admitted in prior years	<u>22,900,000</u>	<u>22,400,000</u>
Total incurred claims	<u>46,400,000</u>	<u>44,700,000</u>
Claims payments:		
Estimated claims payments for claimants admitted in current year	(1,400,000)	(1,700,000)
Estimated claims payments for claimants admitted in prior years	<u>(14,100,000)</u>	<u>(15,200,000)</u>
Total claims payments	<u>(15,500,000)</u>	<u>(16,900,000)</u>
Increase (decrease) in provision for change in methodology and assumptions	<u>7,700,000</u>	<u>(12,600,000)</u>
Unpaid claims and claim adjustment expenses at end of year	<u>\$ 407,800,000</u>	<u>369,200,000</u>

The total undiscounted unpaid claims and claim adjustment expenses amount to \$2,433,000,000 at December 31, 2010 and represent unaudited estimates.

**(5) Employee Benefits**

The Program pays each employee an amount equal to 27% of his or her salary in lieu of a benefits package. This additional salary is to be used by the employee to acquire certain benefits, if they so choose, and is subject to income and payroll taxes. Additional benefits paid by the Program to its employees amounted to \$99,465 for the year ending December 31, 2010. These benefits are included as salary and benefits expense on the Program's supplementary schedule of general and administrative expenses.

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Notes to Basic Financial Statements

December 31, 2010

**(6) Operating Lease Commitments**

The Program leases its office space under an operating lease expiring in April 2013. Rent expense totaled \$62,920 for 2010.

Future minimum obligations under this lease are as follows:

2011	\$	65,857
2012		67,833
2013		22,833

**(7) Liquidity**

The most recent actuarial study performed for the year ended December 31, 2010, which used claims data as of December 31, 2009, determined that the Program was not actuarially sound. However, the actuarial study did point out that the Program is not in any immediate danger of defaulting on the payment of benefits and that the Program has sufficient assets to continue to pay for claimants' benefits for the subsequent twenty years.

**(8) Contingencies**

Various pending and threatened lawsuits claim eligibility for program benefits. Management believes the Program's claims reserves based upon actuarial assumptions are adequate to provide for the ultimate resolution of these claims.

This page left intentionally blank

**REQUIRED SUPPLEMENTARY INFORMATION**



**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Claims Development Information

December 31, 2010

(In thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
(1) Premiums and investment revenue:										
Earned	\$ 9,378	18,136	26,131	25,445	26,032	40,292	39,964	(20,801)	60,741	48,392
(2) Unallocated expenses	—	169	129	137	183	189	197	188	196	213
(3) Estimated losses and expenses, end of birth year:										
Incurred	12,871	13,661	14,000	20,733	21,652	23,000	24,500	23,300	22,300	23,500
(4) Net paid (cumulative) as of:										
End of birth year	—	—	—	—	—	—	—	—	68	—
One year later	119	143	159	—	—	157	124	331	303	—
Two years later	478	572	663	4	41	341	369	372	—	—
Three years later	761	1,190	1,548	211	88	420	438	—	—	—
Four years later	1,126	2,008	2,414	569	421	574	—	—	—	—
Five years later	1,892	2,773	3,324	802	437	—	—	—	—	—
Six years later	2,313	3,859	3,913	1,187	—	—	—	—	—	—
Seven years later	2,890	4,330	4,727	—	—	—	—	—	—	—
Eight years later	3,463	4,737	—	—	—	—	—	—	—	—
Nine years later	4,100	—	—	—	—	—	—	—	—	—
(5) Reestimated ceded losses and expenses	—	—	—	—	—	—	—	—	—	—
(6) Reestimated net incurred losses and expenses:										
End of birth year	12,871	13,661	14,000	20,733	21,652	23,000	24,500	23,300	22,300	23,500
One year later	12,357	13,244	15,333	22,558	22,038	22,332	23,372	21,630	22,575	—
Two years later	11,963	14,544	16,565	22,927	21,409	21,273	21,615	21,917	—	—
Three years later	13,188	15,747	16,814	22,325	20,412	19,624	21,918	—	—	—
Four years later	14,321	15,990	16,408	21,370	18,859	19,908	—	—	—	—
Five years later	14,550	15,593	15,763	19,884	19,127	—	—	—	—	—
Six years later	14,176	14,964	14,759	20,140	—	—	—	—	—	—
Seven years later	13,584	13,984	14,932	—	—	—	—	—	—	—
Eight years later	12,661	14,153	—	—	—	—	—	—	—	—
Nine years later	12,820	—	—	—	—	—	—	—	—	—
(7) Increase (decrease) in estimated net incurred losses and expenses from end of birth year	(51)	492	932	(594)	(2,525)	(3,092)	(2,582)	(1,383)	275	—

See accompanying independent auditors' report and notes to required supplementary information.

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Notes to Required Supplementary Information

December 31, 2010

**(1) Claims Development Information**

The table on the preceding page illustrates how the Program's earned revenue and investment income compare to related costs of loss and other expenses assumed by the Program as of the end of each of the previous ten years. The rows of the table are defined as follows: (1) This line shows the total of each year's gross earned premiums and reported investment revenue. (2) This line shows each year's other operating costs of the Program including overhead and loss adjustment expenses not allocable to individual claims. (3) This line shows the Program's gross incurred losses and allocated loss adjustment expense and net incurred losses and loss adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called birth year). (4) This Section of ten rows shows the cumulative net amounts paid as of the end of successive years for each birth year. (5) This line shows the latest re-estimated amount of losses assumed by re-insurers for each birth year. (6) This section of ten rows shows how each birth year's net incurred losses increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known losses, reevaluation of existing information on known losses, and emergence of new losses not previously known). (7) This line compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought. As data for individual birth years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature birth years. The columns of the table show data for successive birth years.

This page left intentionally blank

## **STATISTICAL SECTION**

This page left intentionally blank

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Statistical Section

December 31, 2010

**Statistical Section**

This Section of the Program's CAFR presents detailed information as a context for understanding what the information in the basic financial statements and required supplementary information indicate about the Program's overall financial health. This information has not been audited by the independent auditors.

***Financial Trends***

These tables contain trend information to help the reader understand how the Program's financial performance and well-being changed over time.

Table 1	Net Deficit by Component
Table 2	Changes in Fund Net Assets (Deficit)
Table 3	Average Cost per Active Claimant
Table 4	Schedule of General and Administrative Expenses

***Revenue Capacity***

This table contains information to help the reader assess the Program's significant operating revenues.

Table 5	Rates and Assessments
---------	-----------------------

***Economic and Demographic Information***

These tables offer economic and demographic indicators to help the reader understand the environment within which the Program's financial activities take place.

Table 6	Physicians, Hospitals, and Insurance Companies
Table 7	Virginia Demographic Statistics

***Operating Information***

These tables contain operating and claimant data to help the reader understand how the information in the Program's financial report relates to the services the Program provides and the activities it performs.

Table 8	Number of Admitted, Deceased, and Active Claimants
Table 9	Number of Employees by Identifiable Activities

*Sources: Unless otherwise noted, the information in this Section is derived from the Program's comprehensive annual financial reports for the relevant years. The Program implemented the new reporting model, GASB 34 during the year ended December 31, 2002.*

**Table 1**

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Net Deficit by Component

Last nine fiscal years

<b>Year ended December 31</b>	<b>Invested in capital assets, net of related debt</b>	<b>Unrestricted deficit</b>	<b>Total net deficit</b>
2002	\$ 35,224	(81,918,097)	(81,882,873)
2003	26,632	(76,529,331)	(76,502,699)
2004	26,887	(99,184,336)	(99,157,449)
2005	19,755	(125,181,112)	(125,161,357)
2006	16,302	(129,328,796)	(129,312,494)
2007	10,504	(127,646,193)	(127,635,689)
2008 – adjusted for adoption of GASB 52	11,074	(180,804,837)	(180,793,763)
2009	9,130	(146,830,018)	(146,820,888)
2010	14,943	(149,115,714)	(149,100,771)

See accompanying independent auditors' report.

Table 2

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Schedule of Revenues, Expenses, and Changes in Fund Net Assets (Deficit)

Last nine fiscal years

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating revenues:									
Participating hospitals	\$ 3,771,265	3,750,364	3,373,339	2,715,783	2,926,900	2,753,450	2,730,909	2,357,975	2,256,000
Participating physicians	3,811,821	3,532,187	3,358,073	3,223,346	2,843,793	2,342,449	2,211,184	1,860,843	1,554,790
Mandated physician fees	4,214,365	4,170,750	3,992,183	3,747,915	3,734,266	3,444,676	3,436,378	3,148,690	3,252,200
Insurance fees	12,273,510	12,620,887	12,830,024	12,641,617	11,945,795	11,314,150	9,948,858	8,993,616	8,042,558
Other	8,528	54	71	21,296	136,676	—	100	124,914	—
Total operating revenues	<u>24,079,489</u>	<u>24,074,242</u>	<u>23,553,690</u>	<u>22,349,957</u>	<u>21,587,430</u>	<u>19,854,725</u>	<u>18,327,429</u>	<u>16,486,038</u>	<u>15,105,548</u>
Operating expenses:									
Provision for claims	50,458,868	26,572,068	33,458,390	38,009,839	44,254,224	51,853,223	47,963,625	20,621,718	19,600,653
General and administration	212,856	196,161	188,126	197,353	188,573	183,164	136,569	129,397	168,682
Total operating expenses	<u>50,671,724</u>	<u>26,768,229</u>	<u>33,646,516</u>	<u>38,207,192</u>	<u>44,442,797</u>	<u>52,036,387</u>	<u>48,100,194</u>	<u>20,751,115</u>	<u>19,769,335</u>
Operating loss	(26,592,235)	(2,693,987)	(10,092,826)	(15,857,235)	(22,855,367)	(32,181,662)	(29,772,765)	(4,265,077)	(4,663,787)
Nonoperating revenue (expense):									
Net investment income and miscellaneous	24,312,352	36,666,862	(44,874,949)	17,534,040	18,704,230	6,177,754	7,118,015	9,645,251	3,948,476
Change in net assets (deficit)	(2,279,883)	33,972,875	(54,967,775)	1,676,805	(4,151,137)	(26,003,908)	(22,654,750)	5,380,174	(715,311)
Net assets (deficit) at beginning of year	<u>(146,820,888)</u>	<u>(180,793,763)</u>	<u>(127,635,689)</u>	<u>(129,312,494)</u>	<u>(125,161,357)</u>	<u>(99,157,449)</u>	<u>(76,502,699)</u>	<u>(81,882,873)</u>	<u>(81,167,562)</u>
Net assets (deficit) at end of year	<u>\$ (149,100,771)</u>	<u>(146,820,888)</u>	<u>(182,603,464)</u>	<u>(127,635,689)</u>	<u>(129,312,494)</u>	<u>(125,161,357)</u>	<u>(99,157,449)</u>	<u>(76,502,699)</u>	<u>(81,882,873)</u>

See accompanying independent auditors' report.



Table 3

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Analysis of Average Cost per Active Claimant

Last nine fiscal years

<b>Year</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Claims expense	\$ 11,858,868	11,372,049	11,658,390	10,209,839	11,054,224	9,453,223	6,863,625	6,021,718	5,700,653
Number of active claimants	117	113	111	109	96	91	82	74	67
Average expense per claimant	\$ 101,358	100,638	105,031	93,668	115,148	103,882	83,703	81,375	85,084
Percent increase or decrease from prior year	(0.7)%	4.2%	12.1%	(18.7)%	10.8%	24.1%	2.9%	(4.4)%	(17.2)%
<b>Breakdown of claims expenses into major categories</b>									
<b>Category</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Nursing	\$ 7,990,795	7,194,528	6,983,584	6,448,647	6,186,118	5,541,310	4,372,664	2,896,420	2,603,363
Physician/Hospital	78,057	59,474	68,119	96,123	81,115	63,976	142,664	239,531	495,169
Therapy	310,829	219,303	254,923	254,876	231,712	197,991	111,324	121,300	124,756
Incidentals	172,224	139,064	193,317	151,903	179,888	181,039	128,642	122,361	80,536
Prescription	130,381	151,905	135,239	127,809	115,265	104,329	76,789	114,313	127,646
Housing	423,352	839,436	1,360,826	756,673	1,445,145	937,368	327,912	825,924	819,457
Van	385,084	351,673	526,513	501,827	863,555	734,953	315,917	546,992	189,613
Medical equipment	160,510	166,926	211,562	188,897	319,405	162,970	219,142	95,923	121,214
Legal fees – claimant	165,164	165,654	299,892	283,809	470,204	350,667	315,917	51,986	243,167
Legal fees – attorney general	170,000	117,500	150,000	150,000	187,500	225,000	—	—	—
Auto/Health insurance	150,137	141,193	143,283	150,940	120,678	104,718	97,893	73,595	10,913
Mileage reimbursement	78,081	41,689	73,978	49,276	72,480	32,342	27,822	32,315	8,589
Wage benefit payment	501,407	334,207	245,052	97,163	—	—	—	—	—
WCC ordered award	164,820	595,850	200,000	—	—	—	—	—	—
Claimant related administrative	851,426	784,645	752,504	789,413	754,290	732,654	600,000	562,500	495,000
Other	126,601	69,002	59,598	162,483	26,870	83,906	126,939	338,558	381,230
Total claims expense	\$ 11,858,868	11,372,049	11,658,390	10,209,839	11,054,225	9,453,223	6,863,625	6,021,718	5,700,653
Percent increase or decrease from prior year	4.3%	(2.5)%	14.2%	(7.6)%	16.9%	37.7%	14.0%	5.6%	(7.5)%
<b>Percentage of expense per total claims expense</b>									
<b>Category</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Nursing	67.38%	63.27%	59.90%	63.16%	55.96%	58.62%	63.71%	48.10%	45.67%
Physician/Hospital	0.66	0.52	0.58	0.94	0.73	0.68	2.08	3.98	8.69
Therapy	2.62	1.93	2.19	2.50	2.10	2.09	1.62	2.01	2.19
Incidentals	1.45	1.22	1.66	1.49	1.63	1.92	1.87	2.03	1.41
Prescription	1.10	1.34	1.16	1.25	1.04	1.10	1.12	1.90	2.24
Housing	3.57	7.38	11.67	7.41	13.07	9.92	4.78	13.72	14.37
Van	3.25	3.09	4.52	4.92	7.81	7.77	4.60	9.08	3.33
Medical equipment	1.35	1.47	1.81	1.85	2.89	1.72	3.19	1.59	2.13
Legal	1.39	1.46	2.57	2.78	4.25	3.71	4.60	0.86	4.27
Legal fees – attorney general	1.43	1.03	1.29	1.47	1.70	2.38	—	—	—
Auto/Health insurance	1.27	1.24	1.23	1.48	1.09	1.11	1.43	1.22	0.19
Mileage reimbursement	0.66	0.37	0.63	0.48	0.66	0.34	0.41	0.54	0.15
Wage benefit payment	4.23	2.94	2.10	0.95	—	—	—	—	—
WCC ordered award	1.39	5.24	1.72	—	—	—	—	—	—
Claimant related administrative	7.18	6.90	6.45	7.73	6.82	7.75	8.74	9.34	8.68
Other	1.07	0.61	0.51	1.59	0.24	0.89	1.85	5.62	6.69
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Change in claims provision	\$ 38,600,000	15,200,000	21,800,000	27,800,000	33,200,000	42,400,000	41,100,000	14,600,000	13,900,000
Nonclaims related administrative	212,856	196,161	188,126	197,353	188,573	183,164	136,569	129,397	168,682
Total operating expense	\$ 50,671,724	26,768,210	33,646,516	38,207,192	44,442,798	52,036,387	48,100,194	20,751,115	19,769,335

## Notes:

- Active claimants are the total admitted claimants less deceased.
- Other expenses may include medical review, therapeutic toys, computer equipment, funeral expense and medical service dog.

See accompanying independent auditors' report.

Table 4

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Schedule of General and Administrative Expenses

Last nine fiscal years

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Advertising and brochures	\$ 1,059	2,177	3,841	1,533	4,260	5,249	11,980	35,350	54,139
Computer services	11,946	13,065	10,672	10,028	9,558	13,226	12,758	16,159	13,123
Depreciation and amortization	1,866	5,936	4,299	6,504	8,669	10,528	11,536	10,993	10,458
Office	10,486	14,409	11,623	7,714	9,460	7,771	6,785	7,256	8,455
Other	24,419	24,002	22,974	34,130	48,090	55,111	34,541	39,457	46,376
Postage and mailing	6,263	8,071	11,100	10,292	8,879	9,909	12,790	13,254	10,348
Professional fees	367,967	280,842	234,935	327,188	282,766	286,744	174,480	158,413	119,515
Rent	65,365	68,008	62,844	60,957	60,589	59,143	53,498	52,216	48,397
Salaries and benefits	567,446	556,899	568,263	518,682	502,315	458,511	352,770	345,988	334,745
Telephone	7,465	7,397	10,079	9,736	8,277	9,625	11,709	12,811	16,124
	<u>1,064,282</u>	<u>980,806</u>	<u>940,630</u>	<u>986,764</u>	<u>942,863</u>	<u>915,817</u>	<u>682,847</u>	<u>691,897</u>	<u>661,680</u>
Less claims administration (allocations)	<u>851,426</u>	<u>784,645</u>	<u>752,504</u>	<u>789,411</u>	<u>754,290</u>	<u>732,654</u>	<u>546,278</u>	<u>562,500</u>	<u>495,000</u>
Unallocated expenses	<u>\$ 212,856</u>	<u>196,161</u>	<u>188,126</u>	<u>197,353</u>	<u>188,573</u>	<u>183,163</u>	<u>136,569</u>	<u>129,397</u>	<u>166,680</u>

See accompanying independent auditors' report.

Table 5

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Rates and Assessments

Last nine fiscal years

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Participating physicians	\$ 5,900	5,600	5,400	5,300	5,200	5,100	5,000	5,000	5,000
Non participating physician	300	300	290	280	270	260	250	250	250
	\$55/live birth not to exceed	\$52.50/live birth not to exceed	\$50/live birth not to exceed	\$50/live birth not to exceed	\$50/live birth not to exceed	\$50/live birth not to exceed	\$50/live birth not to exceed	\$50/live birth not to exceed	\$50/live birth not to exceed
Hospitals	\$ 200,000	200,000	190,000	180,000	170,000	160,000	150,000	150,000	150,000
Insurance companies estimated net direct premiums subject to assessment	\$ 4,909,404,000	5,048,354,800	5,132,009,600	5,056,646,800	4,778,318,000	4,525,660,000	3,979,543,200	3,597,446,400	3,217,023,200

Notes:

Insurance companies pay one quarter of one percent of net direct premiums written, however, only the liability portion of the premium is assessable as determined by the Virginia Workers Compensation Commission.

Legislation states (§38.2-5020 E) that if required to maintain the Program on an actuarially sound basis, liability insurers shall pay an assessment to the Program. During the years 1998 through 2001, the Program was considered actuarially sound by the Virginia State Corporation Commission and insurance carriers were not required to pay. During the years 2002 through 2010, the Program was determined to be actuarially unsound and the liability insurers were required to pay.

Legislation states (§38.2-5020 G) that if the Virginia State Corporation Commission determines the Program is actuarially sound it will suspend the assessment on nonparticipating physicians. The assessment will be reinstated if it is determined that the assessment is required to maintain actuarial soundness. During the years 1998 through 2001, the Program was considered actuarially sound and nonparticipating physicians were not required to pay. During the years 2002 through 2010, the Program has been determined not actuarially sound and the assessment was reinstated.

See accompanying independent auditors' report.

Table 6

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Physicians, Hospitals, and Insurance Companies

Last nine fiscal years

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Participating:									
Doctors	\$ 678	648	653	622	577	536	508	410	358
Residents	—	—	88	77	155	147	456	174	131
Total participating physicians	<u>678</u>	<u>648</u>	<u>741</u>	<u>699</u>	<u>732</u>	<u>683</u>	<u>964</u>	<u>584</u>	<u>489</u>
Mandatory:									
Total mandatory physicians	14,055	14,076	13,797	13,817	13,597	13,219	13,445	12,200	12,413
Delinquent:									
Total delinquent physicians	2,769	2,670	1,893	1,184	621	737	648	978	1,502
Exempt:									
E1	1,955	1,856	1,903	1,852	1,733	1,723	1,701	405	1,282
E2	954	1,876	2,777	2,739	3,145	2,252	2,742	1,614	2,482
E3	1,514	1,457	1,547	1,443	1,596	1,458	1,544	480	1,528
E4	194	195	204	179	168	167	170	55	170
E5	3,697	3,471	3,789	3,661	4,189	3,982	4,085	1,144	3,812
E6	—	—	531	800	546	442	15	48	1,284
Total exempt physicians	<u>8,314</u>	<u>8,855</u>	<u>10,751</u>	<u>10,674</u>	<u>11,377</u>	<u>10,024</u>	<u>10,257</u>	<u>3,746</u>	<u>10,558</u>
Total physicians	<u>\$ 25,816</u>	<u>26,249</u>	<u>27,182</u>	<u>26,374</u>	<u>26,327</u>	<u>24,663</u>	<u>25,314</u>	<u>17,508</u>	<u>24,962</u>
Hospitals	\$ 37	38	38	31	33	32	33	29	23
Insurance Companies	504	505	503	506	495	496	484	497	497

## Notes:

State law allows a physician to be exempt from paying the mandated assessment if one of the five following criteria are met:

- E1. Employed by the Commonwealth of Virginia or federal government and income from professional fees from a source other than the Commonwealth of Virginia or federal government is less than 10% of annual salary.
- E2. Enrolled in a full-time graduate medical education program accredited by the American Council for Graduate Medical Education.
- E3. Retired from active medical practice.
- E4. Engaged in active clinical practice that was limited to the provision of services, voluntary and without compensation, to any patient of any clinic organized in whole or in part for the delivery of health care services without charge.
- E5. Not practicing medicine in Virginia (either not currently practicing or practicing in another state).
- E6. The above exemption numbers are due to undeliverable addresses returned by the Post Office.

Physicians that are delinquent as of year end are turned over to the Virginia State Corporation Commission, Division of Insurance.

Legislation states (§38.2-5020 E) that if required to maintain the Program on an actuarially sound basis, liability insurers shall pay an assessment to the Program. During the years 1998 through 2001, the Program was considered actuarially sound by the Virginia State Corporation Commission and insurance carriers were not required to pay. During the years 2002 through 2010, the Program was determined to be actuarially unsound and the liability insurers were required to pay.

Legislation states (§38.2-5020 G) that if the Virginia State Corporation Commission determines the Program is actuarially sound it will suspend the assessment on nonparticipating physicians. The assessment will be reinstated if it is determined that the assessment is required to maintain actuarial soundness. During the years 1998 through 2001, the Program was considered actuarially sound and nonparticipating physicians were not required to pay. During the years 2002 through 2010, the Program has been determined not actuarially sound and the assessment was reinstated.

See accompanying independent auditors' report.

**Table 7**

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Virginia Demographic Statistics

Last nine fiscal years

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Note:									
1 Population	N/A	7,882,590	7,769,089	7,712,091	7,642,884	7,567,465	7,460,066	73,863,360	7,923,848
1 Number of births	N/A	104,979	106,578	108,417	106,474	104,488	103,830	100,561	99,235
2 Number of petitions filed	12	10	9	15	10	16	17	11	12
2 Number of claimants awarded	5	8	8	15	8	14	10	11	8
3 Total personal income (in thousands)	\$ N/A	347,630,625	348,893,800	321,245,259	306,918,105	286,685,185	267,520,630	250,605,455	240,533,600
3 Per capita personal income	N/A	44,129	44,756	41,727	40,234	37,988	35,886	34,034	33,055
4 Unemployment rate	6.9%	6.8%	4.0%	3.0%	3.0%	3.5%	3.7%	4.1%	4.2%

Note:

- 1 Statistics provided by the Virginia Center for Health Statistics.
  - 2 Statistics provided by Program management.
  - 3 Statistics provided by the Bureau of Economic Analysis
  - 4 Statistics provided by the LAUS Unit and Bureau of Labor Statistics
- About 85% of births are covered by either participating hospitals or physicians.

N/A – not available

See accompanying independent auditors' report.

Table 8

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**  
Number of Admitted, Deceased, and Active Claimants  
Last nine fiscal years

	Total year end 2002	2003 Activity	Total year end 2003	2004 Activity	Total year end 2004	2005 Activity	Total year end 2005	2006 Activity	Total year end 2006	2007 Activity	Total year end 2007	2008 Activity	Total year end 2008	2009 Activity	Total year end 2009	2010 Activity	Total year end 2010
Admitted	76	11	87	10	97	14	111	8	119	15	134	8	142	8	150	5	155
Deceased*	8	2	10	1	11	2	13	3	16	1	17	3	20	3	23	—	23
Deceased on award**	1	2	3	1	4	3	7	—	7	1	8	3	11	3	14	1	15
Total deceased	9		13		15		20		23		25		31		37		38
Active	67		74		82		91		96		109		111		113		117

Notes:

\* Number of children in the Program that became deceased subsequent to their award.

\*\* Number of children that were deceased at the time of award to the Program.

See accompanying independent auditors' report.

**Table 9**

**VIRGINIA BIRTH-RELATED NEUROLOGICAL  
INJURY COMPENSATION PROGRAM**

Number of Employees by Identifiable Activities

Last nine fiscal years

<u>Activity</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Executive director	1	1	1	1	1	1	1	1	1
Finance division	3	3	3	2	2	2	2	2	2
Claims and administration	6	6	6	6	5	5	5	4	4

See accompanying independent auditors' report.

This page left intentionally blank



## **COMPLIANCE SECTION**

This page left intentionally blank



KPMG LLP  
Suite 2000  
1021 East Cary Street  
Richmond, VA 23219-4023

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With *Government Auditing  
Standards***

The Board of Directors  
Virginia Birth-Related Neurological  
Injury Compensation Program:

We have audited the basic financial statements of Virginia Birth-Related Neurological Injury Compensation Program (the Program) as of and for the year ended December 31, 2010, and have issued our report thereon dated May 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Program's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Program's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



This report is intended solely for the information and use of management, the Board of Directors, the Commonwealth of Virginia, and others within the Program and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

May 10, 2011