

# Quarterly Performance Review Retirement Funds

Second Quarter 2002

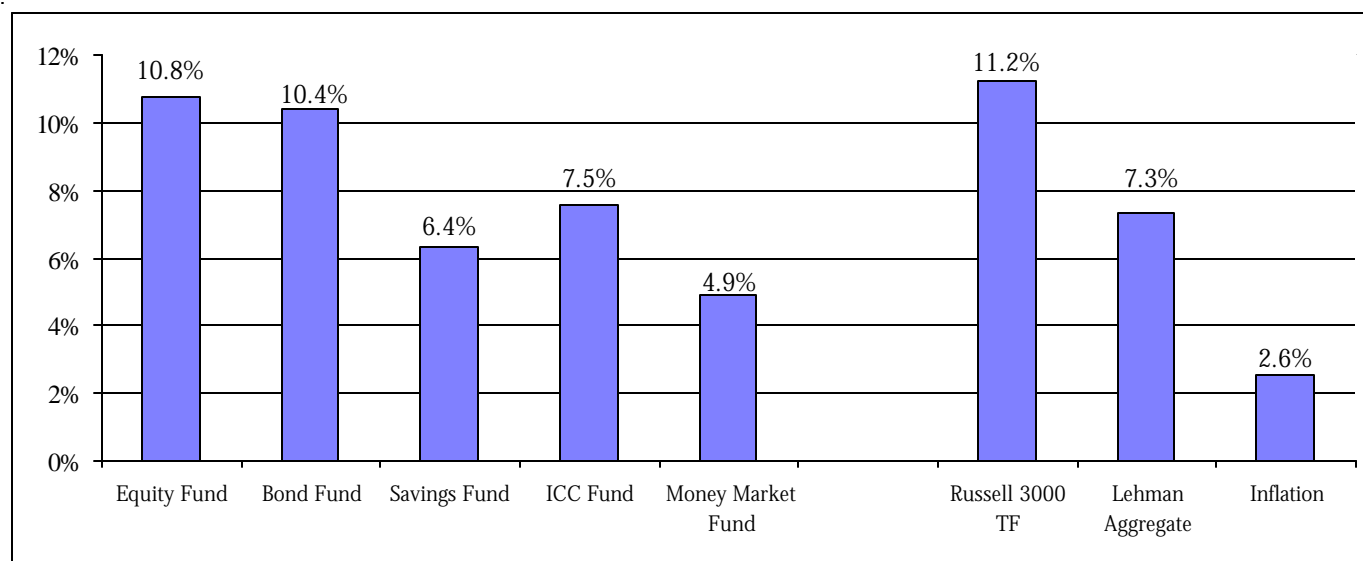
# Net Total Returns and Yields<sup>1</sup>:

6/30/02

<u>Total Return Funds</u>	<u>Market Value</u>	<u>June Qtr. (%)</u>	<u>Fiscal YTD (%)</u>	<u>Calendar YTD (%)</u>	<u>Annualized Total Returns %</u>			
					<u>3-Years</u>	<u>5-Years</u>	<u>10-Years</u>	<u>20-Years</u>
<b>Equity Fund</b>	<b>\$2,428 million</b>	<b>(14.0)</b>	<b>(19.9)</b>	<b>(14.7)</b>	<b>(6.7)</b>	<b>3.5</b>	<b>10.8</b>	<b>14.2</b>
<i>Russell 3000 TF</i>		(13.1)	(17.4)	(12.4)	(8.0)	3.8	11.2	14.4
<b>Bond Fund</b>	<b>\$761 million</b>	<b>3.7</b>	<b>9.8</b>	<b>4.1</b>	<b>8.0</b>	<b>8.7</b>	<b>10.4</b>	<b>13.6</b>
<i>Lehman Aggregate</i>		3.7	8.6	3.8	8.1	7.6	7.3	10.5
<b>Multi-Asset Fund<sup>2</sup></b>	<b>\$588 million</b>	<b>(3.0)</b>	<b>(2.4)</b>	<b>(2.6)</b>	<b>2.1</b>	<b>6.0</b>	<b>8.7</b>	<b>NA</b>
<i>Market Mix Index<sup>3</sup></i>		(3.0)	(2.1)	(2.3)	1.7	5.5	7.6	N/A

<u>Interest Income Funds</u>	<u>Market Value</u>	<u>June Qtr. (%)</u>	<u>Fiscal YTD (%)</u>	<u>Calendar YTD (%)</u>	<u>Annualized Yields %</u>			
					<u>3-Years</u>	<u>5-Years</u>	<u>10-Years</u>	<u>20-Years</u>
<b>Savings Fund</b>	<b>\$2,615 million</b>	<b>4.9</b>	<b>5.5</b>	<b>5.3</b>	<b>5.8</b>	<b>6.0</b>	<b>6.4</b>	<b>8.0</b>
<i>2-Year U.S. Treasury Notes</i>		3.4	3.3	3.3	4.8	5.0	5.3	7.1
<b>ICC Fund</b>	<b>\$377 million</b>	<b>6.8</b>	<b>6.9</b>	<b>6.8</b>	<b>6.9</b>	<b>7.1</b>	<b>7.5</b>	<b>NA</b>
<i>5-Year U.S. Treasury Notes</i>		4.5	4.3	4.5	5.1	5.2	5.7	N/A
<b>Money Market Fund</b>	<b>\$141 million</b>	<b>1.9</b>	<b>2.8</b>	<b>2.1</b>	<b>4.9</b>	<b>5.1</b>	<b>4.9</b>	<b>NA</b>
<i>3-Month U.S. Treasury Bills</i>		1.9	2.2	1.8	4.3	4.5	4.6	NA
<i>Inflation<sup>4</sup></i>		1.1	1.3	2.0	2.8	2.4	2.6	3.2

## 10-Year Annualized Return Comparison



Notes:

- (1) Total returns and yields are net of (after) expenses.
- (2) Contributions to the Multi-Asset Fund are invested: 40% Savings Fund, 30% Equity Fund, 20% Bond Fund and 10% Money Market Fund.
- (3) Market Mix Index consists of 40% 2-Year U.S. Treasury Notes, 30% Russell 3000 TF, 20% Lehman Aggregate and 10% 3-Month U.S. Treasury Bills.
- (4) Inflation as measured by the Consumer Price Index.

## UC-Managed Defined Contribution Funds

### Total Return Funds

**Equity Fund:** The Equity Fund is a diversified portfolio composed primarily of high-quality, large-cap, growth-oriented global companies driven by superior products, compelling growth strategies and solid management, along with modest exposure to private equity. The Equity Fund seeks to maximize long-term capital appreciation and has target allocations of 24% to a domestic index fund and 13% to a foreign index fund to further increase diversification and return opportunities.

**Bond Fund:** The Bond Fund is a diversified portfolio comprised primarily of high-quality, global debt securities for which an attractive real return greater than inflation is achievable. The Bond Fund seeks to maximize real, long-term total return through a combination of interest income and price appreciation. The average weighted maturity of the Bond Fund at quarter-end was approximately 9 years. Under the new asset allocation plan, the fund's average maturity target is 8-10 years, lowering its sensitivity to interest rate movements in the future.

**Multi-Asset Fund:** The Multi-Asset Fund is a conservative balanced fund in which contributions are invested according to a fixed ratio: Savings Fund (40%), Equity Fund (30%), Bond Fund (20%) and Money Market Fund (10%). The Multi-Asset Fund is not rebalanced.

### Interest Income Funds

**Savings Fund:** The Savings Fund seeks to maximize interest income, while protecting principal, by investing 100% in government, government-guaranteed and government agency securities of up to five years in maturity. The average maturity of the Savings Fund is approximately 2.2 years.

**ICC Fund:** The Insurance Company Contract (ICC) Fund seeks to maximize interest income, while protecting principal, through investments in contracts offered by select, highly rated, financially sound insurance companies. Insurance companies guarantee a fixed annual rate of interest for a specified period and the repayment of principal at the end of that time period. The average maturity of the ICC Fund is approximately 4 years.

**Money Market Fund:** The Money Market Fund seeks to maximize interest income, while protecting principal, through diversified investments in high-quality, short-term securities with maturities of 13 months or less. The average maturity of the Money Market Fund is approximately 68 days.



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## BOND FUND CHARACTERISTICS

June 30, 2002

(\$ in millions)

**Total Bond Fund Market Value = \$760.7 million**

### Maturity Schedule

(Average Maturity = 8.7 years, Average Duration\* = 5.6 years)

Years	Market Value	% of Fund
Less than 10 yrs.	\$416.0	54.7%
10-15 yrs.	61.5	8.1%
15-20 yrs.	14.4	1.9%
20-30 yrs.	268.8	35.3%
	\$760.7	100.0%

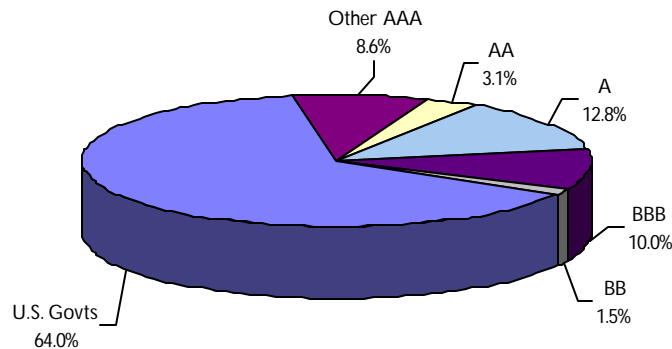
\* Duration is a measure of the price volatility of fixed-income securities.

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### Quality Distribution

Average Quality = AA

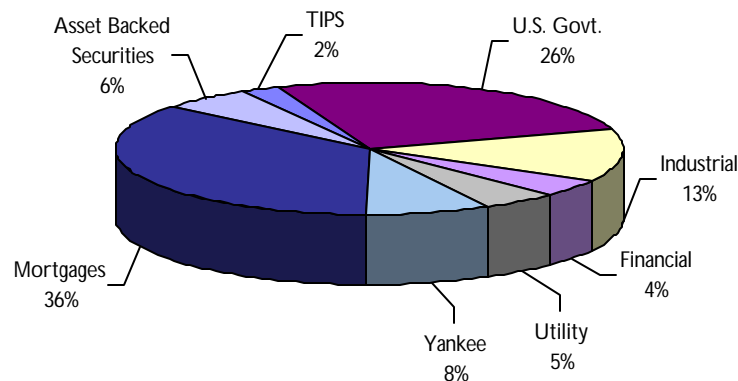
(88% of portfolio rated A or better)



Investment Grade quality ratings are AAA, AA, A and BBB.

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### Fixed-Income Sector Mix



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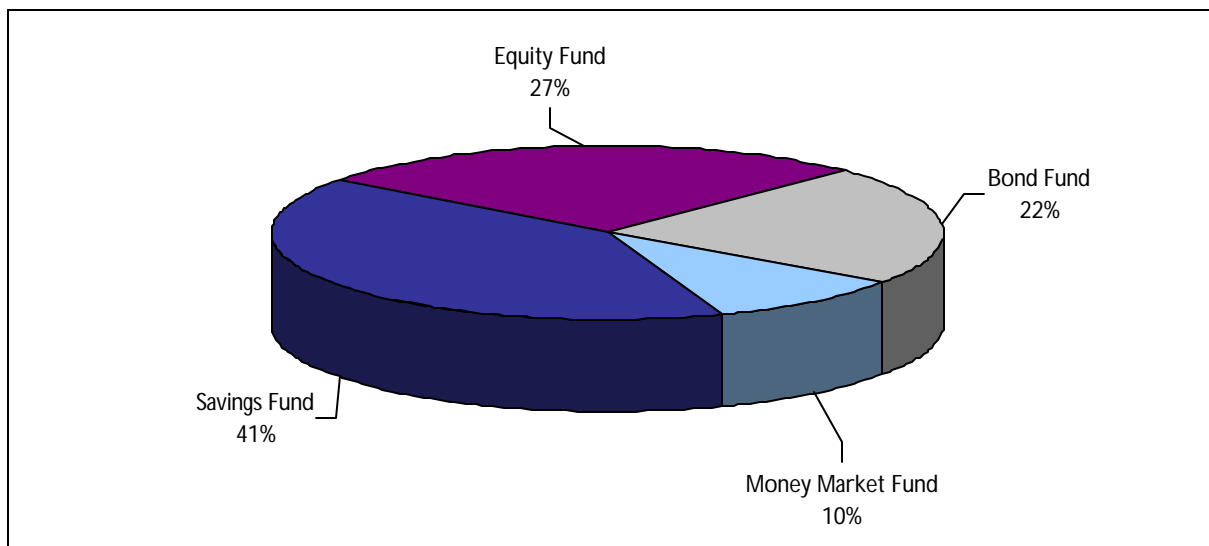
## MULTI-ASSET FUND

June 30, 2002

**Total Multi-Asset Fund Market Value = \$588.2 Million**

Contributions to the Multi-Asset Fund are invested 40% in the Savings Fund, 30% in the Equity Fund, 20% in the Bond Fund and 10% in the Money Market Fund. *The Multi-Asset Fund is not rebalanced.* At 6/30/02, the Multi-Asset Fund consisted of 41% in the Savings Fund, 27% in the Equity Fund, 22% in the Bond Fund and 10% in the Money Market Fund.

### Actual Fund Distribution as of 6/30/02



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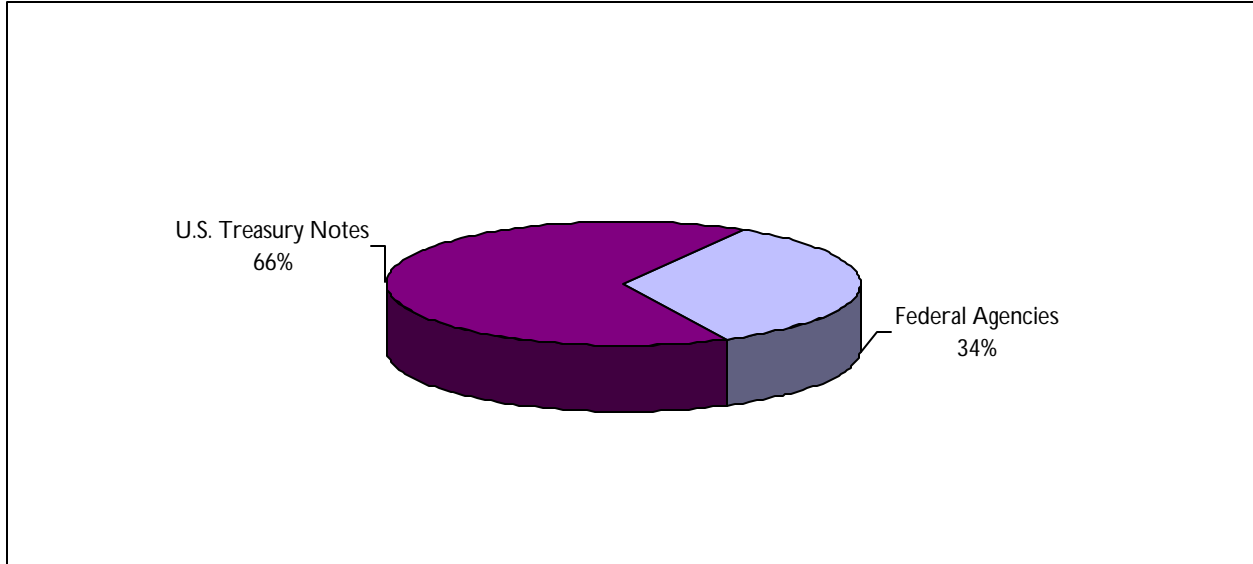
# SAVINGS FUND

June 30, 2002

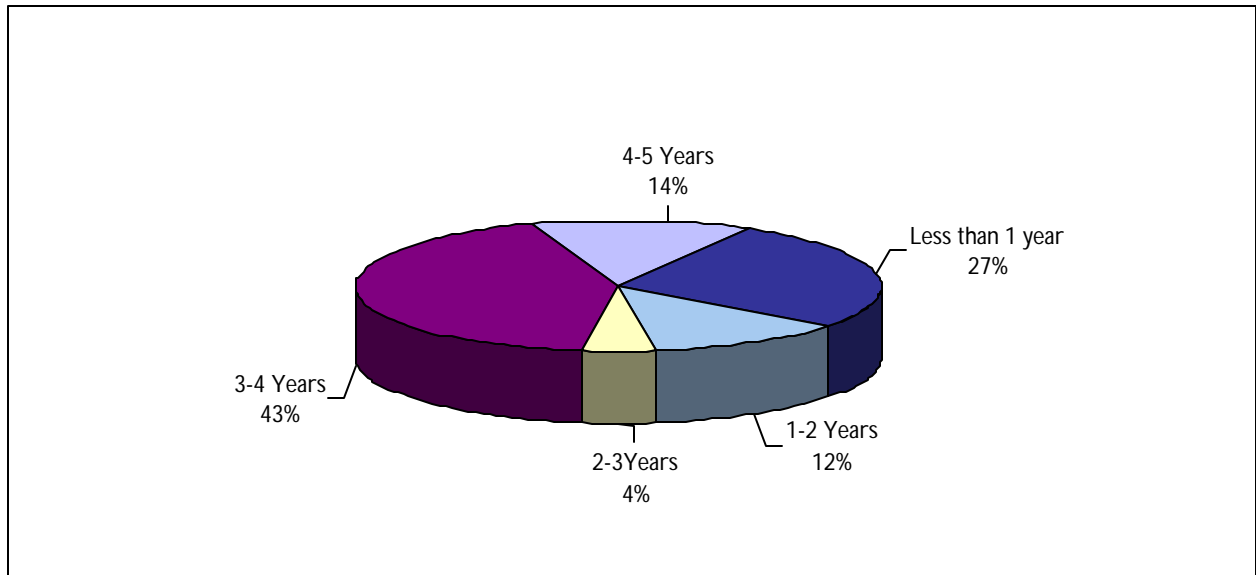
**Total Savings Fund Market Value = \$2.6 billion**

*Weighted Average Maturity = 2.1 years*

## Sector Distribution



## Maturity Distribution



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# INSURANCE COMPANY CONTRACT FUND

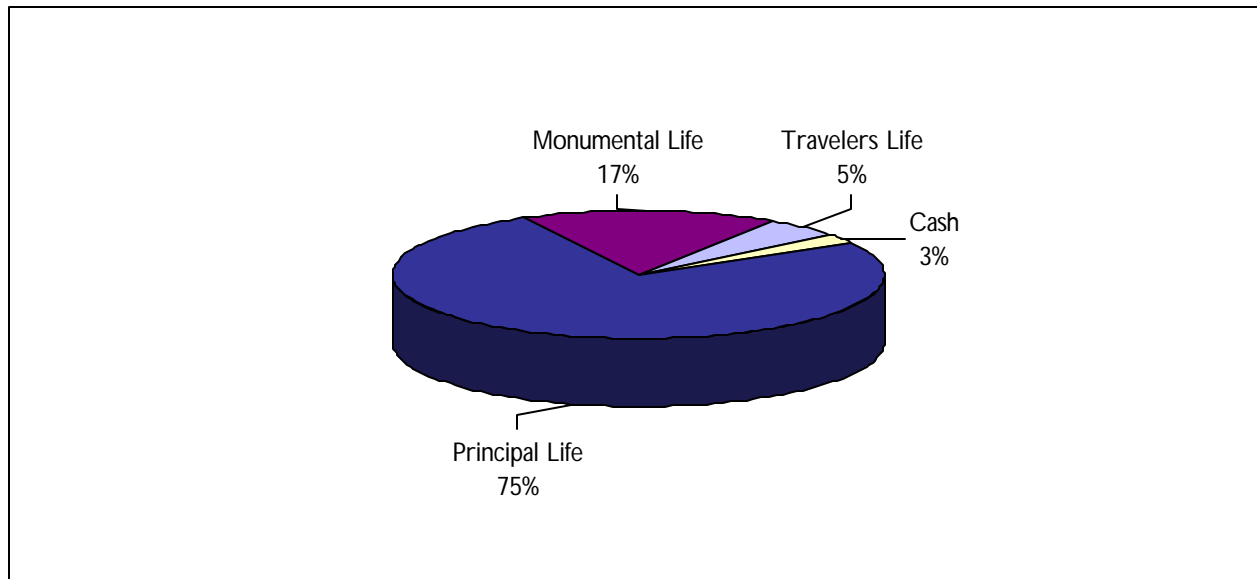
June 30, 2002

**Total ICC Fund Market Value = \$377 million**

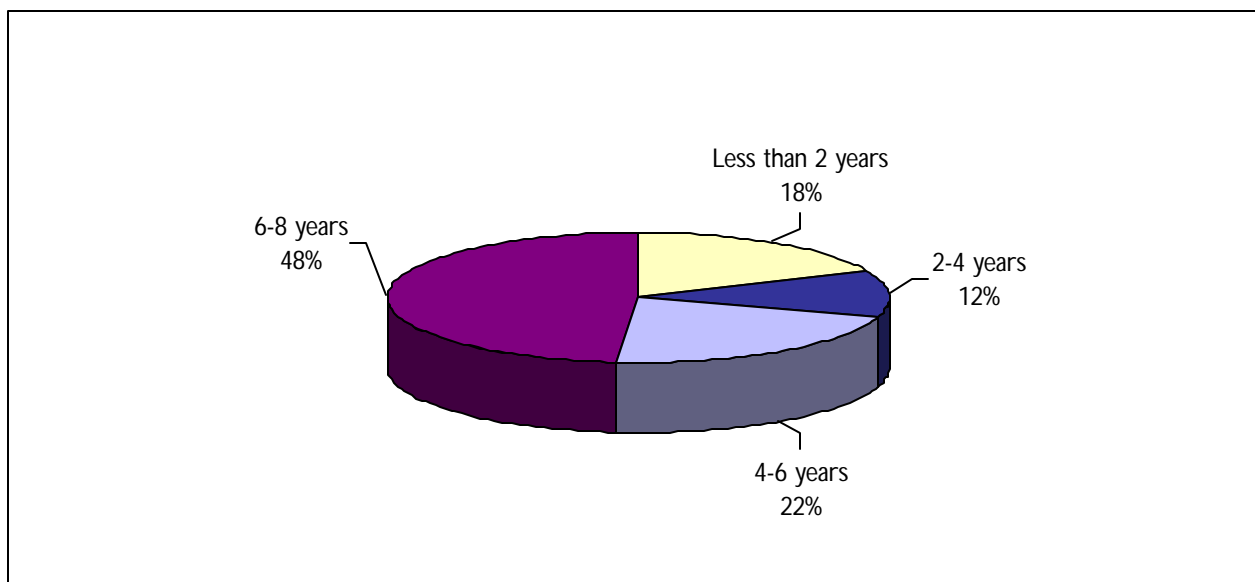
*Weighted Average Maturity = 3.6 years*

*Expected Net Yield for Calendar 2002 = 6.73%*

## Insurance Company Distribution\*



## Maturity Distribution



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Notes:

\*All insurance companies are rated A+ by A.M. Best.

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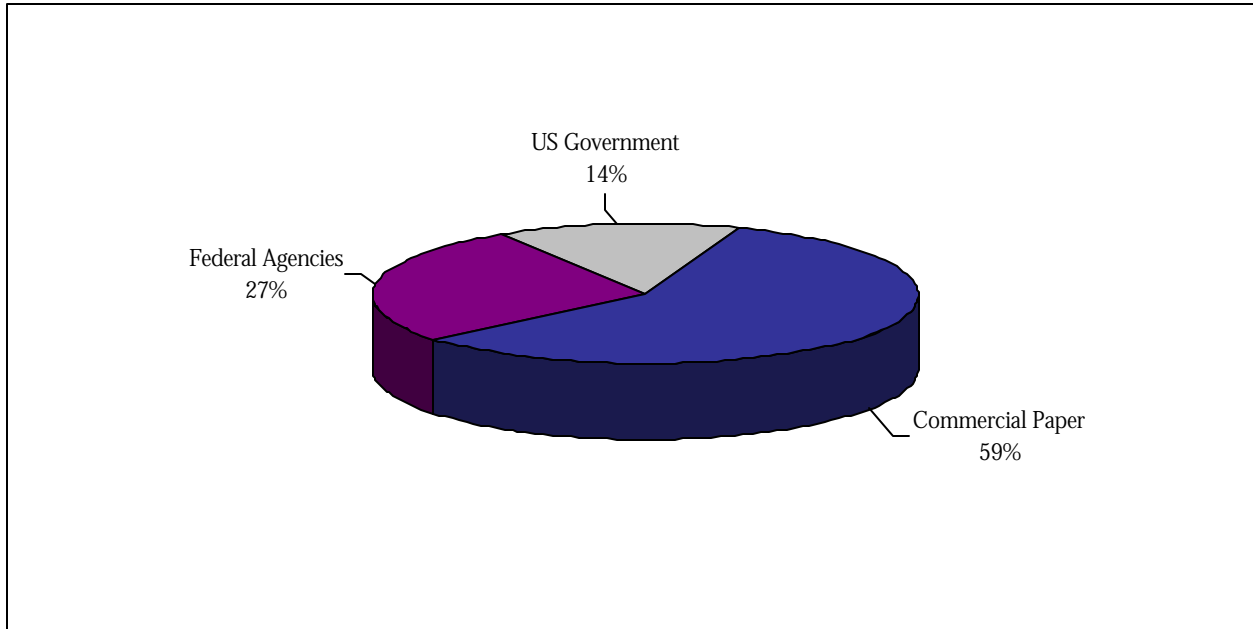
# MONEY MARKET FUND

June 30, 2002

**Total Money Market Fund Market Value = \$140.7 million**

*Weighted Average Maturity = 68 days*

## Sector Distribution



## Maturity Distribution

