SEGAL ADVISORS

Multiemployer Universe

Investment Consulting SPRING 2004

Good News: Improved Investment Performance for Multiemployer Pension Funds in 2003

Multiemployer pension funds' investment performance improved in 2003, according to the latest release of Segal Advisors' annual *Survey of the Universe of Multiemployer Pension Funds' Investment Performance* (also known as the *Multiemployer Universe*). The median investment performance of the funds in the *Multiemployer Universe*, which represented total assets of over $18.4 billion as of December 31, 2003, was 17.2 percent over the year. This is a substantial improvement over the previous year's median loss of 8.2 percent.

The median return on equity investments for the funds in the *Multiemployer Universe* was an impressive 31.4 percent in 2003. The median return for fixed-income investments in 2003 was 5.1 percent.

Equity Returns Rebound

The 31.4 percent median return on equity investments exceeded the return for Standard & Poor's Index of 500 stocks (S&P 500 Index), which returned 28.7 percent for the year. See the first bar of the graph on the back of this report. As the top of that bar indicates, the rate of return for funds with the "best-performing" equity investments was 39.7 percent. Even the equity investments with the lowest returns yielded an impressive 27.0 percent return.

Multiemployer funds' favorable returns on equity investments in 2003 stand in sharp contrast with recent years' performance, especially the double-digit losses experienced in both 2001 and 2002.

Lower Bond Returns

The 5.1 percent median return on fixed-income investments in 2003 represents a decline from the median return of 10.1 percent in 2002. As shown by the second bar of the graph on the back of this report, the median experience of funds in the *Multiemployer Universe* exceeded the 4.1 percent return for the Lehman Aggregate Bond Index in 2003.

Over the 2000-2003 three-year period, funds in the *Multiemployer Universe* experienced a median gain of 7.6 percent, which is in line with the three-year return experienced by the Lehman Aggregate Bond Index.

Solid — and Much Improved — Combined Returns

The 17.2 percent combined return on total investments for funds in the *Multiemployer Universe* in 2003 is equal to the return that a comparative benchmark comprised of 55 percent S&P 500 Index and 45 percent Lehman Aggregate Bond Index would have produced.

The double-digit overall return on multiemployer funds' investments is a welcome development, particularly in light of recent years' disappointing experience. In 2002 and 2001, for example, the loss was 8.2 percent and 2.4 percent, respectively.

"The 31.4 percent median return on equity investments exceeded the return for Standard & Poor's Index of 500 stocks."

Segal Advisors' Chartered Financial Analysts

Segal Advisors is pleased to report that eight of its investment consultants are currently recognized as Chartered Financial Analysts (CFAs®). Five additional staff members are in the process of achieving this internationally recognized designation of professional proficiency in investing.

To earn the CFA designation, individuals must demonstrate their investment expertise and portfolio management skills though a series of rigorous examinations. Typically, candidates for the CFA designation spend 250 hours preparing for each of three exams. CFAs are required to follow the highest ethical standards.

For more information about the experience of Segal Advisors' CFAs and how they can help you, contact your Segal Advisors investment consultant or the nearest Segal Advisors office from the list that appears on the back of this publication.

Conclusion

Trustees of multiemployer pension plans will be relieved that 2003 investment performance produced strong results. Improved investment performance should help plans that in recent years experienced erosion in their funded position. Trustees should continue to diligently monitor the fund's

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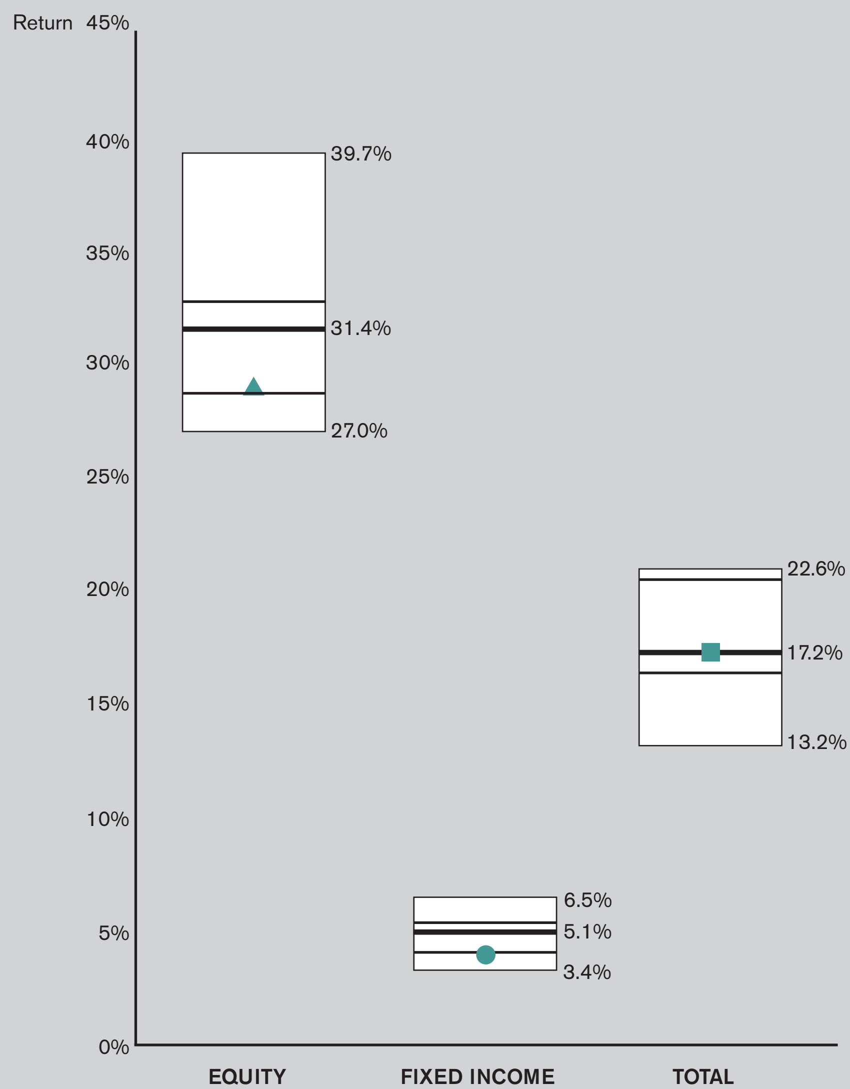
SEGAL ADVISORS' *MULTIEMPLOYER UNIVERSE*: INVESTMENT PERFORMANCE RESULTS FOR THE YEAR ENDED DECEMBER 31, 2003*



	EQUITY	FIXED INCOME	TOTAL
5th Percentile	39.7%	6.5%	22.6%
25th Percentile	32.9%	5.5%	19.5%
Median	**31.4%**	**5.1%**	**17.2%**
75th Percentile	28.7%	4.2%	16.3%
95th Percentile	27.0%	3.4%	13.2%

KEY TO GRAPH SYMBOLS:

▬ = Median

▲ = S&P 500 Index 28.7%

● = Lehman Aggregate Bond Index 4.1%

■ = Composite Index** 17.2%

* 2003 results are based on the experience of a representative portion of all Segal Advisors' multiemployer clients and include a broad cross-section of national and local multiemployer pension funds. These results do not reflect investment managers' fees (*i.e.*, fees have not been deducted).

** The composite index equals 55% S&P 500 Index and 45% Lehman Aggregate Bond Index.

investment results along with the plan's funding needs. Some plans may require several consecutive years of improved investment performance to make up for losses experienced in 2000-2002, especially for technical pension funding purposes. Trustees of multiemployer pension plans should discuss the implications of various scenarios with their actuaries, investment consultants and other professional advisors.

Segal Advisors' newest office is in Southern California. The address, phone and fax numbers are:

330 North Brand Boulevard
Suite 500
Glendale, CA 91203-2308
T: 818.956.6700
F: 818.956.6790

SEGAL ADVISORS

Boston	617.424.7300
Chicago	312.984.8500
Cleveland	216.687.4400
Los Angeles	818.956.6700
New York	212.251.5900

www.segaladvisors.com