VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

JANUARY 28, 2013

AGENDA

PLACE: Ventura County Employees' Retirement Association
Second Floor Boardroom
1190 South Victoria Avenue
Ventura, CA 93003

TIME: 9:00 a.m.

ACTION ON AGENDA: When Deemed to be Appropriate, the Board of Retirement May Take Action on Any and All Items Listed Under Any Category of This Agenda, Including "Correspondence" and "Informational."

ITEM:

I.	**INTRODUCTION OF MEETING**	Master Page No.
II.	**APPROVAL OF AGENDA**	1 – 5
III.	**APPROVAL OF MINUTES**	
	A. Disability Meeting of January 7, 2013.	6 – 11
IV.	**CONSENT AGENDA**	

THE FOLLOWING ITEMS ARE ANTICIPATED TO BE ROUTINE AND NON CONTROVERSIAL. CONSENT ITEMS WILL BE APPROVED WITH ONE MOTION IF NO MEMBER OF THE BOARD WISHES TO COMMENT OR ASK QUESTIONS. IF COMMENT OR DISCUSSION IS DESIRED, THE ITEM WILL BE REMOVED FROM THE CONSENT AGENDA AND TRANSFERRED TO THAT SECTION OF THE AGENDA DEEMED APPROPRIATE BY THE CHAIR.

A.	Regular and Deferred Retirements and Survivors Continuances for the Month of December 2012.	12 – 13

IV. CONSENT AGENDA (continued)

B. Report of Checks Disbursed in December 2012. 14 – 18

C. Asset Allocation as of December 2012. 19

D. Statement of Plan Net Assets, Statement of Changes in Plan Net Assets, and Investments & Cash Equivalents for the Month Ended November, 2012. 20 – 25

E. Budget Summary – Year to Date as of December 2012, Fiscal-Year 2012-13. 26

F. Update on Authorization for HEK to Share Performance Data with M^{cube}. 27

G. SACRS Spring Conference Items – SACRS Board of Directors Elections Reminder. 28 – 30

END OF CONSENT AGENDA

V. INVESTMENT INFORMATION

A. Private Equity Funding Discussion – HEK Conference Call (15 minutes). 31 – 43

B. GMO – GTAA (15 minutes). John Allen and Edmund Bellord. 44 – 94

C. Bridgewater – Risk Parity Discussion (15 minutes). Joel Whidden. 95 – 137

D. Hewitt EnnisKnupp, Russ Charvonia, ChFC, CFP, Esq. and Kevin Chen.

1. Monthly Manager Performance Report, December 2012. 138 – 144

2. Highlights and Research, January 2013. 145 – 282

   a. Tactical Rebalancing Update
   b. Investment Policy Statement
   c. Fixed Income Portfolio Discussion
   d. Clifton Flash Report
   e. RREEF Flash Report
   f. HEK Client Webcasts

V. INVESTMENT INFORMATION (continued)

D. Hewitt EnnisKnupp (continued)

2. Highlights and Research (continued)

g. Fiscal Cliff Averted
h. Medium Term Views

VI. ACTUARIAL INFORMATION

A. Review and Approval of Annual Actuarial Report as of June 30, 2012; The Segal Company; Paul Angelo and John Monroe.	283
1. June 30, 2012 Actuarial Valuation Report.	284 – 363
2. Three-year Phase-in of Employer Contribution Rates. (revised)	364 – 367
3. Responses to Questions Regarding the Actuarial Valuation.	368 – 371
B. Contribution Rates for CalPEPRA Formulas for the 2013/2014 Fiscal Year: Acknowledge and Distribute.	372 – 375
C. Cost-of-Living Adjustments (COLA) as of April 1, 2013.	376 – 378

VII. OLD BUSINESS

None.

VIII. NEW BUSINESS

A. Review and Approval of Annual Financial Report; Brown Armstrong; Andrew J. Paulden, CPA.	379
1. VCERA Comprehensive Annual Financial Report Dated June 30, 2012.	380 – 454
2. Independent Auditor’s Report Dated December 28, 2012.	455 – 456

VIII. <u>NEW BUSINESS</u> (continued)

A. Review and Approval of Annual Financial Report (continued)

3. Independent Auditor's Reports to Management dated December 28, 2012: Required Communication to the Board of Retirement in Accordance with Professional Standards; Independent Auditor's 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*; Agreed Upon Conditions Report Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting. 457 – 464

B. Quarterly Retirement Administrator's Report. 465 – 470

C. Board Education and Travel Policy and Trustee Training Tracking and Reporting. 471

1. Education and Travel Sample Trustee Education Tracking Report. 472 – 483
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3. Travel Reimbursement Template 2013. 491

D. Request to Attend the California Association of Public Retirement Systems (CALAPRS) Principles of Pension Management, Stanford, CA – March 26-29, 2013 – Trustee Elect. 492 – 496

E. Request for Authorization to Travel, Proposed Site Visits - State Street Global Advisors', Pantheon and RREEF March 21, 2013 – Mr. Solis, CFO, Ms. Nemiroff, Board Counsel, Mr. Goulet, Mr. C. Johnston, Trustee and Interested Trustees. 497 – 498

F. Request to Attend Manatt Fiduciary Forum, March 21 & 22, 2013 – Mr. Kendig, Retirement Administrator, Mr. Solis, CFO, Ms. Nemiroff, Board Counsel, Mr. Goulet, Trustee, Mr. C. Johnston, Trustee, Trustee Elect – Third Position and Interested Trustees. 499 – 501

VIII. NEW BUSINESS (continued)

G. Request for Authorization to Travel, 2013 Pension Bridge Annual Conference, April 16 & 17, 2013 – Mr. Goulet, Mr. Henderson, Mr. Wilson, and Interested Trustees. 502 – 514

IX. PUBLIC COMMENT

X. BOARD MEMBER COMMENT

XI. ADJOURNMENT

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

JANUARY 7, 2013

MINUTES

DIRECTORS PRESENT:
William W. Wilson, Chair, Public Member
Tracy Towner, Vice Chair, Safety Employee Member
Steven Hintz, Treasurer-Tax Collector
Peter C. Foy, Public Member
Albert G. Harris, Public Member
Joseph Henderson, Public Member
Tom Johnston, General Employee Member
Arthur E. Goulet, Retiree Member
Chris Johnston, Alternate Employee Member
Will Hoag, Alternate Retiree Member

DIRECTORS ABSENT:
Vacant, Third Position, General Employee Member

STAFF PRESENT:
Donald C. Kendig, Retirement Administrator
Henry Solis, Chief Financial Officer
Lori Nemiroff, Assistant County Counsel
Glenda Jackson, Program Assistant
Angie Tolentino, Retirement Benefits Specialist

PLACE:
Ventura County Employees' Retirement Association
Second Floor Boardroom
1190 South Victoria Avenue
Ventura, CA 93003

TIME: 9:00 a.m.

ITEM:

I. INTRODUCTION OF MEETING

Chairman Wilson called the Disability Meeting of January 7, 2013, to order at 9:00 a.m.

II. APPROVAL OF AGENDA

Staff recommended that Agenda item V.A. be amended to include the addition of a letter submitted by Stephen R. Pingel, applicant's counsel, in the matter of the application for non-service and service connected disability by David L. Gasaway, as sub-item 4 "Applicant's Objection to Respondent's Objection," changing the hearing notice to sub-item 5. Mr. Goulet recommended the correction of Item VII.C. changing "Trustees" to "Administrators."

MOTION: Mr. Goulet moved, seconded by Mr. Harris, to approve the agenda as amended.

Motion passed unanimously. Third Member vacant. Mr. C. Johnston voting.

III. APPROVAL OF MINUTES

A. Business Meeting of December 17, 2012.

Staff recommended that Master Page No. 11 be amended to include the signature blocks.

MOTION: Judge Hintz moved, seconded by Mr. Harris, to approve the minutes of December 17, 2012, as corrected.

Motion passed unanimously. Third Member vacant. Mr. C. Johnston voting.

IV. PENDING DISABILITY APPLICATION STATUS REPORT

MOTION: Mr. Harris moved, seconded by Mr. T. Johnston, to receive and file the pending disability application status report.

Motion passed unanimously. Third Member vacant. Mr. C. Johnston voting.

V. APPLICATIONS FOR DISABILITY RETIREMENT

A. Application for Non-Service and Service Connected Disability Retirement; David L. Gasaway, Case No. 12-002.

1. Letter from Stephen D. Roberson, Attorney at Law, dated December 6, 2012.

2. Applicant's objection to Respondent's letter, Submitted by Steven R. Pingel, Attorney at Law, dated December 11, 2012.

V. <u>APPLICATIONS FOR DISABILITY RETIREMENT</u> (continued)

A. Application for Non-Service and Service Connected Disability Retirement; David L. Gasaway, Case No. 12-002. (continued)

3. Respondent's objection to Applicant's letter, Submitted by Stephen D. Roberson, dated December 19, 2012.

4. Applicant's objection to Respondent's objection, Submitted by Steven R. Pingel, dated January 2, 2013.

5. Hearing Notice.

Stephen D. Roberson and Paul Hilbun were present representing the County of Ventura Risk Management. Steven R. Pingel was present representing the applicant. The applicant, David L. Gasaway, was not present.

Applicant's counsel withdrew the objection to the independent medical evaluation by Dr. Richard Rosenberg.

Following statements by both parties, and discussion, the following motion was made.

<u>MOTION:</u> Mr. Henderson moved, seconded by Mr. Foy, to grant the authority to take the deposition.

Motion passed unanimously. Third Member absent. Mr. C. Johnston voting.

B. Application for Service Connected Disability Retirement; Mark B. Lopez, Case No. 09-036.

1. Petition for Reconsideration, Submitted by Marshall W. Graves, Attorney at Law, dated December 7, 2012.

2. Applicant's response to Respondent's Petition for Reconsideration, Submitted by Steven R. Pingel, Attorney at Law, dated December 11, 2012.

3. Hearing Notice.

Marshall W. Graves and Paul Hilbun were present representing the County of Ventura Risk Management. Steven R. Pingel was present representing the applicant. The applicant, Mark. B. Lopez, was not present.

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

B. Application for Service Connected Disability Retirement; Mark B. Lopez, Case No. 09-036. (continued)

Following statements by both parties, and discussion, the following motion was made.

MOTION: Mr. Goulet moved to grant the petition for reconsideration.

After hearing no second, the following motion was made.

MOTION: Mr. Towner moved, seconded by Mr. T. Johnston, to deny the petition for reconsideration.

Motion passed unanimously. Third Member absent. Mr. C. Johnston voting.

VI. OLD BUSINESS

A. Pensionable Compensation under the California Public Employees' Pension Reform Act (CalPEPRA).

Angie Tolentino left the meeting at 9:36 a.m.

Received public comment from David Grau, Ventura County Taxpayers Association; Paul Derse, County Executive Office; Catherine Rodriguez, County Executive Office.

Henry Solis entered the meeting at 9:39 a.m.

After discussion, the following motion was made.

MOTION: Mr. Goulet moved, seconded by Mr. Towner, to receive and file the staff report and attachments.

Motion passed unanimously. Third Member absent. Mr. C. Johnston voting.

After further discussion, the following motion was made.

MOTION: Mr. Goulet moved, seconded by Mr. Towner, to direct Board Counsel to obtain a letter of assurance from the County.

Motion passed. Mr. Foy voting no. Third Member absent. Mr. C. Johnston voting.

VI. OLD BUSINESS (continued)

B. Election Policy Review, Board Member Terms, and Proposed Election Schedule.

After discussion, the following motion was made.

MOTION: Mr. Henderson moved, seconded by Mr. C. Johnston, to adjust the third position's term to end December 31, 2012, and adopt the adjusted election schedule.

Motion passed unanimously. Third Member absent. Mr. C. Johnston voting.

C. Request to Attend Brown Armstrong Client Update – H. Solis.

MOTION: Mr. C. Johnston moved, seconded by Mr. Henderson, to approve Mr. Solis' attendance at the Brown Armstrong Client Update.

Motion passed unanimously. Third Member absent. Mr. C. Johnston voting.

VII. NEW BUSINESS

A. Establishment of Personnel Committee (PC) for the performance review of the Retirement Administrator.

After discussion, the Personnel Review Committee was established comprised of Judge Hintz, Mr. C. Johnston and Mr. Hoag.

B. Request to Attend the CALAPRS Trustees Round Table – Trustee A. Goulet.

MOTION: Mr. Henderson moved, seconded by Mr. Harris, to approve Mr. Goulet's attendance at the CALAPRS Trustees Round Table.

Motion passed unanimously. Third Member absent. Mr. C. Johnston voting.

VII. NEW BUSINESS (continued)

C. Request to Attend the CALAPRS Administrators Round Table – Retirement Administrator.

MOTION: Mr. Goulet moved, seconded by Mr. T. Johnston, to approve the Retirement Administrator's attendance at the CALAPRS Administrators Round Table.

Motion passed unanimously. Third Member absent. Mr. C. Johnston voting.

VIII. PUBLIC COMMENT

None.

IX. BOARD MEMBER COMMENT

None.

X. ADJOURNMENT

The Board adjourned the meeting at 10:02 a.m.

Respectfully submitted,

Donald C. Kendig

DONALD C. KENDIG, CPA, Retirement Administrator

Approved,

WILLIAM W. WILSON, Chairman

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

REPORT OF REGULAR AND DEFERRED RETIREMENTS AND SURVIVORS CONTINUANCES

DECEMBER 2012

REGULAR RETIREMENTS:

FIRST NAME	LAST NAME	G/S	AGE	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
William J.	Ackerman	S	59.50	5/9/1977	35.50		Fire Protection District	11/10/12
Robert R.	Ameche	S	57.75	5/15/1977	35.50		Fire Protection District	11/10/12
Adele A.	Beardsley	G	66.50	7/16/2006	13.20	A=6.8744	County Counsel	11/03/12
James R.	Biermann	G	65.00	6/24/2002	10.40		Sheriff's Department	11/10/12
Karen J.	Block-Davis	G	52.25	1/25/1987	10.50	C=3.704	District Attorney	10/02/12
Dea S.	Boehme	G	59.75	7/16/1995	21.40	B=0.1112	Sheriff's Department	11/10/12
Susan L.	Bollinger	G	50.00	12/10/2000	10.10	A=0.1827	Health Care Agency	09/24/12
Sharyl R.	Burke	G	59.75	6/6/1993	15.20		Public Defender	11/02/12
Carmen F.	Castaneda	G	60.75	02/04/02	9.10		Human Services Agency	11/26/12
Susan	Chavez	G	51.25	5/17/1998	13.30		Human Services Agency	11/19/12
Linda	Clayton	S	54.50	6/27/2012	3.09		Sheriff's Department	08/01/12
Daniel J.	Cutcher	G	73.00	5/9/1982	30.60	B=0.0943	Library Services Agency	11/10/12
Vera C.	Dominguez	G	54.00	10/28/1990	19.30		Health Care Agency	11/09/12
Joseph	Evans	S	56.50	09/21/1980	32.14		Sheriff's Department	11/09/12
Richard W.	Hamilton	S	55.00	1/18/1981	34.90	D=3.0833	Sheriff's Department	11/22/12
Virginia L.	Iverson	G	61.75	11/17/1996	2.31	C=18.32	Health Care Agency	10/23/12
Melinda	Kaihara-Norcott	S	59.75	8/3/2012	8.70		Fire Protection District	08/04/12
Craig P.	Koerner	G	62.00	06/08/1980	32.20	B=0.0959	Animal Regulations	11/08/12
Treka D'Aun	Laviada	G	50.00	01/03/1993	14.45		Sheriff's Department	11/07/12
Janice L.	McGarry	G	66.25	11/12/2002	5.30		Area Agency on Aging	11/14/12
Patricia M.	Murphy	G	50.00	01/24/1988	18.20		District Attorney	11/02/12
Jeffrey	Norcott	S	60.50	9/21/1986	16.78		Fire Protection District	08/04/12
Ray A.	Rangel	G	57.50	11/05/1973	39.00		Public Works	11/09/12
Steven D.	Rhods	S	56.25	09/07/1980	26.20		Sheriff's Department	11/23/12
Susan J.	Saraceno	G	61.00	08/19/2001	10.20		Health Care Agency	11/24/12
Deborah Y.	Smith	G	61.00	11/25/2001	10.00		Human Services Agency	11/05/12
Hector A.	Solorzano	G	65.00	03/11/1984	28.80	B=0.1107	Assessor	11/11/12
Brian D.	Stachkunas	G	58.00	03/28/1982	32.10	A=1.90534	Auditor-Controller	11/10/12
Sandra K.	Ullrich	G	70.00	03/19/2001	10.50		District Attorney	11/24/12
Sheree L.	Virs	G	62.75	08/21/1978	33.24		General Services	10/03/12
Pamela S.	Waldron	G	59.25	02/20/2001	11.10		Human Services Agency	11/17/12

DEFERRED RETIREMENTS:

FIRST NAME	LAST NAME	G/S	AGE	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
Laura L.	Burwick	G	52.00	04/08/2007	5.37		Health Care Agency	08/30/12

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

REPORT OF REGULAR AND DEFERRED RETIREMENTS AND SURVIVORS CONTINUANCES

DECEMBER 2012

FIRST NAME	LAST NAME	G/S	AGE	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
SURVIVORS' CONTINUANCES:								
Pamella	Smith							

*** = Member Establishing Reciprocity**
A = Previous Membership
B = Other County Service (eg Extra Help)
C = Reciprocal Service
D = Public Service

Ventura County Retirement Assn

Check Register - Standard

Period: 06-13 As of: 1/4/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
Company:	**VCERA**										
Acct / Sub:	1002		00								
021733	CK	12/5/2012	118612 OLOF R. MARNEUS	06-13		016547	VO	REFUND T2 COL	12/5/2012	0.00	6,724.65
021734	CK	12/5/2012	100838 DEBORAH TRONCALE	06-13		016548	VO	REFUND T2 COL	12/5/2012	0.00	13,319.52
021735	CK	12/5/2012	101959 PATSY E. HULSEY	06-13		016549	VO	REFUND T2 COL	12/5/2012	0.00	11,250.70
021736	CK	12/5/2012	117239 DENNIS C. CRANDALL	06-13		016550	VO	REFUND T2 COL	12/5/2012	0.00	5,610.87
021737	CK	12/5/2012	119538 JOLYN ION	06-13		016551	VO	REFUND	12/5/2012	0.00	947.17
021738	CK	12/5/2012	122305 SALVADOR BECERRA	06-13		016552	VO	REFUND	12/5/2012	0.00	1,641.25
021739	CK	12/5/2012	122451 ELIZABETH KOVACH	06-13		016553	VO	REFUND	12/5/2012	0.00	1,080.01
021740	CK	12/5/2012	117350 STEFANIE HADJOGLOU	06-13		016554	VO	REFUND	12/5/2012	0.00	17,900.49
021741	CK	12/5/2012	109606 JEANNE SHIELDS	06-13		016555	VO	REFUND	12/5/2012	0.00	30,602.32
021742	CK	12/5/2012	120338 AMY JO SWANSON	06-13	06-13	016556	VO	REFUND	12/5/2012	0.00	11,130.62
021742	VC	12/27/2012	120338 AMY JO SWANSON	06-13	06-13	016556	VO	REFUND	12/5/2012	0.00	-11,130.62
									Check Total		**0.00**
021743	CK	12/5/2012	122450 NATALIE OLIVARES	06-13		016557	VO	REFUND	12/5/2012	0.00	1,003.26
021744	CK	12/5/2012	120722 ERIN OLVERA	06-13		016558	VO	REFUND	12/5/2012	0.00	7,743.45
021745	CK	12/5/2012	119608 KATHLEEN C. MILLER	06-13		016559	VO	REFUND	12/5/2012	0.00	14,537.67

Ventura County Retirement Assn

Check Register - Standard

Period: 06-13 As of: 1/4/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
021746	CK	12/5/2012	119525 DAVID LAMBERSON	06-13		016560	VO	REFUND	12/5/2012	0.00	29,602.40
021747	CK	12/5/2012	114145 SHEILA PIALA	06-13		016561	VO	REFUND	12/5/2012	0.00	6,869.92
021748	CK	12/5/2012	XXXXX1386 RONALD TINDLE	06-13		016562	VO	REFUND	12/5/2012	0.00	5,044.05
021749	CK	12/5/2012	104808 SARAH M. BECERRA	06-13		016563	VO	REFUND	12/5/2012	0.00	37,901.97
021750	CK	12/5/2012	101602 HENRY SOLIS	06-13		016564	VO	ADMIN EXP	12/5/2012	0.00	320.00
021751	CK	12/5/2012	COMPUWAVE COMPUWAVE	06-13		016565	VO	ADMIN EXP	12/5/2012	0.00	94.72
021752	CK	12/5/2012	BOFA BANK OF AMERICA	06-13		016566	VO	ADMIN EXP	12/5/2012	0.00	6,744.19
021753	CK	12/5/2012	PRUDENTIAL PRUDENTIAL REAL ESTATE	06-13		016567	VO	INVESTMENT FEES	12/5/2012	0.00	178,017.71
021754	CK	12/13/2012	F1624B1 MARGARET M. REEDER	06-13		016568	VO	DEATH BENEFIT	12/13/2012	0.00	4,400.62
021755	CK	12/13/2012	120994 MICHAEL E. GOLDSMITH	06-13		016569	VO	REFUND	12/13/2012	0.00	5,069.18
021756	CK	12/13/2012	103726 FELICIA LACHELLE ECHOLS	06-13		016570	VO	REFUND	12/13/2012	0.00	53,611.92
021757	CK	12/13/2012	CALAPRS CALAPRS	06-13		016571	VO	ADMIN EXP	12/13/2012	0.00	2,900.00
021758	CK	12/13/2012	990001 ALBERT G. HARRIS	06-13		016572	VO	REIMB	12/13/2012	0.00	9.99
021759	CK	12/13/2012	VOLT VOLT	06-13		016573	VO	ADMIN EXP	12/13/2012	0.00	2,855.53

Ventura County Retirement Assn

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Period: 06-13 As of: 1/4/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
021760	CK	12/13/2012	BARNEY ABU COURT REPORTING INC	06-13		016574	VO	ADMIN EXP	12/13/2012	0.00	1,775.00
021761	CK	12/13/2012	COUNTY COUNTY COUNSEL	06-13		016575	VO	LEGAL FEES	12/13/2012	0.00	32,037.00
021762	CK	12/13/2012	HARRIS HARRIS WATER CONDITIONING	06-13		016576	VO	ADMIN EXP	12/13/2012	0.00	129.50
021763	CK	12/21/2012	ENNIS HEWITT ENNIS KNUPP, INC	06-13		016577	VO	INVESTMENT FEES	12/20/2012	0.00	59,750.00
021764	CK	12/21/2012	SPRUCE SPRUCEGROVE INVESTMENT M	06-13		016578	VO	INVESTMENT FEE	12/20/2012	0.00	50,717.52
021765	CK	12/21/2012	121881 CHANTELL GARCIA	06-13		016579	VO	ADMIN EXP	12/20/2012	0.00	47.32
021766	CK	12/21/2012	SMARTBEAR SMARTBEAR SOFTWARE, INC	06-13		016580	VO	ADMIN EXP	12/20/2012	0.00	1,367.01
021767	CK	12/21/2012	CINTAS CINTAS DOCUMENT MANAGEME	06-13		016581	VO	ADMIN EXP	12/20/2012	0.00	114.50
021768	CK	12/21/2012	MEGAPATH MEGAPATH INC.	06-13		016582	VO	ADMIN EXP	12/20/2012	0.00	197.36
021769	CK	12/21/2012	TWC TIME WARNER CABLE	06-13		016583	VO	ADMIN EXP	12/20/2012	0.00	438.76
021770	CK	12/21/2012	CROST PAUL E CROST	06-13		016584	VO	ADMIN EXP	12/20/2012	0.00	5,075.00
021771	CK	12/21/2012	CUSTOM CUSTOM PRINTING	06-13		016585	VO	ADMIN EXP	12/20/2012	0.00	356.58
021772	CK	12/21/2012	YORK ACCESS INFORMATION MANAGE	06-13		016586	VO	ADMIN EXP	12/20/2012	0.00	292.18
021773	CK	12/21/2012	BROWN BROWN ARMSTRONG	06-13		016587	VO	ADMIN EXP	12/20/2012	0.00	2,366.54

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
021774	CK	12/21/2012	CMP CMP & ASSOCIATES, INC	06-13		016588	VO	ADMIN EXP	12/20/2012	0.00	26,072.50
021775	CK	12/21/2012	LINEA LINEA SOLUTIONS	06-13		016589	VO	ADMIN EXP	12/20/2012	0.00	67,573.55
021776	CK	12/21/2012	CALAPRS CALAPRS	06-13		016590	VO	ADMIN EXP	12/20/2012	0.00	2,150.00
021777	CK	12/21/2012	990004BM WILL HOAG	06-13		016591	VO	TRAVEL REIMB	12/20/2012	0.00	122.22
021778	CK	12/21/2012	103572 DEBORAH Y. SMITH	06-13		016592	VO	REFUND T2 COL	12/21/2012	0.00	8,118.79
021779	CK	12/21/2012	105897 SUSAN L. BOLLINGER	06-13		016593	VO	REFUND T2 COL	12/21/2012	0.00	8,313.13
021780	CK	12/21/2012	117722R NATIONAL FINANCIAL SERVICES	06-13		016594	VO	ROLLOVER	12/21/2012	0.00	34,592.60
021781	CK	12/21/2012	117722 CHRISTOPHER G. CORREA	06-13		016595	VO	REFUND	12/21/2012	0.00	1,575.93
021782	CK	12/21/2012	119270 CHRIS E. HART	06-13		016596	VO	REFUND	12/21/2012	0.00	17,664.15
021783	CK	12/27/2012	120338 AMY JO SWANSON	06-13		016556	VO	REFUND	12/5/2012	0.00	11,130.62
021784	CK	12/27/2012	MOGHTADER JAMES A . MOGHTADER, M.D.	06-13		016597	VO	ADMIN EXP	12/27/2012	0.00	3,375.00
021785	CK	12/27/2012	CUSTOM CUSTOM PRINTING	06-13		016598	VO	ADMIN EXP	12/27/2012	0.00	214.50
021786	CK	12/27/2012	VOLT VOLT	06-13		016599	VO	ADMIN EXP	12/27/2012	0.00	1,929.95
021787	CK	12/27/2012	TRI TRI COUNTY OFFICE FURNITUR	06-13		016600	VO	ADMIN EXP	12/27/2012	0.00	734.09

Ventura County Retirement Assn

Check Register - Standard

Period: 06-13 As of: 1/4/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
021788	CK	12/27/2012	STATE STATE STREET CORPORATION	06-13		016601	VO	INVESTMENT FEES	12/27/2012	0.00	8,750.87
021789	CK	12/27/2012	BARNEY ABU COURT REPORTING INC	06-13		016602	VO	ADMIN EXP	12/27/2012	0.00	315.00
021790	CK	12/27/2012	COMPUWAVE COMPUWAVE	06-13		016603	VO	ADMIN EXP	12/27/2012	0.00	873.74
021791	CK	12/27/2012	CORPORATE STAPLES ADVANTAGE	06-13		016604	VO	ADMIN EXP	12/27/2012	0.00	214.45
021792	CK	12/27/2012	VITECH VITECH SYSTEMS GROUP INC	06-13		016605	VO	ADMIN EXP	12/27/2012	0.00	192,900.00
021793	CK	12/27/2012	SEGAL THE SEGAL COMPANY	06-13		016606	VO	ADMIN EXP	12/27/2012	0.00	20,940.00

Check Count: 62

Acct Sub Total: **1,008,028.92**

Check Type	Count	Amount Paid
Regular	61	1,019,159.54
Hand	0	0.00
Void	1	-11,130.62
Stub	0	0.00
Zero	0	0.00
Mask	0	0.00
Total:	**62**	**1,008,028.92**

Company Disc Total **0.00** **Company Total** **1,008,028.92**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ASSET ALLOCATION
As of 12/31/2012

Mandate	$ Actual	% of Actual	$ Target	% Target	Permissible Min	Permissible Max	Outside Permissible	Calculated Adjustments	Proposed Adjustments	Closing Balance	Proposed Allocation	After Rebalancing
BlackRock Extended Equity Index Fund	**31,301,869**	0.90%	34,967,025	1.00%	0.5%	2.0%	OK	3,665,156		31,301,869	0.90%	OK
Western U.S. Index Plus	**120,636,299**	3.45%	104,901,074	3.00%	2.0%	4.0%	OK	(15,735,225)	(14,600,000)	106,036,299	3.05%	OK
BlackRock Equity Market Fund	**1,124,385,022**	32.16%	1,118,944,793	32.00%	28.0%	36.0%	OK	(5,440,229)		1,124,385,022	32.29%	OK
Total U.S. Equities	1,276,323,190	36.50%	1,258,812,892	36.00%	30.0%	40.0%	**OK**	(17,510,298)	(14,600,000)	1,261,723,190	36.23%	**OK**
BlackRock ACWI ex-U.S. Index	**340,033,761**	9.72%	349,670,248	10.00%	8.0%	12.0%	OK	9,636,487		340,033,761	9.77%	OK
Sprucegrove	**157,961,770**	4.52%	139,868,099	4.00%	3.0%	6.0%	OK	(18,093,671)		157,961,770	4.54%	OK
Hexavest	**66,667,819**	1.91%	69,934,050	2.00%	1.0%	3.0%	OK	3,266,231		66,667,819	1.91%	OK
Walter Scott	**82,990,807**	2.37%	104,901,074	3.00%	1.5%	4.0%	OK	21,910,267		82,990,807	2.38%	OK
Total Non-U.S. Equities	647,654,157	18.52%	664,373,471	19.00%	15.0%	21.0%	**OK**	16,719,314	-	647,654,157	18.60%	**OK**
GMO Global	**173,381,937**	4.96%	174,835,124	5.00%	3.0%	7.0%	OK	1,453,187		173,381,937	4.98%	OK
BlackRock MSCI ACWI Equity Index	**129,287,351**	3.70%	174,835,124	5.00%	3.0%	7.0%	OK	45,547,773		129,287,351	3.71%	OK
Total Global Equities	302,669,288	8.66%	349,670,248	10.00%	7.0%	13.0%	**OK**	47,000,960	-	302,669,288	8.69%	**OK**
Total Equities	2,226,646,635	63.68%	2,272,856,611	65.00%	58.0%	70.0%	**OK**	46,209,976	(14,600,000)	2,212,046,635	63.53%	**OK**
Western	**279,622,608**	8.00%	279,736,198	8.00%	6.0%	10.0%	OK	113,590		279,622,608	8.03%	OK
BlackRock U.S. Debt Fund	**133,640,955**	3.82%	139,868,099	4.00%	3.0%	6.0%	OK	6,227,144		133,640,955	3.84%	OK
Reams	**244,977,987**	7.01%	244,769,173	7.00%	6.0%	9.0%	OK	(208,814)		244,977,987	7.04%	OK
Loomis Sayles	**106,419,862**	3.04%	104,901,074	3.00%	2.0%	4.0%	OK	(1,518,788)		106,419,862	3.06%	OK
Total Domestic Fixed Income	764,661,412	21.87%	769,274,545	22.00%	17.0%	29.0%	**OK**	4,613,133	-	764,661,412	21.96%	**OK**
PIMCO Global	**100,485,176**	2.87%	104,901,074	3.00%	2.0%	4.0%	OK	4,415,898		100,485,176	2.89%	OK
Loomis Sayles Global	**68,011,337**	1.95%	69,934,050	2.00%	1.0%	4.0%	OK	1,922,713		68,011,337	1.95%	OK
Total Global Fixed Income	168,496,513	4.82%	174,835,124	5.00%	3.0%	8.0%	**OK**	6,338,611	-	168,496,513	4.84%	**OK**
Total Fixed Income	933,157,925	26.69%	944,109,669	27.00%	20.0%	37.0%	**OK**	10,951,744	-	933,157,925	26.80%	**OK**
Prudential Real Estate	**81,546,700**	2.33%	104,901,074	3.00%	2.0%	4.0%	OK	23,354,374		81,546,700	2.34%	OK
UBS Real Estate	**175,724,746**	5.03%	131,126,343	3.75%	3.0%	5.0%	**HIGH**	(44,598,403)		175,724,746	5.05%	**HIGH**
Guggenheim	**21,762,802**	0.62%	34,967,025	1.00%	0.5%	2.0%	OK	13,204,223		21,762,802	0.62%	OK
RREEF	**10,311,403**	0.29%	8,741,756	0.25%	0.1%	1.0%	OK	(1,569,647)		10,311,403	0.30%	OK
Real Estate	289,345,651	8.27%	279,736,198	8.00%	5.0%	10.0%	**OK**	(9,609,453)	-	289,345,651	8.31%	**OK**
Adams Street Partners	**27,248,123**	0.78%	-	0.00%	0.0%	4.0%	OK	(27,248,123)		27,248,123	0.78%	OK
Pantheon Ventures	**9,450,000**	0.27%	-	0.00%	0.0%	4.0%	OK	(9,450,000)		9,450,000	0.27%	OK
Private Equity	36,698,123	1.05%	-	0.00%	0.0%	5.0%	**OK**	(36,698,123)	-	36,698,123	1.05%	**OK**
Alternatives	-	0.00%	-	0.00%	0.0%	5.0%	**OK**	-	-	-	0.00%	**OK**
Clifton	**10,854,144**	0.31%	-	0.00%	0.0%	3.0%	OK	(10,854,144)		10,854,144	0.31%	OK
Other Assets	10,854,144	0.31%	-	0.00%	0.0%	5.0%	**OK**	(10,854,144)	-	10,854,144	0.31%	**OK**
Total Investment Portfolio	**3,496,702,478**	**100.00%**	**3,496,702,478**	**100.00%**				**0**	**(14,600,000)**	**3,482,102,478**	**100.00%**	

Ventura County Retirement Assn

Statement of Plan Net Assets
November 30, 2012

ASSETS

CASH & CASH EQUIVALENTS	**$71,561,326**
RECEIVABLES	
ACCRUED INTEREST AND DIVIDENDS	5,202,317
SECURITY SALES	25,593,505
MISCELLANEOUS	662
TOTAL RECEIVABLES	**30,796,483**
INVESTMENTS AT FAIR VALUE	
DOMESTIC EQUITY SECURITIES	103,383,943
DOMESTIC EQUITY INDEX FUNDS	1,140,880,519
INTERNATIONAL EQUITY SECURITIES	299,191,448
INTERNATIONAL EQUITY INDEX FUNDS	328,419,284
GLOBAL EQUITY	293,408,084
PRIVATE EQUITY	32,280,036
DOMESTIC FIXED INCOME - CORE PLUS	616,125,010
DOMESTIC FIXED INCOME - U.S. INDEX	133,819,169
GLOBAL FIXED INCOME	178,022,694
REAL ESTATE	289,729,516
CASH OVERLAY - CLIFTON	(2,910)
TOTAL INVESTMENTS	**3,415,256,795**
PENSION SOFTWARE DEVELOPMENT COSTS	**686,886**
TOTAL ASSETS	**3,518,301,490**

LIABILITIES

SECURITY PURCHASES	53,876,831
ACCOUNTS PAYABLE	385,886
PREPAID CONTRIBUTIONS	84,103,714
TOTAL LIABILITIES	**138,366,430**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**$3,379,935,060**

Ventura County Retirement Assn

Statement of Changes in Plan Net Assets
November 30, 2012

ADDITIONS	
CONTRIBUTIONS:	
EMPLOYER	$58,957,134
EMPLOYEE	17,645,054
TOTAL CONTRIBUTIONS	**76,602,188**
INVESTMENT INCOME:	
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	167,364,367
INTEREST INCOME	9,133,745
DIVIDEND INCOME	3,231,777
REAL ESTATE OPERATING INCOME, NET	3,592,661
SECURITIES LENDING INCOME	128,174
TOTAL INVESTMENT INCOME	**183,450,725**
LESS INVESTMENT EXPENSES:	
MANAGEMENT & CUSTODIAL FEES	2,084,532
SECURITIES LENDING BORROWER REBATES	28,078
SECURITIES LENDING MANAGEMENT FEES	34,781
TOTAL INVESTMENT EXPENSES	**2,147,392**
NET INVESTMENT INCOME	**181,303,333**
TOTAL ADDITIONS	**257,905,521**
DEDUCTIONS	
BENEFIT PAYMENTS	83,624,228
MEMBER REFUNDS	1,335,599
ADMINISTRATIVE EXPENSES	2,627,842
TOTAL DEDUCTIONS	**87,587,669**
NET INCREASE	**170,317,853**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
BEGINNING OF YEAR	**3,209,617,207**
ENDING BALANCE	**$3,379,935,060**

Ventura County Retirement Assn

Investments & Cash Equivalents
November 30, 2012

	SECURITIES FAIR VALUE	CASH
EQUITY		
DOMESTIC EQUITY		
WESTERN ASSET INDEX PLUS	$103,383,943	$13,857,705
TOTAL DOMESTIC EQUITY	**103,383,943**	**13,857,705**
DOMESTIC INDEX FUNDS		
BLACKROCK - US EQUITY MARKET	1,110,395,977	1
BLACKROCK - EXTENDED EQUITY	30,484,542	1
TOTAL EQUITY INDEX FUNDS	**1,140,880,519**	**2**
INTERNATIONAL EQUITY		
SPRUCEGROVE	152,673,633	0
HEXAVEST	65,456,043	0
WALTER SCOTT	81,061,772	0
TOTAL INTERNATIONAL EQUITY	**299,191,448**	**0**
INTERNATIONAL INDEX FUNDS		
BLACKROCK - ACWIXUS	328,419,284	0
TOTAL INTERNATIONAL EQUITY	**328,419,284**	**0**
GLOBAL EQUITY		
GRANTHAM MAYO & VAN OTTERLOO (GMO)	168,628,160	0
BLACKROCK GLOBAL INDEX	124,779,924	0
TOTAL GLOBAL EQUITY	**293,408,084**	**0**
PRIVATE EQUITY		
ADAMS STREET	25,697,454	0
PANTHEON	6,582,582	0
TOTAL PRIVATE EQUITY	**32,280,036**	**0**
FIXED INCOME		
DOMESTIC		
LOOMIS SAYLES & COMPANY (CORE PLUS)	115,838,181	4,942,867
REAMS(CORE PLUS)	228,260,087	34,501,834
WESTERN ASSET MGMT (CORE PLUS)	272,026,742	5,236,563
TOTAL DOMESTIC FIXED INCOME	**616,125,010**	**44,681,264**
DOMESTIC INDEX FUNDS		
BLACKROCK - US DEBT INDEX	133,819,169	0
TOTAL DOMESTIC INDEX FUNDS	**133,819,169**	**0**
GLOBAL		
LOOMIS SAYLES & COMPANY	67,948,012	0
PIMCO	110,074,683	998,569
TOTAL GLOBAL FIXED INCOME	**178,022,694**	**998,569**

Ventura County Retirement Assn
Investments & Cash Equivalents
November 30, 2012

	SECURITIES FAIR VALUE	CASH
REAL ESTATE		
GUGGENHEIM REAL ESTATE	$22,252,349	$0
PRUDENTIAL REAL ESTATE	81,441,017	0
RREEF	10,311,403	0
UBS REALTY	175,724,746	0
TOTAL REAL ESTATE	**289,729,516**	**0**
ALTERNATIVE STRATEGIES		
CASH OVERLAY - CLIFTON GROUP	**(2,910)**	**10,437,917**
IN HOUSE CASH		**1,585,869**
TOTAL INVESTMENTS AND CASH EQUIVALENTS	**$3,415,256,795**	**$71,561,326**

Ventura County Retirement Assn

Schedule of Investment Management Fees
For the Five Months Ending November 30, 2012

EQUITY MANAGERS	
DOMESTIC	
BLACKROCK - US EQUITY	$57,614
BLACKROCK - EXTENDED EQUITY	2,959
WESTERN ASSET INDEX PLUS	55,240
TOTAL	**115,813**
INTERNATIONAL	
BLACKROCK - ACWIXUS	72,051
SPRUCEGROVE	149,379
HEXAVEST	63,205
WALTER SCOTT	181,658
TOTAL	**466,293**
GLOBAL	
BLACKROCK GLOBAL INDEX	12,214
TOTAL	**12,214**
PRIVATE EQUITY	
ADAMS STREET	210,938
PANTHEON	37,500
TOTAL	**248,438**
FIXED INCOME MANAGERS	
DOMESTIC	
BLACKROCK - US DEBT INDEX	18,316
LOOMIS , SAYLES AND COMPANY	106,738
REAMS ASSET MANAGEMENT	144,515
WESTERN ASSET MANAGEMENT	126,601
TOTAL	**396,170**
GLOBAL	
LOOMIS SAYLES & COMPANY	50,291
PIMCO	2,484
TOTAL	**52,775**
REAL ESTATE	
GUGGENHEIM	49,330
PRUDENTIAL REAL ESTATE ADVISORS	178,018
RREEF	17,028
UBS REALTY	425,203
TOTAL	**669,579**
CASH OVERLAY - CLIFTON	**31,038**

Ventura County Retirement Assn

Schedule of Investment Management Fees
For the Five Months Ending November 30, 2012

SECURITIES LENDING	
BORROWERS REBATE	$28,078
MANAGEMENT FEES	34,781
TOTAL SECURITIES LENDING	**62,859**
OTHER	
INVESTMENT CONSULTANT	59,750
INVESTMENT CUSTODIAN	32,462
TOTAL	**92,212**
TOTAL INVESTMENT MANAGEMENT FEES	**$2,147,391**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BUDGET SUMMARY FISCAL YEAR 2012-2013
December 2012 - 50.00% of Fiscal Year Expended

EXPENDITURE DESCRIPTIONS	2012/2013 Budget	Dec-12	Year to Date Expended	Available Balance	Percent Expended
Salaries & Employee Benefits:					
Regular Salaries	$ 1,623,400.00	$ 115,458.02	$ 664,402.09	$ 958,997.91	40.93%
Extra-Help	25,000.00	3,048.04	22,151.98	2,848.02	88.61%
Overtime	7,600.00	0.00	831.45	6,768.55	10.94%
Supplemental Payments	49,300.00	3,435.22	19,658.19	29,641.81	39.87%
Vacation Redemption	71,700.00	34,673.72	43,035.06	28,664.94	60.02%
Retirement Contributions	363,600.00	30,689.29	143,448.73	220,151.27	39.45%
OASDI Contributions	82,600.00	6,574.52	39,293.60	43,306.40	47.57%
FICA-Medicare	25,400.00	2,174.58	10,292.08	15,107.92	40.52%
Management Retiree Health Benefit	15,600.00	1,297.86	7,787.16	7,812.84	49.92%
Group Insurance	159,800.00	11,466.00	63,882.00	95,918.00	39.98%
Life Insurance/Mgmt	900.00	72.66	413.39	486.61	45.93%
Unemployment Insurance	2,500.00	172.38	984.69	1,515.31	39.39%
Management Disability Insurance	4,100.00	279.36	1,607.72	2,492.28	39.21%
Worker' Compensation Insurance	10,200.00	948.44	4,469.47	5,730.53	43.82%
401K Plan Contribution	41,500.00	2,125.51	12,285.95	29,214.05	29.60%
Total Salaries & Employee Benefits	$ 2,483,200.00	$ 212,415.60	$ 1,034,543.56	$ 1,448,656.44	41.66%
Services & Supplies:					
Telephone Services - ISF	$ 21,400.00	$ 3,086.58	$ 22,152.94	$ (752.94)	103.52%
General Insurance - ISF	9,600.00	4,796.00	4,796.00	4,804.00	49.96%
Office Equipment Maintenance	16,000.00	898.47	2,856.76	13,143.24	17.85%
Membership and Dues	9,700.00	5,220.00	10,770.00	(1,070.00)	111.03%
Education Allowance	6,000.00	0.00	2,000.00	4,000.00	33.33%
Cost Allocation Charges	(34,100.00)	0.00	0.00	(34,100.00)	0.00%
Printing Services - Not ISF	5,500.00	658.20	687.82	4,812.18	12.51%
Books & Publications	2,500.00	0.00	374.89	2,125.11	15.00%
Office Supplies	18,000.00	1,053.89	6,090.01	11,909.99	33.83%
Postage & Express	55,000.00	3,009.41	19,448.29	35,551.71	35.36%
Printing Charges - ISF	12,000.00	0.00	240.00	11,760.00	2.00%
Copy Machine Services - ISF	5,900.00	1,371.06	885.90	5,014.10	15.02%
Board Member Fees	11,500.00	0.00	3,500.00	8,000.00	30.43%
Professional Services	828,400.00	67,246.89	384,866.77	443,533.23	46.46%
Storage Charges	3,200.00	292.18	1,790.49	1,409.51	55.95%
Minor Equipment	18,500.00	0.00	13,319.90	5,180.10	72.00%
Office Lease Payments	178,600.00	0.00	71,783.65	106,816.35	40.19%
Private Vehicle Mileage	8,000.00	541.60	5,289.32	2,710.68	66.12%
Conference, Seminar and Travel	60,000.00	6,136.37	16,929.07	43,070.93	28.22%
Furniture	7,000.00	0.00	647.00	6,353.00	9.24%
Facilities Charges	0.00	0.00	0.00	0.00	#DIV/0!
Total Services & Supplies	$ 1,242,700.00	$ 94,310.65	$ 568,428.81	$ 674,271.19	45.74%
Total Administrative Budget	$ 3,725,900.00	$ 306,726.25	$ 1,602,972.37	$ 2,122,927.63	43.02%
Information Technology:					
Computer Hardware	$ 20,000.00	$ 549.66	20,769.15	$ (769.15)	103.85%
Computer Software	8,800.00	0.00	11,213.74	(2,413.74)	127.43%
Data Processing and Maintenance	416,400.00	32,658.36	162,613.96	253,786.04	39.05%
Special Project - New Pension System	2,089,200.00	264,363.91	1,426,004.35	663,195.65	68.26%
Total Information Technology	$ 2,534,400.00	$ 297,571.93	$ 1,620,601.20	$ 913,798.80	63.94%
Contingency	$ 577,600.00	$ -	$ -	$ -	0.00%
Total Current Year	$ 6,837,900.00	$ 604,298.18	$ 3,223,573.57	$ 3,614,326.43	47.14%

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
http://www.ventura.org/vcera

January 28, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: UPDATE ON AUTHORIZATION FOR HEWITT ENNISKNUPP TO SHARE PERFORMANCE DATA WITH M^{cube}

Dear Board Members:

On December 17, 2012, your Board authorized the Administrator to send a letter to Hewitt EnnisKnupp (HEK) directing HEK to share VCERA performance data with M^{cube}.

While it took a few meetings to get coordinated, it has been resolved that HEK will provide the necessary data export to M^{cube} on a predetermined basis, and provide any further data support within their legal capability. All information will be finalized and transferred from HEK to M^{cube} no later than five business days before each Board investment meeting.

We will likely receive a demo application as early as the February business meeting.

I am happy to respond to any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
http://www.ventura.org/vcera

January 28, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Ave, Suite 200
Ventura, CA 93003

SUBJECT: SACRS SPRING CONFERENCE 2013 – SACRS BOARD OF DIRECTOR ELECTIONS REMINDER

Dear Board Members:

<u>Recommendation</u>

Receive and file the attached SACRS Board of Director Elections – Reminder for upcoming 2013-2014 Board of Directors Elections.

<u>Discussion</u>

Staff has received the attached Elections Reminder from SACRS for the 2013-2014 Board of Directors. As outlined in the attached memorandum any one of your Trustees may submit nominations to the SACRS Nominating Committee for consideration prior to February 1, 2013. Additionally, if the Board would like to have a write-in candidate placed on the ballot, that action would need to be considered by the March 18, 2013 business meeting and provide the name to the Nominating Committee prior to the March 25, 2013 deadline. The elections will be held at the SACRS Spring Conference May 14-17.

I would be happy to answer any questions you may have.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachment

State Association of County Retirement Systems
Staff ★ Trustees ★ Affiliates ★ Success
A California Non Profit Corporation

SACRS MEMORANDUM

To: SACRS Trustees & SACRS Administrators/CEO's
From: Raymond McCray, SACRS Nominating Committee Chair
SACRS Nominating Committee

Re: SACRS Board of Director Elections – Reminder for upcoming 2013-2014 BOD Elections

SACRS BOD 2013-2014 Election process begins in January 2013. Please review the following timeline:

DEADLINE	DESCRIPTION
Friday, February 1, 2013	Nominating Committee receives nominations from SACRS membership
Friday, March 1, 2013	Nominating Committee submits its recommended ballot to each 1937 Act Board
Monday, March 25, 2013	Nominating Committee receives nominations from any 1937 Act Board
Monday, April 1, 2013	Nominating Committee (NC) submits final ballot to each 1937 Act Board – ballot consists of NC's recommended ballot plus anybody else who is nominated but not recommended by the NC
Friday, May 17, 2013	Conduct elections during the SACRS Business Meeting (at end of the May 2013 conference)
Friday, May 17, 2013	Board of Directors take office for 1 year

Per **SACRS Bylaws, Article VI ~ Section 2 – Election, Qualification and Term of Office**

"The officers of SACRS shall be regular members of SACRS. The officers shall be elected by majority vote of the quorum of delegates and alternate delegates present at the first meeting in each calendar year and shall hold office for one (1) year and until a successor is elected."

Per S**ACRS Bylaws, Article VI ~Section 4 - Officer Elections**

"…The Board of any regular member County Retirement System may submit write-in candidates to be included in the Nominating Committee's final ballot provided the Nominating Committee receives those write-in candidates prior to March 25th.

The Nominating Committee will report a final ballot to each regular member County Retirement System prior to April 1.

The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee's recommended ballot and final ballot to each trustee and placing the election of SACRS Officers on his or her Board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee…"

The elections will be held at the SACRS Spring Conference May 14-17, 2013 at the Napa Valley Marriott, Napa, California. Elections will be held during the Annual Business meeting on Friday, May 17th, 2012 at 10 a.m.

If you have any questions or require assistance, please contact me directly at 209-468-2163 or raym1@sbcglobal.net . Thank you for your prompt attention to this timely matter.

Sincerely,

Raymond McCray

Raymond McCray, San Joaquin County
SACRS Nominating Committee Chair

CC: SACRS Board of Directors
SACRS Nominating Committee Members
Sulema H. Peterson, SACRS Administrator

RMC:shp

Ventura County Employees' Retirement Association

Private Equity Program Discussion

January 2013

Hewitt ennisknupp

An Aon Company

Agenda

Program Considerations

Hewitt ennisknupp
An Aon Company

Program Recap

- VCERA approved a 5% policy allocation (+/- 2%) to private equity in 2009.
- Hewitt EnnisKnupp, Inc. ("HEK") conducted a private equity manager search in 2009.
  - The Board approved the hiring of two private equity fund of funds managers.
  - Adams Street Partners ("ASP") ($85.0 million) & Pantheon ($15.0 million).
- VCERA has not committed additional capital subsequent to the initial funding in 2010.
- In 2012, VCERA indicated an interest to pursue a bi-annual pacing model focused on fund of funds.

Program Objective

- **Objective:** To reach the 5% long-term target policy within approximately 5 years.
  - As of September 30, 2012, the Private Equity portfolio represented less than 1% of VCERA's total investments.
- **Background:** The original thesis in building the Private Equity portfolio was to gain broad diversification to the asset class through a fund of funds approach.
  - VCERA selected two highly respected managers in the industry, ASP and Pantheon, to diversify manager risk across the fund of funds portfolio.
- **Pacing Options:**
  - Maintain your current investment approach.
    - Commit $150 million on a bi-annual basis to fund of funds. This will reduce somewhat the overlap in underlying investments made annually across fund of funds.
  - Elect a core / satellite investment approach
    - Commit $60 million across 2 to 4 investments on an annual basis. This includes a $15 million commitment to a fund of funds on a bi-annual basis (core investment).

- **We recommend considering the core / satellite approach through a non-discretionary or discretionary arrangement for the following reasons:**
  - **Lower all inclusive management fees.**
  - **Higher return potential.**
  - **Accelerated exposure to private equity.**

Program Options for 2013

- **Option 1**
  - HEK performs a manager search to identify 1 or 2 attractive fund of funds managers.
    - Search report includes summary report of underwriting process and Investment Manager Ratings for each candidate.
    - Manager search will include existing managers.
    - Cost: $40,000 (includes up to 5 candidates).
- **Option 2a**
  - VCERA determines proportionate commitment between existing managers.
    - Cost: None.
- **Option 2b**
  - HEK provides updated Investment Manager Ratings on existing managers, then VCERA determines proportionate commitment between existing managers.
    - Cost: $20,000 or $10,000/manager.
- **Option 3**
  - HEK assumes non-discretionary or discretionary private equity manager role.
    - HEK monitors and reports on existing PE portfolio.
    - HEK maintains active deal pipeline with focus on identifying primary funds.
    - VCERA Board retains sign off on all deals.
    - Cost: $170,000/year (Non-Discretionary) or $255,000/year (Discretionary).

Management Fee Analysis

- Average annual management fee for Fund of Funds is 0.76% on commitment (over 10-year term)
- Average annual management fee for Primary Funds is 1.38% on commitment (over 10 -year term)

- **Option 1 – Fund of Funds Only Approach**
  - $150.0 million bi-annual commitment pace
  - Projected annual management fees paid by VCERA
    - 2013 – $2.04 million
    - 2014 – $2.58 million
    - 2015 – $5.16 million

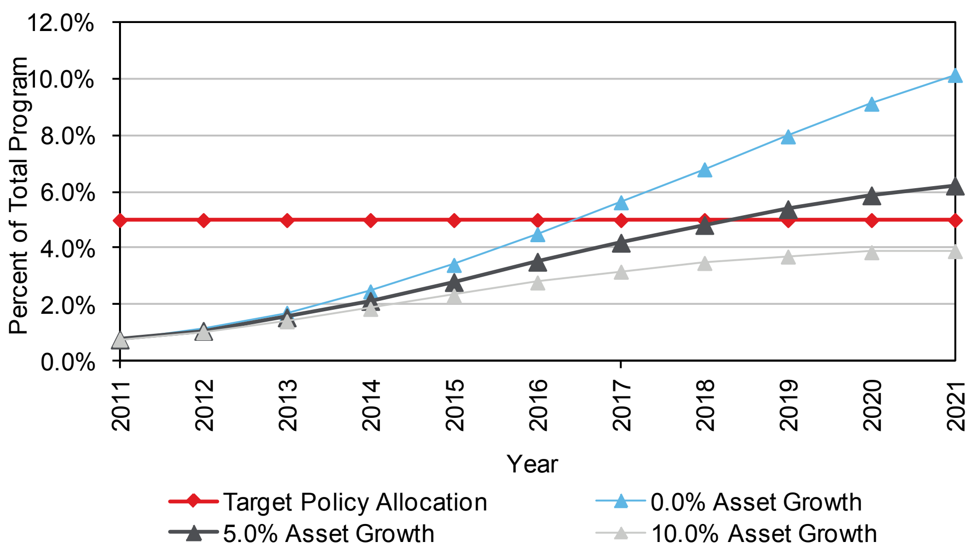
- **Option 3 – Core / Satellite Approach**
  - $60.0 million annual commitment pace
    - Includes $15.0 million bi-annual commitment to fund of funds
  - Projected annual management fees paid by VCERA
    - 2013 – $1.10 million
    - 2014 – $2.36 million
    - 2015 – $3.52 million

Assumptions based on data reported in The 2012 Preqin PE Fund Terms Advisor.

Pacing Review

Pacing Review – Option 1 (Fund of Funds)

Projected NAV of Private Equity as a Percent of Total Program

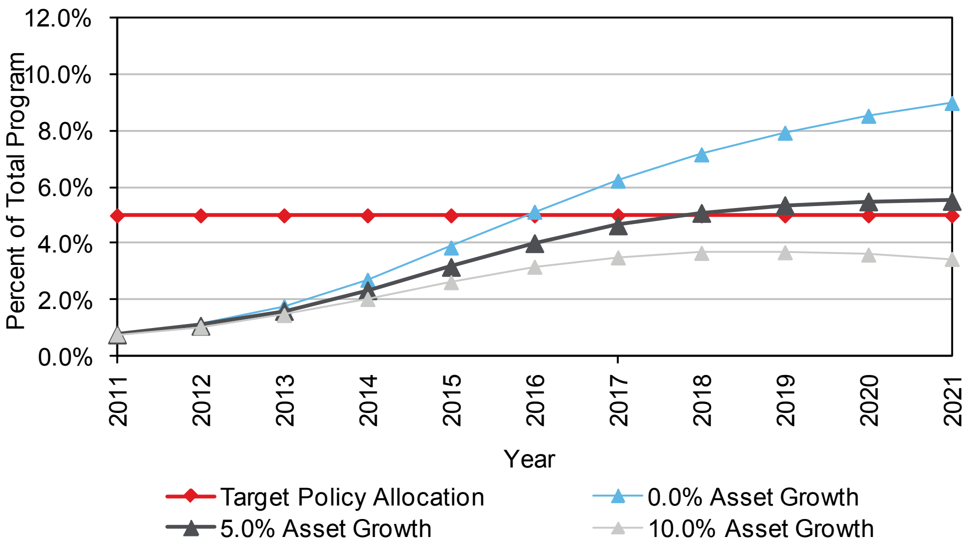


Annual Commitment Pace In $ Millions						
Year		FoF		Primary		Total
2012	$	-	$	-	$	-
2013		150.0		-		150.0
2014		-		-		-
2015		150.0		-		150.0
2016		-		-		-
2017		150.0		-		150.0
2018		-		-		-
2019		150.0		-		150.0
2020		-		-		-
2021		150.0		-		150.0
Total	$	750.0	$	-	$	750.0

- We have assumed VCERA's total plan assets will grow at a net rate of 5.0% annually as a base case.
- In order to allow the Private Equity program to reach and maintain a 5.0% policy target, we recommend committing $150.0 million across fund of funds partnerships on a bi-annual basis beginning in 2013.
- Option 1 offers VCERA the ability to continue building out a broadly diversified program given the constrained staff resources.

Pacing Review – Option 2 (Core / Satellite)

Projected NAV of Private Equity as a Percent of Total Program



Annual Commitment Pace In $ Millions			
Year	FoF	Primary	Total
2012	$ -	$ -	$ -
2013	15.0	45.0	60.0
2014	-	60.0	60.0
2015	15.0	45.0	60.0
2016	-	60.0	60.0
2017	15.0	45.0	60.0
2018	-	60.0	60.0
2019	15.0	45.0	60.0
2020	-	60.0	60.0
2021	15.0	45.0	60.0
Total	**$ 75.0**	**$ 465.0**	**$ 540.0**

- We have assumed VCERA's total plan assets will grow at a net rate of 5.0% annually as a base case.
- In order to allow the Private Equity program to reach and maintain a 5.0% policy target, we recommend committing $60.0 million across 2 to 4 partnerships on an annual basis beginning in 2013. This includes a $15 million commitment to a fund of funds on a bi-annual basis (core investment).
- Option 2 offers VCERA the ability to build a diversified program through a core/satellite approach that will provide for lower all inclusive management fees, higher return potential, and accelerated exposure to the asset class.

Additional Information

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An Aon Company

Core / Satellite Client Decision

- A Core / Satellite approach combines fund of funds investing with primary fund investing.
  - Designed to provide investors with a core, diversified base of private equity (fund of funds) that is supplemented with niche or sector-focused investments (primary funds).

- Core Investment
  - Typically a fund of funds commitment representing 15-50 underlying fund investments.
  - Focus on diversification across multiple vintage years, geographies, and all sub sectors of private equity.
  - Ideal for new investors into private equity seeking to gain broad exposure to the asset class or investors with limited capital resources that can commit to only 1 – 2 funds annually.

- Satellite Investment
  - Typically a primary fund focused on mainstream or niche private equity sub sectors.
  - Focus on alpha generation through the skill of a high conviction manager or belief in a macro-economic trend.
  - Ideal for investors with mature private equity programs seeking to accentuate a particular sub sector or investors capable of committing capital across a greater number of funds annually.

Non-Discretionary and Discretionary Client Decision

Hewitt EnnisKnupp Customized Solution

- ✓ Unbiased investment advice, as we do not offer any competing investment products.
- ✓ Complete ability to customize program with global research.
- ✓ Coverage and inclusion of all sub asset classes, as appropriate.
- ✓ No canned solutions so no danger of being "boxed".
- ✓ Can look at smaller niche funds rather than poorer performing large and mega funds as not trying to deploy massive FoFs.
- ✓ New program design expertise
- ✓ Knowledge of VCERA resources allows us to quickly build program infrastructure and NAV.

Issues of Consideration for Alternate Solutions

Separate Account / Specialized PE Consultant

- × *Conflicted investment advice, since most providers offer competing investment products.*
- × *Push clients toward "boxed definitions" to drive resource efficiency but less than optimal results.*
- × *Potential exclusion of several sub-asset classes – some providers do not cover mezzanine, distressed debt, or energy.*
- × *Must provide all clients and FOF allocation to each primary fund (no preferential treatment) so generally weighted to large and mega funds as not enough allocation from smaller funds.*

Fund of Funds

- × *Double-layering of fees hinders return generation.*
- × *Capital deployment plan and fees slows NAV growth.*
- × *Excessive diversification prevents outsized return potential.*
- × *Absolutely no customization.*
- × *Flatter cash flow J curve delays return on capital.*
- × *Often weighted toward the large and mega funds.*

GMO

North America | Europe | Asia-Pacific

Ventura County Employees' Retirement Association

January 28, 2013

John Allen
Edmund Bellord

Presenters

John Allen Mr. Allen is a client relationship manager in GMO's Berkeley Office. Prior to joining GMO in 2009, he was vice president of investments for Andell Holdings. Previously, he was a senior analyst at Donaldson, Lufkin & Jenrette. Mr. Allen earned his B.S. in Economics from the University of Virginia.

Edmund Bellord Mr. Bellord is a member of GMO's asset allocation team. Prior to joining GMO in 2008, he was a senior portfolio manager at State Street Global Advisors Capital Management. Previously, he worked at Mellon Capital Management as a strategist. Mr. Bellord earned his M.A. in Economics from the University of Edinburgh in Scotland and his M.B.A. at the University of California in Berkeley.

GMO Overview

GMO's Edge:
We blend proven traditional judgments with innovative quantitative methods to identify undervalued securities and markets.

Success Factors:
Discipline, value orientation, investment research, risk control, size limitation.

Motivation/Focus:
Private partnership founded in 1977; investment management is our only business.

Stability:
GMO has low turnover of investment professionals.

Current Scale:

$105 billion of assets under management, including:

Equities:	$75 billion
Fixed Income:	$10 billion
Natural Resources:	$2 billion*
Asset Allocation:	$43 billion**
Absolute Return:	$10 billion**

More than 100 investment professionals and more than 500 employees worldwide.

Note: The asset breakout above may not include all underlying assets and thus may not add up to the total AUM figure shown.
* Natural Resources include: 1) GMO Renewable Resources assets; and 2) assets of GMO's Resources Strategy.
** Relevant Asset Allocation and Absolute Return assets are also accounted for within Equities and Fixed Income strategies.
Assets managed by GMO Renewable Resources, a joint venture, is not part of the GIPS compliant firm, GMO. GMO Renewable Resources has assets of $1,603,010,478 as of 11/30/12.

Representative Clients – Worldwide

Endowments

Appalachian Mountain Club
University of Arizona Foundation
Babson College
Baylor College of Medicine
Baylor University
Boston College
Boston University
Carnegie Institute
Carnegie Institution of Washington
Christian Theological Seminary
College of William and Mary
Dartmouth College
University of Delaware
Duke University
University of Hartford
Kansas University
Lawrenceville School
Lehigh University
University of Michigan
Northwestern University
Norwich University
Pepperdine University
Phillips Academy (Andover)
Phillips Exeter Academy
Pomona College
Princeton University
Regents of the University of California
University of Rochester
Santa Clara University
Southern Methodist University
Spelman College
Stanford University
Swarthmore College
Vassar College
University of Virginia
Wellesley College
Woods Hole Oceanographic
Yale University

Public Funds

Alaska Permanent Fund Corporation
CalPERS
State of Connecticut
City of Fairfax, VA
Illinois Teachers' Retirement System
Massachusetts PRIM
Milwaukee County Empl. Ret. System
Orange County Empl. Ret. System
City of Richmond
San Francisco City & County
Teacher Retirement System of Texas
Virginia Retirement System
Washington State Investment Board

Sub-Advisory / Advisory

John Hancock
Marks & Spencer
Wells Fargo

Pension Funds

Andersen Corporation
APL Limited
BAE Systems
BASF Corporation USA
The Boeing Company
Cargill
Church Pension Fund
ContiGroup
Corning
Dominion Resources
Dow Chemical
FMC Corporation
John Hancock
Mayo Clinic
Ministers & Missionaries Benefit Board
Motion Picture Industry Pension & Health Plans
National Bank of Canada
National Geographic Society
NCR - Scotland
NiSource
NRECA
Partners HealthCare
JC Penney
Pfizer
PME (Bedrijfstakpensioenfonds Metalektro)
Praxair, Inc.
Sidley & Austin
Siemens
SunSuper
Verizon

Defined Contribution

Ally Financial
AMD
CenturyLink Investment Management
Goldman Sachs
Novartis
Parker-Hannifin
Siemens
Sprint
SunSuper

Foundations and Cultural Institutions

Abell Foundation
California Academy of Sciences
The Cleveland Foundation
Commonwealth Fund
Geraldine R. Dodge Foundation
Doris Duke Charitable Foundation
Father Flanagan's Foundation
Fetzer Institute
Ford Foundation
Hewlett Foundation
Hilton Foundation
Joyce Foundation
Kennedy Center for the Performing Arts
Kresge Foundation
Robert R. McCormick Foundation
The Memorial Foundation
Metropolitan Museum of Art
Metropolitan Opera
Nature Conservancy
Polk Bros Foundation
Regenstrief Foundation
The Rockefeller Family Fund
Rotary International
Surdna Foundation
Toledo Museum of Art
Trustees of Reservations
Wenner-Gren Foundation
World Wildlife Fund
Yawkey Foundation

Note: Clients listed here were chosen as generally representative of the types of clients that comprise GMO's worldwide primary client base (Pension Funds, Educational Endowments, Foundations and International Organizations) and were not chosen based on performance-related criteria. It is not known whether the listed clients approve or disapprove of GMO or the advisory services provided.

Source: GMO
As of 1/17/13

GMO Asset Allocation Investment Solutions

Real Return Global Balanced

Global Asset Allocation

Global Equity

U.S. Broad Market

U.S. Equities

- U.S. Core
- Intrinsic Value
- Growth
- Small/Mid Cap
- Real Estate

Int'l. Equity Market

International Equities

- International Intrinsic Value
- Currency Hedged International Equity
- International Core Equity
- International Growth Equity
- International Small Companies[1]
- Quality
- Flexible Equities*
- Risk Premium

Emerging Equities

- Emerging Markets
- Emerging Domestic Opportunities

Fixed Income

- Global Bond
- International Bond
- Currency Hedged International Bond
- Emerging Country Debt
- Core Plus Bond
- Alpha Only
- Asset Allocation Bond

Alternative Assets

- Resources
- Alternative Asset Opportunity*[2]
- Special Situations*[2]

Absolute Return

- Total Equities[2]
- Tactical Opportunities*[2]
- Emerging Country Debt Long/Short[2]
- Currency Hedge[2]
- Fixed Income Hedge[2]
- Emerging Currency Hedge[1,2]
- Credit Opportunities[1,2]
- Mean Reversion[1,2]
- Systematic Global Macro[2]
- Completion*[2]
- Multi-Strategy[1,2] (combination of strategies above)

* Strategy is currently closed to new clients and additional cash flows

1 Strategy currently capacity constrained

2 Privately offered and available only to qualified purchasers. Call GMO for further information.

Note: Does not include all GMO products. Source: GMO As of 1/24/13

Real Return Global Balanced Asset Allocation Strategy

GMO Asset Allocation Investment Team

Responsible for $43 billion of client accounts

Global Asset Allocation

Asset Allocation

Jeremy Grantham, *Chief Strategist*
Ben Inker, *Co-Head of Asset Allocation*
Sam Wilderman, *Co-Head of Asset Allocation*
Nick Nanda
Matt Kadnar
Edward Chancellor
Edmund Bellord
Erik Norton
Chris Hudson
Mike Monnelly

James Montier
Peter Chiappinelli
Ara Lovitt
Kai Wu
Jamie Lee
Jon Roiter
Anna Chetoukhina
Derek Staples
Tariq Ali
Sachin Gupta

Implementation

Tom Hancock, *Global Equities*
David Cowan, *Global Equities*
Arjun Divecha, *Emerging Equities*

Tom Cooper, *Fixed Income*
Drew Spangler, *International Active*
Jason Halliwell, *Systematic Global Macro*

Assets as of 11/30/12

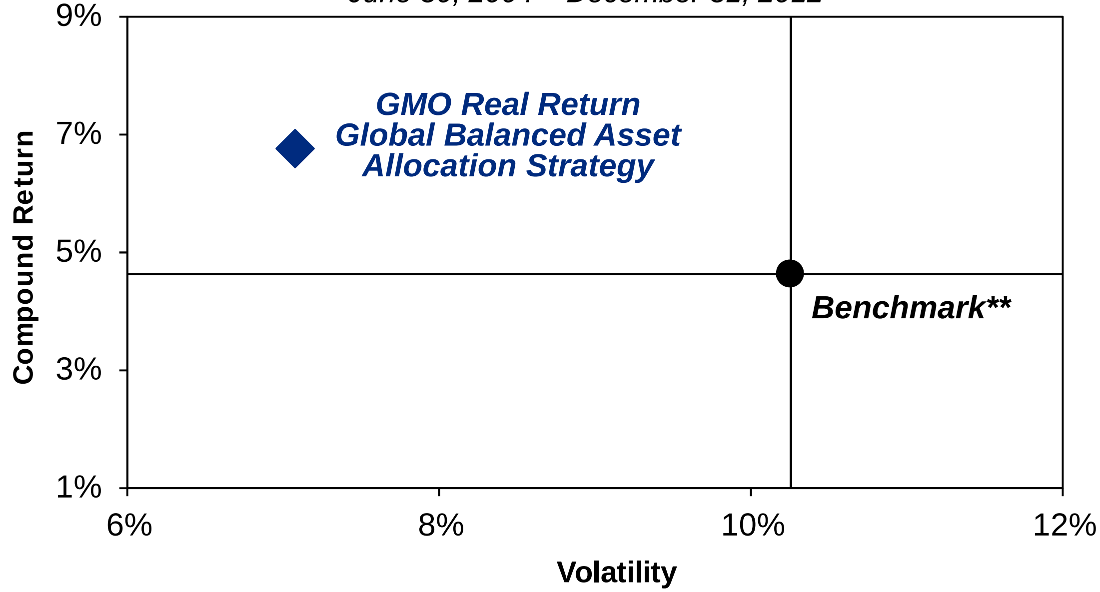
Investment Objectives – and Record

Real Return Global Balanced Asset Allocation

Objectives:

- Annualized excess returns of 3% to 4% after fees above the benchmark over a full market cycle.
- Expected tracking error of 4% to 6% annually over a full market cycle.
- Positive absolute returns over a full market cycle.
- Absolute risk lower than that of the benchmark over a full market cycle.

GMO Real Return Global Balanced Asset Allocation:
June 30, 2004 – December 31, 2012



	Compound Return	Annualized Volatility	Absolute Return Divided by Absolute Risk[1]
◆ GMO Real Return Global Balanced Asset Allocation Strategy*	6.7%	7.1%	0.70
● Benchmark**	4.6%	10.2%	0.28

** GMO Real Return Global Balanced Asset Allocation Strategy is comprised of the composite performance.*
*** 60% MSCI World / 20% Barclays Capital U.S. Aggregate / 20% Citigroup 3-Mo. T-Bill*
[1] Sharpe ratio = (portfolio return less risk free rate)/volatility of annual returns
Net of management fees and expenses

This information above is supplemental to the GIPS compliant presentation that was made available on GMO's website in October of 2012.
Performance data quoted represents past performance and is not predictive of future performance. Returns are presented after the deduction of a model advisory fee, transaction costs, commissions and withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. Actual fees paid by accounts within the composite may be higher or lower than the model advisory fee used. A GIPS compliant presentation of composite performance has preceded this presentation in the past 12 months or accompanies this presentation, and is also available at www.gmo.com. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's compliant presentation.

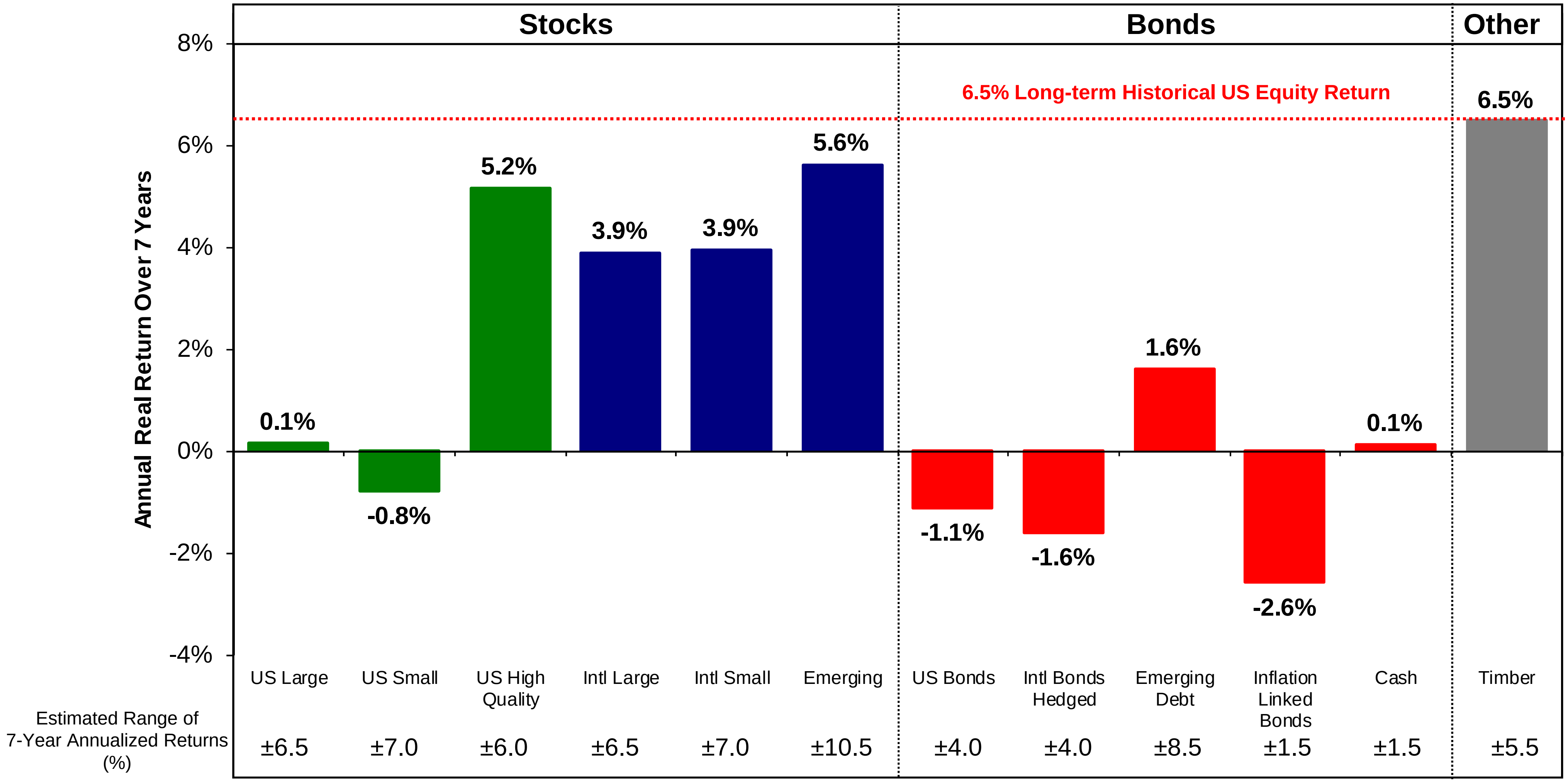
Asset Allocation

GMO core beliefs and competitive advantages

Mean Reversion Drives Everything	In all capitalist economies, high profit margins attract competitors and *drive down* future returns in highly-valued sectors.
Markets Are Shockingly Inefficient	Investors *extrapolate* past trends in error, and overpay for "comfort," which a contrarian investor can reliably exploit.
Wait for the Fat Pitch	Big portfolio "bets" should be tempered until valuations move to extremes. Mean reversion can take a long time and patience is an investment virtue.
Benchmark Risk Is Not Enough: Preserve Capital	Absolute return makes the assets grow, not relative return. Keep up as best you can during bull periods, but focus on capital preservation in bear markets.
Effective Implementation	Complement asset allocation by effective security selection within the asset classes. The result should be increased return with lower levels of risk.

GMO 7-Year Asset Class Return Forecasts*

As of December 31, 2012

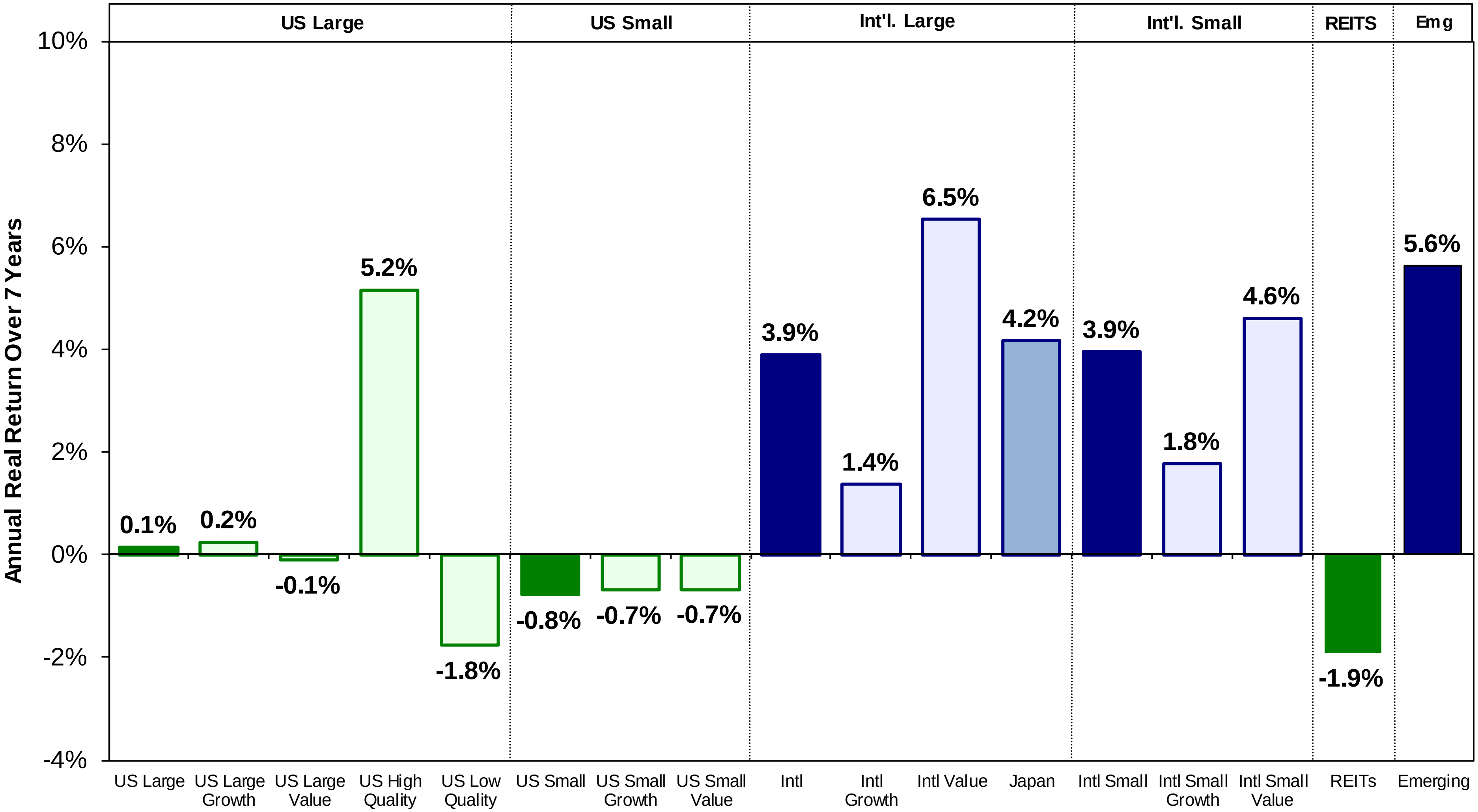


*The chart represents real return forecasts for several asset classes and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking statements. US inflation is assumed to mean revert to long-term inflation of 2.2% over 15 years.

Source: GMO

GMO 7-Year Global Equity Forecasts*

Value and growth within large and small stocks, and REITs, as of December 31, 2012



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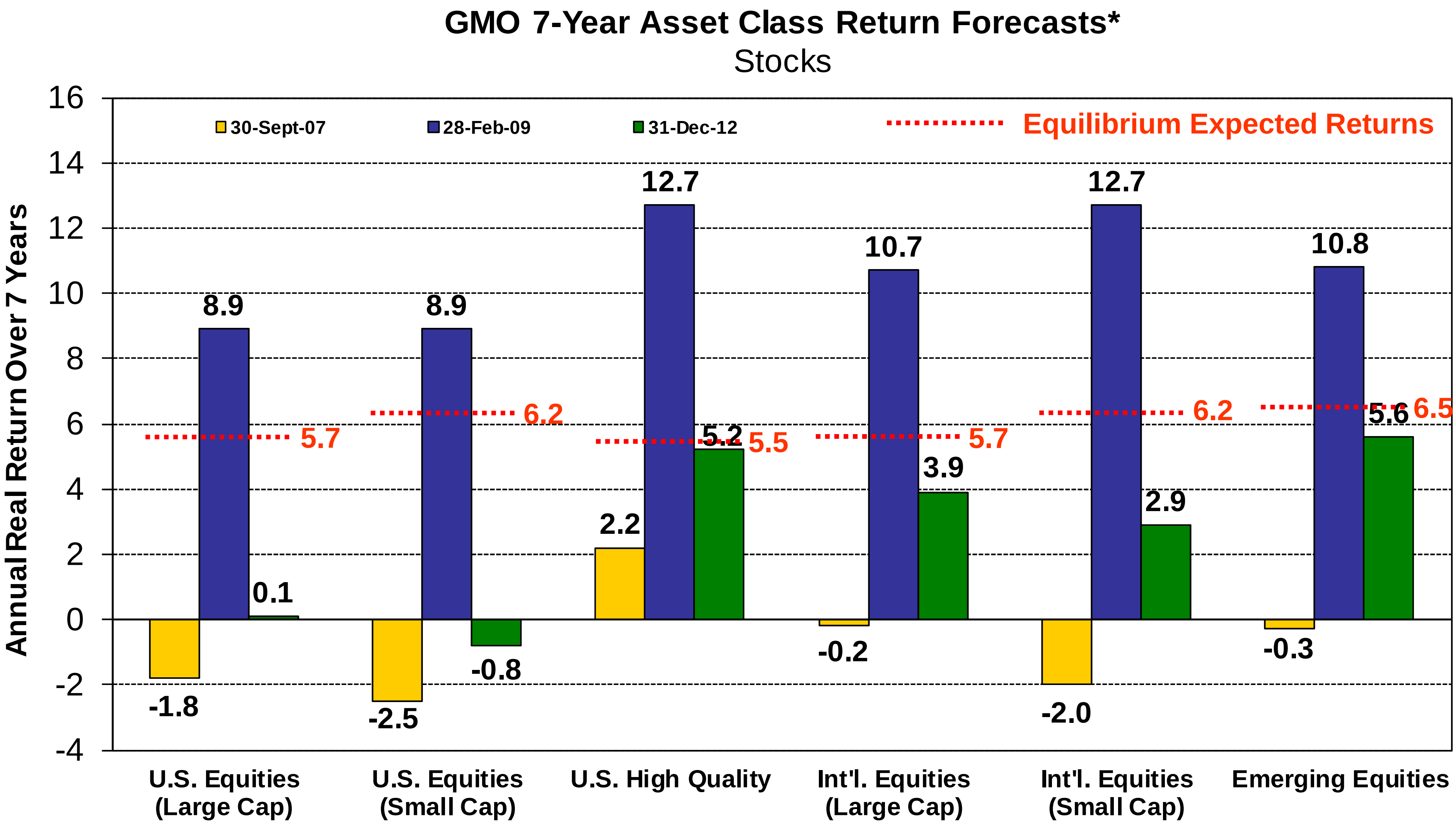
Source: GMO

Evolution of Equity Valuations

As of December 31, 2012

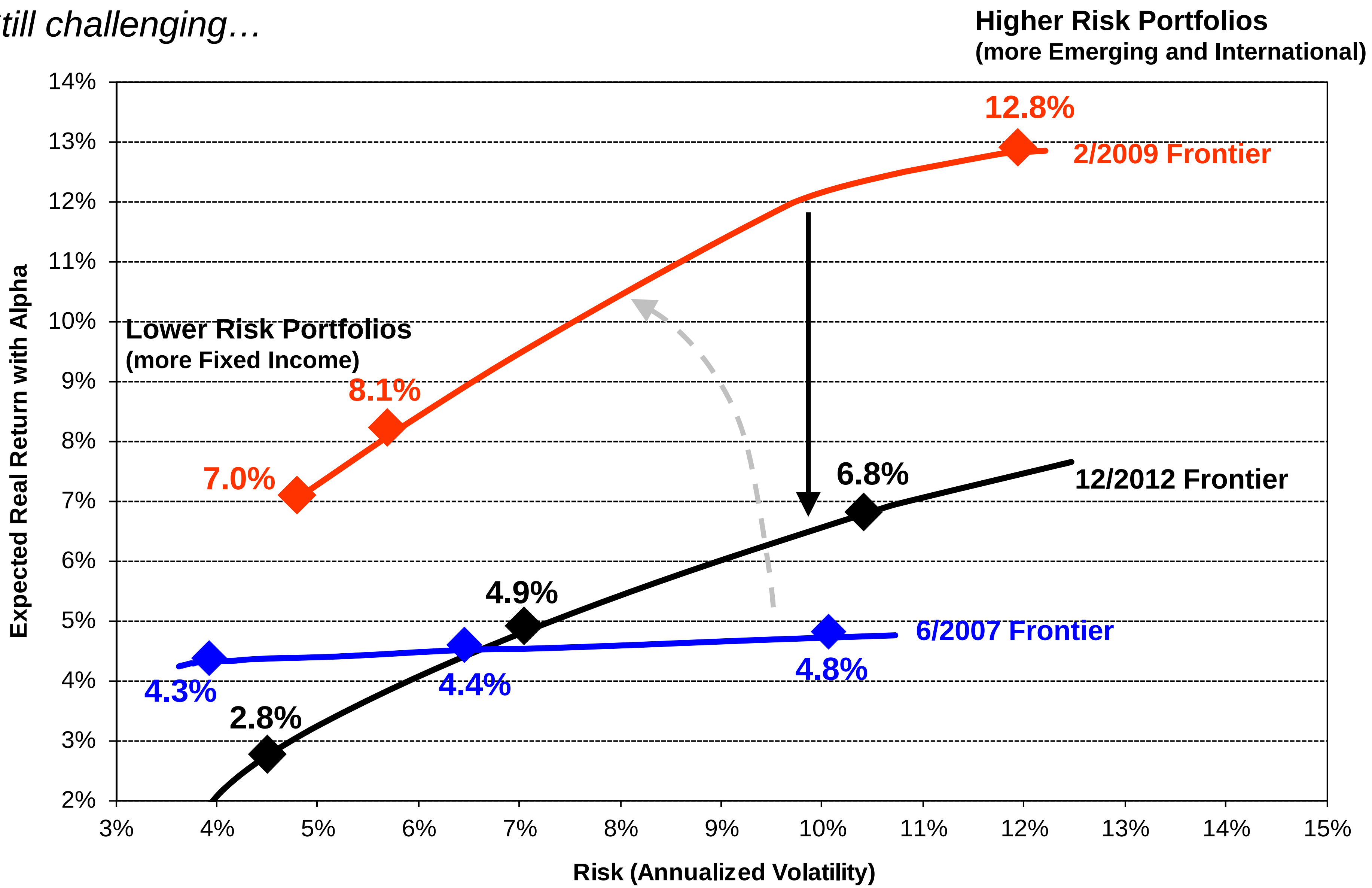


*The chart represents real return forecasts for several asset classes as of the date stated and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking statements. Forecasts are tools used by GMO and do not necessarily reflect actual asset allocation portfolio construction.

Source: GMO

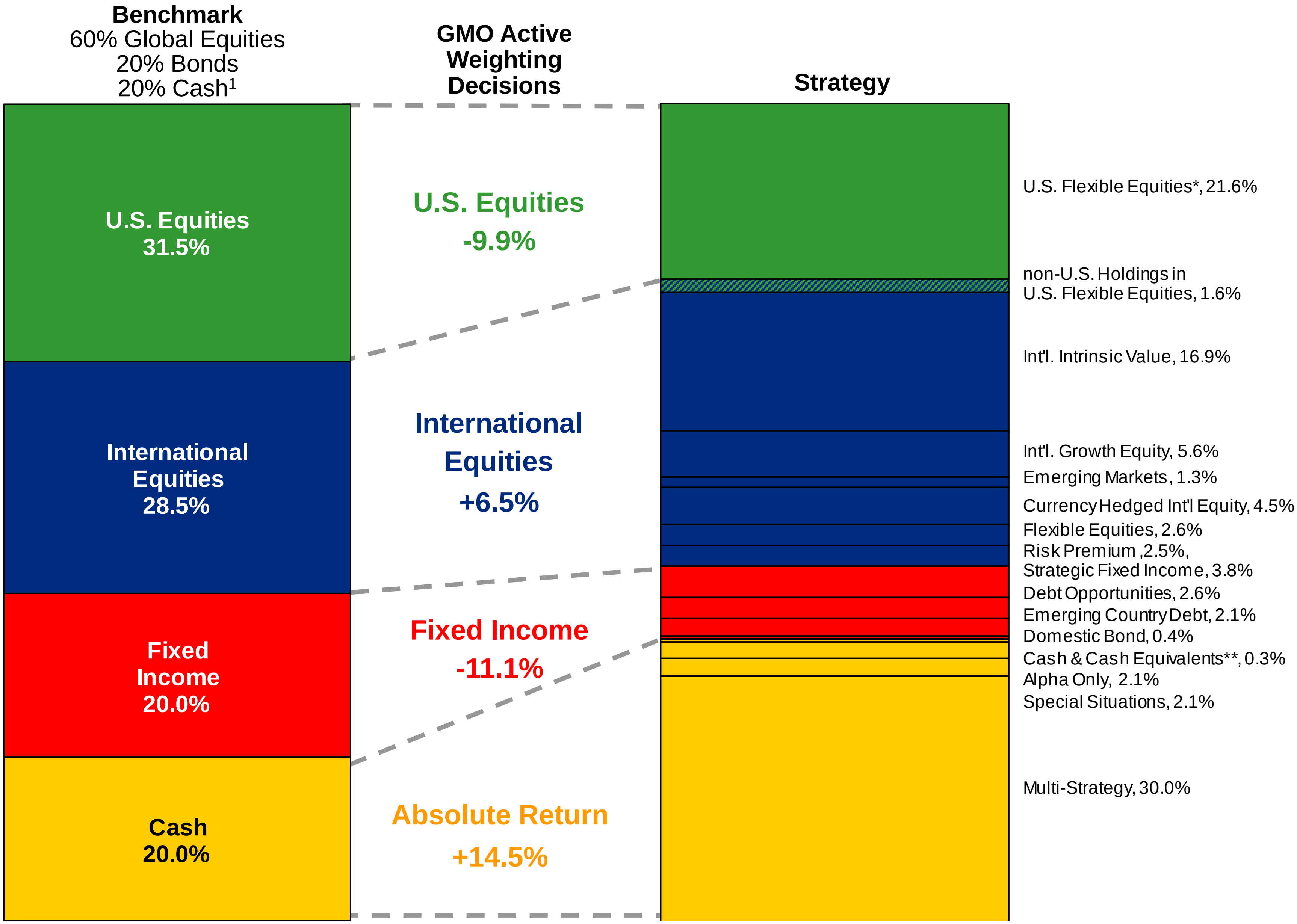
Absolute Return Portfolios over Time

Still challenging…



Note: Based on GMO's 7-year asset class return forecasts. These forecasts above are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Actual results could differ materially from those anticipated in forward-looking statements.

GMO Real Return Global Balanced Strategy

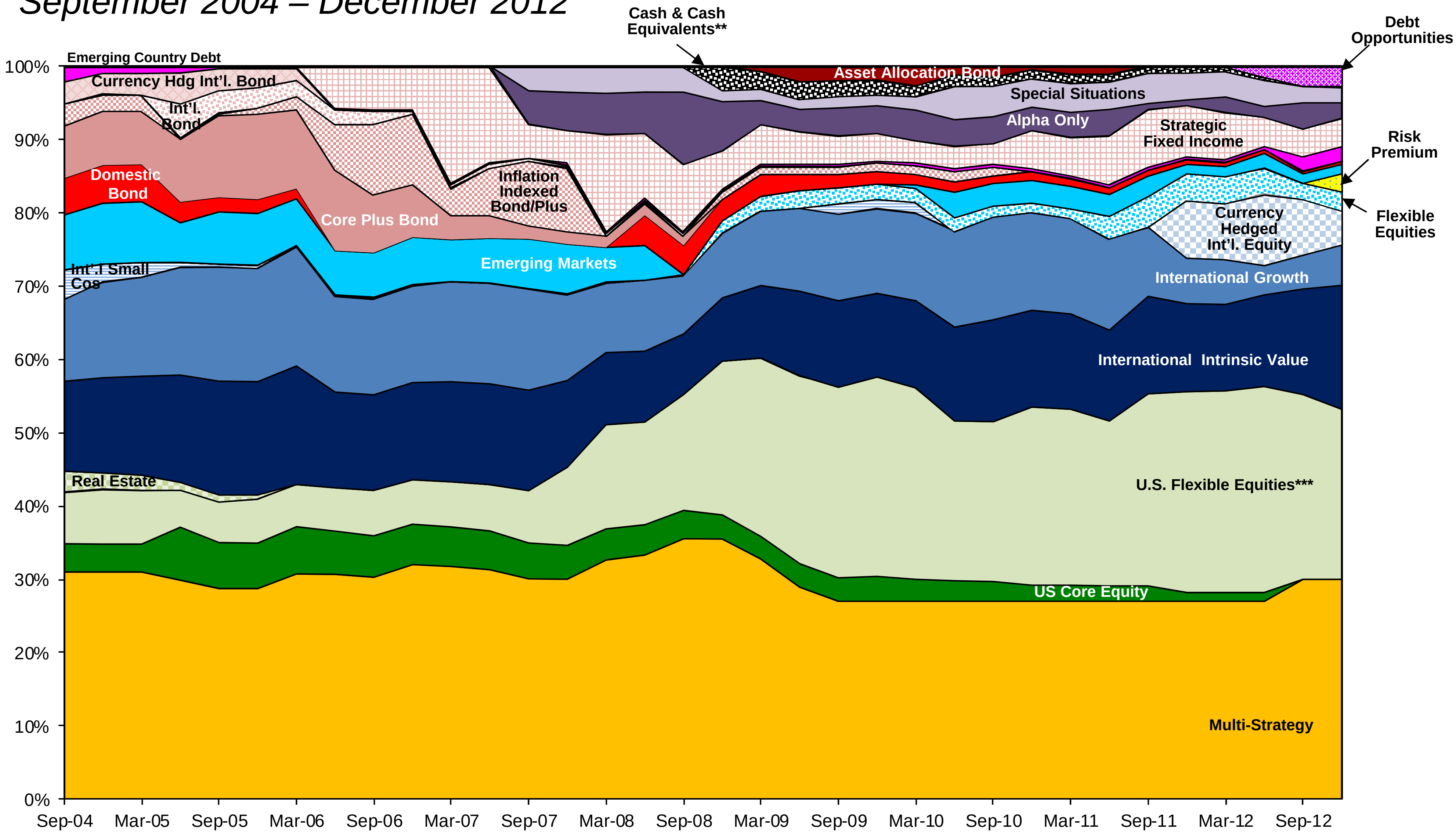


[1] 60% MSCI World / 20% Barclays U.S. Aggregate Index / 20% 3 Month T-Bill Weightings are subject to change without notice. Based on a representative account. This information is based on GMO's 7-year forecasts. *As of 7/31/12, substantially all of the assets of U.S. Flexible Equities were invested in securities that GMO considers to be of high quality. **Cash & Cash Equivalents includes World Opportunity Overlay and other securities. **Note**: Totals may not add due to rounding.

Source: GMO Allocations as of 12/31/12

GMO Real Return Global Balanced AA Strategy – Allocation History*

September 2004 – December 2012



* The above information is based on a representative account selected because it has the least number of restrictions and best represents the implementation of the strategy.

** Cash & Cash Equivalents includes World Opportunity Overlay and other securities.

*** As of 7/31/12, substantially all of the assets of U.S. Flexible Equities were invested in securities that GMO considers to be of high quality.

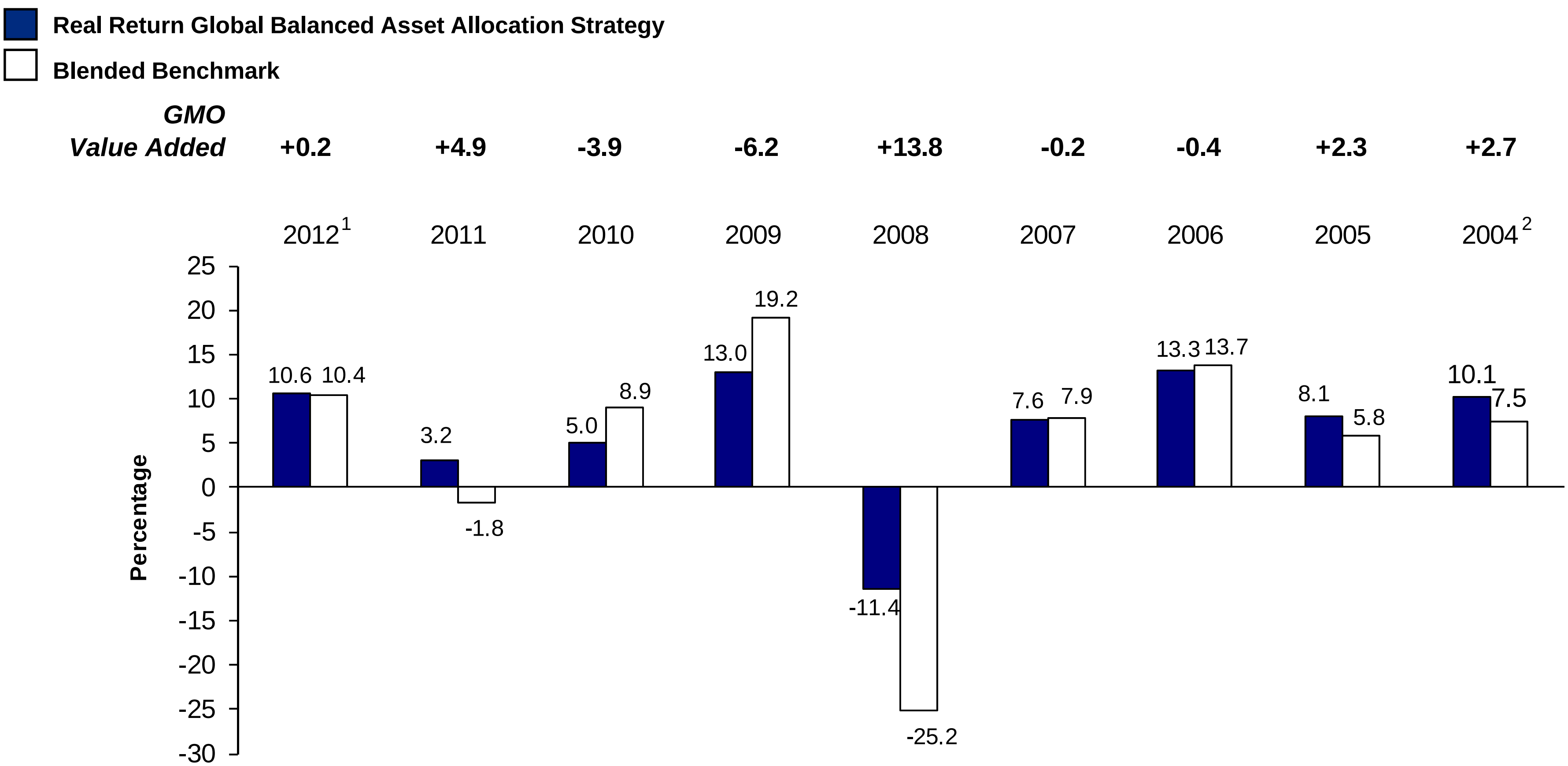
GMO

JA_VenturaCountyERS_1-13

Source: GMO

Real Return Global Balanced Asset Allocation Strategy

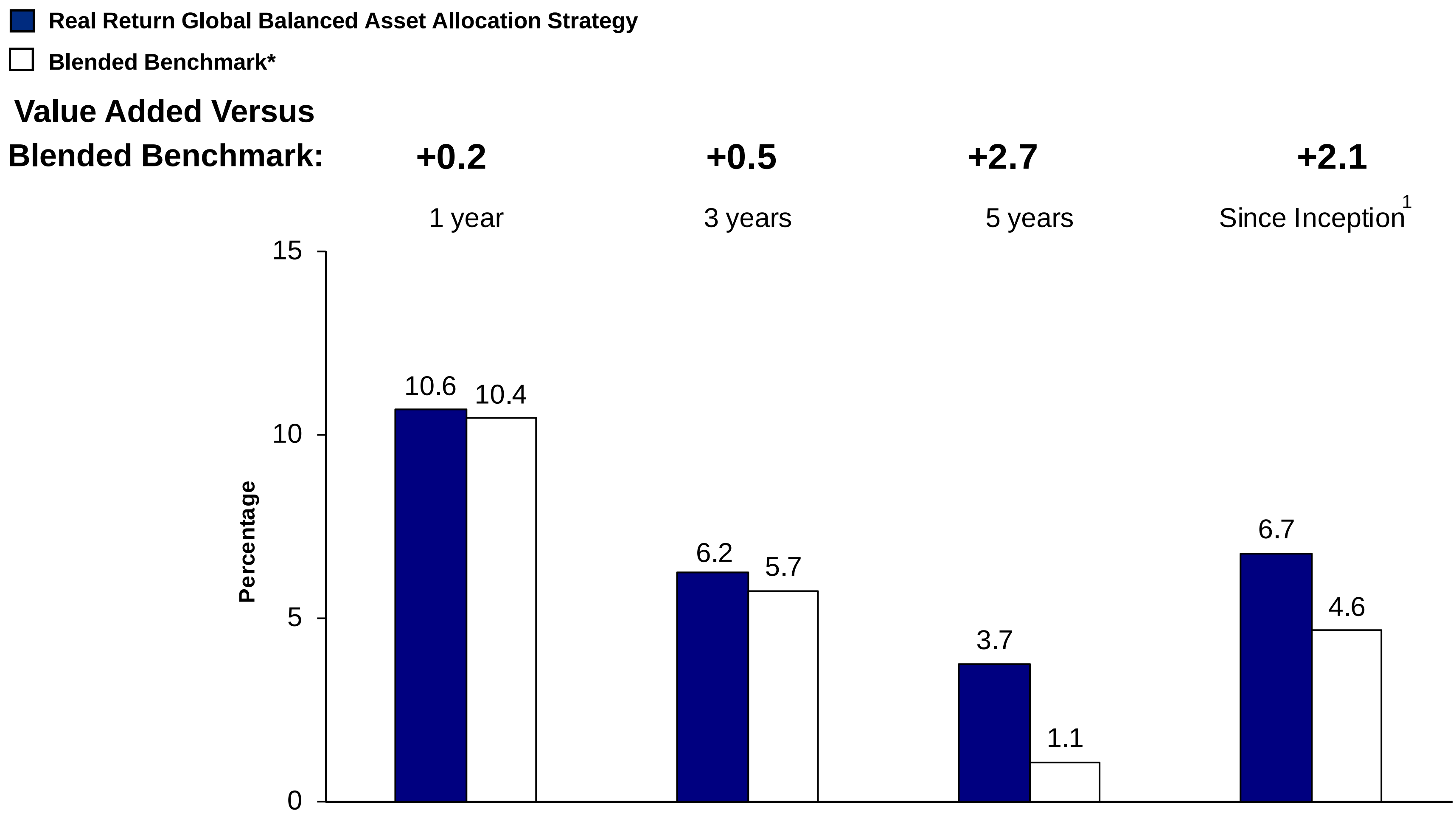
Annual performance (net of fees)



[1] As of December 31, 2012
[2] Composite inception date: 6/30/2004
This information above is supplemental to the GIPS compliant presentation that was made available on GMO's website in October 2012.
Performance data quoted represents past performance and is not predictive of future performance. Returns are presented after the deduction of a model advisory fee, transaction costs, commissions and withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. Actual fees paid by accounts within the composite may be higher or lower than the model advisory fee used. A GIPS compliant presentation of composite performance has preceded this presentation in the past 12 months or accompanies this presentation, and is also available at www.gmo.com. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's compliant presentation.
*The blended Real Return Global Balanced Asset Allocation Composite benchmark is comprised of a weighted average of account benchmarks; many of the account benchmarks consist of MSCI World, Barclays Aggregate, and Citigroup 3-Month T-Bill or some like proxy for each market exposure they have. For each underlying account benchmark, the weighting of each market index will vary slightly. The index is internally blended by GMO and maintained on a monthly basis.

Annualized Performance of Real Return Global Balanced Asset Allocation Strategy

Periods ending December 31, 2012 (net of fees)



[1] Inception date: 6/30/2004

This information above is supplemental to the GIPS compliant presentation that was made available on GMO's website in October 2012.

Performance data quoted represents past performance and is not predictive of future performance. Returns are presented after the deduction of a model advisory fee, transaction costs, commissions and withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. Actual fees paid by accounts within the composite may be higher or lower than the model advisory fee used. A GIPS compliant presentation of composite performance has preceded this presentation in the past 12 months or accompanies this presentation, and is also available at www.gmo.com. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's compliant presentation.

*The blended Real Return Global Balanced Asset Allocation Composite benchmark is comprised of a weighted average of account benchmarks; many of the account benchmarks consist of MSCI World, Barclays Aggregate, and Citigroup 3-Month T-Bill or some like proxy for each market exposure they have. For each underlying account benchmark, the weighting of each market index will vary slightly. The index is internally blended by GMO and maintained on a monthly basis.

What Role Does Multi-Strategy Play in Our Asset Allocation Portfolios?

- A diversified portfolio of GMO alphas
- Over a market cycle, a low beta to global equities and correlation to traditional portfolios
- Greater flexibility to take risk elsewhere in the portfolio
- Potential downside protection in extreme market conditions
- An alternative to poor fixed income valuations

Multi-Strategy: Return and Investment Process

Diversification across asset class, return drivers and investment approaches

	Fixed Income & Currency				Equity L/S	Credit	Global Macro		Tactical Exposure	
	Currency Hedge Fund	Emerging Currency Hedge	Emerging Country Debt Long/Short	Fixed Income Hedge Fund	Total Equities	Credit Opportunities	Systematic Global Macro	Mean Reversion	Tactical Opportunities	Completion
Return Drivers:										
Value	☆	☆	☆	★	⯪	☆	★	⯪	★	☆
Momentum	★	★		★			★			
Growth					☆					
Volatility			☆	☆	★					☆
Inflation				★						☆
Carry	★	★	☆	★			★			☆
Liquidity			☆	☆		☆				

★ **Systematic**

⯪ **Blend Systematic/ Discretionary**

☆ **Discretionary**

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GMO Multi-Strategy Portfolio

Performance *(Period ending December 31, 2012 – net of fees in USD)*

	YTD	1 Year
GMO Multi-Strategy	**4.5 %**	**4.5 %**
Citigroup 3 Mo. T-Bill	0.1	0.1
Value Added		**4.4 %**

Portfolio Characteristics

Ex-Post Volatility	4.8%
Ex-Post Beta to S&P 500	-0.2
Ex-Post Beta to MSCI World	-0.1

Source: GMO As of 12/31/12

Attribution Analysis *(Total Account – 1 Year, Period ending December 31, 2012)*

GMO Strategy	Avg. Weight	Absolute Return	Contribution to Return
Currency Hedge	2.6%	3.3%	0.1%
Emerging Currency Hedge	3.9%	6.6%	0.3%
Emerging Country Debt, L.P.	11.4%	20.5%	2.2%
Fixed Income Hedge	11.3%	11.2%	1.2%
Credit Opportunities	0.7%	5.9%	0.1%
Total Equities	12.5%	10.1%	1.3%
Systematic Global Macro	16.3%	1.9%	0.4%
Mean Reversion	16.5%	7.1%	1.2%
Tactical Opportunities	5.1%	-17.2%	-1.0%
Completion	19.8%	4.8%	1.0%
Total			6.8%

Attribution Analysis Notes:
Attribution Analysis is net of all fees and expenses
Implementation in USD
Contribution to Return: GMO avg. weight x absolute return

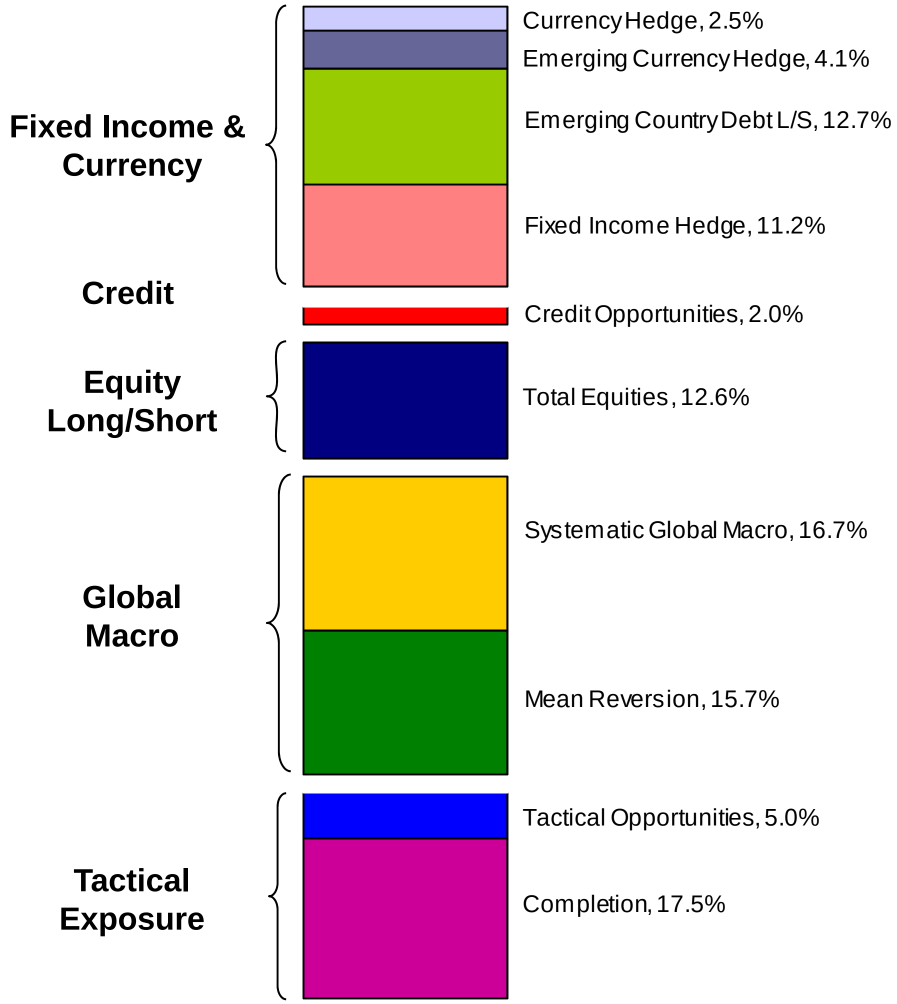
Notes: *The Multi-Strategy portfolio inception date is 10/31/02.

Performance data quoted represents past performance and is not predictive of future performance. Returns are presented gross of management fees and any incentive fees if applicable. Gross returns include transaction costs, commissions, withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. If management and incentive fees were deducted performance would be lower. For example, if, before fees, the strategy were to achieve a 10% annual rate of return above its hurdle rate each year for ten years, and an annual advisory fee of 1% and incentive fee of 20% of net returns above the hurdle rate were charged during that period, the resulting average annual net return (after the deduction of management and incentive fees) would be approximately 7.20%. A GIPS compliant presentation of composite performance has preceded this presentation in the past 12 months or accompanies this presentation, and is also available at HYPERLINK "http://www.gmo.com/" www.gmo.com. Actual fees are disclosed in Part II of GMO's Form ADV and are also available in each strategy's compliant presentation. The information above is supplemental to the GIPS compliant presentation that was made available on GMO's website in October of 2012.

GMO Multi-Strategy Portfolio

Structural principles and investment objectives

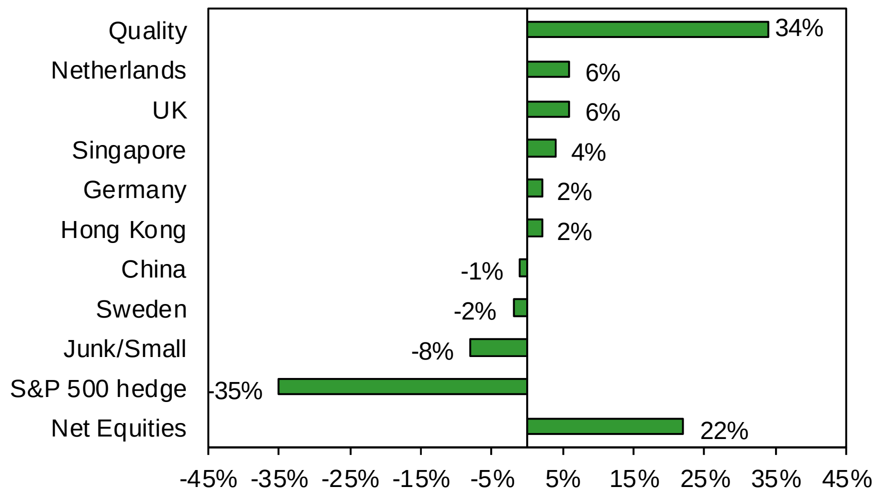
- Select 10 sub-portfolios diversified across multiple asset classes
- Exploit asset allocation opportunities through tactical exposure
- Design sub-portfolios with strong and uncorrelated returns:
  - to increase Sharpe Ratio (absolute return divided by risk)
  - to reduce draw-down
  - to minimize beta on global equity markets
- Deliver short-term cash return + 8%, with annual volatility of 5% (1.6 Sharpe Ratio)



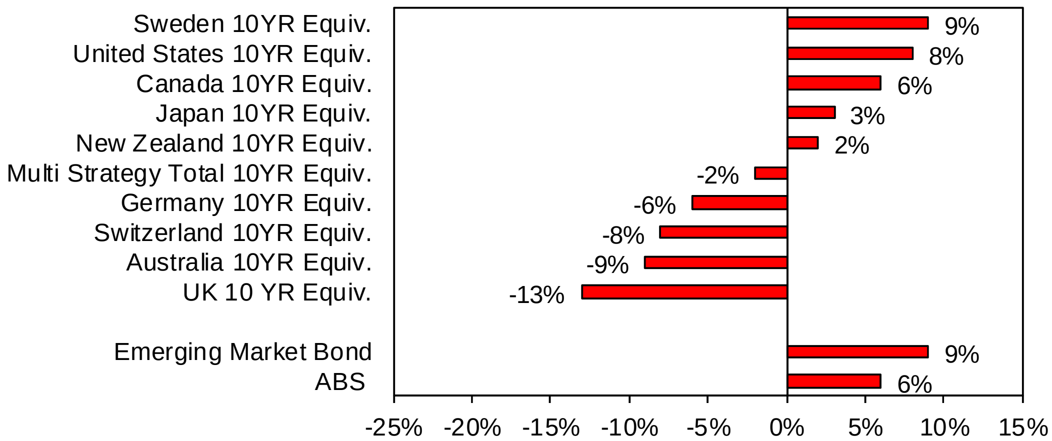
Based on a representative account. Source: GMO As of 12/31/12

Multi-Strategy

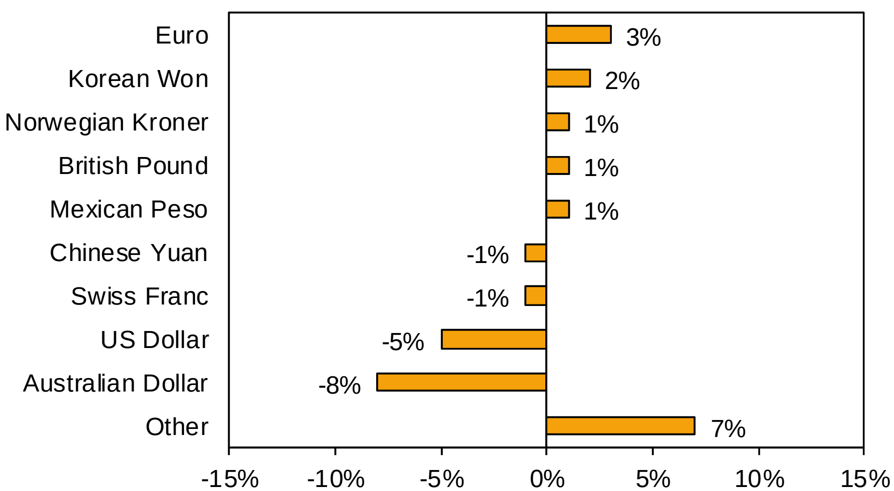
Equities



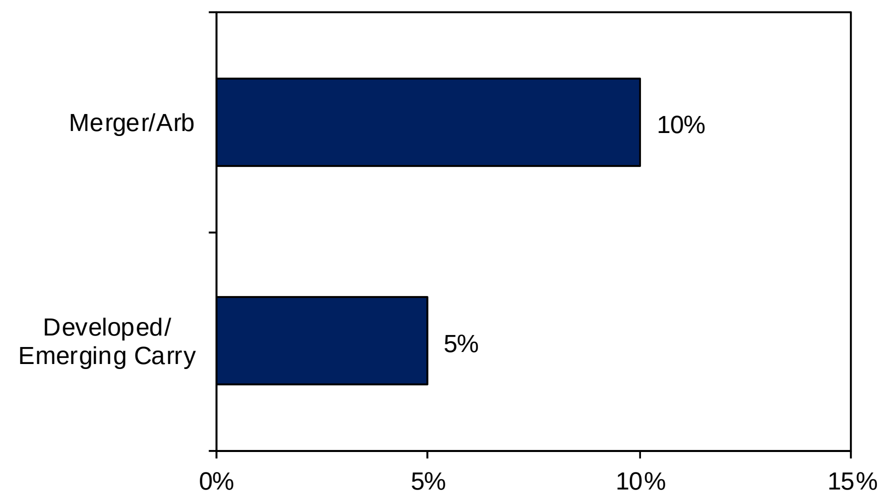
Fixed Income



Currencies



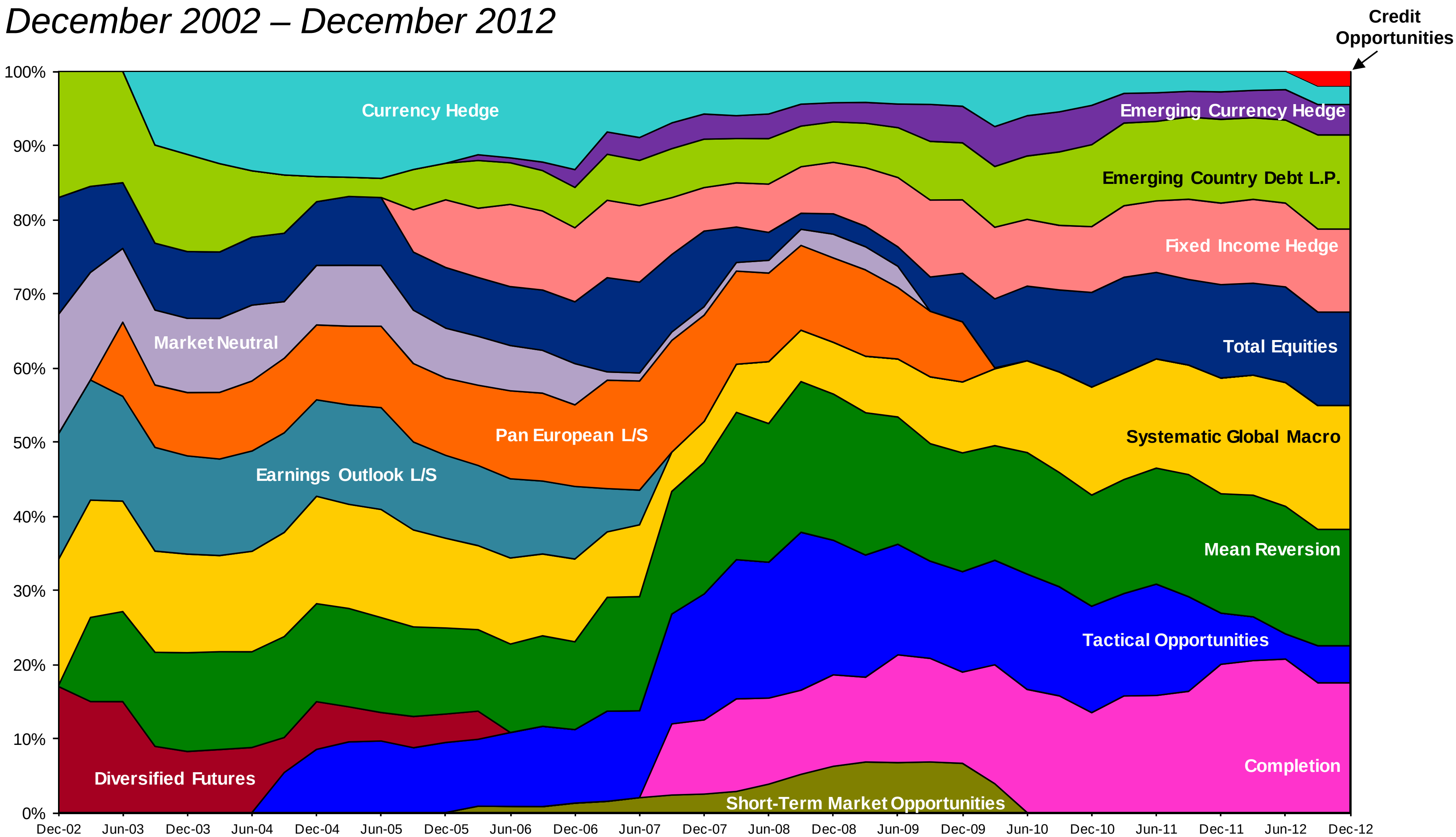
Alternative Strategies



GMO The above information is based on a representative account within the strategy selected because it has the least number of restrictions and best represents the implementation of the strategy.
The information above is supplemental to the GIPS compliant presentation that was made available on GMO's website in October of 2012. Source : GMO As of 12/31/12

GMO Multi-Strategy – Allocation History*

December 2002 – December 2012



*The above information is based on a representative account within the strategy selected because it has the least number of restrictions and best represents the implementation of the strategy. The information above is supplemental to the GIPS compliant presentation that was made available on GMO's website in October of 2012.

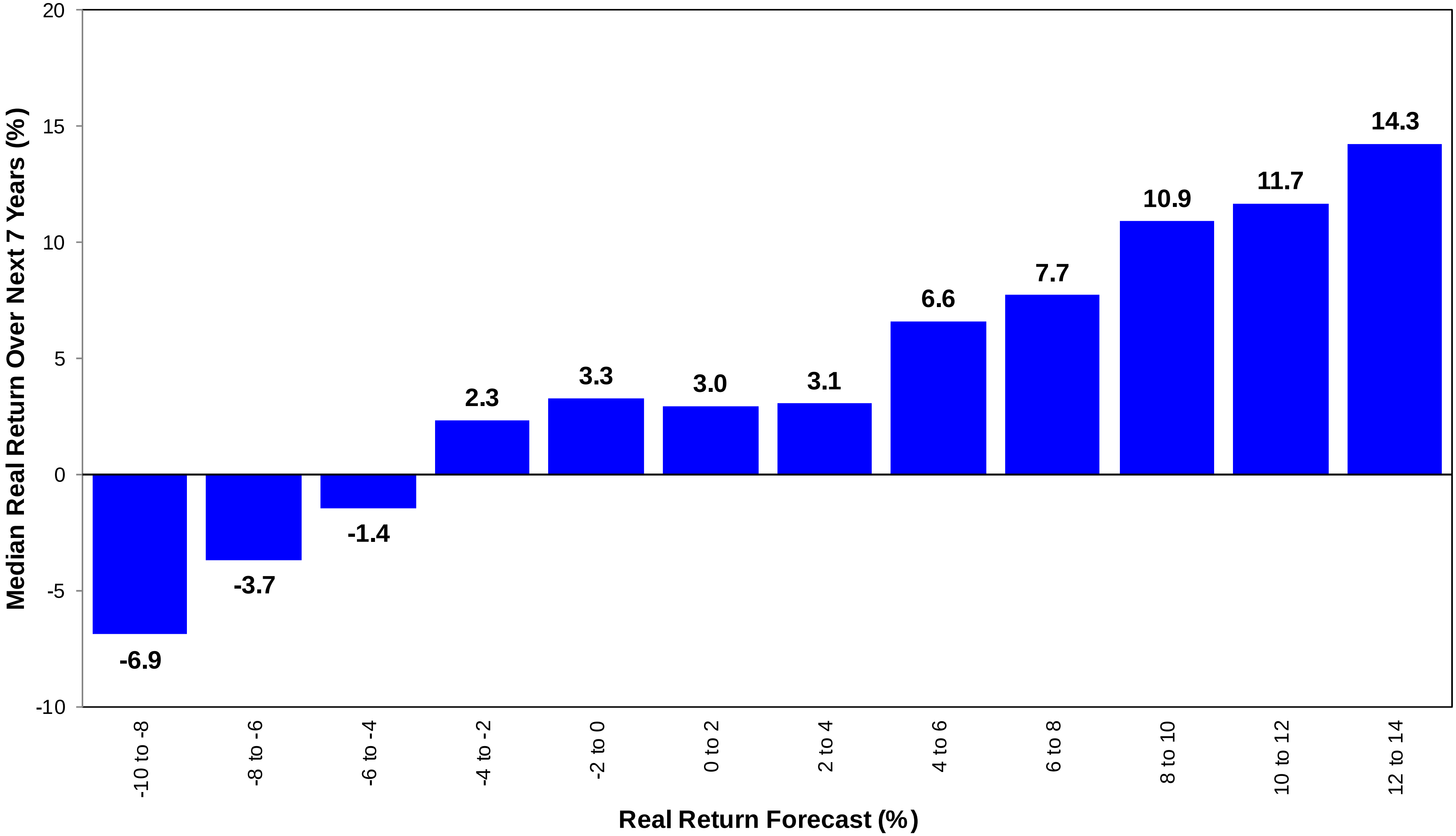
Note: On January 16, 2012, the GMO Aggressive Long/Short Strategy was renamed GMO Total Equities Strategy.

Source: GMO

Appendix

Mean Reversion Drives Everything

The realized performance of our forecasts since June 1994

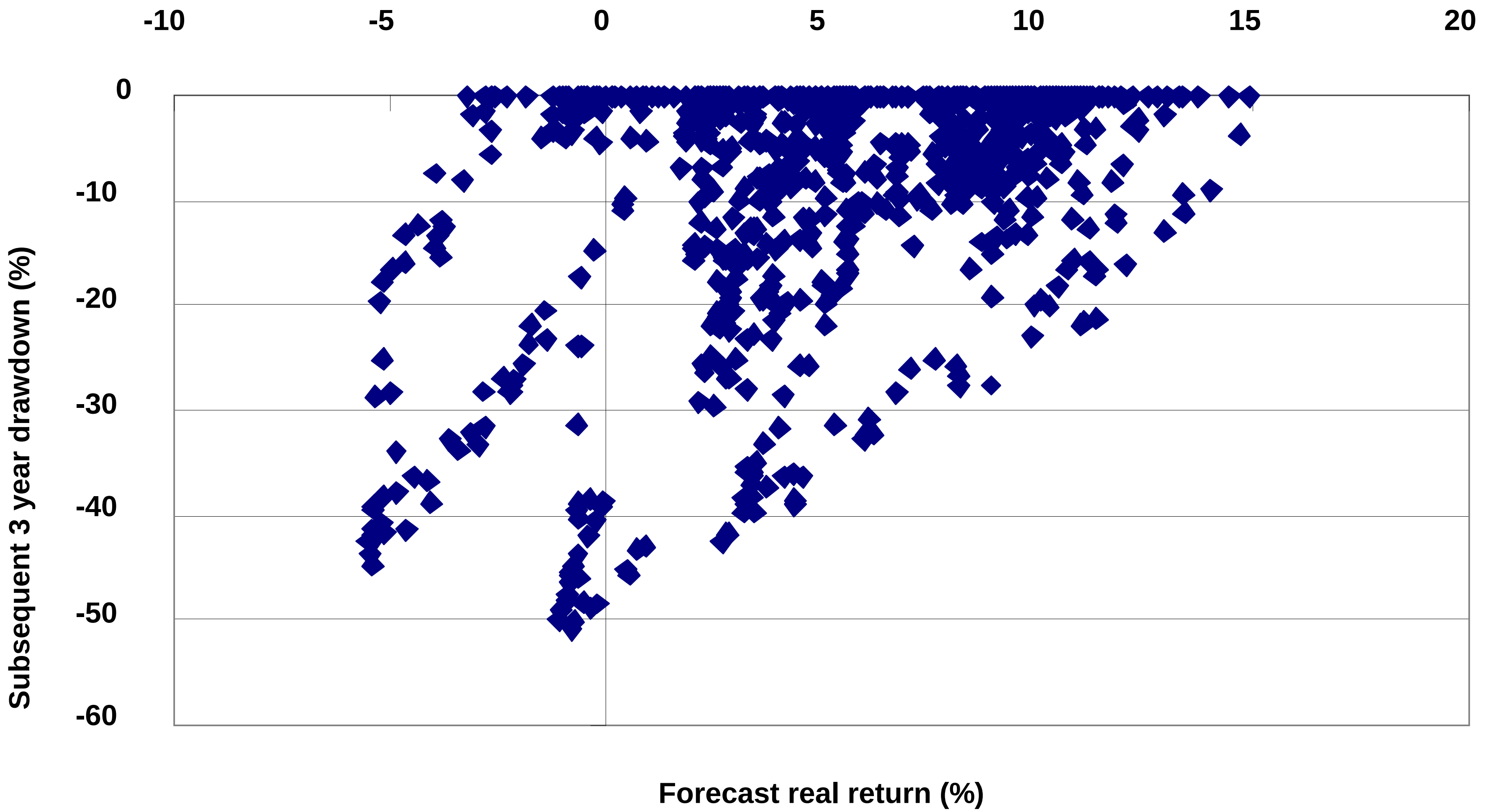


Analysis uses 7-year GMO asset class forecasts for 18 asset classes from June-1994 until July-2004 (start date is October-1996 for REITS and July-1997 for TIPS). GMO began making 7-year asset class forecasts in 2002 and previously made 10-year asset class forecasts. 10-year asset class forecasts are converted into 7-year forecasts by assuming 3 years of equilibrium returns at the end of the 7-year period. Returns and forecasts are annualized.

Source: GMO As of July 2011

The Margin of Safety at Work

U.S. S&P500 (1940-)



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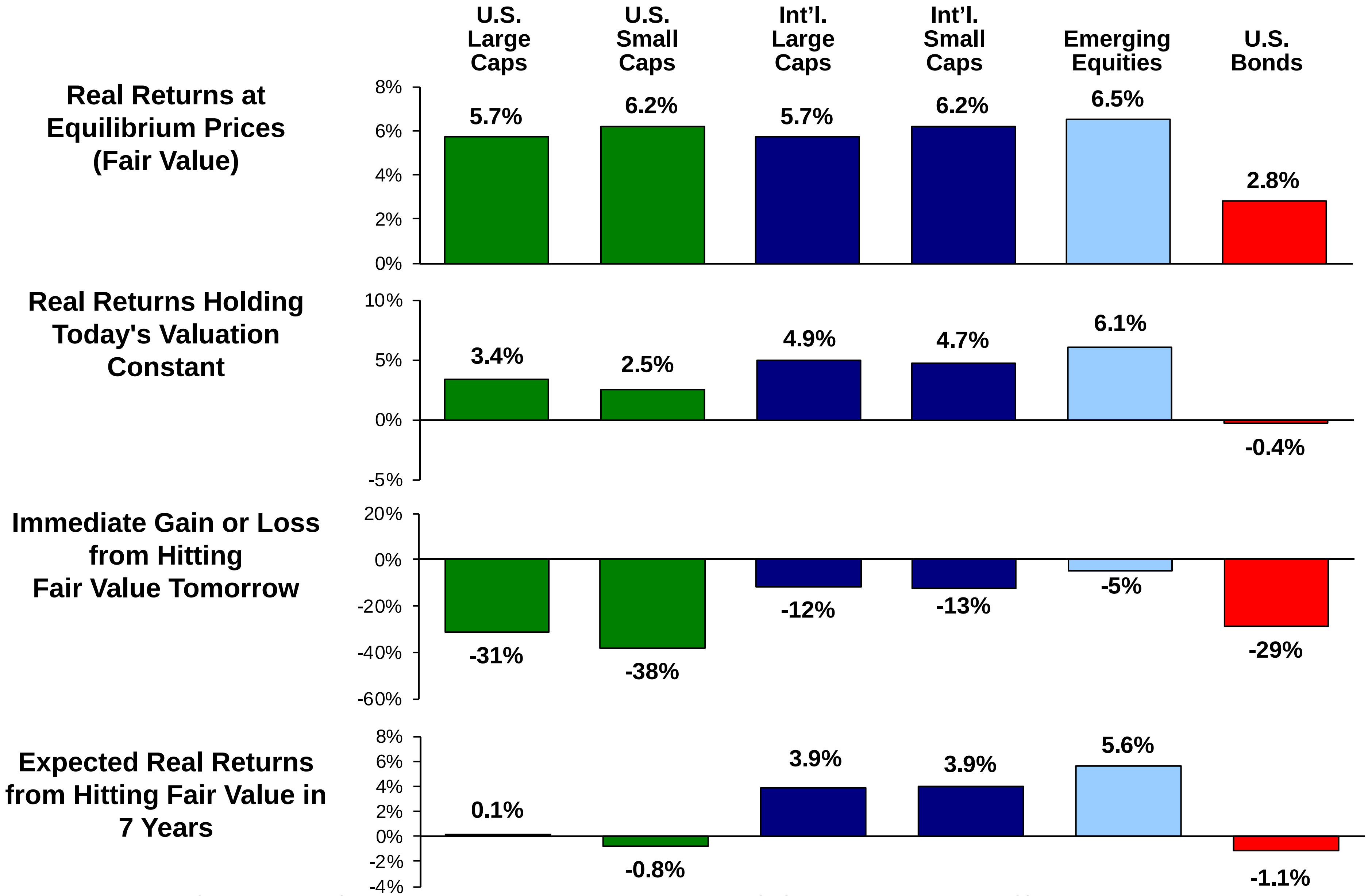
Source: GMO

Equilibrium Returns vs. GMO Forecasts



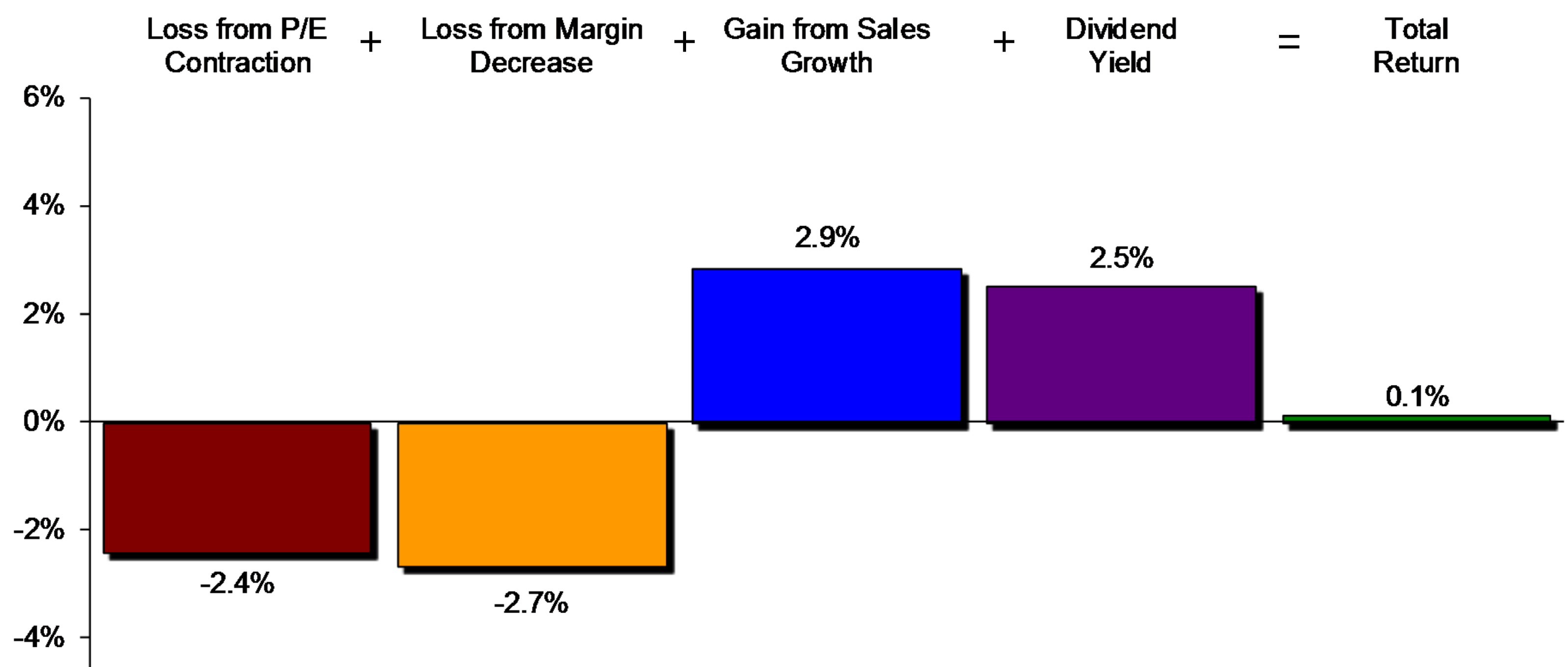
GMO Forecasts for asset classes are forward looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking statements. No forecast relates to a GMO fund or strategy.

Source: GMO As of 12/31/12

S&P 500: Building a 7-Year Forecast

Components of annual return of S&P 500, with regression over 7 years

	P/E	Profit Margin	Real Sales per Share Growth	Dividend Yield
1926-1999 Averages	*14.0*	*4.9%*	*1.8%*	*4.3%*
Starting Levels	17.8	7.3%	1.9%	2.2%
Assumption for Next 7 Years	15.0 (Terminal Value)	6.1% (Terminal Value)	2.9%	2.5%



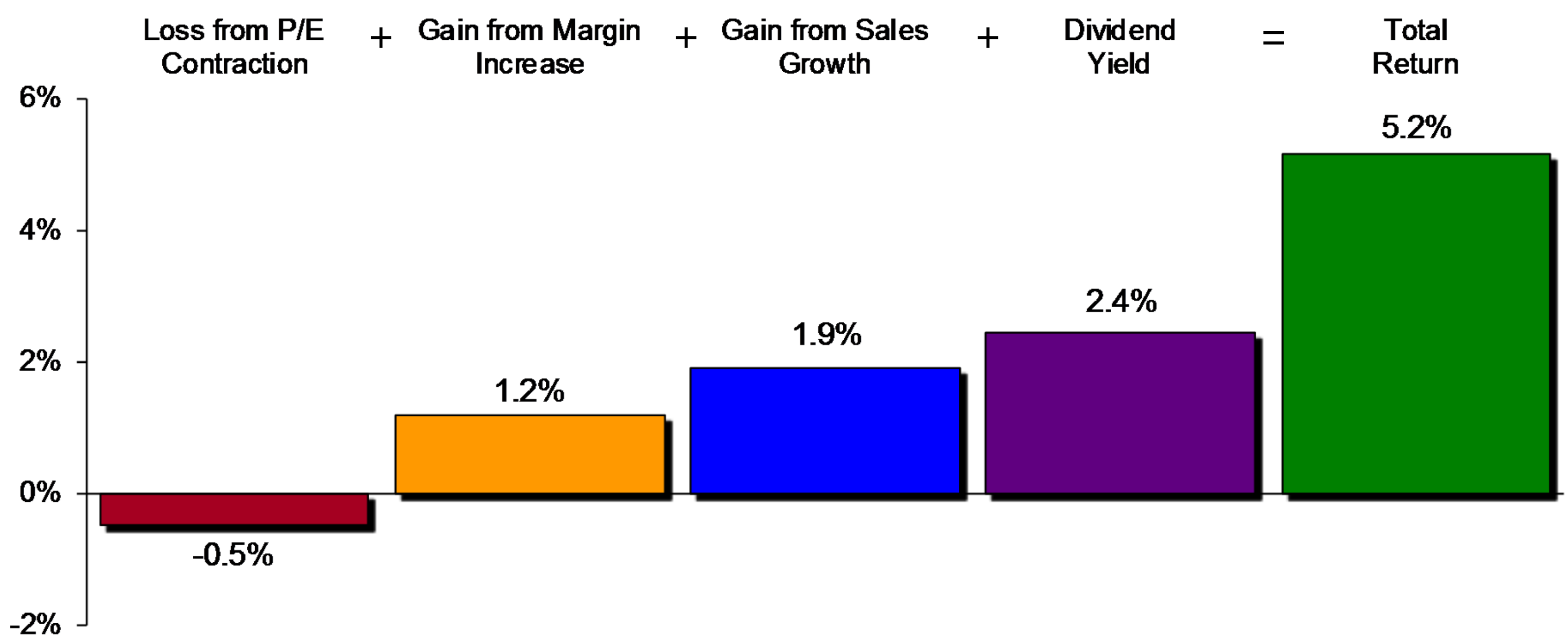
The chart represents a real return forecast for the above named asset class and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from the forecasts above.

Source: GMO As of 12/31/12

High Quality: Building a 7-Year Forecast

Components of annual return of high quality stocks, with regression over 7 years

	P/E	Profit Margin*	Real Net Worth per Share Growth	Dividend Yield
Starting Levels	17.8	10.6%	1.9%	2.3%
Assumption for Next 7 Years	17.3 (Terminal Value)	11.6% (Terminal Value)	1.9%	2.4%



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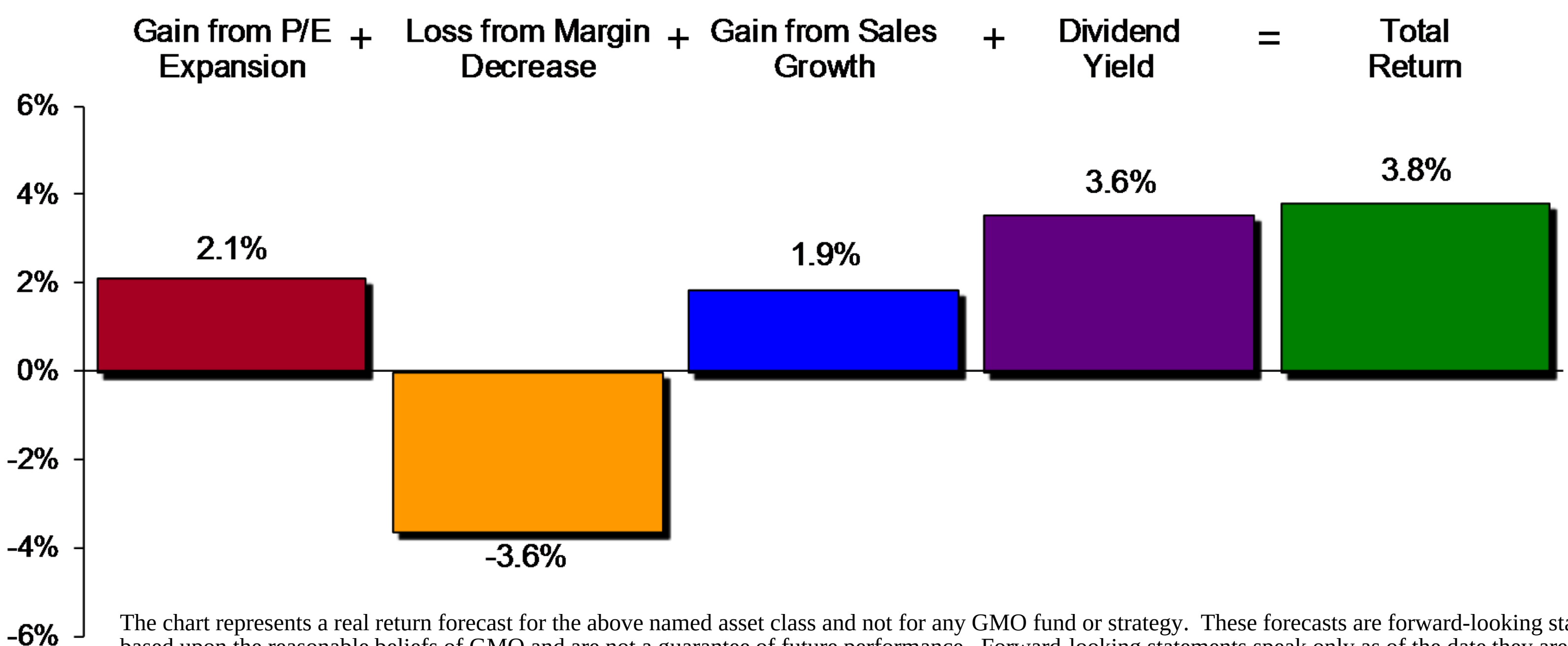
*Return on equity as calculated by GMO. High Quality: Top 250 stocks ranked by quality in the largest 1000. Source: GMO As of 12/31/12

International Equities: Building a 7-Year Forecast

Components of annual return of EAFE ex-Japan, with regression over 7 years

	P/E	Profit Margin	Real Sales per Share Growth	Dividend Yield
Starting Levels	12.9	7.3%	0.7%	3.7%
Assumption for Next 7 Years	15.0 (Terminal Value)	5.7% (Terminal Value)	1.9%	3.6%



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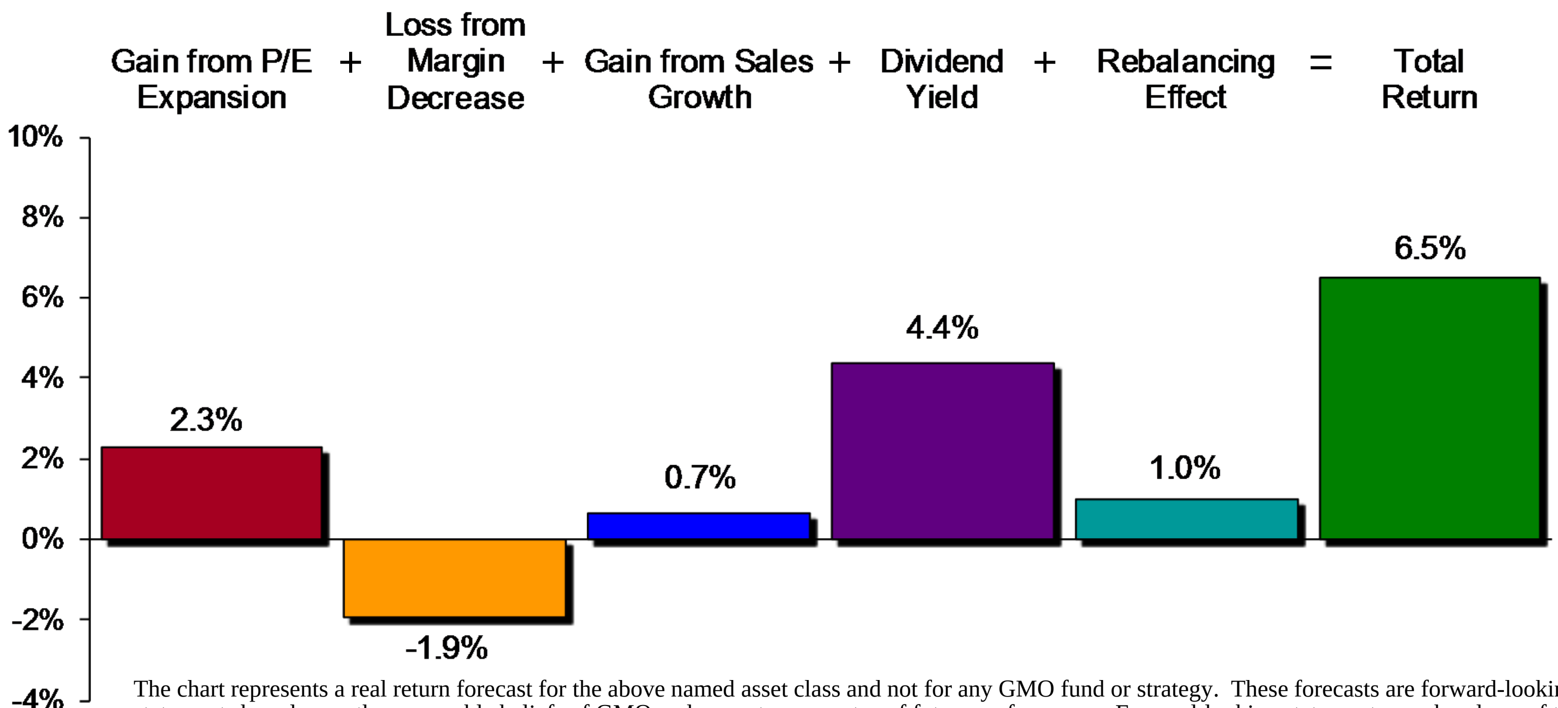
Source: GMO As of 12/31/12

International Value: Building a 7-Year Forecast

Components of annual return of international value stocks, with regression over 7 years

	P/E	Profit Margin	Real Sales per Share Growth	Dividend Yield	Rebalancing Effect
Starting Levels	11.1	5.8%	0.4%	4.7%	
Assumption for Next 7 Years	13.0 (Terminal Value)	5.1% (Terminal Value)	0.7%	4.4%	1.0%



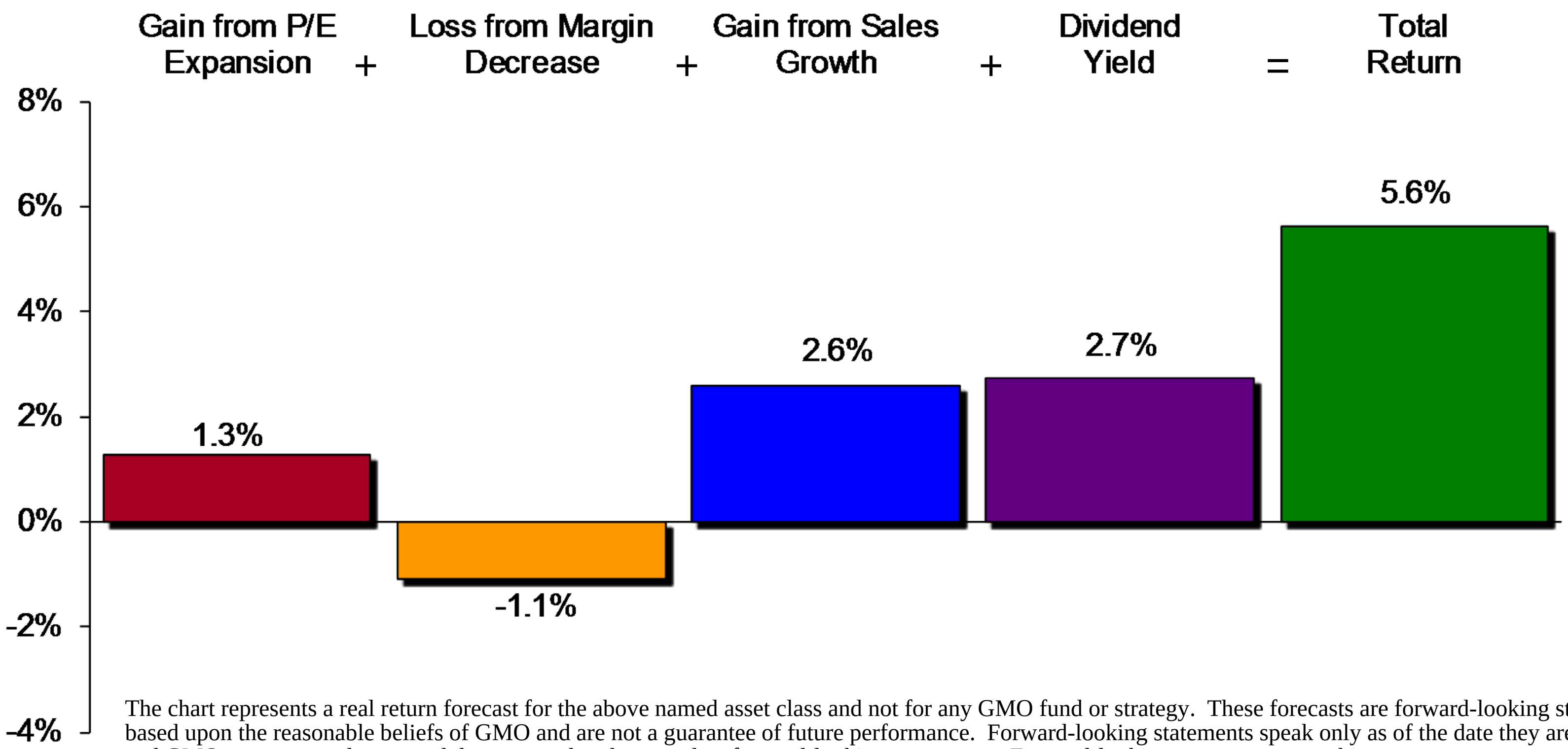
The chart represents a real return forecast for the above named asset class and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from the forecasts above.
NOTE: Components of annual return for international value stocks are ex-Japan.

Source: GMO As of 12/31/12

Emerging Equities: Building a 7-Year Forecast

Components of annual return of emerging equities, with regression over 7 years

	P/E	Profit Margin	Real Sales per Share Growth	Dividend Yield
Starting Levels	12.2	7.7%		2.7%
Assumption for Next 7 Years	13.3 (Terminal Value)	7.1% (Terminal Value)	2.6%	2.7%



The chart represents a real return forecast for the above named asset class and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from the forecasts above.

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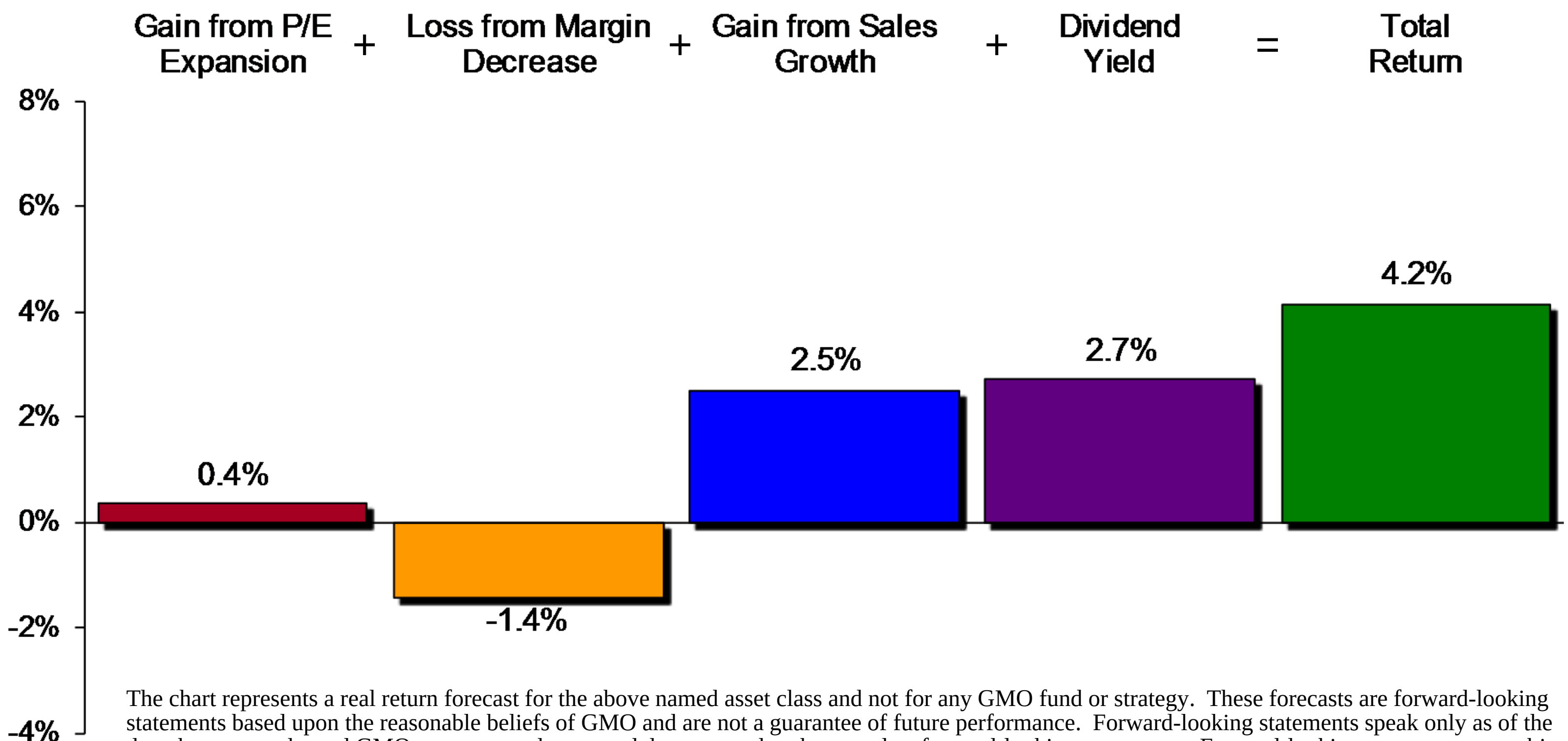
Source: GMO   As of 12/31/12

Japan: Building a 7-Year Forecast

Components of annual return of Japan stocks, with regression over 7 years

	P/E	Profit Margin	Real Sales per Share Growth	Dividend Yield
Starting Levels	14.6	3.4%	0.0%	2.2%
Assumption for Next 7 Years	15.0 (Terminal Value)	3.1% (Terminal Value)	2.5%	2.7%



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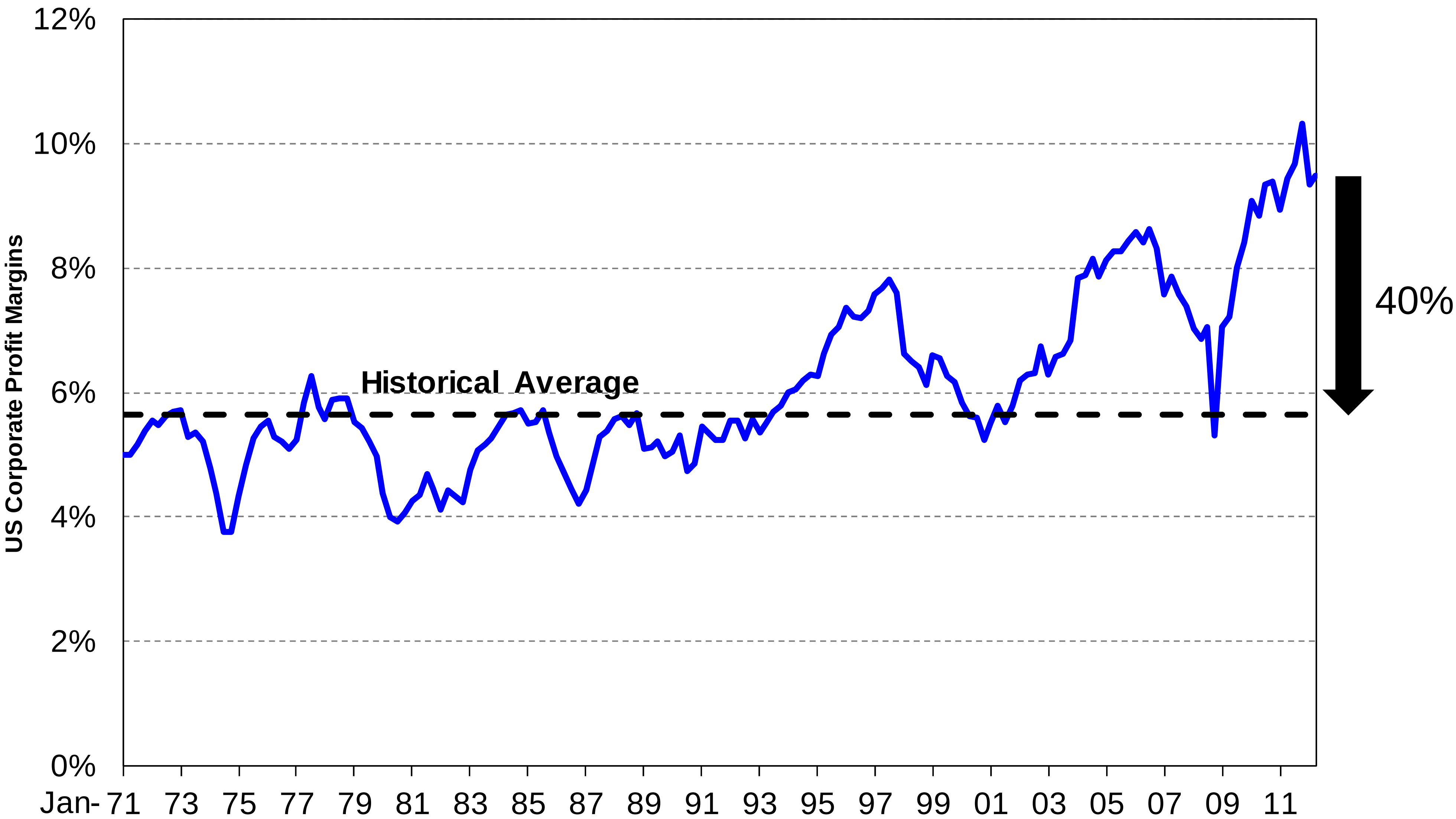
Source: GMO As of 12/31/12

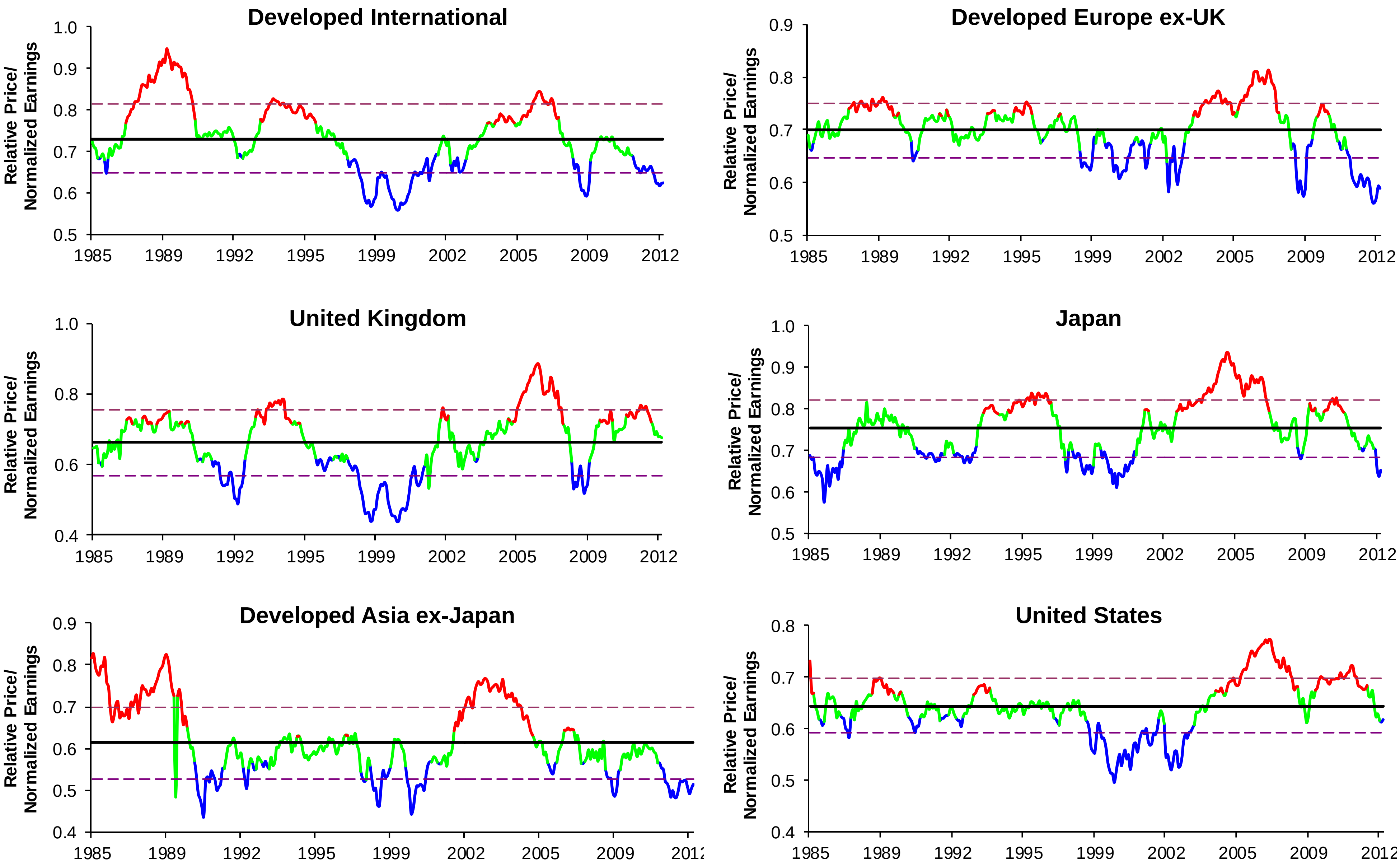
U.S. Corporate Profit Margins – Highest Ever!

NIPA data shows corporate profits at record high levels



Source: National Income and Product Account (NIPA), Flow of Funds, Bureau of Economic Analysis As of 4/30/12

Value Is Now Cheap, Particularly in Europe and Japan



Data shows the valuation premium or discount relative to its own history as measured using 20% cheapest on Price/Scale ex Financials.

Source: GMO As of 12/31/12

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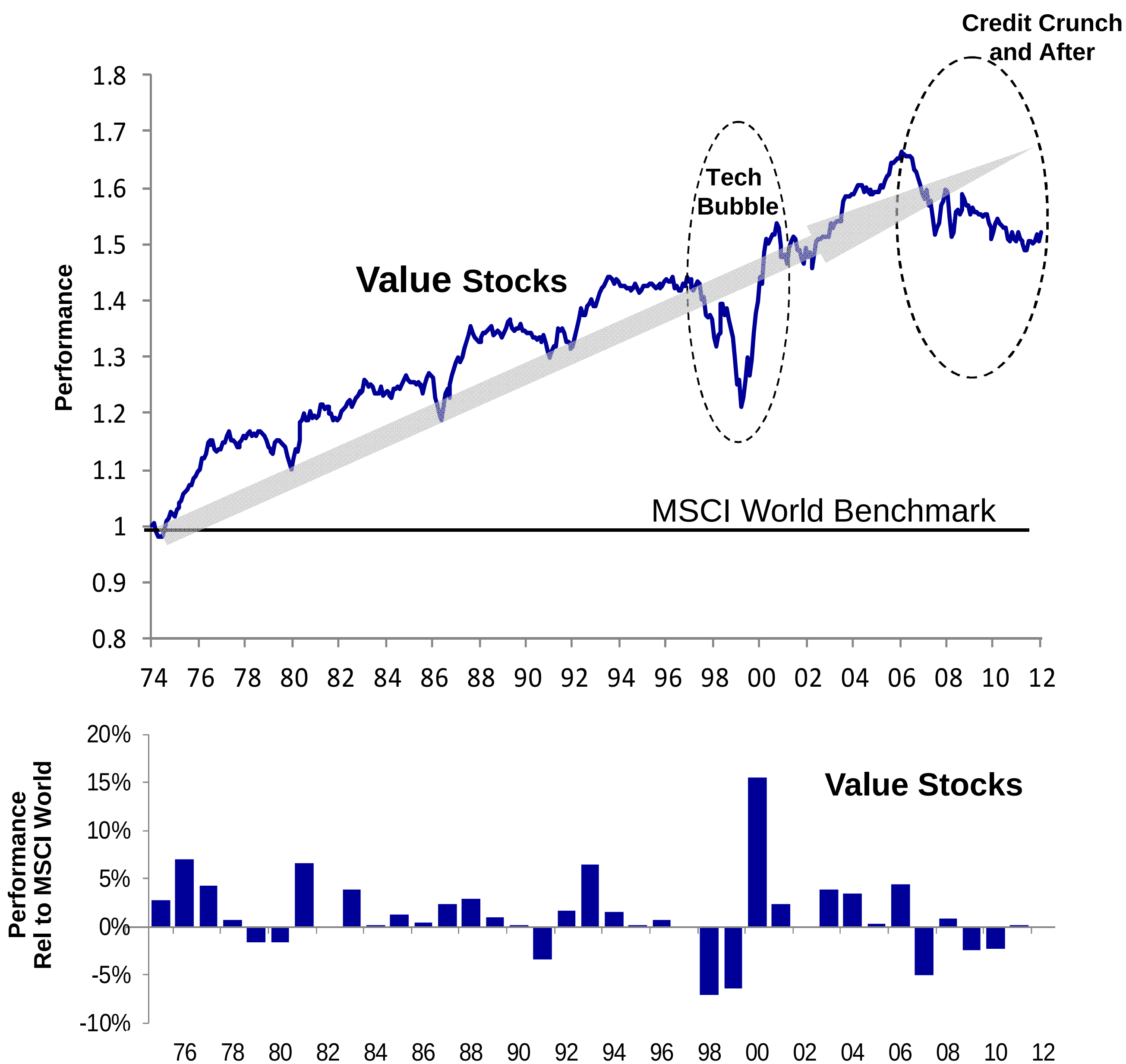
Long-Term Relative Performance of MSCI's Value Index



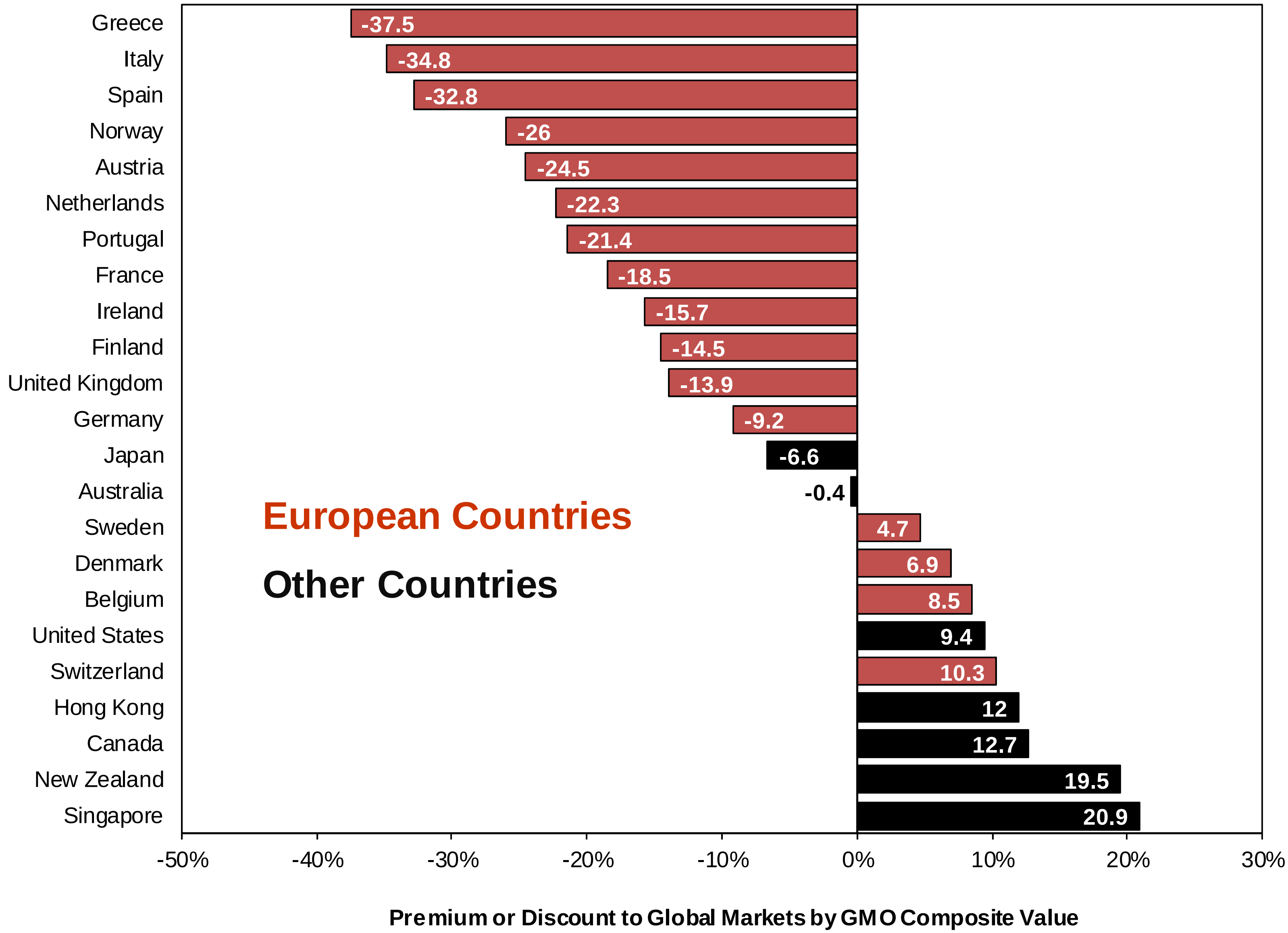
- The MSCI World Value Index has provided a return of 1.1% *p.a.* above the MSCI World Index since 1974.
- The recent period has been amongst the most challenging.
- Historically, periods of underperformance have been followed by the best relative returns for value investors.

Performance data quoted represents past performance and is not predictive of future performance.

Source: MSCI, GMO As of 12/31/12

Country Valuations Around the World

Europe is not burdened by high expectations



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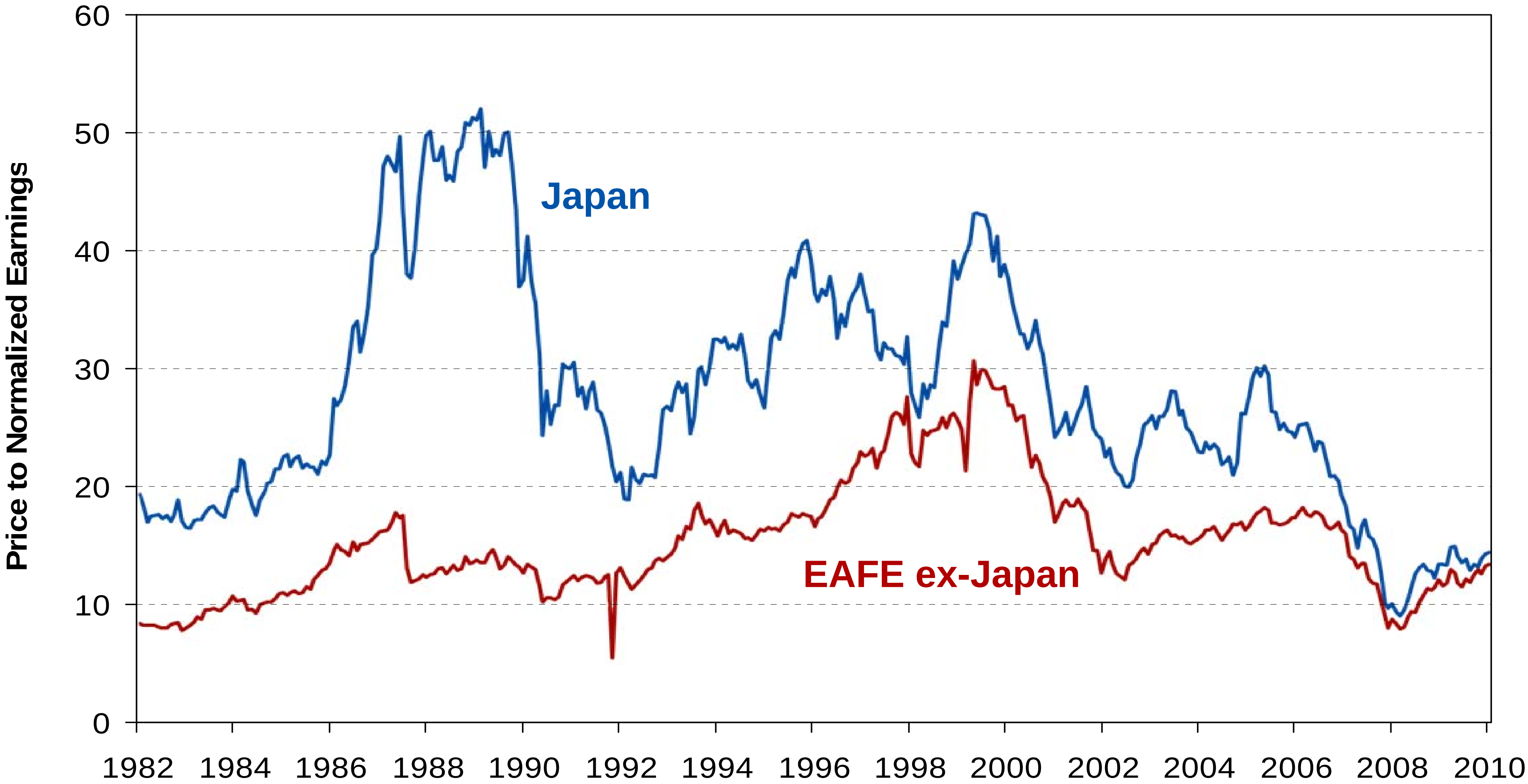
Source: GMO As of 12/31/12

Finally At Parity

Japan's valuation premium has disappeared



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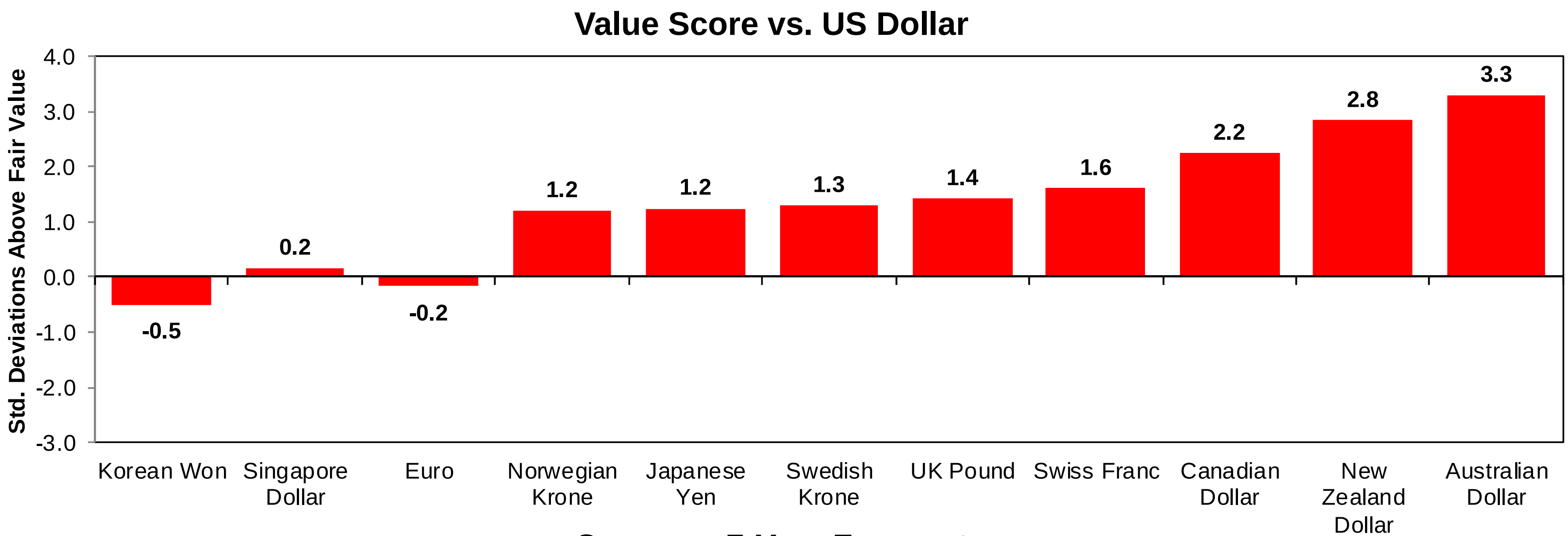
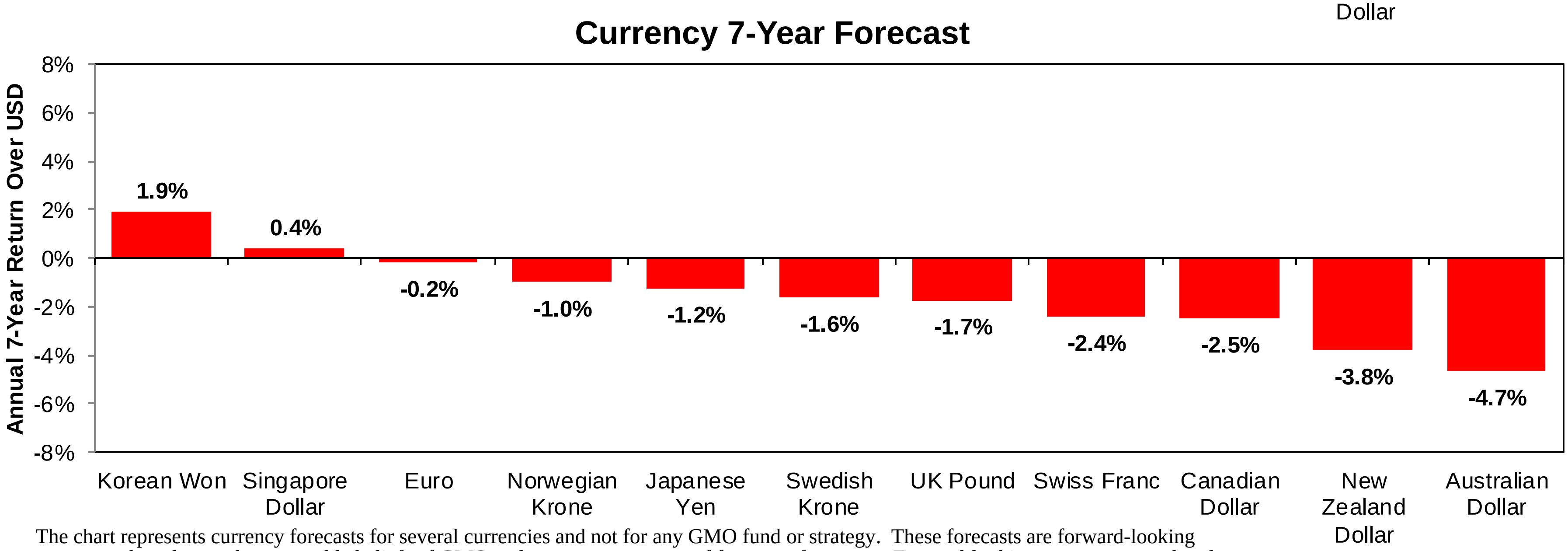
Source: GMO

Currency Forecasts





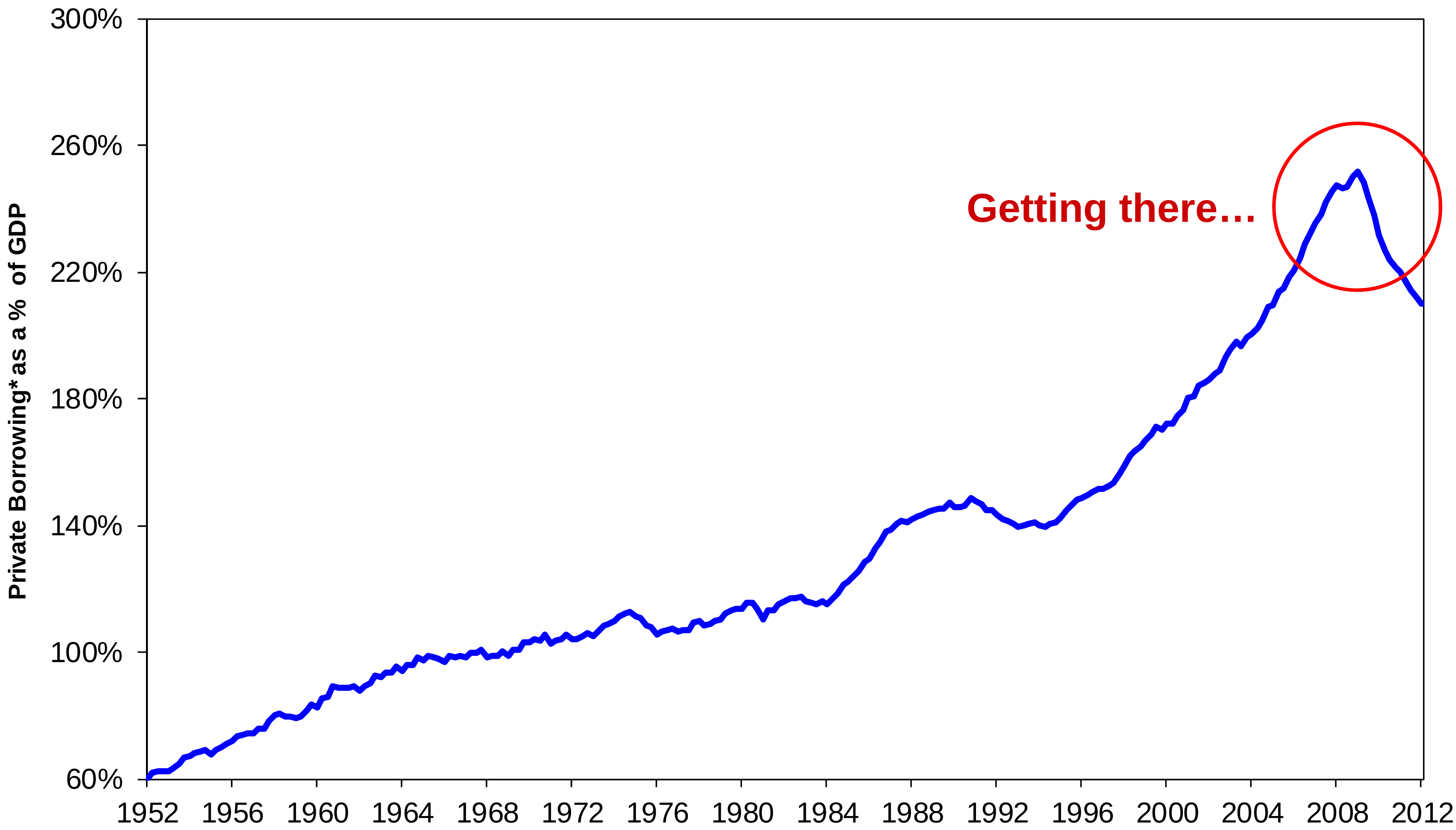
The chart represents currency forecasts for several currencies and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking statements.

Source: GMO

As of 12/31/12

Deleveraging for the U.S. Economy?

But the hangover is yet to come



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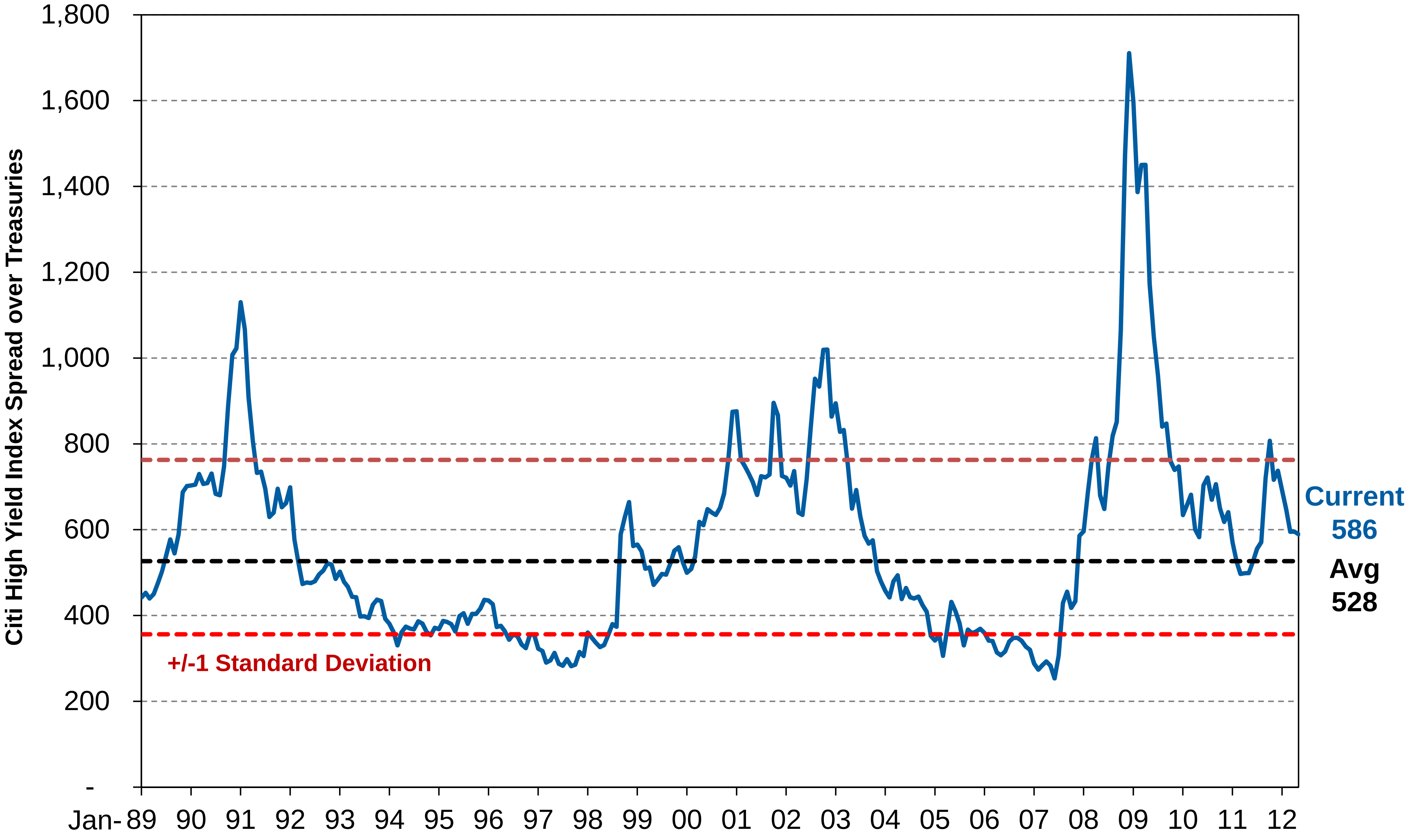
*All credit in the U.S. except Treasuries, Agency/GSE, and municipal debt. Source: BEA, Bianco Research, GMO As of 3/31/12

Our Approach to Credit Market Exposure

Credit spreads appear mean reverting



Source: The Yield Book As of 8/31/12

Alpha Only

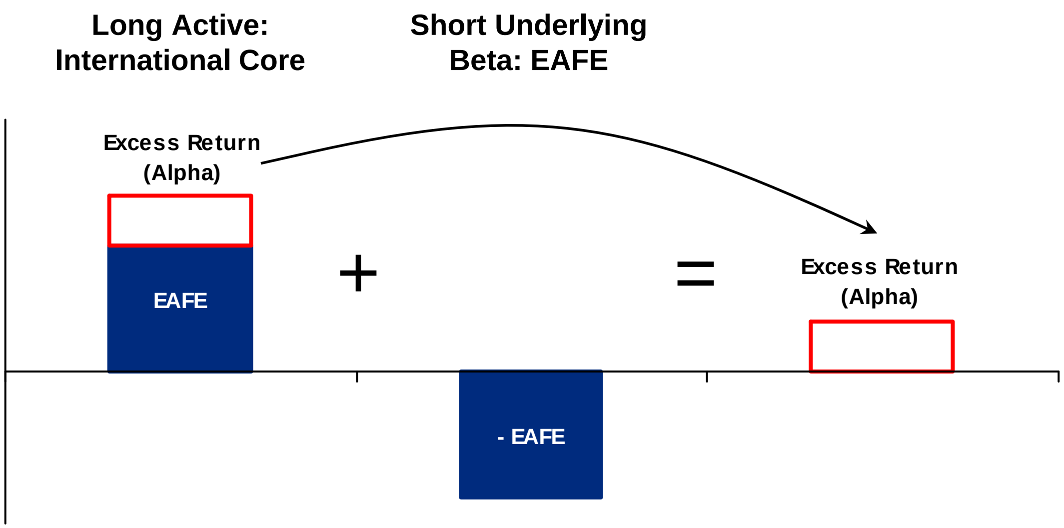
Framework

- Zero to negative equity beta
- Bond-like volatility
- Low correlation to stocks or bonds
- Return target of T-Bills plus 1.5% - 2%
- Two primary alpha sources:
  - Security selection
  - AA Forecasts

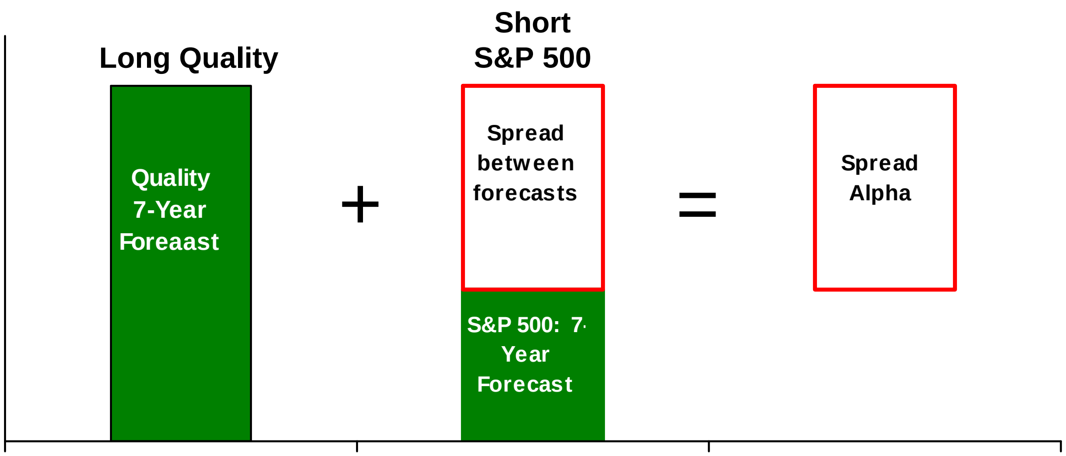
Role within a portfolio

- Alternative to cash or bonds
- "Dry powder"

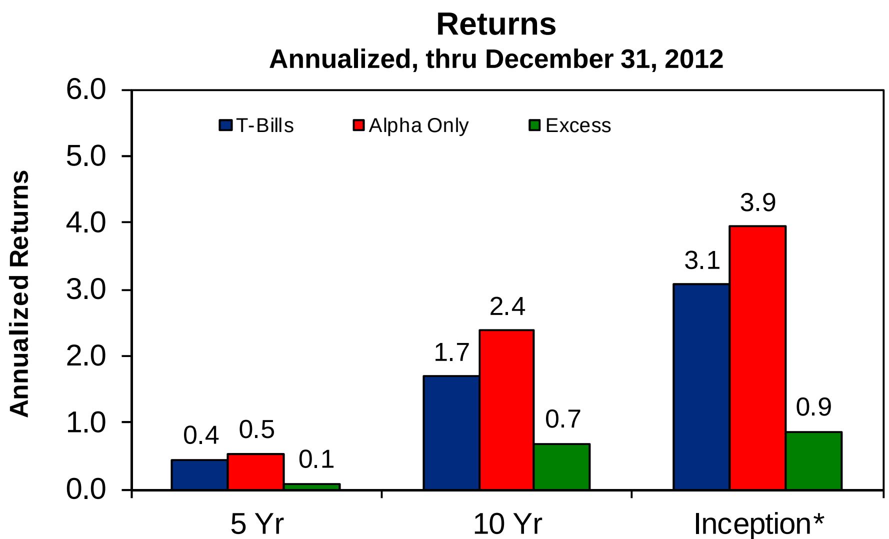
Security Selection & Portable Alpha:
A Stylized Example



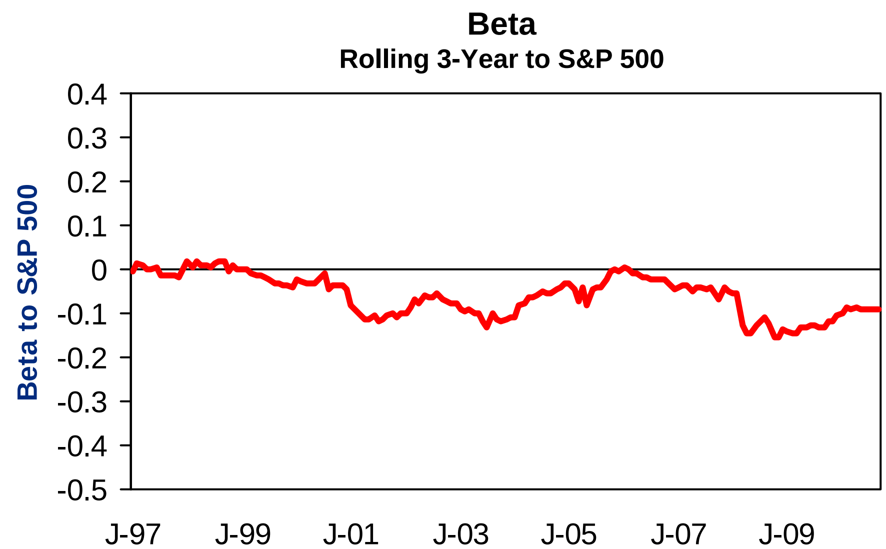
Asset Allocation Forecasts & Spread Trades:
A Stylized Example

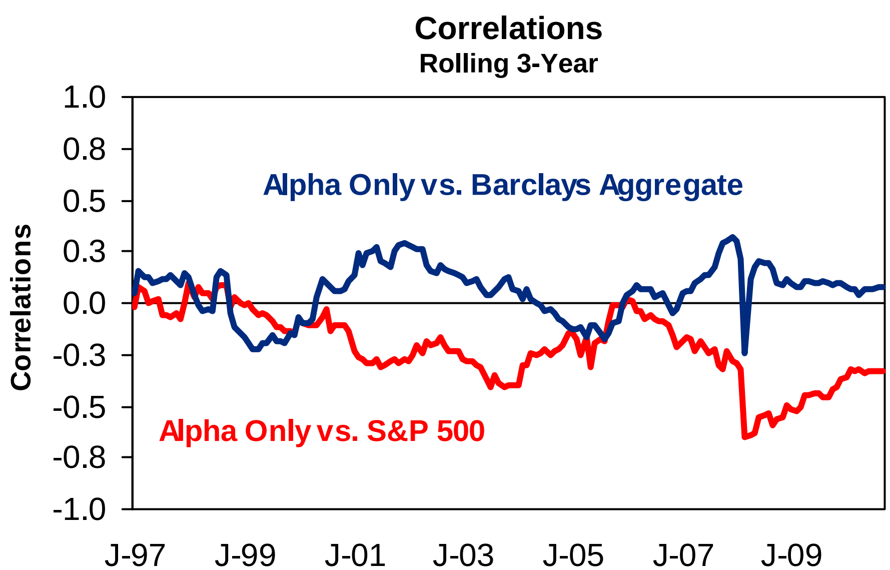


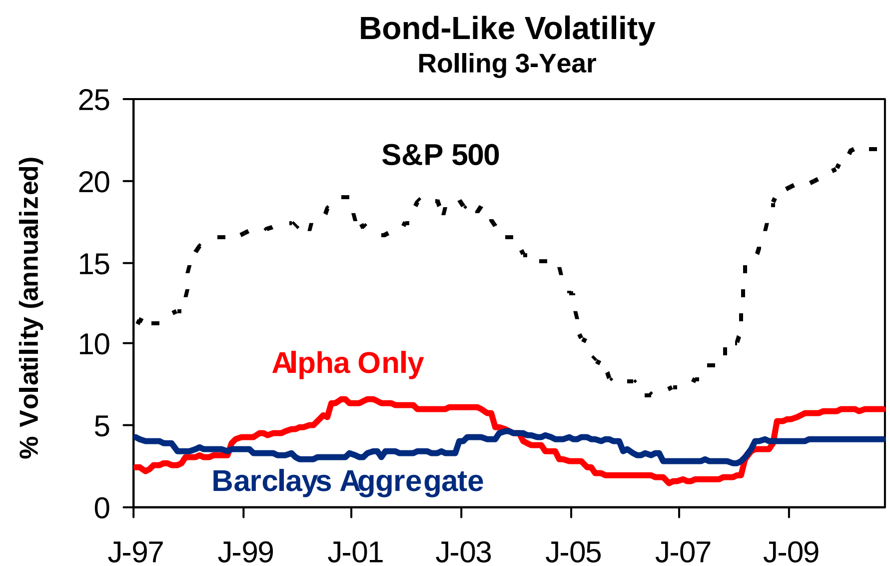
Alpha Only



*Inception date: July 31, 1994







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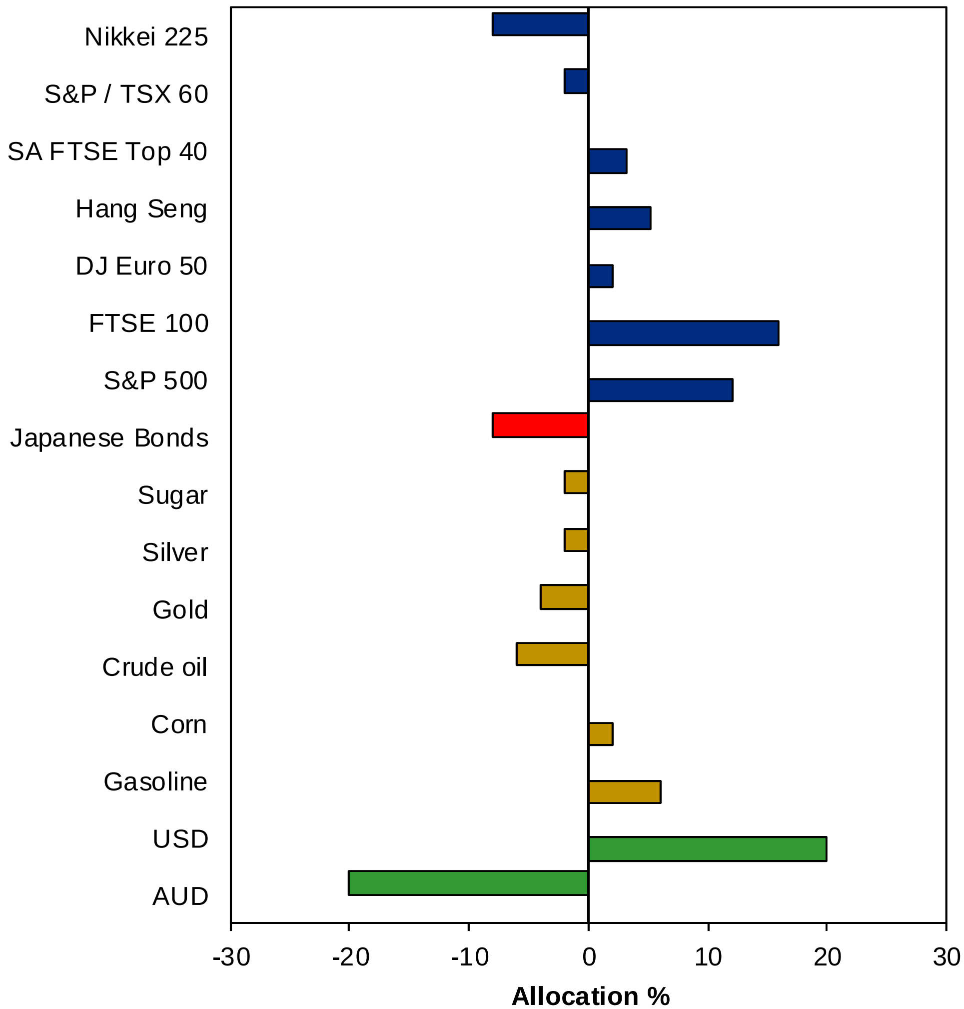
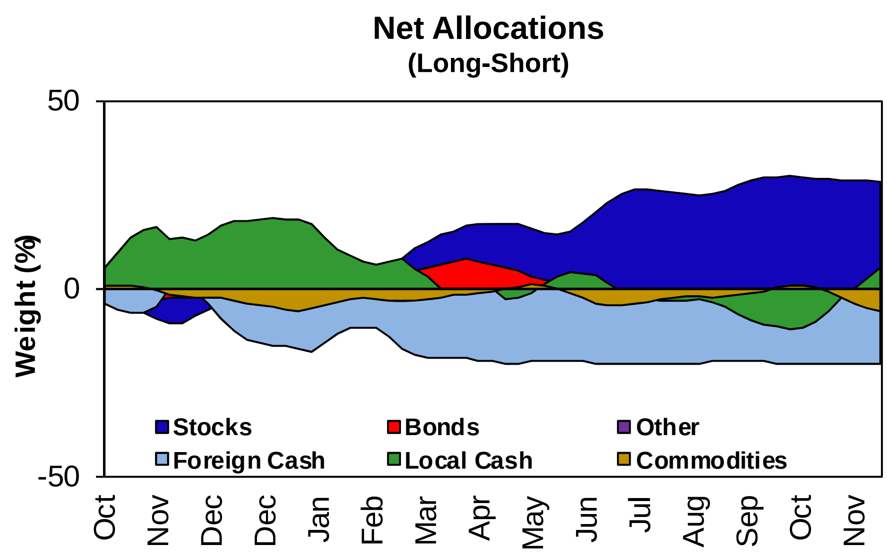
Alternative Asset Opportunity

Allocations as of November 30, 2012



	Long	Short	Net
Stocks	38%	-10%	28%
Bonds	0%	-8%	-8%
Commodities	8%	-14%	-6%
Other	0%	0%	0%
Foreign Cash	0%	-20%	-20%
Local Cash	6%	0%	6%
Total	**52%**	**-52%**	**0%**



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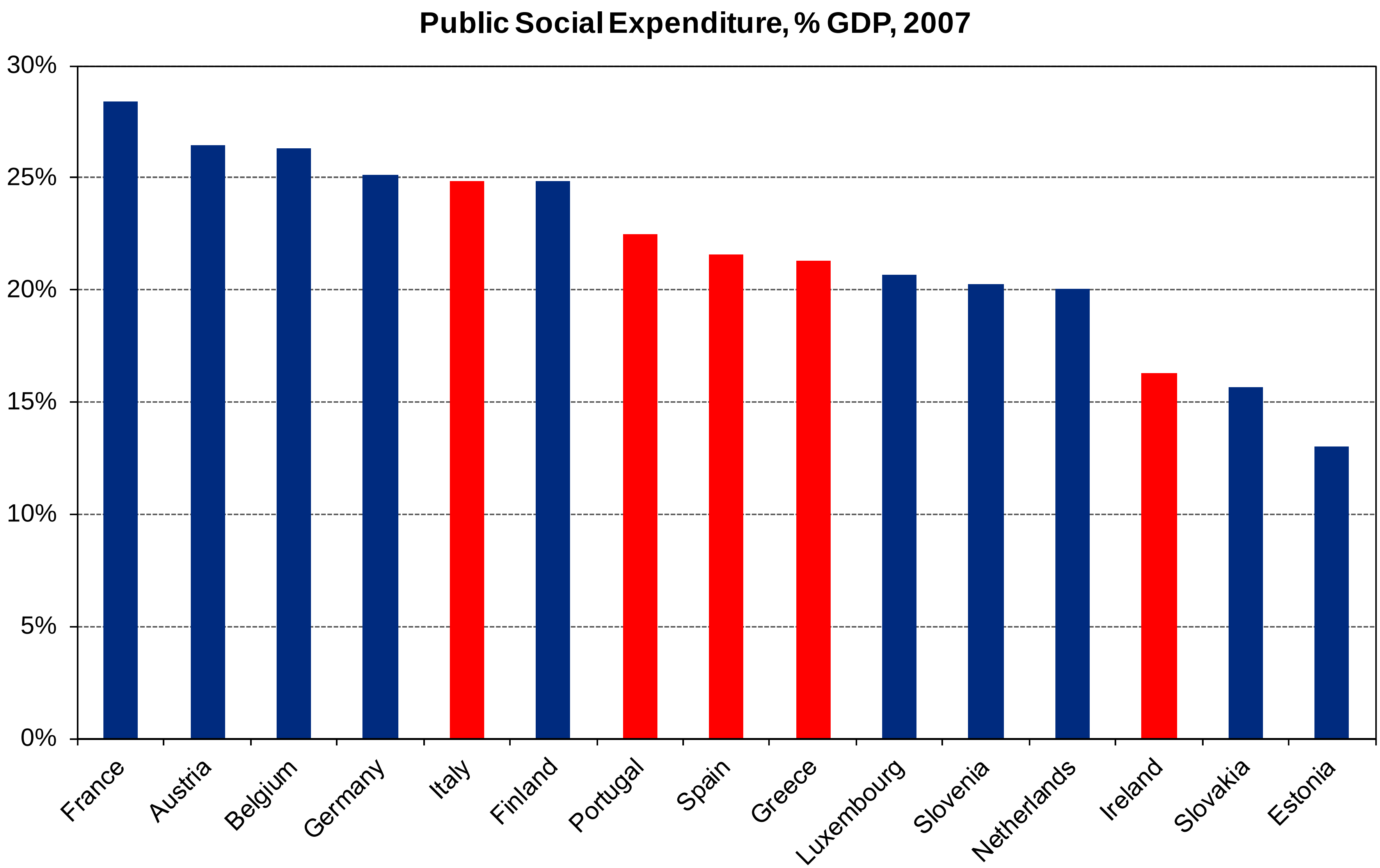
Euro Crisis Fact & Fiction – Fiction



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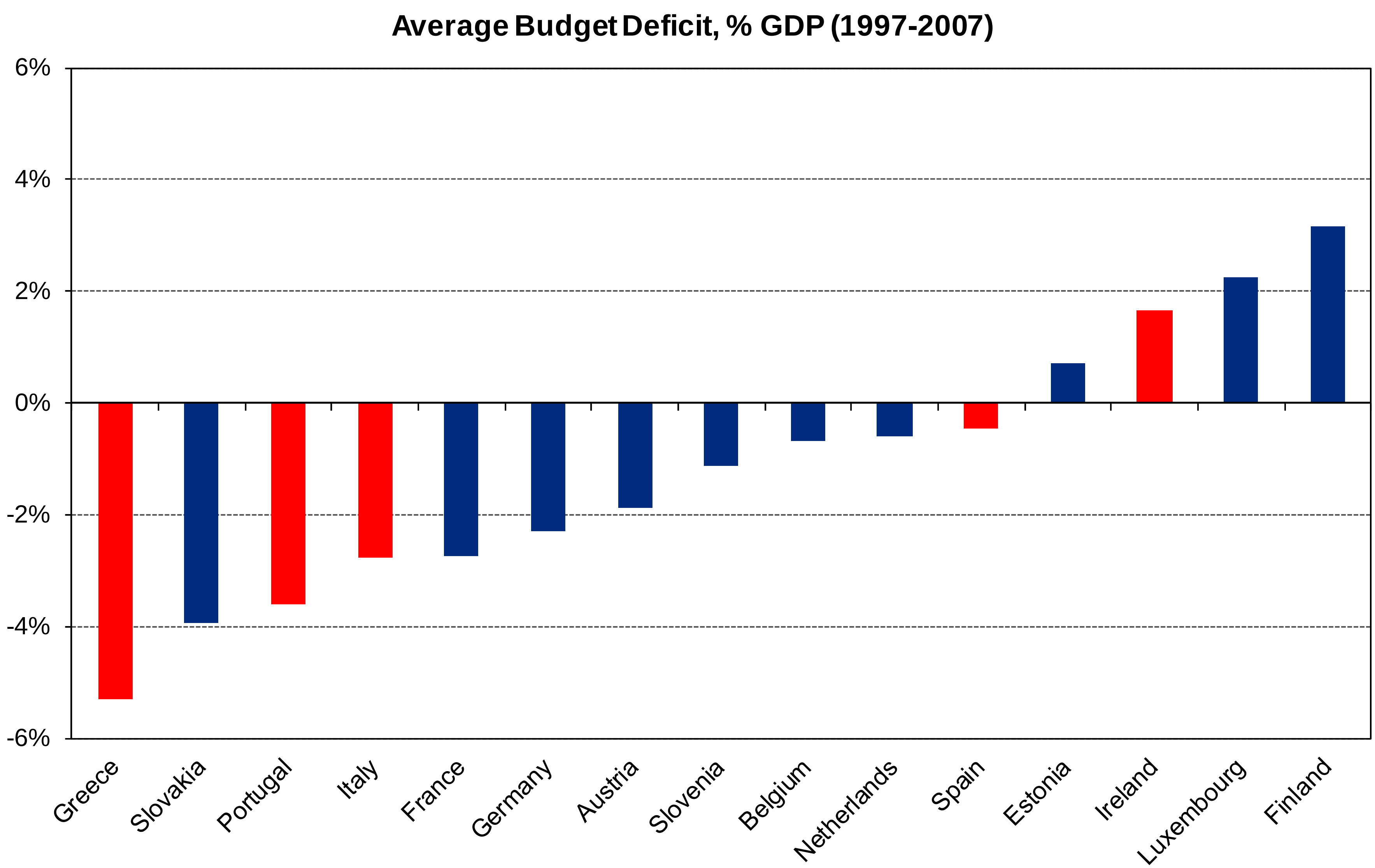
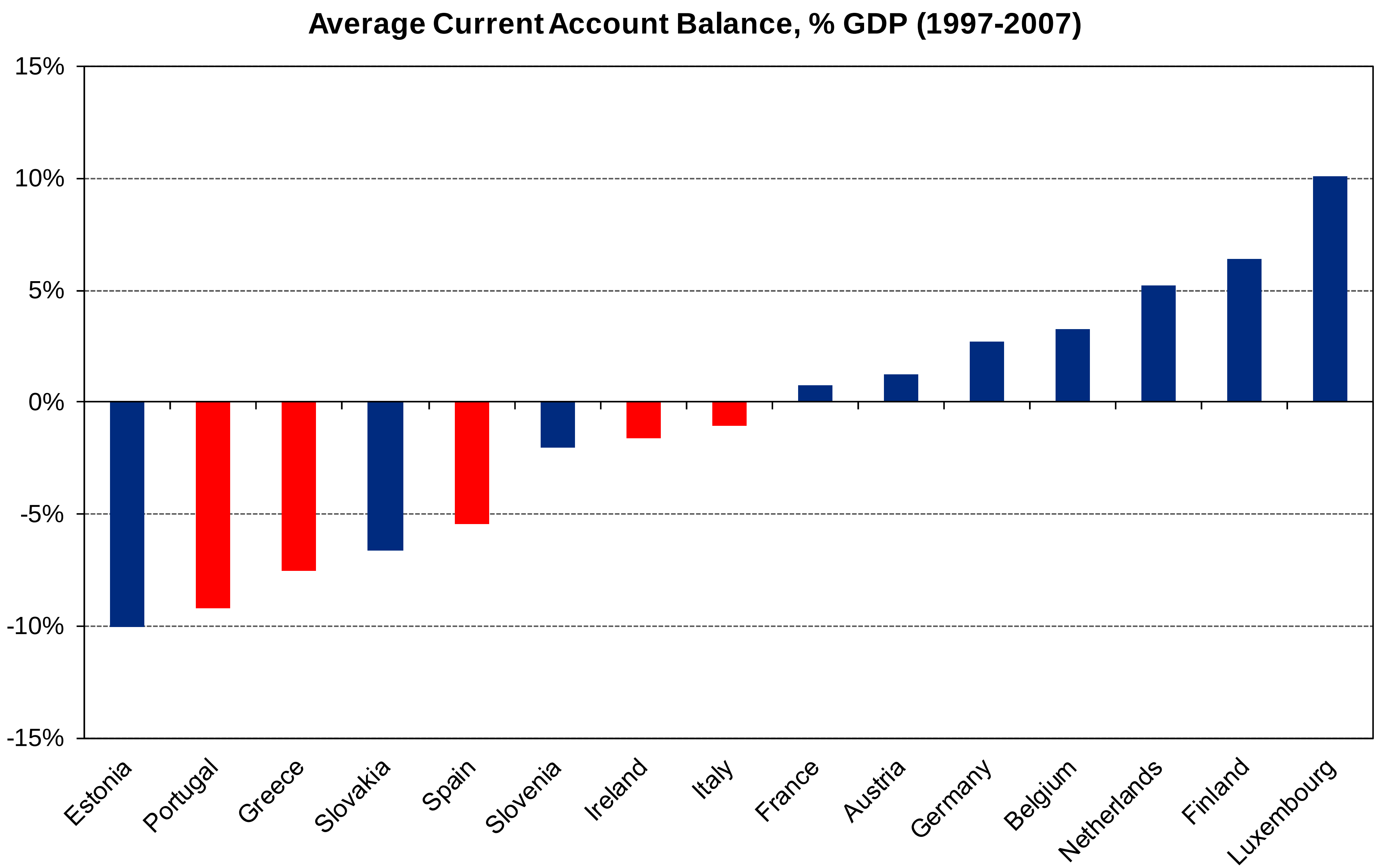
Source: OECD Factbook

Euro Crisis Fact & Fiction – Fiction



Source: EIU

Euro Crisis Fact & Fiction – Fact



Source: EIU

Capsule Biographies: Asset Allocation

Tariq Ali	Mr. Ali is a member of GMO's Asset Allocation team. Prior to joining GMO full-time in 2011, he was an intern with the Asset Allocation team. Mr. Ali earned his B.A. in Government from the University of Texas, Austin.
Edmund Bellord	Mr. Bellord is a member of GMO's Asset Allocation team. Prior to joining GMO in 2008, he was a senior portfolio manager at State Street Global Advisors Capital Management. Previously, he worked at Mellon Capital Management as a strategist. Mr. Bellord earned his M.A. in Economics from the University of Edinburgh in Scotland and his MBA at the University of California in Berkeley.
Edward Chancellor	Mr. Chancellor is a member of GMO's Asset Allocation team focusing on capital market research. He has worked as a financial commentator and consultant and has written for the Wall Street Journal, New York Times, Financial Times, and Institutional Investor, among others. He is the recipient of the 2007 George Polk Award for financial journalism. Mr. Chancellor is the author of several books including *Crunch Time for Credit* (2005) and *Devil Take the Hindmost: A History of Financial Speculation* (1999), a New York Times Notable Book of the Year. Prior to joining GMO in 2008, he worked as deputy U.S. editor for Breakingviews.com in New York and for Lazard Brothers. Mr. Chancellor earned his B.A. in History from Cambridge University, and his Master of Philosophy in Modern History from Oxford University.
Anna Chetoukhina	Ms. Chetoukhina is a member of GMO's Asset Allocation team. Prior to joining GMO in 2011, Ms. Chetoukhina was a fixed income quantitative analyst for Wellington Management. Previously, she was a research associate for State Street Associates, LLC. Ms. Chetoukhina earned her B.S. in Economics from Voronezh State University in Russia, her B.A. in Mathematics and Economics from Huntingdon College and her M.S. in Applied Mathematics from Northeastern University. She is a CFA charterholder.
Peter Chiappinelli	Mr. Chiappinelli is a member of GMO's Asset Allocation team. Prior to joining GMO in 2010, he was an institutional portfolio manager in the asset allocation group at Pyramis Global Advisors. Previously, he was the director of institutional investment strategy and research at Putnam Investments. Mr. Chiappinelli earned his MBA from The Wharton School at the University of Pennsylvania and his B.A. from Carleton College. He is a CAIA charterholder, and is president and founder of the CAIA Boston chapter. He is a CFA charterholder.
Thomas Cooper	Mr. Cooper is the head of GMO's Fixed Income team. Before joining GMO in 1993, he was a managing director at Boston International Advisors. Prior to joining Boston International, he worked at Goldman Sachs Asset Management, Western Asset Management and State Street Bank & Trust Co. Mr. Cooper received his MBA in Finance from the University of California (Berkeley) and earned a B.A. in Mathematics from Oberlin College. He is a CFA charterholder.
David Cowan	Dr. Cowan is co-head of GMO's Global Equity team. Prior to joining GMO in 2006, he worked as a financial analyst and software developer for Nantahala Capital Management. Dr. Cowan earned his B.A. in Mathematics and Religion from Williams College, and his M.A. in Humanities from the University of Chicago. Additionally, he received his Ph.D. in Mathematics from Tufts University.

Capsule Biographies: Asset Allocation

Arjun Divecha	Mr. Divecha is the head of GMO's Emerging Markets Equity team and Chairman of the GMO Board of Directors. Prior to joining GMO in 1993, he spent 12 years at BARRA directing software development, marketing, client service and emerging markets research and development. Mr. Divecha holds a Bachelor of Technology in Aeronautical Engineering from the Indian Institute of Technology, Bombay and an MBA in Finance from Cornell University.
Jeremy Grantham	Mr. Grantham co-founded GMO in 1977 and is a member of GMO's Asset Allocation team, serving as the firm's chief investment strategist. Prior to GMO's founding, Mr. Grantham was co-founder of Batterymarch Financial Management in 1969 where he recommended commercial indexing in 1971, one of several claims to being first. He began his investment career as an economist with Royal Dutch Shell. He is a member of the GMO Board of Directors and has also served on the investment boards of several non-profit organizations. Mr. Grantham has been featured in Forbes, Barron's and Business Week and is routinely quoted by the financial press. He earned his undergraduate degree from the University of Sheffield (U.K.) and an MBA from Harvard Business School.
Sachin Gupta	Mr. Gupta is a member of GMO's Asset Allocation team focusing on the firm's distressed debt effort. He joined GMO in 2011 after completing his M.S. in Applied Mathematics from Harvard University where he also earned his B.A. in Applied Mathematics and Economics.
Jason Halliwell	Mr. Halliwell is the head of GMO's Systematic Global Macro team. He joined GMO Australia in September 1999 from Westpac Investment Management where he spent three years in research and development of quantitative tactical asset allocation methods. Mr. Halliwell has an honours degree in Commerce/Law from Queensland University and has completed postgraduate studies in Financial Mathematics at the University of Technology in Sydney. He is a CFA charterholder.
Thomas Hancock	Dr. Hancock is co-head of GMO's Global Equity team and lead manager for U.S. and EAFE portfolios. Prior to joining GMO in 1995, he was a research scientist at Siemens and a software engineer at IBM. Dr. Hancock holds a Ph.D. in Computer Science from Harvard University and B.S. and M.S. degrees from Rensselaer Polytechnic Institute.
Christopher Hudson	Mr. Hudson is a member of GMO's Asset Allocation team. Prior to joining GMO in 2009, he worked at Bain Capital/Sankaty Advisors and DDJ Capital focusing on distressed and special situations investing. Mr. Hudson earned his A.B. in economics from Harvard University.
Ben Inker	Mr. Inker is co-head of GMO's Asset Allocation team and a member of the GMO Board of Directors. He joined GMO in 1992 following the completion of his B.A. in Economics from Yale University. In his years at GMO, Mr. Inker has served as an analyst for the Quantitative Equity and Asset Allocation teams, as a portfolio manager of several equity and asset allocation portfolios, as co-head of International Quantitative Equities, and as CIO of Quantitative Developed Equities. He is a CFA charterholder.

Capsule Biographies: Asset Allocation

Matt Kadnar Mr. Kadnar is a member of GMO's Asset Allocation team focusing on research and portfolio management. Prior to joining GMO in 2004, he was an investment specialist and consultant relations manager at Putnam Investments. Previously, he served as in-house counsel for LPL Financial Services and as a senior associate at Melick & Porter, LLP. Mr. Kadnar has a B.S. from Boston College majoring in Finance and Philosophy and a J.D. from St. Louis University School of Law. He is a CFA charterholder.

Tim Lang Mr. Lang is a member of GMO's asset allocation team. Previously, he was a member of GMO's global quantitative trading group as well as a member of the investments control group. Prior to joining GMO in 2006, Mr. Lang worked as an account manager at Investors Bank & Trust. Mr. Lang earned his B.S. in Finance from Stonehill College.

Jamie Lee Mr. Lee is a member of GMO's Asset Allocation team. Previously, Mr. Lee worked at pi Economics as an economist. He earned his B.A. in Mathematics and English from Dartmouth College.

Diane Lopez Ms. Lopez is the head of operations for GMO's asset allocation group. Previously at GMO, Ms. Lopez led GMO's quantitative equity trading group. Prior to joining GMO in 1995, she worked as a fund accountant at Investors Bank & Trust. Ms. Lopez earned her undergraduate degree in Economics from the University of Massachusetts at Amherst.

Ara Lovitt Mr. Lovitt is a member of GMO's Asset Allocation team focusing on research and portfolio management for the GMO Credit Opportunities Fund. Prior to joining GMO in 2010, Mr. Lovitt was a senior investment professional at Silver Point Capital. Previously, he was a vice president at Morgan Stanley. Mr. Lovitt earned his A.B. in Economics and Philosophy from Dartmouth College and his J.D. from Stanford Law School.

Mathew Marotta Mr. Marotta is a trading support analyst within GMO's asset allocation group. Previously at GMO, he was a member of the information technologies group. Prior to joining GMO in 2007, he was a financial analyst at Fidelity. Mr. Marotta received his B.S. in Business Administration and Management Information Systems from Babson College.

Mike Monnelly Mr. Monnelly is a member of GMO's Asset Allocation team focusing on research and portfolio management. Prior to joining GMO in 2009, he was a research analyst for Kynikos Associates. Previously, he was a financial journalist for Breakingviews.com. Mr. Monnelly earned his B.A. in Classics and Modern Languages from The University of Oxford.

James Montier Mr. Montier is a member of GMO's Asset Allocation team. Prior to joining GMO in 2009, he was co-head of Global Strategy at Société Générale. Mr. Montier is the author of several books including *Behavioural Investing: A Practitioner's Guide to Applying Behavioural Finance; Value Investing: Tools and Techniques for Intelligent Investment*; and *The Little Book of Behavioural Investing*. Mr. Montier is a visiting fellow at the University of Durham and a fellow of the Royal Society of Arts. He holds a B.A. in Economics from Portsmouth University and an M.Sc. in Economics from Warwick University.

Nick Nanda Mr. Nanda is a member of GMO's Asset Allocation team focusing on research and portfolio management. He joined GMO following the completion of his B.A. in Economics from Oberlin College. He is a CFA charterholder.

Capsule Biographies: Asset Allocation

Erik Norton Mr. Norton is a trader for GMO's Asset Allocation team. Prior to joining GMO in 2008, he was head trader for Tisbury Capital Management's North American team and head trader for Sowood Capital Management's event and catalyst-driven equities team. Mr. Norton earned his B.S. in Mathematics from MIT.

Jon Roiter Mr. Roiter is a member of GMO's Asset Allocation team focusing on the firm's distressed debt effort. Prior to joining GMO in 2011, Mr. Roiter was a senior analyst for TPG Credit Management. Previously, he was an analyst for the leveraged finance group at Citigroup Global Markets. Mr. Roiter earned his B.A. in Economics from Columbia University.

Derek Staples Mr. Staples is a member of GMO's Asset Allocation team focusing on the firm's distressed debt effort. Prior to joining GMO in 2011, Mr. Staples was an associate at Leucadia National Corporation. Previously, he was an analyst at Partners Group AG in Switzerland. Mr. Staples earned his B.S. in Accounting at Brigham Young University.

Sam Wilderman Mr. Wilderman is co-head of GMO's Asset Allocation team. Previously, he was co-head of the GMO Quantitative Equity team and lead manager for U.S. quantitative portfolios. Prior to 2005, he was involved in research and portfolio management for the Emerging Markets Equity team. He joined GMO in 1996 following the completion of his B.A. in Economics from Yale University. Mr. Wilderman is a CFA charterholder.

Kai Wu Mr. Wu is a member of GMO's Asset Allocation team. Prior to joining GMO full-time in 2010, he was an intern with the Asset Allocation team. He earned his A.B. in Economics from Harvard College.

Note:

The strategy described herein is available only to qualified purchasers.   This presentation is intended for the Ventura County Employees' Retirement System and should not be considered a general offer or solicitation.

GMO

North America | Europe | Asia-Pacific

40 Rowes Wharf
Boston, Massachusetts 02110
(617) 330-7500 | www.gmo.com

Bridgewater All Weather Strategy

Presented to:

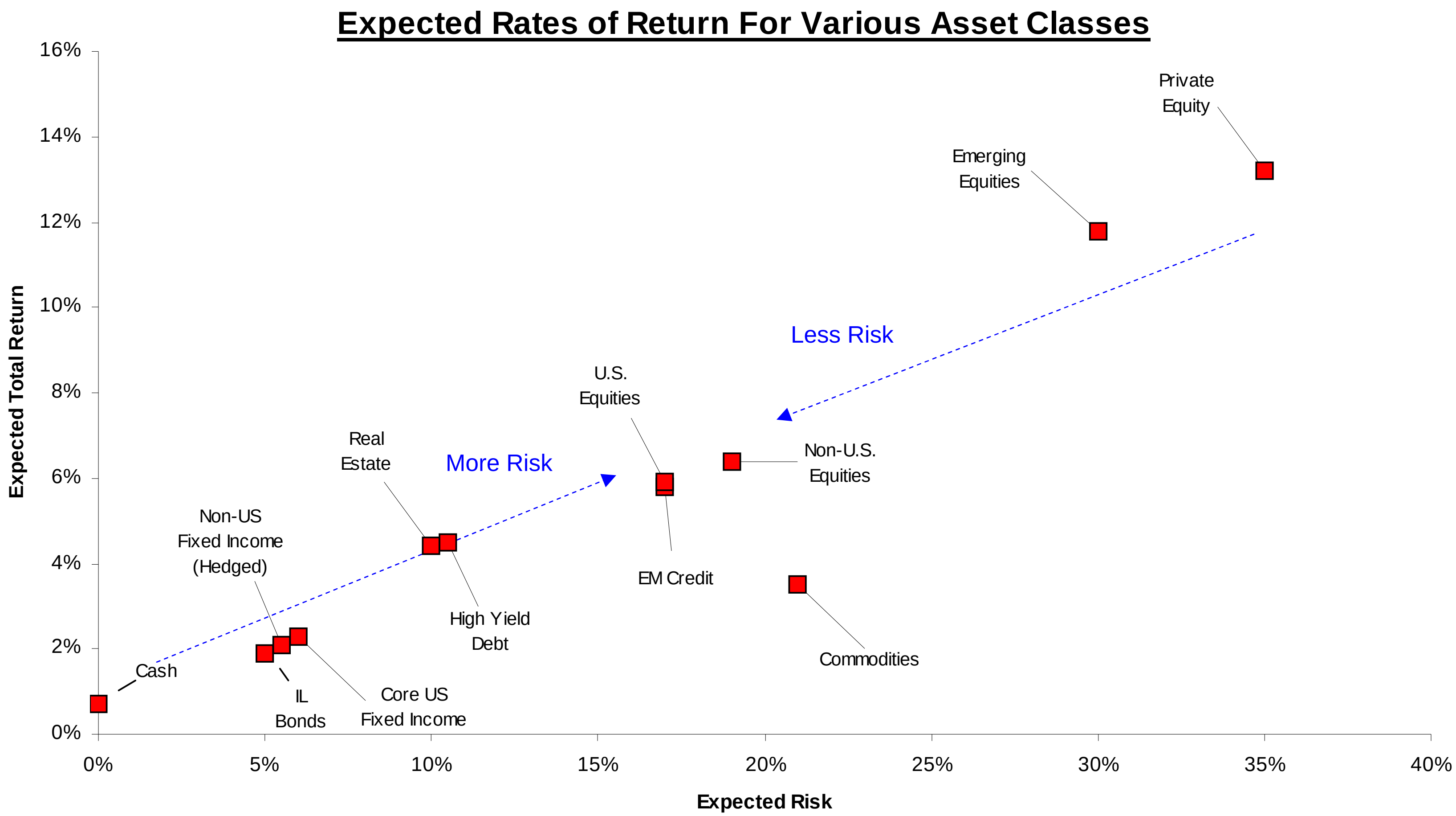
County of Ventura

January 2013

One Glendinning Place
Westport, CT 06880
(203) 226-3030
www.bwater.com

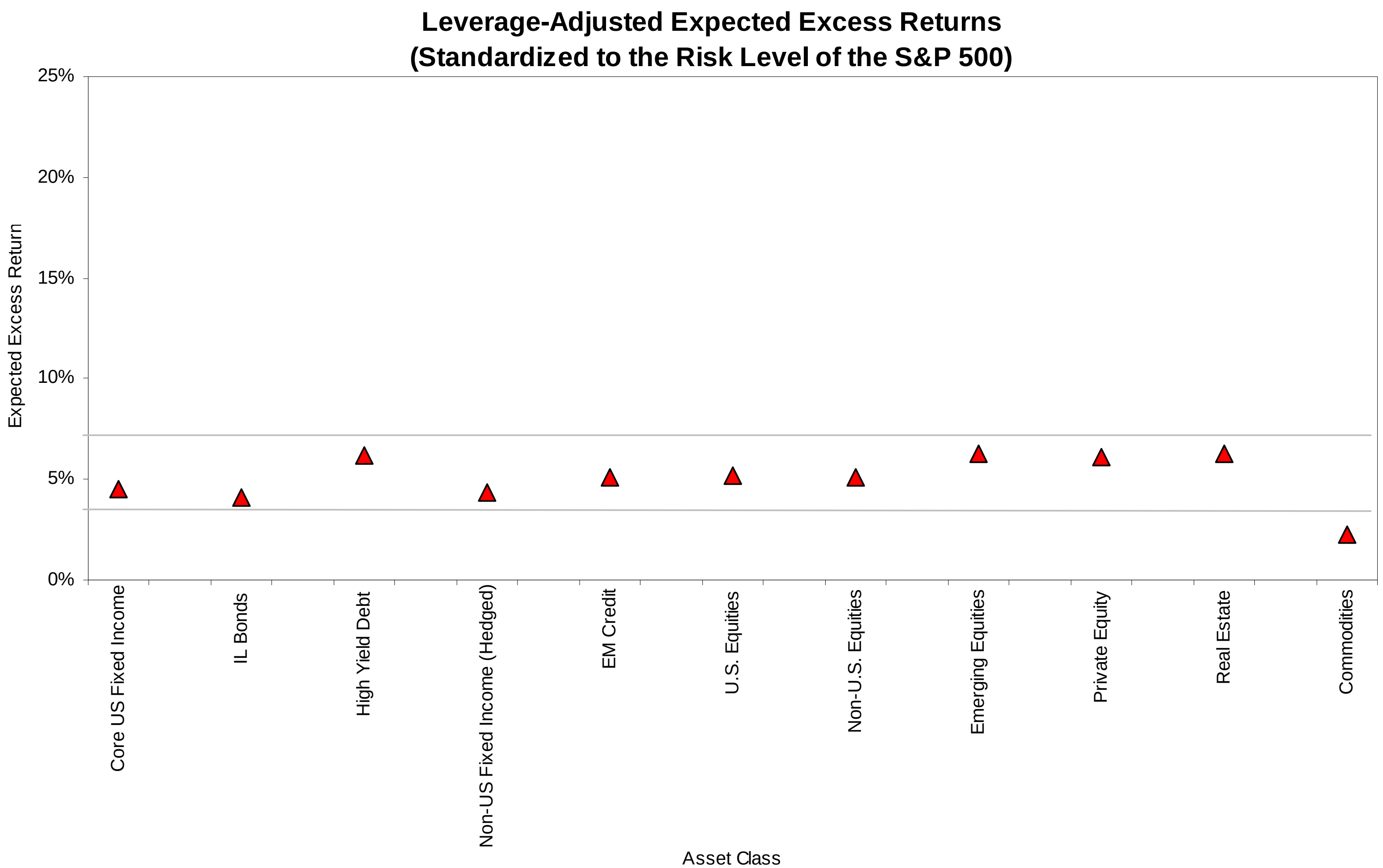
Investment success can be most reliably achieved by balancing your risk across good, unrelated investments.

TRADITIONAL PERSPECTIVE ON ASSET ALLOCATION



Based on return and risk expectations from an independent study by Rocaton, a third party consultant.

RISK-ADJUSTING ASSET CLASSES MEANS MORE CHOICES WITHOUT LOSS OF RETURN



Based on return and risk expectations from an independent study by Rocaton, a third party consultant.

All Weather Application of Principles

KEY POINTS

- Reliable diversification requires a fundamental understanding of the drivers of asset class returns.

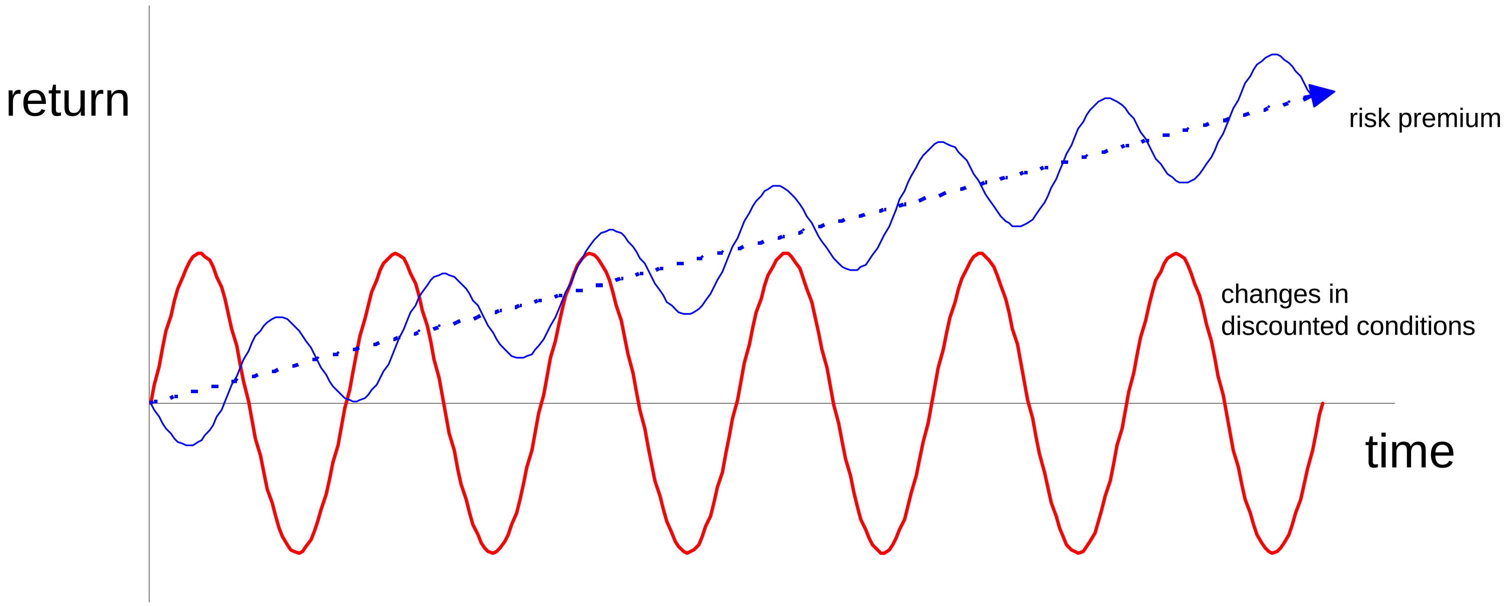
- Asset classes outperform cash over time and possess inherent biases to particular economic environments.

- Reliable diversification exploits these known, fundamental biases.

- Correlation is unknowable.

TWO THINGS DRIVE THE RETURN OF ASSET CLASSES

- An exchange of money today for money tomorrow
- Terms of the deal
  - Required compensation
  - Discounted future conditions

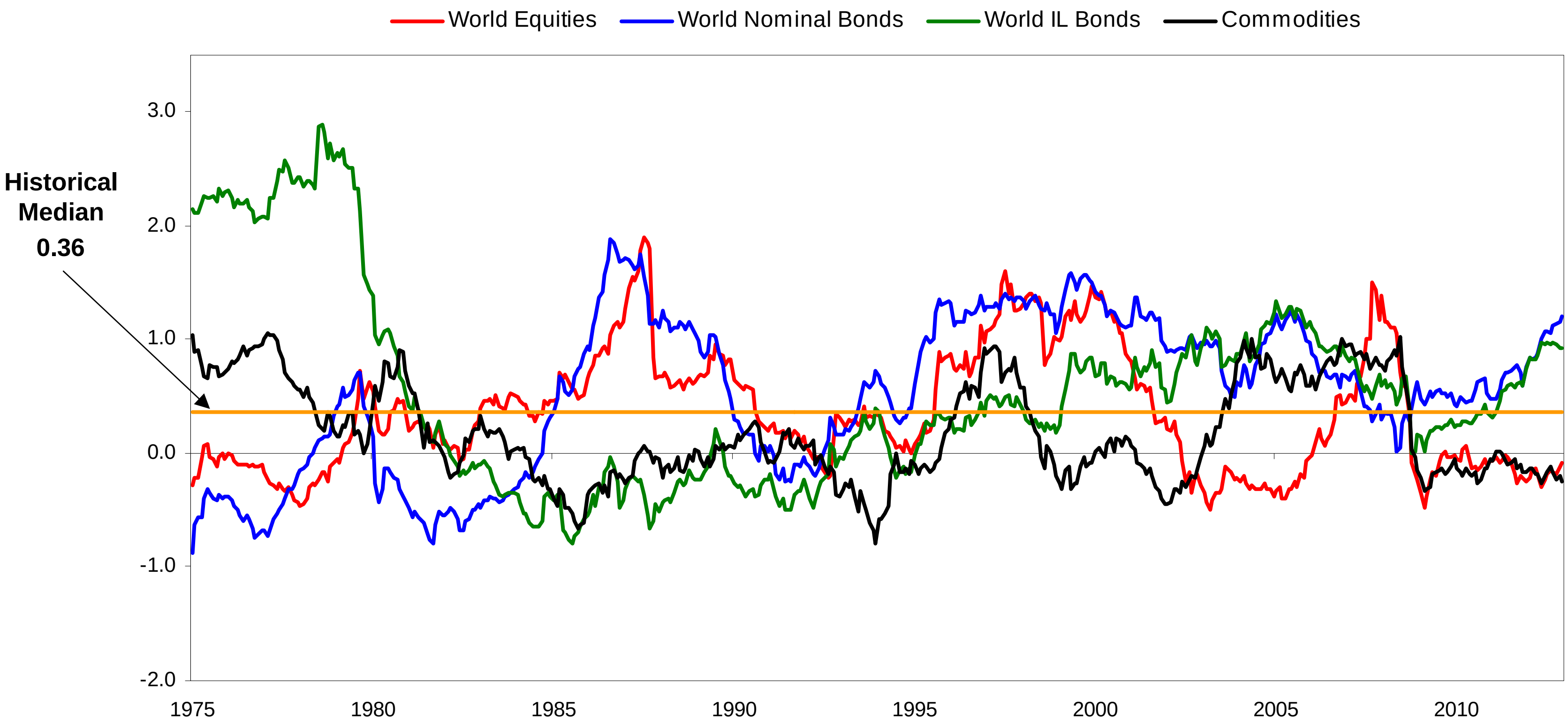


BRIDGEWATER

ASSETS BEAT CASH, BUT THEY DO IT INCONSISTENTLY

1970 to Present	World Equities	World Nominal Bonds	World IL Bonds	Commodities
Annualized Excess Return	**3.7%**	**1.6%**	**2.5%**	**3.0%**
Annual Volatility	14.0%	3.6%	4.4%	14.9%

5 - Year Rolling Sharpe Ratios



BRIDGEWATER

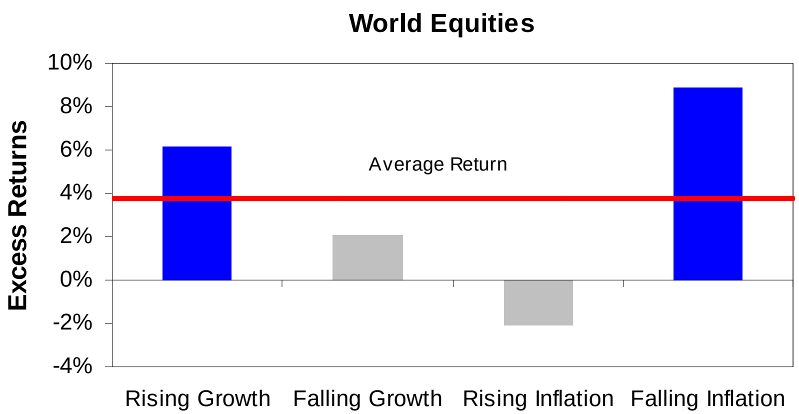
BALANCE RISK TO ENVIRONMENTAL SURPRISES

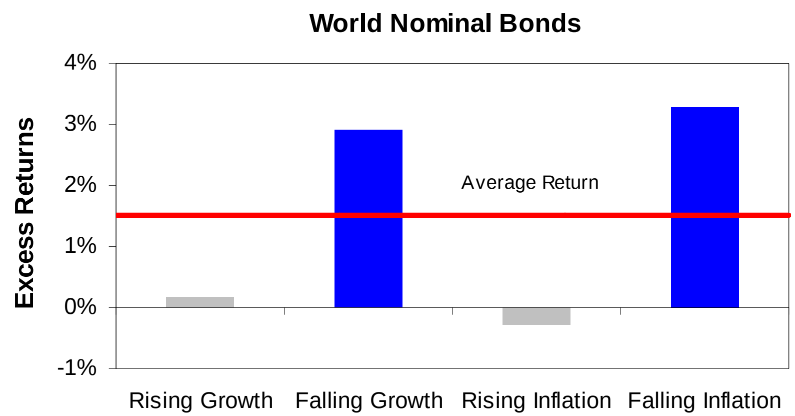
Market Expectations	GROWTH	INFLATION
RISING	**25% OF RISK** Equities Commodities Corporate Credit Emerging Market Credit	**25% OF RISK** Inflation Linked Bonds Commodities Emerging Market Credit
FALLING	**25% OF RISK** Nominal Bonds Inflation Linked Bonds	**25% OF RISK** Equities Nominal Bonds

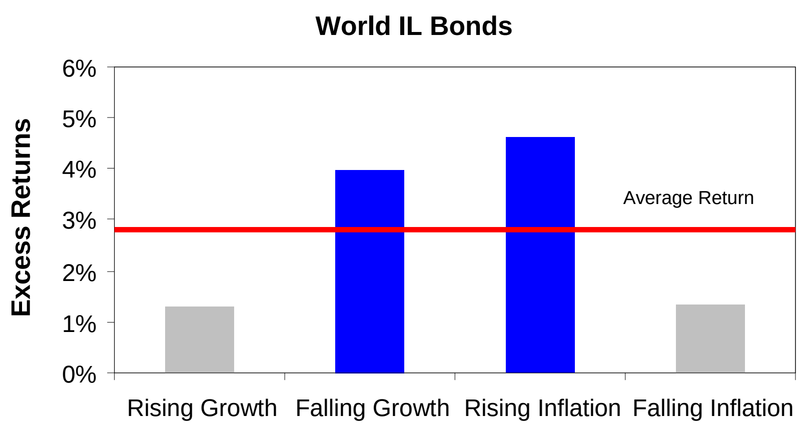
Please review the "Important Disclosures and Other Information" located at the end of this presentation.

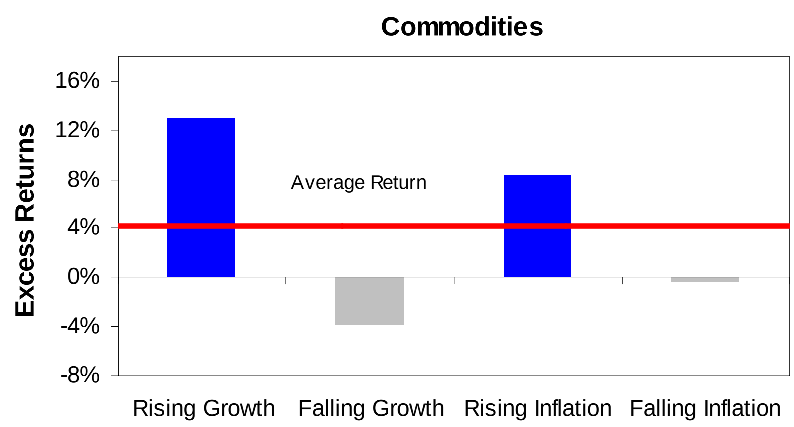
HISTORICAL EVIDENCE: ASSET CLASSES ARE DRIVEN BY ECONOMIC ENVIRONMENTS

Annual Asset Class Excess Returns
in Economic Environments (1970 – Present)









A rising (falling) inflation month is defined as a month in which the current rate of inflation is greater (lower) than the 12-month moving average rate of inflation. A rising (falling) growth month is defined as a month in which the current rate of real GDP growth is greater (lower) than the 12-month moving average rate of real GDP growth. Data shown as of Sep-2012. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

BRIDGEWATER

THE BENEFITS OF BALANCE

01/1970 to 09/2012	Traditional Asset Allocation	All Weather at Same Return	All Weather at Same Risk
Annualized Total Return (Gross of Fees)	9.8%	9.8%	13.3%
Annualized Excess Return (Gross of Fees)	4.1%	4.1%	7.6%
Annualized Risk	10.6%	5.6%	10.6%
Sharpe Ratio	0.38	0.73	0.71
Worst 1 Year Return	-34.1% Mar-08 to Feb-09	-9.8% Nov-07 to Oct-08	-20.5% Nov-07 to Oct-08
Worst 2 Year Return	-34.4% Mar-07 to Feb-09	-5.0% Mar-08 to Feb-10	-13.2% Dec-06 to Nov-08
Value of a $100 Invested in 1970 (Gross of Fees)	$5,400	$5,400	$20,900

Bridgewater started managing All Weather in 1996. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the “Important Disclosures and Other Information” located at the end of this presentation.

ACHIEVING YOUR TARGET RETURN

Traditional Portfolio Total Return		Risk Free Rate		Asset Allocation		Active Views
Since 1970						
9.8%	=	5.7%	+	4.1%	+	0%
Current						
4.8%	=	0.7%	+	4.1%*	+	0%
All Weather Expected						
7.2%	=	0.7%	+	6.5%	+	0.0%

*Assuming the traditional portfolio has the same excess return since 1970

The asset allocation return since 1970 is calculated by subtracting the return of the risk free rate since 1970 from the Traditional portfolio total return since 1970. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the “Important Disclosures and Other Information” located at the end of this presentation.

Appendix:

1. All Weather Performance

2. All Weather In Different Environments

3. All Weather in Low Yield Environments

4. Implementation

5. Leverage

Appendix 1: All Weather Performance

PERFORMANCE SUMMARY

All Weather Strategy Net of Fees Total Return	
1996*	20.4 %
1997	15.0 %
1998	- 1.8 %
1999	15.6 %
2000	9.9 %
2001	- 6.0 %
2002	10.2 %
2003	16.7 %
2004	17.7 %
2005	15.5 %
2006	1.2 %
2007	11.8 %
2008	- 20.2 %
2009	9.4 %
2010	17.6 %
2011	18.1 %
2012+	14.7 %
Annualized Total Return	9.4 %
Annualized Excess Return	6.5 %
Standard Deviation	10.7 %

** 1996 performance is cumulative performance from Jun. 1996 to Dec. 1996*

+ 2012 performance is cumulative YTD performance through Dec 2012

Past performance is not indicative of future results. Please review the "Important Disclosures and Other Information" located at the end of this presentation

BRIDGEWATER

ALL WEATHER = RELIABLE BALANCE

All Weather Strategy
Gross Excess Return Attribution by Economic Environment
Jan 2012 - Jun 2012

	Growth	Inflation
Rising	Return 1.3%	Return 1.3%
Falling	**Return 2.4%**	**Return 2.4%**

Excess Return Over Cash =	7.4%
Cash Return =	0.1%
Total All Weather Return =	7.5%

All Weather Strategy
Gross Excess Return Attribution by Economic Environment
Jul 2012 - Dec 2012

	Growth	Inflation
Rising	**Return 2.9%**	**Return 1.9%**
Falling	Return 1.3%	Return 1.2%

Excess Return Over Cash =	7.2%
Cash Return =	0.1%
Total All Weather Return =	7.3%

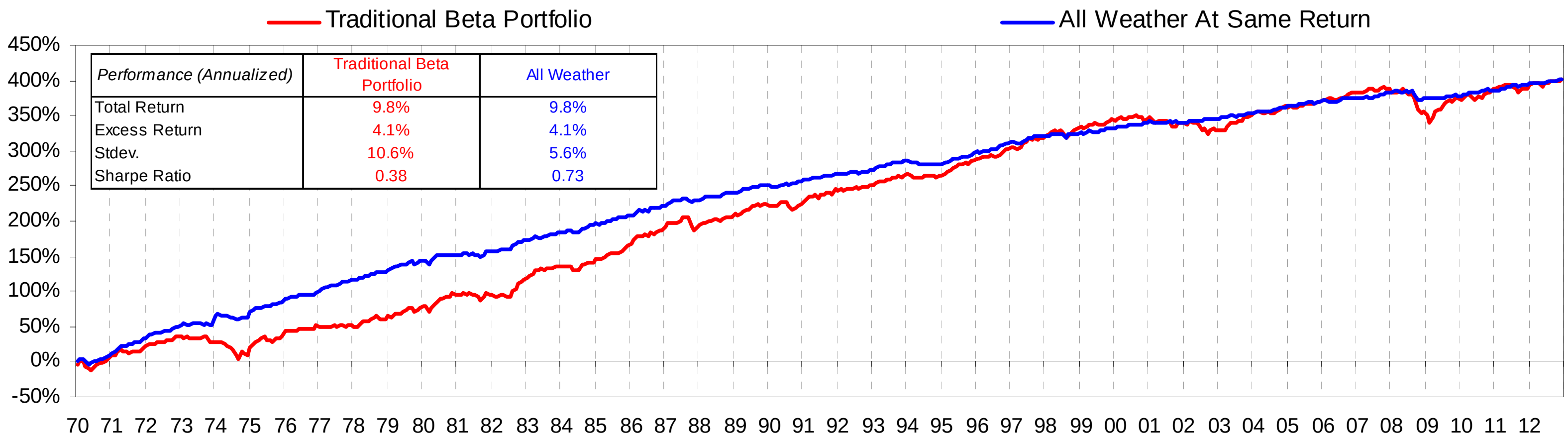
Similar overall return

1H2012: Discounted growth and inflation fell, driven by an acceleration of developed world deleveraging and fading policy support. This caused falling growth and inflation assets to outperform rising growth and inflation assets.

2H2012: Discounted growth and inflation rose, driven by the promise and then reality of renewed central bank support. This caused rising growth and inflation assets to outperform falling growth and inflation assets.

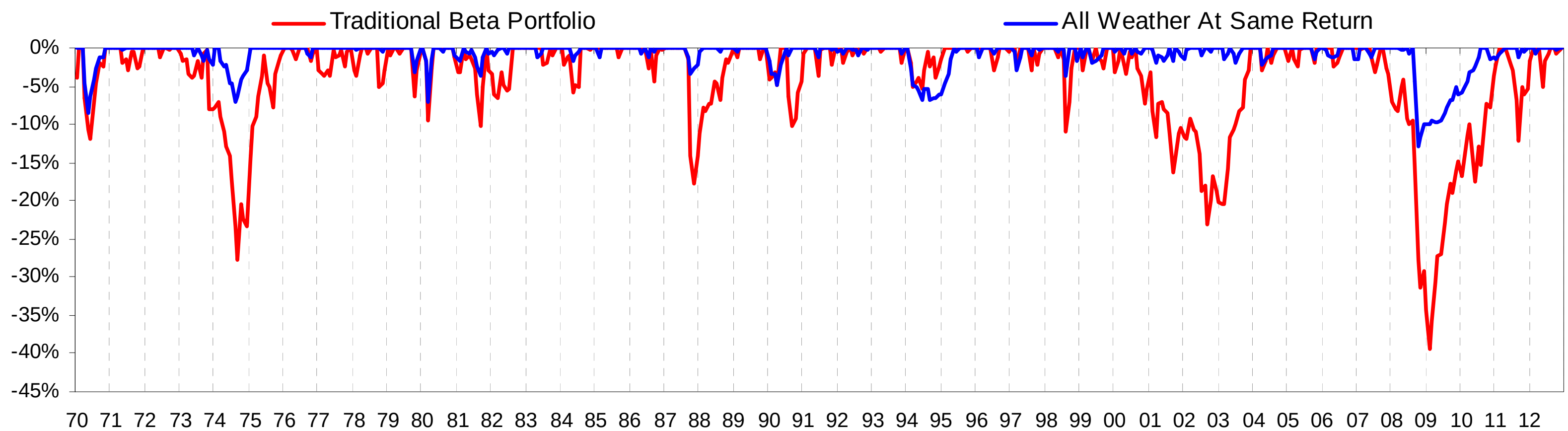
ALL WEATHER VS. TRADITIONAL PORTFOLIO (AT SAME RETURN)

Cumulative Gross of Fees Total Return (ln)



Performance (Annualized)	Traditional Beta Portfolio	All Weather
Total Return	9.8%	9.8%
Excess Return	4.1%	4.1%
Stdev.	10.6%	5.6%
Sharpe Ratio	0.38	0.73

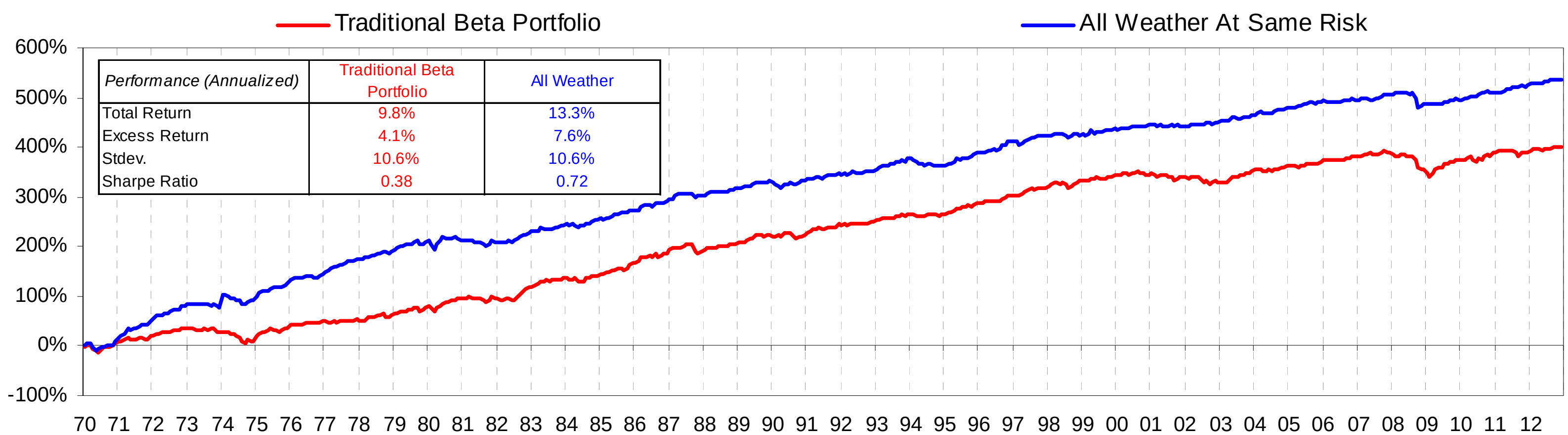
Drawdowns (Gross of Fees Total Return)



Bridgewater started managing All Weather in 1996. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the “Important Disclosures and Other Information” located at the end of this presentation.

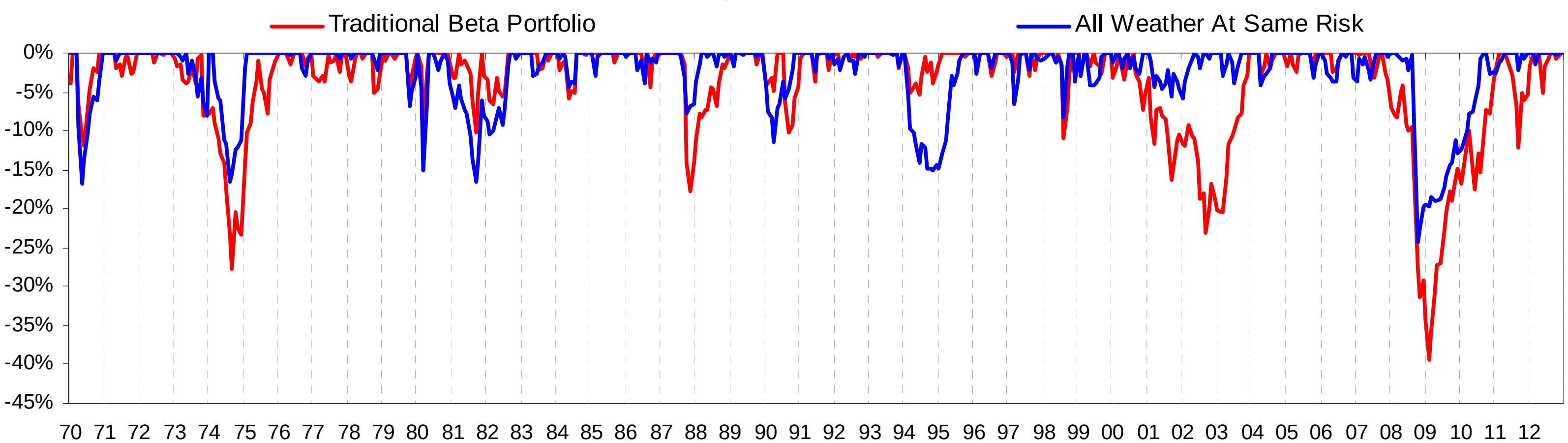
ALL WEATHER VS. TRADITIONAL PORTFOLIO (AT SAME RISK)

Cumulative Gross of Fees Total Return (ln)



Performance (Annualized)	Traditional Beta Portfolio	All Weather
Total Return	9.8%	13.3%
Excess Return	4.1%	7.6%
Stdev.	10.6%	10.6%
Sharpe Ratio	0.38	0.72

Drawdowns (Gross of Fees Total Return)



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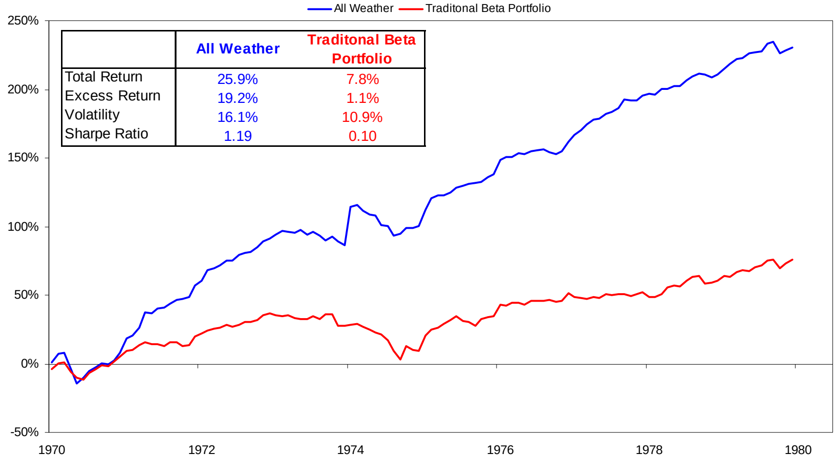
Appendix 2: All Weather In Different Environments

ALL WEATHER DECADE ANALYSIS

1970s

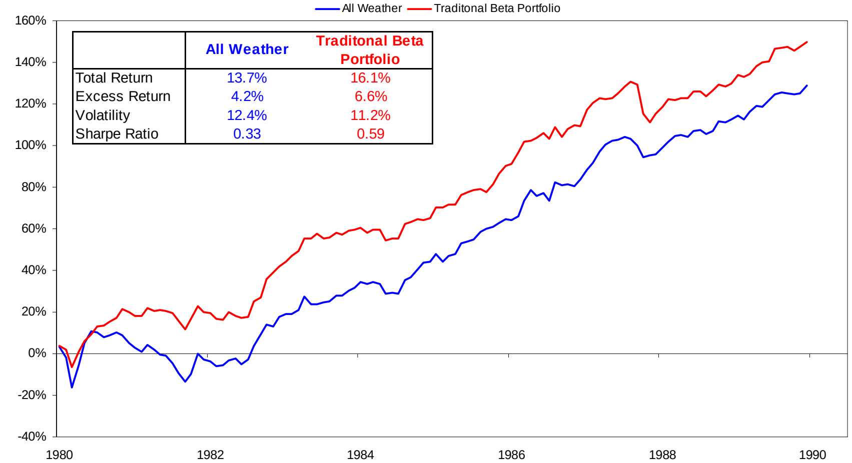
Cumulative Total Gross of Fees Returns (ln)



	All Weather	Traditonal Beta Portfolio
Total Return	25.9%	7.8%
Excess Return	19.2%	1.1%
Volatility	16.1%	10.9%
Sharpe Ratio	1.19	0.10

1980s

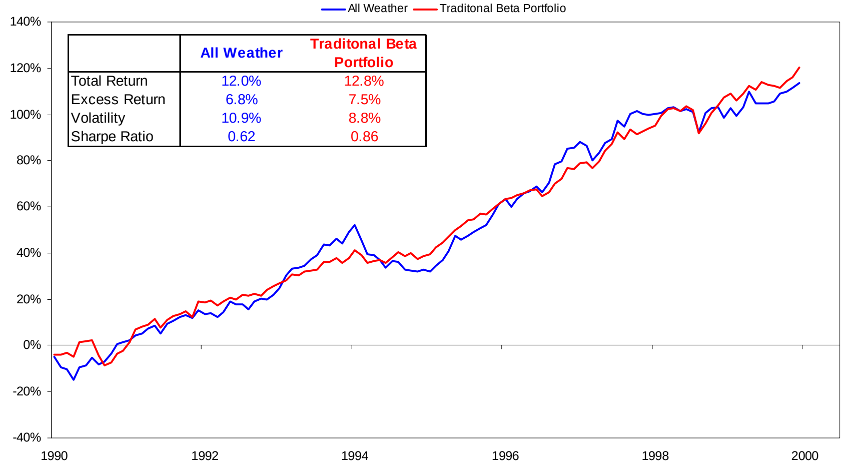
Cumulative Total Gross of Fees Returns (ln)



	All Weather	Traditonal Beta Portfolio
Total Return	13.7%	16.1%
Excess Return	4.2%	6.6%
Volatility	12.4%	11.2%
Sharpe Ratio	0.33	0.59

1990s

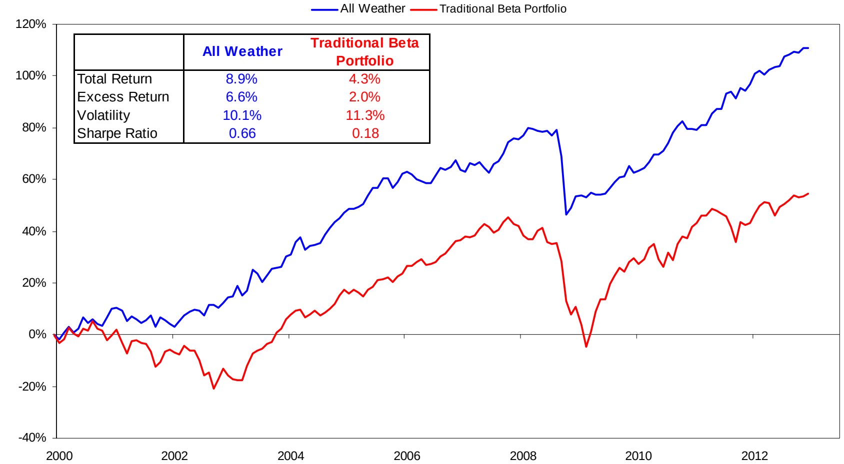
Cumulative Total Gross of Fees Returns (ln)



	All Weather	Traditonal Beta Portfolio
Total Return	12.0%	12.8%
Excess Return	6.8%	7.5%
Volatility	10.9%	8.8%
Sharpe Ratio	0.62	0.86

2000s To Present

Cumulative Total Gross of Fees Returns (ln)

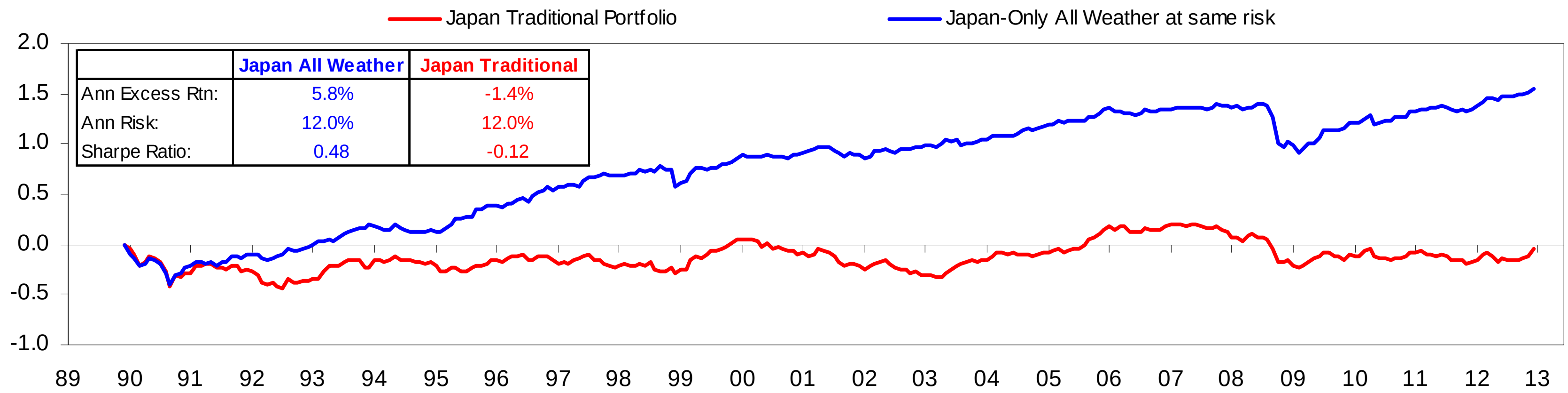


	All Weather	Traditional Beta Portfolio
Total Return	8.9%	4.3%
Excess Return	6.6%	2.0%
Volatility	10.1%	11.3%
Sharpe Ratio	0.66	0.18

Bridgewater started managing All Weather in 1996. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the “Important Disclosures and Other Information” located at the end of this presentation.

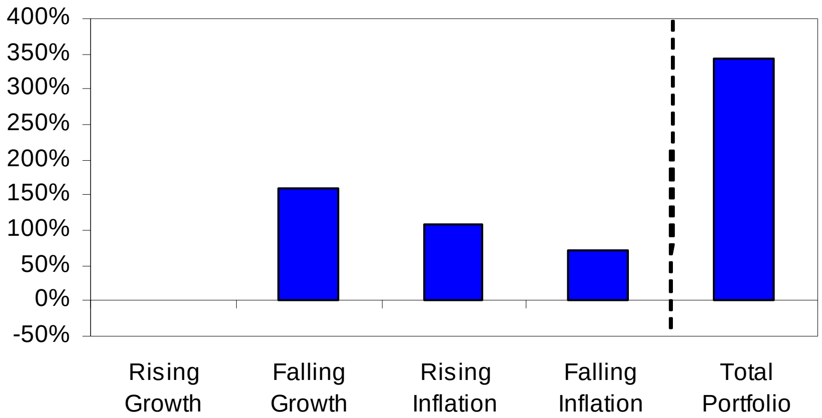
ALL WEATHER DURING JAPANESE DEPRESSION

Cumulative Gross of Fees Total Returns (ln)
1990 - Present

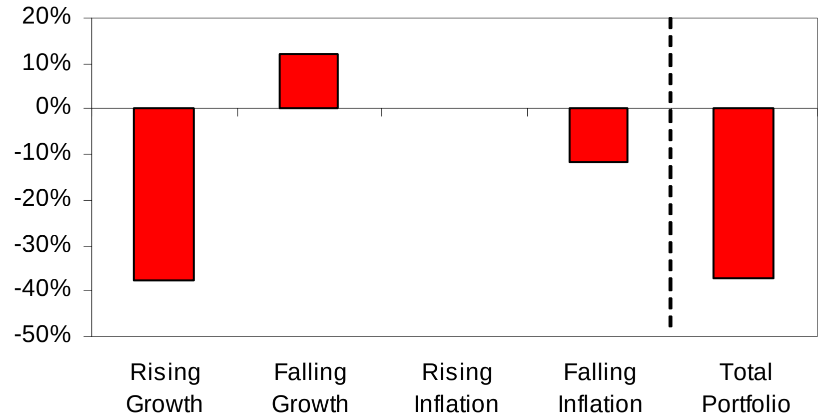


	Japan All Weather	Japan Traditional
Ann Excess Rtn:	5.8%	-1.4%
Ann Risk:	12.0%	12.0%
Sharpe Ratio:	0.48	-0.12

Japan-Only All Weather: Gross of Fees Excess Return Attribution by Environment 1990 - Present



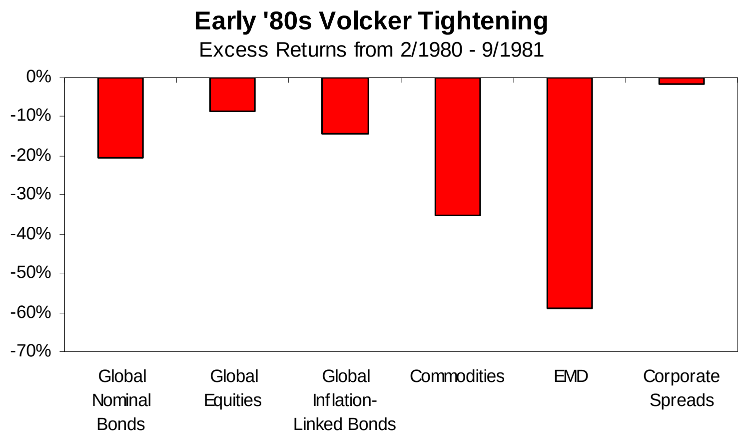
Japan Traditional Portfolio: Gross of Fees Excess Return Attribution by Environment 1990 - Present

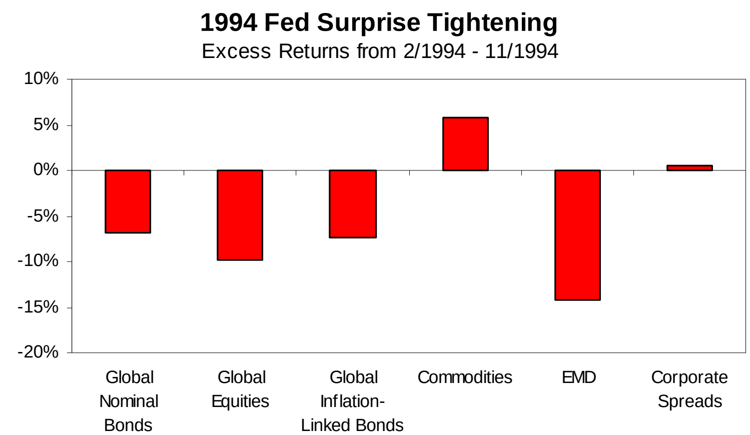


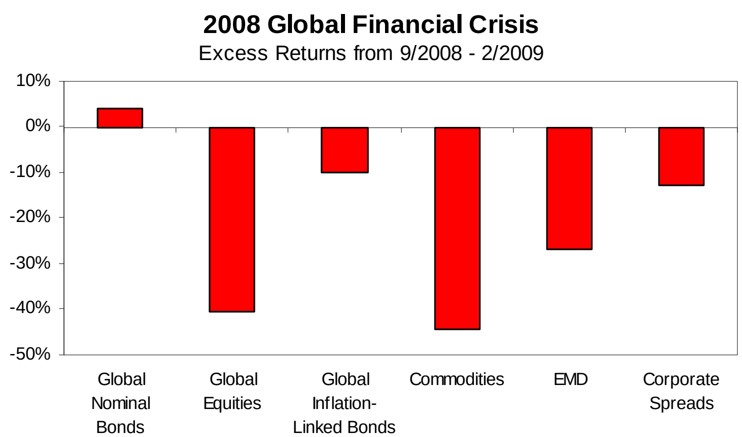
The Japan-Only All Weather portfolio simulates an All Weather-like asset allocation in Japanese terms using Japanese assets and is based on the All Weather Asset Mix. The portfolio capital allocation weights for the Japanese Traditional Beta Portfolio includes – 60% Japanese Equities and 40% Japanese Bonds (7.5 Duration). HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the “Important Disclosures and Other Information” located at the end of this presentation.

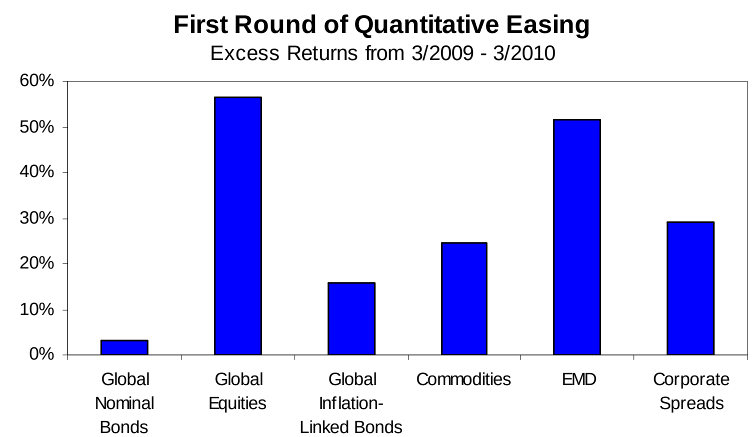
THERE ARE PERIODS WHEN ALL ASSET CLASSES SELL OFF

- All assets are priced relative to cash and lose value when the relative value of cash rises (e.g. surprises tightenings and liquidity crises)









Appendix 3: All Weather in Low Yield Environments

THE ENVIRONMENTAL BIASES OF ASSETS

Asset Class Excess Returns at 10% Volatility
(1970-Present)

	Rising Growth	Falling Growth	Rising Inflation	Falling Inflation
World Equities	4%	2%	-1%	6%
World Nominal Bonds	0%	7%	-1%	8%
World IL Bonds	2%	9%	10%	2%
Commodities	8%	-2%	6%	0%

Bond yields rise for a reason:

- Rising inflation ⟶ other assets do well
- Stronger growth ⟶ other assets do well
- Tight money ⟶ no assets do well

A balanced exposure produces maximum consistency.

A rising (falling) inflation month is defined as a month in which the current rate of inflation is greater (lower) than the 12-month moving average rate of inflation. A rising (falling) growth month is defined as a month in which the current rate of real GDP growth is greater (lower) than the 12-month moving average rate of real GDP growth. Data shown as of Sep-2012. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

ALL WEATHER PERFORMANCE ATTRIBUTION IN TROUGH TO PEAK RISES IN YIELDS

PERIOD OF RISING YIELDS		YIELD		All Weather	Equities	Nom. Bonds	IL Bonds	Commodities	Other
Start	End	Start	End	Gross Total Return	All Weather Return Contribution				
Dec-71	Sep-75	6.0%	8.7%	**130%**	15.0%	-11.0%	54.0%	73.0%	-2.0%
Jan-77	Feb-80	7.5%	13.1%	**96%**	35.0%	0.0%	25.0%	35.0%	0.0%
Jul-80	Sep-81	11.0%	16.5%	**-22%**	-2.0%	-10.0%	-8.0%	-1.0%	0.0%
May-83	May-84	11.1%	14.4%	**1%**	1.0%	0.0%	0.0%	0.0%	1.0%
Sep-86	Sep-87	7.6%	9.9%	**19%**	18.0%	-2.0%	-4.0%	5.0%	2.0%
Oct-93	Nov-94	5.5%	8.1%	**-11%**	1.0%	-6.0%	-6.0%	0.0%	0.0%
Jan-96	Aug-96	5.7%	7.1%	**10%**	0.0%	0.0%	0.0%	8.0%	2.0%
Oct-98	Jan-00	4.7%	6.8%	**12%**	14.0%	-7.0%	-2.0%	4.0%	3.0%
Jun-03	Jun-06	3.6%	5.2%	**40%**	20.0%	-1.0%	8.0%	12.0%	1.0%
Jan-09	Dec-09	2.9%	3.9%	**10%**	3.0%	0.0%	5.0%	3.0%	0.0%
		Average Annualized Return:		**12%**	5.0%	-2.0%	2.0%	7.0%	0.0%

Since 1970

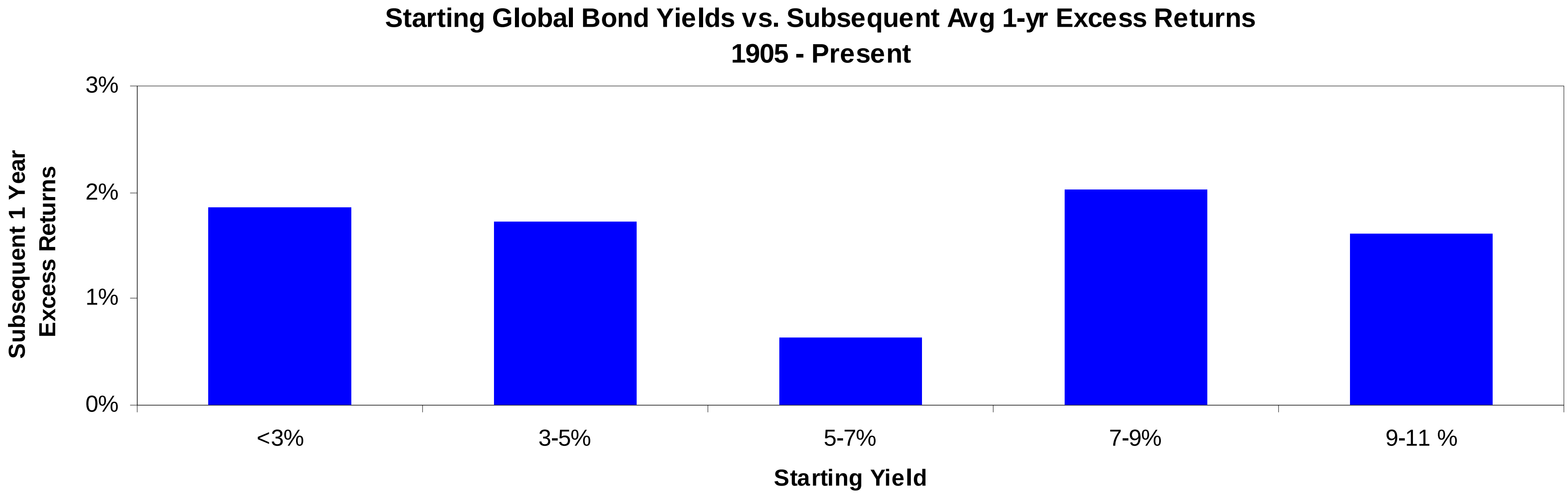
<u>ALL WEATHER IN A LOW YIELD ENVIRONMENT</u>

- What matters for asset returns is not whether yields rise, but whether yields rise *more than* what is already discounted.

- All Weather is not a bond portfolio, it's a <u>balanced</u> portfolio.
  - All Weather is balanced to environments that will cause surprise yield increases (e.g., higher than expected growth or higher than expected inflation).

- **Bond yield ≠ bond return.**
  - At low levels of interest rates the *excess* return of bonds vs. cash is similar as at higher levels of interest rates, though their expected total return will be lower because of the low yield on cash. Since all assets price relative to cash, the same can be said for them.

YIELD IS NOT RETURN

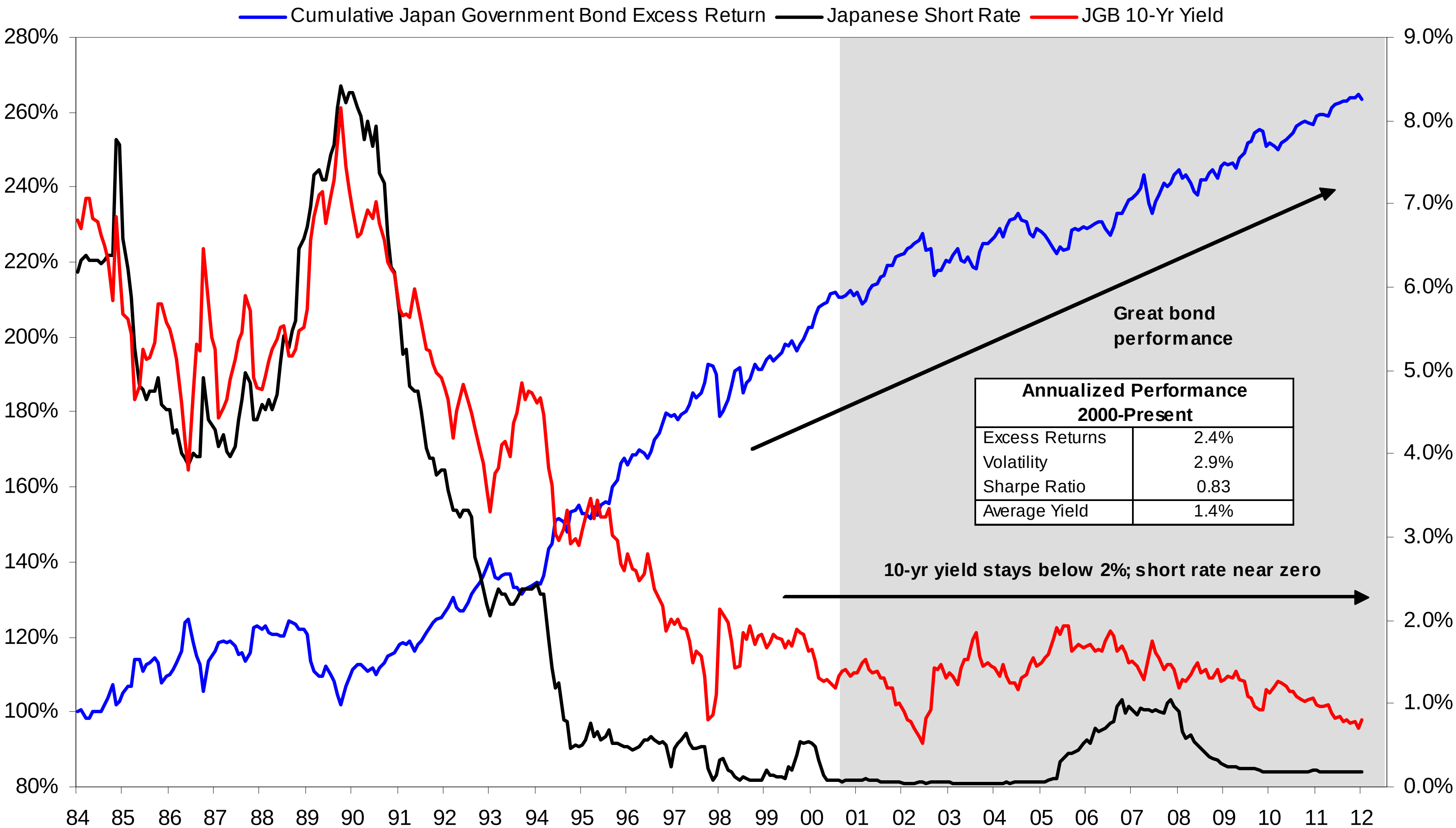


Starting Global Bond Yields vs. Subsequent 1-Year Excess Returns

	<3%	3-5%	5-7%	7-9%	9-11 %
Max Return	**10.7%**	21.2%	17.6%	23.1%	20.5%
Min Return	**-7.2%**	-14.4%	-16.9%	-18.3%	-19.4%
Average	**1.9%**	1.7%	0.6%	2.0%	1.6%

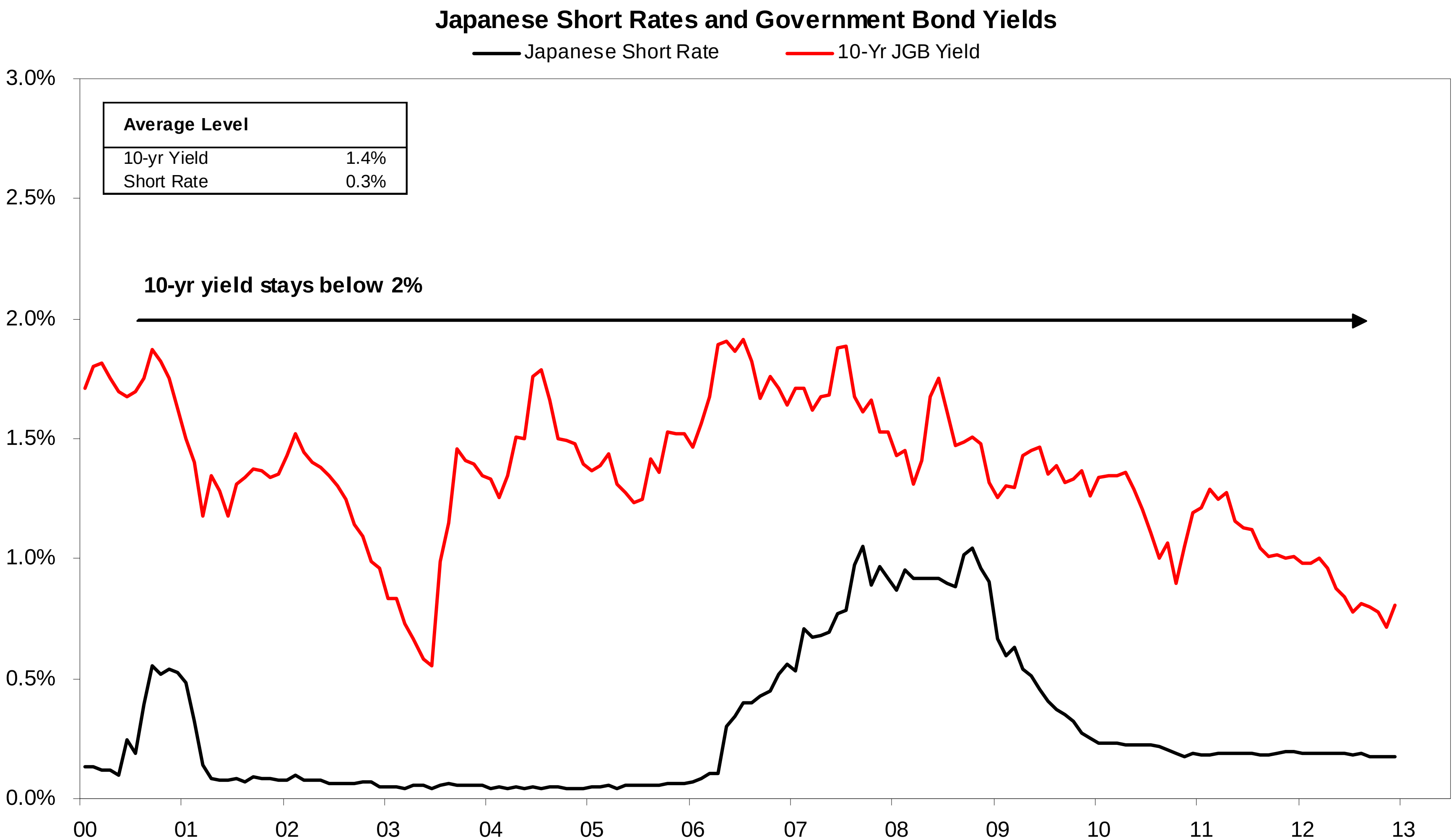
Global bonds represent an equal weighted mix of U.K, U.S, German (starting in 1924) and Japanese (starting in 1955) government bonds. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

CASE STUDY: JAPANESE GOVERNMENT BONDS EXPERIENCED GREAT PERFORMANCE WHILE BOND YIELDS STAYED BELOW 2%



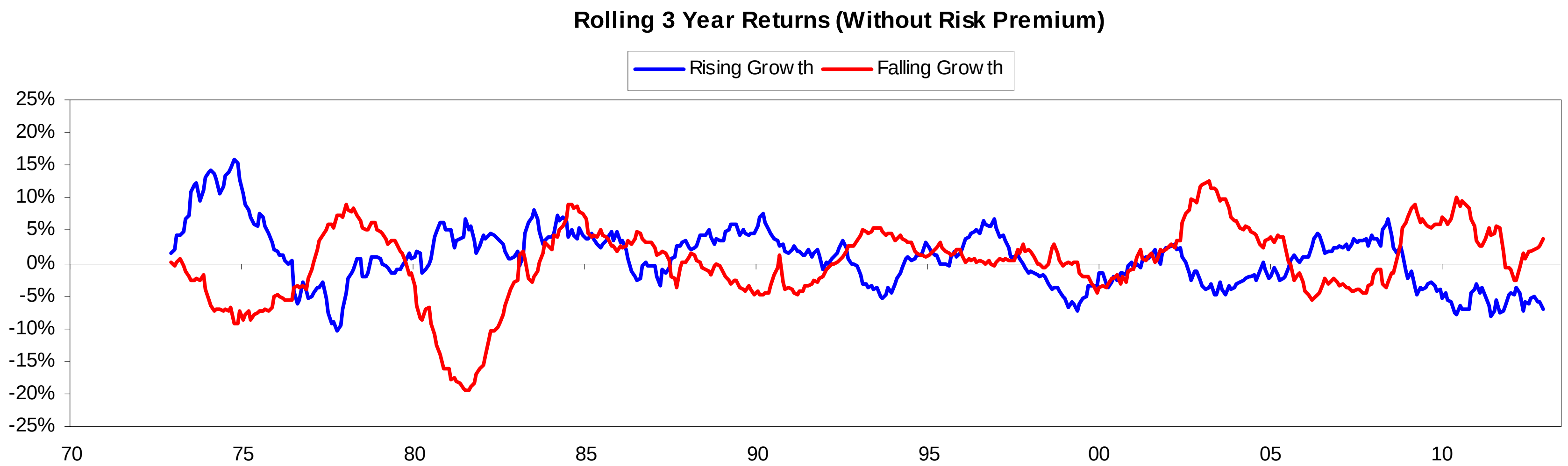
Annualized Performance 2000-Present	
Excess Returns	2.4%
Volatility	2.9%
Sharpe Ratio	0.83
Average Yield	1.4%

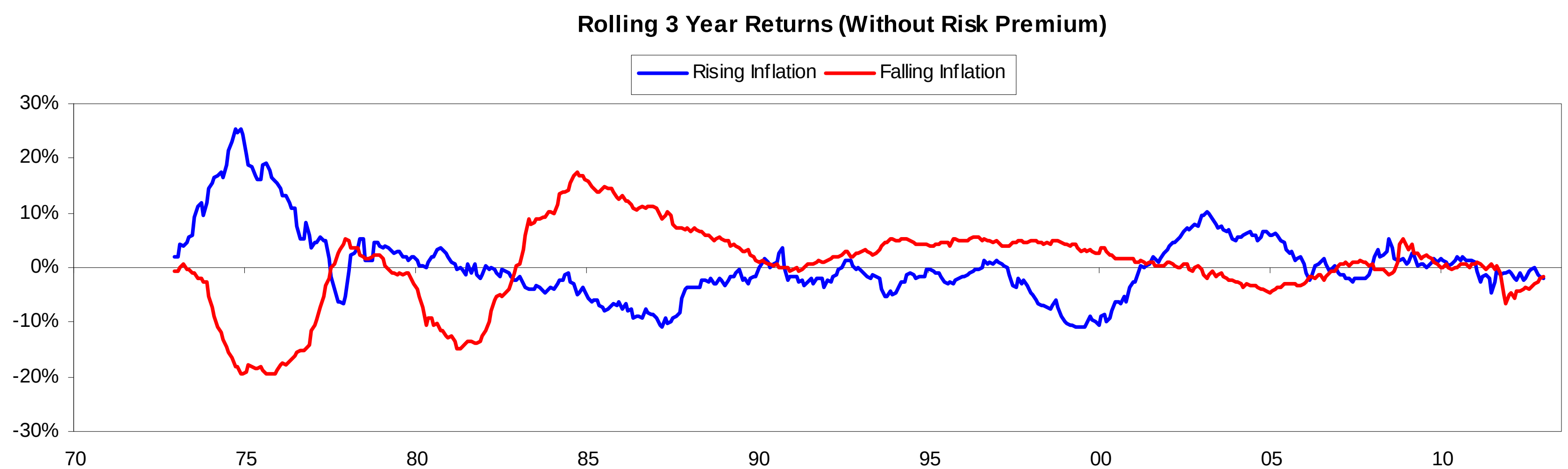
A SPREAD BETWEEN THE LONG AND SHORT RATE MEANT THE MARKETS CONSISTENTLY PRICED BOND YIELDS TO RISE…



Appendix 4: Implementation

ENVIRONMENTAL BALANCE IS A NATURAL HEDGE

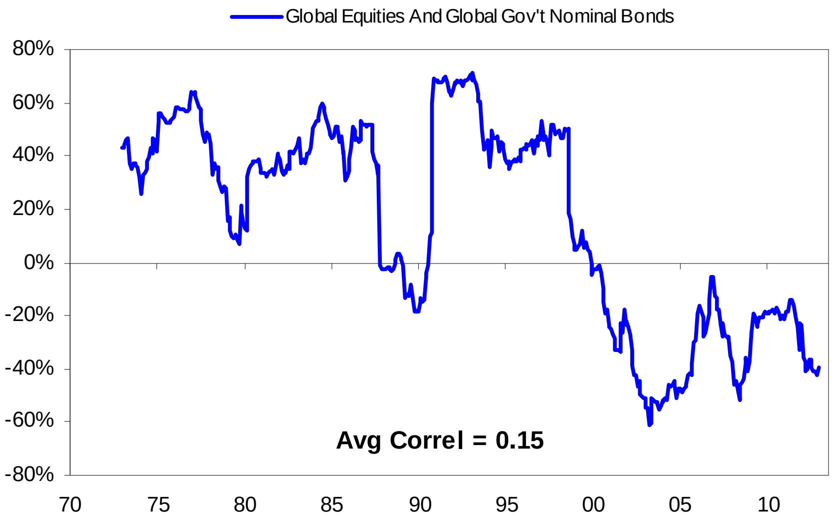


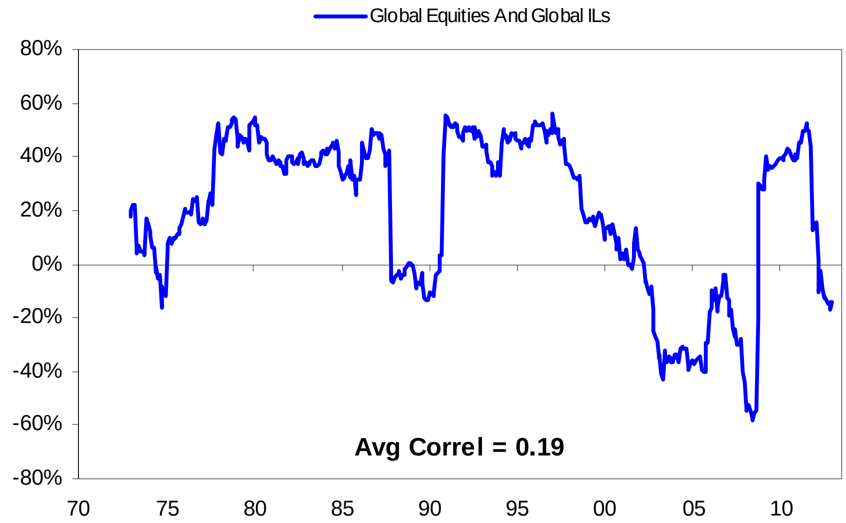


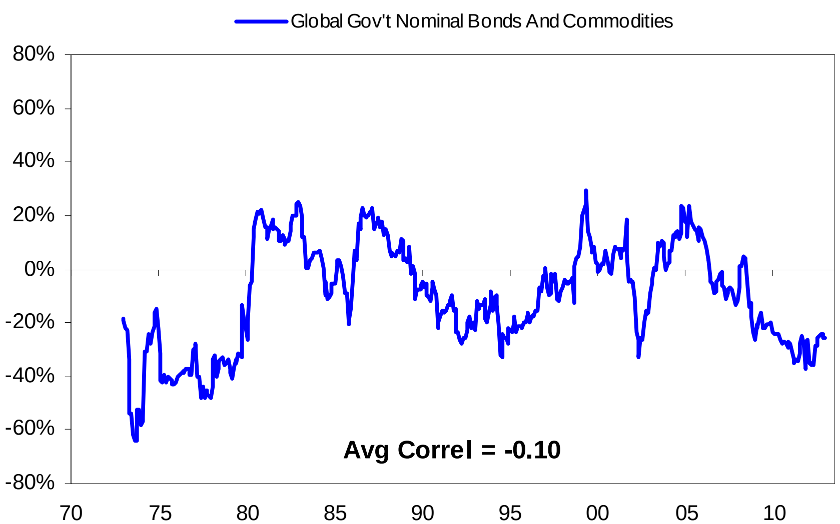
Rising growth represented by risk-matched commodities minus IL bonds, falling growth represented by risk-matched nominal bonds minus stocks, rising inflation represented by risk-matched commodities minus stocks, falling inflation represented by risk-matched nominal bonds minus IL bonds. For illustrative purposes only. The example does not necessarily indicate the actual historical or current implementation of Bridgewater's strategies. Please review the "Important Disclosures and Other Information" located at the end of this presentation.

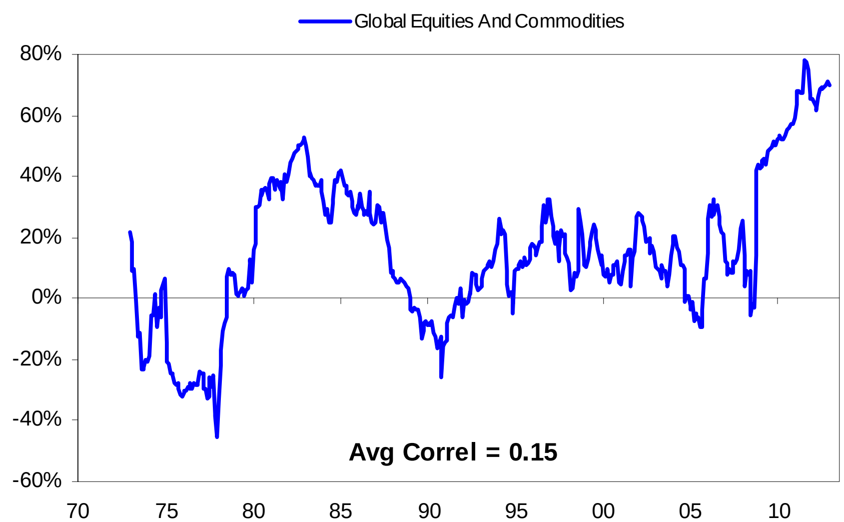
ENVIRONMENTAL BALANCE IS MORE RELIABLE THAN HISTORICAL CORRELATIONS

Rolling 3-yr Correlation of Monthly Excess Returns









Appendix 5: Leverage

LEVERAGE IS NOT RISK, IT IS A TOOL

- Leverage is a tool that raises the expected return and risk of an asset
- Leverage can be used to either increase or decrease the risk of a portfolio
- The impact on portfolio risk depends on how and where leverage is applied
- There are two types of leverage:
  - Economic leverage, which is embedded leverage that all investors have
  - Accounting leverage, which is feared because of the prospect of losing more money than is invested

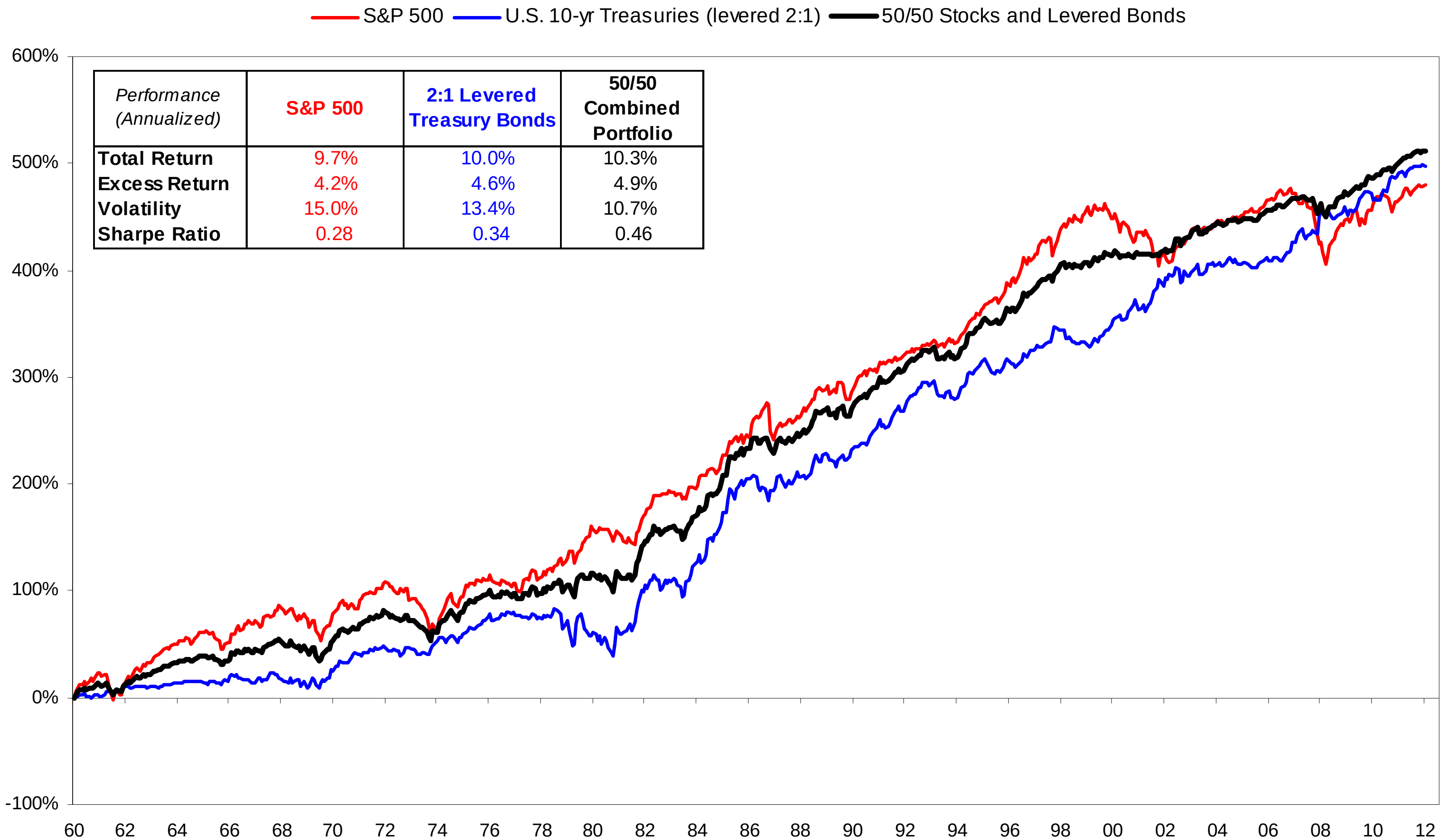
EXAMPLE: LEVERAGING BONDS

5-year Treasury Note	→	buy 30-year Treasury Bond
5-year Treasury Note	→	buy 10-year Treasury futures
5-year Treasury Note	→	repo Treasuries to gain leverage

different implementations, but same economic exposure

LEVERAGE CAN BE USED TO CREATE A MORE EFFICIENT PORTFOLIO

Cumulative Total Returns (ln)



Performance (Annualized)	S&P 500	2:1 Levered Treasury Bonds	50/50 Combined Portfolio
Total Return	9.7%	10.0%	10.3%
Excess Return	4.2%	4.6%	4.9%
Volatility	15.0%	13.4%	10.7%
Sharpe Ratio	0.28	0.34	0.46

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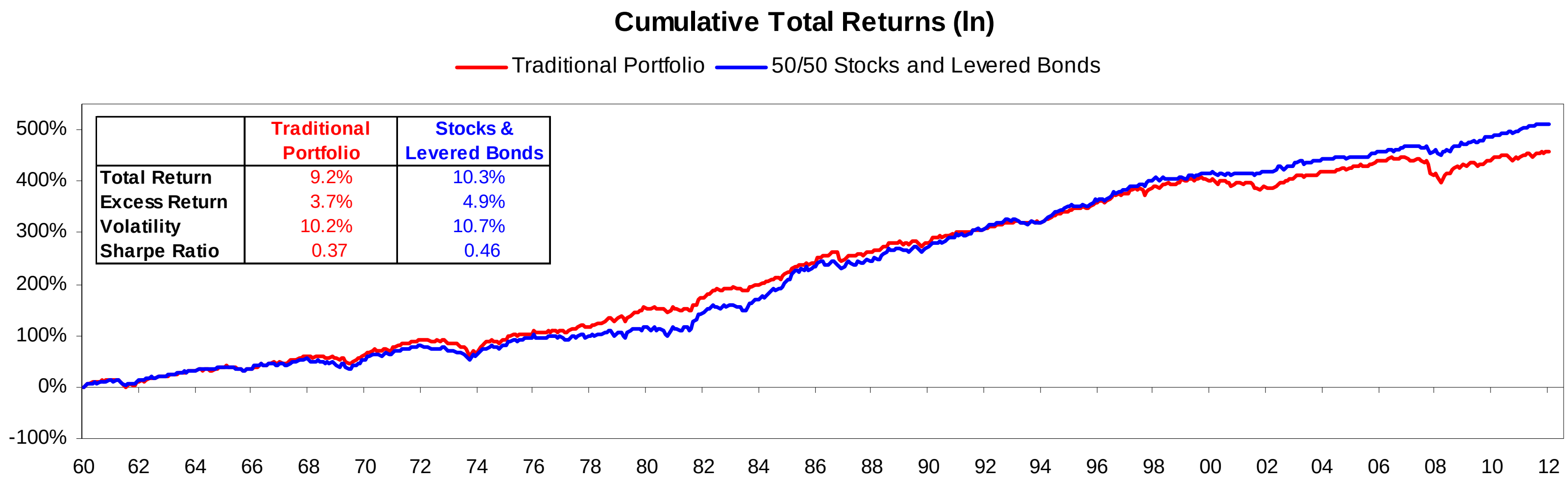
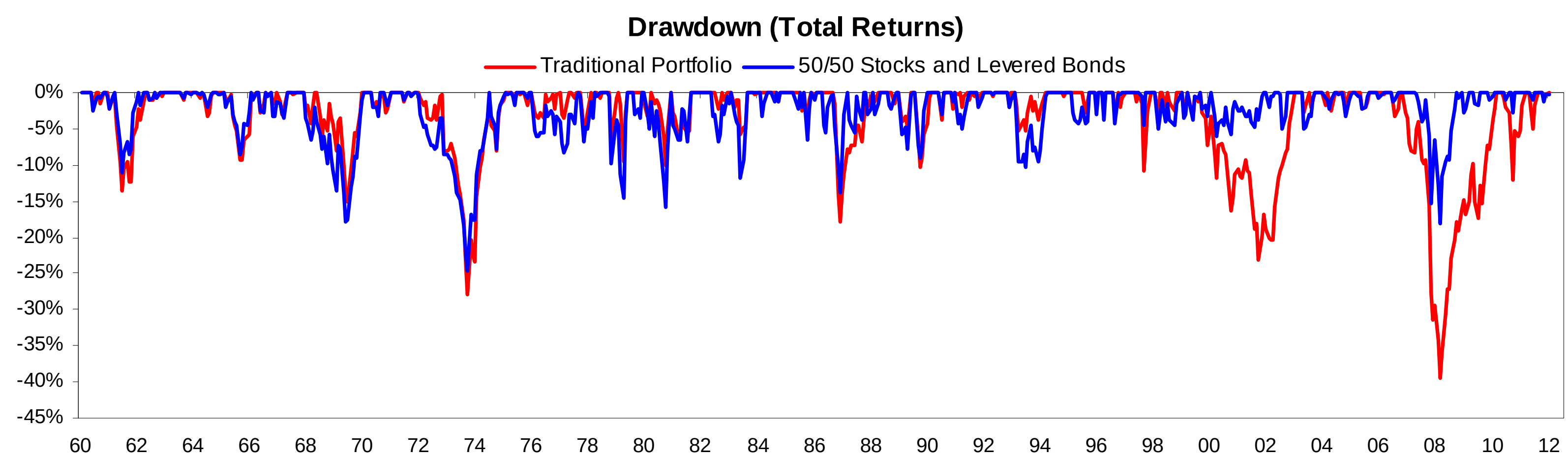
LEVERAGE CAN INCREASE RETURNS WITHOUT INCREASING RISK



	Traditional Portfolio	Stocks & Levered Bonds
Total Return	9.2%	10.3%
Excess Return	3.7%	4.9%
Volatility	10.2%	10.7%
Sharpe Ratio	0.37	0.46



Stocks & Levered bonds contains 50% allocation to world equities and 50% to 2:1 levered US 10 year maturity bonds. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. Past performance is not indicative of future results. Please review the “Important Disclosures and Other Information” located at the end of this presentation.

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ALL WEATHER STRATEGY DISCLOSURE

All Weather Strategy Performance (Net of Fees)

	All Weather Total Return in USD
Last 1 Year	14.7%
Last 3 Years	16.8%
Last 5 Years	6.8%
Last 10 Years	9.6%

Annualized Returns (Jun-96 through Dec-12)

Net Since Inception Jun-96 through Dec-12

Annualized Return	9.4%
Standard Deviation	10.7%
Sharpe Ratio	0.61

Past results are not necessarily indicative of future results.

Bridgewater All Weather Strategy Performance Disclosure:

For the period June 1996 (the inception of the strategy) through August 2001 the performance is based on the total return of the Bridgewater All Weather strategy as implemented for Bridgewater's principals and their affiliates and was not fully hedged to the US Dollar. The All Weather strategy is structured to be fully hedged, and the performance reflected after August 2001 includes these hedging transactions. For the period of August 2001 through present the performance shown is the actual total returns of the longest running fully funded All Weather account. For the entire history excess returns are calculated by subtracting the cash return of the US repo rate from the total returns described above. Of note, the All Weather strategy's target leverage, volatility and return, as well as the asset mix varied from June 1996 to July 2005. From August 2005 through the present the strategy has targeted 10% volatility. Bridgewater manages additional All Weather portfolios not included in this performance history.

Gross of fees performance is gross of management fees and includes the reinvestment of interest, gains, and losses. Returns will be reduced by the investment advisory fees and any other expenses that may be incurred in the management of the account.

Net of fees performance has been calculated using our standard fee schedule for a minimum size account, which are the highest fees we have or would currently charge an account. Investment advisory fees are described in Bridgewater's ADV Part 2A.

No representation is being made that any account will or is likely to achieve returns similar to those shown. Trading in futures is risky and can result in losses as well as profits. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. Performance as of the current month is estimated and subject to change.

All Weather Asset Mix Disclosure:

Where shown, simulated returns for All Weather are created by using the All Weather asset mix. The All Weather asset mix performance is simulated based on All Weather asset mix weights applied historically to representative market series or constructed market series. The returns used for constructed market series may be limited by the ability to find appropriate inputs and, as is such, are actual market returns where available and Bridgewater Associates' estimates otherwise. The All Weather asset mix weights are determined based on proprietary calculations and over time the inclusion or exclusion of an asset class is accounted for only as of the most recent update date. Where noted, the All Weather Asset Mix Net of Fees returns have been calculated using our standard fee schedule for a minimum size account, which are the highest fees we have or would currently charge an account. Investment advisory fees are described in Bridgewater's ADV Part 2A. No claim is being made of the All Weather Asset Mix's ability to perform in absolute terms or relative to any market return in the future, during market events not represented or during market events occurring in the future. Market conditions and events vary considerably, are unpredictable and can have unforeseen impacts resulting in materially adverse performance results.

ALL WEATHER II STRATEGY DISCLOSURE

All Weather II Strategy Performance (Net of Fees)

	All Weather Total Return in USD
Last 1 Year	15.3%
Last 3 Years	17.2%
Last 5 Years	10.3%
Last 10 Years	11.3%

Annualized Returns (Jun-96 through Dec-12)

Net Since Inception Jun-96 through Dec-12

Annualized Return	10.5%
Standard Deviation	11.4%
Sharpe Ratio	0.66

Past results are not necessarily indicative of future results. WHERE SHOWN, HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN.

Bridgewater All Weather II Strategy Performance Disclosure:

For the period June 1996 (the inception of the strategy) through August 2001 the performance is based on the total return of the Bridgewater All Weather strategy as implemented for Bridgewater's principals and their affiliates and was not fully hedged to the US Dollar. The All Weather strategy is structured to be fully hedged, and the performance reflected after August 2001 includes these hedging transactions. For the period of August 2001 through September 2008 the performance shown is the actual total returns of the longest running fully funded All Weather account. Of note, the All Weather strategy's target leverage, volatility and return, as well as the asset mix varied from June 1996 to July 2005. From August 2005 through present the strategy has targeted 10% volatility. From October 2008 through September 2009 returns are simulated based on the All Weather target allocations constrained from shifts based on Bridgewater's depression gauge (i.e. not shifting the allocations based on the recognition of a potential extreme recessionary or depressionary economic environment for the purposes of capital preservation). From October 2009 through present the performance shown is the actual returns of the fully funded All Weather II Account (which is similarly constrained from shifts based on Bridgewater's depression gauge). For the entire history excess returns are calculated by subtracting the cash return of the US repo rate from the total returns described above. Bridgewater manages additional All Weather portfolios not included in this performance history.

Gross of fees performance is gross of management fees and includes the reinvestment of interest, gains, and losses. Returns will be reduced by the investment advisory fees and any other expenses that may be incurred in the management of the account.

Net of fees performance has been calculated using our standard fee schedule for a minimum size account, which are the highest fees we have or would currently charge an account. Investment advisory fees are described in Bridgewater's ADV Part 2A.

No representation is being made that any account will or is likely to achieve returns similar to those shown. Trading in futures is risky and can result in losses as well as profits. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. Performance as of the current month is estimated and subject to change.

All Weather Asset Mix Disclosure:

Where shown, simulated returns for All Weather are created by using the All Weather asset mix. The All Weather asset mix performance is simulated based on All Weather asset mix weights applied historically to representative market series or constructed market series. The returns used for constructed market series may be limited by the ability to find appropriate inputs and, as is such, are actual market returns where available and Bridgewater Associates' estimates otherwise. The All Weather asset mix weights are determined based on proprietary calculations and over time the inclusion or exclusion of an asset class is accounted for only as of the most recent update date. Where noted, the All Weather Asset Mix Net of Fees returns have been calculated using our standard fee schedule for a minimum size account, which are the highest fees we have or would currently charge an account. Investment advisory fees are described in Bridgewater's ADV Part 2A. No claim is being made of the All Weather Asset Mix's ability to perform in absolute terms or relative to any market return in the future, during market events not represented or during market events occurring in the future. Market conditions and events vary considerably, are unpredictable and can have unforeseen impacts resulting in materially adverse performance results.

USD TRADITIONAL PORTFOLIO

This page contains the allocation information for the historical simulation of the Traditional portfolio, from 1970 onwards, as well as forward looking assumptions for expected returns, volatility, tracking error, and correlations used in this analysis**.** Where shown, prior to 1970 the portfolio was constructed by weighting 65% U.S. Equities and 35% U.S. 10-year bonds.

The portfolio capital allocation weights (illustrated below) are estimates based either upon Bridgewater Associates' understanding of standard asset allocation (which may change without notice) or information provided by or publicly available from the recipient of this presentation. Asset class returns are actual market returns where available and otherwise a proxy index constructed based on Bridgewater Associates understanding of global financial markets. Information regarding specific indices and simulation methods used for proxies is available upon request (except where the proprietary nature of information precludes its dissemination). Results are hypothetical or simulated and gross of fees unless otherwise indicated. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING OR THE COSTS OF MANAGING THE PORTFOLIO. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN.

						Exposure Type	Alph	Alph	Alph	Alph	Alph	Alph	Alph	Alph	Alph	Alph	Asse	Asse	Asse	Asse	Asse	Asse	Asse	Asse	Asse	Asse	Asse	Asse	Asse	Asse	Asse	Asse	Asse	Asse	Asse	Asse	Asse	Asset
	Correlation matrix, Sharpe ratios and return expectations based on Bridgewater assumptions. Beta volatilities estimated using historical data from the period 01/01/1970 - 12/01/2012.					Asset Class	Corporate Bonds	Equities	Equities	Equities	Equities	Hedge Fund	Inflation-Linked Bonds	Mortgages	Nominal Govt Bonds	Real Estate	Commodities	Corporate Bonds	Currency	Currency	Currency	Currency	Currency	Currency	Currency	Currency	Currency	Currency	Currency	Currency	Equities	Equities	Equities	Equities	Inflation-Linked Bonds	Mortgages	Nominal Govt Bonds	Real Estate
						Exposure	U.S. Corporate Bonds (Extended)	U.S. Large-Cap Equities (Extended)	U.S. Private Equity / VC (Extended)	U.S. Small-Cap Equities (Extended)	World Equities Ex-US (Extended)	Cash	U.S. IL Bonds (Extended)	U.S. MBS (Extended)	U.S. Gov't Bonds (Extended)	U.S. Real Estate (Extended)	Commodities (GSCI - Extended)	U.S. Corporate Bonds (Extended)	AUDvsUSD	CADvsUSD	CHFvsUSD	DKKvsUSD	EURvsUSD	GBPvsUSD	HKDvsUSD	JPYvsUSD	NOKvsUSD	NZDvsUSD	SEKvsUSD	SGDvsUSD	U.S. Large-Cap Equities (Extended)	U.S. Private Equity / VC (Extended)	U.S. Small-Cap Equities (Extended)	World Equities Ex-US (Extended)	U.S. IL Bonds (Extended)	U.S. MBS (Extended)	U.S. Gov't Bonds (Extended)	U.S. Real Estate (Extended)
Exposure	Asset Class	Exposure	Allocation	Return	Volatility	Ratio																																
Alpha	Corporate Bonds	U.S. Corporate Bonds (Extended)	4.60%	0.75%	3.00%	0.25	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Alpha	Equities	U.S. Large-Cap Equities (Extended)	20.00%	1.00%	4.00%	0.25	0.00	100	0.40	0.40	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.40	0.40	0.40	0.00	0.00	0.00	0.00
Alpha	Equities	U.S. Private Equity / VC (Extended)	3.00%	2.50%	10.00%	0.25	0.00	0.40	100	0.40	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.40	0.40	0.40	0.00	0.00	0.00	0.00
Alpha	Equities	U.S. Small-Cap Equities (Extended)	5.00%	1.50%	6.00%	0.25	0.00	0.40	0.40	100	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.40	0.40	0.40	0.00	0.00	0.00	0.00
Alpha	Equities	World Equities Ex-US (Extended)	14.00%	1.80%	6.00%	0.30	0.00	0.40	0.40	0.40	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.40	0.40	0.40	0.00	0.00	0.00	0.00
Alpha	Hedge Fund	Cash	5.00%	4.90%	7.00%	0.70	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Alpha	Inflation-Linked Bonds	U.S. IL Bonds (Extended)	3.00%	0.25%	1.00%	0.25	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.00	0.00	0.00
Alpha	Mortgages	U.S. MBS (Extended)	4.60%	0.50%	2.00%	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.00	0.00
Alpha	Nominal Govt Bonds	U.S. Gov't Bonds (Extended)	4.60%	0.50%	2.00%	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.00
Alpha	Real Estate	U.S. Real Estate (Extended)	5.00%	1.50%	6.00%	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40
Asset	Commodities	Commodities (GSCI - Extended)	2.00%	5.86%	23.42%	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.20	0.20	0.20	0.20	-0.10	-0.20	0.50
Asset	Corporate Bonds	U.S. Corporate Bonds (Extended)	4.60%	2.19%	8.76%	0.25	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.40	0.40	0.30	0.00	0.80	0.70	0.40
Asset	Currency	AUDvsUSD	0.69%	0.00%	12.24%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asset	Currency	CADvsUSD	1.05%	0.00%	6.58%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asset	Currency	CHFvsUSD	0.91%	0.00%	13.93%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asset	Currency	DKKvsUSD	0.08%	0.00%	12.74%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asset	Currency	EURvsUSD	4.26%	0.00%	12.89%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asset	Currency	GBPvsUSD	3.19%	0.00%	11.35%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asset	Currency	HKDvsUSD	0.22%	0.00%	4.91%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asset	Currency	JPYvsUSD	3.05%	0.00%	13.17%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asset	Currency	NOKvsUSD	0.11%	0.00%	11.64%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asset	Currency	NZDvsUSD	0.03%	0.00%	14.71%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asset	Currency	SEKvsUSD	0.30%	0.00%	12.39%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asset	Currency	SGDvsUSD	0.11%	0.00%	5.50%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asset	Equities	U.S. Large-Cap Equities (Extended)	40.00%	4.20%	16.78%	0.25	0.00	0.40	0.40	0.40	0.40	0.00	0.00	0.00	0.00	0.00	0.20	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	100	100	0.75	-0.20	0.20	0.20	0.60
Asset	Equities	U.S. Private Equity / VC (Extended)	3.00%	5.83%	23.31%	0.25	0.00	0.40	0.40	0.40	0.40	0.00	0.00	0.00	0.00	0.00	0.20	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	100	100	0.75	-0.20	0.20	0.20	0.60
Asset	Equities	U.S. Small-Cap Equities (Extended)	5.00%	5.08%	20.32%	0.25	0.00	0.40	0.40	0.40	0.40	0.00	0.00	0.00	0.00	0.00	0.20	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	100	100	0.75	-0.20	0.20	0.20	0.60
Asset	Equities	World Equities Ex-US (Extended)	14.00%	5.19%	17.30%	0.30	0.00	0.40	0.40	0.40	0.40	0.00	0.00	0.00	0.00	0.00	0.20	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.75	0.75	0.75	100	-0.15	0.15	0.15	0.45
Asset	Inflation-Linked Bonds	U.S. IL Bonds (Extended)	3.00%	1.64%	6.55%	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.20	-0.20	-0.20	-0.15	100	0.10	0.20	0.00
Asset	Mortgages	U.S. MBS (Extended)	9.20%	1.73%	6.93%	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.00	0.00	-0.10	0.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.20	0.20	0.15	0.10	100	0.80	0.10
Asset	Nominal Govt Bonds	U.S. Gov't Bonds (Extended)	9.20%	1.59%	6.37%	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.00	-0.20	0.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.20	0.20	0.15	0.20	0.80	100	0.20
Asset	Real Estate	U.S. Real Estate (Extended)	5.00%	5.05%	20.20%	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.50	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.60	0.60	0.60	0.45	0.00	0.10	0.20	100

BRIDGEWATER

Ventura County Employees' Retirement Association

Monthly Manager Performance Report
December 2012

Hewitt ennisknupp
An Aon Company

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An Aon Company

MONTHLY INVESTMENT UPDATE

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

December 2012

Market Highlights

- December capped an eventful year for financial markets. Despite a roller-coaster ride on the political and economic fronts, the S&P 500 Index notched a 0.9 percent for December (16.0 percent gain for the calendar year 2012), while the Dow Jones U.S. Total Stock Market Index gained 1.2 percent for December (16.4 percent for calendar year 2012).
- Within the U.S. equity market, small cap stocks underperformed their large cap counterparts, while growth stocks underperformed value stocks across the large, mid, and small cap asset classes.
- International markets continued to outpace the U.S. markets, as the MSCI EAFE Index returned 17.3 percent (3.2 percent for December) and the MSCI Emerging Markets Index posted a return of 18.2 percent (4.9 percent for December).
- High-quality bonds lost some ground in December, with the Barclays Aggregate Bond Index declining 0.1 percent. Yields on Treasuries traded in a relatively narrow range throughout the year, reflecting the generally high degree of risk aversion in the markets. The Barclays Aggregate Bond Index returned 4.2 percent for full-year 2012.

Preliminary Manager Highlights

- The Total Fund's preliminary December return of 1.3 percent, matched the Policy Portfolio return. The Fund's international equity asset class hurt results versus its respective benchmark, while all other asset classes aided results. Global Equity outperformed its benchmark by over 30 basis points, while domestic equity and fixed income also performed well versus their performance benchmarks.
- During the month, the Fund's U.S. equity portfolio returned 1.3 percent, outperforming its benchmark's return of 1.2 percent. BlackRock Extended Equity matched its benchmark, while Western and BlackRock Equity Market Fund slightly outperformed their benchmarks.
- The international equity component returned 3.2 percent, underperforming the 3.5 percent return of its benchmark. Sprucegrove's outperformance was attributable to stock selection in Information Technology and Energy. Hexavest's overweight cash position and underweight in Asia continued to hurt results as they underperformed by 1.3 percent. Walter Scott returned 2.4 percent versus 3.2 percent for the benchmark. Much of this underperformance was attributable to the overweight position in the Health Care sector. BlackRock's international equity index fund tracked its benchmark.
- The collective return of the Fund's global equity component returned 2.6 percent, beating the benchmark return of 2.3 percent. GMO's return of 2.8 percent outperformed the benchmark return of 2.3 percent during the month, as many sub-strategies bested their respective benchmarks for the month. The BlackRock MSCI ACWI Equity account continued to perform as expected, tightly tracking its benchmark and returning 2.3 percent.
- In December, the Fund's U.S. fixed income component returned 0.1 percent, outperforming the Barclays Aggregate Bond Index return of -0.1 percent. Reams was flat, while Western and Loomis were positive. Reams was aided by its allocation and security selection in investment grade credit and high yield sectors. Loomis also benefitted from overweighting the investment grade and high yield sectors. Western's return of 0.1 percent outperformed the index return of -0.1 percent. BlackRock's fixed income index fund tracked its benchmark.
- The Loomis Sayles Global Fixed Income account outperformed the benchmark by 40 basis points. Security selection in Europe and underweighting the Japanese Yen contributed to results. The PIMCO Global Fixed Income account beat the benchmark by 20 basis points, as their selective European allocations and limited Japanese position helped returns. The Total Fund's aggregate high yield exposure is currently 9.2%.

Key: Positive Mixed/Cautionary Alert Informational

Performance Summary

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Period Ending 12/31/2012

	December	4Q 2012	Year-to-Date	Fiscal Year-to-Date	1 Year Ending 12/31/2012	3 Years Ending 12/31/2012	5 Years Ending 12/31/2012	10 Years Ending 12/31/2012	Since Inception	Inception Date
BlackRock Extended Equity	**2.7**	**2.9**	**18.4**	**8.5**	**18.4**	**13.8**	**4.2**	**10.8**	**10.8**	**10/31/02**
Dow Jones U.S. Completion Total Stock Market Index	2.6	2.8	17.9	8.2	17.9	13.4	4.1	10.8	10.8	
Western U.S. Index Plus	**1.0**	**0.0**	**20.6**	**8.0**	**20.6**	**14.8**	**-1.2**	--	**-2.9**	**5/31/07**
S&P 500 Index	0.9	-0.4	16.0	6.0	16.0	10.9	1.7	--	0.9	
BlackRock Equity Market Fund	**1.3**	**0.3**	**16.5**	**6.5**	**16.5**	**11.5**	--	--	**3.2**	**5/31/08**
Dow Jones U.S. Total Stock Market Index	1.2	0.2	16.4	6.4	16.4	11.4	--	--	3.1	
Total U.S. Equity	**1.3**	**0.3**	**16.9**	**6.7**	**16.9**	**11.8**	**1.6**	**7.3**	**7.8**	**12/31/93**
Performance Benchmark**	1.2	0.2	16.4	6.4	16.4	11.4	2.2	7.8	8.2	
BlackRock All Country World ex-U.S.	**3.5**	**5.7**	**17.2**	**13.7**	**17.2**	**4.3**	**-2.4**	--	**-0.1**	**3/31/07**
MSCI All Country World ex-U.S. IM Index	3.5	5.7	17.0	13.7	17.0	4.2	-2.6	--	-0.2	
Sprucegrove	**3.4**	**5.7**	**17.1**	**12.0**	**17.1**	**7.4**	**-0.6**	**9.8**	**8.2**	**3/31/02**
MSCI EAFE Index	3.2	6.6	17.3	13.9	17.3	3.6	-3.7	8.2	5.8	
MSCI All Country World ex-U.S. Index	3.5	5.8	16.8	13.7	16.8	3.9	-2.9	9.7	7.2	
Hexavest	**1.8**	**2.2**	**13.9**	**9.6**	**13.9**	--	--	--	**1.7**	**12/31/10**
MSCI EAFE Index	3.2	6.6	17.3	13.9	17.3	--	--	--	1.5	
Walter Scott	**2.3**	**4.5**	**20.4**	**11.1**	**20.4**	--	--	--	**4.5**	**12/31/10**
MSCI All Country World ex-U.S. Index	3.5	5.8	16.8	13.7	16.8	--	--	--	0.4	
Total International	**3.2**	**5.3**	**17.9**	**12.6**	**17.9**	**4.9**	**-2.3**	**9.1**	**6.6**	**3/31/94**
MSCI All Country World ex-U.S. Index	3.5	5.8	16.8	13.7	16.8	3.9	-2.9	9.7	5.2	
GMO Global Fund	**2.8**	**2.9**	**15.0**	**8.8**	**15.0**	**7.5**	**0.7**	--	**5.9**	**4/30/05**
MSCI All Country World Index	2.3	2.9	16.1	9.9	16.1	6.6	-1.2	--	5.0	
BlackRock MSCI ACWI Equity Index	**2.3**	**2.9**	--	**10.0**	--	--	--	--	**10.0**	**6/30/12**
MSCI All Country World Index	2.3	2.9	--	9.9	--	--	--	--	9.9	
Total Global Equity	**2.6**	**2.9**	**14.4**	**9.3**	**14.4**	**7.0**	**-2.0**	--	**4.1**	**4/30/05**
MSCI All Country World Index	2.3	2.9	16.1	9.9	16.1	6.6	-1.2	--	5.0	

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Performance Summary (continued)

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (Continued)
Period Ending 12/31/2012

	December	4Q 2012	Year-to-Date	Fiscal Year-to-Date	1 Year Ending 12/31/2012	3 Years Ending 12/31/2012	5 Years Ending 12/31/2012	10 Years Ending 12/31/2012	Since Inception	Inception Date
Loomis Sayles Global Fixed Income********	**0.1**	**0.3**	**4.0**	**4.0**	**--**	**--**	**--**	**--**	**4.0**	**6/30/12**
Barclays Capital Global Aggregate Bond Index	-0.3	-0.5	2.8	2.8	--	--	--	--	2.8	
PIMCO Global Fixed Income********	**-0.1**	**-0.4**	**-0.4**	**-0.4**	**--**	**--**	**--**	**--**	**-0.4**	**9/30/12**
Barclays Capital Global Aggregate Bond Index	-0.3	-0.5	-0.5	-0.5	--	--	--	--	-0.5	
Total Global Fixed Income	**0.0**	**-0.1**	**3.5**	**3.5**	**--**	**--**	**--**	**--**	**3.5**	**6/30/12**
Barclays Capital Global Aggregate Bond Index	-0.3	-0.5	2.8	2.8	--	--	--	--	2.8	
Western	**0.1**	**1.0**	**9.7**	**4.5**	**9.7**	**9.4**	**7.1**	**6.4**	**7.0**	**12/31/96**
Barclays Capital Aggregate Bond Index	-0.1	0.2	4.2	1.8	4.2	6.2	5.9	5.2	6.2	
BlackRock U.S. Debt Fund	**-0.1**	**0.2**	**4.3**	**1.8**	**4.3**	**6.3**	**6.1**	**5.2**	**6.1**	**11/30/95**
Barclays Capital Aggregate Bond Index	-0.1	0.2	4.2	1.8	4.2	6.2	5.9	5.2	6.1	
Reams	**0.0**	**1.2**	**9.9**	**4.2**	**9.9**	**9.4**	**9.4**	**7.7**	**7.1**	**9/30/01**
Barclays Capital Aggregate Bond Index	-0.1	0.2	4.2	1.8	4.2	6.2	5.9	5.2	5.5	
Loomis Sayles*******	**1.1**	**3.4**	**16.8**	**9.4**	**16.8**	**11.4**	**8.8**	**--**	**8.2**	**7/31/05**
Performance Benchmark***	0.4	1.1	7.5	3.5	7.5	7.7	7.2	--	6.5	
Total U.S. Fixed Income	**0.1**	**1.0**	**9.6**	**4.4**	**9.6**	**9.2**	**8.3**	**6.9**	**6.8**	**2/28/94**
Barclays Capital Aggregate Bond Index	-0.1	0.2	4.2	1.8	4.2	6.2	5.9	5.2	6.2	
Total Real Estate****	**--**	**--**	**7.4**	**2.1**	**7.4**	**12.4**	**-3.9**	**5.0**	**7.4**	**3/31/94**
NCREIF Open-End Fund Property Index*****	--	--	8.0	2.7	8.0	12.5	1.4	7.9	9.0	
Total Fund	**1.3**	**1.6**	**13.8**	**6.8**	**13.8**	**9.5**	**2.4**	**7.4**	**7.9**	**3/31/94**
Policy Portfolio	1.3	1.5	12.6	6.5	12.6	8.7	2.5	7.5	7.8	3/31/94
Total Fund (ex-Private Equity)	**1.3**	**1.6**	**13.3**	**6.6**	**13.3**	**--**	**--**	**--**	**--**	**3/31/94**
Total Fund (ex-Clifton)	**1.3**	**1.5**	**13.6**	**6.6**	**13.6**	**9.4**	**2.4**	**7.4**	**7.8**	**3/31/94**

*All returns contained in this flash report are net of investment management fees.
**The Dow Jones U.S. Total Stock Market Index. Prior to May 2007, the Russell 3000 Index.
***A mix of 65% of the Barclays Capital Aggregate Bond Index, 30% of the Salomon Brothers High Yield Index and 5% of the J.P. Morgan Non-U.S. Hedged Bond Index.
****Real Estate returns are based on market values and cash flows provided by managers.
*****Prior to January 2006, the NCREIF Property Index.
******Total Fund inception date is the longest time period that Hewitt EnnisKnupp has reliable historical monthly data.
********PIMCo returns are calculated using a daily calculation method, as opposed to the Modified Dietz Method in use by other managers

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Asset Allocations

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Period Ending 12/31/2012
($ in Thousands)

	U.S. Equity	Non-U.S. Equity	Fixed Income	Real Estate	Private Equity	Cash	Total	Percent of Total	Evolving Policy	Policy Target
BlackRock Extended Equity Index	$31,302						$31,302	0.9%		
Western Index Plus	$120,496						$120,496	3.4%		
BlackRock Equity Market Fund	$1,124,385						$1,124,385	32.2%		
Total U.S. Equity	**$1,276,183**						**$1,276,183**	**36.5%**	**36.0%**	**34.0%**
BlackRock ACWI ex-U.S. Index		$340,034					$340,034	9.7%		
Sprucegrove		$157,962					$157,962	4.5%		
Hexavest		$66,668					$66,668	1.9%		
Walter Scott		$82,991					$82,991	2.4%		
Total Non-U.S. Equity		**$647,654**					**$647,654**	**18.5%**	**18.0%**	**16.0%**
GMO Global Equity	$79,582	$93,800	$0				$173,382	5.0%		
BlackRock MSCI ACWI Equity Index	$64,644	$64,644	$0				$129,287	3.7%		
Total Global Equity	**$144,226**	**$158,443**	**$0**				**$302,669**	**8.7%**	**10.0%**	**10.0%**
Western			$279,705				$279,705	8.0%		
BlackRock U.S. Debt Fund			$133,641				$133,641	3.8%		
Reams			$244,978				$244,978	7.0%		
Loomis Sayles Global**			$68,011				$68,011	1.9%		
Loomis Sayles**			$106,379				$106,379	3.0%		
PIMCO Global			$100,501				$100,501	2.9%		
Total Fixed Income			**$933,216**				**$933,216**	**26.7%**	**27.0%**	**25.0%**
Prudential Real Estate				$81,438			$81,438	2.3%		
UBS Real Estate				$175,725			$175,725	5.0%		
Guggenheim				$22,252			$22,252	0.6%		
RREEF				$10,311			$10,311	0.3%		
Total Real Estate				**$289,726**			**$289,726**	**8.3%**	**8.0%**	**10.0%**
Adams Street Partners					$26,552		$26,552	0.8%		
Pantheon Ventures					$6,079		$6,079	0.2%		
Total Private Equity					**$32,631**		**$32,631**	**0.9%**	**1.0%**	**5.0%**
Clifton Group						$10,854	$10,854	0.3%		
Total Cash						**$10,854**	**$10,854**	**0.3%**	**0.0%**	**0.0%**
Total Assets	**$1,420,409**	**$806,097**	**$933,216**	**$289,726**	**$32,631**	**$10,854**	**$3,492,934**	**100.0%**	**100.0%**	**100.0%**
Percent of Total	**40.7%**	**23.1%**	**26.7%**	**8.3%**	**0.9%**	**0.3%**	**100.0%**			

* Asset allocation reflects net exposure
* Private Equity reflects Market Values as of 6/30/2012 plus Capital Calls from 7/1/2012-9/30/2012
**Market Value data is preliminary as final data is not yet available

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Manager Watchlist and Updates

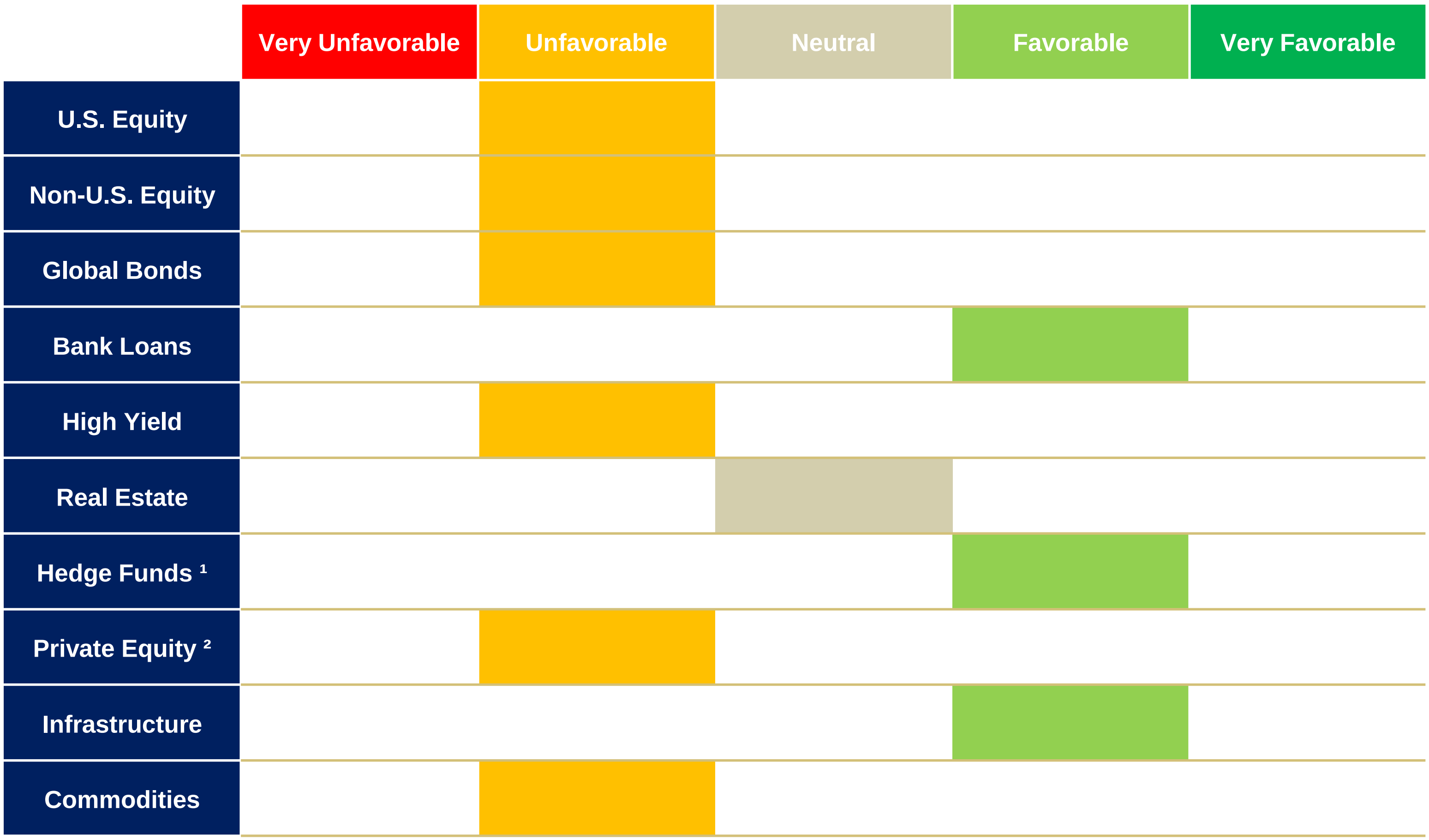
Manager "Watch" List

- RREEF was placed on the watch list in February 2009 for performance reasons.

Manager Updates

- On December 31, 2012, Wei Wang departed GMO. Wei Wang was a credit analyst for the Asset Allocation team.
- On December 5, 2012, Loomis added a new strategy analyst, Adam Mushaweh. Adam previous worked for Old Mutual Asset Management as a senior analyst.
- GMO was notified on November 8, 2012 that the SEC would be examining GMO LLC and an affiliate (GMO Australasia LLC) and the GMO-sponsored mutual funds (GMO Trust and GMO Series Trust). As is customary, the SEC examination includes a comprehensive document request. It is GMO's understanding that this is a routine examination.
- In late October, Loomis Sayles announced that a member of the Full Discretion team, Kathleen Gaffney resigned from the firm. Ms. Gaffney had been with Loomis Sayles for her whole career - 27 years. She elected to pursue another opportunity at Eaton Vance. She joined Eaton Vance as a Vice President and Co-Director of Investment Grade Fixed Income. She is charged with building a multi-sector product for her new firm. We will be monitoring this situation to see if this resignation marks a change within the firm's fixed income platform.

January Medium Term Views



ACTIONS TO CONSIDER WITHIN STRATEGIC FRAMEWORK	SELL	CONSIDER SELLING / DELAY PURCHASES	HOLD	CONSIDER BUYING / DELAY SALES	BUY

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Highlights and Research

Ventura County Employees' Retirement Association

January 2013

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Tactical Rebalancing Update

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Memo

To: **Staff and Board**
Ventura County Employees' Retirement Association

From: Russ Charvonia, ChFC, CFP®, Esq.
Kevin Chen

Date: January 28, 2013

Re: **Tactical Rebalancing Update**

Background

HEK has been working with Staff to implement the tactical rebalancing policy. Implementation has gone smoothly and we have held meetings with Clifton to ensure they are able to measure the impact of the rebalancing program. We have been training staff and getting all parties involved up to speed with logistics.

We will execute our initial rebalancing at the end of January. Going forward, the rebalancing report will be a part of the monthly performance report.

The monthly process will be:

- HEK updates the market values of the individual managers at the middle of the month. Clifton will send estimated market values for reconciliation.

- HEK's Global Asset Allocation Team will update Tier 1 and Tier 2 Medium Term Views (MTV) positioning. MTVs are published mid-month.

- Following the publication of the MTVs, HEK will work with Staff to align individual managers such that the conditions in Tiers 1 and 2 are met.

- HEK will direct Staff to execute only the changes that are stated in the proposed adjustments column and comply with the adopted Rebalancing Policy.

We have attached the rebalancing spreadsheet on the following pages for your consideration.

We look forward to discussing this with the Board at the January 28 meeting.

Hewitt EnnisKnupp, Inc.
707 Wilshire Boulevard, Suite 2500 | Los Angeles, CA 90017
t 213.630.3300 | f 213.996.1762 | www.hewittennisknupp.com

Ventura County MTV Monitor

Date **12/31/2012**

Total Assets **$3,492,875,943**

		Policy Summary			Asset Summary				Rebalancing Summary					
		Min Range	Target	Max Range	Current Weight	Current $ Allocation	MTV Target	MTV $ Allocation	Outside Target Range?	Calculated Adjustments	Proposed Adjustments	Closing Balance	Proposed Allocation	Outside Target Range?
	Tier 1 - Major Asset Classes													
	Equities	58.0%	65.0%	70.0%	63.7%	2,226,506,195	66.0%	2,305,298,122	No	78,791,928	78,791,928	2,305,298,122	64.8%	No
	Bonds	20.0%	27.0%	37.0%	26.7%	933,157,925	24.7%	862,740,358	No	(70,417,567)		933,157,925	26.2%	No
	Tier 2 - Minor Asset Classes													
	US Equity	30.0%	36.0%	40.0%	36.5%	1,276,182,750	36.0%	1,257,435,339	No	(18,747,410)	(18,747,410)	1,257,435,339	35.4%	No
	Non-US Equity	15.0%	19.0%	21.0%	18.5%	647,654,157	19.0%	663,646,429	No	15,992,272		647,654,157	18.2%	No
	Global Equity	7.0%	10.0%	13.0%	8.7%	302,669,288	11.0%	384,216,354	No	81,547,066	81,547,066	384,216,354	10.8%	No
	US Bonds	18.0%	22.0%	26.0%	21.9%	764,661,412	20.7%	723,025,320	No	(41,636,092)		764,661,412	21.5%	No
	Global Bonds	2.0%	5.0%	8.0%	4.8%	168,496,513	4.0%	139,715,038	No	(28,781,475)		168,496,513	4.7%	No
	Real Estate	5.0%	8.0%	10.0%	8.3%	289,726,490	9.3%	324,837,463	No	35,110,973		289,726,490	8.1%	No
	Private Equity	0.0%	0.0%	5.0%	0.9%	32,631,189	0.0%	-	No	(32,631,189)		32,631,189	0.9%	No
	Clifton	0.0%	0.0%	0.0%	0.3%	10,854,144	0.0%		Above	(10,854,144)		10,854,144	0.3%	Above
	Total				**100.0%**	**3,492,875,943**	**100.0%**	**3,492,875,943**		**0**	**62,799,656**	**3,555,675,598**	**100.0%**	
	Tier 3 - Managers													
US Equity	BlackRock Extended Equity Index Fund	0.5%	1.0%	2.0%	0.9%	31,301,869	1.0%	34,928,759	No	3,626,890		31,301,869	0.9%	No
	Western U.S. Index Plus	2.0%	3.0%	4.0%	3.4%	120,495,859	3.0%	104,786,278	No	(15,709,580)	(15,709,580)	104,786,278	3.0%	No
	BlackRock Equity Market Fund	28.0%	32.0%	36.0%	32.2%	1,124,385,022	32.0%	1,117,720,302	No	(6,664,720)		1,124,385,022	32.1%	No
ACWI ex US	BlackRock ACWI ex-U.S. Index	8.0%	10.0%	12.0%	9.7%	340,033,761	10.0%	349,287,594	No	9,253,833	9,253,833	349,287,594	10.0%	No
	Sprucegrove	3.0%	4.0%	6.0%	4.5%	157,961,770	4.0%	139,715,038	No	(18,246,732)		157,961,770	4.5%	No
	Hexavest	1.0%	2.0%	3.0%	1.9%	66,667,819	2.0%	69,857,519	No	3,189,700		66,667,819	1.9%	No
	Walter Scott	1.5%	3.0%	4.0%	2.4%	82,990,807	3.0%	104,786,278	No	21,795,471	21,795,471	104,786,278	3.0%	No
ACWI	GMO Global	3.0%	5.0%	7.0%	5.0%	173,381,937	5.0%	174,643,797	No	1,261,860		173,381,937	4.9%	No
	BlackRock MSCI ACWI Equity Index	3.0%	5.0%	7.0%	3.7%	129,287,351	5.0%	174,643,797	No	45,356,446		129,287,351	3.7%	No
US Bonds	Western	6.0%	8.0%	10.0%	8.0%	279,622,608	8.0%	279,430,075	No	(192,533)		279,622,608	8.0%	No
	BlackRock U.S. Debt Fund	3.0%	4.0%	6.0%	3.8%	133,640,955	4.0%	139,715,038	No	6,074,083		133,640,955	3.8%	No
	Reams	6.0%	7.0%	9.0%	7.0%	244,977,987	7.0%	244,501,316	No	(476,671)		244,977,987	7.0%	No
	Loomis Sayles	2.0%	3.0%	4.0%	3.0%	106,419,862	3.0%	104,786,278	No	(1,633,584)		106,419,862	3.0%	No
Global Bonds	PIMCO Global	2.0%	3.0%	4.0%	2.9%	100,485,176	3.0%	104,786,278	No	4,301,102		100,485,176	2.9%	No
	Loomis Sayles Global	1.0%	2.0%	4.0%	1.9%	68,011,337	2.0%	69,857,519	No	1,846,182		68,011,337	1.9%	No
Real Estate	Prudential Real Estate	2.0%	3.0%	4.0%	2.3%	81,437,992	3.0%	104,786,278	No	23,348,287		81,437,992	2.3%	No
	UBS Real Estate	3.0%	3.8%	5.0%	5.0%	175,724,746	3.8%	130,982,848	Above	(44,741,898)		175,724,746	5.0%	Above
	Guggenheim	0.5%	1.0%	2.0%	0.6%	22,252,349	1.0%	34,928,759	No	12,676,410		22,252,349	0.6%	No
	RREEF	0.1%	0.3%	1.0%	0.3%	10,311,403	0.3%	8,732,190	No	(1,579,213)		10,311,403	0.3%	No
Private Equity	Adams Street Partners	0.0%	0.0%	4.0%	0.8%	26,551,704	0.0%	-	No	(26,551,704)		26,551,704	0.8%	No
	Pantheon Ventures	0.0%	0.0%	4.0%	0.2%	6,079,485	0.0%	-	No	(6,079,485)		6,079,485	0.2%	No
Other/Alts	Clifton	0.0%	0.0%	0.0%	0.3%	10,854,144	0.0%	-	Above	(10,854,144)		10,854,144	0.3%	Above
	Total				**100.0%**	**3,492,875,943**	**100.0%**	**3,492,875,943**		**0**	**15,339,724**	**3,508,215,667**	**100.0%**	

Investment Policy Statement

Investment Policy Manual

Ventura County Employees' Retirement Association
January 2013

CONTENTS

INVESTMENT POLICY, PROCEDURES, OBJECTIVES AND GUIDELINES
FOR
VENTURA COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION COUNTY OF VENTURA

December 2002
(Revised January 2013)

I. INTRODUCTION

This document sets forth the framework for the management and oversight of the investment assets of the Ventura County Employees' Retirement Association (VCERA). The purpose of the Investment Policy is to assist the Board of Retirement (the "Board") in effectively supervising and monitoring the investments of VCERA. Specifically, it will address the following issues:

- The general goals of the investment activity
- The policies and procedures for the management of the investments
- Specific asset allocations, rebalancing procedures and investment guidelines
- Performance objectives
- Responsible parties

The Board establishes this investment policy in accordance with the provisions of the County Employees' Retirement Law of 1937 (Government code Sections 31450 et. seq.). VCERA is considered a separate entity and is administered by a Board consisting of nine members, plus two alternates. VCERA's Board and its officers and employees shall discharge their duties as provided for in Government Code Section 31595:

- Solely in the interest of, and for the exclusive purpose of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.
- With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like aims.

- Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

This policy statement is designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while setting forth reasonable parameters to ensure prudence and care are exercised in the execution of the investment program.

With respect to investments, asset allocation target and ranges, the role of the Board is to ensure VCERA's fiduciary responsibilities are fulfilled, that the investment structure, operation and results of the individual portfolios are consistent with investment objectives established for them, and to ensure competence, integrity and continuity in the management of the assets.

II. INVESTMENT POLICY

The following policies, consistent with the above described purpose and state government citations, are adopted:

- The overall goal of VCERA's investment assets is to provide plan participants with retirement, disability, and death and survivor benefits as provided for under the County Employees' Retirement Law of 1937.

- VCERA's assets will be managed on a total return basis. While VCERA recognizes the importance of the preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns.

- VCERA's Investment Policy has been designed to produce a total portfolio, long-term (as defined by rolling 10-year periods) real (above inflation) return of 4%. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification to meet this goal. Investment strategies are considered primarily in light of their impact on total plan assets subject to any restrictions set forth in the County Employees' Retirement Law of 1937, and shall at all times comply with applicable state and federal regulations.

- All transactions undertaken will be for the sole benefit of VCERA's participants and their beneficiaries and for the exclusive purpose of providing benefits to them, minimizing employer contributions to the System, and defraying reasonable administrative expenses of the System.

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- VCERA has a long-term investment horizon generally described as a time period greater than 10 years, and utilizes an asset allocation that encompasses a strategic, long-run perspective of capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the Association's investment performance.

- Investment actions are expected to comply with "prudent person" standards.

- Invest funds in accordance with asset allocation targets established by the Board.

III. INVESTMENT OBJECTIVES OF THE TOTAL FUND

- Produce a total portfolio, long-term (as defined by rolling 10-year periods) real (above inflation) return of 4%;

- Exceed a weighted index of its asset allocation policy and component benchmarks over rolling five year periods.

IV. ASSET ALLOCATION

This policy is adopted to provide for diversification of assets in an effort to maximize the investment return of the Association consistent with market conditions. Asset allocation modeling identifies asset classes the Association will utilize and the percentage each class represents in the total fund. Due to the fluctuation of market values, positioning within a specified range is acceptable and constitutes compliance with the policy. It is anticipated that an extended period of time may be required to fully implement the asset allocation policy, and that periodic revisions will occur. VCERA staff will monitor and assess the actual asset allocation versus policy, and will evaluate any variation considered significant.

The policies and procedures of VCERA's investment program are designed to maximize the probability that the investment goals will be fulfilled. Investment policies will evolve as fund conditions change and as investment conditions warrant.

VCERA adopts and implements an asset allocation policy that is predicated on a number of factors, including:

- The actuarially projected liabilities and benefit payments and the cost to both covered employees and employers;

- Historical and expected long-term capital market risk and return behavior;

- The perception of future economic conditions, including inflation and interest rate levels;

- The risk tolerance of the Board; and

- The relationship between current and projected assets of the Plan and its actuarial requirements.

VCERA's current target asset allocation (including ranges) is attached as Appendix A to this Policy Statement.

The Board will implement the asset allocation policy through the use of specialized investment managers, who will be given full discretion to invest the assets of their portfolios subject to investment guidelines incorporated into the investment management agreement executed with the Association. When appropriate, passive and index managers will also be utilized.

Tactical Rebalancing Policy (implementing Hewitt ennisKnupp's (HEK's) Medium Term Views (MTVs)

Background
The VCERA Board believes value can be added by utilizing a proactive rebalancing policy that endeavors to take advantage of short- and intermediate-term market dislocations. However, the Board does not feel it is appropriate to leave rebalancing decisions to the discretion of Staff. Therefore, the Board is adopting the following policy. In addition, the Board agrees to continue with this strategy for a three-year period in order to give it sufficient time to be properly evaluated.

Rebalancing Policy
The Retirement Administrator shall be charged with the responsibility of rebalancing the investment portfolio so as to remain within the range of targeted allocations and distributions among managers. The rebalancing of the investment portfolio shall be performed with the use of HEK's Medium-Term Views (MTVs), without attempting to time increases or declines in equity or fixed income markets because (1) market timing can result in lower returns than buy and hold strategies, and (2) there is little evidence that one can adequately predict market returns, and subsequently time the market.

A systematic rebalancing process, implemented monthly, or when significant cash flows occur, will be used to maintain asset allocations within their appropriate ranges. The process shall be implemented as follows:

- At the beginning of each month, the retirement staff shall review the Fund's overall asset allocation. Rebalancing efforts will first focus on normal cash flows and then second through the re-allocation among asset and sub asset classes. Taking into account HEK's MTVs, overweighted asset categories/managers may be used as a source of funds for that month's expenditure requirements and to bring the underweighted asset categories/managers in line with their targeted strategic asset allocation. HEK's MTVs range from very unfavorable to very favorable at the extreme bands. The other ratings are unfavorable, neutral, and favorable.

Working with HEK, staff shall re-allocate within a range of +/- 1% for unfavorable/favorable outlooks and +/- 2% for very unfavorable/favorable outlooks based on HEK's recommendation. A report will be submitted by staff to the Board, and the investment consultant retained by the Board, summarizing monthly asset rebalancing activity if such activity is necessary as described in this policy.

- Notwithstanding the first item, the retirement staff shall, at the beginning of each month, determine the amount of cash necessary to meet that month's expenditure requirements. A withdrawal of the entire amount of cash needed will be made from the one manager whose portfolio value exceeds their targeted allocation by the greatest amount or, based on HEK's MTVs, the manager with the least favorable outlook.

- The retirement staff shall monitor its cash position on a regular basis. If it is projected at any time that there will not be a sufficient amount of cash available to meet expenditure requirements, staff is authorized to take action consistent with the intent of this policy to raise additional cash.

- Every attempt will be made by staff to cause the least amount of disruption to the Fund's investment management team when withdrawing assets or making contributions.

- This policy shall not be applied to the Fund's real estate or private equity allocations.

- A monthly report on all rebalancing transactions that have been completed will be provided by HEK.

- HEK and/or Clifton Advisors will provide an annual report to the Board measuring the impact of this Rebalancing Policy.

V. ROLE OF ASSET CLASSES

VCERA will utilize the following portfolio components to fulfill the asset allocation targets and total fund performance goals established elsewhere in this document.

<u>Equities</u> – VCERA anticipates that total returns to equities will be higher than total returns to fixed income securities over the long-run, but may be subject to greater volatility as well. There are several components of the Association's equity holdings:

<u>Stocks</u>:

- Core Stocks – This portfolio will provide broadly diversified, core exposure to the U.S. equity market, primarily through holdings in large capitalization companies.

- Small Stocks – Small cap stocks are those with market capitalizations below $1.0 billion. Although more volatile than larger capitalization stocks, small stocks are generally characterized by faster growth and (historically) higher long-term returns. Low correlation between small caps and large caps leads to portfolio diversification. Small stocks tend to outperform large caps at the onset of economic recoveries, and outperform over time due to the higher risk premium associated with earnings uncertainty.

- International Equities – This portfolio provides access to major equity markets outside the U.S. and consequently plays a significant role in diversifying VCERA's equity portfolio. This segment will provide exposure to developed non-U.S. markets, whose growth and returns are not necessarily synchronized with those of the U.S. This core international segment will concentrate on larger companies in established non-U.S. equity markets. Limited discretion will be provided to active managers deemed to have an appropriate level of expertise to invest opportunistically in emerging markets.

- Global Equities – A further diversifying feature that allows for investment managers to select securities domiciled both in the domestic and international stock markets. While most global equity managers invest in the larger capitalization offerings, limited discretion will be placed on the active managers in an effort to allow for a greater level of outperformance. Managers are allowed to invest in U.S. stocks, non-U.S. domiciled stocks, as well as emerging market securities.

<u>Fixed Income</u> – The primary role of the fixed income portfolio is to provide a more stable investment return and to generate income while diversifying the Association's investment assets. The fixed income holdings are comprised of the following:

- Bonds – This portfolio will provide core exposure to the U.S. and non-U.S. fixed income markets (maturities from 1 to 30 years) including Treasury and government agency bonds, corporate debt, mortgages and asset-backed securities. The portfolio will be largely composed of investment grade issues with limited discretion provided to those active managers deemed to have an appropriate level of skill to invest opportunistically in non-dollar and high yield bonds

<u>Real Estate</u> – The role of real estate, in general, is to provide a competitive risk adjusted rate of return compared to other asset classes and to provide prudent portfolio diversification consistent with risk and return objectives. This portfolio diversification is due to real estate's low correlation with returns of equity and fixed income. Real Estate investments shall consist of the broad range of investment opportunities including direct investment in properties, REITs and commingled funds.

<u>Private Equity</u> - The role of private equity, in general, is to provide a superior risk adjusted rate of return compared to other asset classes and to provide prudent portfolio diversification consistent with risk and return objectives. This portfolio diversification is due to private equity's low correlation with

returns of equity and fixed income. Private Equity investments shall consist of a broad range of investment opportunities and may include leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.

Performance Benchmarks – Please refer to the manager-specific guidelines in the appendix for each manager's specific benchmark. The composite benchmarks for the respective asset classes are:

- Domestic Equities
  - Composite – the DJ U.S. Total Stock Market Index
- International Equities
  - Composite – the MSCI All-Country World Ex-US Index
- Global Equities
  - Composite – the MSCI All Country World Index
- Fixed Income
  - Composite – Barclays Capital Aggregate Index, Barclays Capital Global Aggregate Bond Index
- Real Estate
  - Composite – NCREIF Open-End Fund Property Index
- Total Fund
  - Weighted Benchmark based on asset allocation

VI. INVESTMENT MANAGEMENT POLICY

The managers will have full discretion and authority for determining investment strategy, security selection and timing subject to the Policy guidelines and any other guidelines specific to their portfolio. Performance of the portfolio will be monitored and evaluated on a regular basis relative to each portfolio component's benchmark return and relative to a peer group of managers following similar investment styles.

Investment actions are expected to comply with "prudent expert" standards. Each investment manager will be expected to know the VCERA's policies (as outlined in this document) and to comply with those policies. It is each manager's responsibility to identify policies that may have an adverse impact on performance, and to initiate discussion with the Board toward possible improvement of said policies.

VCERA will also review each investment manager's adherence to its investment policy, and any material changes in the manager's organization (e.g., personnel changes, new business developments, etc.) or its investment process. The investment managers retained by the Association will be responsible for informing the Board of such material changes as detailed in the investment manager's guidelines.

Investment managers under contract to VCERA shall have discretion to establish and execute transactions through accounts with one or more securities broker/dealer(s) that a manager may select. The investment managers will attempt to obtain the best available price and most favorable execution with respect to portfolio transactions.

Selection Criteria for Investment Managers

Criteria will be established for each manager search undertaken by VCERA, and will be tailored to the Association's needs in such search. In general, eligible managers will possess attributes including, but not limited to, the following:

- The firm must be experienced in managing money for institutional clients in the asset class/product category specified.
- The firm must display a record of stability in retaining and attracting qualified investment professionals, as well as a record of managing asset growth effectively, both in gaining and retaining clients.
- The firm must demonstrate adherence to the investment style sought, and adherence to the firm's stated investment discipline.
- The firm's fees must be competitive with industry standards or the product category.
- The firm must be willing and able to comply with the "Duties of the Investment Managers" outlined herein.

Criteria for Investment Manager Termination

VCERA reserves the right to terminate an investment manager for any reason. Grounds for investment manager termination may include, but are not limited to, the following:

- Failure to comply with the guidelines agreed upon for management of the portfolio, including holding restricted issues.
- Failure to achieve performance objectives in the manager's guidelines.
- Significant deviation from manager's stated investment philosophy and/or process

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- Loss of key personnel.

- Evidence of illegal or unethical behavior by the investment management firm.

- Lack of willingness to cooperate with reasonable requests by the Association for information, meetings or other material related to its portfolios.

- Loss of confidence by the Board in the investment manager.

- A change in the asset allocation program that necessitates a shift of assets to a different investment style.

The presence of any one of these factors will be carefully reviewed by the Board, but will not necessarily result in an automatic termination.

VCERA reserves the right to place its investment managers on a formal Watch List.

A manager may be placed on "Watch" status for:

1) failure to meet one or more of the standards, objectives, goals, or risk controls as set forth in this policy statement
2) violation of ethical, legal, or regulatory standards
3) material adverse change in the ownership of the firm or personnel changes
4) failure to meet reporting or disclosure requirements
5) failure to meet performance objectives or goals
6) any actual or potentially adverse information, trends, or developments that the Board feels might impair the investment manager's ability to deliver successful outcomes for the participants of the plan

The Board may take action to place a manager on Watch status. Managers placed on Watch status shall be notified in writing, and be made aware of the reason for the action and the required remediation. Watch status is an optional interim step that may be used to formally communicate dissatisfaction to the investment manager and the potential for termination. Watch status is not a required step in terminating a manager. Watch status will normally be for a period of six months, but the time frame may be determined by action of the Board. The Board retains the right to terminate the manager at any time, extend the period of the Watch status, or remove the manager from Watch status at any time.

Watch status indicates that the manager shall be subject to increased focus on the remediation of the factors that caused the manager to be placed on Watch status. Discussion of the manager on Watch status shall become a regular monthly reporting agenda item for the Board. Staff or retained Consultant shall prepare a written monthly report addressing the progress of the manager in the remediation of the dissatisfaction.

VII. GENERAL GUIDELINES

Custody of Assets

With the exception of assets invested in commingled funds, the assets of VCERA shall be held in a custody/record keeping account in a master custody bank located in a national money center and in international sub-custodian banks under contract with the custodian bank.

Derivatives

VCERA's investment managers may be permitted through individual investment guidelines to use derivative instruments to control or manage portfolio risk. Derivatives are contracts or securities whose returns are derived from the returns of other securities, indices or derivative. While this definition includes collateralized mortgage obligations, the most common type of derivatives, it is also intended to include (but not be limited to) futures, forwards, options, options on futures, swaps, swap options, etc. VCERA's managers are not to utilize derivatives for speculative purposes (for example, by taking a position greater than 100% or less than 0% of underlying asset exposure). In no circumstances can derivatives lever any positions in VCERA's portfolio. No derivatives positions can be established that create portfolio characteristics outside of current portfolio guidelines. Examples of appropriate applications of derivative strategies include hedging interest rate and currency risk, and maintaining exposure to a desired asset class while effecting asset allocation changes.

VCERA's Investment Consultant shall be responsible for monitoring the investment managers' derivative usage and for reporting to the Board any deviations from this Investment Policy Statement and the investment managers' specific guidelines.

Securities Lending

The Board may authorize the execution of a Securities Lending Program for separate accounts and will also conduct best efforts due diligence and monitoring of such activities in commingled funds.

VCERA may participate in a securities lending program administered by a lending agent approved by the Board for the purpose of increasing income. The Board, or agent, as designated by the Board, shall be responsible for overseeing the securities lending program. The securities lending program shall be established pursuant to a written agreement established between the Board and the custodian that stipulates the working of the program.

The terms of any securities lending program should incorporate the following provisions at a minimum:

- A description of the allocation queuing system used.
- The number of brokers involved and a list of the brokers used.

- The appropriate percentage of asset types for loans outstanding.
- Provision for indemnification in case of broker default.
- Provisions for the selection/elimination of brokers from the program by the lending agent and/or the Board.
- The securities to be included in the program.
- Provisions for the elimination of securities from the securities lending program by either the lending agent or the Board.
- The collateral to be used for each security and provisions for the adjustment of collateral when it fails.
- The lending agent/VCERA split on the securities lending income.
- Provisions for termination of a loan.
- The requirement for a securities lending report which details the securities loaned, the collateral used, the broker used and the income and fees received. The report should break out intrinsic and reinvestment income when reporting revenues.
- Disclose potential conflicts with existing clients.
- Collateralization limits (102% for U.S. and 105% for non-U.S. holdings)
- The collateral pool should be invested conservatively in high quality short maturity fixed income instruments. Leverage shall not be allowed in the collateral pool.

Voting of Proxies

Retained investment managers will vote, or cause to be voted, all proxy proposals on an individual basis. The manager's process in dealing with proxy issues should be both thorough and reasonable, and oriented toward achieving maximum long-term shareholder value. The manager is to discharge expected fiduciary duty by use of proxy voting policies and procedures solely in the interest of the participants and beneficiaries. To act prudently in the voting of proxies, the manager should consider those factors that would affect the value of the plan's investment and act solely in the interest of, and for the exclusive purpose of providing benefits to participants and beneficiaries. The manager will not subordinate the interest of participants and beneficiaries in their retirement income to unrelated objectives. Managers will review and vote all proxies that are received. Each investment manager shall notify the custodial bank of their responsibility to forward to the manager all proxy material. An ongoing review should be done to see that all expected proxies have been received, and if not, the bank should be directed to vote any proxy it receives in conformance with the manager's instruction. The manager may outsource this service in order to discharge its proxy voting responsibilities in conformance with these guidelines.

On an annual basis, investment managers should send VCERA a report of its proxy voting activities. A brief explanation of the following key elements must be included in this report from investment managers:

- Stock name, number of shares owned by the fund and meeting date
- Number of management and shareholder proposals that came to a vote
- Number of votes with management
- Number of votes against management and the rationale behind the vote
- Whether any proxies were not voted, why they were not voted and whether steps have been taken to ensure all proxies will be voted in the future

PUBLIC MARKET EQUITY OBJECTIVES AND GUIDELINES

Domestic Equities

- No securities shall be purchased on margin or sold short.

- American Depositary Receipts (ADRs) are permissible investments.

- Managers shall not purchase stock (or securities convertible into stock) of any issuer if the purchase would cause this portfolio to include more than 5% of the outstanding voting stock, or more than 5% in (market) value of all outstanding securities of a single issuer (assuming all shares are converted).

Prohibited Transactions

Unless otherwise provided for, the following transactions will be prohibited:

- Physical commodities, including gold;

- Tax exempt securities, either state or federal;
- Options including the purchase, sale or writing of options;
- Speculative or leveraged use of derivatives;
- Warrants;
- Margin buying;
- Short selling;
- Reverse repurchase agreements; and
- Transactions that involve a broker acting as a "principal," where such broker is also the investment manager who is making the transaction. Any exemption from these guidelines requires prior written approval from the Board of Retirement.

International Equities

- Portfolios shall be comprised of cash equivalents, debt instruments convertible into equity securities, forward foreign exchange contracts, and equity securities of companies domiciled outside the U.S. including established and emerging countries.
- No securities shall be purchased on margin or sold short.

GLOBAL EQUITY

- No securities shall be purchased on margin or sold short.
- Managers shall not purchase stock (or securities convertible into stock) of any issuer if the purchase would cause this portfolio to include more than 5% of the outstanding voting stock, or more than 5% in (market) value of all outstanding securities of a single issuer (assuming all shares are converted).
- Appropriate investments include stocks domiciled in the United States, on foreign exchanges, and emerging market securities.

VIII. FIXED INCOME OBJECTIVES AND GUIDELINES

U.S. Fixed Income

- The total portfolio's minimum rating will be AA or better by Moody's, AA by Standard & Poor's, or AA by Fitch. Although any individual manager may be less.

- No more than 5% of the market value of any single portfolio will be invested in any one issuer, with the exception of U.S. Treasury or Federal Agency issues.

- U.S. dollar-denominated issues of foreign governments, international organizations and U.S. subsidiaries of foreign corporations are permitted up to 10% of the market value of any single portfolio.

- No securities shall be purchased on margin or sold short.

- Limited investments in mortgage interest only (IO) or principal only (PO) securities or derivatives based on them that have uncertain or volatile duration or price movements.

- Bonds rated investment grade by either Moody's or Standard and Poor's must comprise at least 90% of the total portfolio.
- The total portfolio is limited to 5% in bonds issued by entities not domiciled in the J.P. Morgan Government Bond Index. This restriction is meant to limit the portfolio's emerging market exposure to no more than 5%.

Global Fixed Income

- At least 80% of the Fund's Market Value must be invested in investment-grade securities
- Below investment grade rated securities cannot exceed 20% of the portfolio when combining High Yield securities and below investment grade rated Emerging Market Securities.

- No more than 5% of the market value of any single portfolio will be invested in any one issuer, with the exception of the United States, Canada, United Kingdom, Germany, France, Australia, New Zealand and Japan or securities issued or guaranteed by A- or better rated supranational entities.

- Limited investments in mortgage interest only (IO) or principal only (PO) securities or derivatives based on them that have uncertain or volatile duration or price movements.

IX. MANAGEMENT CONTROL PROCEDURES – RESPONSIBLE PARTIES

Duties of the Board

Procedures concerning the oversight of VCERA include the following:

- The Board shall have discretion to develop and execute VCERA's investment program. Only the Board in its sole discretion can delegate its decision-making authority regarding the investment program. Staff will be responsible for the timely implementation and administration of these decisions.

- A formal review of VCERA's investment structure, asset allocation and financial performance will be conducted annually or more frequently as the need arises. The review will include recommended adjustments to the long-term, strategic asset allocation plan to reflect any changes in pension fund regulations, long-term capital market assumptions or VCERA's financial condition.

The Board or its designate(s) will adhere to the following procedures in the management of VCERA's assets:

- External investment managers will manage VCERA's investment assets. In accordance with the asset allocation guidelines, external investment managers will be hired who have demonstrated experience, expertise and investment styles that are consistent with the need for return and diversification. Investment guidelines will be developed for each manager, and investment performance will be monitored against these guidelines. Each investment manager will manage its portfolio according to a formal contract.

- The Board, with the assistance of Staff and consultants, shall be responsible for taking appropriate action if investment objectives are not being met or if policies and guidelines are not being followed. Reviews for separate portfolios managed by external managers will focus on:

  - Manager adherence to the Policy guidelines.

  - Material changes in the managers' organizations, such as investment philosophy, personnel changes, acquisitions or losses of major accounts, etc. The managers will be responsible for keeping VCERA advised of any material changes in personnel, investment strategy, or other pertinent information potentially affecting performance.

- The Board shall be responsible for selecting a qualified custodian.

- The Board shall administer VCERA's investments in a cost-effective manner. These costs include, but are not limited to, management, trustee, consulting and custodial fees, transaction costs and other administrative costs chargeable to VCERA.

Duties of the Retirement Administrator

The Retirement Administrator or his designate(s) will adhere to the following procedures in the management of VCERA's assets:

- The Retirement Administrator shall support the Board in the development and approval of the Investment Plan, implement and monitor the Plan, and report at least monthly on investment activity and matters of significance.
- The Retirement Administrator shall provide for the collection and investment of contributions and investment income, the disbursement of benefits and refunds, the payment of budgeted expenditures, the maintenance of accounting and internal control systems, the estimating and monitoring of cash flows, and shall report on matters of significance.
- Ensure that Investment Managers conform to the terms of their contracts and that their performance monitoring systems are sufficient to provide the Board with timely, accurate and useful information.

Duties of the Custodian

The Board recognizes that accurate and timely completion of custodial functions is necessary to effectively monitor investment management activity. The custodian's responsibilities for VCERA's investible assets are to:

- Provide complete global custody and depository services for the designated accounts.
- Provide a Short Term Investment Fund (STIF) for investment of any cash not invested by managers, and to ensure that all available cash is invested.
- Provide for timely settlement of securities transactions.
- Collect all income and principal realizable and properly report it on the periodic statements.
- Provide monthly and fiscal year-end accounting statements for the portfolio, including all transactions; these should be based on accurate security values for both cost and market. These reports should be provided within 15 days from the end of the month.
- Report to VCERA situations where accurate security pricing, valuation and accrued income is either not possible or subject to considerable uncertainty.

- Provide assistance to the Association to complete such activities as the annual audit, transaction verification or unique issues as required by the Board.

- Manage a securities lending program to enhance income as directed by the Board.

- Provide other services, as required, that assist with the monitoring of managers and investments

Duties of the Investment Managers

The Investment Managers shall:

- Provide the Association with written agreement to invest within the guidelines established in the Investment Plan.

- Provide the Association with proof of liability and fiduciary insurance coverage.

- Be SEC-Registered Investment Advisors recognized as providing demonstrated expertise over a number of years in the management of institutional, tax-exempt assets and a defined investment specialty.

- Adhere to the investment management style, concepts and principles for which they were retained, including, but not limited to, developing portfolio strategy, performing research, developing buy, hold and sell lists, purchasing securities and voting proxies.

- Execute all transactions for the benefit of the Association with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to the Association, and, where appropriate, facilitate the recapture of commissions on behalf of the Association.

- Reconcile every quarter accounting, transaction and asset summary data with custodian valuations, and communicate and resolve any significant discrepancies with the custodian.

- Maintain frequent and open communication with the Board through Investment Consultant on all significant matters pertaining to the Investment Plan, including, but not limited to, the following:

  – Major changes in the Investment Manager's investment outlook, investment strategy and portfolio structure;

  – Significant changes in ownership, organizational structure, financial condition or senior personnel;

  – Any changes in the Portfolio Manager or other personnel assigned to the VCERA;

- Each significant client which terminates its relationship with the Investment Manager, within 45 days of such termination;

- All pertinent issues which the Investment Manager deems to be of significant interest or material importance.

Manager Reporting Requirements

In addition to the aforementioned duties, the managers are required to provide the Staff, and Consultant with the following reports:

- Monthly – Transaction statement, asset (portfolio) statement, and performance on the portfolio and benchmark for the month, quarter, year-to-date, fiscal year-to-date, 1-year, 3-year, 5-year and since inception annualized returns gross and net of fees. In addition, a discussion of the portfolio's recent strategy and expected future strategy and a demonstration of compliance with guidelines.

Duties of the Investment Consultant(s)

The Investment Consultant(s) shall:

- Make recommendations to the Board and the Staff regarding investment policy and strategic asset allocation.

- Assist the Association in the selection of qualified investment managers, and assist in the oversight of existing managers, including monitoring changes in personnel and the investment process.

- Assist in the selection of a qualified custodian, if necessary.
- Prepare a quarterly performance report on the Association's managers, including a check on guideline compliance and adherence to investment style and discipline.

- Provide topical research and education on investment subjects that are relevant to VCERA.

- Deliver a monthly performance update.

APPENDIX A

Asset Allocation Policy
Approved by the Board in April 1998 (Revised through January 2013)

The Ventura County Employees' Retirement Association's
Asset Allocation Target and Ranges

Asset Class	Target Percent	Allowable Range
U.S. Equity	34%	30-38 %
International Equities	16%	13-19%
Global Equities	10%	7-13 %
Fixed Income	25%	21-29%
Real Return (includes Real Estate)	10%	7-13%
Private Equity	5%	3-7%
Total Equity	60%	55-65%
Total Fixed Income	25%	21-29%
Total Real Return	10%	7-13%
Total Private Equity	5%	3-7%

BlackRock ("Manager")
Investment Guidelines

Extended Equity Market Fund

The Extended Equity Market Fund shall be invested and reinvested primarily in a portfolio of Equity Securities with the objective of approximating as closely as practicable the capitalization weighted total rate of return of the segment of the United States market for publicly traded equity securities. The criterion for selection of investments shall be the Dow Jones U.S. Completion Total Stock Market Index. When deemed appropriate by the Manager, the Manager may invest a portion of the Extended Equity Market Fund in futures contracts for the purpose of acting as a temporary substitute for investment in equity securities. The Extended Equity Market Fund will not engage in speculative futures transactions.

U.S. Debt Index Fund

The U.S. Debt Index Fund shall be invested and reinvested primarily in a portfolio of Debt Securities with the objective of approximating as closely as practicable the total rate of return of the market for Debt Securities as defined by the Barclays Capital U.S. Aggregate Bond Index. When deemed appropriate by the Manager, the Manager may invest a portion of the U.S. Debt Index Fund in futures contracts for the purpose of acting as a temporary substitute for investment in debt securities. The U.S. Debt Index Fund will not engage in speculative futures transactions.

BlackRock MSCI ACWI ex-U.S. IMI Index Fund

The BlackRock MSCI ACWI ex-U.S. IMI Index Fund shall be invested and reinvested in a portfolio of International Equity Securities whose total rates of return will approximate as closely as practicable the capitalization weighted total rates of return of the markets in certain countries for equity securities traded outside the United States. The Manager shall determine from time to time which countries shall be represented in the BlackRock MSCI ACWI ex-U.S. IMI Index Fund and may subdivide the BlackRock MSCI ACWI ex-U.S. IMI Index Fund into one or more separate divisions each of which represents a national equity market ("National Divisions"), or may subdivide these Collective Funds into one or more separate divisions representing two or more national equity markets ("Multinational Divisions"). A participating account may be invested in the BlackRock MSCI ACWI ex-U.S. IMI Index Fund, in any one or more of the National Divisions or in any one or more of the Multinational Divisions in whatever proportion among National Divisions or Multinational Divisions as is deemed appropriate by the fiduciary responsible for the funding policy of a participating account. The primary criterion for selection of investments in each National Division shall be the MSCI ACWI ex-U.S. IMI IndexSM for the country represented. The primary criterion for selection of investments in the BlackRock MSCI ACWI ex-U.S. IMI Index Fund shall be the relative market weight of units of the National Divisions.

When deemed appropriate, the Manager may invest a portion of the BlackRock MSCI ACWI ex-U.S. IMI Index Fund in futures contracts approved by the Commodity Futures Trading Commission for the purpose of acting as a substitute for investment in securities for liquidity purposes or in shares of exchange-traded funds ("ETFs") that are open-end investment companies registered under the Investment Company Act, including ETFs that are advised or sub-advised by the Manager or an affiliate of the Manager. In addition, each fund may hold other collective funds that seek to provide returns consistent with such fund's goal of approximating the return of the

MSCI ACWI ex-U.S. IMI IndexSM. The BlackRock MSCI ACWI ex-U.S. IMI Index Fund will not engage in speculative futures transactions.

U.S. Equity Market Fund

The U.S. Equity Market Fund shall be invested and reinvested primarily in Equity Securities with the objective of approximating as closely as practicable the capitalization weighted total rate of return of the entire United States market for publicly traded equity securities. The criterion for selection of investments shall be the Dow Jones U.S. Total Stock Market Index. When deemed appropriate by the Manager, the Manager may invest a portion of the U.S. Equity Market Fund in futures contracts for the purpose of acting as a temporary substitute for investment in equity securities. The U.S. Equity Market Fund shall not engage in speculative futures transactions.

BlackRock MSCI ACWI Equity Index Fund

The BlackRock MSCI ACWI Equity Index Fund shall be invested and reinvested primarily in a portfolio of U.S. Equity Securities and International Equity Securities with the objective of approximating as closely as practicable the capitalization weighted total rates of return of the markets in certain countries for publicly traded equity securities. The benchmark for the BlackRock MSCI ACWI Equity Index Fund shall be the MSCI ACWI Net Dividend Return IndexSM. The Manager shall determine from time to time which countries shall be represented in these funds and may subdivide these funds into one or more separate divisions, each of which represents a distinct equity market. The primary criterion for selection of investments in each country shall be the relative market capitalization weight of the constituent markets in the MSCI ACWI Net Dividend Return IndexSM. In addition to, or in lieu of investing in Equity Securities and International Equity Securities, the Manager may invest assets in American Depository Receipts, Global Depository Receipts, registered investment companies and other country funds managed by investment advisors not affiliated with the Manager, and other structured transactions utilizing foreign stocks, bonds, currencies and money market instruments, futures, exchange traded and over-the-counter options, forward contracts and swaps. Any purchases and sales of ETFs for the ACWI IMI Index Fund will be made only through secondary market transactions.

For the purposes of these investment guidelines the defined term "Equity Securities" shall mean common stocks and forms of equity securities (e.g., preferred stock), American Depository Receipts, European Depository Receipts, Global Depository Receipts and Investment Company Shares (as defined below) where such investment company portfolio seeks to replicate or outperform the performance of an equity index selected by the Manager.

For the purposes of these investment guidelines the defined term "International Equity Securities" shall mean American Depository Receipts, Global Depository Receipts, common stocks and other forms of equity securities (e.g., preferred stock), Investment Company Shares (as defined below) where such investment company portfolio seeks to replicate or outperform the performance of an equity index selected by the Manager or equity securities convertible into such stock issued by Persons (as defined below) not organized under the laws of the United States or a state thereof, the indicia of ownership of which may be held outside the jurisdiction of the District Courts of the United States.

For the purposes of these investment guidelines the defined term "Debt Securities" shall mean (unless otherwise defined in these investment guidelines) obligations issued or guaranteed by the United States government, its agencies or instrumentalities; investment-grade obligations of corporations and dollar denominated debt obligations of other issuers included in the index tracked by a particular collective fund; Mortgage-Backed Securities (as defined below); investment-grade asset-backed securities; and Investment Company Shares (as defined below) where such investment company portfolio seeks to replicate or outperform the performance of a fixed income index.

For the purposes of these investment guidelines the defined term "Investment Company Shares" shall mean shares of an investment company registered under the Investment Company Act of 1940, as amended from time to time, including exchange-traded funds, which investment companies may be advised or subadvised by an affiliate of the Manager.

For the purposes of these investment guidelines the defined term "Mortgage-Backed Securities" shall mean securities issued or guaranteed by the United States government or its agencies or instrumentalities; commercial mortgage-backed securities; transactions with financial institutions (that are often referred to as "dollar roll" transactions) in order to gain exposure to the mortgage-backed security market; and transactions involving commitments to deliver generic mortgage-backed securities to a purchaser at a future date (such transactions are commonly referred to as "Firm Commitment Transactions" or "to-be-announced transactions").

For the purposes of these investment guidelines the defined term "Person" or "Persons" shall mean an individual, a partnership, an association, a joint venture, a corporation, a trust (including a business trust), a limited liability company, an unincorporated organization, a committee, any other entity or a government or any department, agency, authority, instrumentality or political subdivision thereof.

The Account or the above referenced collective investment funds may invest through one or more short term investment funds used for a cash "sweep" vehicle to manage uninvested cash or reinvestment and management of cash collateral associated with securities loans, including but not limited to Money Market Fund (each, a "STIF Fund").

STIF Funds used for a cash "sweep" vehicle are invested primarily in short term debt securities, such as variable amount notes, commercial paper, U.S. government securities, repurchase agreements, certificates of deposit of banks and savings institutions, and other short term obligations.

STIF Funds used to manage cash collateral associated with securities loans ("Cash Equivalent Funds") invest such cash collateral in short term debt instruments. Additional information relating to the investment philosophy, risk management and guidelines criteria for the STIF Funds, as well as specific guidelines for each STIF Fund can be found in "Short-Term Investment Funds Overview and Guidelines", a current copy of which may be accessed via www.blackrock.com/institutional/documents.

The Board will notify the Manager if it is determined for any reason that there is a change in VCERA's investment needs affecting the stated objectives.

Sprucegrove ("Manager")
Investment Objectives and Policies

I. General

This policy statement describes the investment objectives and policies of the Sprucegrove U.S. International Pooled Fund ("Fund").

The Manager is expected to operate within the prudent man rule and the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Investment practices will comply with the requirements of all applicable laws and regulations.

II. Investment Objectives

To maximize the long-term rate of return while seeking to preserve the investment capital of the Fund by avoiding investment strategies that expose Fund assets to excessive risk.

To outperform the EAFE Index over a full market cycle.

To achieve a high ranking relative to similar funds over a full market cycle.

There is no assurance that these objectives will be achieved.

1. Investment Policies

Asset Mix

The asset mix of the Fund will be determined solely by the Manager.

Investments may be selected from the following asset categories:

- Short-term investments including utilized funds containing only such investments;
- Equity securities (excluding U.S.), American Depository Receipts (ADR's), other securities convertible into equities and utilized funds containing only such investments.
- Foreign currencies including forward currency contracts required to meet security settlements.

Minimum and maximum exposure to each of the asset categories are as follows:

	Minimum % of Fund	Maximum % of Fund
Cash & Short Term	0	10
Equities	90	100

2. <u>Diversification</u>

Equities

The Fund will be diversified by region, country, sector and company holdings.

a. Region

The region will hold securities issued by companies in a minimum of three countries in each of the European and Pacific Basin regions, as follows:

<u>Europe</u>	<u>Pacific Basin</u>
Austria	Australia
Belgium	Hong Kong
Denmark	Japan
Finland	Malaysia
France	New Zealand
Germany	Singapore
Holland	Thailand
Ireland	
Italy	
Norway	
Spain	
Sweden	
Switzerland	
United Kingdom	

b. Country

The Fund will be subject to the following minimum – maximum country weightings.

<u>EAFE Countries</u>

Japan 10% - 50%

United Kingdom	10% - 50%
Other countries	0% - 15%

<u>Non-EAFE Countries</u>

Canada	0% - 10%
Total Other countries	0% - 15%
Total Non-EAFE countries	0% - 20%

c. Sector

The Fund will hold securities in a minimum of 7 of the 10 sectors. Maximum weighting for any sector is 30% of the market value of the fund.

<u>Sectors</u>

Energy	Health Care
Materials	Financials
Industrials	Information Technology
Consumer Discretionary	Telecommunication Services
Consumer Staples	Utilities

d. Company Holdings

The Fund will also be diversified by company with no fewer than 40 holdings. The maximum weighting for any one security is 5% of the market value of the Fund. The maximum exposure to any one stock should not exceed 5% of that company's outstanding shares or 10% of its free float.

e. Other

In unusual circumstances, the Fund may exceed the above guidelines for short periods of time.

Short-Term

The purpose of this asset class is to provide a vehicle for temporary investment while awaiting investment opportunities in the long-term capital markets.

This asset class has no need to accept high risks to meet its objectives. Therefore, the Manager shall attempt to minimize credit risk, term risk, and liquidity risk.

The Fund will be restricted to issues with maturities of less than thirteen months which are issued or guaranteed by the U.S. Treasury or issued by corporations rated A1 by Standard & Poor's Corporation and P1 by Moody's Investor Services. However, an unrated security may be held if it is deemed by the Manager to be A1/P1 respectively. In addition, the issuer must be known to the Manager and be acceptable to them.

3. Philosophy

Equities

Sprucegrove's mission is to provide investment management advice predominantly in the specialized area of global equities.

They aim to discover above-average businesses through the research process and to purchase these companies at below average prices – or more simply put, to discover quality companies with excellent businesses that are selling at attractive prices.

The strategy employs the "value approach" to the management of equities. Their approach is contrarian in character. It emphasizes the long term and it focuses on the selection of individual common stocks using a bottom-up approach.

Sound internal investment research is a cornerstone of their investment management process. It is the firm's belief that each investment must be based on thorough internal research, must offer safety of capital, and must promise a satisfactory long-term rate of return.

Each company in the portfolio must meet the firm's standards of investment quality including a history of above average financial performance, a secure financial position, reputable management, and growth opportunity in terms of sales, earnings, and share price.

4. Conflict of Interest

No employee of Sprucegrove will use their position or the knowledge gained therein in such a manner that a conflict arises between Sprucegrove's interests on behalf of its clients and their personal interests.

Upon association, and annually thereafter, all employees are required to disclose to Sprucegrove's Compliance Officer any outstanding commercial interests which might influence their decisions or actions including, without limitation:

(a) direct or indirect beneficial ownership of the voting rights of any class of securities or interests in an issuer;

(b) the receipt of payments, gifts, entertainments or other favors which might be regarded as placing them under some obligation to a third party dealing or desiring to deal with Sprucegrove or its clients;

(c) any outside employment, position, activities or businesses relationships which may compete or conflict to a significant extent with the interests of Sprucegrove and its clients.

If at any time an employee, or a member of their immediate family, finds that they are considering the assumption of a financial interest or outside relationship which might involve a conflict of interest, or if they are in doubts as to the proper application of this section of the Standards, they are to immediately make known all the facts to the Compliance Officer. Except as otherwise directed by the Compliance Officer, they are to refrain from exercising responsibility in any matter which might be reasonably thought to be affected by a potential conflicting interest.

Sprucegrove provides investment advisory and management services to various managed accounts and collective funds, some of which may invest in the same or similar types of securities as those in which the Fund will invest. Thus, the obligations of Sprucegrove are not exclusive. Investment decisions on behalf of the Fund are made independently from decisions for other accounts and funds managed by Sprucegrove and Sprucegrove is permitted to make an investment decision on behalf of the Fund which differs from decisions made for, or advice given to, such other accounts and funds, even though their investment objectives may be the same or similar to those of the Fund. The Trustee, J.P. Morgan Chase Bank, does not review, and has no responsibility for the investment management decisions on behalf of the Fund, or for compliance of the Fund with its investment objectives.

5. Delegation of Voting Rights

Voting rights are exercised by J.P. Morgan Chase Bank, as the Fund Trustee, under the direction of the Manager.

6. Securities Lending

Securities lending will only be transacted in circumstances in which policies and procedures have been implemented to safeguard the subject securities.

7. Review of Policy Statement

This policy statement will be reviewed no less than annually.

Hexavest ("Manager") EAFE Equity Fund ("Fund")
Statement of Objectives, Guidelines and Procedures

Investment Objectives of the Fund

The Fund seeks to provide investors with capital appreciation and income generation by investing primarily in equity and quasi equity securities of issuers located in Europe, Australasia and the Far East ("EAFE") and which form part of the MSCI EAFE® Index.

Asset Classes Eligible for Investment

Subject to the investment objectives and restrictions of the Fund, the Fund may invest in any or all of the following asset categories:

- Equity securities of companies;
- Warrants, special warrants, share rights, income trusts, convertible debentures, convertible preferred shares, installment receipts or other instruments convertible into equities;
- Exchange Traded Funds (ETF) and other similar instruments providing exposure to a basket of securities (provided that the Fund's investment in any such ETF registered under the Investment Company Act of 1940 (the "1940 Act") will not exceed (a) 3% of that registered ETF's voting securities, or (b) 5% of the value of the Fund's total assets, and the value of the Fund's investments in all investment companies which are registered or required to be registered under the 1940 Act will not exceed 10% of the value of the Fund's total assets);
- American Depository Receipts (ADRs), Global Depository Receipts (GDRs) and other similar instruments for which a market is made by leading investment dealers (provided that the Fund's investment in any such instrument issued by an investment company registered under the 1940 Act will not exceed (a) 3% of that registered investment company's voting securities, or (b) 5% of the value of the Fund's total assets, and the value of the Fund's investments in all investment companies which are registered or required to be registered under the 1940 Act will not exceed 10% of the value of the Fund's total assets);
- Bonds, debentures, notes (including floating rate notes) or other debt instruments;
- Term deposits, bankers' acceptances, call loans collateralized by Treasury Bills or similar instruments of trust companies and banks;
- Commercial paper or other money market securities;
- Currency swaps;
- Forward currency contracts; and
- Over-the-counter contracts on currency

Performance Objectives

To achieve a rate of return that will exceed that of the benchmark by an average of 2% per annum on a 4-year rolling period. However, there is no assurance that the Fund will achieve this investment objective.

Benchmark

MSCI EAFE® Index (MSCI EAFE® with net dividends reinvested) in US Dollars.

Constraints

All guidelines and constraints are based on market value.

Asset Allocation by Class

The Manager has the discretion to change the asset mix within the range outlined below.

	Minimum (%)	Maximum (%)
Cash & Equivalents	0	10
Foreign equity exposure	90	100
Foreign currency exposure (excluding North America)	85	100
North American Currencies	0	15

Regional, Country and Sector Asset Allocation (equity exposure)

The Fund invests in countries that are part of the MSCI EAFE® index subject to the following (subject to a minimum of 0%):

Maximum deviation by region:	Region weight of MSCI EAFE® +/- 15%
Maximum deviation by country:	Country weight of MSCI EAFE® +/- 15%
Maximum deviation by MSCI Sector (Level 1):	Sector weight of MSCI EAFE® +I- 10%

In addition, the Fund will not invest more than 10% of its net asset value in foreign equities outside countries comprised in the MSCI EAFE® index.

Cash, Cash Equivalents & Currencies

Cash balances may be held in a currency of a country permitted by the investment policy. The Manager will actively manage currency exposure within the regional and country deviations permitted by this investment policy.

Other

Notwithstanding any other provisions of this policy or the Trust Agreement, the Fund shall earn a return only from the investment of capital, not the provision of services or goods, and it will structure its investments so that it does not exercise day-to-day management or general operating control of the business underlying a particular investment. In its capacity as an investor, however, the Fund will oversee each investment and may, in appropriate cases, or to the extent necessary to preserve its investment, exercise any rights it may possess to influence, intervene in, or control temporarily the day-to-day management of the business underlying an investment. The Fund has the right to amend its investment objectives without the approval of Unitholders, after giving Unitholders at least 30 days' prior written notice of such amendment.

Walter Scott & Partners (“Manager”) Limited Group Trust - International Fund (“Fund”) Investment Guidelines

Investment Objectives

The Fund will seek long-term capital appreciation by investing in equity securities subject to the geographic and other restrictions in the more detailed descriptions below. The Fund will invest in equity securities that meet certain quantitative and qualitative investment criteria. The Fund will tend to focus on those industries or sectors experiencing upper quartile economic growth and may avoid industries which are in secular economic decline.

Guidelines

The Manager will be authorized to allocate the International Fund’s assets without limitation among geographic regions and individual countries (other than the United States) based on its analysis of global economic, political and financial conditions. No more than 15% of the Fund’s assets may be invested in companies located in Emerging Market Countries. For this purpose, Emerging Market Countries are those countries identified as such for purposes of the Morgan Stanley Capital Markets Indices (including any subsequent amendments thereto.) (In determining where the issuer of a security is located, the Investment Manager looks at such factors as its country of organization, the primary trading market for its securities, and the location of its assets, personnel, sales and earnings.) It is anticipated that the Fund’s portfolio will contain approximately 40-60 investments.

The Fund may invest without limitation in warrants and convertible debt securities that enable the holder to acquire equity securities. The Fund may also invest indirectly in equity securities through instruments such as American Depositary Receipts. These instruments are receipts or certificates, typically issued by a local bank or trust company, which evidence ownership of underlying securities issued by an entity in another country, but which are designed to facilitate trading in the local market. The underlying securities are not always denominated in the same currency as the Depositary Receipts.

Borrowing

The Fund may not use borrowing in connection with any investment except for such short-term credits as may be necessary for the clearance or settlement of transactions.

Cash Positions

Under normal conditions, the Fund will generally seek to maintain no more than 5% of its assets in cash and cash equivalents. The Fund may hold cash-equivalents for defensive purposes during unusual market conditions or to maintain liquidity.

Securities Lending

Although the Fund has not historically engaged in the practice and there are no current plans to do so, the Fund may engage in securities lending activity in order to earn additional income with respect to the loaned securities, none of which is payable to the Manager. Any loan of portfolio securities will be secured by collateral. When cash is received as collateral, the Fund will invest the cash and earn additional income, but will also bear the risk of any loss on such investments. Before the Fund engages in securities lending activity, the Manager will provide notice to the Fund's investors.

Grantham, Mayo, Van Otterloo & Co. LLC (GMO) ("Manager")
GMO Global All Country Equity Allocation Strategy

Investment objective
Total return greater than that of its benchmark, the MSCI ACWI Index.

Overview
The GMO Global All Country Equity Allocation Strategy seeks to outperform its benchmark by 2.5%-3.5%, net of fees, over a complete market cycle with lower volatility than its benchmark. The Strategy uses both top-down and bottom-up valuation methodologies to value countries, sectors, and individual securities in order to allocate assets to undervalued countries, currencies, and securities around the world. The resulting portfolio typically provides exposure to foreign and U.S. equity markets and may have exposure to foreign and U.S. fixed income markets.**

Methodology
The investment process for the GMO Global All Country Equity Allocation Strategy begins with a universe generally represented by the MSCI AC World Index.** The Strategy's strategic methodology calculates optimal allocations based on long-term forecasts of relative value and risk among the major asset classes. This process analyzes country and sector levels based on factors/characteristics such as aggregated price/book, dividend yield, cash earnings, price/earnings, inflation, interest rates, etc. Once these return and risk forecasts have been developed for each country, a similar process is run at the individual security level. This forecasted return and risk information is then adjusted to incorporate the expected value-added for each of the underlying strategies which are used to implement the asset allocation portfolio. The expected value-added for each underlying strategy is determined by assessing such strategy's historical ability to add value as well as the efficiency of a given asset class.

Portfolio Construction
The GMO Global All Country Equity Allocation Strategy invests in GMO strategies (underlying stock, bond, etc., strategies). Depending upon the current valuation assessment of the global marketplace, the GMO Global All Country Equity Allocation Strategy may own different proportions of underlying strategies at different times. The Strategy attempts to rebalance opportunistically when the investment outlook has changed, when cash flows occur, or when there has been a significant change in market valuation levels.

Risks
The value of the Fund's shares changes with the value of the Fund's investments. Many factors can affect this value, and you may lose money by investing in the Fund. References to investments include those held directly by the Fund and indirectly through the Fund's investments in the underlying Funds. Some of the underlying Funds are non-diversified investment companies under the Investment Company Act of 1940, as amended, and therefore a decline in the market value of a particular security held by those Funds may affect their performance more than if they were diversified investment companies. The principal risks of investing in the Fund are summarized below. For a more complete

discussion of these risks, including those risks to which the Fund is exposed as a result of its investments in
the underlying Funds, see "Description of Principal Risks."

• Market Risk – Equity Securities – The market price of equity investments may decline due to factors affecting the issuing companies, their industries, or the economy and equity markets generally. If an underlying Fund purchases equity investments at a discount from
their value as determined by the Manager, the Fund runs the risk that the market prices of these investments will not appreciate to or decline from that value for a variety of reasons, one of which may be the Manager's overestimation of the value of those investments. An underlying Fund also may purchase equity investments that typically trade at higher multiples of current earnings than other securities, and the market prices of these investments often are more sensitive to changes in future earnings expectations than those other securities. Because the Fund and the underlying Funds normally do not take temporary defensive positions, declines in stock market prices generally are likely to reduce the net asset value of the Fund's shares.

• Management and Operational Risk – The Fund runs the risk that GMO's investment techniques will fail to produce desired results. The Fund's portfolio managers may use quantitative analyses and models, and any imperfections or limitations in those analyses and models could affect the ability of the portfolio managers to implement the strategies they wish to pursue. By necessity, these analyses and models make simplifying assumptions that limit their efficacy. Models that appear to explain prior market data can fail to predict future market events. Further, the data used in models may be inaccurate and may not include the most recent information about a company or a security. The Fund also runs the risk that GMO's fundamental assessment of an investment may be wrong or that deficiencies in GMO's or another service provider's internal systems or controls will cause losses for the Fund or impair Fund operations.

• Non-U.S. Investment Risk – The market prices of many non-U.S. securities fluctuate more than those of U.S. securities. Many non-U.S. markets are less stable, smaller, less liquid, and less regulated than U.S. markets, and the cost of trading in those markets often is higher than
in U.S. markets. Non-U.S. portfolio transactions generally involve higher commission rates, transfer taxes, and custodial costs than similar transactions in the U.S. In addition, the Fund may be subject to non-U.S. taxes, including potentially on a retroactive basis, on (i) capital gains it realizes or dividends or interest it receives on non-U.S. securities, (ii) transactions in those securities and (iii) the repatriation of proceeds generated from the sale of those securities. Also, many non-U.S. markets require a license for the Fund to invest directly in those markets, and the Fund is subject to the risk that it could not invest if its license were terminated or suspended. In some non-U.S. markets, prevailing custody and trade settlement practices (e.g., the requirement to pay for securities prior to receipt) expose the Fund to credit and other risks with respect to participating brokers, custodians, clearing banks or other clearing agents, escrow agents and issuers. Further, adverse changes in investment regulations, capital requirements or exchange controls could adversely affect the value of the Fund's investments. These and other risks (e.g., nationalization, expropriation or other confiscation of assets of non-U.S. issuers) tend to be greater for investments in companies tied economically to emerging countries, the economies of which tend to be more volatile than the economies of developed countries.

• Liquidity Risk – Low trading volume, lack of a market maker, large position size, or legal restrictions may limit or prevent the Fund or an underlying Fund from selling particular securities or unwinding derivative positions at desirable prices.

• Derivatives Risk – The use of derivatives involves the risk that their value may not move as expected relative to the value of the relevant underlying assets, rates, or indices. Derivatives also present other risks, including market risk, liquidity risk, currency risk and counterparty risk.

• Fund of Funds Risk – The Fund is indirectly exposed to all of the risks of an investment in the underlying Funds in which it invests, including the risk that those Funds will not perform as expected. Because the Fund bears the fees and expenses of the underlying Funds in which it invests, a reallocation of the Fund's investments to underlying Funds with higher fees or expenses will increase the Fund's total expenses. The fees and expenses associated with an investment in the Fund are less predictable than those associated with an investment in funds that charge a fixed management fee.

• Smaller Company Risk – Smaller companies may have limited product lines, markets, or financial resources, may lack the competitive strength of larger companies, or may lack managers with experience or depend on a few key employees. The securities of small- and mid-cap companies often are less widely held and trade less frequently and in lesser quantities, and their market prices often fluctuate more, than the securities of companies with larger market capitalizations.

• Natural Resources Risk – To the extent an underlying Fund concentrates its assets in the natural resources sector, the value of its portfolio is subject to factors affecting the natural resources industry and may fluctuate more than the value of a portfolio that consists of securities of companies in a broader range of industries.

• Commodities Risk – Commodities prices can be extremely volatile and exposure to commodities can cause the price of the Fund's shares to decline and fluctuate more than the price of shares of a fund with a broader range of investments.

• Currency Risk – Fluctuations in exchange rates can adversely affect the market value of non-U.S. currency holdings and investments denominated in non-U.S. currencies. In addition, hedging a non-U.S. currency can have a negative effect on performance if the U.S. dollar declines in value relative to that currency.

• Leveraging Risk – The use of reverse repurchase agreements and other derivatives and securities lending creates leverage. Leverage increases the magnitude of the Fund's losses when the value of its investments (including derivatives) declines.

• Counterparty Risk – The Fund runs the risk that the counterparty to an over-the-counter (OTC) derivatives contract or a borrower of the Fund's securities will be unable or unwilling to make timely settlement payments or otherwise honor its obligations.

• Real Estate Risk – To the extent an underlying Fund concentrates its assets in real estate-related investments, the value of its portfolio is subject to factors affecting the real estate industry and may fluctuate more than the value of a portfolio that consists of securities of companies in a broader range of industries.

• Market Disruption and Geopolitical Risk – Geopolitical and other events may disrupt securities markets and adversely affect global economies and markets. Those events, as well as other changes in non-U.S. and U.S. economic and political conditions, could adversely affect the value of the Fund's investments.

• Short Sales Risk – The Fund runs the risk that an underlying Fund's loss on a short sale of securities that the underlying Fund does not own is unlimited.

• Market Risk – Fixed Income Investments – The market price of a fixed income investment can decline due to a number of market-related factors, including rising (or, in some limited cases, declining) interest rates and widening credit spreads, or decreased liquidity that reflect the market's uncertainty about the value of a fixed income investment (or class of fixed income investments).

• Market Risk – Asset-Backed Securities – The market price of fixed income investments with complex structures, such as asset-backed securities, can decline due to a number of factors, including market uncertainty about their credit quality and the reliability of their payment streams. Payment streams associated with asset-backed securities held by the Fund depend on many factors (e.g., the cash flow generated by the assets backing the securities, the deal structure, the credit worthiness of any credit-support provider, and the reliability of various other service providers with access to the payment stream) and a problem in any one of these areas can lead to a decrease in the payment stream expected by the Fund at the time it purchased the asset-backed security.

• Credit Risk – The Fund runs the risk that the issuer or guarantor of a fixed income investment will be unable or unwilling to satisfy its obligation to pay principal and interest or otherwise to honor its obligations in a timely manner. The market price of a fixed income investment will normally decline as a result of the issuer's or guarantor's failure to meet its payment obligations. Below investment grade securities have speculative characteristics, and changes in economic conditions or other circumstances are more likely to impair the capacity of issuers to make principal and interest payments than is the case with issuers of investment grade securities.

• Focused Investment Risk – Focusing investments in countries, regions, sectors, companies, or industries with high positive correlations to one another creates more risk than if the Fund's investments were less correlated.

• Large Shareholder Risk – To the extent that a large number of shares of the Fund is held by a single shareholder (e.g., an institutional investor), the Fund is subject to the risk that a redemption by that shareholder of all or a large portion of its Fund shares will disrupt the Fund's operations.

Loomis, Sayles & Company ("Manager")
Medium Grade Full Discretion ("Fund")
Statement of Objectives, Guidelines and Procedures

Objectives

The objective of the total fixed income portfolio is to provide above-average total return in a manner that is consistent with the typical rate-of-return volatility exhibited by broad market fixed income portfolios. The return of the Manager should exceed that of the custom benchmark (30% of the rate of return of the Citigroup High-Yield Index, 5% of the rate of return of the J.P. Morgan Non-U.S. Hedged Bond Index and 65% of the rate of return of the Barclays Capital Aggregate Bond Index), net of fees, over a typical market cycle (generally three to five years).

The fixed income portfolio should be broadly diversified across markets, sectors, securities, and maturities in a manner consistent with accepted standards of prudence.

All investments are subject to compliance with Investment Policies, Objectives and Guidelines for Ventura County Employees' Retirement Association (VCERA). The portfolio must be managed in accordance with the guidelines and restrictions.

In addition, the Manager shall adhere to the CFA Institute Code of Ethics and Standards of Professional Code of Conduct as presented in the *Standards of Practice Handbook*.

Guidelines

The total portfolio may invest in the following types of securities, subject to the restrictions listed below.

U.S. Treasuries U.S. Agencies U.S. government sponsored enterprises U.S. corporate bonds Mortgage-backed securities Asset-backed securities Municipal bonds Structured notes Cash equivalents	Derivative mortgage-backed securities Bonds of developed non-U.S. issuers Bonds of emerging non-U.S. issuers Fixed income and currency futures, options, forward contracts and swaps Private placement bonds Rule 144(a) securities Commercial mortgage-backed securities Capital notes/Preferred trust certificates Commingled funds investing in fixed income securities

Restrictions

The total portfolio must comply with the restrictions listed below on the basis of both percentage of assets and percentage contribution to total portfolio duration.

Security Type Qualifications

Futures, options and forward contracts are allowed to the extent that they are used in a manner that does not materially increase total portfolio volatility or relate to speculative activities. The instruments may not be used to lever the portfolio.

Structured notes are permitted provided that the note's investment characteristics are of a fixed income nature.

Preferred stock and bonds convertible into common stock are permitted provided that they exhibit bond-like characteristics. Up to 5% of the portfolio may be held in equity securities that result from the conversion of convertible debt or the restructuring of corporate debt. The manager is required to sell the equity securities as soon as it is prudent to do so.

Credit Quality

The total fixed income portfolio will maintain a minimum average credit quality rating of BBB- by S&P and Baa3 by Moody's. Issues that are unrated by any major credit rating agency shall be rated by the investment manager, who shall compare an unrated bond's fundamental financial characteristics with those of rated bonds to determine the appropriate rating.

At time of purchase, debt securities must be rated at least "C" by Moody's, Fitch, and S&P or if unrated by Moody's, Fitch, and S&P, debt securities must have a Loomis Sayles rating that is equivalent of a "C" rating by Moody's, Fitch, and S&P.

Bonds rated investment grade by either Fitch, Moody's or Standard & Poor's must comprise at least 65% of the total portfolio.

Non-U.S. Exposure

Non-U.S. dollar bond exposure shall not exceed 20% of the total portfolio. Bonds issued by any non-U.S. entity shall not exceed 40% of the total portfolio. Examples of securities included in this restriction include the following:

Yankee bonds Non-U.S. dollar sovereign bonds Non-U.S. dollar non-sovereign bonds Structured notes linked to non-U.S. markets	Emerging market sovereign bonds Emerging market non-sovereign bonds Supranational bonds

10% in bonds issued by entities not domiciled in the J.P. Morgan Government Bond Index. This restriction is meant to limit the portfolio's emerging market exposure to no more than 10%.

2% in bonds issued by any single entity domiciled in a country not included in the J.P. Morgan Government Bond Index.

Additional Sector and Position Limits

To the extent that the portfolio holds an allocation to non-investment grade emerging market bonds, that exposure shall also count against the total portfolio's 35% high yield maximum and 55% non-U.S. maximum combined allocation.

Mortgage-backed securities that a manager classifies as exhibiting unusually high interest rate sensitivity relative to typical U.S. Government agency mortgage pass-through issues shall not exceed 5% of the total portfolio. Examples of securities likely to qualify as "highly interest rate sensitive" include IOs, POs and inverse floaters.

Excluding U.S. government, agency and GSE issuers the portfolio is limited to a 5% allocation in any single U.S. issuer. On a monthly basis the Manager will provide a report to VCERA noting investment in any issuer that exceeds 3% of the market value of the portfolio.

The portfolio's combined allocation to the security types listed below may not exceed 40%.

Bonds not receiving an investment-grade rating from either Fitch, Moody's or Standard & Poor's[1] (not too exceed the 35% maximum allocation noted above)

Bonds issued by non-U.S. entities

Privately placed debt, excluding 144(a) securities

Mortgage-backed securities that a manager classifies as exhibiting unusually high interest rate sensitivity relative to typical U.S. Government agency mortgage pass-through issues

Compliance Monitoring

If any of the parameters described above are breached (except those that are to be determined at the time of purchase), as a result of market movements, capital additions or withdrawals, credit downgrades or other events not within the control of Loomis Sayles, Loomis Sayles shall have a reasonable period of time, generally not to exceed three months, to bring the portfolio into compliance with the foregoing investment guidelines. Loomis Sayles will notify VCERA in a timely manner if any guideline exception occurs, providing details and a recommendation. Loomis Sayles will report on the status of any exception no less frequently than every two weeks until the matter is resolved.

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[1] Any nationally recognized rating agency is acceptable.

Performance Measurement

The net-of-fee returns of the total fixed income portfolio are expected to be in the top quartile of comparable bond managers during trailing one year periods.

The portfolio's performance is also expected to compare favorably to that of the custom benchmark, net of fees, on a risk-adjusted basis. The custom benchmark is consists of 35% of the rate of return of the Citigroup High Yield Index, 5% of the rate of return of the J.P. Morgan Non-U.S. Hedged Bond Index and 60% of the rate of return of the Barclays Capital Aggregate Bond Index.

Reporting Requirements

An update on organizational developments and performance for the portfolio and benchmark for the month and one-year returns gross and net of fees will be sent to VCERA and its investment consultant by the 10th of the following month. In addition, a discussion of the portfolio's recent strategy and expected future strategy and demonstration of compliance with guidelines.

Reconcile every quarter accounting, transaction, and asset summary data with custodian reports and communicate and resolve any significant discrepancies with the custodian. Send a copy of the reconciliation to the VCERA by the 10th of the following month subsequent to quarter end.

The Manager will meet with VCERA's staff as often as determined necessary by VCERA's Board, and will meet with the Board at least annually.

Ensure that all documents, exhibits and written materials that will be used during the annual meeting between VCERA's Board and the investment manager be submitted to and received by VCERA at least seven business days in advance of these meetings.

Provide VCERA with proof of liability and fiduciary insurance coverage of at least $5 million, in writing, on an annual basis.

The Manager will keep VCERA apprised of relevant information regarding its organization, personnel and investment strategy. The firm will notify VCERA within one business day of any change in the lead personnel assigned to manage the account.

LOOMIS SAYLES ("Manager")
GLOBAL FIXED INCOME TRUST ("Fund")
INVESTMENT OBJECTIVES AND GUIDELINES

Investment Objective and Policies

The Fund's investment objective is high total investment return through a combination of current income and capital appreciation.

The Fund seeks to achieve its objective by investing typically 80% of its net assets (plus any borrowings made for investment purposes) in fixed-income securities. The Fund invests primarily in investment-grade fixed-income securities worldwide, although it may invest up to 20% of its assets in below investment-grade fixed-income securities (commonly known as "junk bonds"). Below investment-grade fixed-income securities are rated below investment-grade quality *(i.e.,* none of Moody's Investor Service, Inc., Fitch Investor Services, Inc. or Standard & Poor's Ratings Group have rated the securities in one of their respective top four rating categories. The Fund's fixed-income securities investments may include unrated securities if the Investment Manager determines that the securities are of comparable quality to rated securities that the Fund may purchase.

Securities held by the Fund may be denominated in any currency and may be issued by issuers located in countries with emerging securities markets. The Fund may invest in fixed-income securities of any maturity. The Fund also may invest in foreign currencies and may engage in other foreign currency transactions for investment or hedging purposes.

SECURITIES AND INVESTMENT PRACTICES

Set forth below is a description of the types of securities and other instruments in which the Fund may invest. The Fund may also invest in additional types of securities and engage in additional investment techniques.

Eligible Investments. The Fund may invest in public or private debt obligations issued or guaranteed by U.S. or non-U.S. issuers, including but not limited to corporations, governments (including their agencies, instrumentalities and sponsored entities), supranational entities, partnerships and trusts. Such obligations may be issued at fixed, variable, adjustable or zero coupon rates or convertible into equity securities, and may include preferred, hybrid, mortgage or asset-backed securities issued by any of the above-named issuers, senior loans, common stocks, foreign currency exchange contracts, including non-delivery forward FX contracts and cross hedges, interests specified under "Eligible Commingled Funds," derivatives specified under "Eligible Derivatives," and cash equivalents specified under "Eligible Cash Equivalents — Cash Management." Before investing in asset-backed securities or mortgage pools, the Fund will use reasonable efforts to ensure that such funds are not considered "plan assets" under ERISA. As an alternative to the direct investment in securities, the Fund may invest in exchange traded funds, mutual funds and other types of pooled or bundled investment vehicles, including those sponsored or advised by an affiliate of the Investment Manager ("Related Funds"). Investments in such vehicles (other than Related Funds) may involve a layering of fees and other costs, and may be subject to limitations on redemptions. Investments in Related Funds will not result in additional fees being paid to Loomis Sayles, or their affiliates. These vehicles, including one or more Related Funds, may have more favorable indemnification protections for the Investment Manager, including Loomis Sayles or an affiliate, than those relating to the Fund. The Fund's investment in such vehicles that are registered under the U.S. Investment Company Act of 1940, as amended (the "U.S. Investment Company Act"), is limited under the provisions of that Act.

Minimum Credit Quality. At least 80% of the Fund's Market Value must be invested in investment-grade securities rated BBB- or higher by Standard & Poor's Ratings Group ("S&P"), Baa3 or higher by Moody's Investors

Services, Inc. ("Moody's"), or BBB- or higher by Fitch Investor Services, Inc. ("Fitch"), as determined at the time of purchase, counting cash and cash equivalents toward such percentage.

Maximum High Yield. Up to 20% of the Fund's Market Value may be invested in securities rated below investment grade by Moody's, S&P or Fitch ("high yield securities"), as determined at the time of purchase.

Split Rated Securities. If the ratings assigned to a security by S&P, Moody's or Fitch are not the same, the highest rating of these rating agencies will be used.

Non-Rated Securities. If a security is not rated by S&P, Moody's or Fitch, the equivalent rating determined by the Investment Manager's Research Department will be used.

Downgrades. The Investment Manager may continue to hold securities that are downgraded in quality subsequent to their purchase if, in the opinion of the Investment Manager, it would be advantageous to do so.

Non-U.S. Issuers and Non-U.S. Dollar Denominated Issues. 100% of the Fund's Market Value may be invested in non-U.S. issuers or non-U.S. dollar denominated issues.

Currency Transactions. The Fund may engage in currency transactions for hedging or non-hedging purposes, including for direct investment in currencies as an asset class. The Fund may engage in currency hedging to protect against a decline in the value of currencies in which it invests. The Fund may engage in cross currency hedging to protect against declines in the value of currencies, but unlike currency hedging, this involves currencies distinct from the base currency of the hedged investments of the Fund. Cross currency hedging could be engaged in due to price dislocations in the market, overvalued relative exchange rates between two currencies, differential yield curve shapes or unusual differences in money market rates, etc. The Fund may invest in currencies as an asset class to express positive or negative views on currencies without having to invest in bonds denominated in those currencies. Direct investments in currencies may also be made where investments are either unavailable to the Fund due to market conditions or foreign market restrictions, or where investments are unattractive from a credit standpoint. Generally, the Fund will invest in currencies through forward foreign currency exchange transactions rather than buying (or selling) currencies outright.

Issue Limitation. No security, except securities issued or guaranteed by the government, its agencies, or instrumentalities or government sponsored entities of the United States, Canada, United Kingdom, Germany, France, Australia, New Zealand and Japan or securities issued or guaranteed by AAA rated supranational entities, will comprise more than 5% of the Fund's Market Value, as determined at the time of purchase.

Industry Limitation. No industry, as defined by Barclays, except securities issued or guaranteed by the government, its agencies or instrumentalities or government sponsored entities of the United States, Canada, United Kingdom, Germany, France, Australia, New Zealand and Japan or securities issued or guaranteed by AAA rated supranational entities, will comprise more than 25% of the Fund's Market Value, as determined at the time of purchase.

Portfolio Turnover. There is no limitation on portfolio turnover. It is possible that the Fund may have substantial turnover, which may exceed 100 percent (100%) annually.

Conversion. The Fund may receive instruments not contemplated herein through the conversion, exchange, reorganization or bankruptcy of an otherwise permissible security held in the Fund. The Investment Manager may hold or dispose of these instruments at its discretion.

Eligible Derivatives. Examples of derivative instruments that the Fund may use include options contracts, foreign exchange forward contracts, non-delivery foreign exchange forward contracts, structured notes, futures contracts, options on futures contracts, zero-strike warrants and options, swap agreements and debt-linked and equity-linked securities.

Derivatives Cover and Leverage. The Fund shall maintain liquid assets to cover its derivatives obligations according to the following guidelines (1) derivatives used for non-hedging purposes, except for derivatives used to manage duration and currency exposure, will be covered with cash, cash equivalents and other high quality liquid assets (obligations issued or guaranteed by a G-12 government or its agencies, including U.S. government-sponsored mortgage backed securities) equal to 100% of the notional amount, (2) credit default swaps bought by the Fund (short position) will be covered with cash, cash equivalents and other high quality liquid assets equal to 100% of the net present value of the total premiums to be paid for the life of such swap, and (3) all other derivatives used by the Fund will be covered with cash, cash equivalents and other high quality liquid assets equal to the mark-to-market obligation of the derivative plus any premium and with an additional amount determined by the Investment Manager in its sole discretion.

For derivatives used to manage duration (e.g., government futures), certain interest rate strategies require notional amounts in excess of the Fund's value. Futures will be limited by the duration range of the Fund.

The Fund will not use derivatives to take on exposures above the limits set forth above in its guidelines and shall follow these exposure guidelines: (1) the notional value will be used for determining the Fund's long exposure to an issuer, industry, credit quality or currency, except for derivatives used for duration management and US government and agency TBAs, for which the mark-to-market value will be used, (2) short exposures obtained through derivatives used for hedging purposes will not be netted against or added to long exposures for purposes of calculating the limits set forth in the guidelines above and (3) the absolute value of short exposures obtained through derivatives not used for hedging purposes will be included for purposes of calculating the limits set forth in the guidelines above.

The Fund's obligations for derivatives used for duration management will be measured by the mark-to-market value of the derivative contracts. For index derivatives, all guideline requirements will be applied by reference to the characteristics of the index itself. Counterparty exposures will also be included, so that the combination of unsecured counterparty risk and issuer exposure will not exceed the issuer limit under the Fund's guidelines.

Eligible Cash Equivalents — Cash Management. The Fund may invest in commercial paper, the Custodian's short-term investment funds, or fixed income securities eligible under "Eligible Investments" with a maturity of less than one year.

Eligible Commingled Funds. The Fund may invest in interests in privately and publicly offered commingled investment vehicles ("Commingled Funds"), including, to the extent permitted by applicable law, Commingled Funds advised by the Investment Manager or its affiliates. Without limiting the generality of the foregoing, the Fund may invest in the Loomis Sayles Senior Loan Fund, LLC (the " Loan Fund") for which Loomis Sayles is the manager. Further information regarding the Loan Fund is available in Exhibit B, Commingled Pool Investment Objectives, Policies and Limitations. Allocations to Commingled Pools are not static and may be reallocated by the Investment Manager or its affiliates from time to time. Investments in Commingled Funds shall not be subject to any guidelines or restriction included herein, with the exception of the credit quality, country, duration and currency restrictions. In applying these restrictions, the credit quality, country, duration and currency of the applicable Commingled Pools will be used and not the credit qualities, countries, durations and currencies of the underlying instruments in the Commingled Pools.

Short-Term Investment Fund. The Investment Manager may arrange for a sweep of cash in the Fund into the Custodian's short-term investment fund programs. The Investment Manager or its affiliates is not responsible for the Custodian's investment decisions for its short-term investment program or vehicle.

Cash and Cash Equivalent Limitation. Once the Fund is fully invested and except in connection with capital additions or withdrawals (or temporary defensive positions) the Fund may not have more than 5% of its Market Value in cash and cash equivalents. The Investment Manager shall have a reasonable period of time, not to exceed six months, to bring the Fund into compliance with this limitation.

Borrowing. The Fund may borrow money for temporary or emergency purposes.

Guideline Cure Period. With respect to the parameters described above that are evaluated at the time of purchase, if the Fund's investment portfolio does not conform to such parameters at the time of investment in a security subject to the parameter, the Investment Manager shall promptly bring the Fund into compliance with such investment guidelines. With respect to the parameters described above that are to be complied with on an ongoing basis, if at any time the Trust's investment portfolio does not conform with such parameters as a result of market movements, additions to and withdrawals from the Fund, or other events beyond the control of the Investment Manager, the Investment Manager shall have a reasonable period of time, not to exceed six months, to bring the Fund into compliance with the applicable investment guidelines.

Modification of Investment Objective, Policies and Restrictions

The Investment Manager may make material modifications to the Fund's investment objective and policies only upon notice to Participating Trusts. The Investment Manager or its affiliates may make nonmaterial modifications to the Fund's investment objective and policies without notice to the Participating Trusts. The Investment Manager or its affiliates may not reduce the rights of a Participating Trust or Class without consent of such Participating Trust or Class.

Temporary Defensive Position

For temporary defensive purposes, the Fund may reduce its position in eligible investments and increase without limit its position in short-term, liquid, high-grade debt securities, which may include U.S. Government securities, bank deposits, money market instruments and short-term debt securities, including notes and bonds, or hold its assets in cash (U.S. dollars, foreign currencies or multinational currency units). While the Fund is investing for temporary defensive purposes, it may not meet its investment objective.

Reams Asset Management Company ("Manager")
Core Plus Fixed Income ("Fund")
Statement of Objectives, Guidelines and Procedures

Objectives

The objective of the total fixed income portfolio is to provide above-average total return in a manner that is consistent with the typical rate-of-return volatility exhibited by broad market fixed income portfolios. The return of the Manager should exceed that of the Barclays Capital Aggregate Bond Index, net of fees, over a typical market cycle (generally three to five years).

The fixed income portfolio should be broadly diversified across markets, sectors, securities, and maturities in a manner consistent with accepted standards of prudence.

All investments are subject to compliance with Investment Policies, Objectives and Guidelines for Ventura County Employees' Retirement Association (VCERA). The portfolio must be managed in accordance with the guidelines and restrictions.

In addition, the Manager shall adhere to the CFA Institute Code of Ethics and Standards of Professional Code of Conduct as presented in the *Standards of Practice Handbook*.

Guidelines

The total portfolio may invest in the following types of securities, subject to the restrictions listed below.

U.S. Treasuries U.S. Agencies U.S. corporate bonds Mortgage-backed securities Asset-backed securities Municipal bonds Structured notes Cash equivalents	Derivative mortgage-backed securities Bonds of developed non-U.S. issuers Bonds of emerging non-U.S. issuers Fixed income and currency futures, options, forward contracts and swaps Private placement bonds Rule 144(a) securities Commercial mortgage-backed securities Capital notes/Preferred trust certificates Commingled funds investing in fixed income securities

Restrictions

The total portfolio must comply with the restrictions listed below on the basis of both percentage of assets and percentage contribution to total portfolio duration.

Duration
Duration may be managed to a maximum 25% underweighting/overweighting relative to the Barclays Capital Aggregate Bond Index.

Security Type Qualifications
Futures, options and forward contracts are allowed to the extent that they are used in a manner that does not materially increase total portfolio volatility or relate to speculative activities. The instruments may not be used to lever the portfolio.

Structured notes are permitted provided that the note's investment characteristics are of a fixed income nature.

Preferred stock and bonds convertible into common stock are permitted provided that they exhibit bond-like characteristics.

Credit Quality
The total fixed income portfolio will maintain a minimum average credit quality rating of A. Issues that are unrated by any major credit rating agency shall be rated by the Manager, who shall compare an unrated bond's fundamental financial characteristics with those of rated bonds to determine the appropriate rating.

Bonds rated investment grade by either Moody's, Fitch, or Standard & Poor's must comprise at least 85% of the total portfolio.

The portfolio's below-investment grade holdings are limited to a maximum of 1.5% in any single issuer at the time of purchase. A maximum of 1% of the portfolio's weight may be allocated to a below-investment grade issue.

Non-U.S. Exposure
Bonds issued by any non-U.S. entity shall not exceed 20% of the total portfolio. Examples of securities included in this restriction include the following:

Yankee bonds Non-U.S. sovereign bonds Non-U.S. non-sovereign bonds Structured notes linked to non-U.S. markets	Emerging market sovereign bonds Emerging market non-sovereign bonds Supranational bonds

5% in bonds issued by entities not domiciled in the J.P. Morgan Government Bond Index. This restriction is meant to limit the portfolio's emerging market exposure to no more than 5%.

1% in bonds issued by any single entity domiciled in a country not included in the J.P. Morgan Government Bond Index.

Additional Sector and Position Limits

To the extent that the portfolio holds an allocation to non-investment grade emerging market bonds, that exposure shall also count against the total portfolio's 15% high yield maximum and 20% non-U.S. maximum combined allocation.

Mortgage-backed securities that a manager classifies as exhibiting unusually high interest rate sensitivity relative to typical U.S. Government agency mortgage pass-through issues shall not exceed 5% of the total portfolio. Examples of securities likely to qualify as "highly interest rate sensitive" include IOs, POs and inverse floaters.

Excluding U.S. government and agency issues the portfolio is limited to a 5% allocation in any single investment grade U.S. issuer.

The portfolio's combined allocation to the security types listed below may not exceed 30%.

Bonds not receiving an investment-grade rating from either Moody's, Fitch, or Standard & Poor's[1]

Bonds issued by non-U.S. entities

Privately placed debt, excluding 144(a) securities

Mortgage-backed securities that a manager classifies as exhibiting unusually high interest rate sensitivity relative to typical U.S. Government agency mortgage pass-through issues

Performance Measurement

The net-of-fee returns of the total fixed income portfolio are expected to be in the top quartile of comparable bond managers during trailing one year periods.

The portfolio's performance is also expected to compare favorably to that of the Index, net of fees, on a risk-adjusted basis.

Reporting Requirements

An update on organizational developments and performance for the portfolio and benchmark for the month, and 1-year returns gross and net of fees will be sent to VCERA and its investment consultant by the 10th of the following month. In addition, a discussion of the portfolio's recent strategy and expected future strategy and demonstration of compliance with guidelines.

Reconcile every quarter accounting, transaction, and asset summary data with custodian reports and communicate and resolve any significant discrepancies with the custodian. Send a copy of the reconciliation to VCERA by the 10th of the following month subsequent to quarter end.

[1] Any nationally recognized rating agency is acceptable.

The Manager will meet with staff as often as determined necessary by VCERA's Board, and will meet with the Board at least annually.

Ensure that all documents, exhibits and written materials that will be used during the annual meeting between the VCERA and the Manager be submitted to and received by VCERA at least seven business days in advance of these meetings.

Provide VCERA with proof of liability and fiduciary insurance coverage of at least $5 million, in writing, on an annual basis.

The Manager shall keep VCERA apprised of relevant information regarding its organization, personnel and investment strategy. The firm will notify the Board of Retirement of Ventura County Employees' Retirement Association within one business day of any change in the lead personnel assigned to manage the account.

Western Asset Management Company ("Manager")
Core Fixed Income ("Fund")
Statement of Objectives, Guidelines and Procedures

Objectives

The objective of the total fixed income portfolio is to provide above-average total return in a manner that is consistent with the typical rate-of-return volatility exhibited by broad market fixed income portfolios. The return of the Manager should exceed that of the Barclays Capital Aggregate Bond Index, net of fees, over a typical market cycle (generally three to five years).

The fixed income portfolio should be broadly diversified across markets, sectors, securities, and maturities in a manner consistent with accepted standards of prudence.

All investments are subject to compliance with Investment Policies, Objectives and Guidelines of Ventura County Employees' Retirement Association (VCERA). The portfolio must be managed in accordance with the guidelines and restrictions.

In addition, the Manager shall adhere to the CFA Institute Code of Ethics and Standards of Professional Code of Conduct as presented in the *Standards of Practice Handbook*.

Guidelines

The total portfolio may invest in the following types of securities, subject to the restrictions listed below.

U.S. Treasuries U.S. Agencies U.S. corporate bonds Mortgage-backed securities Asset-backed securities Bonds and preferred stock convertible into common stock Preferred stock Municipal bonds Structured notes Cash equivalents Bank loans	Derivative mortgage-backed securities Bonds of developed non-U.S. issuers Bonds of emerging non-U.S. issuers Fixed income and currency futures, options, forward contracts and swaps Private placement bonds Rule 144(a) securities Commercial mortgage-backed securities Capital notes/Preferred trust certificates Commingled funds investing in fixed income securities 4(2) CP (commercial paper)

Restrictions

The total portfolio must comply with the restrictions listed below on the basis of both percentage of assets and percentage contribution to total portfolio duration. Each of the restrictions limiting concentration are applicable only at the time of purchase.

Duration

Portfolio duration is to be kept within +/- 20% of the Barclays Capital Aggregate Bond Index.

Security Type Qualifications

Futures, options and forward contracts are allowed to the extent that they are used in a manner that does not materially increase total portfolio volatility or relate to speculative activities. These instruments may not be used to lever the portfolio.

Structured notes are permitted provided that the note's investment characteristics are of a fixed income nature.

Credit Quality

The total fixed income portfolio will maintain a minimum average credit quality rating of AA. Issues that are unrated by any major credit rating agency shall be rated by the Manager, who shall compare an unrated bond's fundamental financial characteristics with those of rated bonds to determine the appropriate rating.

Bonds rated investment grade by either Moody's, Fitch, or Standard & Poor's[1] must comprise at least 70% of the total portfolio.

The portfolio's below-investment grade holdings are limited to a maximum of 1% in any single issuer at the time of purchase. A maximum of 1.5% of the portfolio's weight may be allocated to a below-investment grade issue. Limited Liability Company (LLC) vehicles are to be exempt from the definition of the single issuer.

Non-U.S. Exposure

Bonds issued by any non-U.S. entity shall not exceed 20% of the total portfolio. Examples of securities included in this restriction include the following:

Yankee bonds	Emerging market sovereign bonds
Non-U.S. sovereign bonds	Emerging market non-sovereign bonds
Non-U.S. non-sovereign bonds	Supranational bonds
Structured notes linked to non-U.S. markets	

5% in bonds issued by entities not domiciled in the J.P. Morgan Government Bond Index. This restriction is meant to limit the portfolio's emerging market exposure to no more than 5%.

1% in bonds issued by any single entity domiciled in a country not included in the J.P. Morgan Government Bond Index.

Additional Sector and Position Limits

To the extent that the portfolio holds an allocation to non-investment grade emerging market bonds, that exposure shall also count against the total portfolio's 10% high yield maximum and 20% non-U.S. maximum combined allocation.

[1] Any nationally recognized rating agency is acceptable.

Excluding U.S. government and agency issues the portfolio is limited to a 5% allocation in any single investment grade U.S. issuer.

Mortgage-backed securities that a manager classifies as exhibiting unusually high interest rate sensitivity relative to typical U.S. Government agency mortgage pass-through issues shall not exceed 5% of the total portfolio. Examples of securities likely to qualify as "highly interest rate sensitive" include IOs, POs and inverse floaters.

The portfolio's combined allocation to the security types listed below may not exceed 30%.
Bonds not receiving an investment-grade rating from either Moody's, Fitch, or Standard & Poor's

Bonds issued by non-U.S. entities

Privately placed debt, excluding 144(a) securities

Mortgage-backed securities that a manager classifies as exhibiting unusually high interest rate sensitivity relative to typical U.S. Government agency mortgage pass-through issues

The portfolio's performance is also expected to compare favorably to that of the Barclays Capital Aggregate Index, net of fees, on a risk-adjusted basis.

The Manager will meet with VCERA staff as often as determined necessary by VCERA's Board, and will meet with the Board at least annually.

Reporting Requirements

An update on organizational developments and performance for the portfolio and benchmark for the month, and 1-year returns gross and net of fees will be sent to VCERA and its investment consultant by the 10th of the following month. In addition, a discussion of the portfolio's recent strategy and expected future strategy and demonstration of compliance with guidelines.

Reconcile every quarter accounting, transaction, and asset summary data with custodian reports and communicate and resolve any significant discrepancies with the custodian. Send a copy of the reconciliation to VCERA by the 10th of the following month subsequent to quarter-end.

The Manager will meet with VCERA staff as often as determined necessary by VCERA's Board, and will meet with the Board at least annually.

Ensure that all documents, exhibits and written materials that will be used during the annual meeting between VCERA and the Manager be submitted to and received by VCERA at least seven business days in advance of these meetings.

Provide VCERA with proof of liability and fiduciary insurance coverage of at least $5 million, in writing, on an annual basis.

The Manager will keep VCERA apprised of relevant information regarding its organization, personnel and investment strategy. The firm will notify VCERA within one business day of any change in the lead personnel assigned to manage the account.

Western Asset Management Company ("Manager")
Index Plus ("Fund")
Investment Guidelines

Objectives

The objective of the Index Plus portfolio is to maximize the long term total return in the portfolio while providing a core domestic equity exposure to the Standard & Poor's (S&P) 500 Index and controlling and restricting overall portfolio risk. The return of the manager should exceed that of the S&P, net of fees, over a typical market cycle (generally three to five years).

S&P 500 Index exposure will be accomplished by using the cheapest method of exposure including index futures, options, and the common stocks underlying the index. The core strategy will normally hold a long position in the S&P 500 index futures which will be rolled forward on a quarterly basis. The notional dollar amount of index exposure through any combination of futures, options, and stocks will be confined to a range of 95% to 105% of the market value of the underlying short term investment portfolio, with a target of 100%.

The implied interest rate of the futures or option contracts establishes a cost of funds for the term of the index exposure. The funds in excess of the initial margin will be invested in a short term fixed income portfolio. The objective of this portfolio will be to maximize the total return subject to prudent risk and liquidity constraints described below. To the extent that returns exceed the costs of index exposure for the term, enhanced performance versus the index is achieved.

All investments are subject to compliance with Investment Policies, Objectives and Guidelines of Ventura County Employees' Retirement Association (VCERA). The portfolio must be managed in accordance with the guidelines and restrictions.

In addition, the Manager shall adhere to the CFA Institute Code of Ethics and Standards of Professional Code of Conduct as presented in the *Standards of Practice Handbook*.

Guidelines

The total portfolio may invest in the following fixed income securities and their futures or options derivatives, individually or in commingled funds, subject to credit, diversification and marketability guidelines below, may be held outright and under resale agreement:

1. Obligations issued or guaranteed by the U.S. Federal Government, U.S. Federal agencies or U.S. government-sponsored corporations and agencies;
2. Obligations of U.S. and non-U.S. corporations such as mortgage bonds, convertible and non-convertible notes and debentures, preferred stocks, commercial paper, certificates of deposit and bankers acceptances issued by industrial, utility, finance, commercial banking or bank holding company organizations;
3. Mortgage-backed and asset-backed securities (including CDOs, CBOs & CLOs);

4. Obligations, including the securities of emerging market issuers, denominated in U.S. dollars or foreign currencies of international agencies, supranational entities and foreign governments (or their subdivisions or agencies), as well as foreign currency exchange-related securities, warrants, and forward contracts;
5. Obligations issued or guaranteed by U.S. local, city and state governments and agencies;
6. Swaps, forwards, options on swaps, options on forwards;
7. Securities defined under Rule 144A and Commercial Paper defined under Section 4(2) of the Securities Act of 1933;
8. Swaps, futures and options on commodity indices; and
9. Bank Loans

Any of the following equity securities, indices and their futures or options derivatives, individually or in commingled funds, subject to credit and marketability guidelines below, may be held outright:

1. The Standard & Poor's (S&P) 500 capitalization weighted index
2. Individual equity securities included in the S&P 500 index

Duration Exposure
The average weighted duration of portfolio security holdings will always be one year or less.

Credit Quality
In all categories, emphasis will be on high-quality securities and the weighted average of portfolio holdings will not fall below AA- or equivalent. Holdings are subject to the following limitations

1. Rated Securities: At least 90% of the portfolio will be of "investment grade", i.e. rated as high as or higher than the following standards or their equivalent by one or more nationally recognized statistical rating organizations (NRSRO):
   i. Standard & Poor's BBB-, or A-2, or
   ii. Moody's Baa3, or Prime-2, or
   iii. Fitch BBB-, or D-2

2. Other Unrated Securities: Securities not covered by the standards in (1) above will normally be, in the judgment of Western Asset Management, at least equal in credit quality to the criteria implied in those standards
3. Downgraded Securities: In the event downgraded securities cause a breach of the maximum percentage allocation permitted in below investment grade, the client will be consulted on the appropriate course of action
4. Securities Inside 270 Days: For securities with legal final maturities of 270 days or less, Western Asset Management may use the underlying credit's short term ratings as proxy for establishing the minimum credit requirement

Diversification

The total portfolio must comply with the restrictions listed below on the basis of both percentage of assets and percentage contribution to total portfolio duration.

1. Maturity: Securities covering the full range of available maturities are acceptable.
2. Sector: The portfolio will at all times be diversified among the major market sectors, subject to the following limitations:
   a. Up to 10% of the portfolio may be invested in non-dollar denominated securities; up to 5% of the portfolio may be invested in un-hedged non-dollar denominated securities;
   b. Up to 5% of the portfolio may be invested in U.S. securities rated below investment grade;
   c. Up to 10% of the portfolio may be invested in non-U.S. securities (dollar and non-dollar denominated) rated investment grade; and
   d. Up to 10% of the portfolio may be invested in CDOs, CBOs & CLOs
3. Issuer: Holdings are subject to the following limitations:
   a. Obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations and agencies are eligible without limit
   b. Obligations of other national governments are limited to 10% per issuer
   c. Private mortgage-backed and asset-backed securities are limited to 10% per issuer, unless the collateral is credit-independent of the issuer and the security's credit enhancement is generated internally, in which case the limit is 25% per issuer
   d. Obligations of investment grade corporations are limited to 3% per issuer
   e. Obligations of other issuers are subject to a 2% per issuer limit excluding investments in commingled vehicles
4. Credit: No more than 10% of the portfolio will be invested in issuers rated below Baa3 or BBB- / A2 or P2
5. Derivatives:
   a. No more than 20% of the portfolio will be invested in original futures margin and option premiums, exclusive of any in-the-money portion of the premiums. Short (sold) options positions will generally be hedged with cash, cash equivalents, current portfolio security holdings, or other options or futures positions
   b. Use of leverage is not permitted in the portfolio

Marketability

All holdings will be of sufficient size and held in issues that are traded actively enough to facilitate transactions at minimum cost and accurate market valuation.

Futures and options contracts will be limited to liquid instruments actively traded on major exchanges or, if over-the-counter for options, executed with major dealers.

Performance Measurement

Total portfolio return will be calculated and reported at the end of each calendar month by marking to their respective fair value all index futures and option positions, and the increment from management will be judged against the following standards:

1. other enhanced index managers pursuing similar strategies as measured by recognized measurement services and
2 the U.S. equity market as measured by the total return of the S&P 500 index with all dividends reinvested in the index

These standards will be treated as a target only and should not be considered as an assurance or guarantee of performance.

Performance Objectives

The Manager shall aim to exceed the total return of the S&P 500 index with all dividends reinvested in the index by 75 basis points annually.

Reporting Requirements

An update on organizational developments and performance for the portfolio and benchmark for the month and 1-year returns gross and net of fees will be sent to VCERA and its investment consultant by the 10th of the following month. A discussion of the portfolio's recent strategy, expected future strategy, and demonstration of compliance with guidelines will be included.

Reconcile every quarter accounting, transaction, and asset summary data with custodian reports and communicate and resolve any significant discrepancies with the custodian. Send a copy of the reconciliation to VCERA by the 10th of the following month subsequent to quarter end.

The Manager will meet with VCERA staff as often as determined necessary by VCERA's Board, and will meet with the Board at least annually.

The Manager will ensure that all documents, exhibits and written materials that will be used during the annual meeting between VCERA and the Manager be submitted to and received by the Retirement Office at least seven business days in advance of these meetings.

The Manager will provide the VCERA with proof of liability and fiduciary insurance coverage of at least $5 million, in writing, on an annual basis.

The Manager will keep VCERA apprised of relevant information regarding its organization, personnel and investment strategy. The firm will notify VCERA within one business day of any change in the lead personnel assigned to manage the account.

PIMCO ("Manager") Global Bond (unhedged) ("Fund") Investment Guidelines

Ventura County Employees' Retirement Association
Manager Account # 7384

The investment objectives of the Fund are as stated below.

Performance objective

Achieve "excess return" in the order of 1.5%, relative to the index (Barclays Capital Global Aggregate Bond Index) with a corresponding tracking error target of 2.0-3.0%.

Risk objective

The performance objective should be achieved while minimizing the volatility of return relative to the index over a rolling 3-year period. Volatility is measured as the annualized tracking error (standard deviation of monthly alphas). Ex-post tracking error should, under normal circumstances, be limited to below 4.0%.

Investment Guidelines

Pacific Investment Management Company LLC ("PIMCO") will have full discretion within the guidelines to invest in Global securities of all types represented in the benchmark and those specifically listed in these guidelines. Unless otherwise stated below, the following guidelines will be applied at the time of purchase.

Risk Limits

Duration:	+/- 2 years versus the Benchmark
Currency:	+/- 10% versus benchmark per currency
	+/-25% versus benchmark in aggregate total

Transaction Types

Purchases and sales may be transacted for regular or deferred/forward settlement, including repurchase agreements and reverse repurchase agreements. Hedging, spread, and income generating strategies may include the use of short sales. Currency spot and forward transactions can be used as a means of hedging or taking active currency exposure within risk limits specified above.

PIMCO has authority to take actions in connection with exchanges, reorganizations, conversions or other corporate events that could result in the receipt of securities (including, but not limited to, common stock) that may or may not be referenced elsewhere in the investment guidelines. PIMCO may, in the best interest of the portfolio, hold these for a reasonable amount of time.

Credit Quality Minimums

Should an issue have more than one rating, it should be treated as having a rating equal to the middle of Moody's, S&P and Fitch or the lower when there are only 2. If an issue is not rated by one of these rating agencies, then PIMCO will determine a rating.

Minimum Average Portfolio Quality:	A+ Rating
Minimum Issue Quality:	B- Rating

Minimum Commercial Paper Quality: A2/P2

Should an issue be downgraded below these minimums, PIMCO will determine the appropriate action (sell or hold) based on the perceived risk and expected return.

Leverage

In order to avoid leverage, PIMCO must set aside cash or cash equivalents that it reasonably believes to be sufficient to cover net long exposures resulting from swap, bond futures and forward positions held in the Account. Cash equivalents are defined as investment grade securities (minimum S&P/Moody's rating of A3/P3, or equivalent) with a duration of one-year or less. Cash equivalent securities will not be counted against asset type limits as set forth below. The account will avoid transactions that add economic leverage to the portfolio by inappropriately magnifying risk exposures outside of the portfolio's expected ranges.

Asset Types and Investment Vehicles

- Government and Agency Securities
- Supranational Securities
- Municipal Bonds
- Corporate Securities
- Event-linked Bonds
- Money Market Instruments
- Bank Loans
- Yankee and Euro Bonds
- Mortgage-Backed Securities (including collateralized mortgage obligation ("CMOs") and Real Estate Mortgage Investment Conduits ("REMICs")
- Mortgage Derivatives
- Asset-Backed Securities
- Preferred Stock
- Contingent Securities
- Emerging Market Securities
- Private Placements
- Structured Notes
- Futures and Forwards
- Foreign Exchange
- Options, Caps and Floors
- Swaps and Swaptions
- Credit Default Swaps (Long and Short)
- PIMCO Pooled Funds (with prior written agreement from the client)

Prohibited Investments

- Collateralized debt obligations ("CDOs"), collateralized loan obligations ("CLOs") and collateralized bond obligations ("CBOs")

PIMCO Funds Private Account Portfolio Series

Portfolio

PIMCO Short-Term Portfolio
PIMCO U.S. Government Sector Portfolio
PIMCO Mortgage Portfolio
PIMCO Investment Grade Corporate Portfolio
PIMCO Long Duration Corporate Bond Portfolio
PIMCO Short-Term Floating NAV Portfolio II
PIMCO FX Strategy Portfolio
PIMCO Real Return Portfolio
PIMCO Municipal Sector Portfolio
PIMCO Asset-Backed Securities Portfolio
PIMCO High Yield Portfolio
PIMCO International Portfolio
PIMCO Emerging Markets Portfolio
PIMCO Developing Local Markets Portfolio
PIMCO Senior Floating Rate Portfolio

Concentration Limits

PIMCO will limit the concentrations within the portfolio to the following:

Concentration Limits to Issuers:

- Issuers rated A- or higher 5%
  Excludes sovereign debt of governments rated A- or higher, debt guaranteed by those governments, and US agency securities, which have no limit, and supranational issuers, which have a 25% limitation. Specific mortgage pools and trusts are considered separate issuers, and each tranche within a CMO is considered a separate issue.
- Issuers rated BBB+ to BBB- 3% (5% for sovereigns)
- Issuers rated BB+ and lower 2%

Concentration Limits to Sectors or Security Types:

- High Yield Securities (rated below BBB-) 10%
- Emerging Market Securities: 20%
- PIMCO uses World Bank definition for emerging markets which is based on GNP per capita calculation.
- Below investment grade rated securities cannot exceed 20% of the portfolio when combining High Yield securities and below investment grade rated Emerging Market Securities.
- Private Placements (excluding 144As): 10%
- Mortgage Derivatives 10%

- Structured Notes 5%
- Preferred Securities 5%
- Bank Loans 10%

Compliance Monitoring

If any of the parameters described above are breached (except those that are to be determined at the time of purchase), as a result of market movements, capital additions or withdrawals, credit downgrades or other events not within the control of PIMCO, PIMCO shall have a reasonable period of time, generally not to exceed three months, to bring the portfolio into compliance with the foregoing investment guidelines. PIMCO will notify the Board in a timely manner if any guideline exception occurs, providing details and a recommendation. PIMCO will report on the status of any exception no less frequently than every two weeks until the matter is resolved.

Reporting Requirements and Transaction Types

Monthly – Transaction statement, asset (portfolio) statement, and performance for the portfolio and benchmark for the month, quarter, year-to-date, fiscal year-to-date, 1-year, 3-year, 5-year and since inception annualized returns gross and net of fees will be sent to the Board and its investment consultant by the 10th of the following month. In addition, a discussion of the portfolio's recent strategy and expected future strategy and demonstration of compliance with guidelines shall be included.

PIMCO will meet with staff as often as determined necessary by VCERA's Board, and will meet with the Board at least annually.

Ensure that all documents, exhibits and written materials that will be used during the annual meeting between the VCERA and PIMCO be submitted to and received by VCERA at least seven business days in advance of these meetings.

Provide VCERA with proof of liability and fiduciary insurance coverage of at least $5 million, in writing, on an annual basis.

PIMCO will keep VCERA apprised of relevant information regarding its organization, personnel and investment strategy. PIMCO will notify the VCERA within one business day of any change in the lead personnel assigned to manage the account.

Prudential Financial, Inc. ("Manager")
Prudential Property Investment Separate Account (PRISA) ("Fund")
Investment Guidelines

Listed below are the guidelines for the PRISA investments. Prudential is the discretionary investment manager and fiduciary to the fund. The guidelines are monitored in connection with each investment decision made by Prudential on behalf of PRISA. These guidelines may be waived or modified in the best interest of the fund. Prudential shall notify VCERA within 30 days of any waiver or modification.

Assets consist primarily of direct and indirect interests in real property, including without limitation fee interests, leasehold interests, debt investments such as mortgage loans, swaps, options and interests in general and limited partnerships, limited liability companies, real estate investment trusts or any other entity, security or vehicle which, directly or indirectly, has real property as its primary underlying investment.

Assets may also include a moderate amount of cash and the investment equivalents of cash (to facilitate the orderly programming of permanent investments). The Account may utilize secured or unsecured debt in connection with the acquisition, management or disposition of assets of the Account, and in connection with such borrowings may utilize interest rate caps and similar instruments or methods to control risk.

Legal Structure

PRISA is a separate account product offered through a group insurance annuity contract issued by The Prudential Insurance Company of America. Vehicle Life: Open-end fund

General Description

PRISA is a broadly diversified equity real estate portfolio that invests primarily in completed, income-producing properties with strong cash flow that is expected to increase over time and thereby provide the potential for capital appreciation. The Account makes investments in office, retail, industrial, apartment, hotel, and self-storage properties. Investments may be made through direct property ownership, or indirectly through such vehicles as joint ventures, general or limited partnerships, limited liability companies, mortgage loans and other loans including mezzanine debt, or interests in companies or entities that directly or indirectly hold real estate or real estate interests. The Account has a preference for wholly owned properties but will enter into a venture if PRISA retains unilateral control over the management, sale and financing of the venture's assets or has a viable mechanism for exiting the venture, within a reasonable period of time, without the partner's consent.

Property Type Focus: The fund will make equity investments in all major property types including office, residential, retail, industrial, hotel, and self-storage properties.
Regional Focus: Investments are made in various US markets.
Leverage: As of 3/31/09, the leverage was 35.5%.

Reporting

Manager provides quarterly fund reviews to all PRISA investors describing fund performance and activity. Audited financial statements are provided to investors, which includes an opinion letter representing that the Fund's performance is presented in conformity with the Global Investment Performance Standards (GIPS) previously reported under the AIMR Performance Presentation Standards.

Investment Objective and Performance

The objective of the fund is to annually achieve a total return, which exceeds the NCREIF Fund Index – Open-End Diversified Core Equity (NFI-ODCE).

UBS Realty Investors LLC ("Manager")
Real Estate Separate Account (RESA) ("Fund")
Investment Guidelines

Listed below are guidelines for RESA investments. UBS Realty is the discretionary investment manager and fiduciary to the fund. The guidelines are monitored in connection with each investment decision made by UBS Realty on behalf of RESA. These are guidelines that may be waived or modified in the best interest of the fund. Notice of waiver or modification shall be given to VCERA within 30 days of such waiver or modification.

1. Joint ventures, partnerships or limited liability companies, which own real estate and involve a third party, including in connection with developmental projects, will not exceed 50% of total gross assets.

2. Mortgage loans, including construction loans, will not exceed 30% of total gross assets; a construction loan may only be made in connection with the prospective acquisition of a property on a wholly-owned or partnership, joint venture or limited liability company basis or in connection with a conventional or participating mortgage. Construction loans will not exceed 10% of total gross assets.

3. Publicly-traded REITs, other real estate securities, and collateralized mortgage obligations will not exceed 5% of total gross assets.

4. No one NCREIF property type will exceed 50% of total gross assets.

5. Total investment in any one NCREIF geographic region will not exceed 50% of total gross assets.

6. Total investment in any local market (CBSA)[1] will not exceed 20% of total gross assets.

7. No single new investment shall exceed 10% of total gross assets (applies separately to each non-contiguous investment in a portfolio transaction).

8. Mortgage debt will generally not exceed 20% of total gross assets.

9. Short-term borrowing or a line of credit generally will not exceed 15% of total gross assets.

10. All investments shall be located in the United States.

11. Equity interests (including through joint ventures, partnerships and limited liability companies) in office, apartment, retail, industrial and hotel properties will constitute at least seventy percent (70%) of Gross Asset Value.

[1] Core-Based Statistical Area formerly Metropolitan Statistical Area

12. Cash and cash equivalents will be invested primarily in short-term fixed-income securities such as US government obligations, high quality commercial paper, repurchase agreements, and certificates of deposit, the average maturity of which will be generally 25-65 days and the maximum maturity of which will be generally limited to 185 days.

UBS Realty, as the advisor, may permit temporary and/or immaterial deviations from these guidelines from time to time, in its discretion, if UBS Realty believes that such deviations are in the best interest of TPF, UBS Realty may make prospective changes to the Investment Guidelines at any time, including altering or eliminating existing guidelines or adding new ones, provided that VCERA is given written notice of any material changes at least 90 days before such changes before effective.

RREEF ("Manager") America REIT III, Inc. ("Fund")
Investment Plan

This plan presents a continuing strategy for managing and increasing the real estate assets of RREEF America REIT III, Inc. (the Fund or RAIII). RAIII is a private real estate investment trust (REIT) that seeks to provide shareholders with leveraged value added investment returns above those available from unleveraged, income-producing "core" properties. The Fund achieves these returns by upgrading the physical condition, occupancy and operating characteristics of the properties in which it invests, enhancing their income streams and market values. Fund activities include the acquisition, physical improvement, market repositioning, active management, and sale of well-located apartment, industrial, office, and retail properties in major metropolitan markets across the continental United States. The Fund also invests in new speculative development projects.

RAIII is overseen by an independent Board of Directors and managed by RREEF America L.L.C. (RREEF), a wholly-owned subsidiary of DB Real Estate, the real estate investment management arm of Deutsche Bank Asset Management. RREEF is a major global real estate investment advisor to institutional clients established in 1975.

This Investment Plan (Plan) serves as RREEF's operating guide in building and managing the Fund's portfolio during the 2008 Plan year. RREEF operates on a discretionary basis within the parameters of the Plan. Any investment decisions or actions that fall outside of Plan guidelines require specific, prior approval by the Fund's Board of Directors. The Plan is updated and approved annually. It may be modified at any point during the year in response to changes in real estate markets and performance prospects or in the Fund's investment needs.

Investment Objectives

RAIII seeks to generate nominal, leveraged total returns of 12.0% to 16.0% over the long term from a combination of current income and capital appreciation[2].
In addition the Fund seeks to provide:

- Property acquisitions significantly below replacement cost providing downside protection
- Total returns (leveraged) 300 to 500 basis points over core returns
- Opportunistic property sales
- Quarterly dividend distributions
- Speculative development opportunities where higher potential returns are commensurate with the risk

Overall leveraged targeted returns for the Fund are as follows:

Income Return:	2.00% - 4.00%
Appreciation Return:	6.00% - 8.00%
Total Expected Return:	8.00% - 12.00%
Dividend Yield:	1.00% - 2.50%

[2] Targeted returns in this Investment Plan are Time-Weighted Rates of Returns, as required per the Association for Investment Management and Research (AIMR), are before the deduction of any investment management fees, and are calculated as follows:

Income (Loss) + Appreciation (Depreciation)

Beginning Net Asset Value + Time-Weighted Contributions - Time-Weighted Distributions

Income (Loss) represents all operating income of the investment (i.e. rents, interest and other income from day-to-day investment activities) less operating expenses, determined on an accrual basis in accordance with generally accepted accounting principles, but without regard to debt service, capital expenditures (including leasing commissions), and non-cash expenditures such as depreciation and amortization of intangibles.
Appreciation (Depreciation) represents all realized and unrealized gains and losses on an investment, based on fair market value as determined by the Fund's Board of Directors.

Fund Life
The Fund is an infinite life vehicle. No investment strategy should be subject to limits based upon the life of the vehicle.

Use of Leverage
Moderate leverage up to a maximum of 60 percent of the market value of assets held by the Fund will be used when deemed prudent and advantageous to Fund performance. This leverage may be achieved either through the assumption of existing debt or the placement of new financing. As a general rule, leverage will only be employed if it positively contributes to Fund performance. Under some circumstances, however, properties may be acquired with unfavorable loans in place if (1) management feels they will be attractive investments despite the existing debt, and (2) expected returns meet minimum performance thresholds.

Individual assets may be leveraged up to a maximum of 80 percent of their market value, provided the Fund's overall debt cap is not exceeded.

During 2008 there are 3 loans of $18 million expiring. We are actively working with our capital markets group to renegotiate or replace these loans. The following chart details the Fund's future debt expirations:

% Debt Expiring in 2013 and beyond: 36%

Types of Property to be Acquired
Since this investment is in "wind-down" mode, no further property acquisitions will be made.

Control
The Fund will acquire controlling equity interests in the properties it acquires, either directly or in joint venture with a local partner. In a majority of cases, it will acquire full equity ownership. Direct ownership by the Fund provides management with maximum control and operating flexibility over each asset. However, consideration of joint ventures with carefully selected partners is likely to provide attractive investment opportunities.

Individual Investment Sizes
Equity investment in individual properties will range in size from $20 million to 10% of the Fund's gross market value. Properties may be acquired through portfolio acquisitions provided the individual properties meet the Fund's size and other criteria. Smaller sized individual property investments of less than $20 million may be undertaken where the proposed acquisition will complement the existing portfolio.

Property Holding Periods
Individual property assets may be sold at any time in order to maximize their value to the Fund. Management expects that most will be held for a four to eight year period in order to complete the planned value-adding activity, lease or stabilize the asset, maximize the tax advantages of the REIT structure, and sell on the most favorable terms.

Sustainability
New acquisitions, development, and the existing portfolio will be reviewed in the context of their sustainability and "green" attributes. Where economically justified, a LEED designation will be sought. Early results indicate that environmentally green properties are also more economical to operate and create better value in the long term.

Geographic Focus
Property investments are made in major metropolitan areas within the continental United States, recommended by RREEF's Research Department and where RREEF has an established market presence,

superior local knowledge, access to potential investments, and the ability to provide effective property management and leasing. Target markets vary by property type as noted in the property strategy sections.

All the metropolitan areas targeted for investment are large and economically diverse and have a history of attracting institutional investment. Economic and real estate market conditions vary widely from city to city, between the different property types within each metropolitan area and individual submarkets. These differences are carefully reflected in the initial financial underwriting of each investment, in its price, and in the management plan and operating decisions for each property.

At this mid-stage of the economic and property market cycles, market selectivity is more important than was the case in the earlier recovery stages of the cycles. As a result, primary consideration should be given to those metropolitan areas where economic growth should be the strongest, based on above-average activity in international financial services, defense, trade, medical and high-tech (see Map below). RREEF Research believes these sectors will be the strongest for the US economy during the next several years. These "Globally-Linked" locations should achieve particularly strong economic growth and should be primary targets for investment. This economic growth will continue to produce broad-based activity and increases in space demand. These markets also typically provide above-average household education and income, reflecting their "knowledge-based" foundation.

In the final section of this Plan, investment strategies have been delineated for the four major property sectors, industrial, office, apartment and retail. Target market designations, as shown for each investment style (pp 27-30), are based on both demand and supply conditions.

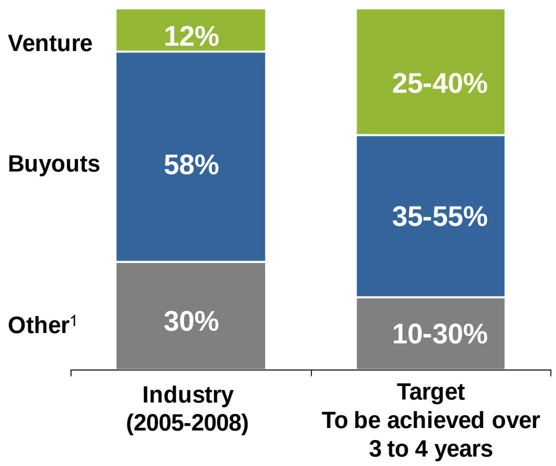
Investments in specific submarkets of other larger metropolitan areas are considered if economic and market conditions in the submarket are sound and the specific investment opportunities are appropriate to RAIII's investment strategy. Based on gross value, 86 percent of existing RAIII investments are located in "globally linked" markets.

The Adams Street ("Manager") Partnership Fund Program - U.S. Fund ("Fund")
Portfolio Guidelines

The portfolio guidelines of the U.S. Fund are subject to the Trade Allocation Policy and are as follows:

- Each participant's subscription to the U.S. Fund will be allocated to private equity partnership investments that in turn invest a substantial portion of their assets in North American companies typically over three to four years;
- No more than 10% of a participant's subscription to the U.S. Fund will be allocated to any single partnership investment;
- Up to 40% of each participant's subscription to the U.S. Fund may be used to opportunistically purchase secondary interests in private equity partnerships and /or their portfolio companies; and
- Adams Street anticipates 15-30 North American private equity partnership investments will be made during each year of the U.S. Fund's investment period. Adams Street Partners will target a participant's subscription to the U.S. Fund to be diversified by subclass asset forth in the chart below.

Over a typical three- to four-year commitment period, the U.S. Fund is targeted to invest as follows:



[1] Includes mezzanine/subordinated debt, restructuring/distressed debt and special situations partnerships

Source: Venture Economics

Pantheon ("Manager" Global Secondary Fund IV (PGSF) ("Fund")
Portfolio Guidelines

Objective

Fund IV's objective is to generate superior risk-adjusted returns for its investors. It aims to achieve this through investing in portfolios of private equity assets, encompassing leveraged/management buyout, venture capital, development capital and mezzanine funds, as well as direct portfolios of private equity assets and other privately negotiated transactions in the secondary market.

Portfolio Diversification

Pantheon will seek to diversify Fund IV's assets by vintage year, sector, industry, stage and geography, as appropriate.

Global Portfolios

Local presence and depth of resources in the major private equity markets worldwide enable Pantheon to maximize its competitive advantage in global transactions.

Clifton PIOS® INVESTMENT GUIDELINES
PIOS® SUMMARY DESCRIPTION AND DEFINED TERMS
Updated January 2013

These PIOS® Guidelines form an integral part of that certain Investment Management Agreement dated January 28, 2008 between the Ventura County Employees' Retirement Association ("Client") and The Clifton Group Investment Management Company as Investment Manager (herein after referred to as "Clifton").

Clifton's PIOS® program is an overlay investment strategy that seeks to provide for the disciplined maintenance of target asset allocations. PIOS® uses financial products to overlay the selected assets of a fund (the underlying "manager portfolio(s)" which are managed by a manager chosen solely by Client) to seek to bring about a more exact match with target allocations. PIOS® can be broken down into six components:

PIOS® PROGRAM ELEMENT	CHECK BOX IF UTILIZED	PROGRAM ELEMENT SUMMARY DESCRIPTION
<u>Invest Unallocated Cash</u>	[X]	Clifton monitors a fund's overall positions daily and synthetically invests unallocated cash using financial futures contracts. Cash will be invested synthetically as directed by Client.
<u>Invest Manager Cash</u>	[X]	Clifton monitors manager cash positions daily and synthetically invests uninvested portions using financial futures contracts. Client will communicate to Clifton which manager's cash positions are to be included in the overlay. Cash will be invested synthetically as directly by Client.
<u>Manage Transitions</u>	[X]	Client will be responsible for contacting Clifton as transition events arise. Each transition issue will be reviewed individually with the objectives of maintaining a seamless transition to target market exposure (no market timing) and minimizing transition costs. Transition events include, but are not limited to, an impending transition of: a) a Custodian, b) manager, c) asset allocations between or among manager portfolios, d) changes in asset allocation targets, e) "bridging" cash positions in alternative asset classes, or f) this program to another manager or termination of program.
<u>Maintain Target Allocation</u>	[X]	A fund's actual allocation is calculated and compared to targets. If actual allocations differ from targets by more than the client's predetermined tolerance level, the fund is synthetically rebalanced on an overlay basis using futures. Target allocations and variance bands as provided by Client are set forth in Addendum A.

Alpha Transport	[ ]	It is possible to separate alpha and beta and capture them independent of one another. In doing so a fund may be able to more efficiently manage specified objectives by targeting a combination of alpha and beta that represents a desired risk/return profile. Alpha can be taken from an asset class where a manager has outperformed the benchmark and "transported" back to the base asset class through the use of futures and/or swaps. The Index and exposure to be maintained as well as the "embedded" beta of the manager portfolio(s) provided by Client are set forth in Addendum A.
Duration Modification	[ ]	The fund's duration may be modified, subject to the duration constraints of the fund, by using exchange traded futures and/or OTC contracts on fixed income securities to lengthen or shorten effective duration. Established targets and related ranges as provided by Client are set forth in Addendum A.

In addition to the use of futures or other financial products as stated in the Product Element Summary Description above, Clifton may utilize other or additional financial products such as Exchange Traded Funds or options or other financial products as limited and subject to the authority Client has granted Clifton.

EACH PROGRAM ELEMENT IS DESCRIBED IN FURTHER DETAIL BELOW

OBJECTIVES

PIOS® seeks to achieve three key objectives: increase returns, improve tracking relative to target allocations and improve portfolio efficiency and flexibility. PIOS®'s impact on Client's fund is dependent in part upon the extent to which each PIOS® component is utilized.

PORTFOLIO MONITORING

On a regular basis (which will be, utilizing reasonable efforts, a daily basis, however in no case less than monthly, and depending upon availability), Clifton will seek to obtain all information from State Street ("Custodian") regarding the market value of the Client's manager portfolios ("Information"). In the case of commingled funds (e.g. mutual funds) or other assets where a "download" of Information is not available, a portfolio value tracking methodology will be established for each holding as set forth in Addendum B. This may involve manually retrieving fund values on a regular basis from the manager for such holdings. In addition, each manager's portfolio holdings will be further broken down defining the specific allocation to equity, fixed income, cash or any other asset class which is to be overlaid by PIOS®.

Subject to the foregoing, where electronic interfacing is reasonably available for the purposes set forth herein, Clifton will be responsible for establishing a communication link and electronic interface methodology enabling the transfer of Information from the Custodian. From time to time such communication link may be unavailable due to system outages or other technical issues outside of Clifton's reasonable control, which include, but are not limited to internet problems, or hardware or software issues.

In the event that Information cannot be transferred on any given day, regardless of the reason, Clifton will attempt to receive Information through an alternative method, such as fax. Client will reasonably assist Clifton in obtaining Information. If Information is ultimately not received by Clifton, an adjustment to the previous day's portfolio value will be made using benchmark index total returns as a proxy. Regardless of the method by which Clifton obtains or is to obtain Information (which may include but is not limited to electronic download, manual retrieval or benchmark index proxy), Client acknowledges and agrees that Clifton will rely on Information provided by these methods without further investigation or confirmation.

In the event that the aggregate fund value changes by more than 1% in a day, Clifton will seek to identify the origin of change (e.g. markets) and contact Client if the reason is not clearly identifiable. If an individual manager portfolio's value changes by more than 3%, a similar process will be followed.

INDEX REPLICATION

Each index replication portfolio will be periodically rebalanced based on the methodology described for each index replication portfolio.

Client's index replication information is set forth in Addendum A.

DOMESTIC EQUITY

When acquiring (long) or removing (short) domestic equity exposure for Client, financial products including but not limited to equity index futures contracts will be used individually or in combination to seek to replicate the benchmark index(es) designated by Client. The replication approach utilized by Clifton will seek to minimize tracking error after giving consideration to trading costs.

INTERNATIONAL EQUITY

When acquiring (long) or removing (short) international equity exposure for Client, financial products including but not limited to international equity index and currency futures will be used individually or in combination to seek to replicate benchmark index(es) as designated by Client. The replication approach utilized by Clifton will seek to minimize tracking error after giving consideration to trading costs.

DOMESTIC FIXED INCOME

When acquiring (long) or removing (short) domestic fixed income exposure for Client, financial products including but not limited to US fixed income futures will be used individually or in combination to seek to replicate the benchmark index(es) as designated by Client. The replication approach utilized by Clifton will seek to minimize tracking error after giving consideration to trading costs.

MANAGER ASSET CLASS ASSIGNMENTS

See daily PIOS® report posted on the company's web site. Client is responsible for informing Clifton, at its earliest opportunity, of any changes in managers or when class assignments are revised.

PIOS® PROGRAM ELEMENT DESCRIPTIONS

INVEST UNALLOCATED CASH

If the Invest Unallocated Cash program element is utilized by Client, this section will apply.

Unallocated fund cash is generally defined as:

1. **Cash balances for the PIOS® overlay pool.** A cash overlay pool will be established with the Custodian to provide the margin necessary for PIOS® positions. The size of the margin pool will be a function of the size of PIOS® overlay positions as well as Client's desire to increase the level of overall fund liquidity. Clifton is responsible for providing Client's representative with an estimate of variation and initial margin required, as well as margin pool adequacy/sensitivity reports for the PIOS® program on a daily basis via Clifton's website at www.thecliftongroup.com. Clifton will attempt to contact Client's representative if the margin pools move to a level requiring the addition or variation margin or when excess margin is present in the margin pool.

2. **Cash held at the fund level in excess of target allocations**. For example, this may be cash from a terminated manager waiting for a new manager to be selected and funded or other fund level cash balances as designated by Client. Cash held at the fund level will be synthetically invested as directed by Client's representative.

The overlay targets for the unallocated cash exposure are set forth in Addendum A.

INVEST MANAGER CASH

If the Invest Manager Cash program element is utilized by Client, this section will apply.

Cash held by equity managers. Cash held by equity managers (including estimated cash in commingled accounts as designated by Client) will be deployed synthetically in the manager's benchmark index or as requested by Client.

Cash held by fixed income managers. Cash held by fixed income managers will not be deployed synthetically unless otherwise requested by Client.

Cash held by other managers. Cash held by other managers may be deployed as requested by Client.

On a daily basis, uninvested or unallocated manager cash is identified and invested via an overlay in the appropriate asset class(es). It is Client's responsibility to establish and revise from time to time the asset class categories and weights and communicate any such revisions to Clifton.

Invest Manager Cash information is provided in Addendum A.

MANAGE TRANSITIONS

If the Manage Transitions program element is utilized by Client, this section will apply.

The Client's PIOS® program representative will be responsible for contacting Clifton with as much advance notice as practicable as transition events arise. Client must provide Clifton with information as specified by Clifton, and in a reasonable time period as so deemed solely by Clifton. Clifton will provide transition management services as provided herein on a best efforts basis, based upon information provided by Client. Minimal information requirements of Clifton may be obtained from Clifton and may be provided on a document or otherwise, posted on Clifton's website.

Each transition issue will be reviewed individually with the objectives of: 1.) minimizing imbalances in actual asset class positions, 2.) maintaining a seamless transition to target market exposure (no market timing), and 3.) minimizing transaction costs.

Clifton acknowledges that there may be transition events that do not require the use of Clifton's services.

SPECIAL CONSIDERATIONS AND RISKS

Tracking Error: Over the term of the PIOS® program for Client, Clifton believes there may be tracking error between the actual overlay portfolio and target allocations described in these Guidelines. For example, futures contract may not exist for certain indices. To attempt to replicate such index results, a blend of futures contracts on securities of various maturities is utilized. This blend of futures contracts may or may not replicate the performance of the actual index. This is a form of tracking error. Tracking error could be material. Other sources for tracking error may include, among others:

- Execution value versus previous day's closing index value
- Transaction costs
- Change in relative futures premiums
- Index replication variances and differences
- Mid-day information flows

Leverage: Leverage introduces special risks and will change the volatility of Client's underlying assets (manager portfolios). Margin is a form of leverage. Adverse moves in the futures positions can require Client to post additional margin beyond those amounts initially deposited. Failure to maintain sufficient margin may result in the closing out of futures positions in a manner not consistent with the Guidelines. Leverage in the form of portfolio volatility or margin requirements may result in a loss to Client.

Futures: Client understands that the use of futures entails risks. These risks include:

- Market Risk – The potential that the market moves in a manner adverse to the futures position causing a mark-to-market loss of capital.

- Liquidity Risk – To the extent the futures position generates a loss in excess of margin available, the fund will require liquid assets to satisfy any outstanding commitments or experience liquidation of positions.

- Collateral Risk – The fund may experience losses on the underlying designated assets in addition to potential losses on the index market exposure overlaying these assets.

- Information Risks – As described above under "Portfolio Monitoring", Clifton will maintain index market exposures based on designated asset values provided by one or more third party(ies). Clifton cannot verify these values but will rely on this information as being reflective of true fund values. If actual fund values are different from the values provided by such third parties, losses may result from over or under exposure to the desired index.

- Leverage Risk – Notional exposure in excess of portfolio capital or fund collateral may produce a significant loss of capital to the fund.

EXECUTION GUIDELINES

In accordance with these policy guidelines, Clifton has the authority to execute trades which are intended to achieve program objectives and are consistent with the structure as described herein.

A daily tracking report will be generated by Clifton using fund data downloaded from the custodian bank, subject to the limitations regarding availability of daily data as set forth in the Portfolio Monitoring section above. The tracking report will generally be completed near the opening of the U.S. market enabling necessary transactions to be completed at the open of the domestic markets. If trades required by the PIOS® policy are not executed due to uncontrollable events (e.g. trading halts) Clifton will contact Client to discuss alternatives. Clifton will implement order execution for all Guidelines based transactions in a manner to seek to avoid having the net synthetic index exposure greater than the underlying total fund cash amount for which exposure, maintenance or rebalancing is sought. In certain instances, such as fixed income and international equity synthetic index exposure, the notional amount of futures contracts utilized may be more or less than the specific exposure sought, but the net synthetic index exposure would remain less than the underlying total fund cash amount, which is unleveraged from a market exposure standpoint.

For example, removing fixed income duration through futures contracts does not typically require sale of a notional amount of contracts equal to the notional amount of underlying fixed income securities held (e.g., $10 in fixed income holdings with a duration of 5 can become "zero" duration cash through the sale of $5 in treasury futures with a duration of 10). An opposite example occurs for gaining international equity exposure in that for every dollar of aggregate exposure desired, one dollar of foreign stock index futures contracts are needed plus one dollar of foreign currency futures contracts are needed (e.g., to gain $10 in FTSE index exposure, $10 in FTSE futures are required plus $10 in British pound futures). This is because foreign stock index futures alone do not include exposure to the US $.

In each of the foregoing examples, it is the synthetic index exposure which remains unleveraged. By combining the foregoing two principles, the concept of not introducing leverage within the PIOS® program is illustrated:

Assume under the PIOS® program a client fund ("Fund X") has $100 in total assets consisting of $30 in large cap equity securities at a manager with a S&P 500 benchmark, $50 in fixed income securities with a duration of 5 at a manager with a Barclays Aggregate Index benchmark, $10 in international equity exposure with a EAFE Index benchmark and $10 in cash. Fund X desires to be fully invested 40% in large cap, 40% in fixed income with a duration of 5, and 20% in international equity. Under the PIOS® program, Clifton would purchase $10 in S&P 500 futures contracts, sell $5 in fixed income futures contracts with a duration of 10 and purchase $10 in foreign stock index futures and $10 in foreign currency futures to bring Fund X into compliance with its asset allocation targets.

The net notional amount of contracts outstanding would be $25 (long $10 in S&P index futures minus $5 short in treasury futures for the fixed income exposure reduction plus $20 in foreign stock index and currency futures to gain the international equity exposure). Yet the position is neutral from a market exposure stand point because the synthetic index exposure of $10 in long S&P futures, $10 in short Barclays index exposure and $10 in long EAFE index exposure (net of $10 long) does not exceed the then cash amount of $10 in Fund X.

Notwithstanding the foregoing discussion of leverage, the use of margin, which is a form of leverage, has special consideration as described above under the caption "Special Considerations and Risks".

REPORTING AND COMMUNICATION

Clifton will provide the following to Client:

1. A tracking report summarizing actual fund allocations, manager holdings (to the extent available), actual PIOS® positions and key program parameters. This report is available daily (in normal circumstances) via Clifton's web site (www.thecliftongroup.com).
2. A program summary report describing the performance of the program relative to the predetermined benchmarks (produced monthly).
3. An accounting report containing transaction details, position values, etc. (produced quarterly).
4. All Clifton employees, including portfolio managers, are accessible to answer questions or clarify activity.
5. In the event market conditions warrant a change to these Guidelines, Clifton will initiate contact with the Client's contact person to discuss any recommended changes.
6. In person performance reviews with a portfolio manager are anticipated to be conducted annually, or more often if requested by Client. Client may request that other personnel from Clifton or its consultants are present for such performance reviews.

There is no assurance the Client will achieve its objective through the use of the PIOS® program. Past performance does not guaranty future results. Clifton does not warrant any particular rate of return, level of tracking error or index replication reliability.

Addendum A

Client will select the assets to be overlaid by Clifton's PIOS® program. Specifically, that portion shall consist of those funds designated by Client as cash reserves at its custodian as well as cash held from time to time by other investment managers for Client (the manager portfolio(s)).

The asset class allocation targets and associated benchmark indexes are as follows:

Asset Class	Target %	Benchmark Index
Domestic Equity	34.00%	Wilshire 5000
Global Equity	10.00%	MSCI ACWI (including US)
International Equity	16.00%	MSCI ACWI (ex US)
Fixed Income	25.00%	Barclays Aggregate
Private Equity*	5.00%	N/A
Real Estate*	10.00%	NCREIF Property
Cash	0.00%	N/A
Total:	100.00%	

* For PIOS® Program purposes, target exposure will be equated with actual exposure with the difference allocated proportionally to the four replicable asset classes - Domestic Equity, Global Equity, International Equity and Fixed Income. For example, if the actual allocation to Private Equity is 4.00% and the long-term allocation is 5.00%, and the actual allocation to Real Estate is 9.00% and the long-term allocation is 10.00%, the difference of 2.00% is allocated as follows:

Asset Class	Target %	Proportional Adjustment	Adjusted Target Allocation
Domestic Equity	34.00%	0.80%	34.80%
Global Equity	10.00%	0.23%	10.23%
International Equity	16.00%	0.38%	16.38%
Fixed Income	25.00%	0.59%	25.59%

It is Client's responsibility to establish and revise as necessary the asset class categories.

INVEST UNALLOCATED CASH AND MANAGER CASH COMPONENT

Unallocated cash and manager cash will be synthetically invested as follows: Clifton will overlay cash balances on an ongoing basis to seek to reduce the overall fund's deviation from the targets. Initially, cash will be securitized in a manner which seeks to reduce the fund's deviation from the adjusted target allocations as defined above. On an ongoing basis, as cash levels change, futures contracts will be added or removed with an objective of reducing imbalances relative to the adjusted target allocation.

MAINTAIN TARGET ALLOCATION COMPONENT

Clifton will monitor fund asset allocation relative to the following variation bands:

Asset Class	Variation Band %*	Rebalancing Approach
Domestic Equity	28% – 38%	Futures Based
Global Equity	7% - 13%	Futures Based
International Equity	12% - 18%	Futures Based
Fixed Income	20% - 30%	Futures Based

*Client will be notified if a variation band has been exceeded.

Rebalancing will occur only upon written direction of Client.

Addendum B

OVERLAID ASSETS FOR WHICH VALUES ARE NOT RECEIVED FROM THE CUSTODIAN

It will be the responsibility of Clifton to request regular updates on the value of the overlaid assets for which values are not received from the Custodian. Because Clifton does not control these managers, it is possible that Clifton will not receive information in a timely manner from such managers. It is also possible that this information will not be accurate. Client agrees that Clifton may rely on such information as provided by the source without further investigation or confirmation.

Managers	Frequency*	Method of Update**	Index Used	Index Btick
BlackRock MSCI ACWI Equity Index	Monthly	Henry Solis's Monthly Reports	MSCI ACWI	JETAX
BlackRock MSCI ACWI ex. US	Monthly	Henry Solis's Monthly Reports	MSCI ACWI ex. US	NDUEACWZ
BlackRock Wilshire 5000	Monthly	Henry Solis's Monthly Reports	Wilshire 5000	DWCF
Extended Equity	Monthly	Henry Solis's Monthly Reports	Wilshire 5000	DWCF
In-House Cash	Daily	Henry Solis's email		
Sprucegrove	Monthly	Henry Solis's Monthly Reports	MSCI ACWI ex. US	NDUEACWZ
Western Asset	Daily	MyStateStreet Daily NAV spreadsheet	Wilshire 5000	DWCF

As more managers are added, it will be Client's responsibility to contact Clifton and assist in developing a method for updating values for each new manager.

Approved and Confirmed Changes to the Guidelines

Date	Guidelines / Change	Verified by
06/02/2008	Portfolio targets and Unallocated Cash targets have been updated.	Email sent on 6/2/2008 by Tim Thonis to Megan Zhou, titled "RE: Ventura PIOS® Guidelines updated with new targets"
07/28/2008	Addendum B has been updated.	
12/03/2008	Addendum B has been updated	
01/05/2009	Addendum B has been updated	
01/20/2009	Addendum A target allocations revised and Maintain Target Allocation Component added	
10/02/2009	Addendum B has been updated.	
11/20/2009	Addendum B has been updated.	
05/26/2010	Addendum B has been updated.	
01/31/2011	Addendum B has been updated, Tim Thonis replaced by Henry Solis.	
06/13/2011	Addendum A has been updated	Email sent on 05/25/2011 to Alex Gomelsky/TCG from Henry Solis titled, "RE: VCERA Cash – Week of May 25th"
08/22/2011	Addendum A: asset class allocation targets and associatied benchmark indexes have been updated	Conference call on August 19, 2011 between Ben and Team PIOS and representatives from Hewitt EnnisKnupp and Client.
06/18/2012	Addendum A: Asset classes revised as well as targets, adjustments and allocations. Revised body of Guidelines regarding Invest Manager Cash.	Conference calls with Client.

Fixed Income Portfolio Discussion

Hewitt ennisknupp
An Aon Company

Memo

To: **Staff and Board**
Ventura County Employees' Retirement Association

From: Russ Charvonia, ChFC, CFP®, Esq.
Kevin Chen

Date: January 28, 2013

Re: **Fixed Income Portfolios Discussion**

Background

Given the current interest rate environment, with rates at or near record lows, very tight spreads and a sense of uncertainty about higher rates and inflation in our future, many clients are considering shifting a portion of their fixed income assets away from benchmark constrained portfolios. In response to Board members' concern regarding how VCERA's fixed income portfolios are likely to perform when/if the tailwinds of decreasing interest rates shift to a headwind of rising rates, we have asked our existing managers what kind of portfolio flexibility they can provide and would like to be granted.

The following reports detail unconstrained strategies and many of the advantages such a strategy may provide. The argument for unconstrained strategies is the potential for outperformance and lower risk profile. The primary negatives are typically lower credit quality for the overall portfolio; and potentially divergent returns from the respective benchmarks.

Both Reams and Western are capable of providing unconstrained strategies. Reams will not require opening any new accounts and the fee schedule would remain unchanged (20 bps for the first $150 million and 15 bps thereafter). However, Western's fees for the unconstrained portfolio would be double the fees for the current portfolio at 60 basis points for the first $100 million and 30 basis points thereafter.

Conclusion

Given the current set of circumstances, we feel the Board should strongly consider moving a substantial portion of the existing Reams fixed income portfolio to their unconstrained option and maintain the Western fixed income portfolio as is. We further recommend this subject be revisited in 12 months.

We look forward to discussing this with the Board at the January 28 meeting.

Hewitt EnnisKnupp, Inc.
707 Wilshire Boulevard, Suite 2500 | Los Angeles, CA 90017
t 213.630.3300 | f 213.996.1762 | www.hewittennisknupp.com

Reams Performance Review

For Periods Ending December 31, 2012

	Percent Gain or Loss						
	Last 12 Months	Two Years (annualized)	Three Years (annualized)	Five Years (annualized)	Ten Years (annualized)	Since Inception* (annualized)	Since Inception** (annualized)
Core Plus Composite	9.17	8.70	9.02	8.93	7.47	11.35	N/A
Unconstrained Composite	29.95	15.03	19.58	18.31	15.79	N/A	12.51
Barclays U.S. Aggregate Index	4.22	6.01	6.19	5.95	5.18	8.84	5.91

*Inception Date 6/1/1981
**Inception Date 8/1/1998

Performance data is from the Core Plus Fixed Income and Unconstrained Fixed Income Composites. Past performance is no guarantee of future results. Performance figures stated gross of fees are in U.S. Dollars, assume reinvestment of income for the entire period and do not reflect the deduction of management fees. Performance results of clients would be reduced by the firm's management fees. For example, an account with a compounded annual total return of 10% would have increased by 159% over ten years. Assuming an annual management fee of .30%, this increase would be 152%. The firm's management fees are detailed in its Form ADV Part II. Please see the Important Disclosures for further information.

Important Disclosures

On November 30, 2010, Scout Investment Advisors, Inc. acquired the advisory business of Reams Asset Management Company, LLC. The performance provided prior to this date is based upon the Core Plus Fixed Income Composite and Unconstrained Fixed Income Composite managed by Reams Asset Management Company, LLC. The portfolio managers and the investment objectives remain the same.

On December 28, 2010, the firm changed its name from Scout Investment Advisors to Scout Investments. Reams Asset Management is a division of Scout Investments, Inc., a registered investment advisor that offers investment management services for both managed accounts and mutual funds. Scout Investments is a wholly owned subsidiary of UMB Financial Corporation. Employees of Scout Distributors receive referral fees and compensation for soliciting clients on behalf of Scout Investments, including the Reams Asset Management Division.

Scout Investments claims compliance with the Global Investment Performance Standards (GIPS®). The Core Plus Fixed Income Composite invests primarily in investment grade securities with investments in high-yield and foreign securities, while maintaining an average portfolio duration of generally between two and one half to six years. The Unconstrained Fixed Income Composite invests in all sectors of the fixed income markets, including investment grade securities, high yield securities and foreign securities. The strategy can maintain an average portfolio duration of any length.

The Core Plus Fixed Income and Unconstrained Fixed Income Composites may invest in derivatives, including credit default swaps and related instruments, such as credit default swap index products. These derivative securities may be used to enhance returns, increase liquidity and/or gain exposure to certain instruments in the market (such as the corporate bond market) in a more efficient or less expensive way. The Long Duration Fixed Income and Unconstrained Fixed Income strategies may also invest in interest rate derivatives to manage duration and yield curve exposure. The Core Plus Fixed Income, Core Plus Full Discretion and Unconstrained Fixed Income Composites may also invest in currency forwards to hedge currency exposure when Reams chooses to establish positions in non-U.S Dollar bonds.

Derivative securities are instruments or contracts the value of which is derived from the performance of an underlying financial instrument, asset, index or obligation. Credit default swaps and other types of derivative securities may involve greater risks than if a portfolio invested in the obligation directly. These instruments are subject to general market risks, liquidity risks and credit risks (including counter-party risks), and may result in a loss of value to your portfolio. The derivative securities market may also be subject to additional regulations in the future. Derivatives used are strictly constrained by client investment policy.

To receive a complete list and description of composites and/or an Annual Disclosure Presentation, please contact David B. McKinney at 812.372.6606. Additional information is available at www.reamsasset.com or www.scoutinv.com.

NOT FDIC INSURED/ NO BANK GUARANTEE/ MAY LOSE VALUE

Portfolio Comparisons as of December 31, 2012

Portfolio Characteristics	VCERA Core Plus Portfolio	Reams Unconstrained Bond Fund (RUBF)	50% Core Plus / 50% RUBF
Avg Portfolio Duration (Yrs)	3.8	-2.2	1.2
Avg Yield to Maturity/Worst (%)	1.9	3.6	2.7
Avg Maturity (Yrs)	5.3	3.0	4.3
Avg Quality	AA-	BBB+	A
Sector Distribution (% of Portfolio)			
Treasury	19.7	0.3	11.0
Govt Related	1.1	0.0	0.6
Mortgage-Backed	24.9	2.3	14.7
Asset-Backed	14.2	18.2	16.0
Inv Grade Corporate	31.4	28.9	30.3
High Yield Corporate	7.3	20.2	13.1
Non US Dollar	0.0	0.0	0.0
Cash & Equivalents	1.4	30.1	14.3
TOTAL	100.0	100.0	100.0
Quality Distribution (% of Portfolio)			
AAA	56.9	30.8	45.1
AA	4.0	1.7	3.0
A	19.6	13.5	16.9
BBB	12.2	22.6	16.9
Below Investment Grade	7.3	31.4	18.1
TOTAL	100.0	100.0	100.0
Duration Distribution (Years)			
0 - 1 yr	0.1	0.0	0.1
1 - 3	0.6	0.5	0.6
3 - 4	0.3	0.4	0.3
4 - 6	0.4	1.0	0.7
6 - 8	0.3	0.7	0.5
8 +	2.1	-4.8	-0.9
TOTAL	3.8	-2.2	1.2
Maturity Distribution (%)			
0 - 1 yr	13.9	46.0	28.4
1 - 3	30.5	17.4	24.6
3 - 5	15.6	5.8	11.2
5 - 7	9.9	13.0	11.3
7 - 10	24.7	14.8	20.2
10 - 20	2.4	2.9	2.6
20 +	3.0	0.1	1.6
TOTAL	100.0	100.0	100.0

Unconstrained Fixed Income Product

December 31, 2012

REAMS ASSET MANAGEMENT
A Division of Scout Investments

227 Washington Street, PO Box 727 Columbus, IN 47202 812.372.6606 www.reamsasset.com

Unconstrained Product

Objective

- To maximize risk-adjusted total return by systematically pursuing relative value opportunities throughout all sectors of the fixed income market.

Performance Benchmark

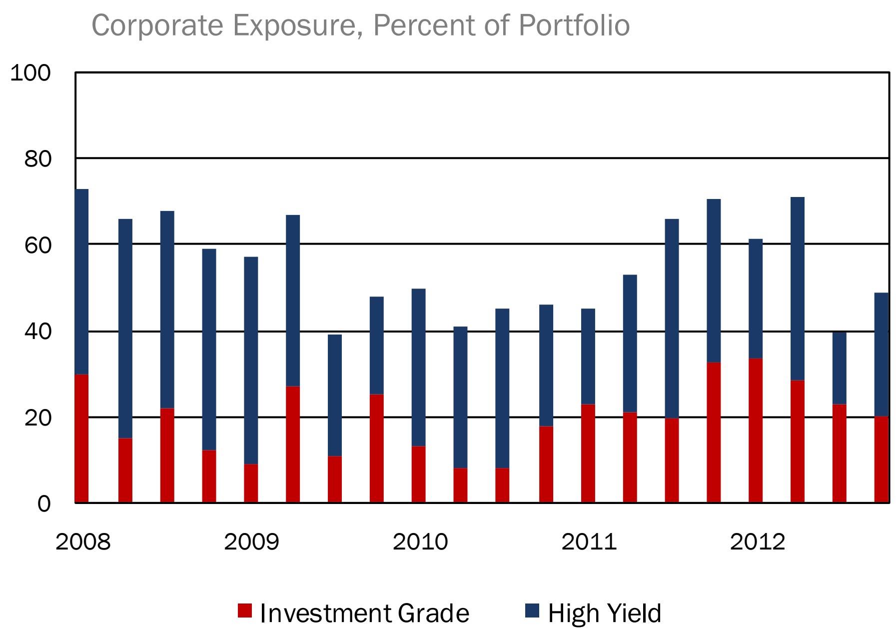
- Merrill Lynch LIBOR 3-Month Constant Maturity Index

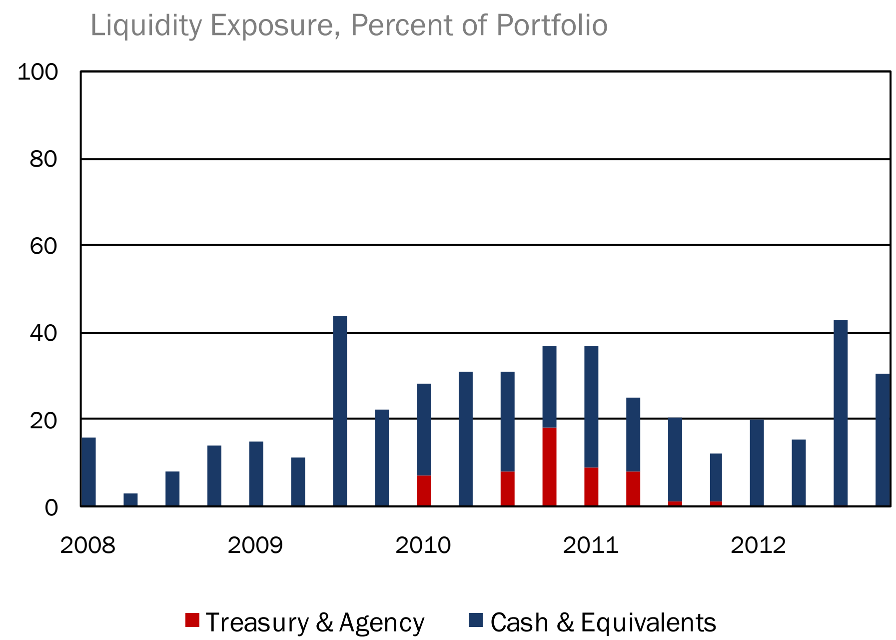
Guidelines

- Average portfolio duration shall be within a range of -3 to 8 years. No restriction on individual holdings.
- No limit on the ratings of individual securities.
- No single credit industry shall exceed 25% of the portfolio at purchase.
- Emerging market securities shall not exceed 30% of the portfolio at purchase.
- Non-U.S. dollar holdings shall not exceed 30% of the portfolio at purchase, including positions hedged and unhedged.
- The use of futures, forwards, options and swaps, including credit default swaps, is permitted. However, such instruments shall not be used to create leverage or for speculative purposes.

Unconstrained Product

- Historically, sector exposures have generally been within the following ranges:
  - Investment Grade Credit: 0 - 50%
  - High Yield Credit: 0 - 75%
  - Government/Agency: 0 - 50%
  - Mortgage-Backed: 0 - 50%
  - Asset-Backed: 0 - 25%
  - Emerging Markets: 0 - 5%
  - Non-Dollar: 0 - 10%
  - Bank Loans: 0 - 15%





Portfolio Characteristics

For Period Ending December 31, 2012

	Composite
Total Market Value	$116 M
Avg. Portfolio Duration (Years)	-2.2
Avg. Yield to Maturity/Worst (%)	3.6
Avg. Maturity (Years)	3.0
Avg. Quality	BAA1

Quality Structure (%)	Composite
AAA	30.8
AA	1.7
A	13.5
BBB	22.6
Below Investment Grade	31.4
TOTAL	100.0

Sector Structure (%)	Composite
Treasury	0.3
Govt Related	0.0
Mortgage-Backed	2.3
Asset-Backed	18.2
Corporate	49.1
Non US Dollar	0.0
Cash & Equivalents	30.1
TOTAL	100.0

Duration Distribution (Years)	Composite
0 - 1 yr.	0.0
1 - 3	0.5
3 - 4	0.4
4 - 6	1.0
6 - 8	0.7
8+	-4.8
TOTAL	-2.2

Maturity Distribution (%)	Composite
0 - 1 yr.	46.0
1 - 3	17.4
3 - 5	5.8
5 - 7	13.0
7 - 10	14.8
10 - 20	2.9
20+	0.1
TOTAL	100.0

The data represents the Unconstrained Fixed Income Composite. Portfolio characteristics and sector weights are included for informational purposes only, and should not be construed as an investment recommendation. It should not be assumed that investments in any sectors listed were or will prove to be profitable. Portfolio composition may change at any time. Individual client accounts may differ from characteristics shown. The sector weights of any particular account may vary based on any investment restrictions applicable to the account.

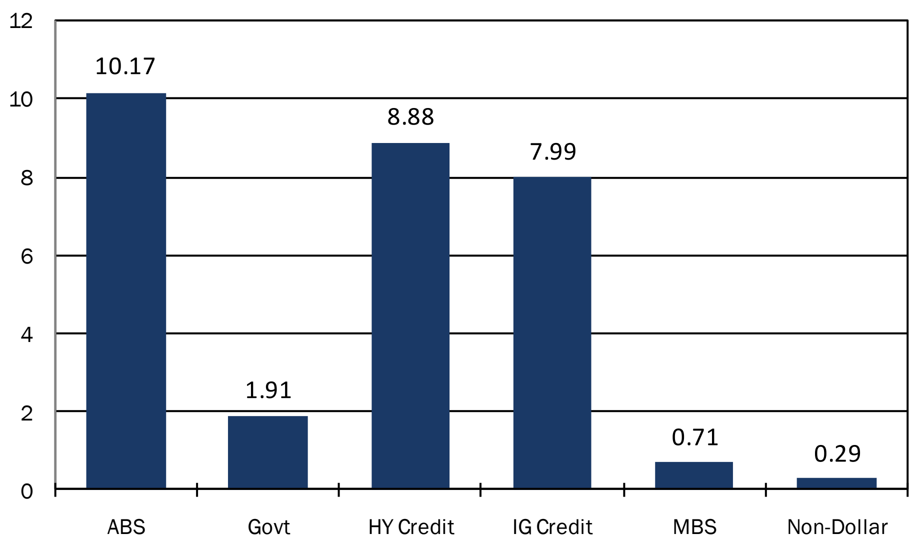
Reams Unconstrained Composite

For Periods Ending December 31, 2012

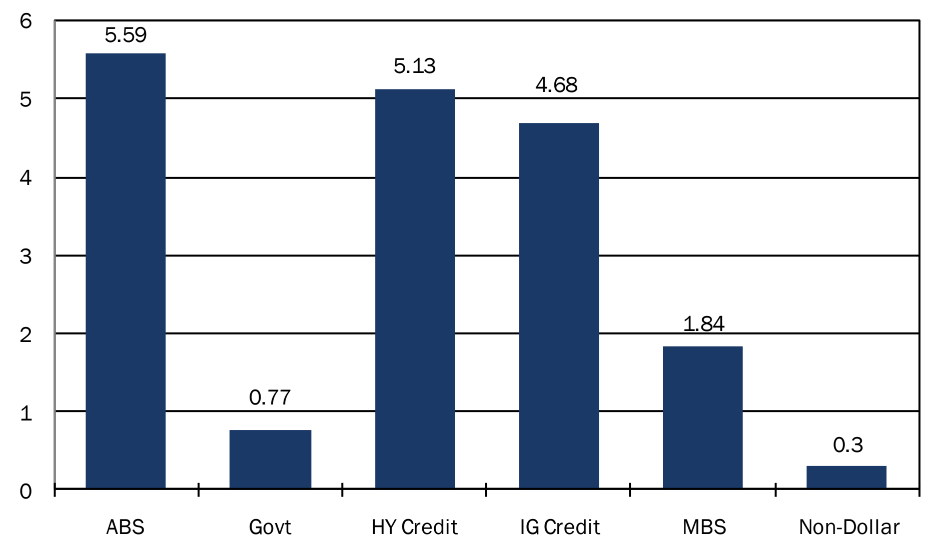
	Percent Gain or Loss					
	Last 12 Months	Two Years (annualized)	Three Years (annualized)	Five Years (annualized)	Ten Years (annualized)	Since Inception* (annualized)
Unconstrained Fixed Income Composite	29.95	15.03	19.58	18.31	15.79	12.51

*Inception Date 8/1/98

Sources of Total Return, Last 12 Months, Percent



Sources of Total Return, 5 Years Annualized, Percent



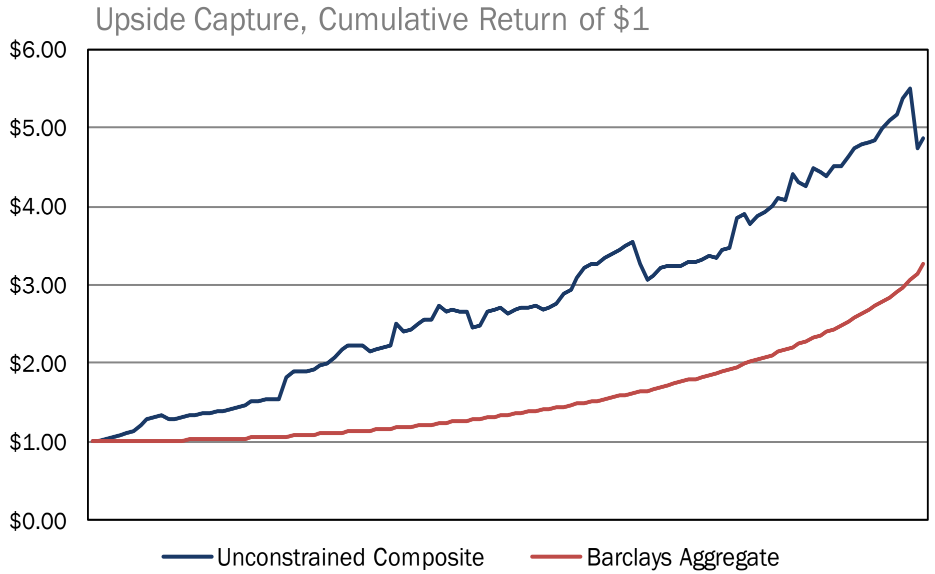
Reams Unconstrained Correlation Matrix

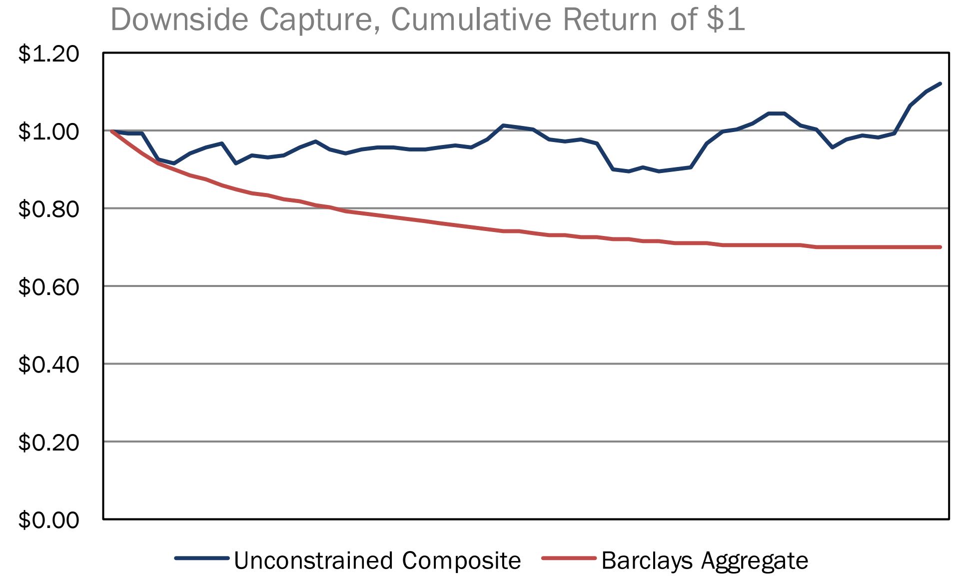
	Merrill Lynch High Yield	Barclays Corporate	Barclays Aggregate	S&P 500	Dow Jones / Credit Suisse Hedge Fund	Reams Unconstrained
Merrill Lynch High Yield	1.00	0.56	0.16	0.63	0.59	0.83
Barclays Corporate		1.00	0.83	0.21	0.30	0.40
Barclays Aggregate			1.00	-0.09	0.01	0.08
S&P 500				1.00	0.56	0.64
Dow Jones / Credit Suisse Hedge Fund					1.00	0.42
Reams Unconstrained						1.00

Monthly data for the period 8/1998 through 12/2012

Reams Unconstrained Composite

Basic Statistics (8/1/1998 - 12/31/2012)	vs. Merrill Lynch HY	vs. Barclays Corporate	vs. Barclays Aggregate	vs. S&P 500	vs. Dow Jones/ Credit Suisse HF
Periodic Compounded Annualized Return for Composite	12.51%	12.51%	12.51%	12.51%	12.51%
Periodic Compounded Annualized Return for Benchmark	6.91%	6.57%	5.91%	3.56%	6.33%
Composite Excess Return	5.60%	5.93%	6.59%	8.95%	6.18%
Batting Average (on monthly data of 170 observations)	58%	65%	65%	58%	56%
Upside / Downside Capture					
Upside Capture	115%	117%	136%	64%	137%
Observations	*116/173*	*119/173*	*120/173*	*104/173*	*116/172*
Downside Capture	71%	18%	-35%	27%	73%
Observations	*57/173*	*54/173*	*53/173*	*69/173*	*56/172*



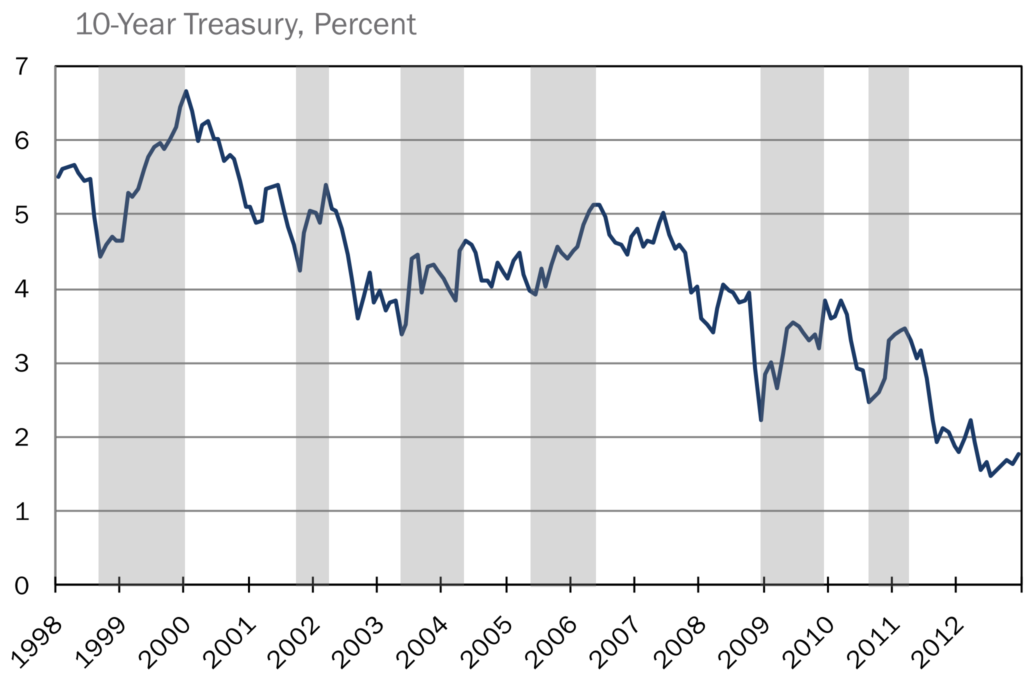


Batting Average is defined as percentage of observations (months) that the composite outperformed the benchmark.

Upside Capture is defined by Evestment Alliance as a measure of the manager's performance in up markets relative to the market itself. A value of 110 suggests the manager performs ten percent better than the market when the market is up during the selected time period. The return for the market for each quarter is considered an up market if it is greater than or equal to zero.

Downside Capture is defined by Evestment Alliance as a measure of the manager's performance in down markets relative to the market itself. A value of 90 suggests the manager's loss is only nine tenths of the market's loss during the selected time period. A market is considered down if the return for the benchmark is less than zero.

Returns in Rising Rate Environments



	Percent Gain or Loss*					
	10/1/1998 - 1/31/2000	11/1/2001 - 3/31/2002	6/1/2003 - 5/31/2004	7/1/2005 - 6/30/2006	1/1/2009 - 12/31/2009	9/1/2010 - 3/31/2011
Unconstrained Composite	17.66	1.74	15.85	6.83	76.62	12.96
Barclays U.S. Aggregate Index	(0.81)	(1.91)	(0.44)	(0.81)	5.93	(0.77)
Difference	18.47	3.65	16.29	7.64	70.69	13.73

* Returns are cumulative for each time period

For the purposes of this illustration, a rising interest rate environment (highlighted in gray) is a period of time during which the 10-Year Treasury rate rose at least 100 basis points.

Important Disclosure

The portfolio data represents the Unconstrained Fixed Income Composite. Portfolio characteristics and sector weights are included for informational purposes only, and should not be construed as an investment recommendation. It should not be assumed that investments in any sectors listed were or will prove to be profitable. Portfolio composition may change at any time. Individual client accounts may differ from characteristics shown. The sector weights of any particular account may vary based on any investment restrictions applicable to the account.

Past performance is no guarantee of future results. Performance figures are in U.S. Dollars and assume reinvested of income for the entire period. Performance figures stated gross of fees do not reflect the deduction of management fees. Performance results of clients would be reduced by the firm's management fees. For example, an account with a compounded annual total return of 10% would have increased by 159% over ten years. Assuming an annual management fee of .30%, this increase would be 152%. The firm's management fees are detailed in its Form ADV Part II.

On November 30, 2010, Scout Investment Advisors, Inc. acquired the advisory business of Reams Asset Management Company, LLC. The performance provided prior to this date is based upon the Unconstrained Fixed Income Composite managed by Reams Asset Management Company, LLC. The portfolio managers and the investment objectives remain the same.

On December 28, 2010, the firm changed its name from Scout Investment Advisors to Scout Investments. Reams Asset Management is a division of Scout Investments, Inc., a registered investment advisor that offers investment management services for both managed accounts and mutual funds. Scout Investments is a wholly owned subsidiary of UMB Financial Corporation. Employees of Scout Distributors receive referral fees and compensation for soliciting clients on behalf of Scout Investments, including the Reams Asset Management Division. Scout Investments claims compliance with the Global Investment Performance Standards (GIPS®).

The Unconstrained Fixed Income Composite invests in all sectors of the fixed income markets, including investment grade securities, high yield securities and foreign securities. The composite can maintain a portfolio duration of any length. The Unconstrained Fixed Income Composite may invest in derivatives, including credit default swaps and related instruments, such as credit default swap index products. These derivative securities may be used to enhance returns, increase liquidity and/or gain exposure to certain instruments in the market (such as the corporate bond market) in a more efficient or less expensive way. The composite may also invest in interest rate derivatives to manage duration and yield curve exposure and in currency forwards to hedge currency exposure when Reams chooses to establish positions in non-U.S Dollar bonds. Derivatives used are strictly constrained by client investment policy.

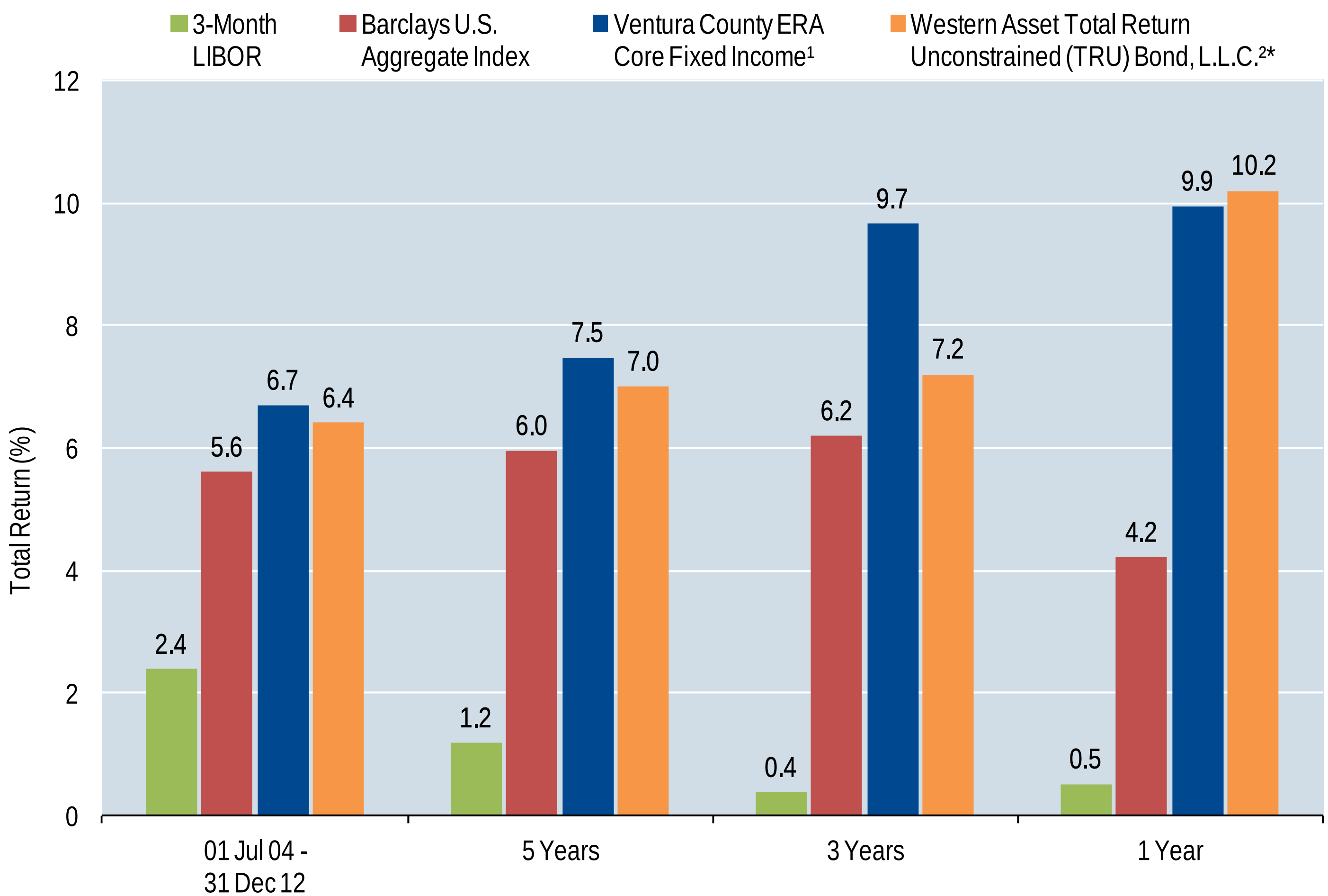
To receive a complete list and description of composites and/or an Annual Disclosure Presentation, please contact David B. McKinney at 812.372.6606. Additional information is available at www.reamsasset.com or www.scoutinv.com.

Ventura County Employees' Retirement Association

January 2013

WESTERN ASSET

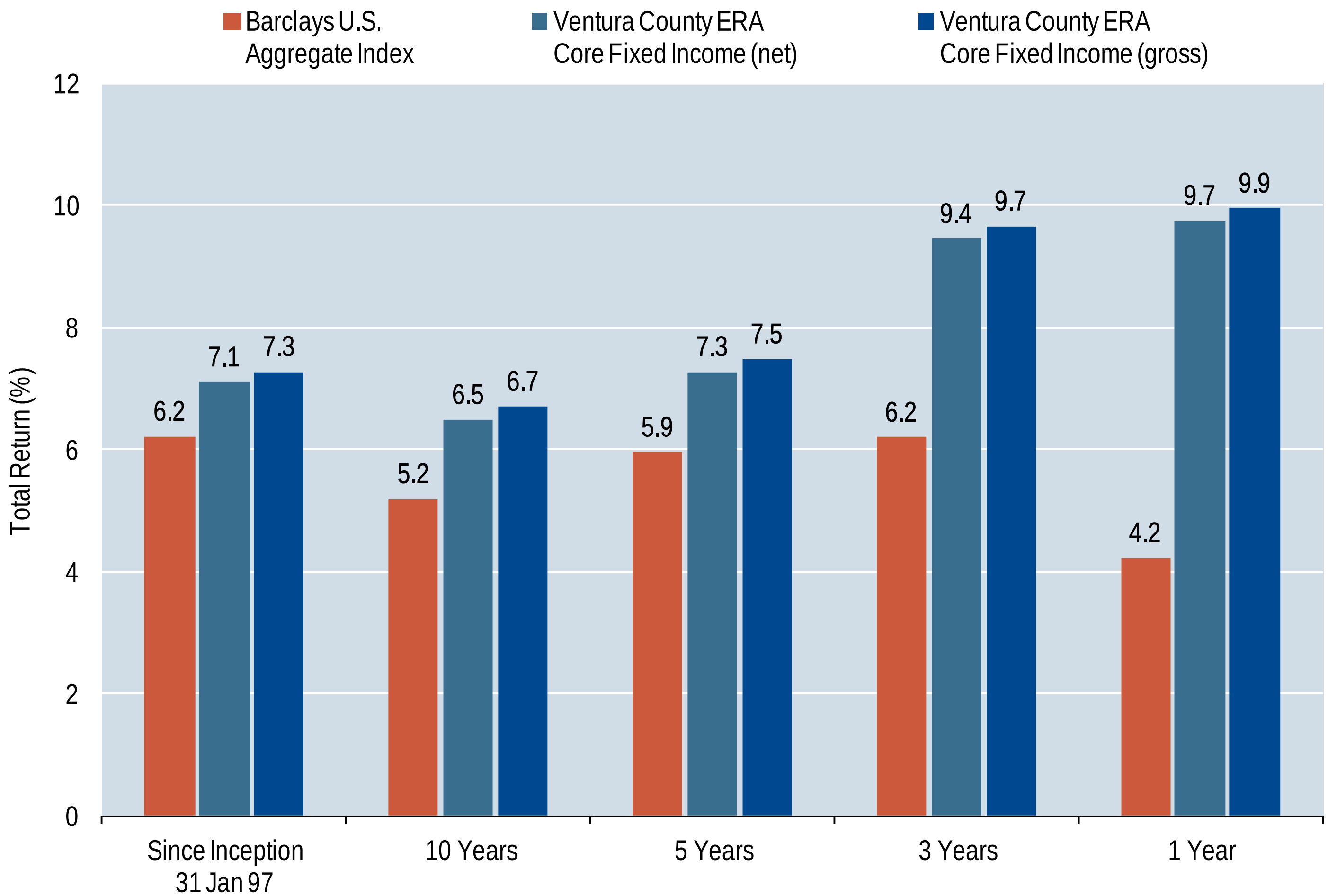
Investment Results



As of 31 Dec 12. Returns for periods greater than one year are annualized. Returns since inception are as of the indicated close of business day.
[1]Performance shown is gross of investment advisory fees. The account's actual return will be reduced by those fees and any other expenses chargeable to the account. The fee schedule for this strategy may be found in Part 2 of Western Asset's Form ADV. As fees are deducted quarterly, the compounding effect will be to increase the impact of the fees by an amount directly related to the gross account performance. For example, on an account with a 1% annual fee, if the gross performance were 10%, the compounding effect of the fees would result in a net performance of approximately 8.93%.
[2]The Western Asset Total Return Unconstrained (TRU) Bond, L.L.C. is not measured against a benchmark. There is no benchmark available which appropriately reflects the strategy. The performance calculation reflects the deduction of administrative and custodian fees only. The impact of advisory fees on performance is not reflected in this calculation.
**Previously referenced as Western Asset Absolute Return Strategy, L.L.C.*

WESTERN ASSET

Investment Results



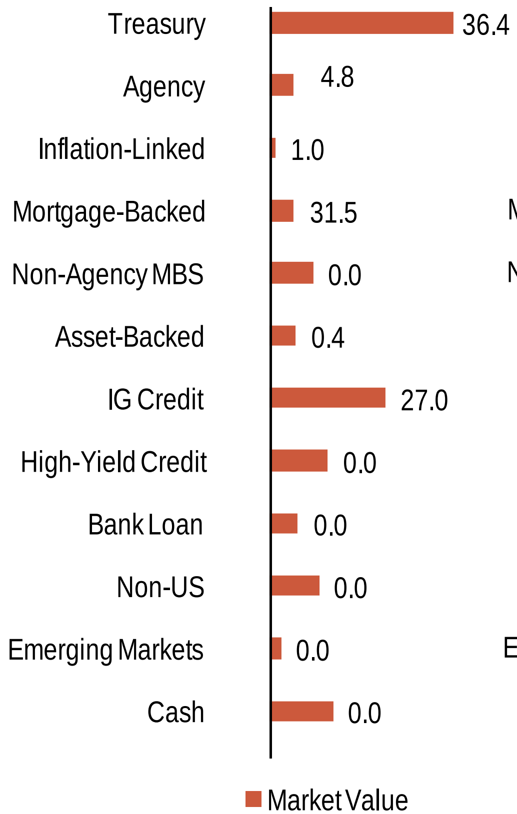
As of 31 Dec 12. Returns for periods greater than one year are annualized. Returns since inception are as of the indicated close of business day.

WESTERN ASSET

Sector Exposure

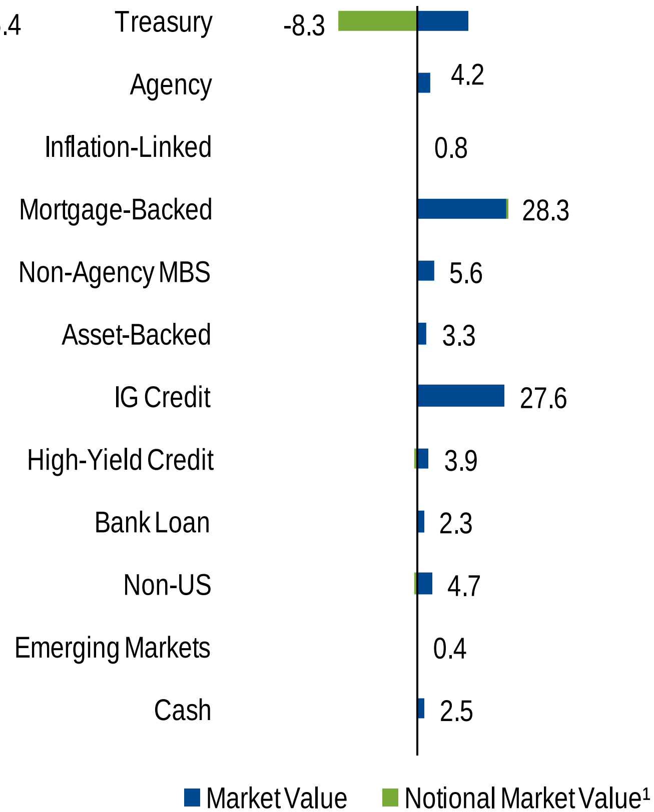
December 31, 2012

Barclays U.S. Aggregate Index (%)
Yield: 1.74



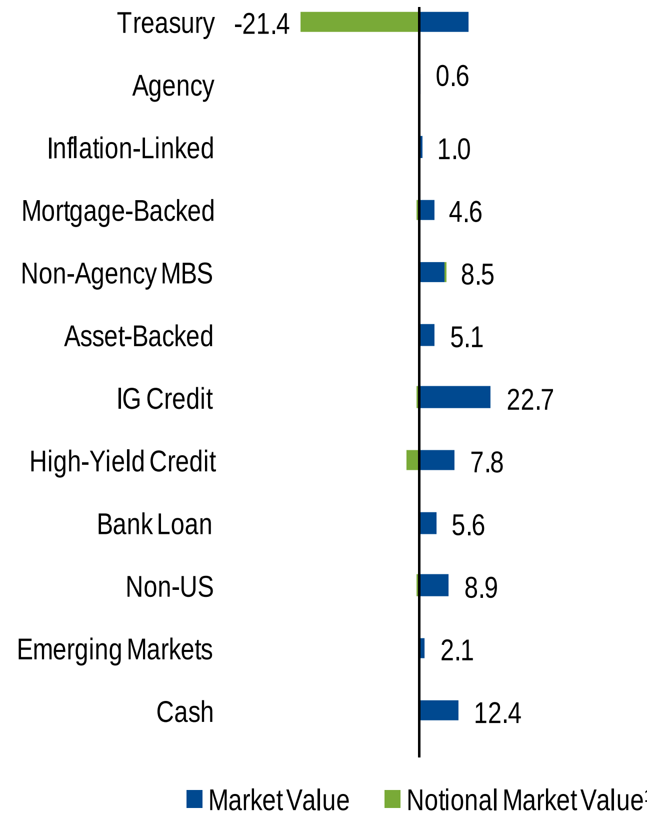
Duration: 5.06

Ventura County ERA Core Fixed Income (%)
Yield: 3.03



Duration: 4.86

Western Asset Total Return Unconstrained (TRU) Bond, L.L.C. (%)
Yield: 2.83



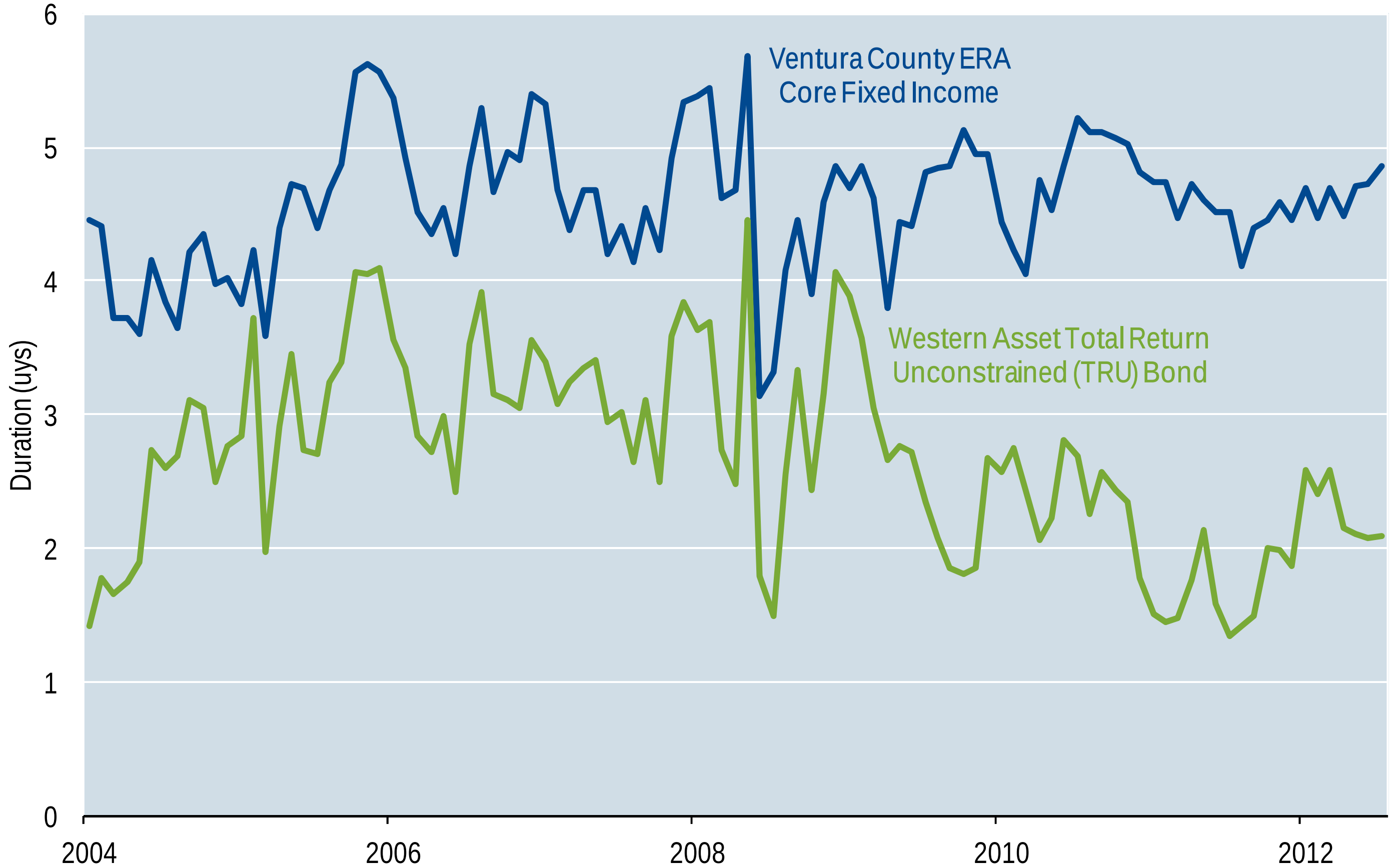
Duration: 2.09

[1]Notional market value represents derivatives notional market value excluding interbank derivatives

Note: Sector exposure includes look-through to any underlying commingled vehicles if held. All weightings are a percentage of total market value. A negative cash position may be reported, which is primarily due to the portfolio's unsettled trade activity. Data may not sum to 100% due to rounding.

WESTERN ASSET

Historical Durations



As of 31 Dec 12.

Guideline Comparison

	Ventura County ERA Core Fixed Income	Western Asset Total Return Unconstrained (TRU) Bond, L.L.C.
Duration	Benchmark +/- 20%	-3 to +8 years
Minimum Investment Grade	90%	50%
Performance Objective	Exceed Benchmark by 100-150bps per annum	Exceed Libor by 200 to 400 basis points
Maximum Unhedged Non-USD Exposure	10%	25%
Maximum Allocation to Non-US Issuer	20%	Silent
Maximum Emerging Market	5%	20%
Maximum High-Yield Corporate Credit	10%	20%
Average Credit Quality	AA	BBB

Source: Western Asset. As of 31 Dec 12

Appendix

Risk Disclosure

Past results are no guarantee of future performance. An investment in the Portfolio may be worth more or less than you originally paid for based on factors such as interest rate, credit, strategy and limited liquidity risks. Additional risks and information regarding fees, expenses and tax considerations are more fully described in the Confidential Offering Memorandum, which must precede or accompany this material. Please read the Offering Memorandum carefully before investing.

Western Asset

Total Return Unconstrained (TRU) Bond Strategy

The global economy is changing at an unprecedented pace. Economic, social and political shifts around the world create new risks and opportunities that may not be optimally addressed by traditional, benchmark-oriented investment approaches. A more flexible approach, not tied to traditional benchmark constraints, may provide the latitude needed to more nimbly manage risks and seize opportunities. Unconstrained fixed-income strategies are designed for investors seeking to achieve their objectives during both bullish and bearish environments for bonds.

Total Return Unconstrained (TRU) Bond Strategy

TRU is an opportunistic fixed-income strategy, not tied to any traditional benchmarks, that seeks to deliver a competitive risk-adjusted return through tactical asset allocation across the global fixed-income opportunity set. Strategies employed include sector rotation, issuer selection, relative-value trading, currency allocation/hedging, and duration and yield curve positioning. The latitude in portfolio construction affords TRU the opportunity to generate absolute returns that are independent of market-capitalization-weighted fixed-income indices, which may have sizable allocations to sectors that are unattractive from a risk/return perspective.

Traditional benefits of a Core Bond approach: Like more traditional Core Bond approaches, TRU places a high priority on capital preservation, risk diversification and liquidity maintenance.

Greater potential for alpha: TRU has the latitude to use virtually any tool available in the global fixed-income markets to take advantage of opportunities when attractive or to meaningfully reduce risk when prudent. TRU makes portfolio allocations based on expectations of positive, long-term performance rather than by issuance or market capitalization, as would be the case with traditional benchmarks and associated strategies.

Active risk mitigation: Relative to traditional bond strategies, TRU has more flexibility to manage risk exposure. For example, TRU's sensitivity to interest rates, or duration, is calibrated based on the relative attractiveness of interest rate levels given Western Asset's market outlook. In a rising rate environment, duration can be reduced to zero or even negative levels to protect the portfolio. This represents a fundamental difference between TRU and any Core Bond strategy, which fundamentally carries interest rate risk. TRU is primarily a long-only investment strategy, although derivatives can be used to efficiently manage risk exposures. Risk will vary over time as the relative attractiveness of the available opportunities changes. Over the long term, the expectation of risk, as measured by annualized standard deviation, is between 4% and 8% with a Sharpe ratio between 0.5 and 1. Since inception, the TRU strategy has achieved a Sharpe ratio of 0.6.

Applications for This Strategy

TRU offers a total-return-oriented fixed-income solution that does not have strategic exposure to intermediate duration. Investors who seek a total rate of return that is independent of interest rate movements and that is more consistent with a fixed total-return target may find this product attractive. Due to its absolute return orientation, some investors use TRU as an "alternative" investment. Other investors use TRU as a complement to their traditional bond allocations, as the strategy seeks to maintain many of the benefits offered by a traditional Core Bond strategy—including capital preservation, liquidity and risk diversification—but without the strategic exposure to interest rate risk. TRU will tend to have modest correlation with spread-sensitive fixed-income and a somewhat higher correlation to equities than Core bond products.

WESTERN ASSET

Multi-Strategy Solutions

Multi-Strategy portfolios can eschew traditional market benchmarks in favor of investor preferences for exposures, either purely opportunistic or with targeted exposures to specific asset classes. These strategies seek to provide investors with performance that is more focused on value- and sector-based exposures, and offers greater flexibility on duration and yield curve management.

Rationale: Investors that manage their portfolios to absolute return targets generally are less interested in broad market indices. Utilizing many of the same sectors as traditional benchmarks in different allocations and with greater flexibility provides the opportunity to generate returns that are less correlated with traditional benchmarks; it also provides exposures that are more consistent with client objectives.

Approach: Western Asset's approach to these strategies is primarily value-based. The Firm seeks to make allocations to sectors that provide compelling return opportunities on both an absolute and a relative basis. Greater duration flexibility allows for more tactical top-down management of portfolio exposures.

Customized Solutions: Western Asset is committed to developing solutions with return and risk profiles that seek to achieve clients' investment objectives. The Multi-Strategy complex originated from tailored solutions that were developed for individual clients. Each was originally designed in collaboration with clients who were attempting to create unique risk/return profiles to achieve specific objectives. Western Asset continues to work with clients to refine existing strategies and to create new strategies designed to meet the investment challenges of today and beyond.

Western Asset Solutions

A pioneer in unconstrained bond investing: Western Asset has been managing multi-sector portfolios since 1971, unconstrained mandates since 1996 and the TRU strategy[1] since 2004. As an active manager focused on absolute and relative value, Western Asset uses its global presence and team approach to assess value across the widest range of opportunities. The TRU strategy embodies Western Asset's best ideas, capitalizing on the depth and breadth of the Firm's expertise and global footprint.

Benchmark-Based Strategies

Core	Investment-grade only	Strategic exposure to US Treasury, Agency MBS and investment-grade corporates
Core Full	Plus below-investment-grade and non-dollar	Opportunistic exposure to below-investment-grade and non-dollar

Total Return Strategies

Global Multi-Sector	Plus global and custom benchmark	Strategic exposure to high-yield, emerging markets and global
Total Return Unconstrained[1]	No benchmark	Opportunistic exposure to all fixed-income sectors
Dynamic Fixed-Income	Plus long/short (alpha) strategies	Opportunistic exposure to all fixed-income sectors and long/short (alpha) strategies
Diversified High Income Bond[2]	Diversified portfolio of higher-yielding opportunities	Strategic exposure to higher-yielding / higher-returning sectors of the fixed-income markets

[1]Formerly known as Absolute Return
[2]Formerly known as Global Credit Opportunities

Why Western Asset?

Western Asset is a global investment management firm committed to understanding the needs of each client, identifying investment solutions, and delivering superior long-term investment results

We believe in value

Philosophy: Western Asset adheres to a long-term, fundamental value discipline. It seeks to generate outperformance over a market cycle by focusing on bottom-up sector, subsector and issuer selection, complemented by the Firm's top-down macroeconomic views. Western Asset believes that its size, scope and depth of resources enable it to achieve effective diversification within each sector mandate and across its Multi-Strategy products. Western Asset believes that having a global presence provides it with perspective and the ability to access and capitalize on opportunities worldwide. The Firm believes that the integration of high-level analytics and sound risk management processes enables and supports effective investment decisions.

We employ a team-based approach with global breadth and local depth

Decision-Making Process: Western Asset generates returns through active management of fixed-income portfolios. Sources of added value include bottom-up subsector, issuer and security selection. Western Asset is research-focused with research analysts on five continents. Risk management and portfolio analytics are integrated into the Firm's investment process. Top-down economic analysis is a critical component of its investment approach, with a focus on long-term trends and results.

Portfolio managers work in collaboration with sector and subsector managers to create asset allocations and to determine appropriate duration and yield curve exposures. The sector specialist teams then work in collaboration with the analysts to identify long-term value opportunities. Portfolio analytics and risk management provide a real-time feedback loop to the portfolio management team on portfolio risk exposure and performance metrics.

Team-Managed: At Western Asset, investment professionals in seven offices around the globe are focused exclusively on fixed-income investing. Western Asset continues to focus on bottom-up investment research, integrated risk management, portfolio analytics and top-down investment management.

We provide investment solutions

Long-Term Approach, Long-Term Performance: Established in 1971, Western Asset focuses on long-term performance and has always been client-centric in its approach. The Firm works with clients to identify and understand performance objectives and risk tolerances. Western Asset's philosophy has never varied; it remains focused on long-term fundamental value opportunities in the fixed-income markets. The Firm's objective is to provide clients with the long-term performance they seek. Its approach is collaborative, focused and consistent.

WESTERN ASSET

Total Return Unconstrained (TRU) Bond

Description

Western Asset's Total Return Unconstrained (TRU) Bond composite includes portfolios that employ actively managed, diversified fixed-income portfolios. Portfolio construction is based on Western Asset's fundamental view of the fixed-income markets and is independent of broad market benchmarks.

Objective

Maximize return consistent with the current market environment and outperform the broad market over the course of a market cycle.

Benchmark

Total Return Unconstrained (TRU) Bond portfolios are not measured against a benchmark.

Approach

Construct a portfolio in which the manager intends to actively manage sector, duration and term structure exposure. The manager will be opportunistic and will make tactical changes based on our fundamental assessment of current market conditions.

Constraints

Duration Exposure: *-3 to 8 years*
Minimum Average Quality: *BBB*

Separate Account Fee

.60 of 1% on first US$100 million
.40 of 1% on amounts over US$100 million
– *The minimum separate account size for a Total Return Unconstrained (TRU) Bond portfolio is US$200 million.*

Assets Under Management

Total Total Return Unconstrained (TRU) Bond Assets: *US$4.6 billion*

Vehicles

Separate Account
Commingled

Portfolio Characteristics

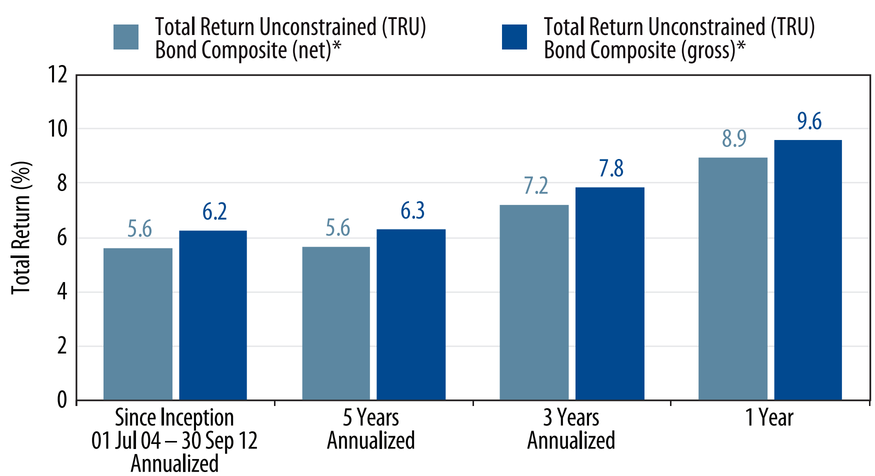
Sector	Term Structure Exposure (Percentage of Duration) 0 - 1	1 - 3	3 - 5	5 - 7	7 - 10	10 +	Sector Exposure Target
Treasury	4	-2	4	-94	37	15	-36
Agency	0	0	0	0	1	0	1
Inflation-Linked	0	0	0	0	-1	7	6
Mortgage-Backed	0	-1	6	4	2	5	16
Asset-Backed	1	1	0	0	0	0	2
Credit	0	4	7	12	18	16	57
High-Yield	0	2	6	4	5	1	18
Bank Loan	0	0	0	0	0	0	0
Non-Dollar	0	0	1	2	8	11	22
Emerging Markets	0	1	2	1	6	4	14
Municipal	0	0	0	0	0	0	0
Cash Equivalents	0	0	0	0	0	0	0
Current Target	*5*	*5*	*26*	*-71*	*76*	*59*	*100*

Sector exposure as percentage of effective duration

Portfolio: • Duration: 2.2 Years • Quality: A+

Data may not sum to 100% due to rounding.

Performance



Total Return Unconstrained (TRU) Bond Composite* as of 31 Dec 11

Year	Net	Gross
2004[1]	5.90%	6.22%
2005	3.24%	3.86%
2006	6.62%	7.25%
2007	1.92%	2.53%
2008	-15.14%	-14.62%
2009	31.64%	32.41%
2010	8.77%	9.42%
2011	1.14%	1.74%

[1] *Performance for 2004 was calculated for partial period: 01 Jul 04 – 31 Dec 04.*

Inception Date: *01 Jul 04*

**Previously referenced as Absolute Return Composite.*
See the Performance Disclosure for more information.
Past results are not indicative of future investment results. This material may not be reproduced or used in any form or medium without express written permission.

Total Return Unconstrained (TRU) Bond Composite

Composite Inception: 7/1/04 | Composite Creation: 10/1/04

	No. of Accts	Gross Total Return	Net Total Return	Benchmark Total Return	Gross Total 3-Yr St Dev	Benchmark Total 3-Yr St Dev	Internal Dispersion	Mkt. Value (US$mil)	Percentage of Firm Assets	Firm Assets (US$mil)
2002	-na-	-na-	-na-	-na-	-na-	-na-	-na-	-na-	-na-	$112,087
2003	-na-	-na-	-na-	-na-	-na-	-na-	-na-	-na-	-na-	$148,333
2004[1]	1	6.22%	5.90%	-na-	-na-	-na-	-na-	$330	0.17%	$197,837
2005	1	3.86%	3.24%	-na-	-na-	-na-	-na-	$1,487	0.60%	$249,233
2006	3	7.25%	6.62%	-na-	-na-	-na-	-na-	$3,472	0.68%	$510,172
2007	4	2.53%	1.92%	-na-	2.19%	-na-	-na-	$5,410	0.87%	$621,493
2008	4	-14.62%	-15.14%	-na-	7.18%	-na-	-na-	$5,294	1.05%	$505,660
2009	4	32.41%	31.64%	-na-	9.37%	-na-	-na-	$4,585	0.95%	$482,218
2010	4	9.42%	8.77%	-na-	9.45%	-na-	-na-	$4,442	0.98%	$453,909
2011	4	1.74%	1.14%	-na-	5.97%	-na-	-na-	$4,019	0.91%	$443,140

Description: Western Asset's Total Return Unconstrained (TRU) Bond composite includes portfolios that employ actively managed, diversified fixed-income portfolios. Portfolio construction is based on Western Asset's fundamental view of the fixed-income markets and is independent of broad market benchmarks. The approach is to construct a portfolio in which the manager intends to actively manage sector, duration and term structure exposure.

Objective: Maximize return consistent with the current market environment and outperform the broad market over the course of a market cycle.

Benchmark Description: The composite is not measured against a benchmark as accounts that may comprise the composite are measured on an absolute return basis. There is no benchmark available that appropriately reflects the guidelines of all accounts within the composite.

Base Currency: USD | Composite Minimum: No minimum asset size requirement

Fee Schedule: .60 of 1% on first US$100 million, .40 of 1% on amounts over US$100 million.

Examination Period: The composite has been examined for the period from July 1, 2004 to December 31, 2011.

[1]Partial period return (July 1, 2004 to December 31, 2004).

Western Asset claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Western Asset has been independently verified for the periods from January 1, 1993 to December 31, 2011.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The verification and performance examination reports are available upon request.

For GIPS® purposes, the Firm is defined as Western Asset, a primarily fixed-income investment manager comprised of Western Asset Management Company, Western Asset Management Company Limited, Western Asset Management Company Pte. Ltd., Western Asset Management Company Ltd, Western Asset Management Company Pty Ltd, and Western Asset Management Company Distribuidora de Títulos e Valores Mobiliários (DTVM) Limitada, with offices in Pasadena, New York, London, Singapore, Tokyo, Melbourne and São Paulo. Each Western Asset company is a wholly owned subsidiary of Legg Mason, Inc. ("Legg Mason") but operates autonomously, and Western Asset, as a firm, is held out to the public as a separate entity. Western Asset Management Company was founded in 1971.

The Firm is comprised of several entities as a result of various historical acquisitions made by Western Asset and their respective performance has been integrated into the Firm in line with the portability requirements set forth by GIPS.

The Composite is valued monthly. The Composite returns are the asset-weighted average of the performance results of all the accounts in the Composite. Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Net of fees results are calculated using a model approach whereby the highest tier of the appropriate strategy's fee schedule is used. This model fee does not reflect the deduction of performance based fees. The portfolios in the composites are all actual, fee-paying and performance fee-paying, fully discretionary accounts managed by the Firm for at least one full month. Investment results shown are for taxable and tax-exempt accounts and include the reinvestment of all earnings. Any possible tax liabilities incurred by the taxable accounts have not been reflected in the net performance. Composite performance results are time-weighted net of trading commissions and other transaction costs including non-recoverable withholding taxes. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The returns for the accounts in the Composite are calculated using a time-weighted rate of return adjusted for weighted cash flows. The returns for commingled funds in the Composite are calculated daily using net asset value (NAV). Trade date accounting is used since inception and market values include interest income accrued on securities held within the accounts. Performance is calculated using asset values denominated in a base currency. Composite assets at year-end presented in the Schedule are translated to U.S. dollars using end of year exchange rates.

Composite returns are measured against a market index. The market index is unmanaged and provided to represent the investment environment in existence during the time periods shown. For comparison purposes, its performance has been linked in the same manner as the Composite. The market index presented was obtained from third party sources deemed reliable but not guaranteed for accuracy or completeness. Benchmark returns and benchmark 3-yr standard deviation are not covered by the report of independent accountants.

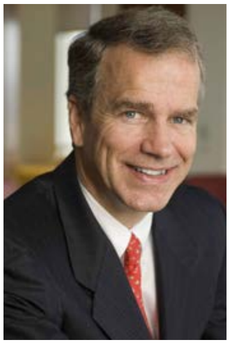
Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were included in the Composite for the entire year. For each annual period, accounts with less than 12 months of returns are not represented in the dispersion calculation. Periods with five or fewer accounts are not statistically representative and are not presented. The three-year annualized ex-post standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. Three-year annualized ex-post standard deviation measures prior to 2011 are not covered by the report of independent accountants.

Past investment results are not indicative of future investment results.

Western Asset's list of composite descriptions is available upon request. Please contact Veronica A. Amici at 626•844•9535 or ramici@westernasset.com. All returns for strategies with inception prior to January 1, 2002 are available upon request.

For more information on Western Asset visit our website at **www.westernasset.com**

Total Return Unconstrained (TRU) Bond



STEPHEN A. WALSH
30 Years Experience

Western Asset Management Company
Chief Investment Officer, 1991–

Security Pacific Investment Managers, Inc.
Portfolio Manager, 1989–1991

Atlantic Richfield Company
Portfolio Manager, 1981–1988

University of Colorado at Boulder, B.S., Finance

*In this Q&A, Western Asset **Chief Investment Officer Stephen A. Walsh** describes the Firm's Total Return Unconstrained (TRU) Bond strategy. Formerly called Absolute Return, TRU Bond seeks to maximize returns by using the broadest cross-section of Western Asset strategies. The strategy, which is not constrained by the limitations of any benchmark, can offer flexibility in both rising and falling interest rate environments while acting as a diversifier to traditional fixed-income strategies.*

Q: Why did Western Asset change the name of the strategy from Absolute Return to Total Return Unconstrained (TRU)?

A: The term "Absolute Return" means different things to different people. Many investors associated the term with a leveraged strategy, which our strategy is not. TRU Bond is a long-only strategy that seeks to maximize returns consistent with the current environment and to outperform the broad market over the course of a market cycle.

Q: Does the name change mean that the strategy itself has changed?

A: The strategy has not changed and remains the same. It was purely a name change that we thought better reflected the objectives of the portfolio.

Q: What are the origins of the strategy at Western Asset?

A: The incubation of the strategy began in 2003 when interest rates at the time were very low. The fed funds rate was at 1%, and investors generally thought that interest rates could go only one way: higher. Clients came to us and asked if we could develop a bond strategy which would allow us to capitalize on our asset allocation and issue selection, but which would seek to avoid the negative consequences of higher interest rates. So interest-rate risk avoidance was the initial reason that Western Asset developed the strategy. The product was funded in July 2004.

Q: How does TRU differ from a Core Full strategy?

A: Our Core Full strategy has a benchmark. We take risk in that portfolio relative to the benchmark, whether it's sector risk or interest rate risk. TRU Bond is not managed to a benchmark. For example, the Barclays Capital Aggregate Bond Index now consists of about 35% mortgages. So if we don't like mortgages, the Core Full portfolio might only have 20%. In TRU, if we don't like mortgages, we could have zero percent in mortgages. The second-biggest difference between TRU and Core Full is on the interest rate side. We have a broader range with which to manage duration in TRU Bond. Interest rate management in Core Full is constrained to +/- 20% of the Barclays Aggregate.

Q: What makes this strategy attractive in a low rate environment?

A: TRU Bond has the ability to perform well in a rising rate environment. At some point in the future, we are going to get higher interest rates. Even if it's not next month, over time you have to believe with a zero percent Fed funds rate and a 2% 10-year US Treasury, rates will start to rise. One of the beauties of this product is that it should be able to generate very strong positive returns even in a rising rate environment by virtue of the fact that it can have negative duration.

Q: Please describe the inputs that go into the TRU process at Western Asset

A: At Western Asset, our US Broad Market Committee, consisting of senior executives, sets strategy by reviewing the landscape and determining our general outlook for investing within the fixed-income markets. In Core Full, those strategies are then developed relative to the benchmark. That same outlook is used to generate strategies for TRU Bond, but we don't have to consider the parameters of a benchmark. We have a blank canvas to be able to take that same output and construct the portfolio any way we choose. The overall themes will look broadly alike, but again we don't have a benchmark when setting position size within TRU Bond.

Q: What kind of investor would be interested in the TRU strategy?

A: I believe it's an investor that wants to take advantage of the broadest cross-section of strategies that Western Asset offers within a fixed-income context. This portfolio strategy can virtually go anywhere and take advantage of any opportunities we see across our global platform. Whether it's Asian debt, Eastern European currency risk or interest rate risk within the United States, TRU Bond is a portfolio strategy that capitalizes on the widest opportunity set that we provide—a kind of all-weather portfolio that can perform well in an interest-rates-up or interest-rates-down environment and with spread-widening or spread-narrowing.

Q: What are the main themes today within the TRU Bond strategy?

A: We are underweight the dollar against emerging market currencies as part of a secular theme, which translates to a longer-term strategy. We are long credit risk, primarily in high-yield and bank loans, and we have negative US Treasury duration. The overall portfolio duration is slightly positive—about two years—but the portfolio has an actual negative US government duration.

Q: What investment themes do you see going forward?

A: With interest rates so low, we are staying with our general view that at some point, rates will rise. We will remain very conservative or very low on absolute interest rate risk to the US marketplace. As a long-term investment theme, we think emerging currencies are likely to do well versus the US, so you can expect us to stay with that theme. On the credit strategies, we have moved around. You could see us add to that position if the current European situation and the questions about US growth cause high-yield to underperform.

Q: How do you decide on the strongest investment themes?

A: The broad strategy team at Western Asset develops the investment themes that we think make the most sense within fixed-income. The strategies for which we have a higher conviction of confidence in our outlook are clearly going to be present in TRU Bond, with a greater sense of focus. As an investment team, we tend to evaluate and debate 10 or 12 different strategies. Some of them you like a little bit and others you like a lot, based on the level of conviction and confidence in the strategy, as well as the valuation in that particular strategy. The strategies with the highest conviction are the strategies that would have the highest allocations in TRU Bond.

Q: How would you implement a negative duration strategy?

A: Typically with interest rate futures and/or options. On the Chicago Mercantile Exchange, we will short Treasury futures outright or buy put options on the portfolio. Those would be the two most direct ways to effect that strategy.

Q: How unconstrained is the portfolio?

A: The portfolio has the most expansive constraints of any of the portfolios we run. It can be as much as 50% below investment-grade and can have as much as 25% currency risk. The portfolio's duration can range from -3 years to +8 years. These wide parameters demonstrate the broad latitude that this portfolio has.

Q: What is the minimum credit rating you would look at initially?

A: The overall portfolio quality would be a minimum rating of BBB—investment-grade. However, the strategy can and does purchase CCC securities. Again, we have the ability to buy the lowest-quality securities out there if our high-yield team or one of our analysts thinks it makes sense.

Q: Without a benchmark, how is risk managed?

A: We manage the overall, annualized volatility of the fund, which we expect over time to be about twice that of our Core Full strategy. Broadly speaking, we do look at tracking error versus LIBOR, and we do look at annualized volatility in the portfolio, which has typically come in anywhere from the same as, to twice as much as, our Core Full strategy.

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Flash Report

Global Investment Management

The Clifton Group

November 2012

Parametric Portfolio Associates LLC to acquire The Clifton Group

On November 12, 2012, The Clifton Group issued a press release announcing that Parametric Portfolio Associates, LLC (“Parametric”) has agreed to acquire the business of The Clifton Group Investment Management Company (“Clifton”) in a transaction that is anticipated to close on or about December 31, 2012. Parametric is a majority-owned subsidiary of Eaton Vance Corp, a publicly traded investment management firm.

Recommendation

For Hewitt EnnisKnupp clients currently utilizing The Clifton Group for Policy Implementation Overlay Services, we recommend no immediate action at this time. Following our conversations with The Clifton Group regarding this announcement, we believe the impending acquisition will not have an immediate material impact on the manager’s investment staff, investment process, risk management practices or back office operations, however we will monitor the progress of the acquisition. Hewitt EnnisKnupp’s Liquid Alternatives research group is in the process of rating The Clifton Group’s Policy Implementation Overlay Services and is incorporating this new information into the evaluation process. It is anticipated that a finalized rating will be available in the upcoming weeks.

Background/Key Considerations

The Clifton Group was founded in 1972 and has been primarily focused on providing traditional cash overlay management services to institutional investors. It was independently owned from its founding in 1972 until 1996, when the firm accepted an offer to sell 80% of its equity to Dougherty Financial Group, LLC (“DFG”). At this time, Clifton is 80% owned by the DFG Group, LLC and 20% owned by three principals of the firm: Chief Investment Officer Jack Hansen, Senior Portfolio Manager Tom Lee and Managing Principal Kip Chaffee. At the time of the anticipated close of the acquisition, each Clifton principal will receive equity in the combined firm and will continue in their current role pursuant to a long-term employment agreement entered into at closing. Additional senior staff at Clifton will have the opportunity to become equity holders in the combined organization.

Among all lines of business, total notional value of assets (funded and overlay) is approximately $30.8 billion across 178 clients, which primarily consists of public and corporate pensions, Taft-Hartleys, endowments, foundations, and healthcare plans. The traditional cash overlay management entails “overlaying” a portfolio’s policy exposure onto its cash balances. More recently, Clifton has begun to offer broader investment solutions such as Global Balanced Risk (Customized Risk Parity completion/Risk Parity), Defensive Equity (low-volatility solution), and Equal Sector Commodities, however our ratings will focus solely on Clifton’s Cash Overlay Management Services.

Following the anticipated close of the transaction, Clifton will cease to exist as a separate legal entity and will operate as a division of Parametric, a majority owned subsidiary of Eaton Vance Corporation. Kip Chaffee will report directly to Brian Langstraat, Parametric's Chief Executive Officer. The remainder of Clifton’s organizational chart is intended to remain the same following the close of the transaction.

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8 Devonshire Square
London EC2M 4PL
United Kingdom

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Flash Report

Global Investment Management

RREEF America REIT III

January 14, 2013

Asset Management and Incentive Fee Changes

No immediate action

Background/Key Considerations

- During the global financial crisis, RREEF America REIT III ("the Fund"), experienced significant losses which required a comprehensive restructuring of the Fund's debt to ensure its ongoing viability. In April 2009, RREEF reduced asset management fees from 60 basis points of gross asset value to 30 basis points of gross asset value. Additionally, all other fees, including acquisition, financing, development oversight, and incentive fees were suspended.

- As the Fund began its recovery, investors expressed concerns regarding aligning compensation with the performance of the Fund and team retention. The Fund's Board of Directors ("Board") and RREEF commenced discussions to address compensation and engaged a consultant, Ferguson Partners, to provide strategic guidance on all manager compensation matters. Subsequently, a Compensation Committee was formed, comprised of select Board members to work with RREEF management, Ferguson Partners, and the full Board to reach a recommendation.

- The Board recommended and adopted changes to the Fund's fee structure at the recent November 2012 Board meeting. Key elements included a 105 basis points asset management fee charged on net asset value ("NAV"), a tiered incentive fee, and a 50 basis points development oversight fee. Additional detail on the history of fee modifications can be found on page 6 of the attached RREEF America REIT III Fee Revisions Update presentation.

- The Board has recommended and adopted a new set of fee changes after receiving feedback from investors and consultants. There will only be a 125 basis points asset management fee charged on NAV with a start date of January 1, 2013. Additionally, 20 basis points of the 125 basis points will be accrued and deferred until the final sale of the Fund's last asset.

Conclusion

RREEF has continued to put forth its best efforts to stabilize the Fund and maximize the recovery of value. The Fund has more than doubled its trough share price of $27.09 (3/31/10) to its current $58.41 share price (9/30/12), though still well below its peak share price of $142.59 (9/30/07). Investors expressed concerns with retaining the Fund's portfolio management team and RREEF had responded by adopting a new fee structure in November of 2012. However, it was not well received by all investors and consultants and the Board examined other options. The new structure is simple and still affords RREEF a retention mechanism through a significant amount of compensation deferral for RREEF III team members. The fee is comparable to open-ended value added funds and in many ways more favorable than closed-ended value added funds. Since the fee is on a depressed NAV compared to cost, it is more favorable than similarly challenged closed-ended value added funds where the asset management fee is still charged on committed capital and not on the underlying NAV. Concerns exist regarding the NAV approach as it may incentivize RREEF to take on more risk to rapidly increase NAV, but the independent Board is involved in major investment decisions and serves as a governing factor given it has the ability to remove RREEF as the manager.

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Aon plc
8 Devonshire Square
London EC2M 4PL
United Kingdom

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Investment Strategy Update Webcast

Timely Insights for Your Success

Dear Kevin,

Reminder! Please join Hewitt EnnisKnupp on Wednesday, January 16, 2013, from 10:00 a.m. to 11:00 a.m. Central Time, as we present an Investment Strategy Update Webcast for clients – the latest installment of our monthly series.

Hewitt EnnisKnupp senior management and senior representatives of the firm's Investment Solutions, Global Asset Allocation, Global Investment Management, and other teams will provide commentary on our view on the markets, research and development initiatives, and current opportunities in the marketplace.

While the focus of the monthly updates will vary based on our research agenda and market events, all clients are welcome to join all sessions; we will discuss topics of general interest in each one.

Agenda:

Market Views: Fiscal Cliff and Diversification Opportunities: We'll explore what lies beyond the fiscal cliff, and also the unique opportunities offered by local currency emerging market debt.

Hedge Funds in 2013: While top managers earned strong returns, the hedge fund industry as a whole just closed out another disappointing year relative to the stock and bond markets. Our discussion will cover the year's highlights and setbacks, and our outlook for 2013. We will also discuss the the evolution of funds of hedge funds and their efforts to remain competitive among informed and fee-conscious institutional investors.

Securities Lending Regulatory and Market Update: New regulations since 2008 have raised potential concerns for institutional investors that engage in securities lending programs. We will discuss how the Volcker Rule, Dodd Frank, Basel 2 & 3, and potential money market fund reform mean for your securities lending activities.

If you would like to submit questions prior to the event, please email us at hek.marketing@aonhewitt.com.

This is a great opportunity to learn the latest news from industry experts. Register today to receive dial-in information.

Register ›

We look forward to speaking with you.

Date
Wednesday, January 16, 2013

Time
10:00 a.m. - 11:00 a.m. Central Time

Register ›

Upcoming Hewitt EnnisKnupp Investment Strategy Updates
February 20, 2013
March 20, 2013
April 17, 2013
May 15, 2013
June 19, 2013
July 17, 2013
August 21, 2013
September 18, 2013
October 16, 2013
November 20, 2013
December 18, 2013

Questions
For questions and inquiries, please contact hek.marketing@aonhewitt.com.

hewittennisknupp.com

aonhewitt.com

Hewitt EnnisKnupp

Aon Hewitt
4 Overlook Point
Lincolnshire, IL 60069

Global Asset Allocation

Fiscal cliff averted: Implications for equity markets

January 3, 2013

Cliff averted

- The 'cliff' has been averted at the very last minute by a Senate-brokered deal being approved by the House of Representatives.
- Significant fiscal drag is nonetheless coming as we have expected, through higher taxes, principally the expiry of the 2% payroll tax cut. Income taxes are rising for higher income households, but this has much less impact on the economy.
- Even after the offset from the extension of unemployment benefits is allowed for, the net negative economic impact of this agreement is still about 1.5% of GDP.
- Spending reductions have not been agreed. This would have been followed by forced spending cuts ('sequestration'), but this has been postponed to March 1st, at which time the debt ceiling will also have to be reviewed or raised.
- There is still no credible integrated deficit and debt reduction plan in the offing given the inability to agree on spending cuts.

Equity market reactions

Avoiding the cliff is being positively received in the markets with U.S., European and Asian equity markets up strongly thus far. We should note, however, that the dominant view in the markets (which we have shared) has been that the cliff would be largely averted. Consequently, most of these developments should already have been priced into equities in advance, which makes the market reaction somewhat stronger than expected.

Difficulties lie ahead

The negative effects of the payroll tax increases on consumer spending in the first half of the year are a material headwind to US economic activity, given the loss of on average $1000 per US family. This could weaken economic activity over and beyond what has already been a relatively weak 4th quarter. Importantly, noise and brinkmanship should continue to be expected in the run up to March 1, which equity markets will have to digest. Even if sequestration is again avoided at that point by further piecemeal measures, the decisions on where spending cuts need to fall cannot be deferred indefinitely. Finally, there remains a significant risk of another rating agency downgrading the US government credit rating, following on from S&P's earlier move, especially if budget and debt reduction deals are not reached. It is our view that US budget news will be a likely source of volatility for equity markets this quarter.

Equity market outlook

Market levels and associated equity valuations have now reached levels where it is hard to argue persuasively that there is significant upside potential. This is especially so once the muted profits outlook is factored in. Likely market returns do not look strong from this perspective. However, any portfolio actions to consider need to allow for where bond yields are. The fact is that following on from the dramatic collapse in government bond yields in 2011, corporate bond yields have also fallen to very unattractive levels. Last year's stellar gains have gradually closed the credit opportunity. This is a very significant development and essentially means that bonds generally have become low return and higher risk investments (except where strategic de-risking plans are place). We could now be in a situation where the unattractiveness of bonds could be turning some investors into reluctant equity holders, especially given near zero yielding cash.

Though medium-term return potential for equities looks muted, it is indisputable that they look better in relative terms vs. bonds. Additionally, central banks and policy makers have deflected some of the key macroeconomic risks for now (Eurozone/fiscal cliff). These developments could keep equities supported for the time-being despite the potential for periodic news related sell-offs.

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Calculations may be derived from our proprietary models in use at that time. Models may be based on historical analysis of data and other methodologies and we may have incorporated their subjective judgement to complement such data as is available. It should be noted that models may change over time and they should not be relied upon to capture future uncertainty or events.

Monthly Summary of Medium Term Views – U.S.

December 2012

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Medium Term Views Background

- **Definition: Medium term unexploited**
  - Over attention to the short term (tactical) and to the very long term (strategic) has left the medium term (~12 to 36 months) largely unexploited as a source of outperformance.
  - By not needing to focus unduly on week to week or even month to month performance we can add value from asset allocation in the medium term.
- **Opportunity: Capitalize on market dislocations**
  - We believe in mean reversion over the long term, but to parameters which change over time.
  - Our approach places considerable emphasis on valuations through taking advantage of excessive under or over valuation.
  - Beyond valuations, we carry out considerable fundamental and quantitative analysis, including on the major investment themes.
  - We use a range of timing and sentiment indicators to establish good entry and exit levels. Some of the best opportunities arise where/when we differ most from consensus.
- **Approach: Medium term views complement strategic allocations**
  - The following slides summarize our medium term views. These views are under continual review based on global economic and market developments, together with changes in market levels.
  - These views are quite separate from our long-term strategic assumptions. As such, clients should work with their consultant in determining how to capitalize on medium term opportunities in their particular portfolio.

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Absolute Medium Term Views

	Very Unfavorable	Unfavorable	Neutral	Favorable	Very Favorable
U.S. Equity					
Non-U.S. Equity					
Global Bonds					
Bank Loans					
High Yield					
Real Estate					
Hedge Funds [1]					
Private Equity [2]					
Infrastructure					
Commodities					
ACTIONS TO CONSIDER WITHIN STRATEGIC FRAMEWORK	SELL	CONSIDER SELLING / DELAY PURCHASES	HOLD	CONSIDER BUYING / DELAY SALES	BUY

1. Global Macro strategy is favored. More detail is on slide 10.
2. Attractive opportunities in certain sectors where value is created through venues other than leverage and the IPO market. More detail is on slide 10.

Relative Equity Medium Term Views

U.S. Equity

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
U.S. Equity			**December 2012,** 1 month ago, 1 year ago			**Non-U.S. Developed**
Large Cap	1 month ago, 1 year ago	**December 2012**				**Small Cap**
Value			**December 2012,** 1 month ago,	1 year ago		**Growth**

Non-U.S. Equity

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
Developed		1 year ago	**December 2012,** 1 month ago			**Emerging**
Large Cap	**December 2012,** 1 month ago, 1 year ago					**Small Cap**

Note: Historical perspective given by stating our view one month and one year ago, as well as the current month.

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Relative Fixed Income Medium Term Views

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
U.S.		**December 2012,** 1 month ago	1 year ago			Non-U.S.
Intermediate duration		**December 2012,** 1 month ago, 1 year ago				Long duration
Government				**December 2012,** 1 month ago	1 year ago	Credit
U.S. Investment Grade	**December 2012**, 1 month ago		1 year ago			High Yield
U.S. Bonds		**December 2012,** 1 month ago, 1 year ago				Emerging Market Debt
U.S. TIPS		1 month ago, 1 year ago	**December 2012**,			U.S. Treasuries

Note: Historical perspective given by stating our view one month and one year ago, as well as the current month.

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Relative Currency Medium Term Views

	Hedge	Consider Hedge Benefits	Unhedged	
Strong USD	December 2012, 1 month ago,	1 year ago		Weak USD

Note: Historical perspective given by stating our view one month and one year ago, as well as the current month.

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Equity Market Views

Asset Class	Medium Term View	Rationale
Equity Market	Gains now more difficult to sustain	Some easing in worries over the fiscal cliff and the strong liquidity commitment from the Federal reserve have firmed markets recently. However, obstacles remain in sustaining gains – earnings growth faces increased headwinds from a weak global economic outlook and the liquidity impulse may not be sufficient to fully offset.
U.S. Large vs. Small Cap	Prefer U.S. Large Cap	The outperformance of large cap in the past 2 years has reduced its relative advantage. We see similar profitability constraints on both large and small cap, but regard small cap expectations to be more extended. In a mixed economic environment, investor preference for the relative safety of large caps could keep large caps outperforming, though by a smaller margin than earlier.
Non-U.S. Large vs. Small Cap	Prefer Non-U.S. Large Cap	There is less relative valuation support than the U.S., but we continue to see investors favoring the global diversification and greater earnings predictability of large cap.
U.S. Equities vs. EAFE	Use U.S. outperformance to raise EAFE allocations	The US has recently been underperforming EAFE in both local currency and US $ terms, reflecting improved European and Japanese markets. Valuations still favor non-US markets, though macroeconomic risks remain larger outside the US. We are not convinced that Europe can as yet outperform sustainably. However, of overseas equity allocations are being raised, we recommend that currency hedging is used, as this could make a meaningful difference in relative returns.
U.S. Growth vs. Value Stocks	Neutral stance between growth versus value	We are going with a neutral stance here now. A key factor here in leveling the ground between the two is that gains in technology are likely to be more difficult to sustain, taking away support for growth. We are cautious on financials after recent performance, a mainstay of value.
Developed vs. Emerging Markets	Neutral stance between developed and emerging markets	We had anticipated that emerging markets were poised to do better when we raised our stance to neutral. They have in fact been outperforming lately, but we regard outperformance as difficult to sustain, given continued concerns over global growth. Relative valuations now look about right (Developed market PE ratios now about 15% higher than emerging).

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Bond Market Views

Asset Class	Medium Term View	Rationale
Global Government Bonds	Negative view	The reversion to purchases of U.S. Treasuries in quantitative easing had been expected, but it is nonetheless an important reason for yields still trading close to this year's lows. Financial repression by central banks can hold yields down for now, but the risk of a sizable reversion over the medium-term are increasing. The same logic also applies to non-U.S. government bonds.
Global Corporate Bonds	Prefer to government bonds	Returns remain vulnerable to either rising spreads (economic conditions worsen again) or rising government bond yields (improvement in economic conditions or less demand for these bonds given ultra-low yields). There is a major inconsistency between spreads and underlying government yields. Duration must be managed carefully at current yield levels.
Intermediate vs. Long Duration	Extend duration only to match liabilities	Intermediate credit spreads are now somewhat below our fair values, though long credit spreads are still above. This should make us prefer long credit, but the duration risk here is higher. Accessing long credit with an underweight to duration would be a reasonable approach, if possible within the portfolio context.
U.S. vs. Non-U.S. Aggregate Bonds	Prefer the US	Greater vulnerability in core European government component of aggregate bonds than US, sits less well against the recent trend towards a faster reduction in European yields. Prefer corporate bonds to government bonds.
U.S. High Yield vs. U.S. Investment Grade Corporate Bonds	Prefer investment grade	Large fall in spreads has levelled out. High yield optimism is liable to be tested in a still very mixed economic improvement. We prefer investment grade.
U.S. Bonds vs. Emerging Market Debt	Prefer U.S. bonds and local currency to dollar-denominated debt	Dollar-denominated emerging market debt is vulnerable to rising U.S. yields (given significant duration in this asset class). Spreads have very limited room to fall from current levels. Local currency emerging market debt more attractive than dollar-denominated debt.
Treasury Inflation Protected Securities	TIPS look reasonable value	Break-even inflation rates firmer as economic optimism has recently increased and TIPS are now more or less fair value versus fixed interest U.S. Treasury bonds. Longer-term upward bias to inflation risks from current policy environment suggests that inflation protection is important. Standalone TIPS investment remain too expensive with real yields still stuck at recent record lows.

Other Market Views / Investment Strategy

Asset Class	Medium Term View	Rationale
U.S. Commercial Real Estate	Good investment opportunity for the longer term investor	While Core returns are moderating, expected performance remains attractive versus other asset classes for both equity and debt vehicles. For Non Core real estate, the bifurcation of the real estate recovery to date continues to drive attractive tactical opportunities in Value-Added and Opportunistic real estate due to the on-going recovery in underlying sector fundamentals and attractive risk premiums versus Core. Manager selection remains key.
Hedge Funds	Favored investment strategy	Weak upside prospects for equities alongside still fluid and volatile market conditions should allow hedge funds to add value. Selection of funds and strategies all important. Global macro strategy is favored with CTAs and a multi-strategy approach also worth considering.
Private Equity	Selective opportunities	Attractive opportunities in certain sectors where value is created through avenues other than leverage and the IPO market (small and midcap focus within buyouts). Opportunities exist in venture capital, growth equity, control oriented distressed debt, mezzanine, secondaries, and bank loans.
Commodities	Unattractive	Commodities have lagged other risky assets, reflecting worries over global demand. Our expectation of returns from this asset class are low.
Global Infrastructure	More attractive opportunities appearing	Pressures on the public sector and corporate deleveraging are bringing more and better valued opportunities to the marketplace.
U.S. Dollar	Consider hedging exposures, particularly the Euro	Continued policy stimulus from the Federal Reserve has once again weakened the dollar against the Euro. The Yen has weakened on the back of expectations of more aggressive monetary easing in Japan, and there may be further weakness to come. We see current downside risk for the Euro at current levels.

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Primary Uses of Medium Term Views

- Determining the timing of moving to new strategic allocations
  - Buying/selling at the right price improves long-term returns, badly timed decisions destroy returns

- Rebalancing decisions
  - When and to what extent to reallocate assets

- Adjusting hedges
  - Pension liability – synthetic or cash market positions
  - Other hedges – equity, inflation, etc.

- Managing an opportunistic allocation mandate
  - Portfolio segment managed to a one- to three-year horizon

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VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
http://www.ventura.org/vcera

January 28, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Ave, Suite 200
Ventura, CA 93003

SUBJECT: REVIEW AND APPROVAL OF THE JUNE 30, 2012 ANNUAL ACTUARIAL VALUATION REPORT

Dear Board Members:

Background

On December 17, 2012, your Board acknowledged the receipt of the attached June 30, 2012 Actuarial Valuation Report and Three-year Phase-in of Employer Contributions Memo from Segal and directed staff to notify all employee organizations recognized by Ventura County of its receipt and to include the said report. Staff followed up with the emailing of a distribution letter and published the letter on the Publications page of the VCERA website. Staff also offered to mail hard copies upon request.

Staff did not receive any outside questions or comments within the review period, which concluded January 11, 2013. Staff and the Actuary received comments, questions, and suggestions from Trustee Goulet, and has arranged for our actuary to be present at the January 28, 2013 Board meeting to discuss the report, questions, comments, and suggestions received, the revised three-year phase in letter, and to answer any questions presented at the meeting.

After hearing this item, staff recommends 1) Approving the June 30, 2012 Annual Actuarial Valuation Report and recommended employer contribution rates contained within the Three-year Phase-in of Employer Contributions Memo, and 2) Directing staff to notify the Board of Supervisors, in accordance with the provisions of Government Code Section 31453, of the recommended changes in the rates, along with the notice of the recommend change in rates for the CalPEPRA June 30, 2012 Actuarial Valuation, once adopted.

I would be happy to answer any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachment

A model of excellence for public pension plans around the World.

Ventura County Employees' Retirement Association

Actuarial Valuation and Review as of June 30, 2012

SEGAL

The Segal Company
100 Montgomery Street, Suite 500 San Francisco, CA 94104
T 415.263.8200 F 415.263.8290 www.segalco.com

December 10, 2012

Board of Retirement
Ventura County Employees' Retirement Association
1190 S. Victoria Avenue, Suite 200
Ventura, CA 93003-6572

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2012. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2013-2014 and analyzes the preceding year's experience.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Plan. The census information on which our calculations were based was prepared by VCERA and the financial information was provided by the Retirement Association. That assistance is gratefully acknowledged. The actuarial calculaions were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the currnt measurements presented in this report due to such factors as the following: plan exerpience differing from that anticipated by the econcomic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

We are members of the American Academy of Actuaries and we meet the Qualification Standrads of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as aproved by the Board are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By:

Paul Angelo, FSA, EA, MAAA, FCA
Senior Vice President and Actuary

John Monroe, ASA, EA, MAAA
Vice President and Associate Actuary

AW/hy

SECTION 1

VALUATION SUMMARY

SECTION 2

VALUATION RESULTS

SECTION 3

SUPPLEMENTAL INFORMATION

SECTION 4

REPORTING INFORMATION

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PURPOSE AND SCOPE

This report has been prepared by The Segal Company to present a valuation of the Ventura County Employees' Retirement Association as of June 30, 2012. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Retirement Association, as administered by the Board of Retirement;
- The characteristics of covered active members, terminated vested members, and retired members and beneficiaries as of June 30, 2012, provided by the Retirement Office;
- The assets of the Plan as of June 30, 2012, provided by the Retirement Office;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

One of the general goals of an actuarial valuation is to establish contributions which fully fund the system's liabilities, and which, as a percentage of payroll, remain as level as possible for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to evaluate the Association's assets, liabilities and future contribution requirements. Our calculations are based upon member data and financial information provided to us by the Association's staff. This information has not been audited by us, but it has been reviewed and found to be consistent, both internally and with the prior year's information.

Please note that the Actuarial Standards Board has adopted a revised Actuarial Standard of Practice (ASOP) No. 4 that provides guidelines for actuaries to follow when measuring pension obligations. For a plan such as that offered by the Retirement Association that may use undistributed excess earnings to provide supplemental benefits, the valuation report must indicate that the impact of any such future use of undistributed excess earnings on the future financial condition of the plan has not been explicitly measured or otherwise reflected in the valuation.

The contribution requirements are determined as a percentage of payroll. The Association's employer rates provide for both normal cost and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. In 2004, the Board elected to amortize the Association's Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2004 over a declining 15-year period. Any change in the UAAL after June 30, 2004 is amortized over separate 15-year declining amortization periods.

Effective with the June 30, 2012 valuation, any change in the UAAL that arises due to assumption changes is amortized over separate 20-year declining amortization periods. Also, any change in the UAAL that arises due to retirement incentives is annualized over separate declining amortization period of up to 5 years.

The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2013 through June 30, 2014.

SIGNIFICANT ISSUES IN THIS VALUATION

The following key findings were the result of this actuarial valuation:

Ref: Pg. 50

- The results of this valuation reflect changes in the actuarial methods as recommended by Segal and adopted by the Association for the June 30, 2012 valuation. These changes were documented in our Review of Funding Policy and our Ad Hoc Asset Smoothing Adjustment letter. The most significant of the funding policy changes was a change to use the individual version of the Entry Age Normal Actuarial Cost Method. This change increased the average employer contribution rate by 0.95% of payroll. In addition, there were changes to the amortization periods used for various future changes in liability including the use of a 20-year period for assumption changes.

Ref: Pg. 43

- The results of this valuation reflect changes in the economic and non-economic assumptions adopted by the Association for the June 30, 2012 valuation. These changes were documented in our Review of Economic Assumptions and our Actuarial Experience Study and are outlined in Section 4, Exhibit V of this report. These assumption changes resulted in an increase in the average employer contribution rate of 2.94% of payroll and the average member rate of 0.26% of payroll.

Ref: Pg. 10

- The market value of assets earned a return of 1.5% for the July 1, 2011 to June 30, 2012 plan year. The valuation value of assets earned a return of 5.8% for the same period due to the deferral of most of the current year investment losses and the recognition of prior investment gains and losses. This resulted in an actuarial loss when measured against the assumed rate of return of 8.00%. This actuarial investment loss increased the average employer contribution rate by 1.00% of compensation.

Ref: Pg. 41

- The ratio of the valuation value of assets to actuarial accrued liabilities decreased from 80.6% to 77.7%. The Association's Unfunded Actuarial Accrued Liability (UAAL) increased from $775 million as of June 30, 2011 to $976 million as of June 30, 2012. This increase is primarily due to lower than expected investment return (on the valuation value of assets) and changes in actuarial assumptions offset by lower than expected individual salary increases. A complete reconciliation of the Association's UAAL is provided in Section 3, Exhibit H.

Ref: Pg. 32

Ref: Pg. 17

- The average employer rate increased from 23.82% of payroll to 28.27% of payroll. This increase is primarily due to the investment loss (on the valuation value of assets) mentioned above and changes in actuarial assumptions and the actuarial cost method. A complete reconciliation of the Association's employer rate is provided in Section 2, Subsection D (see Chart 15).

- The Association approved a three-year phase-in for the change in employer contribution rate due to the changes in economic actuarial assumptions and the actuarial cost method. The average employer contribution rate after reflecting the phase-in is 26.63% of payroll and is shown in a separate phase-in letter that follows this report. All results shown in this valuation report exclude the effect of the phase-in.

Ref: Pg. 18

- The average member rate increased from 8.24% of payroll to 8.53% of payroll. This increase is primarily due to changes in actuarial assumptions and the actuarial cost method. A complete reconciliation of the member rate is provided in Section 2, Subsection D (see Chart 16).

Ref: Pg. 31

- As of June 30, 2012, there are no undistributed excess earnings available for allocation under the Board's Interest Crediting policy. A complete presentation of the Association's reserves is provided in Section 3, Exhibit G.

Ref: Pg. 5

- As indicated in Section 2, Subsection B of this report, the net unrecognized investment loss as of June 30, 2012 is $202 million (as compared to an unrecognized loss of $64 million in the June 30, 2011 valuation). This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes over the next few years. This means that if the plan earns the assumed rate of investment return of 7.75% per year (net of expenses) on a **market value** basis then the deferred losses will be recognized over the next few years as shown in the footnote to Chart 7.

- For the June 30, 2012 valuation, the Board adopted an adjustment to the asset smoothing method that combines the net deferred losses of $64 million from the June 30, 2011 valuation into a single four and a half years smoothing "layer". Those net deferred losses are then recognized over the next four and a half years from that date in nine level amounts of approximately $7 million each six month period. This reduces the volatility associated with the pattern of deferred loss recognition and results in both more stable funded ratios (on an actuarial value basis) and more level employer contribution rates.

- The net deferred losses of $202 million represent about 6% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the $202 million market losses is expected to have an impact on the Association's future funded ratio and average employer contribution rate. This potential impact may be illustrated as follows:
  - If the net deferred losses were recognized immediately in the valuation value of assets, the funded ratio would decrease from 77.7% to 73.1%.
  - If the net deferred losses were recognized immediately in the valuation value of assets, the average employer rate would increase from 28.27% to about 31.07% of payroll.
- The actuarial valuation report as of June 30, 2012 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan.

Ref: Pg. 20

- The California Actuarial Advisory Panel (CAAP) has recently adopted a set of model disclosure elements recommended for actuarial valuation reports for public retirement systems in California. Information has been added to this valuation report consistent with the recommendations regarding basic disclosure elements. In particular, we are now including new information regarding measures of plan volatility.
- The Governmental Accounting Standards Board (GASB) recently approved two new Statements affecting the reporting of pension liabilities for accounting purposes. Statement 67 replaces Statement 25 and is for plan reporting. Statement 68 replaces Statement 27 and is for employer reporting. It is important to note that the new GASB rules only redefine pension expense for financial reporting purposes, and do not apply to contribution amounts for actual pension funding purposes. Employers and plans can still develop and adopt funding policies under current practices. Because these new Statements are not effective until the fiscal year ending June 30, 2014 for Plan reporting and the fiscal year ending June 30, 2015 for employer reporting, the financial reporting information in this report continues to be in accordance with Statements 25 and 27.
- The California Public Employees' Pension Reform Act of 2013 (AB340) was passed on September 12, 2012. AB340 will become effective on January 1, 2013. In general, it affects new members who enter the Plan on or after January 1, 2013. There will be new plan provisions which include new benefit formulas, a cap on pensionable income, a three-year final average salary and changes to elements of pay used in determining benefits, and new cost sharing by members. There are also changes that may affect current members including the change to the industrial disability benefit for Safety members, changes to elements of pay used in determining benefits and normal cost sharing by members. We have not reflected any of the AB340 provisions in this report. The impact of AB340 will be addressed in a separate report.

Impact of Future Experience on Contribution Rates

Future contribution requirements may differ from those determined in the valuation because of:

- Differences between actual experience and anticipated experience;
- Changes in actuarial assumptions or methods;
- Changes in statutory provisions; and
- Differences between the contribution rates determined by the valuation and those adopted by the Board.

Summary of Key Valuation Results (all dollar amounts in thousands)

	June 30, 2012		June 30, 2011	
Employer Contribution Rates: (1)(2)	Total Rate	Estimated Annual Amount(3)	Total Rate	Estimated Annual Amount(3)
General Tier 1	37.35%	$5,784	171.83%	$27,690
General Tier 2	18.42%	39,284	10.15%	21,274
General Tier 2C(4)	19.29%	47,506	10.50%	25,873
General Combined	19.49%	92,574	15.85%	74,837
Safety	54.57%	86,659	46.63%	76,900
All Categories combined	28.27%	$179,233	23.82%	$151,737
Average Member Contribution Rates: (1)(5)	Total Rate	Estimated Annual Amount(3)	Total Rate	Estimated Annual Amount(3)
General Tier 1	8.97%	$1,389	8.57%	$1,381
General Tier 2	5.78%	12,327	5.65%	11,842
General Tier 2C(4)	8.41%	20,712	8.28%	20,403
Safety Members	12.35%	19,612	11.43%	18,850
All Categories combined	8.53%	$54,040	8.24%	$52,476
Funded Status:				
Actuarial accrued liability(AAL)(6)	$4,373,227		$3,995,352	
Valuation value of assets (VVA)(6)	3,397,360		3,220,388	
Market value of assets (MVA)	3,209,617		3,172,325	
Funded percentage on VVA basis (VVA/AAL)	77.69%		80.60%	
Funded percentage on MVA basis (MVA/AAL)	73.39%		79.40%	
Unfunded actuarial accrued liability (UAAL) on VVA basis	$975,867		$774,964	
Unfunded actuarial accrued liability (UAAL) on MVA basis	1,163,610		823,027	
Key Assumptions:				
Interest rate	7.75%		8.00%	
Inflation rate	3.25%		3.50%	
Across the board salary increase	0.75%		0.75%	

(1) *Before reflection of any member rate that may be "picked-up" by the employer. Contributions are assumed to be paid throughout the year.*

(2) *Before reflecting three-year phase-in of the effect of the changes in economic actuarial assumptions and the actuarial cost method.*

(3) *Based on projected compensation for each year shown.*

(4) *Throughout this report, this category represents those Tier 2 members who contribute a negotiated 2.63% of compensation for a fixed 2% COLA pursuant to Government Code 31627 that applies to service after March 2003.*

(5) *The non-refundability factors as of June 30, 2012 are 0.94 for General and 0.98 for Safety as compared to 0.95 and 0.98, respectively, as of June 30, 2011.*

(6) *Excludes liabilities and assets held for STAR COLA benefit reserve, supplemental medical benefit reserve and statutory contingency reserve. Note that the STAR COLA benefit has been eliminated as of July 2011 and funds in the STAR COLA benefit reserve were transferred back to the valuation reserves.*

Summary of Key Valuation Demographic and Financial Data

	June 30, 2012	June 30, 2011	Percentage Change
Active Members:			
Number of members	8,019	8,040	-0.3%
Average age	45.4	45.1	N/A
Average service	11.1	10.9	N/A
Projected total compensation	$633,847,360	$637,037,380	-0.5%
Average projected compensation	$79,043	$79,234	-0.2%
Retired Member and Beneficiaries:			
Number of members:			
Service retired	4,056	3,929	3.2%
Disability retired	828	837	-1.1%
Beneficiaries	774	715	8.3%
Total	5,658	5,481	3.2%
Average age	68.9	68.5	N/A
Average monthly benefit[1]	$2,769	$2,678	3.4%
Vested Terminated Members:			
Number of terminated vested members[2]	2,161	2,097	3.1%
Average age	45.9	45.5	N/A
Summary of Financial Data (dollar amounts in thousands):			
Market value of assets	$3,209,617	$3,172,325	1.2%
Return on market value of assets	1.49%	24.34%	N/A
Actuarial value of assets	$3,411,149	$3,236,217	5.4%
Return on actuarial value of assets	5.72%	3.89%	N/A
Valuation value of assets	$3,397,360	$3,220,388	5.5%
Return on valuation value of assets	5.75%	3.91%	N/A

(1) *Excludes monthly benefits for STAR COLA, vested fixed supplemental and supplemental medical benefit amounts. Note that the STAR COLA benefit has been eliminated as of July 2011.*

(2) *Includes nonvested terminated members with member contributions on deposit.*

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, vested terminated members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the member population has changed over the past ten valuations can be seen in this chart.

CHART 1

Member Population: 2003 – 2012

Year Ended June 30	Active Members	Vested Terminated Members[1]	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
2003	7,717	1,155	3,857	0.65
2004	7,626	1,351	4,031	0.71
2005	7,245	1,713	4,314	0.83
2006	7,403	1,756	4,570	0.85
2007	7,653	1,864	4,770	0.87
2008	7,928	2,007	4,914	0.87
2009	8,045	2,055	5,041	0.88
2010	8,003	2,040	5,267	0.91
2011	8,040	2,097	5,481	0.94
2012	8,019	2,161	5,658	0.98

(1) *Includes nonvested terminated members with member contributions on deposit.*

Active Members

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 8,019 active members with an average age of 45.4, average service of 11.1 years and average compensation of $79,043. The 8,040 active members in the prior valuation had an average age of 45.1, average service of 10.9 years and average compensation of $79,234.

Among the active members, there were none with unknown age.

Inactive Members

In this year's valuation, there were 2,161 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 2,097 in the prior valuation.

These graphs show a distribution of active members by age and by years of service.

CHART 2

Distribution of Active Members by Age as of June 30, 2012

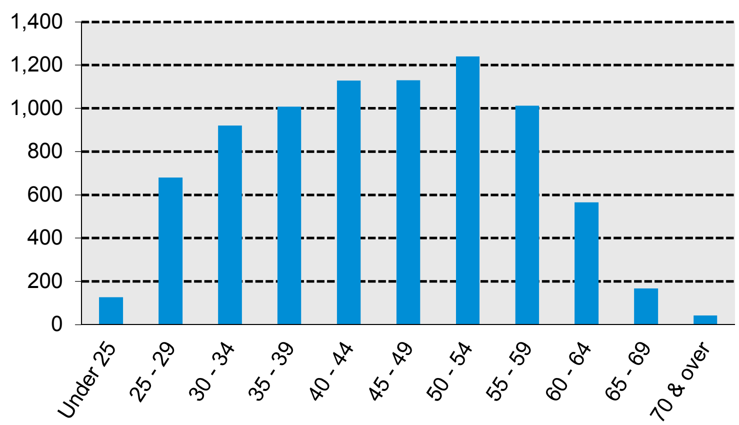
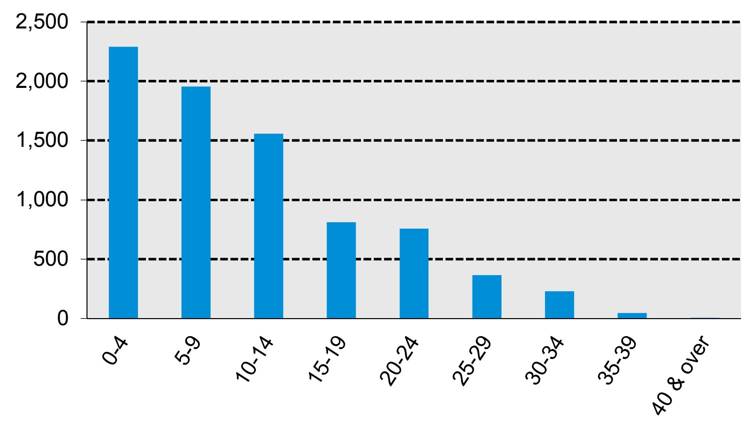


CHART 3

Distribution of Active Members by Years of Service as of June 30, 2012



Retired Members and Beneficiaries
As of June 30, 2012, 4,884 retired members and 774 beneficiaries were receiving total monthly benefits of $15,665,096. For comparison, in the previous valuation, there were 4,766 retired members and 715 beneficiaries receiving monthly benefits of $14,677,417. These monthly benefits exclude benefits for STAR COLA (eliminated as of July 2011), vested fixed supplemental and supplemental medical benefit amounts.

These graphs show a distribution of the current retired members based on their monthly amount and age, by type of pension.

CHART 4

Distribution of Retired Members by Type and by Monthly Amount as of June 30, 2012

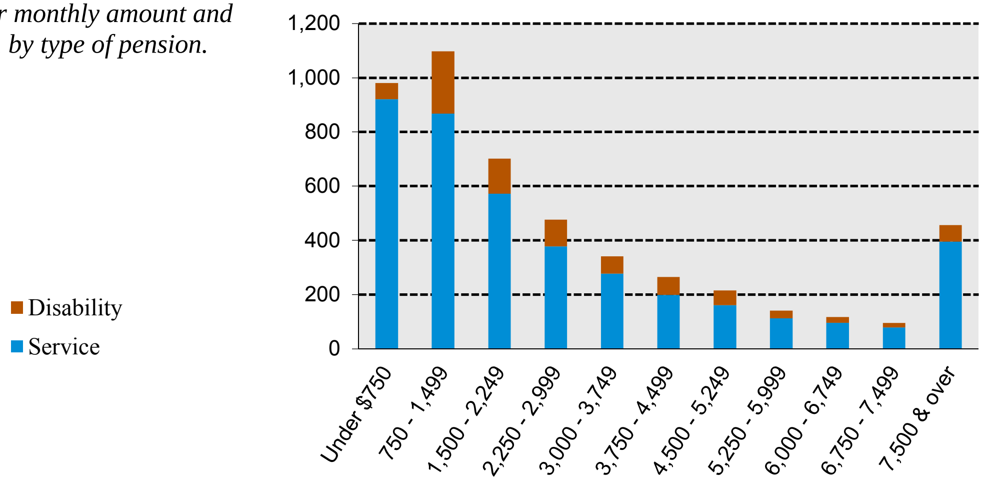
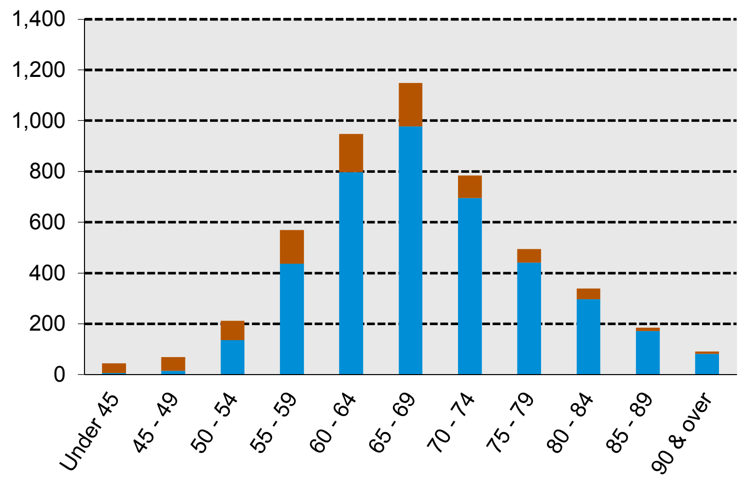


CHART 5

Distribution of Retired Members by Type and by Age as of June 30, 2012



B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. The adjustment toward market value shown in the chart is the "non-cash" earnings on investments implicitly included in the actuarial value of assets. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D and E.

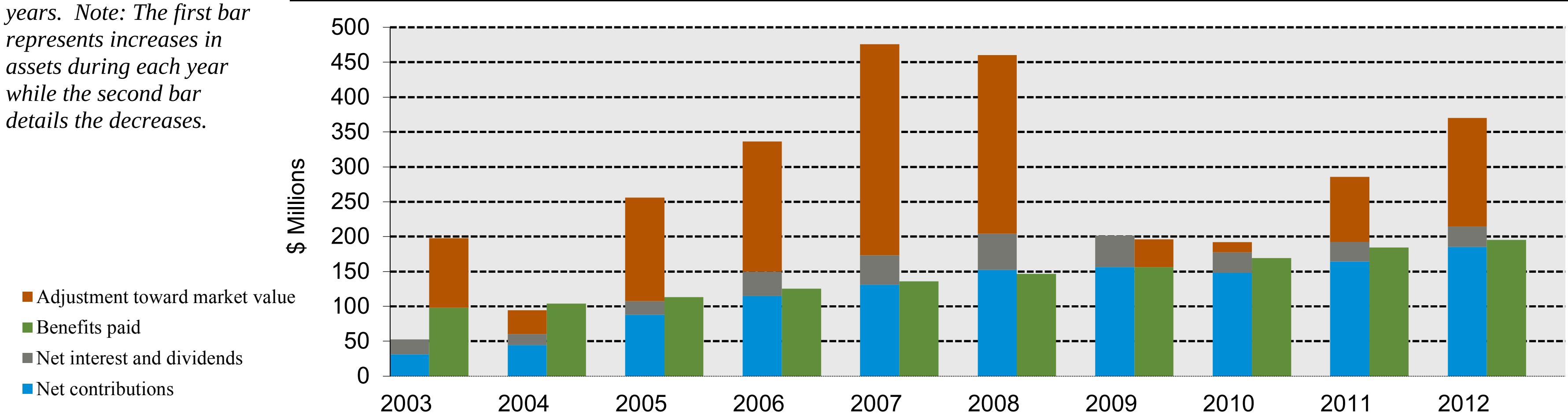
It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Retirement has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart depicts the components of changes in the actuarial value of assets over the last ten years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6

Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2003 – 2012



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The chart shows the determination of the actuarial and valuation value of assets as of the valuation date.

CHART 7

Determination of Actuarial and Valuation Value of Assets for Year Ended June 30, 2012

1. Market Value of Assets			$3,209,617,207
2. Calculation of unrecognized return	Original Amount	Deferral Percentage	Unrecognized Return*
(a) Period ended June 30, 2012	$83,335,657	90.00%	$75,002,091
(b) Period ended December 31, 2011	(283,550,123)	80.00%	(226,840,099)
(c) Combined deferred loss as of June 30, 2011**	(63,892,227)	77.77%	(49,693,954)
(d) Total unrecognized return***			(201,531,962)
3. Actuarial Value of Assets: (1) – (2d)			$3,411,149,169
4. Actuarial Value as percentage of Market Value			106.3%
5. Non-valuation reserves:			
(a) STAR COLA			$0
(b) Supplemental medical benefit			13,789,250
(c) Statutory contingency			0
(d) Subtotal			$13,789,250
6. Valuation Value of Assets: (3) – (5d)			$3,397,359,919

* *Recognition at 10% per six month period over 5 years.*

** *Net deferred loss as of June 30, 2011 was combined and will be recognized over 4.5 years in level semi-annual amounts.*

*** *Deferred return as of June 30, 2012 recognized in each of the next five years:*

(a) Amount Recognized during 2012/2013	*$(54,241,166)*
(b) Amount Recognized during 2013/2014	*(54,241,166)*
(c) Amount Recognized during 2014/2015	*(54,241,166)*
(d) Amount Recognized during 2015/2016	*(47,142,030)*
(e) Amount Recognized during 2016/2017	*8,333,566*
	$(201,531,962)

CHART 8

Allocation of Valuation Value of Assets as of June 30, 2012

The calculation of the valuation value of assets from June 30, 2011 to June 30, 2012 by category is provided below:

	Allocated Assets for Funding			
	General			
	Tier I	Tier II	Safety	Total
1. Allocated Assets as of Beginning of Plan Year	$656,290,972	$1,189,645,185	$1,374,451,763	$3,220,387,920
2. Member Contributions	460,836	24,003,633	7,081,035	31,545,504
3. Member Buybacks	85,227	1,078,945	444,466	1,608,638
4. Employer Pick-up Contributions Credited to Member Account	243,635	6,404,869	4,684,103	11,332,607
5. Employer Contributions	3,138,349	61,920,040	75,714,336	140,772,725
6. Refunds of Member Contributions and Death Benefits Paid	280,861	3,097,892	404,023	3,782,776
7. Retiree Benefit Payments Excluding STAR COLA and Supplemental Medical Payments	70,774,372	42,827,798	75,812,245	189,414,415
8. Subtotal (Items 1 + 2 + 3 + 4 + 5 – 6 – 7)	$589,163,786	$1,237,126,982	$1,386,159,435	$3,212,450,203
9. Weighted Average Fund Balance: Item 1 + ½ of (Items 2, 3, 4, 5) – ½ of (Items 6, 7)	622,727,379	1,213,386,084	1,380,305,599	3,216,419,062
10. Earnings Allocated in Proportion to Item 9	35,800,168	69,756,730	79,352,818	184,909,716
11. Valuation Value of Assets (Items 8 + 10)	$624,963,954	$1,306,883,712	$1,465,512,253	$3,397,359,919

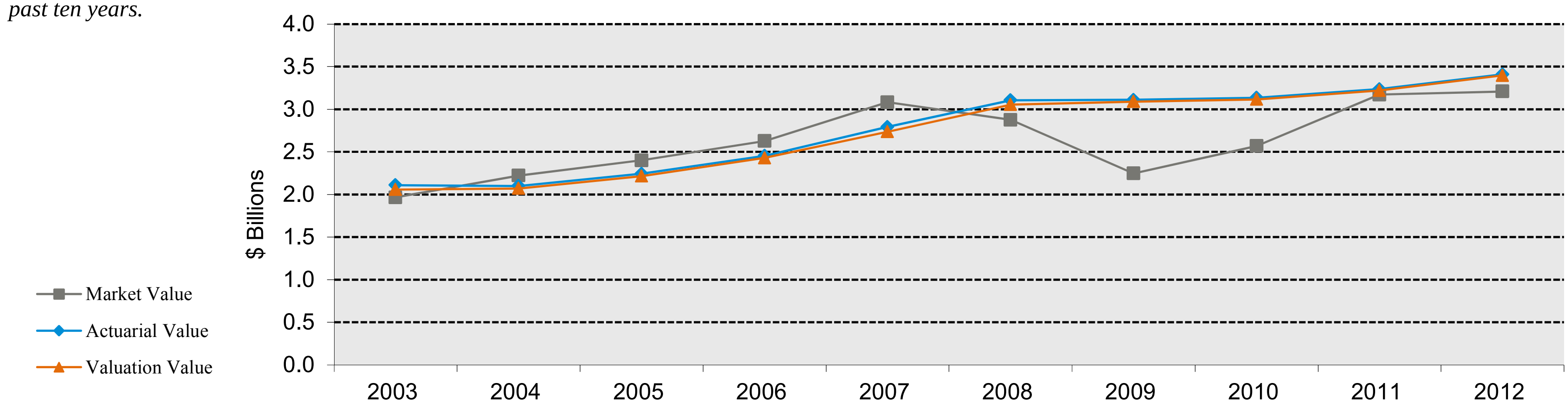
Note: Results may not add due to rounding.

The market value, actuarial value, and valuation value of assets are representations of VCERA's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets, but with less volatility. The valuation value of assets is the actuarial value, excluding any non-valuation reserves. The valuation value of assets is significant because VCERA's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in market value, actuarial value and valuation value over the past ten years.

CHART 9

Market Value, Actuarial Value and Valuation Value of Assets as of June 30, 2003 – 2012



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C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total experience loss was $4.3 million, $72.4 million loss from investments and $68.1 million gain from all other sources. The net experience variation from individual sources other than investments was 1.6% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 10

Actuarial Experience for Year Ended June 30, 2012

1.	Net loss from investments[1]	$(72,404,000)
2.	Net gain from other experience[2]	68,146,000
3.	Net experience loss: (1) + (2)	$(4,258,000)

(1) *Details in Chart 11.*

(2) *See Section 3, Exhibit H. Does not include the effect of assumption changes, if any.*

Investment Rate of Return
A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on VCERA's investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets is 8.00% (based on the June 30, 2011 valuation). The actual rate of return on the valuation value of assets for the 2011/2012 plan year was 5.75%.

Since the actual return for the year was less than the assumed return, the VCERA experienced an actuarial loss during the year ended June 30, 2012 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 11

Investment Experience for Year Ended June 30, 2012 – Market Value, Actuarial Value and Valuation Value of Assets

	Market Value	Actuarial Value	Valuation Value
1. Actual return	$47,147,363	$184,787,098	$184,909,716
2. Average value of assets	3,167,397,454	3,231,289,681	3,216,419,062
3. Actual rate of return: (1) ÷ (2)	1.49%	5.72%	5.75%
4. Assumed rate of return	8.00%	8.00%	8.00%
5. Expected return: (2) x (4)	$253,391,796	$258,503,174	$257,313,525
6. Actuarial gain/(loss): (1) – (5)	$(206,244,433)	$(73,716,076)	$(72,403,809)

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial, valuation, and market basis for the last ten years.

CHART 12

Investment Return – Market Value, Actuarial Value and Valuation Value: 2003 – 2012

Year Ended June 30	Market Value Investment Return		Actuarial Value Investment Return		Valuation Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent
2003	$78,016,465	4.06%	$(78,366,548)	(3.53)%	$(87,805,515)	(4.22)%
2004	315,448,393	16.28	49,628,346	2.39	70,837,167	3.49
2005	203,080,574	9.19	168,122,229	8.05	168,122,229	8.16
2006	238,212,815	9.95	221,191,725	9.88	221,191,725	10.00
2007	458,962,761	17.48	344,644,568	14.06	308,000,514	12.68
2008	(211,806,573)	(6.86)	307,776,354	11.01	310,176,628	11.32
2009	(628,718,568)	(21.86)	5,186,654	0.17	31,242,785	1.02
2010	343,005,717	15.33	43,756,165	1.41	43,756,185	1.42
2011	622,940,028	24.34	121,406,541	3.89	121,406,541	3.91
2012	47,147,363	1.49%	184,787,098	5.72%	184,909,716	5.75%
Total	$1,466,288,975		$1,368,133,132		$1,371,837,975	
Five-Year Average Return		1.24%		4.33%		4.55%
Ten-Year Average Return		5.86%		5.19%		5.27%

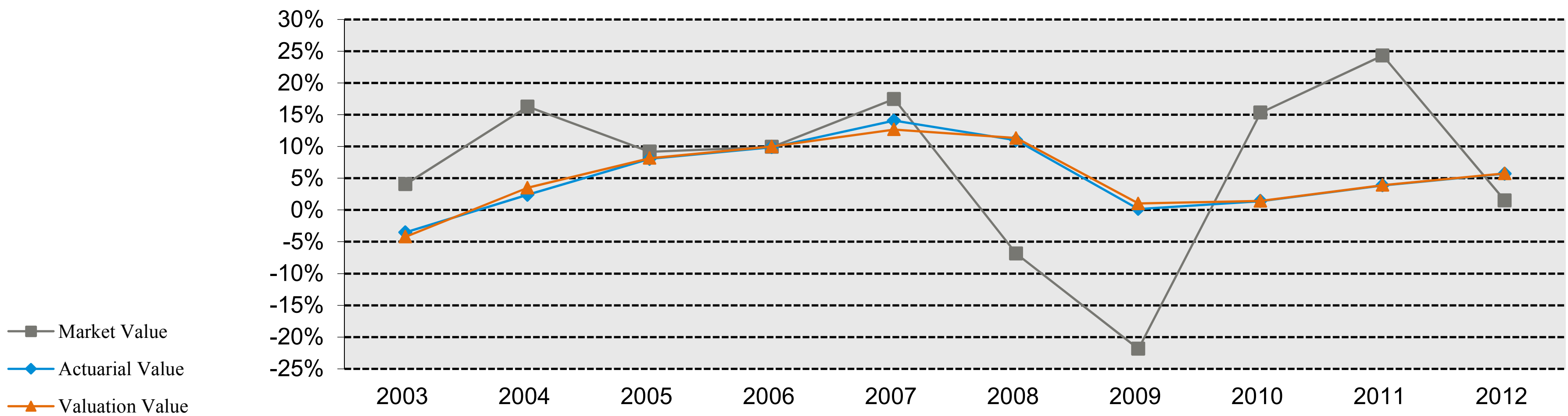
Note: Each year's yield is weighted by the average asset value in that year.

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

This chart illustrates how this leveling effect has actually worked over the years 2003 - 2012.

CHART 13

Market, Actuarial and Valuation Rates of Return for Years Ended June 30, 2003 - 2012



Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2012 amounted to $68.1 million which is 1.6% of the actuarial accrued liability. This gain was mainly due to individual salary increases less than assumed. See Exhibit H for a detailed development of the Unfunded Actuarial Accrued Liability.

D. EMPLOYER AND MEMBER CONTRIBUTIONS

Employer contributions consist of two components:

Normal Cost

The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution rate is expressed as a level percentage of the member's compensation.

Contribution to the Unfunded Actuarial Accrued Liability (UAAL)

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution (or rate credit in the case of a negative unfunded actuarial accrued liability) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the Association) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the combined annual inflation and "across the board" increases rate of 4.00%. The June 30, 2004 UAAL is being amortized over a 15-year declining period effective June 30, 2004. The change in UAAL that arises due to actuarial gains or losses or due to plan amendments (with the exception of retirement incentives) at each valuation is amortized over its own declining 15-year period. Effective with the June 30, 2012 valuation, any change in UAAL that arises due to changes in actuarial assumptions or methods is amortized over its own declining 20-year period and any change in UAAL due to retirement incentives is amortized over its own declining period of up to 5 years.

Effective with the June 30, 2012 valuation, the Basic UAAL rate has been calculated on a combined basis for both General Tier 1 and General Tier 2. The recommended employer contribution rates determined under this combined methodology are provided on Chart 14. For reference purposes only, Appendix B shows the employer contribution rates under the previous non-combined methodology.

All employer contribution rates shown in this report are before reflecting the three-year phase-in of the effect of the changes in economic actuarial assumptions and the actuarial cost method from the June 30, 2012 valuation.

Member Contributions

Articles 6 and 6.8 of the 1937 Act define the methodology to be used in the calculation of member basic contribution rates for General members and Safety members, respectively. The basic contribution rate is determined so that the accumulation of a member's basic contributions made in a given year until a certain age will be sufficient to fund an annuity at that age that is equal to 1/120 of Final Average Compensation for General members and 1/100 of Final Average Compensation for Safety members. That age is 55 for General Tier 1 members, 60 for General Tier 2 members and 50 for Safety members. It is assumed that contributions are made annually at the same rate, starting at entry age. In addition to their basic contributions, General Tier 1 and Safety members pay one-half of the total normal cost necessary to fund their cost-of-living benefits. General Tier 2 members eligible for the fixed 2% cost-of-living benefit contribute a negotiated 2.63% of salary per year. Member contributions accumulate with interest at the lesser of the assumed investment earning rate or the rate on ten year U.S. Treasury notes. Any difference between the assumed investment earning rate and the actual interest crediting rate will be credited to the County Advance reserve. The member contribution rates are provided in Appendix A. Please note that the member rates provided in the report are the full rate before reflecting any employer pickup. Also, in calculating the basic member rate, we follow the Board's past practice and have not included any in-service pay redemptions that may potentially increase a member's final average salary and hence retirement benefit.

CHART 14

Recommended Employer Contribution Rates (Dollar Amounts in Thousands) – Current Valuation Under Combined Methodology

	June 30, 2012 Actuarial Valuation[1]					
	BASIC		COLA		TOTAL	
General Tier 1 Members	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]
Normal Cost	7.90%	$1,224	2.48%	$384	10.38%	$1,608
UAAL[3]	9.92%	1,536	17.05%	2,640	26.97%	4,176
Total Contribution	17.82%	$2,760	19.53%	$3,024	37.35%	$5,784
General Tier 2 Members w/o COLA						
Normal Cost	8.50%	$18,128	0.00%	$0	8.50%	$18,128
UAAL[3]	9.92%	21,156	0.00%	0	9.92%	21,156
Total Contribution	18.42%	$39,284	0.00%	$0	18.42%	$39,284
General Tier 2 Members w/COLA						
Normal Cost	8.50%	$20,934	-0.04%	-$99	8.46%	$20,835
UAAL[3][4]	9.92%	24,429	0.91%	2,242	10.83%	26,671
Total Contribution	18.42%	$45,363	0.87%	$2,143	19.29%	$47,506
All General Members[5]						
Normal Cost	8.48%	$40,286	0.06%	$285	8.54%	$40,571
UAAL	9.92%	47,121	1.03%	4,882	10.95%	52,003
Total Contribution	18.40%	$87,407	1.09%	$5,167	19.49%	$92,574
Safety Members						
Normal Cost	13.92%	$22,106	4.29%	$6,812	18.21%	$28,918
UAAL	39.72%	63,077	-3.36%	-5,336	36.36%	57,741
Total Contribution	53.64%	$85,183	0.93%	$1,476	54.57%	$86,659
All Categories Combined[5]						
Normal Cost	9.84%	$62,392	1.12%	$7,097	10.96%	$69,489
UAAL	17.39%	110,198	-0.08%	-454	17.31%	109,744
Total Contribution	27.23%	$172,590	1.04%	$6,643	28.27%	$179,233

(1) *Before reflecting three-year phase-in of the effect of the changes in economic actuarial assumptions and actuarial cost method.*

(2) *Amounts are in thousands, assumed to be paid throughout the year, and are based on June 30, 2012 annual payroll (also in thousands) shown below:*

General Tier 1	$15,488
General Tier 2	213,275
General Tier 2C	246,280
Safety	158,805
Total	$633,848

(3) *Basic UAAL rates have been calculated on a combined basis for General Tier 1 and General Tier 2.*

(4) *Includes 0.51% in COLA UAAL costs attributed to the first two years of service accrued for the fixed 2% COLA pursuant to Government Code 31627.*

(5) *These aggregated rates are provided for informational purposes only as we understand that the intent is to implement the tier specific rates, if possible.*

CHART 14 (continued)

Recommended Employer Contribution Rates (Dollar Amounts in Thousands) – Prior Valuation

	June 30, 2011 Actuarial Valuation					
	BASIC		COLA		TOTAL	
General Tier 1 Members	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]
Normal Cost	7.31%	$1,178	2.11%	$340	9.42%	$1,518
UAAL	161.74%	26,064	0.67%	108	162.41%	26,172
Total Contribution	169.05%	$27,242	2.78%	$448	171.83%	$27,690
General Tier 2 Members w/o COLA						
Normal Cost	7.32%	$15,342	0.00%	$0	7.32%	$15,342
UAAL	2.83%	5,932	0.00%	0	2.83%	5,932
Total Contribution	10.15%	$21,274	0.00%	$0	10.15%	$21,274
General Tier 2 Members w/COLA						
Normal Cost	7.32%	$18,037	-0.32%	-$788	7.00%	$17,249
UAAL[2]	2.83%	6,973	0.67%	1,651	3.50%	8,624
Total Contribution	10.15%	$25,010	0.35%	$863	10.50%	$25,873
All General Members						
Normal Cost	7.32%	$34,557	-0.10%	-$448	7.22%	$34,109
UAAL	8.25%	38,969	0.38%	1,759	8.63%	40,728
Total Contribution	15.57%	$73,526	0.28%	$1,311	15.85%	$74,837
Safety Members						
Normal Cost	13.21%	$21,785	3.88%	$6,399	17.09%	$28,184
UAAL	32.66%	53,862	-3.12%	-5,146	29.54%	48,716
Total Contribution	45.87%	$75,647	0.76%	$1,253	46.63%	$76,900
All Categories Combined						
Normal Cost	8.84%	$56,342	0.94%	$5,951	9.78%	$62,293
UAAL	14.57%	92,831	-0.53%	-3,387	14.04%	89,444
Total Contribution	23.41%	$149,173	0.41%	$2,564	23.82%	$151,737

(1) *Amounts are in thousands, assumed to be paid throughout the year, and are based on June 30, 2011 annual payroll (also in thousands) shown below:*

General Tier 1	$16,115
General Tier 2	209,595
General Tier 2C	246,411
Safety	164,916
Total	$637,037

(2) *Includes 0.48% in COLA UAAL costs attributed to the first two years of service accrued for the fixed 2% COLA pursuant to Government Code 31627.*

The employer contribution rates as of June 30, 2012 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Employer Contribution Rate

The chart below details the changes in the recommended average employer contribution rate from the prior valuation to the current year's valuation.

The chart reconciles the employer contribution from the prior valuation to the amount determined in this valuation.

CHART 15

Reconciliation of Recommended Average Employer Contribution Rate from June 30, 2011 to June 30, 2012 (Dollar Amounts in Thousands)

	Contribution Rate	Estimated Annual Dollar Cost[(1)]
Recommended Average Employer Contribution Rate as of June 30, 2011	23.82%	$151,737
Effect of investment loss[(2)]	1.00%	6,338
Effect of difference in actual versus expected individual salary increases	(1.30)%	(8,240)
Effect of difference in actual versus expected total payroll growth	0.65%	4,120
Effect of difference in actual versus expected contributions due to delay in implementation of contribution rates calculated in June 30, 2011 valuation	0.24%	1,521
Effect of demographic actuarial assumption changes[(3)]	1.44%	9,127
Effect of economic actuarial assumption changes[(3)]	1.50%	9,508
Effect of method change to individual version of Entry Age Normal actuarial cost method	0.95%	6,022
Effect of net other changes[(4)]	(0.03)%	(900)
Total change	4.45%	$27,496
Recommended Average Employer Contribution Rate as of June 30, 2012[(5)]	28.27%	$179,233

(1) *Based on projected payroll for each year.*
(2) *The Association's valuation value of assets earned 5.75% which was less than the 8.00% assumed rate of return.*
(3) *The impact of actuarial assumption changes were determined based on an amortization period of twenty years.*
(4) *Other differences in actual versus expected experience including mortality, disability, withdrawal, retirement and in-service redemption experience. Estimated annual dollar cost also reflects change in payroll from prior valuation.*
(5) *Before reflecting three-year phase-in of the effect of the changes in economic actuarial assumptions and actuarial cost method.*

The member contribution rates as of June 30, 2012 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation.

Reconciliation of Recommended Member Contribution Rate

The chart below details the changes in the recommended average member contribution rate from the prior valuation to the current year's valuation.

The chart reconciles the member contribution from the prior valuation to the amount determined in this valuation.

CHART 16

Reconciliation of Recommended Average Member Contribution Rate from June 30, 2011 to June 30, 2012 (Dollar Amounts in Thousands)

	Contribution Rate	Estimated Annual Dollar Cost[(1)]
Recommended Average Member Contribution Rate in June 30, 2011 Valuation	8.24%	$52,476
Effect of changes in demographic profile of employee group[(2)]	(0.04)%	(528)
Effect of actuarial assumption changes	0.26%	1,648
Effect of actuarial Entry Age Normal method change	0.07%	444
Total Change	0.29%	$1,564
Recommended Average Member Contribution Rate in June 30, 2012 Valuation	8.53%	$54,040

(1) *Based on projected payroll for each year.*

(2) *Estimated annual dollar cost also reflects change in payroll from prior valuation.*

E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to the GASB is the historical comparison of the GASB required contributions to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 17 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the valuation value of assets to the actuarial accrued liabilities of the plan as calculated under GASB standards. High ratios indicate a well-funded plan with assets sufficient to cover the Plan's liabilities. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 17

Required Versus Actual Contributions

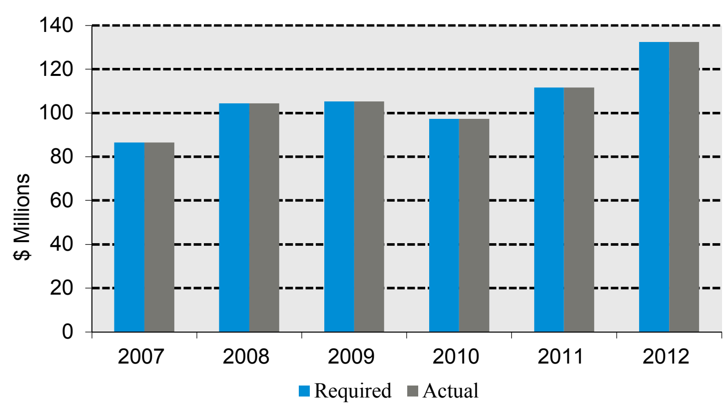
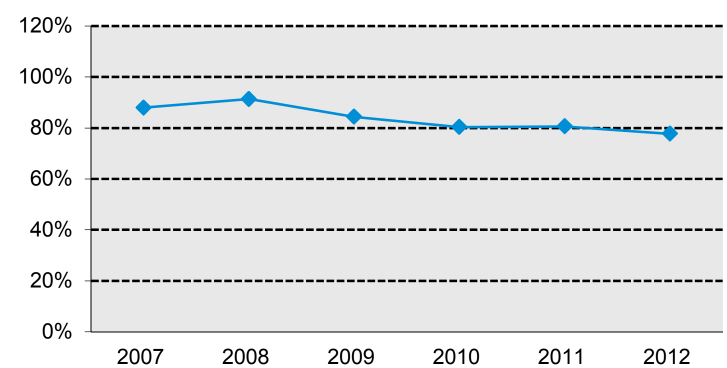


CHART 18

Funded Ratio



F. VOLATILITY RATIOS

Retirement plans are subject to volatility in the level of required contributions. This volatility tends to increase as retirement plans become more mature.

The Asset Volatility Ratio (AVR), which is equal to the market value of assets divided by total payroll, provides an indication of the potential contribution volatility for any given level of investment volatility. A higher AVR indicates that the plan is subject to a greater level of contribution volatility. This is a current measure since it is based on the current level of assets.

For VCERA, the current AVR is about 5.1. This means that a 1% asset gain/(loss) (relative to the assumed investment return) translates to about 5.1% of one-year's payroll. Since VCERA amortizes actuarial gains and losses over a period of 15 years, there would be a 0.4% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss).

The Liability Volatility Ratio (LVR), which is equal to the Actuarial Accrued Liability divided by payroll, provides an indication of the longer-term potential for contribution volatility for any given level of investment volatility. This is because, over an extended period of time, the plan's assets should track the plan's liabilities. For example, if a plan is 50% funded on a market value basis, the liability volatility ratio would be double the asset volatility ratio and the plan sponsor should expect contribution volatility to increase over time as the plan becomes better funded.

The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions.

For VCERA, the current LVR is about 6.9. This is about 35% higher than the AVR. Therefore, we would expect that contribution volatility will increase over the long-term.

This chart shows how the asset and liability volatility ratios have varied over time.

CHART 19

Volatility Ratios for Years Ended June 30, 2008 – 2012

Year Ended June 30	Asset Volatility Ratio	Liability Volatility Ratio
2008	4.8	5.6
2009	3.5	5.8
2010	3.9	5.9
2011	5.0	6.3
2012	5.1	6.9

EXHIBIT A

Table of Plan Coverage

i. General Tier 1

Category	Year Ended June 30 2012	Year Ended June 30 2011	Change From Prior Year
Active members in valuation:			
Number	153	154	-0.6%
Average age	55.2	58.5	N/A
Average service	26.3	29.2	N/A
Projected total compensation[1]	$15,488,166	$16,114,959	-3.9%
Projected average compensation	$101,230	$104,643	-3.3%
Account balances	$23,388,135	$25,905,478	-9.7%
Total active vested members	134	154	-13.0%
Vested terminated members[2]	63	62	1.6%
Retired members:			
Number in pay status	1,558	1,607	-3.0%
Average age	73.8	73.2	N/A
Average monthly benefit[3]	$3,238	$3,101	4.4%
Disabled members:			
Number in pay status	127	134	-5.2%
Average age	72.0	71.4	N/A
Average monthly benefit[3]	$2,173	$2,015	7.8%
Beneficiaries:			
Number in pay status	366	346	5.8%
Average age	79.0	79.0	N/A
Average monthly benefit[3]	$1,386	$1,340	3.4%

(1) *Calculated by increasing annualized bi-weekly compensation rates as of valuation date by one-half year of inflation and "across the board" salary increases.*

(2) *Includes nonvested terminated members with member contributions on deposit.*

(3) *Excludes STAR COLA, vested fixed supplemental and supplemental medical benefit amounts. Note that the STAR COLA benefit has been eliminated as of July 2011.*

EXHIBIT A (continued)

Table of Plan Coverage

ii. General Tier 2

Category	Year Ended June 30 2012	Year Ended June 30 2011	Change From Prior Year
Active members in valuation:			
Number	6,376	6,362	0.2%
Average age	46.2	45.8	N/A
Average service	10.1	9.8	N/A
Projected total compensation(1)	$459,554,673	$456,006,316	0.8%
Projected average compensation	$72,076	$71,677	0.6%
Account balances	$329,457,543	$312,646,786	5.4%
Total active vested members	4,382	4,124	6.3%
Vested terminated members(2)	1,828	1,776	2.9%
Retired members:			
Number in pay status	1,883	1,732	8.7%
Average age	66.9	66.7	N/A
Average monthly benefit(3)	$1,425	$1,349	5.6%
Disabled members:			
Number in pay status	323	326	-0.9%
Average age	61.8	61.1	N/A
Average monthly benefit(3)	$1,390	$1,369	1.5%
Beneficiaries:			
Number in pay status	211	194	8.8%
Average age	66.0	64.8	N/A
Average monthly benefit(3)	$751	$781	-3.8%

(1) *Calculated by increasing annualized bi-weekly compensation rates as of valuation date by one-half year of inflation and "across the board" salary increases.*

(2) *Includes nonvested terminated members with member contributions on deposit.*

(3) *Excludes STAR COLA, vested fixed supplemental and supplemental medical benefit amounts. Note that the STAR COLA benefit has been eliminated as of July 2011.*

EXHIBIT A (continued)

Table of Plan Coverage

iii. Safety

Category	Year Ended June 30 2012	Year Ended June 30 2011	Change From Prior Year
Active members in valuation:			
Number	1,490	1,524	-2.2%
Average age	41.1	40.7	N/A
Average service	13.9	13.6	N/A
Projected total compensation[1]	$158,804,521	$164,916,105	-3.7%
Projected average compensation	$106,580	$108,213	-1.5%
Account balances	$150,059,478	$147,480,015	1.7%
Total active vested members	1,221	1,193	2.3%
Vested terminated members[2]	270	259	4.2%
Retired members:			
Number in pay status	615	590	4.2%
Average age	64.8	64.8	N/A
Average monthly benefit[3]	$6,798	$6,496	4.6%
Disabled members:			
Number in pay status	378	377	0.3%
Average age	62.4	62.0	N/A
Average monthly benefit[3]	$4,824	$4,522	6.7%
Beneficiaries:			
Number in pay status	197	175	12.6%
Average age	67.0	66.2	N/A
Average monthly benefit[3]	$2,751	$2,785	-1.2%

(1) *Calculated by increasing annualized bi-weekly compensation rates as of valuation date by one-half year of inflation and "across the board" salary increases.*

(2) *Includes nonvested terminated members with member contributions on deposit.*

(3) *Excludes STAR COLA, vested fixed supplemental and supplemental medical benefit amounts. Note that the STAR COLA benefit has been eliminated as of July 2011.*

EXHIBIT B

Members in Active Service and Projected Average Compensation as of June 30, 2012
By Age and Years of Service

i. General Tier 1

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	10	10	- -	- -	- -	- -	- -	- -	- -	- -
	$70,565	$70,565	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	5	5	- -	- -	- -	- -	- -	- -	- -	- -
	70,689	70,689	- -	- -	- -	- -	- -	- -	- -	- -
30 - 34	2	2	- -	- -	- -	- -	- -	- -	- -	- -
	69,935	69,935	- -	- -	- -	- -	- -	- -	- -	- -
35 - 39	2	2	- -	- -	- -	- -	- -	- -	- -	- -
	71,498	71,498	- -	- -	- -	- -	- -	- -	- -	- -
40 - 44	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
45 - 49	4	- -	- -	1	1	2	- -	- -	- -	- -
	220,873	- -	- -	$175,454	$212,126	$247,956	- -	- -	- -	- -
50 - 54	19	- -	1	2	- -	4	1	11	- -	- -
	136,848	- -	$165,820	200,764	- -	188,725	$225,615	$95,660	- -	- -
55 - 59	53	- -	1	2	4	2	3	20	21	- -
	100,431	- -	217,277	158,602	108,789	150,333	164,450	89,666	$84,090	- -
60 - 64	45	- -	1	4	3	6	3	13	13	2
	94,721	- -	76,173	129,120	104,828	141,054	68,406	80,688	84,481	$78,287
65 - 69	10	- -	1	1	- -	1	- -	2	3	2
	87,685	- -	114,150	83,899	- -	130,176	- -	69,559	97,201	58,951
70 & over	3	- -	- -	- -	- -	- -	- -	1	1	1
	66,815	- -	- -	- -	- -	- -	- -	99,397	50,985	50,062
Total	153	19	4	10	8	15	7	47	38	5
	$101,230	$70,629	$143,355	$149,457	$120,221	$168,532	$132,026	$87,937	$84,387	$64,907

EXHIBIT B (continued)

Members in Active Service and Projected Average Compensation as of June 30, 2012
By Age and Years of Service

ii. General Tier 2

		Years of Service								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	76	72	4	- -	- -	- -	- -	- -	- -	- -
	$44,053	$43,791	$48,766	- -	- -	- -	- -	- -	- -	- -
25 - 29	508	404	102	2	- -	- -	- -	- -	- -	- -
	57,281	57,875	54,696	$68,993	- -	- -	- -	- -	- -	- -
30 - 34	684	372	242	70	- -	- -	- -	- -	- -	- -
	65,721	64,845	66,764	66,772	- -	- -	- -	- -	- -	- -
35 - 39	755	275	259	194	27	- -	- -	- -	- -	- -
	69,231	64,865	73,728	68,972	$72,433	- -	- -	- -	- -	- -
40 - 44	845	232	250	208	98	56	1	- -	- -	- -
	74,606	68,553	76,109	79,334	77,662	$70,350	$58,873	- -	- -	- -
45 - 49	917	190	235	235	121	112	23	1	- -	- -
	75,506	67,023	72,840	80,075	84,499	75,619	78,270	$75,182	- -	- -
50 - 54	1,024	201	232	202	124	131	96	38	- -	- -
	75,635	69,579	75,237	75,348	73,669	80,661	83,778	80,127	- -	- -
55 - 59	875	152	169	177	124	136	73	44	- -	- -
	77,695	71,709	71,894	76,025	81,241	80,946	92,073	83,474	- -	- -
60 - 64	497	82	109	95	69	72	49	19	2	- -
	76,365	72,632	73,767	79,760	72,450	74,589	82,596	93,632	$92,068	- -
65 - 69	156	15	36	43	29	24	7	2	- -	- -
	73,508	69,695	67,633	77,514	79,104	72,958	60,132	93,995	- -	- -
70 & over	39	7	9	11	3	4	- -	5	- -	- -
	70,531	77,784	70,975	67,114	73,554	60,643	- -	73,194	- -	- -
Total	6,376	2,002	1,647	1,237	595	535	249	109	2	- -
	$72,076	$64,717	$71,579	$75,858	$78,174	$77,286	$84,704	$83,723	$92,068	- -

EXHIBIT B (continued)

Members in Active Service and Projected Average Compensation as of June 30, 2012
By Age and Years of Service

iii. Safety

		Years of Service								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**
Under 25	41	39	2	- -	- -	- -	- -	- -	- -	- -
	$72,031	$71,405	$84,232	- -	- -	- -	- -	- -	- -	- -
25 - 29	167	114	53	- -	- -	- -	- -	- -	- -	- -
	82,683	77,252	94,364	- -	- -	- -	- -	- -	- -	- -
30 - 34	234	63	134	37	- -	- -	- -	- -	- -	- -
	92,722	86,019	94,270	$98,530	- -	- -	- -	- -	- -	- -
35 - 39	251	32	62	120	37	- -	- -	- -	- -	- -
	105,366	93,951	98,300	108,307	$117,537	- -	- -	- -	- -	- -
40 - 44	283	10	24	102	105	41	1	- -	- -	- -
	110,679	98,736	94,193	106,844	115,142	$121,010	$124,765	- -	- -	- -
45 - 49	209	3	18	31	41	89	26	1	- -	- -
	117,274	103,535	98,704	101,211	113,984	123,211	134,793	$141,696	- -	- -
50 - 54	197	6	3	13	17	53	58	46	1	- -
	124,888	119,530	115,484	110,210	109,371	118,963	130,667	134,748	$165,004	- -
55 - 59	84	1	6	6	5	19	21	23	3	- -
	127,326	215,893	116,392	89,383	93,489	117,578	131,012	144,678	154,875	- -
60 - 64	23	1	2	1	4	6	4	3	2	- -
	115,368	132,300	154,653	132,522	96,171	112,234	109,942	124,019	104,710	- -
65 - 69	1	- -	- -	- -	- -	- -	- -	- -	- -	1
	115,218	- -	- -	- -	- -	- -	- -	- -	- -	$115,218
70 & over	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total	1,490	269	304	310	209	208	110	73	6	1
	$106,580	$83,199	$96,342	$105,741	$113,988	$120,863	$130,901	$137,531	$139,841	$115,218

EXHIBIT C

Reconciliation of Member Data – June 30, 2011 to June 30, 2012

	Active Members	Vested Terminated Members[1]	Pensioners	Disableds	Beneficiaries	Total
Number as of June 30, 2011	8,040	2,097	3,929	837	715	15,618
New members	423	32	0	0	112	567
Terminations – with vested rights	-191	191	0	0	0	0
Contributions refunds	-88	-58	0	0	0	-146
Retirements	-180	-72	252	0	0	0
New disabilities	-8	-1	-10	19	0	0
Return to work	26	-26	0	0	0	0
Died with or without beneficiary	-4	-3	-140	-29	-23	-199
Data adjustments	1	1	25	1	-30	-2
Number as of June 30, 2012	8,019	2,161	4,056	828	774	15,838

(1) *Includes nonvested terminated members with member contributions on deposit.*

EXHIBIT D
Summary Statement of Income and Expenses on an Actuarial Value Basis

	Year Ended June 30, 2012		Year Ended June 30, 2011	
Contribution income:				
Employer contributions	$140,772,726		$120,053,545	
Member contributions	44,486,749		44,237,695	
Contribution income		$185,259,475		$164,291,240
Investment income:				
Interest, dividends and other income	$42,088,643		$40,478,834	
Adjustment toward market value [1]	155,520,370		93,102,991	
Less investment and administrative fees	(12,821,915)		(12,175,283)	
Net investment income		$184,787,098		$121,406,542
Total income available for benefits		$370,046,573		$285,697,782
Less benefit payments		$(195,114,694)		$(184,458,061)
Change in reserve for future benefits		$174,931,879		$101,239,721

(1) *Equals the "non-cash" earnings on investments included in the Actuarial Value of Assets.*

EXHIBIT E
Summary Statement of Net Assets

	Year Ended June 30, 2012		Year Ended June 30, 2011	
Cash equivalents		$118,800,271		$188,845,554
Accounts receivable:				
Securities sold	$29,531,517		$23,957,578	
Accrued interest and dividends	5,175,132		4,636,910	
Member and employer contributions	3,754,115		2,372,406	
Other	21,686		23,368	
Total accounts receivable		$38,482,450		$30,990,262
Investments:				
Equities	$1,998,047,913		$2,026,968,094	
Fixed income	840,596,038		807,313,342	
Real estate	283,239,366		253,973,321	
Currency	0		8,746,510	
Pension software development cost	686,886		0	
Investments received on securities lending	94,634,819		122,498,629	
Total investments at market value		$3,217,205,022		$3,219,499,896
Total assets		$3,374,487,743		$3,439,335,712
Liabilities:				
Securities lending	$(94,634,819)		$(122,498,629)	
Security purchases	(68,472,851)		(142,597,140)	
Accounts payable	(1,737,362)		(1,890,154)	
Prepaid contributions	(25,504)		(24,726)	
Total liabilities		$(164,870,536)		$(267,010,649)
Net assets at market value		$3,209,617,207		$3,172,325,063
Net assets at actuarial value		$3,411,149,169		$3,236,217,290
Net assets at valuation value		$3,397,359,919		$3,220,387,920

EXHIBIT F
Actuarial Balance Sheet

An overview of the Plan's funding is given by an Actuarial Balance Sheet. In this approach, we first determine the amount and timing of all future payments that will be made by the Plan for current participants. We then discount these payments at the valuation interest rate to the date of the valuation, thereby determining their present value. We refer to this present value as the "liability" of the Plan.

Second, we determine how this liability will be met. These actuarial "assets" include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer normal cost contributions, and the present value of future employer amortization payments for the unfunded actuarial accrued liability.

Actuarial Balance Sheet ($ in 000s)

Assets	June 30, 2012	June 30, 2011
1. Total valuation value of assets	$3,397,359	$3,220,388
2. Present value of future contributions by members	441,272	419,378
3. Present value of future employer contributions for:		
a. Entry age normal cost	524,608	502,358
b. Unfunded actuarial accrued liability	975,867	774,964
4. Total current and future assets	$5,339,106	$4,917,088
Liabilities		
5. Present value of benefits for retirees and beneficiaries	$2,400,567	$2,134,592
6. Present value of benefits for vested terminated members	125,886	107,616
7. Present value of benefits for active members	2,812,653	2,674,880
8. Total liabilities	$5,339,106	$4,917,088

EXHIBIT G

Summary of Allocated Reserves

Reserves

	June 30, 2012	June 30, 2011
Member contributions reserve [1]	$569,892,474	$549,207,345
Employer advance reserve [1]	1,488,500,882	1,314,951,721
Offset: Interest crediting shortfall tracking account [1]	(721,502,957)	(591,568,674)
Retiree reserve [1]	1,919,116,136	1,810,061,793
Supplemental death benefit reserve [1]	12,782,317	12,297,923
Vested fixed supplemental ($108.44) reserve [1]	128,571,067	125,437,812
Undistributed earnings [1]	0	0
Valuation reserves	$3,397,359,919	$3,220,387,920
STAR COLA reserve [2]	0	238,479
Supplemental medical ($27.50) reserve [2]	13,789,250	15,590,891
Contingency reserve [2]	0	0
Total reserves (actuarial value)	$3,411,149,169	$3,236,217,290
Market stabilization reserve [2]	(201,531,962)	(63,892,227)
Net market value	$3,209,617,207	$3,172,325,063

(1) *Included in valuation value of assets.*

(2) *Not included in valuation value of assets.*

EXHIBIT H

Development of Unfunded/(Overfunded) Actuarial Accrued Liability for Year Ended June 30, 2012

1.	Unfunded actuarial accrued liability at beginning of year		$774,964,000
2.	Total Normal Cost payable at middle of year		114,176,000
3.	Expected employer and member contributions		(202,305,000)
4.	Interest (whole year on (1) plus half year on (2) + (3))		57,459,000
5.	Expected unfunded actuarial accrued liability at end of year		$744,294,000
6.	Actuarial (gain)/loss due to all changes:		
	(a) Investment return	$72,404,000	
	(b) Lower than expected individual salary increases	(93,786,000)	
	(c) Actual contributions less than expected	17,046,000	
	(d) Other experience	8,594,000	
	(e) Changes in demographic actuarial assumptions	123,037,000	
	(f) Changes in economic actuarial assumptions	104,278,000	
	Total changes		$231,573,000
7.	Unfunded actuarial accrued liability at end of year		$975,867,000

Note: Net gain from other non-investment experience of $68.1 million (as shown on page 8) is equal to: 6(b) + 6(c) + 6(d).

EXHIBIT I

Table of Amortization Bases

	Date Established	Source	Initial Amount	Outstanding Balance	Years Remaining	Payment
General Tier 1	June 30, 2004	Restart of Amortization	$63,394,000	$47,109,000	7	$7,773,000
	June 30, 2005	Actuarial (Gain)/Loss	22,085,000	17,702,000	8	2,599,000
	June 30, 2006	Actuarial (Gain)/Loss	7,048,000	5,994,000	9	796,000
	June 30, 2006	Assumption Change	41,538,000	35,299,000	9	4,686,000
	June 30, 2007	Actuarial (Gain)/Loss	(19,901,000)	(17,730,000)	10	(2,154,000)
	June 30, 2008	Actuarial (Gain)/Loss	(18,128,000)	(16,771,000)	11	(1,883,000)
	June 30, 2009	Actuarial (Gain)/Loss	55,190,000	52,526,000	12	5,497,000
	June 30, 2009	Assumption Change	18,574,000	17,668,000	12	1,849,000
	June 30, 2010	Actuarial (Gain)/Loss	50,018,000	48,660,000	13	4,778,000
	June 30, 2011	Actuarial (Gain)/Loss	36,225,000	35,821,000	14	3,320,000
	June 30, 2012	Actuarial (Gain)/Loss	29,865,000	29,865,000	15	2,626,000
	June 30, 2012	Demographic Assumption Change	38,104,000	38,104,000	20	2,720,000
	June 30, 2012	Economic Assumption Change	19,517,000	19,517,000	20	1,393,000
				$313,764,000		$34,000,000
General Tier 2	June 30, 2004	Restart of Amortization	$49,731,000	$36,960,000	7	$6,099,000
	June 30, 2005	Actuarial (Gain)/Loss	7,622,000	6,114,000	8	898,000
	June 30, 2006	Actuarial (Gain)/Loss	(9,108,000)	(7,744,000)	9	(1,028,000)
	June 30, 2006	Assumption Change	19,085,000	16,218,000	9	2,153,000
	June 30, 2006	Plan Provision Change	14,731,000	12,514,000	9	1,661,000
	June 30, 2007	Actuarial (Gain)/Loss	(39,508,000)	(35,203,000)	10	(4,277,000)
	June 30, 2008	Actuarial (Gain)/Loss	(34,794,000)	(32,169,000)	11	(3,612,000)
	June 30, 2009	Actuarial (Gain)/Loss	71,253,000	67,805,000	12	7,096,000
	June 30, 2009	Assumption Change	22,696,000	21,600,000	12	2,260,000
	June 30, 2010	Actuarial (Gain)/Loss	47,615,000	46,326,000	13	4,549,000
	June 30, 2011	Actuarial (Gain)/Loss	(6,949,000)	(6,879,000)	14	(638,000)
	June 30, 2012	Actuarial (Gain)/Loss	(18,106,000)	(18,106,000)	15	(1,592,000)
	June 30, 2012	Demographic Assumption Change	29,420,000	29,420,000	20	2,100,000
	June 30, 2012	Economic Assumption Change	32,874,000	32,874,000	20	2,347,000
				$169,730,000		$18,016,000

EXHIBIT I (continued)

Table of Amortization Bases

	Date Established	Source	Initial Amount	Outstanding Balance	Years Remaining	Payment
Safety	June 30, 2004	Restart of Amortization	$210,319,000	$156,280,000	7	$25,787,000
	June 30, 2005	Actuarial (Gain)/Loss	19,142,000	15,341,000	8	2,253,000
	June 30, 2006	Actuarial (Gain)/Loss	3,418,000	2,903,000	9	385,000
	June 30, 2006	Assumption Change	42,167,000	35,833,000	9	4,757,000
	June 30, 2007	Actuarial (Gain)/Loss	(37,489,000)	(33,394,000)	10	(4,057,000)
	June 30, 2008	Actuarial (Gain)/Loss	(22,443,000)	(20,741,000)	11	(2,329,000)
	June 30, 2009	Actuarial (Gain)/Loss	78,157,000	74,385,000	12	7,784,000
	June 30, 2009	Assumption Change	49,982,000	47,569,000	12	4,978,000
	June 30, 2010	Actuarial (Gain)/Loss	108,448,000	105,520,000	13	10,362,000
	June 30, 2011	Actuarial (Gain)/Loss	8,879,000	8,778,000	14	814,000
	June 30, 2012	Actuarial (Gain)/Loss	(7,501,000)	(7,501,000)	15	(659,000)
	June 30, 2012	Demographic Assumption Change	55,513,000	55,513,000	20	3,963,000
	June 30, 2012	Economic Assumption Change	51,887,000	51,887,000	20	3,704,000
				$492,373,000		$57,742,000
Grand Total				$975,867,000		$109,758,000

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EXHIBIT J

Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of $160,000 indexed for inflation. That limit is $200,000 for 2012 and $205,000 for 2013. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions. Limits are also affected by the "grandfather" election under Section 415(b)(10).

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

Contribution rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.

EXHIBIT K

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions: The estimates on which the cost of the Plan is calculated including:

(a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;

(b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates — the rate or probability of retirement at a given age;

(d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost: The amount of contributions required to fund the cost allocated to the current year of service.

Actuarial Accrued Liability for Actives: The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability for Pensioners: The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded/(Overfunded) Actuarial Accrued Liability: The extent to which the actuarial accrued liability of the Plan exceeds (or is exceeded by) the assets of the Plan.

Amortization of the Unfunded/ (Overfunded) Actuarial Accrued Liability: Payments made over a period of years equal in value to the Plan's unfunded or overfunded actuarial accrued liability.

Investment Return: The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the market gains and losses to avoid significant swings in the value of assets from one year to the next.

Payroll or Compensation: Compensation earnable expected to be paid to active members during the twelve months following the valuation date. Only compensation earnable that would possibly go into the determination of retirement benefits is included.

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1.	Retired members as of the valuation date (including 774 beneficiaries in pay status)		5,658
2.	Members inactive during year ended June 30, 2012 with vested rights[1]		2,161
3.	Members active during the year ended June 30, 2012		8,019

The actuarial factors as of the valuation date are as follows (amounts in 000s):

1.	Normal cost		$123,529
2.	Present value of future benefits		5,339,106
3.	Present value of future normal costs		965,879
4.	Actuarial accrued liability[2]		4,373,227
	Retired members and beneficiaries	$2,400,567	
	Inactive members with vested rights[1]	125,886	
	Active members	1,846,774	
5.	Valuation value of assets[2] ($3,209,617 at market value as reported by Retirement Association)		3,397,360
6.	Unfunded actuarial accrued liability		$975,867

(1) *Includes nonvested terminated members with member contributions on deposit.*

(2) *Excludes liabilities and assets held for STAR COLA benefit reserve, supplemental medical benefit reserve and statutory contingency reserve. Note that the STAR COLA benefit has been eliminated as of July 2011 and funds in the STAR COLA benefit reserve were transferred back to the valuation reserves.*

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the recommended average employer contribution is as follows (amounts in 000s):	Dollar Amount	% of Payroll
1. Total normal cost	$123,529	19.49%
2. Expected employee contributions	-54,040	-8.53%
3. Employer normal cost: (1) + (2)	$69,489	10.96%
4. Amortization of unfunded actuarial accrued liability	109,744	17.31%
5. Total recommended average employer contribution: (3) + (4)	$179,233	28.27%
8. Projected compensation	$633,848	

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2007	$86,455,000	$86,455,000	100.0%
2008	104,429,000	104,429,000	100.0%
2009	105,278,000	105,278,000	100.0%
2010	97,324,000	97,324,000	100.0%
2011	111,585,000	111,585,000	100.0%
2012	132,386,000	132,386,000	100.0%

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Valuation Value of Assets[1] (a)	Actuarial Accrued Liability (AAL)[2] (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
06/30/2007	$2,736,558,000	$3,112,583,000	$376,025,000	87.92%	$551,968,000	68.12%
06/30/2008	3,055,756,000	3,345,804,000	290,048,000	91.33%	599,173,000	48.41%
06/30/2009	3,090,148,000	3,663,701,000	573,553,000	84.34%	634,777,000	90.36%
06/30/2010	3,115,984,000	3,877,443,000	761,459,000	80.36%	654,829,000	116.28%
06/30/2011	3,220,388,000	3,995,352,000	774,964,000	80.60%	637,037,000	121.65%
06/30/2012	3,397,360,000	4,373,227,000	975,867,000	77.69%	633,848,000	153.96%

(1) *Excludes assets for STAR COLA benefit reserve, supplemental medical benefit reserve and statutory contingency reserve. Note that the STAR COLA benefit has been eliminated as of July 2011.*

(2) *Excludes liabilities held for STAR COLA benefit reserve, supplemental medical benefit reserve and statutory contingency reserve. Note that the STAR COLA benefit has been eliminated as of July 2011.*

EXHIBIT IV

Supplementary Information Required by the GASB

Valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	Level percent of payroll (4.00% payroll growth assumed)
Remaining amortization period	15 years for UAAL as of June 30, 2004. Any changes in UAAL after June 30, 2004 are separately amortized over a 15-year closed period effective with that valuation. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to plan amendments (with the exception of a change due to retirement incentives) will be amortized over a 15-year closed period effective with that valuation (up to a 5-year closed period for retirement incentives). Any change in UAAL due to changes in actuarial assumptions or methods will be amortized over a 20-year closed period effective with that valuation.
Asset valuation method	Market value of assets less unrecognized returns in each of the last ten semi-annual accounting periods. Unrecognized returns are equal to the difference between the actual market return and the expected return on market value and are recognized over a five-year period. The Actuarial Value of Assets is reduced by the value of the STAR COLA benefit reserve (eliminated as of July 2011), supplemental medical benefit reserve and statutory contingency reserve. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal amounts over a period of four and a half years from that date.
Actuarial assumptions:	
Investment rate of return	7.75%[1]
Projected salary increases	4.50% - 12.50%[2] varying by service
Cost of living adjustments	For General Tier 1 and Safety, 3% (actual increases are contingent upon CPI increases with a 3.00% maximum). For General Tier 2, SEIU members receive a fixed 2% cost-of-living adjustment not subject to CPI increases that applies to future service after March 2003.

Plan membership:	
Retired members *and beneficiaries receiving benefits*	5,658
Terminated members *entitled to, but not yet receiving benefits*[3]	2,161
Active members	8,019
Total	15,838

(1) *Includes inflation at 3.25%.*
(2) *Includes inflation at 3.25%, "across the board" increases of 0.75%, plus merit and longevity increases. See Exhibit V for these increases.*
(3) *Includes nonvested terminated members with member contributions on deposit.*

EXHIBIT V
Actuarial Assumptions and Methods

Actuarial Assumptions

Post – Retirement Mortality Rates:

Healthy:	For all Members: RP-2000 Combined Healthy Mortality Table projected with Scale AA to 2025 set back one year.
Disabled:	For General Members: RP-2000 Combined Healthy Mortality Table projected with Scale AA to 2025 set forward five years for males and seven years for females.
	For Safety Members: RP-2000 Combined Healthy Mortality Table projected with Scale AA to 2025 set back one year.
	The RP-2000 mortality tables projected with Scale AA to 2010 and adjusted by the applicable set backs and set forwards shown above reasonably reflect the projected mortality experience as of the measurement date. The additional projection to 2025 is a provision for future mortality improvements.
Beneficiaries:	Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who has taken a service (non-disability) retirement.
Member Contribution Rates:	For General Members: RP-2000 Combined Healthy Mortality Table projected with Scale AA to 2025 set back one year weighted 35% male and 65% female.
	For Safety Members: RP-2000 Combined Healthy Mortality Table projected with Scale AA to 2025 set back one year weighted 80% male and 20% female.

Termination Rates Before Retirement:

	Rate (%) Mortality			
	General		Safety	
Age	Male	Female	Male	Female
25	0.03	0.01	0.03	0.01
30	0.04	0.02	0.04	0.02
35	0.06	0.03	0.06	0.03
40	0.09	0.04	0.09	0.04
45	0.10	0.07	0.10	0.07
50	0.13	0.10	0.13	0.10
55	0.19	0.19	0.19	0.19
60	0.40	0.39	0.40	0.39
65	0.79	0.76	0.79	0.76

All pre-retirement deaths are assumed to be non-duty related.

Termination Rates Before Retirement (continued):

Age	Rate (%) Disability General[1]	Safety[2]
25	0.02	0.14
30	0.04	0.26
35	0.08	0.48
40	0.13	0.90
45	0.21	1.16
50	0.40	1.98
55	0.56	3.40
60	0.69	4.60
65	0.90	0.00
70	1.00	0.00

(1) 40% of General disabilities are assumed to be duty disabilities and the other 60% are assumed to be ordinary disabilities.

(2) 90% of Safety disabilities are assumed to be duty disabilities and the other 10% are assumed to be ordinary disabilities.

Termination Rates Before Retirement (continued):

Rate (%)

Withdrawal (Less than Five Years of Service)*

Years of Service	General	Safety
0	15.00	12.00
1	10.00	6.00
2	8.00	5.50
3	7.00	5.00
4	6.00	4.00

Withdrawal (Five or More Years of Service)*

Age	General	Safety
20	6.00	4.00
25	6.00	4.00
30	5.70	3.40
35	4.90	2.40
40	3.90	1.40
45	2.90	0.70
50	2.20	0.20
55	1.70	0.00
60	1.20	0.00
65	1.00	0.00
70	0.00	0.00

* The greater of a refund of member contributions and a deferred annuity is valued when a member withdraws.

No withdrawal is assumed after a member is first assumed to retire.

Retirement Rates:

	Rate (%)	
Age	General	Safety
40	0.00	1.00
41	0.00	1.00
42	0.00	1.00
43	0.00	1.00
44	0.00	1.00
45	0.00	1.00
46	0.00	1.00
47	0.00	1.00
48	0.00	1.00
49	0.00	1.00
50	3.00	2.00
51	3.00	2.00
52	4.00	4.00
53	4.00	6.00
54	6.00	18.00
55	6.00	25.00
56	7.00	20.00
57	8.00	20.00
58	10.00	18.00
59	10.00	25.00
60	14.00	25.00
61	18.00	30.00
62	22.00	40.00
63	20.00	50.00
64	25.00	50.00
65	35.00	100.00
66	35.00	100.00
67	35.00	100.00
68	25.00	100.00
69	20.00	100.00
70	20.00	100.00
71	20.00	100.00
72	20.00	100.00
73	20.00	100.00
74	40.00	100.00
75	100.00	100.00

Retirement Age and Benefit for Deferred Vested Members:	For deferred vested members, we make the following retirement assumption: General Age: 58 Safety Age: 54 We assume that 50% and 65% of future General and Safety deferred vested members, respectively, will continue to work for a reciprocal employer. For reciprocals, we assume 4.50% compensation increases per annum.
Future Benefit Accruals:	1.0 year of service per year.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Definition of Active Members:	All active members of VCERA as of the valuation date.
Percent Married:	70% of male members and 50% of female members are assumed to be married at pre-retirement death or retirement. There is no explicit assumption for children's benefits.
Age of Spouse:	Female (or male) spouses are 3 years younger (or older) than their spouses.
Net Investment Return:	7.75%, net of investment and administration expenses.
Member Contribution Crediting Rate:	3.25% (Actual increase is based on projected long term ten-year Treasury rate).
Consumer Price Index:	Increase of 3.25% per year; retiree COLA increases due to CPI are subject to a 3.0% maximum change per year for General Tier 1 and Safety. For General Tier 2, SEIU members receive a fixed 2% cost-of-living adjustment, not subject to changes in the CPI, that applies to future service after March 2003.

In-Service Redemptions:

The following assumptions for in-service redemptions pay as a percentage of final average compensation are used:

General Tier 1	8.00%
General Tier 2	3.50%
Safety	7.50%

For determining the cost of the basic benefit (i.e., non-COLA component), the cost of this pay element is currently recognized in the valuation as an employer only cost and does not affect member contribution rates.

Salary Increases:

Annual Rate of Compensation Increase

Inflation: 3.25% per year; plus "across the board" salary increases of 0.75% per year; plus the following promotional and merit increases:

Years of Service	General	Safety
Less than 1	5.00%	8.50%
1	3.75	6.25
2	3.00	4.75
3	2.50	4.00
4	2.00	3.00
5	1.50	2.50
6	1.00	2.00
7	1.00	1.50
8	0.75	1.25
9	0.50	1.00
10	0.50	0.75
11	0.50	0.75
12	0.50	0.75
13	0.50	0.75
14	0.50	0.75
15	0.50	0.75
16	0.50	0.50
17	0.50	0.50
18	0.50	0.50
19	0.50	0.50
20 and Over	0.50	0.50

Actuarial Methods

Actuarial Cost Method: Entry Age Normal Actuarial Cost Method. Entry Age is the age at the member's hire date. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percentage of compensation, as if the current benefit formulas have always been in effect (i.e., "replacement life").

Actuarial Value of Assets: Market value of assets less unrecognized returns in each of the last ten semi-annual accounting periods. Unrecognized returns are equal to the difference between the actual market return and the expected return on market value and are recognized over a five-year period. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal amounts over a period of four and a half years from that date.

Valuation Value of Assets: Actuarial Value of Assets reduced by the value of the supplemental medical benefit reserve and statutory contingency reserve.

Amortization Policy: The UAAL, (i.e., the difference between the Actuarial Accrued Liability and the Valuation Value of Assets), as of June 30, 2011 shall continue to be amortized over separate 15-year period amortization layers based on the valuations during which each separate layer was previously established.

Any new UAAL as a result of actuarial gains or losses identified in the annual valuation as of June 30 will be amortized over a period of 15 years.

Any new UAAL as a result of change in actuarial assumptions or methods will be amortized over a period of 20 years.

Unless an alternative amortization period is recommended by the Actuary and accepted by the Board based on the results of an actuarial analysis:

i) with the exception noted in ii., below, the increase in UAAL as a result of any plan amendments will be amortized over a period of 15 years;

ii) the increase in UAAL resulting from a temporary retirement incentive, including the impact of benefits resulting from additional service permitted in Section 31641.04 of the 1937 CERL (Golden Handshake), will be funded over a period of up to 5 years.

UAAL shall be amortized over "closed" amortization periods so that the amortization period for each layer decreases by one year with each actuarial valuation.

UAAL shall be amortized as a level percentage of payroll so that the amortization amount in each year during the amortization period shall be expected to be a level percentage of covered payroll, taking into consideration the current assumption for general payroll increase.

If an overfunding exists (i.e., the total of all UAAL becomes negative so that there is a surplus), such surplus and any subsequent surpluses will be amortized over an "open" amortization period of 30 years. Any prior UAAL amortization layers will be considered fully amortized, and any subsequent UAAL, will be amortized over 15 years as the first of a new series of amortization layers.

These amortization policy components will apply separately to each of VCERA's UAAL cost groups.

Changes in Actuarial Assumptions and Methods:

The Board adopted an adjustment to the asset smoothing method that combined the net deferred investment losses from the June 30, 2011 valuation into a single smoothing layer to be recognized in equal amounts over a period of four and a half years from that date.

In addition, based on the Actuarial Experience Study, Review of Economic Assumptions and Review of Actuarial Funding Policy, the following assumptions and methods were changed. Previously, these assumptions and methods were as follows:

Changes in Actuarial Assumptions and Methods – Prior Assumptions (continued):

Post – Retirement Mortality Rates:

Healthy:	For all Members: RP-2000 Combined Healthy Mortality Table set back one year.
Disabled:	For General Members: RP-2000 Combined Healthy Mortality Table set forward six years.
	For Safety Members: RP-2000 Combined Healthy Mortality Table set back one year.
Beneficiaries:	Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who has taken a service (non-disability) retirement.
Member Contribution Rates:	For General Members: RP-2000 Combined Healthy Mortality Table set back one year weighted 35% male and 65% female.
	For Safety Members: RP-2000 Combined Healthy Mortality Table set back one year weighted 80% male and 20% female.

Termination Rates Before Retirement:

Rate (%)
Mortality

	General		Safety	
Age	Male	Female	Male	Female
25	0.04	0.02	0.04	0.02
30	0.04	0.02	0.04	0.02
35	0.07	0.04	0.07	0.04
40	0.10	0.06	0.10	0.06
45	0.14	0.10	0.14	0.10
50	0.20	0.16	0.20	0.16
55	0.32	0.24	0.32	0.24
60	0.59	0.44	0.59	0.44
65	1.13	0.86	1.13	0.86

All pre-retirement deaths are assumed to be non-duty related.

Changes in Actuarial Assumptions and Methods – Prior Assumptions (continued):

Termination Rates Before Retirement (continued):

	Rate (%) Disability	
Age	General[1]	Safety[2]
25	0.02	0.11
30	0.04	0.24
35	0.08	0.57
40	0.13	0.90
45	0.24	1.15
50	0.48	2.15
55	0.69	4.10
60	0.75	5.75
65	0.75	0.00
70	0.75	0.00

(3) 45% of General disabilities are assumed to be duty disabilities and the other 55% are assumed to be ordinary disabilities.

(4) 90% of Safety disabilities are assumed to be duty disabilities and the other 10% are assumed to be ordinary disabilities.

Changes in Actuarial Assumptions and Methods – Prior Assumptions (continued):

Termination Rates Before Retirement (continued):

Rate (%)

Withdrawal (Less than Five Years of Service)*

Years of Service	General	Safety
0	16.00	10.00
1	12.00	7.00
2	10.00	7.00
3	8.00	6.00
4	8.00	5.50

Withdrawal (Five or More Years of Service)*

Age	General	Safety
20	8.00	5.00
25	8.00	4.70
30	7.10	3.60
35	5.60	2.40
40	4.10	1.40
45	3.05	0.70
50	2.00	0.20
55	1.35	0.00
60	1.10	0.00
65	1.00	0.00
70	0.00	0.00

* The greater of a refund of member contributions and a deferred annuity is valued when a member withdraws.

No withdrawal is assumed after a member is first assumed to retire.

Changes in Actuarial Assumptions and Methods – Prior Assumptions (continued):

Retirement Rates:

	Rate (%)	
Age	**General**	**Safety**
40	0.00	1.00
41	0.00	1.00
42	0.00	1.00
43	0.00	1.00
44	0.00	1.00
45	0.00	1.00
46	0.00	1.00
47	0.00	1.00
48	0.00	1.00
49	0.00	1.00
50	4.00	2.00
51	4.00	2.00
52	5.00	5.00
53	5.00	8.00
54	7.00	18.00
55	8.00	20.00
56	8.00	20.00
57	9.00	18.00
58	10.00	18.00
59	12.00	30.00
60	14.00	30.00
61	20.00	30.00
62	25.00	50.00
63	20.00	50.00
64	30.00	50.00
65	40.00	100.00
66	35.00	100.00
67	35.00	100.00
68	35.00	100.00
69	20.00	100.00
70	20.00	100.00
71	20.00	100.00
72	20.00	100.00
73	20.00	100.00
74	50.00	100.00
75	100.00	100.00

Changes in Actuarial Assumptions and Methods – Prior Assumptions (continued):

Retirement Age and Benefit for Deferred Vested Members:	For deferred vested members, we make the following retirement assumption: General Age: 57 Safety Age: 53 We assume that 50% and 65% of future General and Safety deferred vested members, respectively, will continue to work for a reciprocal employer. For reciprocals, we assume 5.00% compensation increases per annum.
Percent Married:	75% of male members and 50% of female members are assumed to be married at pre-retirement death or retirement. There is no explicit assumption for children's benefits.
Net Investment Return:	8.00%, net of investment and administration expenses.
Member Contribution Crediting Rate:	3.50% (Actual increase is based on projected long term ten-year Treasury rate).
Consumer Price Index:	Increase of 3.50% per year; retiree COLA increases due to CPI are subject to a 3.0% maximum change per year for General Tier 1 and Safety. For General Tier 2, SEIU members receive a fixed 2% cost-of-living adjustment, not subject to changes in the CPI, that applies to future service after March 2003.

Changes in Actuarial Assumptions and Methods – Prior Assumptions (continued):

In-Service Redemptions:

The following assumptions for in-service redemptions pay as a percentage of final average compensation are used:

General Tier 1	8.00%
General Tier 2	3.25%
Safety	7.00%

For determining the cost of the basic benefit (i.e., non-COLA component), the cost of this pay element is currently recognized in the valuation as an employer only cost and does not affect member contribution rates.

Salary Increases:

Annual Rate of Compensation Increase

Inflation: 3.50% per year; plus "across the board" salary increases of 0.75% per year; plus the following promotional and merit increases:

Years of Service	General	Safety
Less than 1	4.50%	9.00%
1	3.50	6.50
2	3.00	4.75
3	2.50	3.50
4	2.00	3.00
5	1.50	2.50
6	1.00	2.00
7	1.00	1.50
8	0.75	1.25
9	0.75	1.00
10	0.75	0.75
11	0.75	0.75
12	0.75	0.75
13	0.75	0.75
14	0.75	0.75
15	0.75	0.75
16	0.75	0.75
17	0.75	0.75
18	0.75	0.75
19	0.75	0.75
20 and Over	0.75	0.75

Changes in Actuarial Assumptions and Methods – Prior Methods (continued):

Amortization Policy: A 15-year layered level percent of payroll amortization for all changes in UAAL.

Actuarial Cost Method: Entry Age Normal Actuarial Cost Method. Entry Age is the age at the member's hire date. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation. The Normal Cost is calculated on an aggregate basis by taking the Present Value of Future Normal Costs (calculated as if the current benefit accrual rate had always been in effect) divided by the Present Value of Future Salaries to obtain a normal cost rate. This normal cost rate is then multiplied by the total of current salaries.

EXHIBIT VI
Summary of Plan Provisions

This exhibit summarizes the major provisions of the VCERA included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Membership Eligibility:	All regular employees of the County of Ventura or contracting district, scheduled to work 64 or more hours biweekly, are eligible to become a member of the Retirement Association subject to classification below:
General Tier 1	All General members hired before June 30, 1979, Deputy Sheriff trainees and certain executive management.
General Tier 2	All General members hired on or after June 30, 1979, except as noted above.
Safety	All Safety members.
Final Compensation for Benefit Determination:	
General Tier 1 and Safety	Highest consecutive twelve months of compensation earnable (§31462.1)(FAC1).
General Tier 2	Highest consecutive thirty-six months of compensation earnable (§31462)(FAC3).
Service:	Years of service. (Yrs)
Service Retirement Eligibility:	
General	Age 50 with 10 years of service, or age 70 regardless of service, or after 30 years, regardless of age (§31672).
Safety	Age 50 with 10 years of service, or age 70 regardless of service, or after 20 years, regardless of age (§31663.25).

Benefit Formula:

	Retirement Age	Benefit Formula
General Tier 1 (§31676.11)	50	(1.24%xFAC1 – 1/3x1.24%x$350x12)xYrs
	55	(1.67%xFAC1 – 1/3x1.67%x$350x12)xYrs
	60	(2.18%xFAC1 – 1/3x2.18%x$350x12)xYrs
	62	(2.35%xFAC1 – 1/3x2.35%x$350x12)xYrs
	65	(2.61%xFAC1 – 1/3x2.61%x$350x12)xYrs

	Retirement Age	Benefit Formula
General Tier 2 (§31676.1)	50	(1.18%xFAC3 – 1/3x1.18%x$350x12)xYrs
	55	(1.49%xFAC3 – 1/3x1.49%x$350x12)xYrs
	60	(1.92%xFAC3 – 1/3x1.92%x$350x12)xYrs
	62	(2.09%xFAC3 – 1/3x2.09%x$350x12)xYrs
	65	(2.43%xFAC3 – 1/3x2.43%x$350x12)xYrs

	Retirement Age	Benefit Formula
Safety (Non-Integrated) (§31664)	50	(2.00%xFAC1xYrs)
	55	(2.62%xFAC1xYrs)
	60	(2.62%xFAC1xYrs)

Maximum Benefit: 100% of Highest Average Compensation (§31676.1, §31676.11, §31664)

Ordinary Disability:

General Tier 1 and Tier 2

Eligibility Five years of service (§31720).

Benefit Formula 1.5% per year of service. If the benefit does not exceed one-third of Final Compensation, the service is projected to 65, but total benefit cannot be more than one-third of Final Compensation (§31727).

Safety

Eligibility Five years of service (§31720).

Benefit Formula 1.8% per year of service. If the benefit does not exceed one-third of Final Compensation, the service is projected to 55, but total benefit cannot be more than one-third of Final Compensation (§31727.2).

Line-of-Duty Disability:

All Members

Eligibility No age or service requirements (§31720).

Benefit Formula 50% of the Final Compensation or 100% of Service Retirement benefit, if larger (§31727.4).

Pre-Retirement Death:	
All Members	
Eligibility - A	None.
Benefit - A	Refund of employee contributions with interest, plus one month's compensation for each year of service to a maximum of six month's compensation (§31781). 50% of Final Compensation or 100% of Service Retirement benefit, if larger, payable to spouse if Line-of-Duty death (§31787). OR
Eligibility - B	Five years of service.
Benefit - B	60% of the greater of Service or Ordinary Disability Retirement benefit payable to surviving eligible spouse (§31765.1, §31781.1), in lieu of above.
Death After Retirement:	
All Members	
Service or Ordinary Disability Retirement	60% of member's unmodified allowance continued to eligible spouse (§31760.1). In addition, there is a $5,000 lump sum benefit payable to member's beneficiary (§31789.3). An eligible spouse is a surviving spouse who was married to the member at least two years prior to the date of death and has attained age 55 on or prior to the date of death (§31760.2, §31785.1).
Line-of-Duty Disability	100% of member's allowance continued to eligible spouse (§31786). In addition, there is a $5,000 lump sum benefit payable to member's beneficiary (§31789.3). An eligible spouse is a surviving spouse who was married to the member at least two years prior to the date of death and has attained age 55 on or prior to the date of death (§31786.1).
Withdrawal Benefits:	
Less than Five Years of Service	Refund of accumulated employee contributions with interest or earned benefit at age 70(§31628).
Five or More Years of Service	If contributions left on deposit, entitled to earned benefits commencing at any time after eligible to retire (§31700).

Post-retirement Cost-of-Living Benefits:	
General Tier 1 and Safety	Future changes based on Consumer Price Index to a maximum of 3% per year, excess "banked" (§31870.1).
General Tier 2	SEIU members receive a fixed 2% cost-of-living adjustment, not subject to changes in the CPI, that applies to future service after March, 2003.
Supplemental Benefit:	A supplemental benefit in the amount of $108.44 per month is paid to retirees and their survivors.
Member Contributions:	Please refer to Appendix A for the specific rates.
General Tier 1	
Basic	Provide for an average annuity at age 55 equal to 1/120 of FAC1 (§31621.1).
Cost-of-Living	Provide for one-half of future cost-of-living costs.
General Tier 2	
Basic	Provide for an average annuity at age 60 equal to 1/120 of FAC3 (§31621).
Cost-of-Living	Provide for a fixed 2% cost-of-living increase for SEIU members that applies to service after March 2003 (§31627). The contribution rate is currently a negotiated 2.63% of compensation.
Safety	
Basic	Provide for an average annuity at age 50 equal to 1/100 of FAC1 (§31639.25).
Cost-of-Living	Provide for one-half of future cost-of-living costs.

Other Information:	For members hired after November 1974, they will pay a contribution corresponding to a General and Safety member hired at entry age 36 and 27, respectively. Safety members with 30 or more years of service are exempt from paying member contributions. The same applies for General members hired on or before March 7, 1973.
Plan Changes:	There have been no changes in plan provisions since the previous actuarial valuation.
Plan Provisions Not Valued:	The Board of Retirement has approved a Supplemental Medical Benefit. This benefit is funded from Undistributed Excess Earnings, paid from a reserve that is not included in the Valuation Value of Assets and is subject at all times to the availability of funds. The Supplemental Medical Benefit is $27.50 per month and is payable to virtually all retirees and beneficiaries. Note that the STAR COLA benefit was eliminated as of July 2011.

NOTE: *The summary of major plan provisions is designed to outline principle plan benefits as interpreted for purposes of the actuarial valuation. If the Association should find the plan summary not in accordance with the actual provisions, the Association should alert the actuary so they can both be sure the proper provisions are valued.*

Appendix A
Member Contribution Rates

General Tier 1 Members' Contribution Rates from the June 30, 2012 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)

Calculated Under Recommended Assumptions

	Basic		COLA		Total	
Entry Age	First $350	Over $350	First $350	Over $350	First $350	Over $350
15	3.32%	4.98%	1.18%	1.77%	4.50%	6.75%
16	3.32%	4.98%	1.18%	1.77%	4.50%	6.75%
17	3.38%	5.07%	1.20%	1.80%	4.58%	6.87%
18	3.44%	5.17%	1.23%	1.83%	4.67%	7.00%
19	3.51%	5.26%	1.24%	1.87%	4.75%	7.13%
20	3.57%	5.36%	1.27%	1.90%	4.84%	7.26%
21	3.64%	5.46%	1.29%	1.94%	4.93%	7.40%
22	3.71%	5.56%	1.31%	1.97%	5.02%	7.53%
23	3.77%	5.66%	1.34%	2.01%	5.11%	7.67%
24	3.84%	5.77%	1.37%	2.04%	5.21%	7.81%
25	3.91%	5.87%	1.39%	2.08%	5.30%	7.95%
26	3.99%	5.98%	1.41%	2.12%	5.40%	8.10%
27	4.06%	6.09%	1.44%	2.16%	5.50%	8.25%
28	4.13%	6.20%	1.47%	2.20%	5.60%	8.40%
29	4.21%	6.31%	1.49%	2.24%	5.70%	8.55%
30	4.28%	6.42%	1.52%	2.28%	5.80%	8.70%
31	4.36%	6.54%	1.55%	2.32%	5.91%	8.86%
32	4.44%	6.66%	1.57%	2.36%	6.01%	9.02%
33	4.52%	6.78%	1.60%	2.40%	6.12%	9.18%
34	4.60%	6.90%	1.63%	2.45%	6.23%	9.35%
35	4.68%	7.02%	1.67%	2.50%	6.35%	9.52%
36	4.77%	7.15%	1.69%	2.54%	6.46%	9.69%
37	4.85%	7.28%	1.73%	2.59%	6.58%	9.87%
38	4.94%	7.41%	1.75%	2.63%	6.69%	10.04%
39	5.03%	7.55%	1.79%	2.68%	6.82%	10.23%

General Tier 1 Members' Contribution Rates from the June 30, 2012 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)

Calculated Under Recommended Assumptions

	Basic		COLA		Total	
Entry Age	**First $350**	**Over $350**	**First $350**	**Over $350**	**First $350**	**Over $350**
40	5.13%	7.69%	1.82%	2.73%	6.95%	10.42%
41	5.22%	7.83%	1.85%	2.78%	7.07%	10.61%
42	5.32%	7.98%	1.89%	2.83%	7.21%	10.81%
43	5.42%	8.13%	1.93%	2.89%	7.35%	11.02%
44	5.53%	8.29%	1.96%	2.95%	7.49%	11.24%
45	5.64%	8.46%	2.01%	3.01%	7.65%	11.47%
46	5.75%	8.62%	2.04%	3.06%	7.79%	11.68%
47	5.85%	8.77%	2.07%	3.11%	7.92%	11.88%
48	5.95%	8.93%	2.12%	3.17%	8.07%	12.10%
49	6.04%	9.06%	2.15%	3.22%	8.19%	12.28%
50	6.11%	9.17%	2.18%	3.26%	8.29%	12.43%
51	6.17%	9.25%	2.19%	3.29%	8.36%	12.54%
52	6.21%	9.31%	2.20%	3.31%	8.41%	12.62%
53	6.22%	9.33%	2.21%	3.31%	8.43%	12.64%
54 & Over	6.18%	9.28%	2.20%	3.29%	8.38%	12.57%

Interest:	7.75%
COLA:	3.00%
COLA Loading:	35.49%
Mortality:	RP-2000 Combined Healthy Mortality Table projected with Scale AA to 2025 set back one year, weighted 35% male and 65% female.
Salary Increase:	See Exhibit V.

Note: All members hired after November 1974, will pay a contribution corresponding to entry age 36. These rates are determined before any pickups by the employer.

General Tier 2 Members' Contribution Rates from the June 30, 2012 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)

Calculated Under Recommended Assumptions

	Basic Only			Basic Only	
Entry Age	First $350	Over $350	Entry Age	First $350	Over $350
16	2.73%	4.09%	38	4.07%	6.11%
17	2.78%	4.17%	39	4.15%	6.22%
18	2.83%	4.24%	40	4.22%	6.33%
19	2.88%	4.32%	41	4.30%	6.45%
20	2.94%	4.41%	42	4.37%	6.56%
21	2.99%	4.49%	43	4.45%	6.68%
22	3.05%	4.57%	44	4.53%	6.80%
23	3.11%	4.66%	45	4.62%	6.93%
24	3.16%	4.74%	46	4.71%	7.06%
25	3.22%	4.83%	47	4.79%	7.19%
26	3.28%	4.92%	48	4.89%	7.33%
27	3.34%	5.01%	49	4.98%	7.47%
28	3.40%	5.10%	50	5.07%	7.60%
29	3.47%	5.20%	51	5.15%	7.73%
30	3.53%	5.29%	52	5.24%	7.86%
31	3.59%	5.39%	53	5.31%	7.96%
32	3.66%	5.49%	54	5.37%	8.05%
33	3.73%	5.59%	55	5.40%	8.10%
34	3.79%	5.69%	56	5.42%	8.13%
35	3.86%	5.79%	57	5.41%	8.12%
36	3.93%	5.89%	58	5.61%	8.42%
37	4.00%	6.00%	59 & over	5.82%	8.73%

Interest: 7.75%
COLA: SEIU members contribute a negotiated 2.63% for a fixed 2% COLA pursuant to Government Code 31627.
Mortality: RP-2000 Combined Healthy Mortality Table projected with Scale AA to 2025 set back one year, weighted 35% male and 65% female.
Salary Increase: See Exhibit V.

Note: All members hired after November 1974, will pay a contribution corresponding to entry age 36. These rates are determined before any pickups by the employer.

Safety Members' Contribution Rates from the June 30, 2012 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)

Calculated Under Recommended Assumptions

Entry Age	Basic	COLA	Total
15	7.69%	4.28%	11.97%
16	7.69%	4.28%	11.97%
17	7.69%	4.28%	11.97%
18	7.69%	4.28%	11.97%
19	7.69%	4.28%	11.97%
20	7.69%	4.28%	11.97%
21	7.69%	4.28%	11.97%
22	7.83%	4.37%	12.20%
23	7.98%	4.45%	12.43%
24	8.13%	4.54%	12.67%
25	8.29%	4.62%	12.91%
26	8.44%	4.71%	13.15%
27	8.61%	4.79%	13.40%
28	8.77%	4.89%	13.66%
29	8.94%	4.98%	13.92%
30	9.11%	5.08%	14.19%
31	9.29%	5.18%	14.47%
32	9.48%	5.28%	14.76%
33	9.67%	5.39%	15.06%
34	9.84%	5.49%	15.33%
35	10.02%	5.59%	15.61%
36	10.21%	5.69%	15.90%
37	10.41%	5.80%	16.21%
38	10.62%	5.91%	16.53%
39	10.84%	6.04%	16.88%
40	11.05%	6.16%	17.21%
41	11.26%	6.27%	17.53%
42	11.45%	6.39%	17.84%

Safety Members' Contribution Rates from the June 30, 2012 Actuarial Valuation
(Expressed as a Percentage of Monthly Payroll)

Calculated Under Recommended Assumptions

Entry Age	Basic	COLA	Total
43	11.62%	6.48%	18.10%
44	11.76%	6.56%	18.32%
45	11.88%	6.62%	18.50%
46	11.93%	6.65%	18.58%
47	11.94%	6.65%	18.59%
48	11.84%	6.60%	18.44%
49 & Over	11.59%	6.46%	18.05%

Interest: 7.75%
COLA: 3.00%
COLA Loading: 55.72%
Mortality: RP-2000 Combined Healthy Mortality Table projected with Scale AA to 2025 set back one year, weighted 80% male and 20% female.
Salary Increase: See Exhibit V.

Note: All members hired after November 1974, will pay a contribution corresponding to entry age 27. These rates are determined before any pickups by the employers.

Appendix B

Employer Contribution Rates Under Non-Combined Methodology – For Reference Purposes Only

	June 30, 2012 Actuarial Valuation[1]					
	BASIC		COLA		TOTAL	
General Tier 1 Members	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]	Rate	Estimated Annual Amount[2]
Normal Cost	7.90%	$1,224	2.48%	$384	10.38%	$1,608
UAAL[3]	202.47%	31,359	17.05%	2,640	219.52%	33,999
Total Contribution	210.37%	$32,583	19.53%	$3,024	229.90%	$35,607
General Tier 2 Members w/o COLA						
Normal Cost	8.50%	$18,128	0.00%	$0	8.50%	$18,128
UAAL[3]	3.43%	7,315	0.00%	0	3.43%	7,315
Total Contribution	11.93%	$25,443	0.00%	$0	11.93%	$25,443
General Tier 2 Members w/COLA						
Normal Cost	8.50%	$20,934	-0.04%	-$99	8.46%	$20,835
UAAL[3][4]	3.43%	8,447	0.91%	2,242	4.34%	10,689
Total Contribution	11.93%	$29,381	0.87%	$2,143	12.80%	$31,524
All General Members						
Normal Cost	8.48%	$40,286	0.06%	$285	8.54%	$40,571
UAAL	9.92%	47,121	1.03%	4,882	10.95%	52,003
Total Contribution	18.40%	$87,407	1.09%	$5,167	19.49%	$92,574
Safety Members						
Normal Cost	13.92%	$22,106	4.29%	$6,812	18.21%	$28,918
UAAL	39.72%	63,077	-3.36%	-5,336	36.36%	57,741
Total Contribution	53.64%	$85,183	0.93%	$1,476	54.57%	$86,659
All Categories Combined						
Normal Cost	9.84%	$62,392	1.12%	$7,097	10.96%	$69,489
UAAL	17.39%	110,198	-0.08%	-454	17.31%	109,744
Total Contribution	27.23%	$172,590	1.04%	$6,643	28.27%	$179,233

(1) *Before reflecting three-year phase-in of the effect of the changes in economic actuarial assumptions and actuarial cost method.*

(2) *Amounts are in thousands, assumed to be paid throughout the year, and are based on June 30, 2012 annual payroll (also in thousands) shown below:*

General Tier 1	$15,488
General Tier 2	213,275
General Tier 2C	246,280
Safety	158,805
Total	$633,848

(3) *Basic UAAL rates have not been calculated on a combined basis for General Tier 1 and General Tier 2.*

(4) *Includes 0.51% in COLA UAAL costs attributed to the first two years of service accrued for the fixed 2% COLA pursuant to Government Code 31627.*

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THE SEGAL COMPANY
100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

January 11, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 S. Victoria Avenue, Suite 200
Ventura, CA 93003-6572

Re: Ventura County Employees' Retirement Association
Three-Year Phase-in of Employer Contribution Rates - Revised

Dear Members of the Board:

The Board elected to phase-in (over a three-year period) the impact of the new economic actuarial assumptions and the new individual Entry Age Normal actuarial cost method on the employer contribution rates as calculated in the June 30, 2012 Actuarial Valuation. This letter provides the "phased-in" employer contribution rates for the 2013/2014 fiscal year by cost group in the enclosed Exhibit A. It supersedes our previous letter on this topic dated December 10, 2012.

Instead of allocating the impact of the phase-in to both Normal Cost and Unfunded Actuarial Accrued Liability (UAAL) employer contribution rate components, this revised letter allocates the total (Normal Cost and UAAL) employer contribution rate impact of the phase-in to the UAAL rates only. This results in Normal Cost rates equal to those that are found in the June 30, 2012 actuarial valuation (excluding the phase-in). Note that the total employer contribution rates shown in this revised letter are the same as those contained in the original December 10, 2012 letter and received by the Board on December 17, 2012. That is because this revision only affects the allocation between the Normal Cost and UAAL contribution rate components.

This revision was made in order to be more consistent with the way that the Normal Cost and Actuarial Accrued Liability (AAL) are measured in the actuarial valuation. As discussed with the Board, the intent of using a phase-in of the contribution rates (rather than a phase-in of the assumption and method change) is to measure the Normal Cost and AAL under the new economic assumptions and cost method and then phase-in the cost impact of those changes. In other words, we are phasing-in the contribution rate impact; not the measurement of the Normal Cost and AAL.

Our earlier letter would not appear to be consistent with this intent, as it showed a Normal Cost that is different than the Normal Cost shown in this valuation. In this revised presentation, rather than having two Normal Costs (i.e., before and after the phase-in), the phase-in of the cost impact of the change in the Normal Cost (along with the UAAL) is reflected only in the UAAL amortization payment (or rates). We repeat and emphasize that this does not change the total amount of the phased-in contributions, only the allocation of the phased-in rates between Normal Cost and UAAL amortization.

Another consideration is that PEPRA requires new members to contribute 50% of the Normal Cost. Normal Cost is defined in PEPRA as "the portion of the present value of projected benefits under the defined benefit that is attributable to the current year of service, as determined by the public retirement system's actuary according to the most recently completed valuation." The phase-in methodology used in this revised letter results in Normal Cost contribution rates that are consistent with that definition.

Phase-in of Employer Contribution Rates for 2013/2014

The following table shows the full impact, by cost group, of the newly adopted economic actuarial assumptions and actuarial cost method on the employer contribution rate for the 2013/2014 fiscal year based on the June 30, 2012 Actuarial Valuation. The impact is measured as a percentage of compensation. These percentages are the portion of the increase in the total employer contribution rates from the 2012 valuation that will be phased-in over three years.

Cost Group:	Impact of New Economic Actuarial Assumptions and New Actuarial Cost Method:
General Tier 1 members	6.29% of compensation
General Tier 2 members without COLA	1.86% of compensation
General Tier 2 members with COLA	2.14% of compensation
All General members	2.15% of compensation
All Safety members	3.41% of compensation
All categories combined	2.45% of compensation

Exhibit A shows the "phased-in" employer contribution rates for the 2013/2014 fiscal year. The total rates for each cost group in this Exhibit (as compared with the June 30, 2012 actuarial valuation) reflect only one-third of the increase due to the new economic actuarial assumptions and the new actuarial cost method in the June 30, 2012 Actuarial Valuation. These are the rates that may be adopted in conjunction with the June 30, 2012 Actuarial Valuation for the fiscal year that extends from July 1, 2013 through June 30, 2014.

Note that different changes are reflected in the detailed components of the employer contribution rates depending on the effect of the new economic actuarial assumptions and the new actuarial cost method on that specific rate component.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions.

Respectfully submitted,

Paul Angelo

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary

John Monroe

John Monroe, ASA, MAAA, EA
Vice President and Associate Actuary

AW/kek
Enclosure

EXHIBIT A

CHART 14

Recommended Employer Contribution Rates with Three-year Phase-in (Dollar Amounts in Thousands) – Current Valuation Under Combined Methodology

	June 30, 2012 Actuarial Valuation					
	BASIC		COLA		TOTAL	
General Tier 1 Members	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]
Normal Cost	7.90%	$1,224	2.48%	$384	10.38%	$1,608
UAAL[2]	8.78%	1,359	14.00%	2,169	22.78%	3,528
Total Contribution	16.68%	$2,583	16.48%	$2,553	33.16%	$5,136
General Tier 2 Members w/o COLA						
Normal Cost	8.50%	$18,128	0.00%	$0	8.50%	$18,128
UAAL[2]	8.68%	18,512	0.00%	0	8.68%	18,512
Total Contribution	17.18%	$36,640	0.00%	$0	17.18%	$36,640
General Tier 2 Members w/COLA						
Normal Cost	8.50%	$20,934	-0.04%	-$99	8.46%	$20,835
UAAL[2] [3]	8.68%	21,377	0.72%	1,773	9.40%	23,150
Total Contribution	17.18%	$42,311	0.68%	$1,674	17.86%	$43,985
All General Members[4]						
Normal Cost	8.48%	$40,286	0.06%	$285	8.54%	$40,571
UAAL	8.68%	41,248	0.83%	3,942	9.51%	45,190
Total Contribution	17.16%	$81,534	0.89%	$4,227	18.05%	$85,761
Safety Members						
Normal Cost	13.92%	$22,106	4.29%	$6,812	18.21%	$28,918
UAAL	38.38%	60,950	-4.29%	-6,813	34.09%	54,137
Total Contribution	52.30%	$83,056	0.00%	-$1	52.30%	$83,055
All Categories Combined[4]						
Normal Cost	9.84%	$62,392	1.12%	$7,097	10.96%	$69,489
UAAL	16.13%	102,198	-0.46%	-2,871	15.67%	99,327
Total Contribution	25.97%	$164,590	0.66%	$4,226	26.63%	$168,816

(1) Amounts are in thousands, assumed to be paid throughout the year, and are based on June 30, 2012 annual payroll (also in thousands) shown below:

General Tier 1	$15,488
General Tier 2	213,275
General Tier 2C	246,280
Safety	158,805
Total	$633,848

(2) Basic UAAL rates have been calculated on a combined basis for General Tier 1 and General Tier 2.
(3) Includes 0.51% in COLA UAAL costs attributed to the first two years of service accrued for the fixed 2% COLA pursuant to Government Code 31627.
(4) These aggregated rates are provided for informational purposes only as we understand that the intent is to implement the tier specific rates, if possible.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
http://www.ventura.org/vcera

January 28, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Ave, Suite 200
Ventura, CA 93003

SUBJECT: SEGAL RESPONSES TO QUESTIONS REGARDING ACTUARIAL VALUATION DATED JUNE 30, 2012

Dear Board Members:

On December 17, 2012, your Board acknowledged the receipt of the attached June 30, 2012 Actuarial Valuation Report and Three-year Phase-in of Employer Contributions Memo from Segal. Trustee Goulet has several questions and comments regarding the valuation and Segal has provided responses to those questions. Please receive and file the following questions and responses:

Question 1: Submittal Letter - Your spell check wasn't working! You misspelled "calculations," "experience," and "economic," although maybe "econ-comic" fits the times! Also, what's the distinction between "VCERA" and "the Retirement Association"?

Response 1: We concur that there were some spelling issues in the cover letter. We have issued a new pdf with a corrected cover page. There really isn't a distinction between VCERA and the "Retirement Association". We should probably pick one and use the same wording in both places.

Question 2: P.iii - The first bullet understates the impact of the assumption changes on the UAAL. The increase in UAAL was $201M, while the impact of the assumption changes was $227M.

Response 2: There is no understating involved here. The bullet states the three items – one of them offsetting the other two - that had a significant impact on the UAAL. Also, page 41 details each item (including the $227 million for the assumption changes).

Question 3: P.5, 6, 21, 22, 23, 31, 38, and 41- Starting with the next AV, all references to STAR COLA should be deleted, since there are no assets or liabilities therefore.

Response 3: We generally agree that references to the STAR COLA could be removed and we will remove them from the next actuarial valuation.

Question 4: You missed one "final average salary." It's in the next to last line on p.14.

Response 4: Agree and we will edit that in next year's actuarial valuation.

Question 5: P.24 - Are the 19 Tier 1 members under age 39 Deputy Sheriff Trainees?

Response 5: While we believe that you are correct, there is no way for us to verify this based on the data that we receive for the actuarial valuation as that data does not include a job code.

Question 6: P.33 - If all assumption changes are added up, they account for 41.1% of the UAAL. If the only plan change is included, the sum accounts for 42.4%. I think it is important to note this, if only to point out that all UAAL is not attributable to failure to meet the assumption rate for investments.

Response 6: This is an interesting observation but not essential to our report, which does not seek to comment on the historical sources of the UAAL.

Question 7: P. 43 et seq - I think there could have been a better presentation of current Actuarial Assumptions as compared to the previous ones. It probably would have been difficult to do a side by side comparison but, as done, a comparison is very tedious, especially for the public. At minimum, I think there should at least have been a listing of the assumptions that were changed. Another way to present them could have been setting forth the current assumption, immediately followed by the former assumption or a note indicating there was no change and, perhaps using italics to differentiate between current and former.

Response 7: This is the Segal standard format for presenting assumption changes in a valuation report. A more condensed summary appears near the front of the actuarial experience study and review of economic assumptions reports.

Question 8: I still think the AV needs tables similar to those in Exh. A of section 3, except showing retired members by age, years of service, and pension amount. As I stated last year, the tables in Exh. don't tell an adequate story of the retirement system's benefits because they only display averages, which are skewed lower by short service retirees and reciprocal retirees who receive two or more pensions. While such a table would show higher pensions, the public would know that those that received the highest pensions have many years of public service. In the interest of transparency, the tables would be even better if they distinguished between Tier 1, Tier 2, and safety retirees.

Response 8: We recall that this was discussed last year and maybe even brought to the Board for discussion. We can prepare these tables if so directed by the Board, but would prefer to provide them in a separate letter as they are not standard tables that we generally include in the actuarial valuation.

Question 9: I missed a STAR COLA page. It is 42. Also, in comment 8, I meant Exh. B, not A.

Response 9: Ok

Question 10: I also left out one substantial item, perhaps because I am completely confused by it. On p.50 under "Actuarial Cost Method", it states "Normal Cost and Actuarial Accrued Liability are calculated on an individual basis..." and Appendix A of section 4 shows Member Contribution Rates by various entry ages. However the note at the bottom of pp. 66, 67, and 69 states "All members hired after November 1974, will pay a contribution corresponding to entry age 36 (for general members) and entry age 27 (for safety members). I assume this is done pursuant to CERL section 31621.11. Although I recognize there may be a small number of current employees who were hired prior to November 1974 (as best I can determine there are, at most, 38 Tier 1 employees and 7 safety employees who were hired before November 1974. Also, how can there be any Tier 2 employees, if Tier 2 didn't go into effect until 1979?), why are normal cost and AAL calculated on an individual basis? Given the small number of pre-November 1974 employees, wouldn't it make sense to merge them into the larger body of employees somehow?

Response 10: Two different concepts are getting mixed together here. First, page 50 discusses the Actuarial Cost Method, which is called the Entry Age Normal method. This is the method used to determine the total Normal Cost for each of VCERA's tiers. The term "individual" refers to the particular version of this method that determines the amount of Normal Cost for each individual separately and then adds them all together. While the terminology is confusing, this cost method is totally separate from the next concept which involves entry age based member rates.

We believe that VCERA switched from the entry age based member rate approach to the single or flat member rate approach in 1974, though the action only affected future members. We agree that there are a small number of members that are currently contributing used the old entry age based member rates and not the rates based on entry age 36 or entry age 27. Per Lori, a Tier 2 employee may still be under the age at entry method for determining the member's contribution rate if the member started his/her first period of service prior to 1974; separated from service, then later became re-employed and has remained employed to the current time. She is also aware of at least one member in this situation.

Response 10: (cont'd) From an administrative standpoint it might make sense to also have the pre-November 1974 employees change to the single flat member rates that are paid by all other VCERA members, however, that might create a large change in the member rates for that small group of members and so may be seen as unfair to them. We note that for systems that still used entry age based rates the change to flat rates was applied only to new members, not to current members. That would argue for leaving your small number of entry age based rate members on their current basis. In addition, Lori notes that the Board elected to have the single rate applied to members hired on/after 1974 based on a legal memorandum from her office. She would be hesitant to make that change now, as it may be a violation of the members' vested right to have his/her contributions based on age at entry.

I would be happy to answer any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachment

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
http://www.ventura.org/vcera

January 28, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Ave, Suite 200
Ventura, CA 93003

SUBJECT: CONTRIBUTION RATES FOR CalPEPRA FORMULAS FOR THE 2013/2014 FISCAL YEAR

Dear Board Members:

Attached is the Contribution Rates for CalPEPRA Formulas for the 2013/2014 fiscal year. They were prepared as soon as possible by Segal and have been submitted separate from the Annual actuarial valuation; however, will be included in future years. As the Board is aware, the settlement agreement in the VCDSA, SEIU, VCPPOA, et al. v. Board of Retirement lawsuit provides that VCERA shall notify all employee organizations recognized by Ventura County of its receipt of the valuation and shall provide a copy of the actuarial valuation to each such organization at least 25 days prior to the Board taking action on the report. These contribution rates are considered a part of the annual valuation process.

Staff has arranged for our actuary to be present at the February 25, 2013, Board meeting to discuss the CalPEPRA contribution rates, and I am asking everyone to submit any questions regarding this item to me so I can forward them to the actuary ahead of time.

This matter has been placed on the January 28, 2013 agenda to formally document receipt of the Contribution Rates for CalPEPRA Formulas for the 2013/2014 Fiscal Year and to direct staff to distribute the report per the lawsuit. I will also distribute the report to the Grand Jury, REAVC, the Management Council, and VCERA's sponsors.

I would be happy to answer any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachment

SEGAL

THE SEGAL COMPANY
100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

VIA EMAIL and USPS

January 16, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 S. Victoria Avenue, Suite 200
Ventura, CA 93003-6572

Re: Ventura County Employees' Retirement Association
Contribution Rates for CalPEPRA Formulas for the 2013/2014 Fiscal Year

Dear Members of the Board:

This letter provides the contribution rates for VCERA members who will be covered under the new CalPEPRA formulas in the 2013/2014 Fiscal Year.

Background

In our CalPEPRA new tier study report dated December 10, 2012, we provided the recommended contribution rates for the six-month period from January 1, 2013 to June 30, 2013. Since no demographic information is currently available for actual members who will be covered under the new CalPEPRA formulas, in that study we used the demographic profiles of General and Safety members hired in the last year prior to the June 30, 2012 valuation date to estimate the Normal Cost contribution rates for members who may become covered under the CalPEPRA formulas. In that study, the Unfunded Actuarial Accrued Liability (UAAL) contribution rates for the six-month period from January 1, 2013 to June 30, 2013 are the same as those calculated in the June 30, 2011 actuarial valuation report and payable by the employer for the 2012/2013 Fiscal Year.

In this letter, we have provided the recommended contribution rates for the 2013/2014 Fiscal Year for the CalPEPRA formulas. In preparing these Normal Cost rates, we have used the new actuarial assumptions as recommended by Segal and adopted by the Board for use in the June 30, 2012 valuation. In addition, the Normal Cost rates reflect the recently adopted modification to the Entry Age Normal cost method from an aggregate basis to an individual basis for the Normal Cost calculation. All of these changes are documented in the June 30, 2012 actuarial valuation. All other assumptions that were used specifically for the new tiers in our new tier study dated December 10, 2012 remain unchanged in this letter.

The UAAL contribution rates have also been updated to reflect the rates that were calculated as part of the June 30, 2012 actuarial valuation, and include the phase-in of the impact of the new economic actuarial assumptions and the new individual Entry Age Normal actuarial cost method. These UAAL rates shown are taken from our revised phase-in letter dated January 11, 2013. The contribution rates shown below will be payable by the employer and members for the 2013/2014 Fiscal Year once they are approved by the Board.

The contribution rates for **the period from July 1, 2013 to June 30, 2014** for members covered under the PEPRA formulas are as follows:

	Employer Rate			Member Rate		
General Tier 1	BASIC	COLA	TOTAL	BASIC	COLA	TOTAL
Normal Cost	3.95%	1.63%	5.58%	4.07%	1.68%	5.75%
UAAL	8.78%	14.00%	22.78%	0.00%	0.00%	0.00%
Total Contribution	12.73%	15.63%	28.36%	4.07%	1.68%	5.75%
General Tier 2 w/o COLA						
Normal Cost	7.47%	0.00%	7.47%	7.25%	0.00%	7.25%
UAAL	8.68%	0.00%	8.68%	0.00%	0.00%	0.00%
Total Contribution	16.15%	0.00%	16.15%	7.25%	0.00%	7.25%
General Tier 2 w/ COLA						
Normal Cost (1)	7.33%	-0.43%	6.90%	7.39%	2.63%	10.02%
UAAL	8.68%	0.72%	9.40%	0.00%	0.00%	0.00%
Total Contribution	16.01%	0.29%	16.30%	7.39%	2.63%	10.02%
Safety Tier						
Normal Cost	10.58%	4.32%	14.90%	10.66%	4.34%	15.00%
UAAL	38.38%	-4.29%	34.09%	0.00%	0.00%	0.00%
Total Contribution	48.96%	0.03%	48.99%	10.66%	4.34%	15.00%

(1) General Tier 2 members with COLA are required to pay COLA contributions of 2.63% of compensation based on current bargaining agreements.

Note that the changes in the total Normal Cost rates between the June 30, 2011 and 2012 valuations for General Tier 1, General Tier 2 without COLA, General Tier 2 with COLA and Safety are 1.01%, 1.80%, 2.12% and 2.78%, respectively. Because these are more than 1% of payroll, we have recalculated the employee's rates to determine their 50% share of the total Normal Cost. (reference: §7522.30(d))

For comparison purposes, the contribution rates provided in our December 10, 2012 study for new members for **the six-month period from January 1, 2013 to June 30, 2013** are as follows:

	Employer Rate			Member Rate		
General Tier 1	BASIC	COLA	TOTAL	BASIC	COLA	TOTAL
Normal Cost	3.65%	1.42%	5.07%	3.77%	1.48%	5.25%
UAAL	8.25%	0.67%	8.92%	0.00%	0.00%	0.00%
Total Contribution	11.90%	2.09%	13.99%	3.77%	1.48%	5.25%
General Tier 2 w/o COLA						
Normal Cost	6.42%	0.00%	6.42%	6.50%	0.00%	6.50%
UAAL	8.25%	0.00%	8.25%	0.00%	0.00%	0.00%
Total Contribution	14.67%	0.00%	14.67%	6.50%	0.00%	6.50%
General Tier 2 w/ COLA						
Normal Cost (1)	6.37%	-0.75%	5.62%	6.55%	2.63%	9.18%
UAAL	8.25%	0.67%	8.92%	0.00%	0.00%	0.00%
Total Contribution	14.62%	-0.08%	14.54%	6.55%	2.63%	9.18%
Safety Tier						
Normal Cost	9.77%	3.85%	13.62%	9.69%	3.81%	13.50%
UAAL	32.66%	-3.12%	29.54%	0.00%	0.00%	0.00%
Total Contribution	42.43%	0.73%	43.16%	9.69%	3.81%	13.50%

(1) General Tier 2 members with COLA are required to pay COLA contributions of 2.63% of compensation based on current bargaining agreements.

The actuarial calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

We look forward to discussing this information with you.

Sincerely,

Paul Angelo

John Monroe

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President & Actuary

John Monroe, ASA, MAAA, EA
Vice President & Associate Actuary

AW/bqb

5228567v1/05325.106

SEGAL

THE SEGAL COMPANY
100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

John W. Monroe, ASA, MAAA, EA
Vice President & Associate Actuary
jmonroe@segalco.com

January 18, 2013

Mr. Donald Kendig
Retirement Administrator
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

**Re: Ventura County Employees' Retirement Association
Cost-of-Living Adjustments (COLA) as of April 1, 2013**

Dear Donald:

We have determined the cost-of-living adjustments for the Association in accordance with Section 31870.1, as provided in the enclosed exhibit.

The cost-of-living factor to be used by the Association on April 1, 2013 is determined by comparing the December CPI for the Los Angeles-Riverside-Orange County Area (with 1982-84 as the base period) in each of the past two years. The ratio of the past two December indices, 236.042 in 2012 and 231.567 in 2011, is 1.0193. The County Law section cited above indicates that the resulting percentage change of 1.93% should be rounded to the nearest one-half percent, which is 2.0%. Please note the above cost-of-living adjustment calculated using established procedures for VCERA may result in adjustments different from those calculated using alternative procedures by other systems.

Note that members with membership dates on and after January 1, 2013 will be placed in separate tiers due to the recent CalPEPRA legislation. Since the new tiers have the same COLA provision as the current tiers, the enclosed exhibit is applicable to all Tier 1 and Safety retired members and beneficiaries regardless of membership date.

The actual cost-of-living adjustment is dependent on tier and date of retirement. The CPI adjustment to be applied on April 1, 2013 is provided in Column (4) of the enclosed exhibit. The COLA bank on April 1, 2013 is provided in Column (5).

Please give us a call if you have any questions.

Sincerely,

John Monroe

John Monroe

AW/bqb
Enclosure

Ventura County Employees' Retirement Association
Cost-Of-Living Adjustment
As of April 1, 2013

Retirement Date			(1) April 1, 2012 Accumulated Carry-over	(2) CPI Change*	(3) CPI Rounded**	(4) CPI Used***	(5) April 1, 2013 Accumulated Carry-over****
All Tier 1 and Safety Section 31870.1 Maximum Annual COLA			3.0%				
On or Before 4/1/1975			57.5%	1.93%	2.0%	3.0%	56.5%
04/02/1975	to	04/01/1976	50.0%	1.93%	2.0%	3.0%	49.0%
04/02/1976	to	04/01/1977	42.5%	1.93%	2.0%	3.0%	41.5%
04/02/1977	to	04/01/1978	39.0%	1.93%	2.0%	3.0%	38.0%
04/02/1978	to	04/01/1979	35.0%	1.93%	2.0%	3.0%	34.0%
04/02/1979	to	04/01/1980	30.5%	1.93%	2.0%	3.0%	29.5%
04/02/1980	to	04/01/1981	22.5%	1.93%	2.0%	3.0%	21.5%
04/02/1981	to	04/01/1982	10.0%	1.93%	2.0%	3.0%	9.0%
04/02/1982	to	04/01/1983	3.5%	1.93%	2.0%	3.0%	2.5%
04/02/1983	to	04/01/1984	1.5%	1.93%	2.0%	3.0%	0.5%
04/02/1984	to	04/01/1985	1.5%	1.93%	2.0%	3.0%	0.5%
04/02/1985	to	04/01/1986	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/1986	to	04/01/1987	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/1987	to	04/01/1988	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/1988	to	04/01/1989	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/1989	to	04/01/1990	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/1990	to	04/01/1991	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/1991	to	04/01/1992	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/1992	to	04/01/1993	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/1993	to	04/01/1994	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/1994	to	04/01/1995	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/1995	to	04/01/1996	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/1996	to	04/01/1997	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/1997	to	04/01/1998	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/1998	to	04/01/1999	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/1999	to	04/01/2000	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/2000	to	04/01/2001	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/2001	to	04/01/2002	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/2002	to	04/01/2003	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/2003	to	04/01/2004	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/2004	to	04/01/2005	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/2005	to	04/01/2006	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/2006	to	04/01/2007	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/2007	to	04/01/2008	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/2008	to	04/01/2009	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/2009	to	04/01/2010	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/2010	to	04/01/2011	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/2011	to	04/01/2012	0.0%	1.93%	2.0%	2.0%	0.0%
04/02/2012	to	04/01/2013		1.93%	2.0%	2.0%	0.0%

* Based on ratio of December 2012 CPI to December 2011 CPI for the Los Angeles - Riverside - Orange County Area.
** Based on CPI change rounded to nearest one-half percent.
*** These are the cost-of-living adjustment factors to be applied on April 1, 2013.
**** These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2013.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
http://www.ventura.org/vcera

January 28, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: REVIEW AND APPROVAL OF THE JUNE 30, 2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

Dear Board Members:

Government Code Section 31593 requires the Board to conduct an audit of the Ventura County Employees' Retirement Association (VCERA) annually and report on its financial condition. Brown Armstrong, VCERA's independent auditor, has audited the CAFR for VCERA and has issued a clean opinion. The CAFR is included for the Board's review and approval along with Brown Armstrong's independent auditor reports and required communication to the Board in accordance with professional standards.

Staff recommends that your Board 1) Review and approve the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ending June 30, 2012, and 2) Receive and file Brown Armstrong's independent auditor reports and required communication to the Board in accordance with professional standards.

I would be happy to respond to any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachments

A model of excellence for public pension plans around the World.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

A Pension Trust Fund for the County of Ventura,
Ventura County Courts and Two Special Districts
Ventura, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Two Fiscal Years Ended
June 30, 2012 & June 30, 2011

Comprehensive Annual Financial Report

For The Two Fiscal Years Ended June 30, 2012 & June 30, 2011

Issued By:
Donald C. Kendig, CPA
Retirement Administrator

Ventura County Employees' Retirement Association

A Pension Trust Fund for the County of Ventura,
Ventura County Courts and Two Special Districts

1190 South Victoria Avenue, Suite 200 • Ventura, CA 93003-6572
805.339.4250 • fax 805.339.4269 • www.ventura.org/vcera

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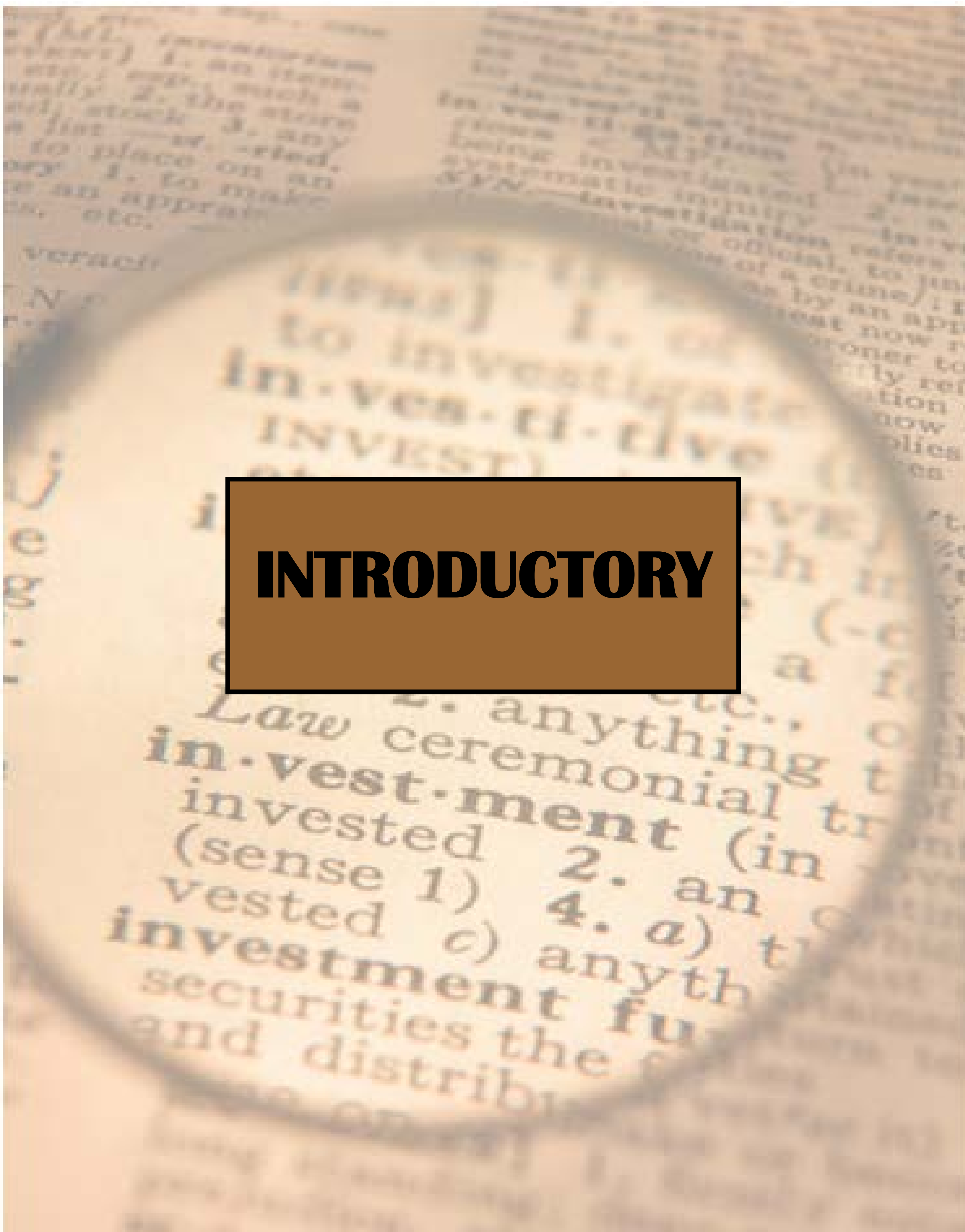


INTRODUCTORY

Letter of Transmittal

VCERA
Ventura County Employees' Retirement Association

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
Phone: 805.339.4250
Fax: 805.339.4269
www.ventura.org/vcera

December 31, 2012

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

Dear Board Members:

It is with pleasure that I submit to you the Comprehensive Annual Financial Report of the Ventura County Employees' Retirement Association (VCERA) for the two fiscal years ended June 30, 2012 and June 30, 2011, VCERA's 64th and 65th years of operation. The information contained in this report is intended to provide the user with a complete and accurate description of the past year's operations and other significant information regarding the retirement system, which includes employees of the County of Ventura, the Ventura County Courts, Air Pollution Control District, and the Ventura Regional Sanitation District.

VCERA management is responsible for both the accuracy of the data and the completeness and fairness of the presentation of financial information, including all disclosures, contained in this report. Your attention is directed to the Narrative Introduction found in the Statistical section, and the Overview and Analysis found in the Management Discussion & Analysis.

VCERA AND ITS SERVICES

The Ventura County Employees' Retirement Association was established by the County of Ventura in 1947. VCERA is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.) VCERA is a public employee retirement system whose main function is to provide service retirement, disability, death and survivor benefits to the safety and general members employed by the County of Ventura. VCERA also provides retirement benefits to the employee members of the Ventura County Courts, Air Pollution Control District, and Ventura Regional Sanitation District.

Letter of Transmittal (continued)

MARKET CONDITIONS AND INVESTMENT RESULTS

The fiscal year 2011-12 proved to be tumultuous with the first three-month period being the worst meltdown since the global meltdown at the end of 2008. And while the liquidity issue was addressed in the European markets, averting the looming crisis, the issue of solvency proved to be exacerbated.

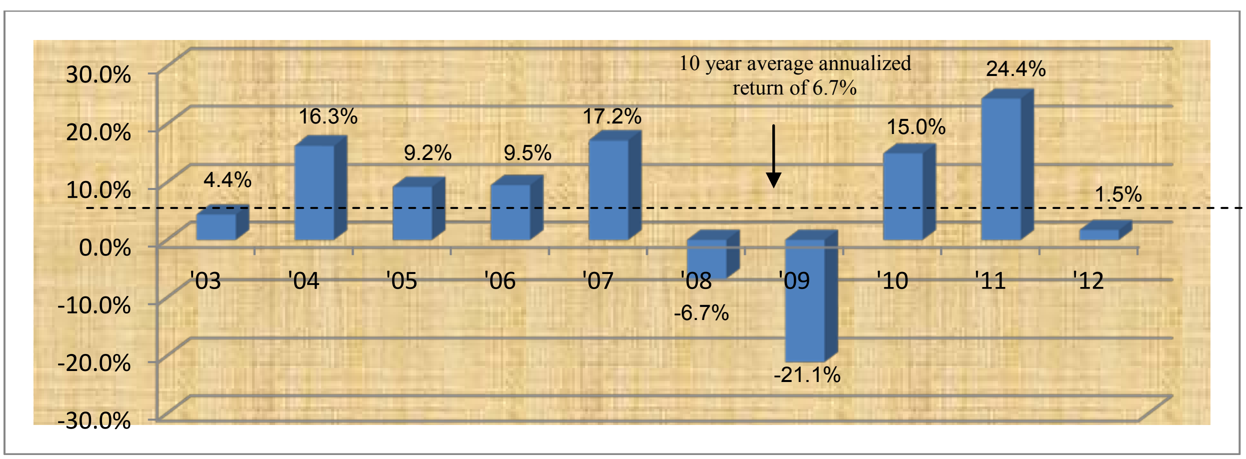
The US economic market reflected lackluster steady growth as it began to recover from the first quarter of the year with the job market tracking the Gross Domestic Product. The housing market continued recovering and reflected historical averages for price-to-income ratios.

The emerging markets, which had not struggled with the same debt problems as the more developed countries, reflected both the volatility of the transition from being export-led economies to ones promoting domestic consumption, and the dramatic drop in growth in the global economy.

For the fiscal year, U.S. equity markets returned 4.2%, international equity and global markets returned -12.5% and -6.5, respectively, fixed income markets returned 8.8%, while real estate returned 10.8%.

For the years ended June 30, 2012 and 2011, VCERA investments provided a 1.5% and 24.4% return, respectively. VCERA's annualized return over the last three years and five years was 13.4% and 1.9%, respectively.

VCERA's annualized return over the past ten years was 6.7% with the annual returns by year expressed as follows:



SIGNIFICANT EVENTS, ACCOMPLISHMENTS AND OBJECTIVES

The 2011-2012 fiscal year saw changes in the operation and administration of the retirement system by your Board and staff. Some of the more significant events and accomplishments of the past year are summarized below:

- Retirement Administrator appointed.

Letter of Transmittal (continued)

- Pension Administration System Project vendor was contracted.
- Facilities remodel completed.
- Added Global Fixed Income investment.

Objectives established by the Board and staff for the coming year include:

- Resource the pension administration system project.
- Rebuild staffing to meet the new demands on the organization.

FINANCIAL INFORMATION

Management is responsible for preparing retirement system financial statements, notes, supplementary disclosures and establishing and maintaining an adequate internal control structure designed to ensure retirement system assets are protected. VCERA recognizes that even sound internal controls have inherent limitations. Our internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that cost-benefit analyses require estimates and judgments by management.

Brown Armstrong Accountancy Corporation was retained by the Board to perform the annual audit as of June 30, 2012. The financial audit states that VCERA's financial statements are prepared in conformity with generally accepted accounting principles and are free of material misstatement.

ACTUARIAL FUNDING STATUS

VCERA's funding objective is to meet long-term benefit requirements by maintaining a well-funded plan. Characteristics of a well-funded plan include a high ratio of accumulated plan assets to meet accrued actuarial liabilities. Sources of funding include employer and employee contributions and investment income. As of June 30, 2012, VCERA's value of actuarial assets was approximately $3.4 billion resulting in a funding status of 77.7%. A six-year history of funding progress is presented on page 34.

Annually, VCERA retains an independent actuarial firm to conduct an actuarial valuation. The Segal Company performed the June 30, 2012 valuation. Triennially, VCERA will request its actuary to analyze the appropriateness of all economic and non-economic assumptions used in the annual valuations. Recommendations for assumption changes are presented to the Board for their consideration.

The latest triennial investigation was completed as of April 4, 2012, and recommended assumption changes were adopted on May 21, 2012.

INVESTMENTS

VCERA's investment policy is established in accordance with the County Employees' Retirement Law of 1937. The policy requires the Board to discharge their duties:

Letter of Transmittal (continued)

- solely in the interest of, and for the exclusive purpose of, providing benefits to participants and their beneficiaries, minimizing employer contributions, and defraying reasonable expenses of administering the system.
- with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.
- by diversifying the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstance it is clearly not prudent to do so.

A summary of the asset allocation can be found in the investment section of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Ventura County Employees' Retirement Association for its comprehensive annual financial report for the fiscal year ended June 30, 2011. 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.

ACKNOWLEDGEMENTS

The preparation of this Comprehensive Annual Financial Report reflects the efforts of VCERA staff and consultants who made significant contributions to the preparation of this report.

I would also like to thank our auditor, Brown Armstrong Accountancy Corporation, for their professional assistance.

Finally, on behalf of VCERA staff, I want to thank your Board for its continued support. The leadership and support provided by your Board has contributed to the overall success of our retirement system.

Respectfully submitted,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Ventura County Employees' Retirement Association California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Christopher P Morrill

President

Jeffrey R. Emer

Executive Director

Members of the Board of Retirement at June 30, 2012

CHAIRMAN
William W. Wilson, Public Member
Appointed by the Board of Supervisors
Present term expires January 23, 2013

VICE-CHAIRMAN
Tracy Towner, Employee Member
Elected by Safety Members
Present term expires September 12, 2014

TREASURER
Steven Hintz, Ventura County Treasurer-Tax Collector
Ex-officio Member of the Board of Retirement
Present term expires January 5, 2015

MEMBERS
Peter C. Foy, County Supervisor, Public Member
Appointed by the Board of Supervisors
Present term expires January 3, 2013

Joseph Henderson, Public Member
Appointed by the Board of Supervisors
Present term expires January 13, 2014

Albert G. Harris, Public Member
Appointed by the Board of Supervisors
Present term expires January 13, 2014

Tom Johnston, Employee Member
Elected by General Members
Present term expires September 12, 2014

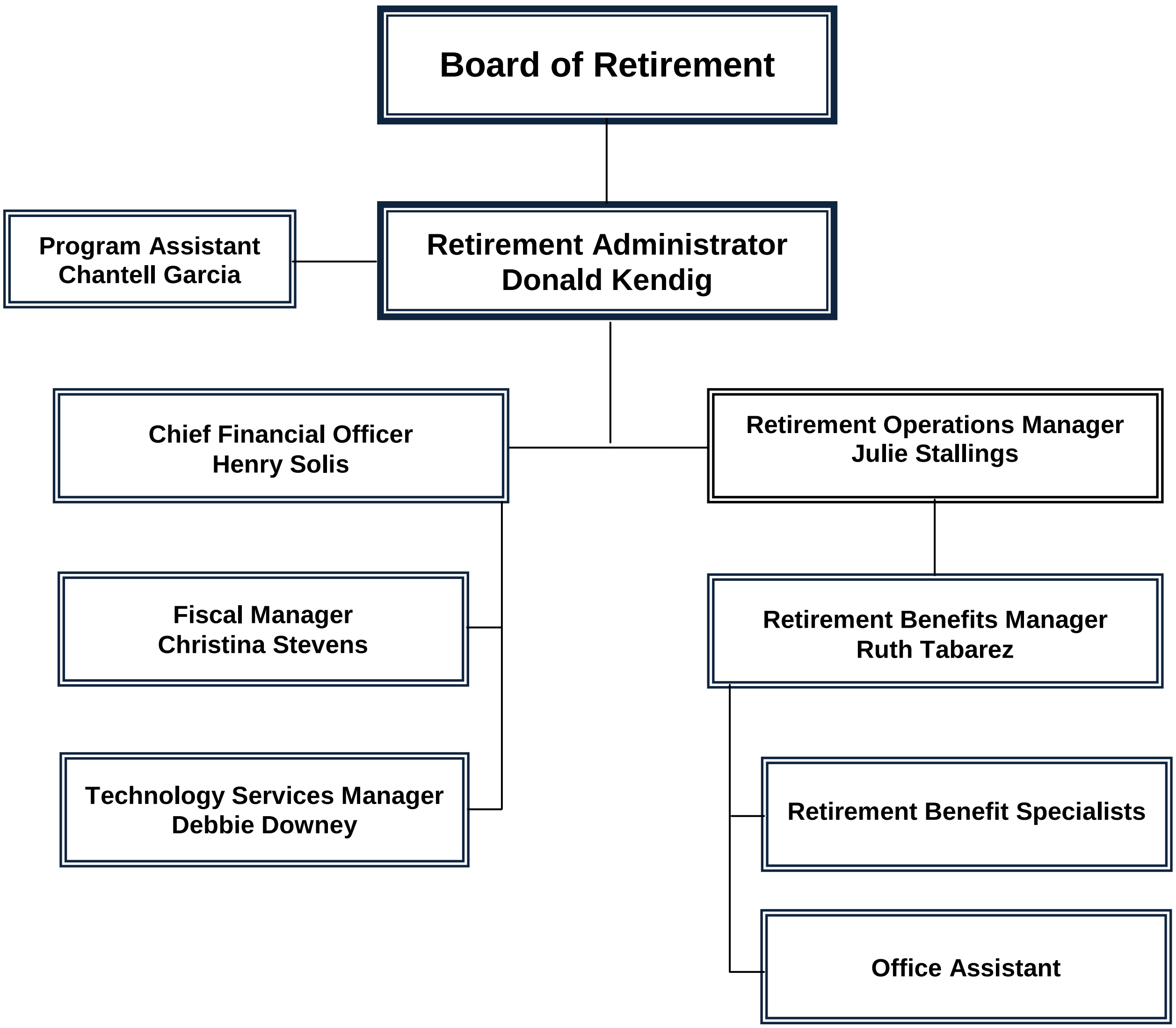
Robert Hansen, Employee Member
Elected by General Members
Present term expires April 5, 2013

Arthur E. Goulet, Retired Member
Elected by Retired Members
Present term expires November 3, 2014

ALTERNATE MEMBERS
Chris Johnston, Employee Member
Elected by Safety Members
Present term expires September 12, 2014

Will Hoag, Retired Member
Elected by Retired Members
Present term expires November 3, 2014

Ventura County Employees' Retirement Association Organizational Chart



List of Professional Consultants

ACTUARY
The Segal Company

CUSTODIAN
State Street Bank and Trust

INDEPENDENT AUDITOR
Brown Armstrong Accountancy Corporation

LEGAL COUNSEL
County Counsel of Ventura County
Manatt, Phelps & Phillips
Foley & Lardner LLP
HansonBridgett

TECHNICAL SUPPORT
Automatic Data Processing
Information Technology Services of Ventura County
CMP Associates
Linea Solutions
SBS Group
Vitech Systems Inc.

List of Investment Professionals is located on Page 42 of the Investment Section of this report.

FINANCIAL

BROWN ARMSTRONG

CERTIFIED PUBLIC ACCOUNTANTS

MAIN OFFICE
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

560 CENTRAL AVENUE
SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218

8050 N. PALM AVENUE
SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

790 E. COLORADO BLVD.
SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

5250 CLAREMENT AVENUE
SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Retirement
Ventura County Employees' Retirement Association
Ventura, California

We have audited the accompanying Statement of Plan Net Assets of the Ventura County Employees' Retirement Association (VCERA) as of June 30, 2012 and 2011, and the related Statement of Changes in Plan Net Assets for the years then ended. These financial statements are the responsibility of VCERA management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 plan net assets of VCERA as of June 30, 2012 and 2011, and its changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012, on our consideration of VCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of funding progress and employer contributions be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Other Supplementary Information and the Introductory, Investment, Actuarial, and Statistical sections as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory, Investment, Actuarial, and Statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 28, 2012

Management's Discussion and Analysis

The following review of the results of Ventura County Employees' Retirement Association's operations and financial condition for the year ended June 30, 2012, should be read in conjunction with the Letter of Transmittal found in the Introductory Section of the report and with the required financial statements that follow this discussion and analysis.

HIGHLIGHTS

- VCERA's net assets held in trust for pension benefits increased $37.3 million to approximately $3.2 billion for the fiscal year ending June 30, 2012.
- Deductions in Plan Net Assets increased 5.2% to $198.7 million.
- VCERA's funding status, as measured by the actuarial value of assets less the actuarial value of accrued liabilities, decreased to approximately 77.7%.

THE FINANCIAL SECTION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The financial section of this Comprehensive Annual Financial Report consists of two financial statements, required supplementary information, and other supplemental schedules. The *Statement of Plan Net Assets* includes information, as of the end of the fiscal year, about VCERA's assets, liabilities, and net assets on a fair value basis. The *Statement of Changes in Plan Net Assets* includes information about the additions to, deductions from, and net increase/decrease for the year in plan net assets. The required supplementary information provides historical trend information about VCERA's funding status and annual required employer contributions. The other supplemental schedules provide details of administrative expenses, investment expenses and payments to consultants.

FINANCIAL ANALYSIS

During the year, the real estate portfolio outperformed all other VCERA asset classes with a positive return of 10.8%. The international equity portfolio and the global equity portfolio lost 12.5% and 6.0% respectively. The fixed income portfolio and the domestic equity portfolio gained 8.8% and 4.2%, respectively.

VCERA's funded status decreased to 77.7% from 80.6% during the year as the growth in obligations exceeded the return on the investments. Management maintains, as supported by the annual actuarial valuations, that VCERA remains in a financial position to meet all obligations to participants and beneficiaries.

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

Net Assets Held in Trust for Pension Benefits (Net Assets) represent assets held to pay benefits earned by plan members. Net Assets increased 1.2% during the year to approximately $3.2 billion. Investments increased by approximately $24.9 million increase in the fair value of VCERA's investment portfolio due to appreciation in the value of equity and real estate portfolios. Current Assets decreased by $90.4 million during the year as cash and accrued assets were lower than in the prior year. Total Liabilities decreased by $102 million due to lower

($ IN THOUSANDS)	2012	2011	DIFFERENCE	% CHANGE
CURRENT ASSETS	$ 251,918	$ 342,335	$ (90,417)	(26.4%)
INVESTMENTS	3,121,883	3,097,001	24,882	0.8%
PENSION SOFTWARE	687	-	687	100.0%
TOTAL ASSETS	**3,374,488**	**3,439,336**	**(64,848)**	**(1.9%)**
TOTAL LIABILITIES	(164,871)	(267,011)	102,140	(38.3%)
NET ASSETS	**$3,209,617**	**$3,172,325**	**$ 37,292**	**1.2%**

Net Assets have continued to recover as the global economic recovery that began in March 2009 continued through 2012.

	2011	2010	DIFFERENCE	% CHANGE
CURRENT ASSETS	$ 342,335	$ 237,292	$ 105,043	44.3%
INVESTMENTS	3,097,001	2,509,718	587,283	23.4%
TOTAL ASSETS	**3,439,336**	**2,747,010**	**692,326**	**25.2%**
TOTAL LIABILITIES	(267,011)	(177,459)	(89,552)	50.5%
NET ASSETS	**$3,172,325**	**$2,569,551**	**$ 602,774**	**23.5%**

ADDITIONS TO PLAN NET ASSETS

The primary sources to finance benefits VCERA provides are accumulated through investment income and the collection of employer and employee contributions. Fiscal year 2012 results showed a combined 17.9% increase in employer and employee contributions. Net investment income added an additional $50.7 million.

($ IN THOUSANDS)	2012	2011	DIFFERENCE	% CHANGE
EMPLOYER CONTRIBUTIONS	$ 140,773	$ 120,053	$ 20,720	17.3%
EMPLOYEE CONTRIBUTIONS	44,487	44,238	249	0.6%
NET INVESTMENT INCOME	50,683	627,327	(576,644)	(91.9%)
TOTAL ADDITIONS	**$ 235,943**	**$ 791,618**	**($ 555,675)**	**(70.2%)**

($ IN THOUSANDS)	2011	2010	DIFFERENCE	% CHANGE
EMPLOYER CONTRIBUTIONS	$ 120,053	$ 105,703	$ 14,350	13.6%
EMPLOYEE CONTRIBUTIONS	44,238	42,466	1,772	4.2%
NET INVESTMENT INCOME	627,327	347,087	280,240	80.7%
TOTAL ADDITIONS	**$ 791,618**	**$ 495,256**	**$ 296,362**	**59.8%**

DEDUCTIONS IN PLAN NET ASSETS

VCERA's assets are used primarily in the payment of benefits to retired members and their beneficiaries, refunds of member contributions and plan administration costs. An increase in the number of retired members and an increase in the average benefit payment were the primary contributors to the increase in Benefit Payments in 2012. Administrative expenses were primary contributors to the increase in Benefit Payments in 2012. Administrative expenses were less due primarily with the capitalization of the costs associated with the development of a new Pension Administration System.

($ in Thousands)	2012	2011	Difference	% Change
Benefit Payments	$191,332	$180,070	11,262	6.3%
Member Refunds	3,783	4,388	(605)	(13.8%)
Administrative	3,536	4,387	(851)	(19.4%)
Total Deductions	**$198,651**	**$188,845**	**9,806**	**5.2%**

($ in Thousands)	2011	2010	Difference	% Change
Benefit Payments	$180,070	$166,029	14,041	8.5%
Member Refunds	4,388	3,227	1,161	36.0%
Administrative	4,387	4,081	306	7.5%
Total Deductions	**$188,845**	**$173,337**	**15,508**	**8.9%**

Benefit payments grew by approximately $11.3 million dollars or 6.3% as the retirement plan continues to mature. Member refunds reflect a 13.8% decrease of over $605 thousand dollars in 2012.

VCERA's Fiduciary Responsibility

VCERA is a fiduciary for the County of Ventura's, Ventura County Courts', Air Pollution Control District's, and Ventura Regional Sanitation District's pension plans. As such, VCERA is responsible for ensuring the plan assets reported in these financial statements are used to pay retirement benefits to eligible plan participants.

New Pension Accounting and Financial Reporting Standards

On June 25, 2012, the Governmental Accounting Standards Board (GASB) voted to approve two new standards that substantially improved the accounting and financial reporting of public employee pensions by state and local governments. Statement No. 67, *Financial Reporting for*

Pension Plans, revises existing guidance for the financial reports of most pension plans. Statement No. 68, *Accounting and Financial Reporting for Pensions*, revises and establishes new financial reporting requirements for governments that provide their employees with defined benefit pensions. These accounting and financial reporting standards represent the most significant fundamental changes in reporting requirements for pension plans (VCERA) and plan sponsors (Ventura County and outside Districts) since 1994.

For VCERA, the new standards build upon the existing framework for financial reports, enhance the note disclosures and required supplementary information, and require the presentation of new information about annual money-weighted rates of return in the notes to the financial statements. The new financial reporting provisions for VCERA are effective for fiscal year ending June 30, 2014.

The new standards require Ventura County and outside Districts to recognize their proportionate share of long-term obligation for pension benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This proportionate share is based on the plan sponsors' long-term contribution effort. The new financial reporting standards also enhance accountability and transparency through revised and new note disclosures and required supplementary information. For Ventura County and outside Districts, the new financial reporting provisions are effective for its fiscal year ending June 30, 2015.

The VCERA Board, through our professional organizations, management, and consultants, will evaluate and implement these new requirements as prescribed within the required time frame.

SUBSEQUENT EVENTS

On September 12, 2012, Governor Jerry Brown signed Assembly Bill 340, known as the California Public Employees' Pension Reform Act of 2013 (CalPEPRA), into law. The new law is complex and broad-reaching and takes effect on January 1, 2013. VCERA is currently working with the County to analyze CalPEPRA and determine how it will apply in Ventura County.

In order to accommodate new pension administration system programing and testing activities, commencing October 1, 2012, VCERA entered into a three-year commercial lease for additional office space with an option to renew for two additional one year periods. Payments over the lease term total $55,987.

REQUESTS FOR INFORMATION

The financial report is designed to provide the Board of Retirement, our membership, and other interested third parties with a general overview of VCERA's finances and to show accountability for the funds it receives.

Address questions regarding this report and/or requests for additional information to:

Chief Financial Officer
VCERA
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

Respectfully submitted,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

FINANCIAL STATEMENTS

Statements of Plan Net Assets
June 30, 2012 and 2011

	2012	2011
ASSETS		
CASH AND SHORT TERM INVESTMENTS	**$ 118,800,271**	**$ 188,845,553**
SECURITIES LENDING CASH COLLATERAL	**94,634,819**	**122,498,629**
RECEIVABLES		
EMPLOYER/EMPLOYEE CONTRIBUTIONS	3,754,115	2,372,406
ACCRUED INTEREST AND DIVIDENDS	5,175,132	4,636,910
SECURITY SALES	29,531,517	23,957,578
MISCELLANEOUS	21,685	23,368
TOTAL RECEIVABLES	**38,482,449**	**30,990,262**
INVESTMENTS AT FAIR VALUE		
DOMESTIC EQUITY SECURITIES	87,964,565	87,525,573
DOMESTIC EQUITY INDEX FUNDS	1,084,670,705	1,047,956,163
INTERNATIONAL EQUITY SECURITIES	531,184,762	606,358,551
GLOBAL EQUITY	267,297,716	271,485,010
PRIVATE EQUITY	26,930,165	13,642,798
UNITED STATES GOVERNMENT DEBT SECURITIES & CORPORATE BONDS	685,619,990	688,124,087
DOMESTIC BOND INDEX FUND	131,199,409	92,814,876
INTERNATIONAL BONDS	23,776,639	26,374,379
REAL ESTATE	283,239,366	253,973,321
ALTERNATIVE	-	8,746,510
TOTAL INVESTMENTS	**3,121,883,317**	**3,097,001,268**
PENSION SOFTWARE DEVELOPMENT COSTS	**686,886**	**-**
TOTAL ASSETS	**3,374,487,742**	**3,439,335,712**
LIABILITIES		
SECURITY PURCHASES	68,472,851	142,597,140
ACCOUNTS PAYABLE	1,762,866	1,914,880
SECURITIES LENDING	94,634,819	122,498,629
TOTAL LIABILITIES	**164,870,536**	**267,010,649**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**$3,209,617,206**	**$3,172,325,063**

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

Statements of Changes in Plan Net Assets
For the Years Ended June 30, 2012 and 2011

	2012	2011
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER - ACTUARIALLY DETERMINED	$ 132,385,968	$ 111,584,808
EMPLOYER - OTHER	8,386,757	8,468,737
EMPLOYEE	44,486,749	44,237,695
TOTAL CONTRIBUTIONS	**185,259,474**	**164,291,240**
INVESTMENT INCOME (LOSS)		
NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS	17,880,635	594,636,478
INTEREST INCOME	24,446,177	24,221,707
DIVIDEND INCOME	4,483,161	3,707,592
REAL ESTATE OPERATING INCOME (NET)	12,722,093	11,875,836
INVESTMENT EXPENSE	(9,102,873)	(7,403,928)
NET INVESTMENT INCOME (LOSS), BEFORE SECURITIES LENDING INCOME	**50,429,193**	**627,037,685**
SECURITIES LENDING INCOME		
EARNINGS	437,212	673,699
REBATES	(64,670)	(260,728)
FEES	(118,565)	(123,919)
NET SECURITIES LENDING INCOME	**253,977**	**289,052**
NET INVESTMENT INCOME (LOSS)	**50,683,170**	**627,326,737**
TOTAL ADDITIONS	**235,942,644**	**791,617,977**
DEDUCTIONS		
BENEFIT PAYMENTS	191,331,918	180,069,857
MEMBER REFUNDS	3,782,776	4,388,204
ADMINISTRATIVE EXPENSES	3,535,807	4,386,708
TOTAL DEDUCTIONS	**198,650,501**	**188,844,769**
NET INCREASE (DECREASE)	**37,292,143**	**602,773,208**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS: BEGINNING OF YEAR	3,172,325,063	2,569,551,855
END OF YEAR	**$3,209,617,206**	**$3,172,325,063**

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

For the Years Ended June 30, 2012 and 2011

1. Summary of Significant Accounting Policies

Reporting Entity. Ventura County Employees' Retirement Association, with its own governing board, is an independent governmental entity separate and distinct from the County of Ventura. Actuarially determined financial data for VCERA is included in the County of Ventura's Annual Financial Report in the "Notes to the Basic Financial Statements" section. The specific elements of the financial accountability criteria considered in defining a reporting entity are appointment of a voting majority of the Board and either the ability to impose will or possibility of providing a financial benefit or imposing a financial burden. Application of the financial accountability criteria did not identify additional entities to be included in VCERA's annual report.

Basis of Accounting. The accompanying financial statements are prepared on the accrual basis. Investment income is recognized when earned. Administrative and investment expenses are recorded when incurred. Contributions, benefit payments, and refunds are recorded when due and payable in accordance with the terms of the plan. The net appreciation (depreciation) in the fair value of investments is recorded as an increase (decrease) in investment income based upon investment valuations.

Investment Valuation. VCERA investments are presented at fair value. The majority of the investments held by the VCERA Plan at June 30, 2012 is in the custody of, or controlled by, State Street Bank, the System's custodian. The System's investments consist of domestic and international fixed income, domestic and international equities, private equity, opportunities, and real estate. Investments are reported at fair value. The diversity of the investment types that the System has entered into requires a wide range of techniques to determine fair value. The overall valuation processes and information sources by major asset classifications are as follows:

Fixed Income. Fixed income consists primarily of negotiable obligations of the U.S. Government and U.S. Government-sponsored agencies, corporations, and securitized offerings backed by residential and commercial mortgages. Certain securities, such as U.S. government bonds, have an active market for identical securities and can typically be valued using the closing or last traded price on a specific date. Other securities that are not as actively traded are valued by pricing vendors, which use modeling techniques that include market observable inputs required to develop a fair value. Typical inputs include recent trades, yields, price quotes, cash flows, maturity, credit ratings and other assumptions based upon the specifics of the asset type.

Equities. The majority of the System's domestic and international equity securities are actively traded on major stock exchanges or over-the-counter. Investments listed or traded on a securities exchange are valued at fair value as of the close of trading on the valuation day. Fair value is determined based on the last reported trade price on the exchange considered to be the primary market for such security. Listed investments that are not traded on a particular day are valued at the last known price deemed best to reflect their fair value. Investments not traded on a securities exchange, but which are traded in any other market or over the counter, are valued based on prices obtained from third party service providers.

PRIVATE EQUITY. Private equity investments are made on a fund-of-fund basis. The underlying equity fund portfolio consists of securities in portfolio companies as well as marketable securities. Typically, the fair value of all investments is determined by the fund manager in good faith and in compliance with the definition of fair value under U.S. generally accepted accounting principles or "GAAP" (FASB Accounting Standards Codification, Topic 820). In some circumstances, partnership agreements require reporting financial information and valuations in an accounting standard other than GAAP such as under International Financial Reporting Standards. The measure of fair value by the fund manager is typically conducted on a quarterly basis. Marketable securities are valued according to the most recent public market price with appropriate discounts to reflect any contractual or regulatory restriction upon sale. The fair value of each investment as reported does not necessarily represent the amount that may ultimately be realized, since such amounts depend upon future circumstances that cannot reasonably be determined until the position is actually liquidated. The fund's evaluation of the fair value of portfolio funds is based on the most recent available valuation information provided to it by the portfolio funds, adjusted for subsequent distributions from and capital contributions to such portfolio funds, if any. The evaluation of the fair value of co-investments is based on the most recent information available at the time of valuation ascribed to such investments by the sponsor partnership. If the manager does not agree with this valuation, holds different securities than the sponsor partnership, is unable to obtain the sponsor partnership's valuation, or has information that results in a different valuation, it may use its own internal evaluation of fair value. The assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment.

REAL ESTATE. Real estate is held either via a real estate limited partnership or a commingled fund. Real estate investments in a limited partnership or commingled fund are long-term and illiquid in nature. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of investors to exit an investment prior to its dissolution or liquidation of the underlying holdings. Interests in limited partnerships and commingled funds are valued by using the net asset value ("NAV") of the portfolio. The most significant input into the NAV of such an entity is the value of its investment holdings. These holdings are valued by the general or managing partners on a continuous basis, audited annually and periodically appraised by an independent third party. The valuation assumptions are based upon both market and property specific inputs which are not observable and involve a certain degree of expert judgment.

RECEIVABLES. Receivables consist primarily of interest, dividends, and investments in transition, i.e., traded but not settled, and contributions owed by the employing entities as of June 30, 2012.

USE OF ESTIMATES. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

SECURITIES LENDING. Cash collateral received in the course of securities lending transactions is recorded as a current asset of VCERA, and the obligation to repay the collateral is recorded as a current liability, in accordance with the requirements of GASB Statement Number 28. In addition, gross earnings received on invested cash collateral are reported as Earnings, and borrower rebates and agent fees are recorded as Rebates and Fees, respectively. This Earnings, Rebates, and Fees amounted to $437,212, $64,670, and $118,565, respectively, for the year ended June 30, 2012, a decrease due primarily to reduced activity in securities lending activity. Non-cash collateral, and the related repayment obligation, is not recorded on the books of the Association, as there is no ability to pledge or sell the collateral absent borrower default. See Note 3 for additional information on securities lending.

IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENT.

GASB Statement No. 67 – *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25* improves financial reporting by state and local governmental pension plans. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2013. The new standards will be implemented as scheduled.

GASB Statement No. 68 – *Accounting and Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25,* revises and establishes new financial reporting requirements for governments that provide their employees with defined benefit pensions. The new standards require Employers to recognize their proportionate share of long-term obligation for pension benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. For Employers, the new financial reporting provisions are effective for its fiscal year ending June 30, 2015.

2. PLAN DESCRIPTION

The Ventura County Employees' Retirement Association (VCERA) was established under the provisions of the California Government Code (Code) Sections 31450 through 31899, known collectively as the County Employees' Retirement Law of 1937. VCERA operates a cost-sharing multi-employer defined benefit pension plan (Plan) that includes employees of the County of Ventura, the Ventura County Courts, Air Pollution Control District, a special district, and the Ventura Regional Sanitation District, a special district located in the County, (the latter three employers are not under the Board of Supervisors). VCERA is a pension trust fund of the County of Ventura.

VCERA provides retirement, disability, cost of living, and death and survivor benefits to its members and qualified beneficiaries.

PLAN MEMBERSHIP. Membership is mandatory for employees with bi-weekly work schedules of 64 hours or more. Members employed up to and including June 30, 1979, and certain management personnel who entered service prior to October 16, 2011 are designated as Tier 1 members. Members employed after June 30, 1979, are designated as Tier II members. Safety members (eligible Sheriff, Probation and Fire employees) are classified as Tier I regardless of hire date.

At June 30, 2012 and 2011, VCERA membership consisted of:

MEMBERSHIP	2012	2011
RETIREES AND BENEFICIARIES CURRENTLY RECEIVING BENEFITS	5,658	5,481
ACTIVE EMPLOYEES:		
VESTED	5,737	5,471
NON-VESTED	2,282	2,569
TERMINATED BUT NOT YET RECEIVING BENEFITS	2,161	2,097
TOTAL	**15,838**	**15,618**

BENEFIT PROVISIONS. State law along with resolutions and ordinances adopted by the Board of Retirement and Board of Supervisors establishes the Plan's benefit provisions and contribution requirements.

RETIREMENT ALLOWANCES. Employees with ten or more years of service are entitled to an annual retirement allowance beginning at age 50. Allowances are based upon members' ages at retirement, final compensation, and total years of service.

DISABILITY BENEFITS. A member who becomes permanently disabled for the performance of their duties may be granted a disability retirement allowance payable for life. If the disability is the result of a job-related injury or illness, the member may be granted a service-connected disability retirement. If the disability is not the result of a job-related injury or illness, the member may receive a non-service-connected disability retirement allowance.

DEATH BENEFITS. VCERA pays a basic death benefit, which consists of the member's accumulated contributions plus an amount equal to an average month's salary to a maximum of six months' salary. If the deceased member was vested, a surviving spouse may elect, in lieu of the basic death benefit, a monthly allowance equal to 60 percent of the monthly retirement allowance to which the deceased member would have been entitled had the member been retired for non-service-connected disability as of the date of death.

Benefits payable to a surviving spouse or other beneficiary of a member who dies after retirement depend upon the retirement option selected by the member at the time of retirement and whether the member's retirement was a regular service retirement, a non service-connected disability retirement or a service-connected disability retirement.

SUPPLEMENTAL BENEFITS. On January 15, 1991, the Ventura County Board of Supervisors adopted a resolution to make operative Government Code section 31682. Adoption of this section permitted the Board of Retirement to adopt a resolution to provide a vested supplemental benefit of $108.44 per month to all eligible retirees.

Effective March 17, 2003, the Board of Retirement adopted a resolution providing an additional $27.50 per month to eligible retirees receiving the vested supplemental benefit described above. The additional non-vested supplemental benefit is provided pursuant to Government Code Sections 31691.1 and 31692, respectively.

COST OF LIVING ADJUSTMENT. Cost of living adjustments, based upon changes in the Consumer Price Index for the Los Angeles area, of up to 3% per annum are made for all Tier I retirees.

On February 28, 2005, the Board of Retirement adopted regulations pursuant to Government Code Section 31627 to provide a cost of living adjustment to a majority of Tier II general members represented by SEIU Local 721. The prospective cost of living adjustment will be fixed at 2% annually and be funded by employee contributions.

SUPPLEMENTAL COST OF LIVING ADJUSTMENT. In addition to the basic cost of living adjustment, the California Government Code provides the Board of Retirement the authority to grant supplemental cost of living increases to retirees who have lost 20% or more of their cost of living increases to inflation. Funding is provided from the Supplemental Targeted Adjustment Reserve, which derives funding from excess investment earnings. The Board of Retirement reviews the adequacy of STAR COLA funding annually and approved the payment of a supplemental cost of living increase to eligible retirees through July 31, 2011. This benefit ended on July 31, 2012.

TERMINATIONS. Effective January 1, 2003, members with less than five (5) years of service may elect to leave their accumulated member contributions on deposit until first eligible to receive benefits in accordance with Government Code Section 31629.5.

3. INVESTMENTS

INVESTMENT POLICY. VCERA, in accordance with state statutes, invests in any form or type of investment, financial instrument, or financial transaction deemed prudent in the informed opinion of the Board of Retirement. State Street serves as the master custodian for the majority of VCERA's assets.

While VCERA recognizes the importance of capital preservation, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. The Board of Retirement's investment policy allows investment to the entire Global fixed income market (maturities 1 to 30 years) including Treasury and government agency bonds, corporate debt, mortgages, asset-backed securities, international and emerging markets. The fixed income portfolio is largely comprised of investment grade issues (rating of BBB {Standard & Poor's} and Baa3 {Moody's} or higher) and may include, subject to limits, opportunistic investment in non-dollar and high yield bonds. VCERA's investment policy recognizes that in the long-run equity returns will be greater than fixed income returns, but with expected greater volatility over shorter periods. Both domestic and international equity investing is permitted with exposure, subject to limits, to both the large and small capitalization ranges. Discretion is also permitted to international managers to invest, with limits, opportunistically in emerging market equities. Real Estate investing is also allowed with the goal to provide competitive risk adjusted returns as well as diversification benefits to VCERA's portfolio.

As of June 30, 2012 and 2011, VCERA had the following investments:

	June 30, 2012	June 30, 2011
Domestic Equity	$ 1,172,635,270	$ 1,135,481,736
Domestic Fixed Income	816,819,399	780,938,963
International Equity	531,184,762	606,358,551
Private Equity	26,930,165	13,642,798
Real Estate	283,239,366	253,973,321
Global Equity	267,297,716	271,485,010
International Bonds	23,776,639	26,374,379
Alternative	-	8,746,510
Total Investments	**$3,121,883,317**	**$3,097,001,268**

Custodial Credit Risk. VCERA considers investments purchased with a maturity of 12 months or less to be short-term investments. Although not having a policy that specifically addresses the limiting of custodial credit risk, VCERA, in practice, limits custodial credit risk for deposits by maintaining substantially all cash and short-term investments in external investment pools managed by the County of Ventura and State Street. All other investment securities are held by State Street in VCERA's name. VCERA maintains a commercial bank account with depository insurance coverage from the Federal Depository Insurance Corporation (FDIC).

Balances in VCERA's commercial bank account at June 30, 2012 and 2011 were $36,932 and $177,096, respectively.

As of June 30, 2012 and 2011, VCERA had the following cash and short-term investments:

	June 30, 2012	June 30, 2011
State Street Bank	$ 111,168,076	$ 179,774,297
County of Ventura Treasurer's Investment Pool	7,595,263	8,894,160
Commercial Bank Account	36,932	177,096
Total	**$ 118,800,271**	**$ 188,845,553**

CREDIT RISK. VCERA requires its total fixed income portfolio be rated AA or higher by Standard & Poor's (S&P) or Aa2 by Moody's. Aggregated amounts by rating category using S&P ratings are as follows:

RATING CATEGORY	AMOUNT HELD AT 06/30/2012	AMOUNT HELD AT 06/30/2011
SEPARATE HOLDINGS:		
AAA	$ 66,127,353	$ 168,382,058
AA	173,827,658	33,055,760
A	118,361,204	96,597,307
BBB	115,497,527	74,492,247
BB	30,587,693	23,705,552
B	13,895,938	15,704,264
CCC	9,931,665	8,111,347
CC	817,375	1,537,808
C	-	-
D	2,821,878	4,974,906
NO RATING	70,370,320	167,723,235
TOTAL SEPARATE HOLDINGS	**$ 602,238,611**	**$ 594,284,484**
POOLED INVESTMENTS:		
AAA	$ 99,186,753	$ 71,021,940
AA	89,732,918	113,551,742
A	22,442,968	9,216,517
BBB	13,014,981	8,804,203
BB	13,979,807	-
B	-	10,434,456
TOTAL POOLED INVESTMENTS	**$ 238,357,427**	**$ 213,028,858**
TOTAL FIXED INCOME PORTFOLIO	**$ 840,596,038**	**$ 807,313,342**

Overall, VCERA's fixed income portfolios were rated AA at June 30, 2012 and June 30, 2011.

INTEREST RATE RISK. VCERA recognizes the importance of managing its exposure to interest rate risk and has developed a policy to limit the duration of VCERA's fixed income portfolio to plus or minus 20% to that of the broad fixed income market as defined by the Barclays Capital Aggregate Bond Index. Duration, an investment's exposure to fair value change arising from a change in interest rates, by investment category and amount at June 30, 2012 and 2011 is as follows:

CATEGORY	ASSETS HELD AT 06/30/2012	DURATION (YEARS)	ASSETS HELD AT 06/30/2011	DURATION (YEARS)
TREASURY	$164,025,616	6.6	$160,152,712	6.4
AGENCY	21,512,285	5.6	24,750,268	5.4
MORT-BACKED	225,930,410	4.8	301,535,263	4.8
ASSET-BACK	43,055,140	0.9	33,173,030	0.7
CREDIT	351,452,124	6.3	245,999,166	6.3
FOREIGN	24,563,642	5.3	39,882,062	4.8
OTHER	1,874,831	7.9	1,820,841	5.9
PASSIVELY MANAGED	8,181,990	4.4	-	
TOTAL	**$ 840,596,038**	**5.6**	**$ 807,313,342**	**5.5**

The duration for the Barclays Capital Aggregate Bond Index as of June 30, 2012 and 2011 was 4.4 years and 4.6 years, respectively.

FOREIGN CURRENCY RISK. VCERA, through its investment policy, recognizes the return and diversification benefits gained by investing in markets outside the United States. The majority of VCERA's international investments are held in commingled investment pools with other institutional investors. VCERA may also hold individual foreign securities within the fixed income allocation. Investments in countries outside the United States expose VCERA to the risk that changes in currency exchange rates may affect the fair value of these investments.

VCERA's international equity, global equity and fixed income investment managers may utilize forward exchange (FX) currency contracts, currency futures contracts and currency options to minimize currency fluctuations in non-dollar denominated securities. VCERA's investment policy does not allow forward currency contracts, futures contracts and options to be utilized speculatively. Risks surrounding the contracts and options include fluctuations in exchange rates and the inability of the counterparty to meet contract and option terms. Differences between contract exchange rates and market exchange rates at settlement result in gains and losses.

As of June 30, 2012 and 2011, VCERA's forward exchange currency contracts were valued at $1,365,091 and $1,132,740, currency future contracts had a notional value of $61,618,678 and $137,338,002 and currency options were valued at ($14,865) and ($32,900), respectively. All forward currency contracts, futures currency contracts and currency options have been included at fair value in the Statements of Plan Net Assets, and all realized and unrealized gains/losses associated with the securities have been included in the Statements of Change in Plan Net

Assets for the years ending June 30, 2012 and 2011, respectively.

Currency	Fixed Income at June 30, 2012	Equities at June 30, 2012	Fixed Income at June 30, 2011	Equities at June 30, 2011
Australian Dollar	$ 1,980,777	$ 10,780,494	$ 1,882,634	$ 8,583,249
British Pound	272,189	36,125,254		45,210,757
Canadian Dollar	5,897,788	4,845,006	6,077,073	10,041,343
Danish Krone		2,228,792		3,690,807
Euro	725,435	38,911,264	684,679	51,628,621
Hong Kong Dollar		10,151,688		13,306,153
Japanese Yen		47,821,141		47,488,343
new zealand dollar	1,949,488	-	1,906,505	-
Norwegian Krone		-		248,243
S. African Rand		3,656,317		3,762,703
Singapore Dollar		9,228,337		8,021,083
South Korean Won		5,343,848	1,695,050	6,549,593
Swedish Krona		1,485,862		2,448,443
Swiss Franc		22,139,494		22,330,515
Other Emerging Mkt	8,006,919	3,008,889	8,627,018	8,605,752
Total Securities Subject to Foreign Currency Risk	$ 18,832,596	$ 195,726,386	$ 20,872,959	$ 231,915,605
US $ Investments in International Portfolios	4,944,043	335,458,376	5,501,420	5,501,420
US $ Investments in Global Portfolios	-	267,297,716	-	203,866,096
Total	**$ 23,776,639**	**$ 798,482,478**	**$ 26,374,379**	**$ 441,283,121**

Securities Lending. VCERA, under provisions of state statutes, and its investment policy, authorizes State Street to act as agent in lending VCERA's securities to broker-dealers and other entities in the form of a loan agreement. Borrowers were required to deliver collateral in an amount equal to not less than 100%, and typically 102%, of the fair value of securities borrowed.

As of June 30, 2012 and 2011, VCERA had no credit risk exposure because the amounts VCERA owes the borrowers exceeds the amounts the borrowers owe VCERA. State Street indemnified VCERA by agreeing to purchase replacement securities, or return cash collateral, in the event a borrower failed to return a lent security or pay distributions while the security was on loan. VCERA and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested with cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because loans were terminable at will, their maturity did not generally match the maturity of the investments made with cash collateral. VCERA cannot pledge or sell collateral securities without borrower default. As of June 30, 2012 and 2011, VCERA had securities on loan with a fair value of $92,728,663 and $119,884,580, with cash collateral of $94,634,819 and $122,498,629, respectively.

VCERA's net securities lending income for the years ended June 30, 2012 and 2011 is as follows:

	2012	2011
EARNINGS	$ 437,212	$ 673,699
EXPENSES:		
BORROWER REBATES	64,670	260,728
MANAGEMENT FEES	118,565	123,919
NET SECURITIES LENDING INCOME	**$ 253,977**	**$ 289,052**

CONCENTRATION OF CREDIT RISK. VCERA, through policies developed and implemented by the Board of Retirement, maintains the goal of having a well-diversified portfolio. As such, VCERA had no investments in any one named security that would represent no more than 5% of total investments. Pooled investments and investments issued by or explicitly guaranteed by the U.S. Government are exempt from this requirement.

DERIVATIVE FINANCIAL INSTRUMENTS. As part of VCERA's Investment Policy, Investment managers are allowed the use of derivatives. Derivatives are financial instruments that derive their value, usefulness and marketability from an underlying instrument which represents direct ownership of an asset or of an issuer whose payments are based on or "derived" from the performance of an agreed upon benchmark. Values of derivatives change daily. VCERA's managers are required to mark-to-market derivative positions daily. Within VCERA's investment policy, specific guidelines are put forth with investment managers who invest in derivatives. Substitution, risk control and arbitrage are the only derivative strategies permitted; speculation is prohibited. No contingent features are present. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Gains and losses from derivatives are included in investment income. For financial reporting purposes, all VCERA's derivates are classified as investment derivatives. A further discussion on VCERA's valuation procedures are contained in Note 1 to the Basic Financial Statements. The following types of derivatives are permitted: future contracts, currency forward contracts, options, and swaps.

FUTURES CONTRACTS. A futures contract represents an agreement to buy (long position) or sell (short position) an underlying asset at a specified future date for a specified price. Payment for the transactions is delayed until a future date, which is referred to as the settlement or expiration date. Futures contracts are standardized contracts traded on organized exchanges.

FORWARD CONTRACTS. A forward contract represents an agreement to buy or sell an underlying asset at a specified future date for a specified price. Payment for the transactions is delayed until the settlement or expiration date. A forward contract is a non-standardized contract that is tailored to each specific transaction. Forward contracts are privately negotiated and are intended to be held until the settlement date. Currency forward contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

OPTION CONTRACTS. An option is a type of derivative security in which a buyer (purchaser) has the right, not the obligation, to buy or sell a specified amount of an underlying security at a fixed price by exercising the option before its expiration date. The seller (writer) has an obligation to buy or sell the underlying security if the buyer decides to exercise the option.

SWAP AGREEMENTS. A swap is an agreement between two or more parties to exchange a sequence of cash flows over a period of time in the future. No principal is exchanged at the beginning of the swap. The cash flows the counterparties exchange are tied to a "notional" or contract amount. A swap agreement specifies the time period over which the periodic payments will be exchanged. The Fair Value represents the gains or losses as of the prior marking-to-market, which are functions of generally interest rate fluctuations.

The Investment Derivatives schedule listed below reports the related net appreciation (depreciation), the fair value amounts and notional amounts for derivatives outstanding as of and for the years ended June 30, 2012, classified by type.

	NOTIONAL AMOUNT	FAIR VALUE	FAIR VALUE	CHANGE IN FAIR VALUE
TYPE	**JUNE 30, 2012**	**JUNE 30, 2012**	**JUNE 30, 2011**	**JUNE 30, 2012**
FUTURES CONTRACTS	$ (60,101,400)	$ -	$ -	$ (7,913,703)
FORWARD CONTRACTS	1,365,091	34,880	1,606	(171,643)
OPTIONS CONTRACTS	(22,648,000)	(14,865)	(32,900)	425,804
CREDIT DEFAULT SWAPS	63,607,100	(769,062)	88,782	1,208,465
INTEREST RATE SWAPS	-	-	-	(45,330)
TOTAL INVESTMENT DERIVATIVES	**$ (17,777,209)**	**$ (749,047)**	**$ (57,488)**	**$ (6,496,407)**

All investment derivative positions are included as part of investments at fair value on the Statement of Plan Net Assets. All changes in fair value are reported as part of Net Appreciation/(Depreciation) in fair value of investments in the Statement of Changes in Plan Net Assets.

Investment information was provided from VCERA's investment custodian.

CUSTODIAL CREDIT RISK. VCERA's investments include collateral associated with derivatives activity. As of June 30, 2012, collateral for derivatives were $7.0 million. The collateral margins are maintained in margin accounts at financial services firms that provide brokerage services. Each account is uninsured and is subject to custodial credit risk.

CREDIT RISK. VCERA is exposed to credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to credit risk include currency forward contracts and swap agreements. As of June, 30, 2012, the fair value of derivative investments subject to credit risk was $34,880, and at June 30, 2011 was $1,606. VCERA would be exposed to the loss of the fair value of derivatives that are in asset positions and any collateral provided to the counterparty, net of the effect of applicable netting arrangements.

VCERA requires investment managers to have Master Agreements in place to minimize credit risk. Netting arrangements legally provide VCERA with a right of setoff in the event of bankruptcy or default by the counterparty. VCERA would be exposed to loss of collateral provided to the counterparty. Collateral provided by the counterparty reduces VCERA's credit risk exposure.

The following Credit Risk Derivatives schedule discloses the counterparty credit ratings of VCERA's investment derivatives in asset positions by type as of June 30, 2012. These amounts represent the maximum loss that would be recognized if all counterparties fail to perform as contracted, without respect to collateral or other security, or netting arrangement. The schedule displays the fair value of investments by credit rating in increasing magnitude to risk investments, classified by Standard & Poor's rating system. If the investment does not have a Standard & Poor's rating, but it has a Moody's credit rating, the Standard & Poor's rating that corresponds to the Moody's rating is used. As of June 30, 2012, VCERA has a net exposure to credit risk of $37,091.

TYPE	FAIR VALUE JUNE 30, 2012	AAA	ADJUSTED RATING AA	A
FORWARD CONTRACTS	$ 34,880			$ 34,880
TOTAL	$ 34,880			**$ 34,880**

INTEREST RATE RISK. Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest Rate Swaps is an example of an investment that is highly sensitive to interest rate changes. LIBOR refers to the London Interbank Offering Rate. The swaps have various adjustments to that rate and they contain final maturities from FY2015 to FY2020.

TYPE	FAIR VALUE JUNE 30, 2011	NOTIONAL AMOUNT	REFERENCE RATE
CREDIT DEFAULT SWAPS	($ 769,062)	$ 63,607,100	LIBOR – VARIOUS
FIXED INCOME OPTIONS	(24,128)	(22,299,000)	LIBOR – VARIOUS
TOTAL	($ 793,190)	$ 41,308,100	

FOREIGN CURRENCY RISK. For those futures contracts, forward contracts and swap agreements which are dollar denominated securities issued by foreign countries, there is an exposure to credit risk. Currency forward contracts represent the foreign exchange contracts that are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. A position is held where Japanese Yen were bought and US Dollars were sold and British Pound Sterling, Japanese Yen and Euros were held where US Dollars were bought and British Pound Sterling, Japanese Yen and Euros were sold. The net fair value of the forward contracts is $34,880 as of June 30, 2012. All other futures contracts and swap agreements are not subject to foreign currency risk.

4. ACTUARIAL VALUATION

Actuarial valuations to determine VCERA's funding status and future contribution rates are performed annually. Actuarial assumptions and methods used by the actuary meet the guidelines set forth by Governmental Accounting Board Statement No. 25. The schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial liability of benefits over time. The information included within this report is based upon the valuation performed as of June 30, 2012.

SCHEDULE OF FUNDING PROGRESS
($ IN THOUSANDS)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE (b)	UNFUNDED (OVERFUNDED) AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS AN UNFUNDED (OVERFUNDED) PERCENTAGE OF COVERED PAYROLL {(b-a)/c}
06/30/12	$3,397,360	$4,373,227	$975,867	77.69%	$633,848	153.96%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
($ IN THOUSANDS)

YEAR ENDED JUNE 30	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED
2012	$ 132,386	100%

LATEST ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

Valuation Date: June 30, 2012

Actuarial Cost Method: Entry Age Normal Actuarial Cost Method

Amortization Method: Level Percentage of Payroll
(Assuming a 4.00% payroll increase)

Remaining Amortization Period: 15 years for UAAL as of June 30, 2004. Any new UAAL after June 30, 2004 will be separately amortized over a fixed 15-year period effective with that valuation. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to plan amendments (with the exception of a change due to retirement incentives) will be amortized over a 15-year closed period effective with that valuation (up to a 5-year closed period for retirement incentives). Any change in UAAL due to changes in actuarial assumptions or methods will be amortized over a 20-year closed period effective with that valuation.

Asset Valuation Method:	Market value of assets less unrecognized returns in each of the last ten semi-annual accounting periods. Unrecognized returns are equal to the difference between the actual market return and the expected return on market value and are recognized over a 5-year period. Prior to the June 30, 2007 valuation, the unrecognized return was determined on an annual basis. The Actuarial Value of Assets is reduced by the value of the STAR COLA benefit reserve (eliminated as of July 2011), supplemental medical benefit reserve and statutory contingency reserve. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal amounts over a period of four and a half years from that date.

Actuarial Assumptions:

Investment Return:	7.75%
Projected Salary Increases:	4.50% - 12.50% varying by service. Includes inflation at 3.25%, "across the board" increases of 0.75%, plus merit and longevity increases.
Post Retirement Benefit Increases:	Contingent upon CPI increases with a 3% maximum for Tier I members.

5. CONTRIBUTIONS

Employer and employee contribution rates are established and amended by VCERA's Board of Retirement. Contribution rates are actuarially determined using the "entry age normal cost" method. According to this method, the "normal cost" is the level amount that would fund the projected benefit if it were paid annually from date of employment until retirement.

The "Entry Age Normal Actuarial Cost Method" is modified so that the employer's total normal cost is expressed as a level percentage of payroll. The level percentage of payroll method is also used to amortize the unfunded actuarial liability. For the June 30, 2012 valuation, the period for amortizing the unfunded liability is fixed at 15 years in accordance with the Board of Retirement's policy adopted July 20, 2009, to amortize future actuarial gains and losses over fixed 15-year periods.

VCERA's employers were required to contribute $132.4 million and $111.6 million in actuarially determined contributions for the fiscal years ending June 30, 2012 and 2011, respectively.

Member contributions range from 5.78% to 12.35% depending upon member tier and plan status.

6. OTHER EMPLOYER CONTRIBUTIONS

In addition to the actuarially determined contributions, VCERA's employers contribute, pursuant to Government Code Section 31581.1, a portion of the contributions normally required of general Tier 1 and safety members. These employer paid member contributions do not become part of the accumulated contributions of the member, but vest in the employer advance reserves.

The value of the "Other Employer Contributions" is shown separately from Actuarially Determined Employer Contributions within the Additions Section of the Statement of Changes in Plan Net Assets on page 16.

7. RESERVES

VCERA's reserves are composed of member contributions, employer contributions, and accumulated investment income. The reserves do not represent the present value of assets needed to satisfy retirements and other benefits as they come due. VCERA's major reserves are as follows:

MEMBER RESERVES. Represent member's accumulated contributions. Additions include member contributions and interest credited; deductions include transfers to Retired Member Reserves and refunds.

EMPLOYER ADVANCE RESERVES. Represent the total employer contributions made on behalf of current active members for future retirement benefits. Additions include employer contributions and interest credited; deductions include transfers to Retired Member Reserves and death benefits.

RETIRED MEMBER RESERVES. Represent total accumulated transfers from Member Reserves and Employer Advanced Reserves and interest credited, less benefit payments made to retirees.

VESTED FIXED SUPPLEMENTAL RESERVE. Represents the funding set aside to pay the vested supplemental retirement benefit of $108.44 monthly to all eligible retirees. Additions include investment income designated by the Board of Retirement and interest credited, less benefit payments made to eligible retirees.

NON-VESTED SUPPLEMENTAL RESERVE. Represents the funding set aside to pay the non-vested supplemental retirement benefit of $27.50 monthly to all eligible retirees. Additions include investment income designated by the Board of Retirement less benefit payments made to eligible retirees.

SUPPLEMENTAL COLA BENEFIT RESERVE. Represents the funding designated to fund the supplemental cost of living to eligible retirees. Additions include investment income designated by the Board of Retirement and interest credited less benefit payments made to eligible retirees. This benefit ended on July 31, 2012, and was not continued by the Board of Retirement.

RESERVE FOR DEATH BENEFITS. Represents funds designated to pay death benefits pursuant to Government Code Section 31789.5. Additions include funding from investment income and interest credited; deductions include benefits paid.

MARKET STABILIZATION RESERVE. Represents the difference between the current market value of assets and the actuarial value of assets used to establish the above reserves.

CONTINGENCY RESERVE. Represents funds set aside for future earnings deficiencies. Balance is established at 1% of total assets in accordance with Government Code section 31592.2.

UNRESTRICTED RESERVE. Represents the excess of accumulated realized investment earnings after satisfying all expenses of the Plan.

Reserve balances as of June 30, 2012 and 2011 are as follows:

	2012	2011
MEMBER	$ 569,892,474	$ 549,207,347
EMPLOYER ADVANCE	766,997,924	723,383,047
RETIRED MEMBER	1,919,116,136	1,810,061,793
VESTED FIXED SUPPLEMENTAL	128,571,067	125,437,812
NON-VESTED SUPPLEMENTAL	13,789,250	15,590,891
SUPPLEMENTAL COLA BENEFIT	-	238,479
DEATH BENEFITS	12,782,317	12,297,922
MARKET STABILIZATION	(201,531,962)	(63,892,228)
CONTINGENCY	-	-
UNRESTRICTED	-	-
TOTAL RESERVES	**$ 3,209,617,206**	**$ 3,172,325,063**

On January 26, 2008, the Board of Retirement approved a change in the Available Earnings Measure for Crediting Interest on Reserves from one based on book value to one based on actuarial value. As part of the change, the Board of Retirement redefined the Market Stabilization Reserve to be the difference between the Market Value of Assets and the Actuarial Value of Assets, rather than the previously defined difference between the Market Value of Assets and the Book Value of Assets.

8. ADMINISTRATIVE EXPENSES

As permitted by Section 31580.2 of the Government Code, the Board of Retirement adopts an annual budget, financed from investment income, covering the entire expenses of Plan administration. For the Fiscal Year 2010-11, the Code provided that administrative expenses incurred in any year were not to exceed 18/100 of one percent of the Plan's total assets, and Government code section 31580.3 provided an exception to the limitation described in section 31580.2, the maximum expense to be 23/100 of one percent of the total assets of the system in order allow for additional expenditures for software, hardware and computer technology. For the Fiscal Year 2011-12 the Code provided that administrative expenses incurred in any year were not to exceed the greater of 21/100 of one percent of the accrued actuarial liability of the system or two million dollars ($2,000,000), as adjusted annually by the amount of the annual cost-of-living adjustment. Government Code section 31580.2(b) provides that expenditures for software, hardware and computer technology are not considered a cost of administration. Administrative expenses incurred in fiscal year 2012 and 2011 were within the limits established by the Codes.

	2012	2011
TOTAL ASSET BASE AT FAIR VALUE (DECEMBER 31, 2009)		$2,871,563,500
ACCRUED ACTUARIAL LIABILITY (JUNE 30, 2010)	$3,877,443,000	
MAXIMUM ALLOWED FOR ADMINISTRATIVE EXPENSE ($3,877,443,000* 0.21% & $2,871,563,500 *0.23%)	8,142,630	6,604,596
ACTUAL ADMINISTRATIVE EXPENSE	3,535,807	4,386,708
EXCESS OF ALLOWED OVER ACTUAL EXPENSES	$ 4,606,823	$ 2,217,888
ACTUAL ADMINISTRATIVE EXPENSES AS A PERCENTAGE OF TOTAL ASSET BASE/ACCRUED ACTUARIAL LIABILITY	0.09%	0.15%

9. LEASE AGREEMENT

Effective April 1, 2011, VCERA entered into a seven-year extension of a commercial lease for office space with the option to renew for two additional five-year periods. Payments over the remaining lease term total $923,218. Annual amounts due under the agreement are as follows:

FISCAL YEAR ENDING	AMOUNT
2012	$ 158,074
2013	161,083
2014	161,083
2015	161,083
2016	161,083
2017	120,812

10. COMMITMENTS TO FUND INVESTMENTS

VCERA expanded the fixed income allocation of the investment portfolio to include global fixed income securities. At June 30, 2012, VCERA committed to fund an investment with PIMCO in the amount of $101 million.

11. SUBSEQUENT EVENTS

On September 12, 2012, Governor Jerry Brown signed Assembly Bill 340, known as the California Public Employees' Pension Reform Act of 2013 (CalPEPRA), into law. The new law is complex and broad-reaching and takes effect on January 1, 2013. VCERA is currently working with the County to analyze CalPEPRA and determine how it will apply in Ventura County.

In order to accommodate new pension administration system programing and testing activities, commencing October 1, 2012, VCERA entered into a three-year commercial lease for additional office space with an option to renew for two additional one year periods. Payments over the lease term total $55,987.

Management has evaluated subsequent events through December 28, 2012, which is the date the financial statements were issued.

Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS
($ IN THOUSANDS)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE (b)	UNFUNDED (OVERFUNDED) AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS AN UNFUNDED (OVERFUNDED) PERCENTAGE OF COVERED PAYROLL {(b-a)/c}
06/30/12	$3,397,360	$4,373,227	$975,867	77.69%	$633,848	153.96%
06/30/11	3,220,388	3,995,352	774,964	80.60	637,037	121.65
06/30/10	3,115,984	3,877,443	761,459	80.36	654,828	116.28
06/30/09	3,090,148	3,663,701	573,553	84.34	634,777	90.36
06/30/08	3,055,756	3,345,804	290,048	91.33	599,173	48.41
06/30/07	2,736,558	3,112,583	376,025	87.92	551,968	68.12

(i) After change in mortality assumption

SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2012
($ IN THOUSANDS)

YEAR ENDED JUNE 30	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED
2012	$ 132,386	100
2011	111,585	100
2010	97,234	100
2009	105,278	100
2008	104,429	100
2007	86,455	100

Notes to Required Supplementary Information

DESCRIPTION

The historical trend information about VCERA is presented as required supplementary information. The information is intended to help users assess the funding status of the plan on a going-concern basis and to assess progress in accumulating assets for paying benefits when due.

ACTUARIAL INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuation as of the date indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation Date:	June 30, 2012
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method
Amortization Method:	Level Percentage of Payroll (assuming a 4.00% payroll increase)
Remaining Amortization Period:	15 years for UAAL as of June 30, 2004. Any new UAAL after June 30, 2004 will be separately amortized over a fixed 15-year period effective with that valuation. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to plan amendments (with the exception of a change due to retirement incentives) will be amortized over a 15-year closed period effective with that valuation (up to a 5-year closed period for retirement incentives). Any change in UAAL due to changes in actuarial assumptions or methods will be amortized over a 20-year closed period effective with that valuation.
Asset Valuation Method:	Market value of assets less unrecognized returns in each of the last ten semi-annual accounting periods. Unrecognized returns are equal to the difference between the actual market return and the expected return on market value and are recognized over a five-year period. The Actuarial Value of Assets is reduced by the value of the STAR COLA benefit reserve (eliminated as of July 2011), supplemental medical benefit reserve and statutory contingency reserve. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal amounts over a period of four and a half years from that date.

Actuarial Assumptions:

Investment Return:	7.75%
Projected Salary Increases:	4.50% - 12.50% varying by service. Includes inflation at 3.25%, “across the board” increases of 0.75%, plus merit and longevity increases.
Post Retirement Benefit Increases:	Contingent upon CPI increases with a 3% maximum for Tier I members.

Supplemental Schedules

SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
PERSONNEL SERVICES:		
SALARIES	$ 1,099,892	$ 1,417,212
EMPLOYEE BENEFITS	569,784	495,690
TOTAL PERSONNEL SERVICES	**1,669,676**	**1,912,902**
PROFESSIONAL SERVICES:		
ACTUARIAL FEES	116,961	84,120
COMPUTER SOFTWARE AND SYSTEM SUPPORT(NET OF CAPITALIZED COSTS)	302,720	1,140,315
LEGAL SERVICES	354,517	475,909
PENSION PAYROLL FEES	147	151
OTHER PROFESSIONAL SERVICES	377,331	367,768
TOTAL PROFESSIONAL SERVICES	**1,151,676**	**2,068,263**
COMMUNICATION:		
POSTAGE	54,902	56,494
TELECOMMUNICATION	36,277	50,248
TOTAL COMMUNICATION	**91,179**	**106,742**
MISCELLANEOUS:		
OFFICE LEASE	158,074	126,993
EDUCATIONAL	54,755	45,348
EQUIPMENT	879	16,790
COUNTY DEPARTMENT CHARGES	34,007	31,794
INSURANCE	8,692	9,264
JUDGEMENT AND DAMAGES	30,855	-
OTHER MISCELLANEOUS	336,014	68,612
TOTAL MISCELLANEOUS	**623,276**	**298,801**
	$ 3,535,807	**$ 4,386,708**

Supplemental Schedules (continued)

SCHEDULE OF INVESTMENT EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
INVESTMENT ACTIVITY		
INVESTMENT MANAGEMENT FEES		
STOCK MANAGERS		
DOMESTIC	$ 417,314	$ 421,894
INTERNATIONAL/GLOBAL	2,924,002	3,056,718
PRIVATE EQUITY	993,750	
BOND MANAGERS	1,651,286	1,617,323
REAL ESTATE	2,593,727	1,890,516
ALTERNATIVES	114,990	
TOTAL INVESTMENT MANAGEMENT FEES	**8,695,069**	**6,986,451**
OTHER INVESTMENT EXPENSES		
CASH OVERLAY	71,515	83,974
INVESTMENT CONSULTANT	239,000	233,000
CUSTODIAN	97,289	100,503
TOTAL OTHER INVESTMENT EXPENSES	**407,804**	**417,477**
TOTAL INVESTMENT EXPENSES	**$ 9,102,873**	**$ 7,403,928**

SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
LEGAL SERVICES	$ 354,517	$ 475,909
ACTUARIAL CONSULTING FEES	116,961	84,120
INVESTMENT MANAGEMENT CONSULTING FEES	239,000	233,000
NETWORK AND OTHER INFORMATION TECHNOLOGY SERVICES (includes capitalized costs)	920,281	1,140,315
TOTAL PAYMENTS TO CONSULTANTS	**$ 1,630,759**	**$ 1,933,344**

INVESTMENT

Hewitt ennisknupp
An Aon Company

December 19, 2012

Mr. Donald Kendig
Retirement Administrator
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

Dear Mr. Kendig,

Ventura County Employees' Retirement Association's (VCERA) overall objective is to provide Association participants with retirement, disability, death, and survivor benefits delineated in the County Employees' Retirement Law of 1937, as well as other Federal and State laws applicable to public employees' retirement systems in the State of California. To fulfill this primary objective, VCERA utilizes a carefully planned and executed investment program designed to produce a sufficient long term total portfolio real return. The investment activities of VCERA are designed and executed in a manner solely in the interest of, and for the exclusive purpose of, providing benefits to participants and their beneficiaries, minimizing contributions thereto, and defraying reasonable expenses of administering the Plan. VCERA presents its returns using a time-weighted rate of return methodology based upon market values.

VCERA's retirement fund is managed in accordance with a written Investment Policy. This Policy is periodically reviewed and revised by the Retirement Board depending on actuarial assumptions, accrued liabilities, and information provided through Asset and Liability studies.

Market Environment Update

For fiscal year 2012, while the major US equity markets posted positive returns, adding to gains from the previous fiscal year, most foreign markets declined. Much focus was dominated by the impending US presidential election and concerns over the state of the world economy, which led to calls for a third round of quantitative easing. In particular, throughout the fiscal year the Federal Open Market Committee reaffirmed their plans to continue to expand their holdings of long-term Treasury securities to promote a stronger pace of economic recovery and to help ensure that inflation levels remain consistent with its mandate. While investor confidence waned in May, the agreements reached at the EU Summit to recapitalize banks directly with bailout funds and to relax conditions on rescue loans to Eurozone governments, provided some relief to the markets. Returns remained volatile with increased concern about the debt crisis in Europe, continued political unrest in the Middle East and relatively high unemployment in the U.S.

The Federal Open Markets Committee ("Committee") maintained the Federal Funds target range at 0.00% - 0.25%. The Committee also extended "Operation Twist" in an effort to increase price pressure on long-term interest rates, support mortgage markets and help to make broader financial conditions more accommodative.

VCERA's real estate investment portfolio continued to post positive returns throughout the fiscal year, carrying momentum from the previous period. Valuations improved as transaction volume and firmer pricing helped fuel growing appetite for risk.

Mr. Donald Kendig
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December 19, 2012

The broad U.S. equity markets gained 4.0% during the fiscal year, outpacing developed non-U.S. equity markets, which posted a -13.8% loss, by almost 18.0 percentage points. U.S. stocks rallied with help of the continued efforts of "Operation Twist" and the possibility of additional stimulus. Non-U.S. and global markets suffered from the economic uncertainty related to the European debt crisis as well as general negative reaction to the escalating Middle East crisis. Emerging markets posted negative returns as debt concerns in European markets slowed the influx of liquidity.

The efforts of the Federal Open Markets Committee to extend "Operation Twist" put downward pressure on long-term interest rates and contributed to significant volatility in the bond market. The U.S. bond market, as measured by the Barclays Aggregate Bond Index, returned 7.5% during the fiscal year. During the second quarter of 2012, long duration government bonds gained 10.3%, as measured by the Barclays 30 Year Treasury Index, amidst falling interest rates in May when investors sought safety in an uncertain economic environment.

VCERA's Relative Performance Update

During the 2012 fiscal year, VCERA's Total Fund returned 1.5%, exceeding the return of the Policy Portfolio by 12 basis points, but failed to meet its assumed rate of return. Outperformance relative to the policy portfolio was mainly attributable to favorable relative performance from the international and global equity and fixed income asset classes. In addition, the U.S. equity allocation slightly outperformed at the Total Fund level.

VCERA's U.S. equity asset class gained 4.1% during the fiscal year, exceeding the policy benchmark by 0.1 percentage point. Outperformance was entirely attributable to favorable returns in the BlackRock Equity Market Fund portfolio. The passive investments component of this asset class approximated the return of their respective benchmarks during the 2012 fiscal year. These passive investments represent a majority of the U.S. equity portfolio and help significantly in controlling risk and containing cost relative to the Policy Portfolio.

The collective return of the non-U.S. equity component fell 12.5% during the fiscal year, outpacing the policy benchmark by 2.1 percentage points. The relatively favorable performance for the year was mainly attributable to the outperformance of Sprucegrove and Walter Scott. Artio continued to struggle through the fiscal year as the manager's unfavorable stock selection in developed markets and emerging markets, such as Taiwan and Korea, detracted from returns throughout the period.

VCERA's global equity component returned -6.0% for the fiscal year, which was a smaller decline than the policy benchmark by 0.5 percentage points. Outperformance was solely attributable to the GMO Global portfolio. GMO Global returned -2.6%, a decline that was 3.9 percentage points less than the benchmark. The manager's overweight position in the consumer staples and health care industries greatly contributed to the relative outperformance.

During the fiscal year ending June 30, 2012, the Fund's fixed income component gained 8.7%, exceeding the return of the Barclays Capital Aggregate Bond Index by 1.2 percentage points. Reams and Western Asset were the greatest contributors to the outperformance, while Loomis Sayles lagged the policy benchmark. All active managers were aided by overweight allocations to U.S. investment grade credit.

VCERA's real estate portfolio gained 10.7% during the 2012 fiscal year, underperforming its policy benchmark by 1.5 percentage points. UBS was the largest detractor from relative performance for the asset class, lagging the policy benchmark by 1.1 percentage points. The other managers finished the fiscal year relatively close to the policy benchmark.

Mr. Donald Kendig
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December 19, 2012

Enhancements Made Within the Investment Program

During the 2012 fiscal year, the Board closed out its relationship with Acadian and Artio. The Board funded one new global equity mandate – BlackRock MSCI ACWI Equity Index, and one new global fixed income manager – Loomis Sayles Global. Additionally the Board wound down its relationship with K2.

In the next fiscal year, the VCERA Board plans to continue to fund the private equity asset class and conduct significant analysis and review of its overall investment manager structure, along with a review of the merits and challenges of further global bond mandates. Additionally the Board is moving forward with plans to evaluate new asset classes as it seeks higher rates of return while managing the overall risk profile of the portfolio. Along those lines, it will be reviewing liquid alternatives, specifically, Global Tactical Asset Allocation strategies as well as Master Limited Partnerships.

Throughout the fiscal year, Hewitt EnnisKnupp provided VCERA with quarterly performance reports, investment manager monitoring, and related investment advice. In preparing our performance reports for VCERA, we rely on the accuracy of the financial data provided to us by the fund's custodian, State Street.

Sincerely,

Russ Charvonia
Partner

Kevin Chen
Senior Consultant

Outline of Investment Policies

GENERAL. The Board establishes this investment policy in accordance with the provisions of the County Employees' Retirement Law of 1937 (Government code Sections 31450 et. seq.). VCERA is considered a separate entity and is administered by a Board consisting of nine members, plus two alternates. VCERA's Board and its officers and employees shall discharge their duties as provided for in Government Code Section 31595:

- solely in the interest of, and for the exclusive purpose of, providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.
- with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like aims.
- shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

VCERA's assets are managed on a total return basis. While VCERA recognizes the importance of the preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns in the long run.

External professional investment firms manage VCERA's assets. VCERA's staff, along with the investment consultants, monitors manager activity and assists the Board with the implementation of investment policies and strategies.

ASSET ALLOCATION POLICY. VCERA has a long-term investment horizon, and utilizes an asset allocation, which encompasses a strategic long-term perspective of capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of VCERA's investment performance.

Effective January 2009, the Board adopted a new asset allocation plan that was predicated on a number of factors including:

a. The actuarially projected liabilities and benefit payments and the cost to both covered employees and employers.
b. Historical and long-term capital market risk and return behavior.
c. The perception of future economic conditions, including inflation and interest rate levels.
d. The relationship between current and projected assets of the Plan and its actuarial requirements.

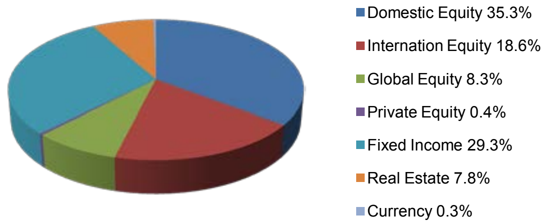
A systematic rebalancing procedure, implemented monthly, is used to maintain asset allocations within appropriate ranges.

PROXIES. Voting of proxies held by VCERA shall be done in a manner that is in the best financial and economic interests of VCERA, and its beneficiaries.

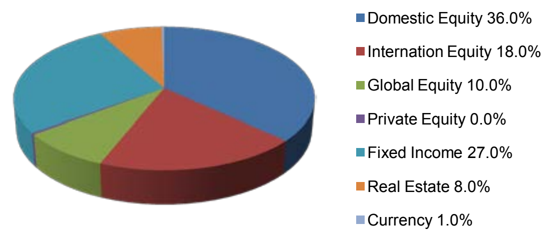
Target Versus Actual Asset Allocation

ASSET ALLOCATION

2012 VCERA ASSET ALLOCATION



TARGET ASSET ALLOCATION



The 2012 Actual Asset Allocation is based upon the Investment Summary following.

LIST OF INVESTMENT PROFESSIONALS
INVESTMENT MANAGERS

Domestic Equity

BlackRock Global Investors
Western Asset US Index Plus

International Equity

Sprucegrove Investment Management
BlackRock Global Investors
Hexavest, Inc.
Walter Scott

Global Equity

Grantham, Mayo, Van Otterloo & Co.
Acadian Asset Management
BlackRock Global Investors

Private Equity

Adams Street Partnership
Pantheon

Fixed Income

BlackRock Global Investors
Loomis Sayles & Company
Reams Asset Management
Western Asset Management

Real Estate

Guggenheim Real Estate
Prudential Real Estate Investors
UBS Realty Investors
RREEF America III

Investment Consultant

Hewitt ennisknupp

Cash Overlay

The Clifton Group

Investment Summary

Equity: Domestic	Fair Value of Equity as of June 30, 2012	Cash as of June 30, 2012	Total Fund Value as of June 30, 2012	Percentage of Total Market Value
BlackRock U.S. Equity Market	$1,055,825,561	1	$1,055,825,562	32.7%
Western Asset Management Index Plus	87,964,565	19,360,732	107,325,297	3.3%
BlackRock Extended Equity Index	28,845,144	1	28,845,145	0.9%
Total Domestic Equity	**1,172,635,270**	**19,360,734**	**1,191,996,004**	**36.9%**
International				
Sprucegrove Investment Management	140,627,582	-	140,627,582	4.3%
BlackRock ACWI EX US IMI	265,166,196	-	265,166,196	8.2%
Hexavest	51,097,904	-	51,097,904	1.6%
Walter Scott	74,293,080	-	74,293,080	2.3%
Total International Equity	**531,184,762**	**-**	**531,184,762**	**16.4%**
Global				
Grantham, Mayo, Van Otterloo & Company	149,524,495	-	149,524,495	4.6%
BlackRock Global Index	117,762,760	-	117,762,760	3.6%
Acadian Asset Management	10,461	-	10,461	0.0%
Total Global Equity	**267,297,716**		**267,297,716**	**8.2%**
Private Equity				
Adams Street Partners	21,594,177	-	21,594,177	0.7%
Pantheon	5,335,988	-	5,335,988	0.2%
Total Private Equity	**26,930,165**		**26,930,165**	**0.9%**
Total Equity	**1,998,047,913**	**19,360,734**	**2,017,408,647**	**62.4%**
Fixed Income				
BlackRock Debt Index	131,199,409	-	131,199,409	4.1%
Loomis Sayles & Company	110,167,789	6,558,438	116,726,227	3.6%
Reams Asset Management	355,629,661	15,151,831	370,781,492	11.5%
Western Asset Management	243,599,179	886,908	244,486,087	7.6%
Loomis Sayles & Company Global	0	65,400,000	65,400,000	2.0%
Total Fixed Income	**840,596,038**	**87,997,177**	**928,593,215**	**28.8%**
Real Estate				
Guggenheim Real Estate	21,805,515	-	21,805,515	0.7%
Prudential Real Estate Investors	80,026,336	-	80,026,336	2.5%
UBS Realty Investors	171,825,600	-	171,p825,600	5.3%
RREEF America III	9,581,915	-	9,581,915	0.3%
Total Real Estate	**283,239,366**		**283,239,366**	**8.8%**
Total Investments at Fair Value	**3,121,883,317**	**107,357,911**	**3,229,241,228**	**100.0%**
Other				
County Treasury Investment Pool	-	7,595,263	7,595,263	0.0%
Commercial Checking Account	-	36,932	36,932	0.0%
Overly Strategy	-	3,810,165	3,810,165	0.0%
Total Other	**-**	**11,442,360**	**11,442,360**	**0.0%**
Total Investment, Cash and Other	**$ 3,121,883,317**	**$ 118,800,271**	**$ 3,240,683,588**	**100.0%**

Schedule of Investment Results

INVESTMENT RETURNS

	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity	4.2%	17.6%	(0.1%)
Benchmark: Dow Jones US Total Stock Index	4.0%	16.9%	0.6%
Domestic Fixed Income	8.8%	11.4%	8.9%
Benchmark: Barclays Capital Agg Bond Index	7.5%	6.9%	6.8%
International Equity	(12.5%)	8.3%	(4.4%)
Benchmark: MSCI ACWXUS Index	(14.6%)	7.0%	(4.6%)
Global Equity	(6.0%)	10.3%	(3.1%)
Benchmark: MSCI ACWI	(6.5%)	10.8%	(2.7%)
Real Estate	10.8%	8.5%	(3.8%)
Benchmark: NCREIF Open End Fund Index	9.3%	8.7%	1.6%
TOTAL FUND	1.5%	13.4%	1.9%
VCERA Policy*	1.1%	11.6%	1.5%

* 40% Dow Jones US Total Stock Index, 18% MSCI ACWEXUS Index, 7% MSCI All Country World Index, 27% Barclays Capital Aggregate Bond Index, 8% NCREIF Open End Fund Index

The Annual Returns were prepared using time-weighted rate of return based on the market rate of return.

Largest Stock Holdings

AS OF JUNE 30, 2012

	UNITS	FUND NAME	FAIR VALUE
1	12,033,371	BLACKROCK U.S. EQUITY MARKET FUND	$ 1,055,825,561
2	29,373,161	BLACKROCK ACWI EXUS IMI INDEX FUND	265,166,196
3	8,305,966	GRANTHAM MAYO VAN OTTERLOO (GMO) GROUP TRUST	149,524,495
4	3,065,231	SPRUCEGROVE INVESTMENT MANAGEMENT GROUP TRUST	140,627,582
5	6,316,615	WESTERN ASSET MANAGEMENT INDEX PLUS	107,491,071
6	11,632,624	BLACKROCK GLOBAL INDEX	117,535,280
7	3,611,703	WALTER SCOTT INTERNATIONAL	74,293,080
8	50,155	HEXAVEST EAFE EQUITY FUND	51,097,904
9	120,503	BLACKROCK EXTENDED EQUITY MARKET FUND	28,845,144
TOTAL STOCK HOLDINGS			**$1,990,406,313**

All VCERA equity investments at June 30, 2012 were held in index funds and commingled investment vehicles.

Largest Bond Holdings

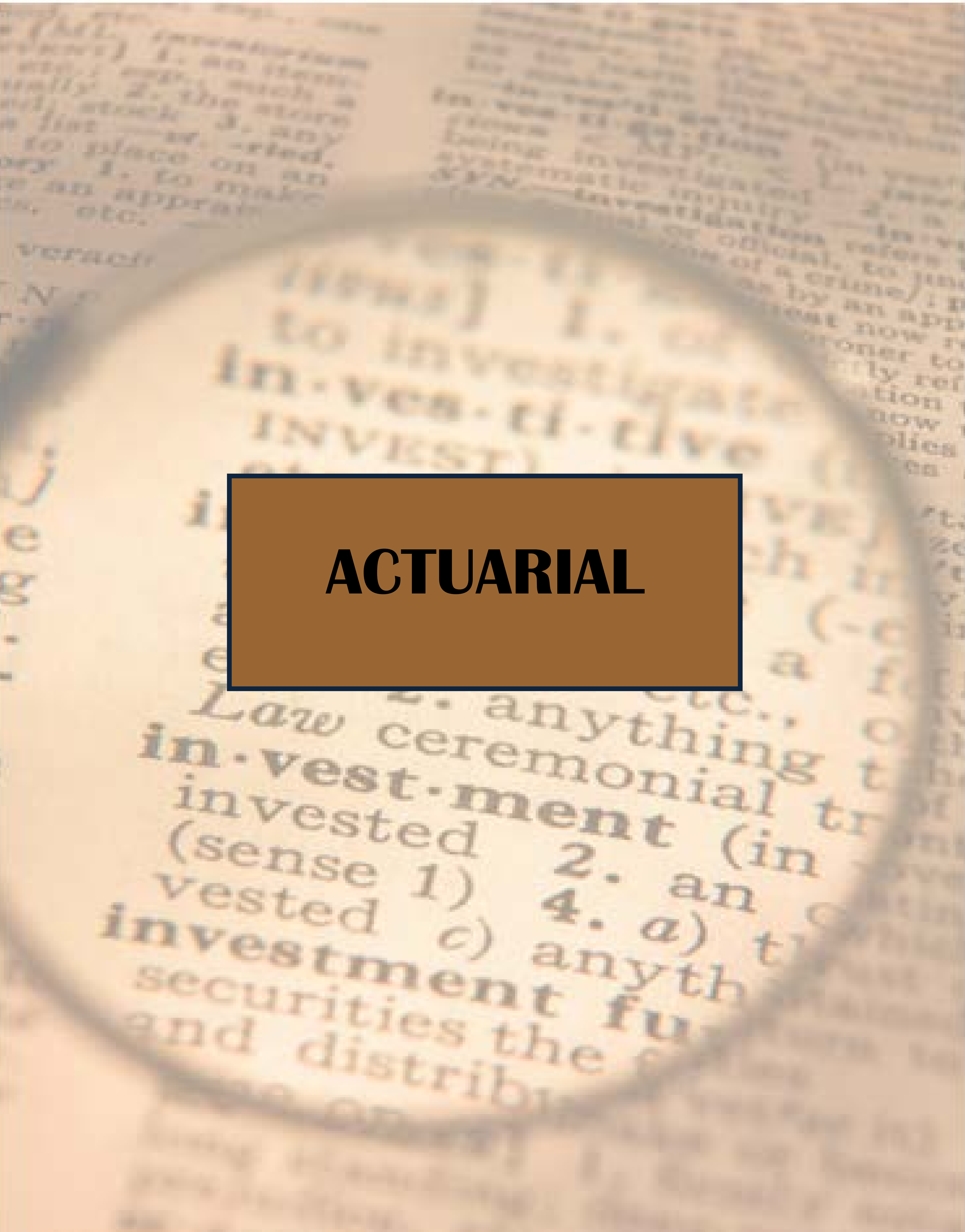
AS OF JUNE 30, 2012

	PAR	BONDS	FAIR VALUE
1	25,540,000	US Treasury Notes 0.125% Due 8/31/2013 Rating AA	$ 25,497,093
2	21,190,000	FNMA CONV TBA 3.000% Due 12/01/2099 Rating AA	21,673,344
3	17,350,000	FNMA TBA 3.000% Due 12/01/2099 Rating AA	17,791,905
4	14,905,000	US Treasury Bonds 3.125% Due 02/15/2042 Rating AA	16,008,864
5	13,680,000	FNMA POOL 0.709% Multifamily Due 11/01/2020 Rating AA	13,701,888
6	10,310,000	US Treasury Bonds 3.125% Due 11/15/2041 Rating AA	11,083,250
7	10,125,000	US Treasury Notes 2.000% Due 2/15/2022 Rating AA	10,465,909
8	10,180,000	US Treasury Notes 0.625% Due 4/30/2013 Rating AA	10,212,983
9	9,070,000	US Treasury Notes 1.250% Due 4/30/2019 Rating AA	9,170,586
10	8,390,000	US Treasury Notes 0.750% Due 3/31/2013 Rating AA	8,423,728
TOTAL LARGEST BOND HOLDINGS			**$ 144,029,550**

A complete list of portfolio holdings is available upon request.

Schedule of Investment Management Fees for the Years Ended June 30, 2012 and 2011

INVESTMENT ACTIVITY	2012	2011
EQUITY MANAGERS		
DOMESTIC		
BLACKROCK GLOBAL INVESTORS	$ 224,518	$ 229,111
WESTERN ASSET INDEX PLUS	192,796	192,783
TOTAL	**417,314**	**421,894**
INTERNATIONAL/GLOBAL		
ACADIAN ASSET MANAGEMENT	1,024,269	1,053,649
ARTIO GLOBAL INVESTORS	272,681	515,194
BLACKROCK GLOBAL INVESTORS	300,360	332,111
CAPITAL GUARDIAN TRUST COMPANY	-	245,233
SPRUCEGROVE INVESTMENT MANAGEMENT	552,716	536,596
HEXAVEST	196,770	90,491
WALTER SCOTT	577,206	283,444
TOTAL	**2,924,002**	**3,056,718**
PRIVATE EQUITY		
ADAMS STREET	843,750	-
PANTHEON	150,000	-
TOTAL	**993,750**	**-**
FIXED INCOME MANAGERS		
DOMESTIC		
BLACKROCK GLOBAL INVESTORS	91,503	78,005
LOOMIS SAYLES & COMPANY	409,662	392,966
REAMS ASSET MANAGEMENT	560,448	526,004
WESTERN ASSET MANAGEMENT	589,673	620,348
TOTAL	**1,651,286**	**1,617,323**
REAL ESTATE		
GUGGENHEIM REAL ESTATE INVESTORS	242,530	190,592
PRUDENTIAL REAL ESTATE INVESTORS	681,122	641,528
RREEF AMERICA III	72,538	76,844
UBS REALTY INVESTORS	1,597,537	981,552
TOTAL	**2,593,727**	**1,890,516**
ALTERNATIVES		
K2	**114,990**	**-**
OTHER INVESTMENT EXPENSES		
CASH OVERLAY	71,515	83,974
INVESTMENT CONSULTANT	239,000	233,000
CUSTODIAN	97,289	100,503
TOTAL	**407,804**	**417,477**
TOTAL INVESTMENT MANAGEMENT FEES	**$ 9,102,873**	**$ 7,403,928**



ACTUARIAL

SEGAL

THE SEGAL COMPANY
100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

VIA E-MAIL December 18, 2012

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue
Ventura, CA 93003

Dear Members of the Board:

The Segal Company (Segal) prepared the June 30, 2012 actuarial valuation of the Ventura County Employees' Retirement Association (VCERA). We certify that the Retirement Association valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

As part of the June 30, 2012 actuarial valuation, Segal received participant data from the Association's staff. This information has not been audited by us, but it has been reviewed and found to be reasonable, both internally and with prior year's information. We did not audit the Association's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over ten semi-annual accounting periods. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal amounts over a period of four and a half years from that date.

One of the general goals of an actuarial valuation is to establish contribution rates which fully fund the Association's liabilities and which, as a percentage of payroll, remain as level as possible for each generation of active members. Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL).

Components of the UAAL through June 30, 2012 are amortized as a level percentage of payroll over a 15-year period. Future components of the UAAL will be amortized over separate 15-year periods. Effective with the June 30, 2012 valuation, any change in the UAAL that arises due to assumption changes is amortized over separate 20-year declining amortization periods.

Board of Retirement
Ventura County Employees' Retirement Association
December 18, 2012
Page 2

In addition, any change in the UAAL that arises due to retirement incentives is amortized over a separate declining period of up to 5 years. The progress being made towards meeting the funding objective through June 30, 2012 is illustrated in the Actuarial Solvency Test.

For the Financial Section of the Comprehensive Annual Financial Report (CAFR), Segal provided the trend data shown in the Required Supplementary Information. For the Actuarial Section of the CAFR, Segal's actuarial valuation reports were the source for most of the information found in the following schedules:

1. Summary of Actuarial Assumptions and Methods as of June 30, 2012
2. Active Member Valuation Data
3. Schedule of Retirees and Beneficiaries Added to and Removed from the Rolls
4. Actuarial Analysis of Financial Experience
5. Actuary Solvency Test
6. Probability of Occurrence

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the June 30, 2011 Experience Analysis. It is our opinion that the assumptions used in the June 30, 2012 valuation produce results which, in the aggregate, reasonably reflect the expected future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The June 30, 2014 Experience Analysis is due to be performed during the first half of 2015.

The Board approved a three-year phase-in for the change in the employer contribution rate due to changes in the economic actuarial assumptions as of June 30, 2012 and the new individual Entry Age Normal Actuarial Cost Method.

In the June 30, 2012 valuation, the ratio of the valuation value of assets to actuarial accrued liabilities decreased from 80.6% to 77.7% and the aggregate employer contribution rate increased from 23.82% of payroll to 28.27% of payroll before reflecting the three-year phase-in. After reflecting the three-year phase-in, the aggregate employer contribution rate is 26.63% of payroll.

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Ventura County Employees' Retirement Association
December 18, 2012
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The valuation value of assets included $202 million in deferred investment losses, which represented about 6% of the market value of assets. If these deferred investment losses were recognized immediately in the valuation value of assets, the funded percentage would have decreased from 77.7% to 73.1% and the aggregate employer contribution rate (before reflecting the phase-in), expressed as a percent of payroll, would have increased from 28.27% to about 31.07%.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA
Vice President and Actuary

John Monroe, ASA, MAAA, EA Senior
Vice President and Associate Actuary

AW/gxk

Summary of Actuarial Assumptions and Methods as of June 30, 2012

ACTUARIAL ASSUMPTIONS AND METHODS. Recommended by the Actuary and adopted by the Board of Retirement.

ACTUARIAL COST METHOD. Entry age normal actuarial cost method

ACTUARIAL ASSET VALUATION METHOD. Five-year smoothing of fair value.

AMORTIZATION OF GAINS AND LOSSES. Experience gains and losses are amortized over 15 years. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to plan amendments (with the exception of a change due to retirement incentives) will be amortized over a 15-year closed period effective with that valuation (up to a 5-year closed period for retirement incentives). Any change in UAAL due to changes in actuarial assumptions or methods will be amortized over a 20-year closed period effective with that valuation.

INVESTMENT RATE OF RETURN. 7.75% per annum; 4.50% real rate of return and 3.25% inflation.

PROJECTED SALARY INCREASES. 4.50% – 12.50% varying by service. Includes inflation at 3.25%, "across the board" increases of .75% plus merit and longevity increases.

TERMINATIONS OF EMPLOYMENT RATES. 0% to 16.0%

COST-OF-LIVING ADJUSTMENTS. 0% to 3% for General Tier 1 and Safety members tied to the change in Consumer Price Index. 2% cost-of-living for eligible General Tier 2 members financed through employee contributions.

EXPECTATION OF LIFE AFTER RETIREMENT. RP-2000 Combined Healthy Mortality Table set back one year.

EXPECTATION OF LIFE AFTER DISABILITY. RP-2000 Combined Healthy Mortality Table set forward six years.

DATE OF ADOPTION. May 21, 2012

Active Member Valuation Data

Fiscal Year Ended June 30		Number	Annual Salary	Average Annual Salary	% Increase/ (Decrease) in Average Salary	Age	Service
2012							
	General	6,529	$475,042,839	$72,759	0.42%	46.4	10.5
	Safety	1,490	158,804,521	106,580	(1.51%)	41.1	13.9
	Total	8,019	$633,847,360	$79,043,	(0.24 %)	45.4	11.1
2011							
	General	6,516	$472,121,275	$72,456	(2.56%)	46.1	10.3
	Safety	1,524	164,916,105	108,213	(5.26%)	40.7	13.6
	Total	8,040	$637,037,380	$79,234	(3.16 %)	45.1	10.9
2010							
	General	6,505	$483,722,608	$74,362	2.86%	46.0	9.9
	Safety	1,498	171,105,613	114,223	7.00%	40.8	13.8
	Total	8,003	$654,828,221	$81,823	3.70%	45.0	10.6
2009							
	General	6,501	$469,960,577	$72,291	4.81%	45.7	9.6
	Safety	1,544	164,817,315	106,747	3.90%	40.5	13.4
	Total	8,045	$634,777,892	$78,903	4.40%	44.7	10.3
2008							
	General	6,378	$439,929,857	$68,976	4.63%	45.4	9.4
	Safety	1,550	159,243,261	102,738	5.83%	40.1	12.9
	Total	7,928	$599,173,118	$75,577	4.79%	44.4	10.1
2007							
	General	6,130	$404,122,312	$65,925	2.62%	45.5	9.4
	Safety	1,523	147,845,787	97,075	4.07%	40.0	12.9
	Total	7,653	$551,968,099	$72,124	2.85%	44.4	10.1
2006							
	General	5,902	$379,143,257	$64,240	6.43%	45.5	9.5
	Safety	1,501	140,001,403	93,272	6.38%	40.0	12.8
	Total	7,403	$519,144,660	$70,126	6.28%	44.4	10.2

Schedule of Retirees and Beneficiaries Added to and Removed from the Rolls

Fiscal Year Ended June 30	Beg FY Number On The Rolls	Beg FY Amount Of Annual Allowance	Number Added To The Rolls	Amount of Allowance Added To The Rolls	Number Removed From The Rolls	Amount of Allowance Removed From Rolls	Number Fiscal Year End	Annual Retiree Payroll for Fiscal Year	Per Cent Increase Retiree Payroll	Amount Of Average Annual Allowance
2012	5,481	180,069,857	327	13,053,782	150	1,791,721	5,658	191,331,918	6.25%	33,816
2011	5,267	166,028,550	358	16,502,067	144	2,460,760	5,481	180,069,857	8.46%	32,853
2010	5,041	153,088,994	350	15,884,725	124	2,945,169	5,267	166,028,550	8.45%	31.522
2009	4,914	142,669,054	252	13,508,359	125	3,088,419	5,041	153,088,994	7.30%	30,369
2008	4,770	132,207,925	300	16,101,840	156	5,640,711	4,914	142,669,054	7.91%	29,033
2007	4,570	121,226,816	300	16,471,664	100	5,490,555	4,770	132,207,925	9.06%	27,717

Actuarial Analysis of Financial Experience (Amounts in Thousands)

	2012	2011	2010	2009	2008	2007
Prior Valuation Unfunded (Excess Funded) Accrued Liability	$774,964	$761,459	$573,553	$290,048	$376,025	$481,870
Salary Increases Greater (Less) Than Expected	(93,786)	(131,928)	(19,314)	(9,590)	19,961	(5,589)
Asset Return (Greater) Less Than Expected	72,404	127,192	202,739	213,344	(90,891)	(113,656)
Other Experience Factors	25,640	7,067	(6,044)	(11,501)	(15,047)	13,400
Change in Actuarial Assumptions	196,645	11,174	10,525	91,252	—	—
Ending Valuation Unfunded (Excess Funded) Accrued Liability	$975,867	$774,964	$761,459	$573,553	$290,048	$376,025

Actuary Solvency Test
(Amounts in Thousands)

AGGREGATE ACTUARIAL ACCRUED LIABILITIES FOR:

VALUATION DATE	ACTIVE MEMBER CONTRIBUTIONS	RETIRED MEMBER CONTRIBUTIONS	LIABILITY FOR ACTIVE MEMBERS (EMPLOYER FINANCED PORTION)	TOTAL LIABILITIES	ACTUARIAL VALUE OF ASSETS	ACTIVE MEMBER CONTRIBUTIONS	RETIREES AND BENEFICIARIES	ACTIVE MEMBER EMPLOYER FINANCED
6/30/12	569,893	1,919,116	1,884,218	4,373,227	3,397,360	100%	100%	48%
6/30/11	549,207	1,810,062	1,636,083	3,995,352	3,220,388	100%	100%	53%
6/30/10	525,190	1,674,735	1,677,518	3,877,443	3,115,984	100%	100%	55%
6/30/09	499,205	1,545,347	1,619,149	3,663,701	3,090,148	100%	100%	65%
6/30/08	466,332	1,470,874	1,408,598	3,345,804	3,055,756	100%	100%	79%
6/30/07	431,860	1,391,914	1,288,809	3,112,583	2,736,558	100%	100%	71%

Summary of Plan Benefits

Summarized below are some of the more significant provisions of the County Employees' Retirement Law of 1937 that are presently applicable to the Ventura County Employees' Retirement Association (VCERA).

MEMBERSHIP.

All permanent employees of the County of Ventura or contracting district who work a regular schedule of 64 or more hours per bi-weekly pay period become members of VCERA upon appointment. There are separate retirement plans for safety and general member employees. Safety membership is extended to those involved in active law enforcement, fire suppression, and probation. All other employees are classified as general members. There are two tiers applicable to general members. Those hired prior to June 30, 1979, and certain management personnel who entered service prior to October 16, 2001, are included in Tier I. Those hired after that date are included in Tier II.

VESTING.

A member is fully vested upon accruing five years of retirement service credit under VCERA, or combined service under VCERA and a reciprocal retirement system.

EMPLOYER CONTRIBUTIONS.

The County of Ventura and contracting districts contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from VCERA's actuary after the completion of the annual actuarial valuation.

MEMBER CONTRIBUTIONS.

All members are required to make contributions to VCERA regardless of the retirement plan or tier in which they are included. The contribution rate applicable to the member is applied to total compensation earnable, which consists of base pay and other items of cash remuneration. The employer, as a result of provisions contained in individual collective bargaining agreements, may pay a portion of the member contribution.

Contributions are deducted from the member's bi-weekly payroll check and credited to the member's account. Interest is credited to the member's account semiannually on June 30 and December 31 based upon the total contributions on deposit. Upon separation from service a member may elect a refund of all accumulated contributions and interest credited.

SERVICE RETIREMENT BENEFIT.

Any member with 10 or more years of retirement service credit who has attained the age of 50 is eligible to retire. A member with 30 years of service (20 years for safety) is eligible to retire regardless of age. The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

Summary of Plan Benefits (continued)

Safety member benefits are calculated pursuant to the provisions of California Government Code Section 31664. The monthly allowance is equal to $1/50^{th}$ of final compensation times years of accrued retirement service credit times age factor from section 31664.

General member benefits for Tier I and Tier II are calculated pursuant to the provisions of sections 31676.11 and 31676.1, respectively. The monthly allowance is equal to $1/90^{th}$ of the first $350 of final compensation, plus $1/60^{th}$ of the excess final compensation times years of accrued retirement service credit times age factor from either section 31676.11 (Tier I) or 31676.1 (Tier II).

The maximum monthly retirement allowance is 100% of final compensation.

Final average compensation consists of the highest 12 consecutive months for a safety or Tier I general member and the highest 36 consecutive months for a Tier II general member.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse. An eligible surviving spouse is one married to the member one year prior to the effective retirement date. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse or named beneficiary having an insurable interest in the life of the member.

COST-OF-LIVING.

VCERA provides an annual cost-of-living benefit to safety and Tier I general member retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the Los Angeles, Riverside, Orange County area, is capped at 3.0%.

Certain Tier II general member retirees receive a fixed 2% cost-of-living adjustment pursuant to collective bargaining agreements.

DISABILITY RETIREMENT BENEFITS.

VCERA provides disability retirement benefits for service-connected and non-service-connected injury or disease. To qualify for a disability retirement the member must be permanently incapacitated for the performance of duty.

A member may be retired with a service-connected disability regardless of years of retirement service credit. The monthly allowance for a service-connected disability retirement is equal to 50% of final average compensation, but not less than the member would have received for a regular service retirement, if eligible. Upon the death of a member receiving a service-connected disability allowance, the surviving spouse married to the member at the time of retirement, or eligible minor children, shall receive a 100% continuance of the benefit unless the member elected an optional retirement allowance.

Summary of Plan Benefits (continued)

A member must have a minimum of five years of retirement service credit to qualify for a non-service-connected disability retirement. The benefit payable for a non-service-connected disability is equal to 1.8% of final compensation for each year of service not to exceed 1/3rd of final compensation.

ACTIVE MEMBER DEATH BENEFITS.

If the member has less than five years of retirement service credit, the death benefit consists of the member's accumulated retirement contributions, plus one month's salary for each completed year of service, not to exceed one-half of annual compensation earnable, not to exceed one-half of annual compensation earnable.

If the member has completed five years of service, an eligible surviving spouse of minor child(ren) may elect (a) a refund of the member's accumulated contributions, plus one month's salary for each year of completed service to a maximum of six month's salary, (b) a monthly retirement allowance equal to 60% of the earned benefit to an eligible surviving spouse, or (c) a combined benefit consisting of a lump sum payment plus a reduced monthly allowance. If there is no eligible surviving spouse or minor child(ren) the benefit paid to the named beneficiary will be that described in (a) above.

If a member dies in service as the result of a job-related injury or illness, an eligible surviving spouse or minor child(ren) would be eligible for a monthly benefit equal to 50% of final compensation.

RETIRED MEMBER DEATH BENEFITS.

If the member retired from service, or with a nonservice-connected disability, the benefit payable to an eligible surviving spouse would be an amount equal to 60% of the member's unmodified retirement allowance. If the member retired with a service-connected disability retirement, the surviving spouse would receive a 100% continuance of the unmodified retirement allowance. If there is no eligible surviving spouse, benefits may be payable to a minor child(ren).

A lump sum death benefit of $5,000 is also payable to the named beneficiary of a deceased retired member.

Probability of Occurrence

GENERAL MEMBERS - MALE

Age Nearest	RATES OF WITHDRAWAL 0<X<1	1<X<2	2<X<3	3<X<4	4<X<5	X>5	Rates of Mortality	Rates of Disability	Rates of Retirement
25	0.1600	0.1200	0.1000	0.0800	0.0800	0.0800	0.0004	0.0002	0.0000
30	0.1600	0.1200	0.1000	0.0800	0.0800	0.0710	0.0004	0.0004	0.0000
35	0.1600	0.1200	0.1000	0.0800	0.0800	0.0560	0.0007	0.0008	0.0000
40	0.1600	0.1200	0.1000	0.0800	0.0800	0.0410	0.0010	0.0013	0.0000
45	0.1600	0.1200	0.1000	0.0800	0.0800	0.0305	0.0014	0.0024	0.0000
50	0.1600	0.1200	0.1000	0.0800	0.0800	0.0200	0.0020	0.0048	0.0400
55	0.1600	0.1200	0.1000	0.0800	0.0800	0.0135	0.0032	0.0069	0.0800
60	0.1600	0.1200	0.1000	0.0800	0.0800	0.0110	0.0059	0.0075	0.1400
65	0.1600	0.1200	0.1000	0.0800	0.0800	0.0100	0.0113	0.0075	0.4000

GENERAL MEMBERS - FEMALE

Age Nearest	RATES OF WITHDRAWAL 0<X<1	1<X<2	2<X<3	3<X<4	4<X<5	X>5	Rates of Mortality	Rates of Disability	Rates of Retirement
25	0.1600	0.1200	0.1000	0.0800	0.0800	0.0800	0.0002	0.0002	0.0000
30	0.1600	0.1200	0.1000	0.0800	0.0800	0.0710	0.0002	0.0004	0.0000
35	0.1600	0.1200	0.1000	0.0800	0.0800	0.0560	0.0004	0.0008	0.0000
40	0.1600	0.1200	0.1000	0.0800	0.0800	0.0410	0.0006	0.0013	0.0000
45	0.1600	0.1200	0.1000	0.0800	0.0800	0.0305	0.0010	0.0024	0.0000
50	0.1600	0.1200	0.1000	0.0800	0.0800	0.0200	0.0016	0.0048	0.0400
55	0.1600	0.1200	0.1000	0.0800	0.0800	0.0135	0.0024	0.0069	0.0800
60	0.1600	0.1200	0.1000	0.0800	0.0800	0.0110	0.0044	0.0075	0.1400
65	0.1600	0.1200	0.1000	0.0800	0.0800	0.0100	0.0086	0.0075	0.4000

SAFETY MEMBERS

Age Nearest	RATES OF WITHDRAWAL 0<X<1	1<X<2	2<X<3	3<X<4	4<X<5	X>5	Rates of Mortality	Rates of Disability	Rates of Retirement
25	0.1000	0.0700	0.0700	0.0600	0.0550	0.0470	0.0004	0.0011	0.0000
30	0.1000	0.0700	0.0700	0.0600	0.0550	0.0360	0.0004	0.0024	0.0000
35	0.1000	0.0700	0.0700	0.0600	0.0550	0.0240	0.0007	0.0057	0.0000
40	0.1000	0.0700	0.0700	0.0600	0.0550	0.0140	0.0010	0.0090	0.0100
45	0.1000	0.0700	0.0700	0.0600	0.0550	0.0070	0.0014	0.0115	0.0100
50	0.1000	0.0700	0.0700	0.0600	0.0550	0.0020	0.0020	0.0215	0.0200
55	0.1000	0.0700	0.0700	0.0600	0.0550	0.0000	0.0032	0.0410	0.2000
60	0.1000	0.0700	0.0700	0.0600	0.0550	0.0000	0.0059	0.0575	0.3000
65	0.1000	0.0700	0.0700	0.0600	0.0550	0.0000	0.0113	0.0000	100.00

STATISTICAL

Narrative Summary

The purpose of the Statistical Section is to provide users with additional historical perspective, context, and detail in order to provide a more comprehensive understanding of the Financial Statements, Notes to the Financial Statements, and supplementary information, which cover the Pension Plan. This section also provides multi-year trend of financial and operating information to facilitate comprehensive understanding of how the organization's financial position and performance has changed over time. More specifically, the financial and operating information provides contextual data of VCERA's net assets, benefits, refunds, contribution rates and retirement benefits. The financial and operating trend information is located on the following pages.

Financial Trends Information is intended to assist readers in understanding how VCERA's financial activities and positions have changed over time. The Changes in Plan Assets for Years 2003 – 2012 presents additions by source, deductions by type, and the total change in net assets for each year. The Schedule of Benefit Expenses and refunds by Type for the last ten years presents type of benefit received by members and refunds issued by member type.

Operating Information is intended to provide contextual information about VCERA's operations and membership to assist readers in using financial statement information to comprehend and evaluate VCERA's fiscal condition. This section includes the Active and Deferred Members table indicates member status for the last ten years. The Schedule of Retired Members by Type of Pension Benefit reflects the number of retired members, average monthly benefit, and type of benefit as of June 30, 2012. The Schedule of Average Monthly Benefit Payment reflects the number of newly retired members with average monthly benefit and final salary. The Participating Employer and Active Members present the employers and number of their corresponding covered employees for years 2003 – 2012. The Employer Contribution Rates show the required retirement contribution rates for years 2003 – 2012.

Changes in Plan Net Assets
2012 - 2003

Additions	2012	2011	2010	2009	2008
Employer Contributions	$140,772,725	$120,053,545	$105,702,929	$113,915,784	$112,797,726
Member Contributions	44,486,749	44,237,695	42,466,182	42,325,754	39,611,439
Net Investment Income	50,683,170	627,326,737	347,087,186	(625,182,877)	(208,518,972)
Total Additions	**235,942,644**	**791,617,977**	**495,256,297**	**(468,941,339)**	**(56,109,807)**
Deductions					
Total Benefit Expenses	191,331,918	180,069,857	166,028,550	153,088,994	142,669,054
Administrative Expense	3,535,807	4,386,708	3,227,440	3,535,690	3,267,594
Member Refunds	3,782,776	4,388,204	4,081,469	3,253,100	3,960,407
Miscellaneous	-	-	-	-	20,007
Total Deductions	**198,650,501**	**188,844,769**	**173,337,459**	**159,877,784**	**149,917,062**
Change In Plan Net Assets	**$37,292,143**	**$602,773,208**	**$321,918,838**	**($628,819,123)**	**($206,026,869)**

Additions	2007	2006	2005	2004	2003
Employer Contributions	$94,327,697	$81,683,816	$58,436,106	$15,708,139	$5,384,203
Member Contributions	36,727,845	33,334,824	29,351,919	28,895,312	25,978,659
Net Investment Income	461,551,467	241,240,489	206,019,458	318,222,984	80,300,150
Total Additions	**592,607,009**	**356,259,129**	**293,807,483**	**362,826,435**	**111,663,012**
Deductions					
Total Benefit Expenses	132,207,925	121,226,816	109,734,125	101,108,287	95,001,364
Administrative Expense	2,588,705	3,027,674	2,938,884	2,761,869	2,246,186
Member Refunds	3,479,318	4,228,611	3,536,154	3,080,417	2,894,770
Miscellaneous	-	-	-	12,722	37,500
Total Deductions	**138,275,948**	**128,483,101**	**116,209,163**	**106,963,295**	**100,179,820**
Change In Plan Net Assets	**$454,331,061**	**$227,776,028**	**$177,598,320**	**$255,863,140**	**$11,483,192**

Benefit Expenses and Refund Deductions by Type – 2012 - 2003

	2012	2011	2010	2009	2008
Service Retiree Payroll					
General	$96,889,192	$91,046,090	$83,372,514	$77,661,797	$72,277,754
Safety	49,705,780	45,009,631	39,353,106	35,038,577	32,145,225
Total	146,594,972	136,055,721	122,725,620	112,700,374	104,422,979
Disability Retiree Payroll					
General	9,584,572	9,484,059	10,050,635	9,638,282	9,113,846
Safety	21,807,931	21,330,545	21,162,852	19,264,905	18,147,418
Total	31,392,503	30,814,604	31,213,487	28,903,187	27,261,264
Survivor Continuances					
General	8,016,623	7,908,926	7,365,353	6,949,959	6,499,663
Safety	5,327,820	5,290,606	4,724,090	4,535,474	4,485,148
Total	13,344,443	13,199,532	12,089,443	11,485,433	10,984,811
Total Retiree Payroll					
General	114,490,387	108,439,076	100,788,502	94,250,038	87,891,263
Safety	76,841,531	71,630,781	65,240,048	58,838,956	54,777,791
TOTAL	$191,331,918	$180,069,857	$166,028,550	$153,088,994	$142,669,054
Member Refunds					
General	$3,378,753	$3,858,642	$2,605,623	$2,678,876	$3,525,896
Safety	404,023	529,562	621,817	574,224	434,511
TOTAL	$3,782,776	$4,388,204	$3,227,440	$3,253,100	$3,960,407

	2007	2006	2005	2004	2003
Service Retiree Payroll					
General	$66,938,627	$60,586,668	$54,330,399	$49,857,118	$45,934,646
Safety	28,472,253	26,027,639	23,606,066	21,186,500	19,725,887
Total	95,410,880	86,614,307	77,936,465	71,043,618	65,660,533
Disability Retiree Payroll					
General	9,448,886	9,334,146	9,213,230	8,930,748	8,549,634
Safety	17,115,428	15,941,360	14,070,060	12,713,783	12,577,060
Total	26,564,314	25,275,506	23,283,290	21,644,531	21,126,694
Survivor Continuances					
General	6,067,275	5,685,323	5,263,144	5,180,998	5,061,588
Safety	4,165,456	3,651,680	3,251,226	3,239,140	3,152,549
Total	10,232,731	9,337,003	8,514,370	8,420,138	8,214,137
Total Retiree Payroll					
General	82,454,788	75,606,137	68,806,773	63,968,864	59,545,868
Safety	49,753,137	45,620,679	40,927,352	37,139,423	35,455,496
TOTAL	$132,207,925	$121,226,816	$109,734,125	$101,108,287	$95,001,364
Member Refunds					
General	$3,203,238	$3,611,208	$3,223,771	$2,691,921	$2,524,486
Safety	276,080	617,403	312,383	388,496	370,284
TOTAL	$3,479,318	$4,228,611	$3,536,154	$3,080,417	$2,894,770

Active and Deferred Members
2012 - 2003

	2012	2011	2010	2009	200
Active Vested					
General	4,516	4,278	4,078	4,069	3,97
Safety	1,221	1,193	1,158	1,187	1,18
Active Nonvested					
General	2,013	2,238	2,427	2,432	2,40
Safety	269	331	340	357	36
Total Active Members					
General	6,529	6,516	6,505	6,501	6,37
Safety	1,490	1,524	1,498	1,544	1,55
Deferred Members					
General	1,891	1,838	1,780	1,795	1,76
Safety	270	259	260	260	24
TOTAL	10,180	10,137	10,043	10,100	9,93

	2007	2006	2005	2004	200
Active Vested					
General	3,906	3,768	3,650	3,573	3,50
Safety	1,177	1,192	1,172	1,158	1,03
Active Nonvested					
General	2,224	2,134	2,103	2,515	2,70
Safety	346	309	320	380	47
Total Active Members					
General	6,130	5,902	5,753	6,088	6,21
Safety	1,523	1,501	1,492	1,538	1,50
Deferred Members					
General	1,646	1,555	1,538	1,206	1,03
Safety	218	201	175	145	11
TOTAL	9,517	9,159	8,958	8,977	8,87

Retired Members by Type of Pension Benefit
As of June 30, 2012

Amount of Monthly Benefit	Number of Retirees	Type of Retirement**		
		1	2	3
$ 1 - $1,000	1,533	1,119	94	320
$1,001 - $2,000	1,496	1,015	278	203
$2,001 - $3,000	818	573	143	102
$3,001 - $4,000	491	360	82	49
$4,001 - $5,000	384	253	80	51
$5,001 - $6,000	220	153	48	19
$6,001 - $7,000	174	133	26	15
$7,001 - $8,000	128	97	21	10
$8,001 - $9,000	105	82	22	1
$9,001 - $10,000	97	87	9	1
Greater than $10,000	212	184	25	3
Totals	**5,658**	**4,056**	**828**	**774**

** Type of Benefit:

1 – Service Retirees

2 – Disability Retirees

3 – Beneficiary/Continuant/Survivors

Schedule of Average Monthly Benefit Payments
2012-2008

	Years of Credited Service					
	5-9	10-14	15-19	20-24	25-29	30+
Retirees – 2012						
General Members						
Average Monthly Benefit	$ 950	$ 1,831	$ 2,653	$ 2,996	$ 4,065	$ 6,683
Average Final Average Salary	$ 5,888	$ 6,580	$ 6,667	$ 6,522	$ 7,144	$ 8,971
Number of Active Retirees	46	57	28	31	22	26
Safety Members						
Average Monthly Benefit	$ 1,219	$ 2,928	$ 2,915	$ 7,491	$ 9,827	$ 10,422
Average Final Average Salary	$ 7,910	$ 8,631	$ 5,263	$ 12,690	$ 13,347	$ 12,150
Number of Active Retirees	9	6	1	14	6	22
Retirees – 2011						
General Members						
Average Monthly Benefit	$ 1,169	$ 1,835	$ 2,497	$ 3,824	$ 5,203	$ 6,494
Average Final Average Salary	$ 6,376	$ 6,466	$ 6,489	$ 8,145	$ 9,263	$ 8,729
Number of Active Retirees	59	76	34	46	24	28
Safety Members						
Average Monthly Benefit	$ 2,089	$ 3,021	$ 5,528	$ 6,822	$ 7,925	$ 12,281
Average Final Average Salary	$ 9,315	$ 13,110	$ 10,450	$ 12,291	$ 10,547	$ 13,718
Number of Active Retirees	10	4	4	8	11	24
Retirees – 2010						
General Members						
Average Monthly Benefit	$ 1,146	$ 1,765	$ 2,372	$ 3,694	$ 4,368	$ 5,674
Average Final Average Salary	$ 6,540	$ 6,376	$ 6,356	$ 8,000	$ 8,063	$ 7,409
Number of Active Retirees	42	47	36	33	19	31
Safety Members						
Average Monthly Benefit	$ 2,889	$ 3,231	$ 2,919	$ 6,632	$ 7,520	$ 11,226
Average Final Average Salary	$ 13,166	$ 8,312	$ 8,033	$ 12,022	$ 11,082	$ 13,032
Number of Active Retirees	5	9	11	9	8	23
Retirees - 2009						
General Members						
Average Monthly Benefit	$ 1,708	$ 2,053	$ 3,271	$ 3,681	$ 4,226	$ 5,416
Average Final Average Salary	$ 4,460	$ 8,125	$ 8,094	$ 7,599	$ 7,883	$ 7,190
Number of Active Retirees	29	23	13	11	9	23
Safety Members						
Average Monthly Benefit	$ 2,613	$ 2,754	$ 4,605	$ 5,595	$ 10,741	$ 11,951
Average Final Average Salary	$ 9,309	$ 7,503	$ 11,038	$ 11,809	$ 13,642	$ 14,329
Number of Active Retirees	11	4	2	3	1	14
Retirees - 2008						
General Members						
Average Monthly Benefit	$ 968	$ 1,445	$ 2,003	$ 3,886	$ 4,010	$ 5,879
Average Final Average Salary	$ 6,221	$ 5,638	$ 5,659	$ 8,256	$ 6,745	$ 7,693
Number of Active Retirees	36	44	35	20	30	14
Safety Members						
Average Monthly Benefit	$ 3,527	$ 4,053	$ 4,672	$ 6,663	$ 8,934	$ 10,340
Average Final Average Salary	$ 9,730	$ 12,444	$ 10,888	$ 11,394	$ 11,897	$ 11,398
Number of Active Retirees	7	5	4	6	10	11

Schedule of Average Monthly Benefit Payments (continued)
2007-2003

	Years of Credited Service					
	5-9	10-14	15-19	20-24	25-29	30+
Retirees - 2007						
General Members						
Average Monthly Benefit	$ 961	$ 1,410	$ 1,877	$ 2,533	$ 3,354	$ 6,589
Average Final Average Salary	$ 5,423	$ 5,575	$ 5,856	$ 6,045	$ 5,847	$ 8,961
Number of Active Retirees	34	50	43	35	26	22
Safety Members						
Average Monthly Benefit	$ 2,404	$ 3,149	$ 4,050	$ 6,294	$ 7,964	$ 9,409
Average Final Average Salary	$ 7,670	$ 10,390	$ 7,976	$ 10,438	$ 10,889	$ 10,931
Number of Active Retirees	6	11	2	6	9	7
Retirees - 2006						
General Members						
Average Monthly Benefit	$ 909	$ 1,376	$ 1,574	$ 3,033	$ 4,255	$ 6,239
Average Final Average Salary	$ 5,121	$ 5,239	$ 5,337	$ 9,703	$ 7,186	$ 8,679
Number of Active Retirees	28	55	33	31	24	26
Safety Members						
Average Monthly Benefit	$ 3,417	$ 2,919	$ 4,935	$ 4,044	$ 6,377	$ 9,037
Average Final Average Salary	$ 7,716	$ 10,390	$ 10,338	$ 9,976	$ 8,910	$ 10,256
Number of Active Retirees	5	11	8	10	11	14

	2003	2004	2005
General Members			
Service Retirements	$1,665	$1,731	$1,744
Disability Retirements	$1,608	$1,618	$1,641
Survivor Continuances	$1,101	$1,116	$1,075
Number General Retirees	2,742	2,860	3,064
Number General Continuances	383	387	408
Safety Members			
Service Retirements	$4,751	$4,586	$4,752
Disability Retirements	$3,589	$3,543	$3,608
Survivor Continuances	$2,795	$2,699	$2,630
Number Safety Retirees	638	684	739
Number Safety Continuances	94	100	103

Participating Employers/Active Members

	2012	2011	2010	2009	2008
County of Ventura					
General Members	6,031	6,069	6,057	6,044	5,932
Safety Members	1,490	1,524	1,498	1,544	1,550
Total	7,521	7,593	7,555	7,588	7,482
Participating Agencies (General Membership)					
Ventura Regional Sanitation District	60	60	61	69	65
Courts	387	387	387	388	381
Air Pollution Control District	51	0	0	0	0
Total	498	448	448	457	446
Total Active Membership					
General Members	6,529	6,516	6,505	6,501	6,378
Safety Members	1,490	1,524	1,498	1,544	1,550
Total	8,019	8,040	8,003	8,045	7,928

	2007	2006	2005	2004	2003
County of Ventura					
General Members	6,066	5,836	5,688	6,018	6,142
Safety Members	1,523	1,501	1,492	1,538	1,507
Total	7,589	7,337	7,180	7,556	7,649
Participating Agencies (General Membership)					
Ventura Regional Sanitation District	64	66	65	70	68
Courts	0	0	0	0	0
Air Pollution Control District	0	0	0	0	0
Total	64	66	65	70	68
Total Active Membership					
General Members	6,130	5,902	5,753	6,088	6,210
Safety Members	1,523	1,501	1,492	1,538	1,507
Total	7,653	7,403	7,245	7,626	7,717

Employer Contribution Rates

	County			Districts		
	Tier 1	Tier 2	Safety	Tier 1	Tier 2	Safety
2012	114.29%	10.16%	43.86%	114.29%	10.16%	N/A
2011	79.92%	8.82%	37.94%	79.92%	8.82%	N/A
2010	46.89%	7.70%	31.06%	46.89%	7.70%	N/A
2009	49.29%	8.47%	32.78%	49.29%	8.47%	N/A
2008	50.69%	9.61%	35.25%	50.69%	9.61%	N/A
2007	32.75%	9.09%	32.01%	32.75%	9.09%	N/A
2006	25.27%	8.77%	30.37%	25.27%	8.77%	N/A
2005	14.79%	7.73%	28.27%	14.79%	7.73%	N/A
2004	0.00%	1.87%	9.40%	0.00%	1.87%	N/A
2003	0.00%	0.00%	0.00%	0.00%	0.00%	N/A

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

MAIN OFFICE
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com
560 CENTRAL AVENUE
SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218
8050 N. PALM AVENUE
SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593
790 E. COLORADO BLVD.
SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922
5250 CLAREMENT AVENUE
SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

Member of PKF North America

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Retirement
Ventura County Employees' Retirement Association
Ventura, California

We have audited the accompanying Statement of Plan Net Assets of the Ventura County Employees' Retirement Association (VCERA) as of June 30, 2012 and 2011, and the related Statement of Changes in Plan Net Assets for the years then ended. These financial statements are the responsibility of VCERA management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 plan net assets of VCERA as of June 30, 2012 and 2011, and its changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012, on our consideration of VCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of funding progress and employer contributions be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Other Supplementary Information and the Introductory, Investment, Actuarial, and Statistical sections as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory, Investment, Actuarial, and Statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 28, 2012

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

REPORT TO MANAGEMENT

FOR THE YEAR ENDED JUNE 30, 2012

VENTURA COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

TABLE OF CONTENTS

BROWN
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

MAIN OFFICE
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

560 CENTRAL AVENUE
SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218

8050 N. PALM AVENUE
SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

790 E. COLORADO BLVD.
SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

5250 CLAREMENT AVENUE
SUITE 237
STOCKTON, CA 95207
TEL 209.451.1833

BROWN ARMSTRONG
Certified Public Accountants

REQUIRED COMMUNICATION TO THE BOARD OF RETIREMENT IN ACCORDANCE WITH PROFESSIONAL STANDARDS

Board of Retirement
Ventura County Employees' Retirement Association
Ventura, California

We have audited the financial statements of the Ventura County Employees' Retirement Association (VCERA) for the year ended June 30, 2012, and have issued our report thereon dated December 28, 2012. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 17, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by VCERA are described in Note 1 to the financial statements. We noted no transactions entered into by VCERA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the fair market value of investments.

Management's estimate of the fair market value of investments is derived by various methods as detailed in Note 1 to the financial statements. We evaluated the key factors and assumptions used to develop the fair market value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

> The disclosures for deposits and investments in Notes 1 and 3 to the financial statements, Summary of Significant Accounting Policies and Deposits and Investment Risk Disclosures, respectively, were derived from VCERA's investment policy. Management's estimate of the fair market value of investments was derived by various methods as detailed in the notes.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the Management Representation Letter dated December 28, 2012.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the VCERA financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as VCERA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters
With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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This information is intended solely for the use of the Board of Retirement and management of VCERA and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 28, 2012

BROWN
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

MAIN OFFICE
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

560 CENTRAL AVENUE
SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218

8050 N. PALM AVENUE
SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

790 E. COLORADO BLVD.
SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

5250 CLAREMENT AVENUE
SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S 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*

Board of Retirement
Ventura County Employees' Retirement Association
Ventura, California

We have audited the financial statements of the Ventura County Employees' Retirement Association (VCERA), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 28, 2012. 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

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

A *deficiency in internal control* 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 a combination of deficiencies, in internal control, 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 VCERA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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*.

We noted certain matters that we reported to management of VCERA in a separate letter dated December 28, 2012.

This report is intended solely for the information and use of the Board of Retirement and management of VCERA and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 28, 2012

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

MAIN OFFICE
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com
560 CENTRAL AVENUE
SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218
8050 N. PALM AVENUE
SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593
790 E. COLORADO BLVD.
SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922
5250 CLAREMENT AVENUE
SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

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BROWN ARMSTRONG
Certified Public Accountants

AGREED UPON CONDITIONS REPORT DESIGNED TO INCREASE EFFICIENCY, INTERNAL CONTROLS, AND/OR FINANCIAL REPORTING

Board of Retirement
Ventura County Employees' Retirement Association
Ventura, California

We have audited the financial statements of the Ventura County Employees' Retirement Association (VCERA) for the year ended June 30, 2012, and have issued our report dated December 28, 2012. In planning and performing our audit of the financial statements of VCERA, we considered its internal control structure over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of VCERA's internal control.

A deficiency in internal control 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 a combination of deficiencies in internal control, 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 was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we considered to be material weaknesses.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The recommendations that are listed in this report summarize our comments and suggestions regarding these matters.

We will review the status of these conditions during our next audit engagement. We have already discussed these conditions and suggestions with various VCERA personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

I. CURRENT YEAR CONDITIONS AND RECOMMENDATIONS

Condition 1 – New Retired Members

Condition

During our review and testing of new retired members, we noted one (1) out of the twenty five (25) members tested was not presented in the Board of Retirement's (Board) agenda for approval. As noted in the 1937 Act Section 31670, a member who has met the age and service requirements for benefits must be approved by the Board.

Recommendation

We recommend that a second individual review the listing for completeness to ensure all eligible newly retired members are approved by the Board as required by the 1937 Act Section 31670.

Management Response

The Benefits Manager or designated staff now reviews and approves the Monthly Board Report by cross referencing the pension payroll reconciliation and the member Masterfile forms, to verify that all new retirees and continuances are listed.

Condition 2 – Active Participant Actuary Status

Condition

During our actuary analysis of active members, we noted one (1) out of the forty (40) members tested was noted by the actuary as having a separated status instead of active. Management informed us that the actuary extract includes a feed with separation code "00," which means the member is anticipating retiring but has not yet retired. This member anticipated retiring but did not retire in fiscal year 2012. The actuary used the anticipated retirement feed for its record of the member's actual status.

Recommendation

We recommend that VCERA create a policy or procedure to address this issue.

Management Response

VCERA will develop a procedure to review members with a separation code of "00" and verify that they were in fact retired from the system.

II. DISPOSITION OF PRIOR YEAR CONDITIONS

None.

****

This report is intended solely for the information and use of the Board of Retirement and management of VCERA and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 28, 2012

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
http://www.ventura.org/vcera

January 28, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: QUARTERLY RETIREMENT ADMINISTRATOR REPORT

Dear Board Members:

VCERA's Monitoring and Reporting policy provides for "as needed reporting" from the Administrator as to any pertinent administrative items. In addition, VCERA's Chair Charter provides for a quarterly review of Administrator travel and other expenses. This quarterly report will serve to satisfy the Chair's Charter and provide a forum for presenting pertinent administrative matters that have not already been reported separately during the quarter.

Report items for October 1, 2012 to December 31, 3012 include 1) Travel, training, and other expenses since the last report, 2) Key meetings, 3) Press/media communications, 4) Any items the Administrator has been asked to report back to the Board on, and 5) Other items of interest.

1. <u>Travel, Training, and Other Expenses since the Last Report</u>

This section outlines VCERA-sponsored training and travel since the last report, along with a very brief summary of what was covered.

- November 14 – 15, 2012: SACRS Fall Conference, Hollywood, CA at a cost of $120 for registration and $658.64 for lodging and travel (totaling $778.64). I attended training sessions on Wednesday and Thursday, leaving the office too late to attend any on Tuesday. The sessions I attended Wednesday were 1) The Next Great Bust(s), 2) My California – November Election Propositions Recap, 3) RV Kuhn's Annual Comparison, 4) The Administrators Breakout, and 5) A combined session to discuss AB 340 issues. The sessions I attended on Thursday were 1) Veteran's Day Ceremonies, 2) Murder on the Orient Express (covering all of the suspects for the condition of, attitude towards, today's pension plans), 3) Lessons Learned from the Pension Crises, 4) Have Pension – Will Modify (AB 340 policy discussion), 5) Outsourced CIO: Governance in Practice, and 6) The Spy Factory (documentary on the National Security Agency and a review of its effectiveness). A report on key knowledge gained was provided at the December 3 Disability meeting.

- December 5, 2012: Ventura County Information Technology Services-sponsored Trends & Directions in Technology Seminar, Ventura, CA at no cost. I attended the full day training along with my Technology manager. It covered two sessions on Mobility trends, the first from an evolving user and usage trend and the second from the changing environment of application development as a result. Microsoft showcased its Windows 8 and Office 2013 and demonstrated how it works across multiple hardware platforms (phones, tablets, laptops, etc.). The Sheriff shared how it is using mobile technology and developing applications for internal productivity improvements and to enhance public information via the iPhone or an Android compatible phone (Inmate inquiry, Crime Map, Press Releases, Most Wanted, Directory, etc.). I have already mentioned to the PAS project team to consider mobile apps when it comes time for phase 3 of VCERIS development and the user self-service features. A session covered virtual machine and cloud computing technology, with the gist being the need for less hardware on site, saving costs and improving disaster preparedness. Lastly, the County Information Technology Services Department covered how it can help departments better prepare for the demand and need for mobile applications.

- December 13, 2012: Ventura County-hosted Employee Performance Management Training, Camarillo, CA at a cost of $50. The half-day training covered what is employee performance management (EPM), what is a manager's and employee's role in EPM, how to set EPM goals, and how to manage the EPM process. The most important aspects were that EPM is a continuous process (not just annually); the goal is to empower employees and support their success, and characteristics of good goals (specific, measurable, attainable, realistic, and timely).

2. <u>Key Meetings</u>

This section outlines any key meetings I have had.

- October 8, 2012: Met with Vickie Dragon of the Ventura Regional Sanitation District for introductions, an orientation on the structure of the organization, questions and answers, and a tour of the District office.

- October 10, 2012: Met with key members of the County of Santa Barbara CEO and Auditor-Controller offices to discuss the provisions of the pension reform legislation, including the mandates, options, and prohibitions as well as the next steps for the County and VCERA.

- October 12, 2012: Met with Mark Lawler, of the Ventura Regional Sanitation District, and key members of his financial and payroll staff, to discuss the provisions of the pension reform legislation, including the mandates, options, and prohibitions as well as the next steps for the VRSD and VCERA.

- October 31, 2012: Henry, Christina, and I met with State Street Global Advisors (SSgA) representatives for the introduction of Lisa Pae, their new Senior Vice President on our custodial account, who works with Yolanda Diaz to support SSgA's clients. It was also an opportunity to review our recent struggles with our global PIMCO account and our successes with monthly reconciliations.

- November 6, 2012: Met with Tom Iannucci, of Cortex Applied Research, to make introductions and review the past work that has been done for VCERA. In summary, Cortex provided fiduciary education in 2001, Governance Policy and Procedures development assistance in 2003, and Governance Benchmarking services in 2011, the latter never being fully vetted by the Board.

- November 7, 2012: Lori Nemiroff, Viorica Lawson, Julie Stallings, and I met with members of the Auditor-Controller's (A-C) Office to discuss the progress on AB 340 implementation and what would be needed from VCERA, County Counsel, CEO and A-C in order to fulfill each agency's responsibilities.

- November 20, 2012: Glenda Jackson, Chantell Garcia, and I met with members of the Elections Division (Elections) to discuss the logistics of past VCERA elections and how they would apply to future elections, as well as VCERA's desire for Elections to accept U.S. mailed ballots. I also asked about electronic elections, and offered to pilot the technology when Elections investigates it for the County. I confirmed that the elections are certified once signed by the Registrar of Voters as opposed to adopted by the County of Ventura. Going forward, and per policy, the Board of Retirement will receive and file the certified elections results.

- November 26, 2012: Julie Stallings, Viorica Lawson, members of Vitech and VCERA PAS project staff, and I met with members of the A-C to discuss AB340 system programming.

- November 28, 2012: Glenda Jackson, Chantell Garcia, and I met with members from General Services Agency to discuss past election services and envelope design for the new U.S. Mail voting option.

- November 29, 2012: Trustee Chris Johnston, Russ Charvonia of HEK, and I met with Jason Strofs of BlackRock's securities lending team and Anthony Freitas, to discuss the background of BGI and BlackRock's securities lending program, the support agreements provided by BGI, and risks and rewards of securities lending. Materials shared and discussed were provided to the Board on December 17, 2012.

- December 11, 2012: Met with Michael Villegas and Nancy Mendoza of the Ventura County Air Pollution Control District to discuss the provisions of the pension reform legislation, including the mandates, options, and prohibitions as well as provide an update on the activities the County and VCERA are undertaking to implement it. A tangential question received was regarding the cessation of member contributions after 30 years and providing an incentive. To date, the County has not modified the provision that is only applicable to employees who were members on March 7, 1973 and have had 30 years continuous service. The provision in the MOU needs to be modified to clearly state this limitation as it causes employees to think that the MOU is offering a benefit more generous than statute and should apply to other employees with 30 or more years of service; however, CERL says employee contributions stop only if the member was a member on March 7, 1973. Ceasing a contribution per law is not the same as providing a supplemental benefit on top of what a law provides.

3. <u>Press/Media Communications</u>

A pattern is emerging whereby I am called by a few investment reporters for an investment update after our Board meetings. Given the routine nature of their calls, I will not separately identify them in future quarterly reports, instead focusing on media inquiries of a unique or politically sensitive nature.

- October 16, 2012: Kathleen Wilson, of the Ventura County Star, called to ask about the actions taken at the October 15, 2012, meeting and when the next actuarial report will be ready. I reported that the Board directed, "staff to disclose retirees' elections of their final compensation measurement period based on the rationale in *San Diego* and *Sacramento* cases, and the 'Worksheets' used to determine the amount of annual leave buyback that was used in the calculation of retirees' benefits, with confidential information redacted, such as birthdates and social security numbers." I mentioned that the VCTA reported a goal at the meeting of understanding what goes into the calculation of final comp and it had learned that the final year salaries reported by the County for the previous two requests were not always the salaries utilized for determining pension benefits. I added that providing the measurement period will help the VCTA to get the correct salary information from the County. Lastly, I mentioned that December 17 was when the Board would be discussing the latest actuarial report as well as the actuarial report for the new plans for new employees that resulted from pension reform legislation, and that both the County and VCERA are working diligently to get everything in place for pension reform's January 1, 2013 deadline.

- November 20, 2012: Kathleen Wilson, of the Ventura County Star, called to ask about the actions taken at the November 19, 2012, meeting and what actions remain for the Board in relation to the implementation of pension reform. I mentioned that the Board gave guidance to the actuary on how to complete the special study for the new plans that will be effective January 1, 2013, and that the Board will likely be adopting resolutions on December 17 for compensation earnable for existing employees and pensionable compensation for new employees hired on or after January 1, 2013. She also asked for the details of our membership (8,040 active, vested terminated 2,097, and retired 5,481) and the current employer contribution rate for all categories combined (23.82%). I took the data from the June 30, 2011 Actuarial Valuation and let her know that the next one would be on the December 17 agenda for initial receipt.

- December 10, 2012: Kathleen Wilson, of the Ventura County Star, called to ask about the Pensionable Compensation item on the December 3, 2012, meeting and how the CalPEPRA affects what is considered pensionable. I mentioned that there are two possible interpretations: base pay only and base pay plus items of special compensation. I added that it was tabled to the meeting of December 17 and it is currently unclear if the Board will need to take action given the prescriptive nature of the law, compared to compensation earnable and gave her both Government Code Section 7522.34 and AB 197 references for more research. Kathleen also asked about the laws surrounding returning retirees and I pointed her to Government Code Section 7522.56.

- December 19, 2012: Kathleen Wilson, of the Ventura County Star, called to ask when the election will be for the position Mr. Hansen was filling and if I knew who was running given his untimely retirement. She wanted details of his illness and I kept it to what was announced by Judge Hintz. She also asked for permission to use his photo from our website. I have not copyrighted the photos, gave approval, and appreciated her asking in any case.

4. Reports Back to the Board

- *Benefit Estimate Status Report:* At this time, Operations is pleased to report that the corrective processes, which were implemented prior to the July 2, 2012 Board meeting, have yielded results and requests for estimates are once again completed within 30 to 90 days of receipt. Presently, the status of estimate requests can be summarized as follows:

Estimate Requests	2012Q2 Avg	2012Q3 Avg	Oct	Nov	Dec	2012Q4 Avg	2012 Avg
New Requests	44.5	34.3	34	38	28	33.3	37.4
Completed Requests	60.5	87.0	24	17	35	25.3	57.6
Open Requests at Month End	145.0	66.7	6	19	20	15.0	75.6
Requests Open 60+ Days	68.5	29.3	3	5	0	2.7	33.5

5. Other Items of Interest

- VCERA published a newsletter late December 2012 and staff learned the rigorous review process entailed by the County for County-wide emails to employees. A total of 5,750 retirees & beneficiaries were mailed the newsletter utilizing "bulk postage" which was $.026 instead of $0.42 for presorted, saving $920 in postage, but resulting in varied delivery times depending on location.

  http://portal.countyofventura.org/portal/page/portal/VCERA/newsletters/VCERANEWSWinter2012_final.pdf

- The general member election for the third position on the Board is proceeding according to schedule. Given the short turnaround time for announcements, nominations, and voting, all materials are sent pre-sorted first class. Staff also asked Department Heads to distribute an election update to employees and provided links to the first-ever videotaping of the alpha drawing for candidate placement on the ballots.

- Given the numerous items on the January Business Meeting agenda, the quarterly pension administration system update was pushed back a week to the February 4, 2013, disability meeting. Updates during the shorter disability meetings look like a better fit for at least this quarter's and the next.

I would be happy to respond to any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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Ventura, CA 93003-6572
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January 28, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: BOARD EDUCATION AND TRAVEL POLICY AND TRUSTEE TRAINING TRACKING AND REPORTING

Dear Board Members:

The Board reviewed and approved updates to the education and travel policy on July 2, 2012, more specifically incorporating provisions to comply with Government Code Section 31522.8. The code section and updated policy provide for the tracking and annual reporting of trustee education. Staff has prepared the attached sample report that will be formally issued January or February of 2014.

To better implement the tracking and reporting requirements of the new code section, staff proposes amending the *Documentation of Expenses and Submission of Reimbursement Claims* and *Reporting* sections of the attached redlined education and travel policy as well as adding a sample claim form.

Since the policy needs updating, staff also proposes minor grammatical changes, the Administrator's ability to reimburse up to $300 for trustee attendance at one-day seminars of VCERA's investment managers or consultant, a retitling of CALAPRS training offerings, and a re-categorization of listed CALAPRS training as not counting towards the three conference limit.

Staff recommends receiving and filing this item and attachments, adopting the proposed edits to the education and travel policy, and directing the Administrator to post the updated policy on the Board Governance page of its VCERA website.

I would be happy to respond to any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachments

A model of excellence for public pension plans around the World.

VCERA Trustee Education Report

as of

December 31, 2012

Summary

Trustee	Reporting Period Start	End	Hours	Complies
Peter Foy	1/1/2013	12/31/2014	0	N/A
Art Goulet	1/1/2013	12/31/2014	0	N/A
Albert Harris	1/1/2013	12/31/2014	0	N/A
Joseph Henderson	1/1/2013	12/31/2014	0	N/A
Steven Hintz	1/1/2013	12/31/2014	0	N/A
Will Hoag	1/1/2013	12/31/2014	0	N/A
Chris Johnston	1/1/2013	12/31/2014	0	N/A
Tom Johnston	1/1/2013	12/31/2014	0	N/A
Tracy Towner	1/1/2013	12/31/2014	0	N/A
William Wilson	1/1/2013	12/31/2014	0	N/A
Vacant - Third Position	2/25/2013	2/24/2015	0	N/A

VCERA Trustee Education Report
as of
December 31, 2012

Peter Foy

Period Begins: 1/1/2013
Period Ends: 12/31/2014

Course Title	Provider	Date	Hours
		Total Hours	0

VCERA Trustee Education Report
as of
December 31, 2012

Art Goulet

Period Begins: 1/1/2013
Period Ends: 12/31/2014

Course Title	Provider	Date	Hours
		Total Hours	0

VCERA Trustee Education Report

as of

December 31, 2012

Albert Harris

Period Begins: 1/1/2013

Period Ends: 12/31/2014

Course Title	Provider	Date	Hours
		Total Hours	0

VCERA Trustee Education Report
as of
December 31, 2012

Joseph Henderson

Period Begins: 1/1/2013
Period Ends: 12/31/2014

Course Title	Provider	Date	Hours
		Total Hours	0

VCERA Trustee Education Report

as of

December 31, 2012

Steven Hintz

Period Begins: 1/1/2013

Period Ends: 12/31/2014

Course Title	Provider	Date	Hours
		Total Hours	0

VCERA Trustee Education Report
as of
December 31, 2012

Will Hoag

Period Begins: 1/1/2013
Period Ends: 12/31/2014

Course Title	Provider	Date	Hours
		Total Hours	0

VCERA Trustee Education Report
as of
December 31, 2012

Chris Johnston

Period Begins: 1/1/2013
Period Ends: 12/31/2014

Course Title	Provider	Date	Hours
		Total Hours	0

VCERA Trustee Education Report

as of

December 31, 2012

Tom Johnston

Period Begins: 1/1/2013

Period Ends: 12/31/2014

Course Title	Provider	Date	Hours
		Total Hours	0

VCERA Trustee Education Report
as of
December 31, 2012

Tracy Towner

Period Begins: 1/1/2013
Period Ends: 12/31/2014

Course Title	Provider	Date	Hours
		Total Hours	0

VCERA Trustee Education Report
as of
December 31, 2012

William Wilson

Period Begins: 1/1/2013
Period Ends: 12/31/2014

Course Title	Provider	Date	Hours
		Total Hours	0

VCERA Trustee Education Report
as of
December 31, 2012

Vacant - Third Position

Period Begins:	2/25/2013
Period Ends:	2/24/2015

Course Title	Provider	Date	Hours
		Total Hours	0

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

EDUCATION AND TRAVEL POLICY

INTRODUCTION

Recognizing its fiduciary responsibility to plan participants, it is the desire of the Board of Retirement (Board) to encourage members of the Board, and its staff, to enhance their knowledge of the financial and benefit aspects of the retirement system by attending educational meetings, conferences and seminars. Attendance at such functions, as well as due diligence trips relating to the operation of the retirement system, is essential to ensure that Board members and staff are able to carry out their fiduciary responsibilities.

PURPOSE

The purpose of this policy is to set forth the guidelines to be followed to ensure Board members and staff members are allowed to cost effectively attend the educational meetings, conferences and seminars the Board believes to be necessary for the performance of their duties.

COMPLIANCE WITH STATE LAW

Effective January 1, 2013, and in compliance with Section 31522.8 of the California Government Code, all Board members shall receive a minimum of 24 hours of trustee education within the first two years of assuming office, and for every subsequent two-year period the Board member continues to hold membership on the Board. Further, the Board will maintain a record of Board member compliance with the policy. This policy and an annual report on Board member compliance shall be placed on the Internet Web site.

ON-SITE DUE DILIGENCE

Regular on-site due diligence evaluations shall be scheduled with VCERA's investment managers every three years. More frequent evaluations shall be conducted if there have been material organizational changes, significant underperformance of the investment or for any other reason deemed appropriate by the Board.

On-site due diligence evaluations may be conducted by one or more Trustees and may include the Administrator or his/her designee. The Administrator shall, in consultation with the Investment Consultant, agendize a proposed schedule for all on-site due diligence trips to be conducted in the upcoming year. The Board Chair shall, with Board consent, designate the Trustee(s) to participate in each on-site evaluation. Every effort shall be made to rotate due diligence responsibilities so no ~~one~~single Trustee, or group of Trustees, is conducting a majority of due diligence visits on VCERA's behalf. The Trustee(s) and Administrator, or designee, shall be responsible for providing a written/oral report to the Board no later than the second subsequent regular Board meeting summarizing their findings and recommendations, if any.

LIMITATION ON MEETING FOR BUSINESS PURPOSES

Travel by multiple Board members shall be conducted in such a manner as to not violate the provisions of the Brown Act (Government Code Section 54950 et. Seq.). Board member attendance at educational meetings, conferences, seminars and related social events is not a violation of the Brown Act.

TRAVEL AUTHORIZATION

Approval for travel by a Board or staff member to an educational meeting, conference or seminar shall be made in an open meeting of the Board, except for attendance at the Spring and Fall State Association of County Retirement Systems (SACRS) conferences for which authorization by the Board will not be required. Additionally, the Retirement Administrator may approve Board or staff travel, including the Board's legal advisor, for one-day meetings held within the State. The Administrator may also approve an overnight stay by a staff member if it is determined to be in the best interest of the Association in terms of economy and efficiency. In the event a Board member wishes to conduct an on-site due diligence visit, or attend a one-day seminar, of a VCERA investment manager or consultant without prior Board approval, the Administrator is authorized to reimburse travel expenses up to $300.00 upon submission of a verified claim.

Although State law may permit gifts of travel to the System, if a third party offers to pay for some or all of the travel expenses associated with a particular conference, seminar or meeting, the Board shall decline the offer. However, the Board may consider authorizing attendance at the particular conference, seminar or meeting at VCERA's expense if such attendance would be beneficial to VCERA.

ANNUAL TRAVEL BUDGET

The Retirement Administrator shall include in the annual budget to be approved by the Board sufficient funding to allow each member of the Board, and staff, to attend the Spring and Fall SACRS conferences. Additionally, funds will be budgeted, based upon the information available on scheduled conferences and input from individual Board members during the budget preparation process, to allow each Board member and management staff to attend up to three additional conferences, educational meetings, seminars and site visits each fiscal year. This limitation shall not apply to on-site visits that are made with the consent of the Board, including in connection with the retention of a new manager, nor shall it apply to any conference, educational meeting, seminar or site visit where the cost to the Association can reasonably be expected to be less than $500.00.

Travel expenses of Board members and staff shall be considered a cost of administration and may not be paid by any third party without the express written authorization of the Board.

RECOMMENDED PUBLIC RETIREMENT SYSTEM MEETINGS

It is the intention of the Board to establish a standard whereby attendance at educational meetings, conferences and seminars will be approved only if the agenda for the event contains an average of five (5) hours of substantive educational content per day. This standard would not apply to meetings with investment managers, consultants, etc., which would not be expected to last for five hours.

The Board establishes the following as recommended educational meetings, conferences and seminars that qualify as trustee education.

1. State Association of County Retirement Systems (SACRS), including meetings of SACRS Committees on which a member of the Board or staff participates. The Board recognizes the importance of having its Trustees actively participate as members of SACRS committees. Therefore, attendance at such meetings shall not count towards the three conferences, educational meetings, seminars or site visits limitation set forth above, even if such cost exceeds $500.00.
2. Public Pension Investment Management Program (SACRS/Berkeley)
3. California Association of Public Retirement Systems (CALAPRS) Annual ~~Meeting~~General Assembly, trustee and staff ~~workshops~~roundtables, Advanced Board Leadership Institute, Administrators' Institute and the ~~Pension Fund Investing~~Principles of Pension Management for Trustees course~~ held at Stanford University~~. (Attendance shall not count towards the three conference limit.)
4. Programs sponsored by the International Foundation of Employee Benefit Plans (IFEBP).
5. Programs sponsored by the Institute for Fiduciary Education (IFE).
6. NCPERS Annual Conference.
7. Pension Funds and Money Management, and Alternative Investments and Real Estate; The Wharton School, University of Pennsylvania.
8. Programs sponsored by the National Association of Police Officers (NAPO).
9. Client conferences sponsored by investment managers, asset custodians and consultants with whom the Retirement System has a current professional relationship. (Attendance shall not count towards the three conference limit.)
10. National Association of Pension Fund Attorneys Conference.

11. California Retired County Employees Association (CRCEA).
12. Manatt, Phelps & Phillips Fiduciary Symposium. (Attendance shall not count towards the three conference limit.)
13. Council of Institutional Investors (CII)

Board members may request approval to attend the recommended, or any other, educational meetings, seminars and conferences by submitting a written request to the Retirement Administrator for inclusion on the next Board agenda. Requests approved by the Board qualify as Board member education. Educational seminars sponsored by the state or national public pension fund organizations and seminars sponsored by accredited academic institutions shall be deemed to meet Board member education requirements.

APPROPRIATE TOPICS

Appropriate topics for Board member education, may include, but is not limited to, the following:

1. Fiduciary responsibilities.
2. Ethics.
3. Pension fund investments and investment program management.
4. Actuarial matters.
5. Pension funding.
6. Benefits administration.
7. Disability evaluation.
8. Fair hearings.
9. Pension fund governance.
10. New Board member orientation.

TRAVEL ARRANGEMENTS

It is the preference of the Board to have travel arrangements made through VCERA staff. This would include processing of registrations, hotel accommodations and transportation. However, a Board member may arrange his/her own transportation if he/she is to be accompanied by a spouse or traveling companion. VCERA staff will not make travel arrangements for, or reimbursement to a Board or staff member for any costs associated with the attendance of a spouse or traveling companion to any function.

TRAVEL COSTS

It is the policy of the Board that travel to educational meetings, conferences and seminars be achieved in the least expensive practical manner possible in order to reduce costs to the retirement system.

Reimbursement or payment for travel related expenses may not be made in certain instances. For travel to meetings within the State of California, lodging and other eligible travel related expenses will be paid for the evening prior to the start of the meeting only if the meeting starts at or prior to 9:30a.m. Lodging for the night of the last day of the conference will not be paid by the Retirement System.

For travel outside the State of California, lodging and other travel related expenses will be paid by VCERA for the evening prior to the day the meeting starts. Lodging will not be paid by VCERA for the evening of the final day of the meeting unless the substantive portion of the meeting ends after 2:00p.m. or it can be demonstrated that a reduction in airfare can be achieved by staying over for an additional day which will more than offset the cost for an additional night's lodging and other travel related costs that would be incurred.

In order to avoid unnecessary costs to the Retirement System, Board members should immediately notify VCERA's Chief Financial Officer of the cancellation or other changes in their travel plans.

Travel related costs which will be paid or reimbursed to a Board or staff member include the following:

Air Transportation

Every attempt should be made to make air travel reservations in advance to take advantage of available discounts. Airfare will be paid for coach passage only.

Hotel Accommodations

Payment for lodging will be at the single occupancy rate, plus applicable room tax. Any lodging costs in excess of the single occupancy room rate will be the responsibility of the Board or staff member.

Meals & Beverages

Reimbursement for the cost of meals and beverages for the Board and staff members while on travel will be made at the rates established by the County of Ventura for reimbursement to employees for such expenses. A copy of the current rates of reimbursement will be provided to each member of the Board.

Rental Car

Every attempt should be made to utilize public transportation, airport and hotel shuttle services which are reimbursable expenses. A rental car may be used if cost effective. The retirement system will not be responsible for any loss or damage resulting from the use of a rental car.

Parking

Reasonable automobile parking expenses are reimbursable.

Mileage

Retirement Board members and staff will be reimbursed for the use of their own automobile at the current mileage rate authorized by the Internal Revenue Service.

Documentation of Expenses and Submission of Reimbursement Claims

All requests for reimbursement of travel costs shall be supported by receipts or other documentation. Agendas from the training shall be attached to the travel claims, along with notations of the sessions attended with the associated hours recorded on the face of the claim. All travel claims shall be submitted to the Retirement Administrator or VCERA's Chief Financial Officer no later than the 60th calendar day after the expense is incurred by the Board or staff member. (A sample claim form is attached to this policy.)

~~Reporting~~REPORTING

Retirement Board members shall, no later than the 2nd subsequent Board meeting, provide a brief report on meetings attended on behalf of VCERA. The Retirement Administrator shall, no later than the second month of the calendar year, report on annual Board member compliance and post said report on the VCERA Web site.

POLICY REVIEW

In order to keep the provisions of this policy current, the Board will review this policy on an annual basis in conjunction with the adoption of the administrative budget.

POLICY HISTORY

The Board last reviewed and approved this policy on January 28, 2013 ~~July 2, 2012~~. The Board previously approved this policy on July 2, 2012, June 20, 2011, June 21, 2010, June 15, 2009, September 15, 2008, April 16, 2007, May 1, 2006, October 17, 2005, April 19, 2004, April 21, 2003, May 6, 2002, April 16, 2001, and April 17, 2000. The Board originally adopted this policy on July 6, 1998.

Sample Claim Form

VCERA TRAVEL EXPENSE REIMBURSEMENT

Name	Vendor Number
Mailing Address, City, State & Zip Code	
Destination	
Purpose	Education Hours

MEALS

MAXIMUM REIMBURSEMENT RATES	Date	Breakfast	Lunch	Dinner	Total	
Within California					$	
Breakfast: $13 Lunch: $18 Dinner: $35					$	
Outside California					$	
Breakfast: $15 Lunch: $21 Dinner: $40					$	TOTAL
Receipts Required					$	$

LODGING

Hotel Name	City	Number of Nights	Total	
			$	
			$	TOTAL
			$	$

MILEAGE

From	To	Miles	Rate	Total	
			0.565	$	
			0.565	$	TOTAL
			0.565	$	$

OTHER

Description	Conf. Fees	Parking	Taxi	Airfare	Other	
						TOTAL
						$

TOTAL CLAIM AMOUNT $

CLAIMANT

The undersigned, under penalty of perjury, states: That the above claim and the items set out therein are true and correct; that no part thereof has be heretofore paid; and that the amount is justly due, and that claim is made within one year after the last item has accrued.

X ___________________________________

Date ____________________

VCERA APPROVAL

I hereby certify, upon my own personal knowledge, that the goods or services specified in the above claim were reasonable, necessary and for the benefit of the County; that no part thereof has been heretofore paid; that the amount therein is justly due, and that payment of the above claim complies with the County policies and procedures.

X ___________________________________

Date ____________________

Internal Use Only

Account:

8262 Travel Reimbursement $ ____________

8264 Mileage Reimbursement $ ____________ TOTAL $ ____________

Agenda attached? ☐

CHECK REQUEST

REQUESTED BY: ___________________________

CHECK DATE: ___________________________ CHECK NUMBER: ___________________________

PREPARED BY: ___________________________ APPROVED BY: ___________________________

VCERA TRAVEL EXPENSE REIMBURSEMENT

Name	Vendor Number
Mailing Address, City, State & Zip Code	
Destination	
Purpose	Education Hours

MEALS

MAXIMUM REIMBURSEMENT RATES

Within California

Breakfast: $13 Lunch: $18 Dinner: $35

Outside California

Breakfast: $15 Lunch: $21 Dinner: $40

Receipts Required

Date	Breakfast	Lunch	Dinner	Total
				$
				$
				$
				$
				$

TOTAL $

LODGING

Hotel Name	City	Number of Nights	Total
			$
			$
			$

TOTAL $

MILEAGE

From	To	Miles	Rate	Total
			0.565	$
			0.565	$
			0.565	$

TOTAL $

OTHER

Description	Conf. Fees	Parking	Taxi	Airfare	Other

TOTAL $

TOTAL CLAIM AMOUNT $

CLAIMANT

The undersigned, under penalty of perjury, states: That the above claim and the items set out therein are true and correct; that no part thereof has be heretofore paid; and that the amount is justly due, and that claim is made within one year after the last item has accrued.

X ______________________________

Date ____________________

VCERA APPROVAL

I hereby certify, upon my own personal knowledge, that the goods or services specified in the above claim were reasonable, necessary and for the benefit of the County; that no part thereof has been heretofore paid; that the amount therein is justly due, and that payment of the above claim complies with the County policies and procedures.

X ______________________________

Date ____________________

Internal Use Only

Account:

Agenda attached? ☐

8262 Travel Reimbursement $ __________

8264 Mileage Reimbursement $ __________

TOTAL $ __________

CHECK REQUEST

REQUESTED BY: ______________________

CHECK DATE: ______________________ CHECK NUMBER: ______________________

PREPARED BY: ______________________ APPROVED BY: ______________________

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
http://www.ventura.org/vcera

January 28, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: REQUEST TO ATTEND THE CALIFORNIA ASSOCIATION OF PUBLIC RETIREMENT SYSTEMS (CALAPRS) PRINCIPLES OF PENSION MANAGEMENT, STANFORD, CA – March 26-29, 2013

Dear Board Members:

I request authorization for the new trustee-elect for the third position on the Board, replacing trustee Hansen, to attend the CALAPRS Principles of Pension Management held at the Stanford University Law School at Stanford, CA. The course (details attached) is scheduled for March 26-29, 2013, with the estimated cost of $3,000 for session registration and other travel-related expenses.

The registration deadline is February 22, 2013, three days before the new trustee's first board meeting; however, the winning candidate will be known on February 21, and staff can register him or her before the deadline, if attendance is authorized.

I understand that all new trustees have attended, or have been given an opportunity to attend, and I recommend approving this investment in the success of our newest member of the Board, and VCERA. Should any other trustee be interested in attendance, I can inquire about a wait list and submit an alternate. Should the new trustee have a scheduling conflict and no other VCERA trustee has expressed an interest, the above-estimated expense will not be incurred.

I would be happy to respond to any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachment

A model of excellence for public pension plans around the World.

PRINCIPLES OF PENSION MANAGEMENT

A COURSE FOR TRUSTEES

The Crane, An Age-Old Symbol Of Long Life

Sponsored By

CALAPRS

EDUCATION · COMMUNICATION · NETWORKING

California Association of Public Retirement Systems

to be held at the

Stanford University

Law School

March 26-29, 2013

PRINCIPLES OF PENSION MANAGEMENT

Stanford University Law School

A COURSE FOR TRUSTEES

CALAPRS' MISSION

"*CALAPRS sponsors educational forums for sharing information and exchanging ideas among Trustees and staff to enhance their ability to administer public pension benefits and manage investments consistent with their fiduciary duty.*"

ABOUT THE COURSE

Public Pension Fund Trustees bear a heavy fiduciary burden. On a cumulative basis, California's Constitution holds our members' **350** Trustees accountable for the stewardship of more than **$450** Billion in retirement fund assets. **40** California public pension systems belong to CALAPRS. Over the past ten years, Trustees of our member retirement systems have participated in this unique training program presented exclusively for California public retirement system board members. This training focuses on the practical aspects of our Trustees' duties.

WHO SHOULD ATTEND?

The course is for Trustees. Attendance is recommended within the first year after assuming office. Experienced Trustees will use the program as a comprehensive refresher course.

WHY ATTEND?

- To gain insight into public pension policy issues
- To discuss alternative solutions to common problems
- To understand the complexities involved in administering public pension plans
- To appreciate the differences and similarities among California public pension plans
- To network with other Trustees and pension professionals
- To increase familiarity with pension terminology and concepts
- To receive the ethics training required for new Trustees

THE CURRICULUM COMMITTEE

Principles of Pension Management is managed by CALAPRS' Curriculum Committee:
Dean - David Kehler, Retirement Administrator, Tulare County Employees' Retirement Association
Maria Arevalo, Plan Administrator, Merced County Employees' Retirement Association

LOGISTICS

California Association of Public Retirement Systems
Kerry Parker, Administrator
Alison Corley, Administrative Manager
Chezka Solon, Meeting Planner

FACULTY

The Course will be taught by public pension practitioners, including Trustees, Consultants, Actuaries, Investment Managers, Attorneys & Administrators.

PRINCIPLES OF PENSION MANAGEMENT

Stanford University Law School

THE CURRICULUM

Each participant must attend the full 3 days of intensive training. Sessions combine team teaching, case studies and mock board problem solving. All course materials are based on actual California public pension fund law, policies, practices and problems.

The *Wednesday Evening Case Study* will provide practical experience in a disability hearing. The *Thursday Evening Session* will consist of a 90-minute **TEAM CASE STUDY** to resolve significant Board of Retirement issues.

TUESDAY - MARCH 26

6:00 PM	*Reception & Dinner*
7:30 PM	**Pensions & Trustees - What, Who, How, Why?**

WEDNESDAY – MARCH 27

8:00 AM	**What's the Big Deal About Being A Fiduciary?**
	AB1234 Ethics Training for Public Fund Trustees
	What Benefits Do We Provide and What is the Board's Role?
	What are the Key Issues in Disability Retirement?
	How Do Trustees Resolve Disability Issues?
5:30 PM	*Reception & Dinner*
6:30 PM	***Case Study: Disability Hearing***

THURSDAY – MARCH 28

8:00 AM	**Investment Policy Basics**
	How Should We Manage Our Investment Program?
	How Should We Manage Our Pension Liabilities?
5:45 PM	*Networking Dinner*
6:30PM	**Case Study: Who Are Our Stakeholders and What Are Our Roles?**

FRIDAY – MARCH 29

8:00 AM	**How Should a Board Function?**
	Course Summary
12:30 PM	*Certificate Luncheon* and **Final Course Evaluation**

CERTIFICATE OF COMPLETION

Participants who successfully complete the course will receive a Certificate of Completion as well as a Certificate for completion of the AB1234 Ethics in Public Service.

WHERE

Stanford University Law School. Lodging will be provided at the Sheraton Palo Alto Hotel and will be arranged by CALAPRS as part of the course. Participants must stay for the duration of the program.

ENROLLMENT

Minimum 20, Maximum 34 Trustees.

APPLICATION DEADLINE

All applications must be received no later than **FEBRUARY 22, 2013**. Unsigned applications will be returned to the sender for signature.

TUITION

$2,500 (includes room, board and materials). Tuition must be paid in full no later than **MARCH 15, 2013.** This application form serves as an invoice.

575 MARKET STREET, SUITE 2125, SAN FRANCISCO, CA 94105 | P: 415.764.4860 | F: 415.764.4915 | INFO@CALAPRS.ORG

APPLICATION FOR ENROLLMENT

Applicants must be trustees of a California public employee pension system. Attendance is recommended within the first year after assuming office. Experienced trustees will use the program as a comprehensive refresher course.

Each system may enroll one Trustee as a "Delegate" and designate one additional Trustee as "1st Alternate" with the remainder as "2nd Alternate". Delegates will be admitted first. If vacancies remain, 1st Alternates will be admitted in the order received, followed by 2nd Alternates. Accepted applicants will be notified between February 25 and March 1, 2013.

APPLICATIONS WITH BOTH REQUIRED SIGNATURES MUST BE RECEIVED BY FEBRUARY 22, 2013.

APPLICANT INFORMATION

Trustees' Name ______________________________

Retirement System ______________________________

Trustee Type: ❒ Elected ❒ Appointed ❒ Ex-Officio

Date Became a Trustee ______________ Date Current Term Expires ______________

Mailing Address ______________________________

Trustee's Phone ______________ Trustees' Email ______________

Emergency Contact *(name, phone)* ______________________________

Administrative Contact *(to be copied on correspondence)* ______________________________

If admitted, I agree to participate fully in the CALAPRS Board Leadership Institute program.

Trustee Signature *(required)* ______________________________

ADMINISTRATOR APPROVAL

Applicant Designation: ❒ Delegate ❒ 1st Alternate ❒ 2nd Alternate

Administrator Name ______________ Phone ______________ Email ______________

Administrator Signature *(required)* ______________________________

TUITION PAYMENT

Tuition of $2,500 must be paid in full by **MARCH 15, 2013** and includes lodging, meals, and materials. Payable by check only to "CALAPRS" mailed to the address below.
This application form serves as an invoice.
Cancellation refunds may be provided to the extent that costs are not incurred by CALAPRS.

ACCOMMODATIONS

CALAPRS will arrange and pre-pay lodging for all participants on the nights of March 26th, 27th, and 28th at the Sheraton Palo Alto (625 El Camino Real, Palo Alto, CA).

RETURN COMPLETED APPLICATION BY FEBRUARY 22, 2013 TO CALAPRS VIA EMAIL, FAX OR MAIL:

575 MARKET STREET, SUITE 2125, SAN FRANCISCO, CA 94105 | P: 415.764.4860 | F: 415.764.4915 | INFO@CALAPRS.ORG

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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http://www.ventura.org/vcera

January 28, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: PROPOSED SITE VISITS MARCH 21, 2013

Dear Board Members:

I am requesting authorization for Henry Solis, VCERA CFO, Lori Nemiroff, Board Counsel, Art Goulet, Trustee, Chris Johnston, Trustee, and any other interested Trustees to participate in on-site evaluations of State Street Global Advisors' (SSgA's) custodial operations in Sacramento, along with RREEF's and Pantheon's investment operations in San Francisco, on March 21, 2013.

Background & Discussion

In summary, the Board's Education and Travel Policy provides for the scheduling of regular on-site due diligence evaluations with VCERA's investment managers, the Administrator shall agendize proposed on-site due diligence trips, the Board Chair shall, with Board consent, designate the Trustee(s) to participate in each on-site evaluation, and the Trustee(s), Administrator, or designee, shall be responsible for providing a written/oral report to the Board no later than the second subsequent regular Board meeting summarizing their findings and recommendations, if any.

A 2013 due diligence schedule was presented to the Board on November 5, 2011, and the Board directed staff to bring back proposed site visit requests on an individual trip basis. The first trip of 2013 is to see SSgA, RREEF, and Pantheon. Staff envisions an early morning flight to Sacramento and a site visit of SSgA's custodial operations that morning, followed by a shuttle or BART over to San Francisco, and then visiting both Pantheon and RREEF that afternoon. They are within walking distance of each other.

In a separate authorization request, I am requesting authorization for key staff, Board Counsel, and interested trustees to attend the 2013 Manatt, Phelps & Philips, LLP Public Pension Fiduciary Forum in San Francisco, CA on March 21 & 22, 2013. These two trips can be combined into one, without conflict, or considered separately.

Lori Nemiroff, Board Counsel, attended the last due diligence for RREEF, along with Tim Thonis, and can provide some continuity for attendees during this trip. Staff also sees her as a critical advisor when reviewing State Street's role as custodian and how that relates to its securities lending, securities litigation, our new global separate accounts, and evolving investment contracts. Lastly, given the complexity of private equity contracting, following up with a site visit of Pantheon will help round out her education on the connections between lengthy agreements and the ultimate operations of the firm.

The estimated cost for each participant will be approximately $445.00, including air fare ($375) and other travel-related expenses, such as meals, BART, taxis, or parking ($70). If both the site visit and training trips are combined, there will likely be economies related to airfare, saving approximately ($375).

Please consider the request for Henry Solis, VCERA CFO, Lori Nemiroff, Board Counsel, Art Goulet, Trustee, Chris Johnston, Trustee, along with the request of any other interested Trustee at the time of considering this item.

I would be happy to respond to any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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January 28, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: REQUEST TO ATTEND MANATT'S 2013 PUBLIC PENSION FIDUCIARY FORUM, SAN FRANCISCO, CA – MARCH 21 & 22, 2013

Dear Board Members:

I am requesting authorization for myself, Henry Solis, VCERA CFO, Lori Nemiroff, Board Counsel, Art Goulet, Trustee, Chris Johnston, Trustee, the trustee elect for the third position, and any other interested trustee to attend Manatt's 2013 Public Pension Fiduciary Forum hosted by Manatt, Phelps & Philips, LLP in San Francisco, CA. The forum is scheduled for March 21 & 22, 2013. Henry Solis, VCERA CFO, Lori Nemiroff, of Board Counsel, and I attended last year. The forum provides timely and practical advice on current legal and fiduciary challenges facing public pension plans. I anticipate the cost will be approximately $1,050 for each attendee including air fare ($375), forum costs ($250), hotel ($299), and other travel-related expenses such as meals, taxis or parking ($126).

In a separate authorization request, I am seeking approval for Henry Solis, VCERA CFO, Lori Nemiroff, Board Counsel, Art Goulet, Trustee, Chris Johnston, Trustee, and any other interested trustees for site visits of State Street Global Advisors' custodial operations in Sacramento on March 20, along with RREEF's and Pantheon's investment operations in San Francisco, on March 21. These two trips can be combined into one, without conflict, or considered separately.

Please consider our request to attend Manatt's 2013 Public Pension Fiduciary Forum, along with the request of any other interested trustee at the time of considering this item.

I would be happy to respond to any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

A model of excellence for public pension plans around the World.

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You're Invited

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Public pension funds in California and throughout the country have experienced dramatic changes in the last year as a result of legislative and ballot initiatives that arose in the aftermath of the financial crisis of 2008.

The courts are weighing in on the legality of those legal changes and are addressing other consequences to public pension funds of municipal bankruptcies. Now retirement system trustees, executives, and their advisors must assess the new rules and determine how best to meet their responsibilities in this changed arena. This program is designed as a forum for trustees, executive officers, and in-house counsel to learn and discuss these significant changes, as well as to exchange ideas about how best to address them.

Panel Topics & Speakers

- Implementing AB 340 and AB 197: What's Working, What Needs More Work
  Ashley Dunning and Michael Toumanoff
- Municipal Bankruptcies Pose New Challenges to the Public Retirement Sector
  Ileana Hernandez and Ivan Kallick
- Pension Litigation Explosion: Track the Latest Decisions in California and Nationally
  Ashley Dunning and Michael Toumanoff
- GASB Accounting Changes: Potential Impacts on Public Retirement Systems and Their Plan Sponsors
  Graham Schmidt, Cheiron EFI and Jon Bartel, Bartel & Company
- Lunch Speaker: A Perspective on PEPRA Implementation at CalPERS
  Jenni Krengel, Assistant Chief Counsel, CalPERS

Lodging & Cost

The fee to attend the forum is $250, which covers all provided meals and incidentals.

We have reserved a block of rooms at Le Meridien Hotel at a rate of

Date & Time

Thursday & Friday
March 21–22, 2013

Evening Welcome Reception
Thursday
6:00 p.m. – 8:00 p.m.

Program
Friday
8:45 a.m. – 4:45 p.m.

Location

Evening Welcome Reception
Wayfare Tavern
558 Sacramento Street
San Francisco, CA 94111
Click here for map and directions

Program
Manatt, Phelps & Phillips, LLP
San Francisco Office
One Embarcadero Center
30th Floor
San Francisco, CA 94111
Click here for map and directions

RSVP

Click here to RSVP

Add to Calendar

$259 a night. To reserve a room, please call the hotel directly at 866.837.4184 and mention Manatt, Phelps & Phillips, LLP when making the reservation.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
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http://www.ventura.org/vcera

January 28, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: REQUEST TO ATTEND THE 2013 PENSION BRIDGE ANNUAL CONFERENCE, SAN FRANCISCO, CA – APRIL 16 & 17, 2013

Dear Board Members:

Mr. Arthur Goulet, Mr. Joseph Henderson and Mr. Bill Wilson are requesting authorization to attend the 2013 Pension Bridge Annual Conference in San Francisco, CA. The conference (details attached) is scheduled for April 16 & 17, 2013, with the estimated cost for each trustee's attendance approximating $1,200 including air fare, conference costs of $179, hotel, and other travel-related expenses.

Please consider Mr. Goulet's, Mr. Henderson's and Mr. Wilson's requests, along with the request of any other interested trustee, at the time of considering this item.

I would be happy to respond to any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachment

THE PENSION BRIDGE ANNUAL

APRIL 16 & 17, 2013

FOUR SEASONS HOTEL, SAN FRANCISCO

The Pension Bridge Annual Conference provides the highest level of education and networking to the Institutional Investment Community. A mix of Public Funds, Corporate Funds, Foundations, Endowments, Taft-Hartleys, Consultants and Investment Managers will come together for this exclusive event.

We will limit the attendance in order to maintain **better than a 1:1 Ratio**. We will allow for only 100 Manager Firms to attend and will have approximately 150 Pension Funds/Consultants joining us, thus creating an enjoyable atmosphere.

Learn from the experts about the most important Issues, Challenges, Trends, Opportunities and Strategies that will shape our Industry for today and the future:

- A Macroeconomic View of the Economy – Effects on Returns in the coming Years
- Asset/Liability Evaluation
- Risk Allocation Approaches and De-Risking Strategies
- Understanding Proper Diversification to Prevent Portfolio Drawdowns
- How to Position Portfolios against Macro Issues such as the Bond Bubble and Inflation
- Strategies that offer a Non-Correlation to Equities, Fixed Income, and Alternative Investments
- In Depth Coverage of the Alternatives Space - Considerations for each Allocation and Strategy
- Best Practices for the way we Evaluate, Allocate and Invest
- A Glimpse of what our Industry will look like in the Future
- Strategies that will Outperform in the next few Years

And plenty more important topics that need to be addressed during these uncertain economic times that are unlike any other in history! We will learn from the best about how to adapt in our industry which is always evolving and transforming.

The Pension Bridge Annual has two goals in mind. First is to provide the highest level of education with the top speaker faculty. This highly regarded group will bring forth influential insights and concepts. The second goal is to help build relationships between the pension plans, consultants and investment managers.

We have provided the best possible networking atmosphere for this event and will cap it off with a fun and enjoyable networking outing. We will manage the attendance and once again provide the proper networking sessions required for connecting with your peers and prospective business contacts.

We look forward to a strong event and a very productive one from both an educational and relationship perspective. We have designed this conference in a way that will be most productive and beneficial to you. We hope that you will join us to be amongst your industry peers to learn about the most up-to-date insights, investment strategies and trends.

Tuesday, April 16th

7:15 AM – Breakfast

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Inspired by Change, Driven by Growth

8:15 AM – Opening Remarks

8:20 AM – Keynote Speaker

8:50 AM – Keynote Session - Macroeconomic View

- How is the Health of the US Consumer? – Savings Rate, Disposable Income, Debt, Homeowner Equity
- Unemployment – high for how long and just how bad are the Actual Figures?
- Housing Market Outlook
- Stock Market Outlook
- Length of the Average Secular Bear Market
- S&P 500 PE Ratio – will we reach the Historical Low End of Valuations normally associated with Bear Markets?
- Are we in a Bond Market Bubble? How should you be positioned for the end of a 30 Year Bull Market?
- Outlook for the Dollar – will it remain as the World's Reserve Currency? Implications if it doesn't retain that Status
- Inflation Expectations
- European Sovereign Debt Crisis
- Bank Balance Sheets
- Future Municipal Bond Defaults – what can we expect and what are the Implications?
- What Role has the Fed played in the Markets and how might this play out in the Future?
- Is there a Black Swan Event in our future and what is the most likely cause?

9:20 AM – Risk Management and Adopting a Risk Culture, (Discussion)

- To what extent has the Financial Crisis changed the way Pension Plans Measure and Manage Risk?
- What kinds of Future Risk should US Pension Plans be most wary of?
- Integration of Risk Management and Portfolio Modeling Techniques – what are the most effective Asset Allocation Strategies for dealing with Future Financial Challenges?
- Correlation and Drawdown Risk
- Transparency and Liquidity Risk – Basing it on a Cost/Benefit Evaluation
- Developing a Framework for Identifying, Measuring, Monitoring, and Controlling Liquidity Risk in order to meet Future Cash Flow Obligations, (and avoid Shortfall Risk)
- Valuation and Pricing Risk
- The Importance of Monitoring Counterparty Risk being taken by Managers
- Leverage Risk – what are the Best Approaches to keep these Risks within Acceptable Parameters?
- Risk Parity – is Leverage the main Downside and do you see it as a Sustainable Approach in Periods of Market Stress?
- Supervision and Legislation of Markets – Importance of having a Chief Risk Officer and Building In-House Resources (or outsource it), for an overall Risk Management Framework
- How has the Role of Fiduciary Responsibility Changed in this new Era of Risk?
- What Considerations do Boards Need in order to Adopt a more Risk Cultural View? How can Fiduciaries Adapt and Safeguard against today's Challenges?
- How do you go about Educating a Board on Risk?
- How does a Plan's Size affect the Approach to Pension Risk Management?
- What will Risk Management Best Practice look like in the future?

10:00 AM – Refreshment Break

10:30 AM – Unfunded Liabilities, (Discussion)

- Is the Pension Shortfall worse than stated due to Accounting/Valuation Methodologies?
- Assumed Rate of Return Adjustments Trending Lower
- Is Raising the Retirement Age, Reducing Benefits, and Increasing Employee Contributions a Forgone Conclusion?
- Will Cuts on Future Hires save the Weakest Funds?
- Is a Federal Government large scale Bailout a possibility down the road? If so, what might they do?
- Explain the Argument as to why States should not offer a 401(k) DC Plan as a Solution
- Chances Harkin's Private Universal Retirement Plan comes to fruition?
- Thoughts on a Hybrid Model with Elements of DB & DC
- Corporate Pension Buyouts and Annuitization to become a Derisking Trend? Will more DB Plans follow the U.K. and GM's Lead?
- What Ideas would you propose in order to Cut a Pension Plan's Deficit and Close the Gap?
- What can Pension Plans do to be more Proactive going forward to withstand periods of Market Stress?
- What can the Money Management Industry do to help these Underfunded Plans?
- Will Hedge Funds be the Beneficiaries of Asset Flows due to the Funding Gap?
- Do you think Plans will cut more Illiquid Assets to ensure being able to make Benefit Payments?
- Aligning the Interests between Plan Sponsors and Managers
- Will the Consultant's Role change going forward? If so, in what way?

11:00 AM – Liability Driven Investment, (LDI), (Presentation)

- Managing and Controlling Sources of Pension Fund Risk
- What is LDI and how is it Interpreted in the Market?
- What are we seeing now in terms of LDI Related Trends?
- Does LDI make sense right now considering Current and Future Market Conditions and Interest Rates?
- Reducing Funding Ratio Volatility
- Risk/Return – Does embracing LDI mean giving up much needed Returns?
- Are Plan Liabilities the only appropriate Benchmark?
- Understanding the Components of Performance Monitoring and Evaluation
- Low Pension Funded Status and Low Interest Rates – what are Plans doing to address these hurdles?
- Understanding Implementation Approaches, Strategies and Issues
- How to Implement LDI in a Pubic Fund Context
- Pension Buy-In – Insurance Policy Covering Benefits for a Selection of Pensioners. Are you fielding questions regarding this De-Risking Strategy and do you see the Advantages over a Pension Buyout?

11:30 AM – Multi-Asset Strategies & Solutions, (Presentation)

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ING

INVESTMENT MANAGEMENT

- LDI as an Investment Solution
- Sources of Return – Separation of Market Returns (Beta), from Active Returns, (Alpha)
- Accessing Well-Diversified Sources of Alpha from around the Globe
- Asset Allocation and Modeling Techniques
- Risk Management and Hedging
- Manager Selection and Monitoring

12:00 Noon – Fixed Income, (Discussion)

(A) Market Outlook

- Assessing the Current Environment: U.S. Dollar, Monetary Policy, Spreads, Yield Curve, Interest Rates, Foreign Investment in US Treasuries and Default Rate Expectations

- Historical Perspective – the 30 Year Bull Market in Bonds
- Is there more Risk in the Bond Market now compared to other time Periods?
- How should you be Positioned through 2014 knowing Bernanke plans to keep Rates Low until then?
- Global Fixed Income Landscape

(B) Portfolio Construction for Current Environment

- What role Fixed Income should play for you in your Portfolio?
- Portfolio Construction, Risk Management and the Importance of Diversification
- Positioning your Credit Portfolio in a Low Growth, Low Interest Rate Environment
- Why is Liquidity Important in the Consideration of Core Fixed Income?
- Disaggregation of Core and Core Plus Bond Approach – why it makes sense
- Risk/Reward for TIPs and Inflation Overlays
- Managing Risk with Inflation or Deflation – can you earn High Single Digit Returns without taking sides?
- Due Diligence – how to Evaluate Alternative Managers
- The Need for Active Management Techniques

(C) Specialized Strategies

- Using Structured Products and Derivatives to Create Alpha and Hedge Volatility
- Landscape for MBS Market with GSE Reform Considerations
- Why Invest in Emerging Markets Local Fixed Income?
- Making the case for Corporate Debt being Safer than Treasuries
- Why are Bank Loans an attractive Compliment to a High Yield Bond Portfolio?
- Total Return Focused vs. Beta Manager Approach
- Understanding how Commission Recapture can Lower Expenses and Increase Investment Returns

12:40 PM – Lunch

An Afternoon of De-Risking Strategies – Non-Correlation Wanted!

The Importance of True Diversification and Investing in Strategies that offer a Low or Non-Correlation to Equities, Fixed Income and other Alternative Investments

1:50 PM – Introduction - The S&P has moved up over 100% in only three years, partially due to the Fed stimulus policy. With previous bear markets averaging over 16 years and no pent up demand from consumers to spur further economic growth, pension plans should be finding ways to reduce portfolio risk. As we found out during the last treacherous market period, alternatives were highly correlated with equities. With potential Tail Risk Events such as the $600 Trillion Unregulated Derivates Market, a US Dollar Decline, the Bond Bubble and the Euro Crisis still looming, the industry must find a way to avoid a further shortfall and achieve their expected returns. We have an insightful afternoon planned to learn about **Strategies that Properly Diversify, Reduce Risk and have a Non-Correlation factor**.

1:55 PM – Protecting Portfolios from Periods of Financial Stress – Tail Risk Hedging and Understanding Proper Diversification, (Presentation)

(A) Tail Risk Hedging

- Understanding Tail Risk Frequency, Severity and Impact
- Globalization of Capital Markets – leading to a Connected Marketplace
- Importance of Understanding where in the Market your Existential Tail Risks come from and how big they could be – Analysis of your Liquidity and Leverage
- Limits of Diversification and Beta Hedging
- What types of Strategies and Approaches are used to Hedge?
- Derivatives Overlay Hedges – Dedicated and Customized
- Active Management
- Pension Plans developing a Contingency Plan – what are the Best Practices to Navigate through Stressful Periods?
- Is this a good time to Mitigate Equity Tail Risk?
- Is Raising Cash a proper Tail-Risk Strategy?
- Disadvantages – Cost, Implementation, Risks, etc.

Master Page No. 506

(B) Understanding Proper Diversification

- Why is Diversification in the Portfolio Flawed or Misunderstood?
- Preventing Portfolio Drawdowns – Correlations tend to Increase during Periods of Market Disturbance
- How does the Diversification and Allocation Framework need Refining?
- Goal of Creating True Diversification – a Non-Correlated Portfolio
- Types of Alternatives-Based Products that provide a Low Correlation to Traditional Investments with Outsized Returns during periods of Market Stress
- Tail Risk Hedging – do you need to Rebalance?
- Should the Market suffer another Collapse, would your Pension Plan's Portfolio Performance be significantly better off due to changes in Asset Allocation and Diversification, or just slightly?

2:30 PM – Currency and Currency Alpha, (Presentation)

- Goals of a Currency Program
- How does Investing in Currency Diversify and Reduce Risk?
- Non-Correlated Returns to Equities, Fixed Income, and other Alternative Investments
- Liquid and Transparent Market
- What is Currency Alpha and how is it done?
- Can Currencies be Forecasted via Fundamentals, Cycles and Trends?
- Hedging Currency to Reduce Portfolio Volatility and Risk
- Managing Currency Risk
- What are the Current Events and Risks in Developed Market Currencies?

3:00 PM – Commodities, (Discussion)

- Current Market Environment and Outlook – is it still time to Increase your Allocation?
- Fed Policy and China as Factors
- Long Term Global Supply, Demand and Pricing
- Diversification and Low Historical Correlation to Equities – has the Correlation become stronger recently? Will Inflation bring back Lower Correlation?
- Commodities as an Inflation Hedge
- Performance during Down Equity Markets
- Understanding the different Approaches to Investing in Commodities
- Investing in Long/Short vs. Long Only
- Active vs. Passive
- Should you be Investing in Natural Resource Equities or Commodities?
- Dow Jones-UBS Commodity Index – use of Futures vs. Equities
- Should you be Investing in Private or Public Natural Resources?
- Generating Attractive Returns regardless of Pricing Environment while Managing Volatility
- What are the Key Criteria that would lead to Manager Outperformance?
- Risk Factors
- How concerned should we be with the Regulatory Environment – Effect on Pension Plans?

3:30 PM – Refreshment Break

4:00 PM – Managed Futures, (Presentation)

- Global Macro's place in the Hedge Fund Industry – what are the key Differences from other Hedge Fund Strategies?
- How does Investing in Managed Futures Diversify?
- Non-Correlation to Equities and Hedge Fund Strategies
- Performance during periods of Stress or Crisis Events
- Decreasing Depth of Portfolio Drawdowns and Volatility
- Qualitative Traits – Liquid, Transparent and Regulated
- Increasing your Exposure to Global Markets and Non-Financial Sectors
- Managed Futures as an Inflation Hedge
- How to Implement an Allocation to Managed Futures
- How do you Manage Risk and Volatility?
- Recent and Historical Performance of Managed Futures

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4:30 PM – Emerging Strategies and Financing Solutions, (Presentation)

(A) Mezzanine Debt

- Will the Private Equity Overhang Benefit Mezzanine?
- Significant Demand for Mezzanine and how the Credit Crisis changed the Providers of Capital – are the Banks still Capital Constrained?
- How much Activity are you seeing for Mezz Loans now? Expectations for the Future?
- Mezz Stability, Non-Correlation and Performance During Economically Challenged Times – Peak to Trough Drawdown compared to PE Sub-Sectors and other Asset Classes
- How are Deals being Structured and Priced?
- What does the Cash Flow Model and Return Structure look like?
- Obstacles, Competition, Liquidity, Pricing and Returns Expectations
- Risk/Reward of Micro, Middle and Upper Market – which one do you favor?

(B) Structured Investments in Healthcare Companies and Products

- Healthcare Reform – Benefiting from Healthcare and Pharma Industry Consolidation and Cost Cutting
- Why the Increased Popularity?
- Investment Characteristics – Liquidity/Cash Flow Strategy, Non-Correlation and Diversification from Private Equity Portfolio
- Cash Flows from Investments in Royalty Contracts
- Structure Debt Loans Collateralized by Royalties or Drug Revenues

(C) Life Settlements

- What are Life Settlements?
- Reasons for Investing in Life Settlements – Non-Correlation, Volatility Protection, Diversification, Amortization, Highly Rated Receivables, etc.
- Demographics of Population
- Investment Structures/Methods of Participation
- Life Settlements tailored to meet LDI Needs of Pension Plans?
- What Returns can be expected?
- Who should Pension Plans seek out for Consulting on this Investment?
- Investor Hurdles/Risks

(D) Farmland and Timber

- Characteristics – Natural Inflation Hedge, Low Correlation, Diversification
- Income Component
- Federal Crop Insurance to Safeguard against Droughts
- Return Expectations – making sense in a Low Return Environment
- Population Demographics and Supply/Demand in Favor of Investment
- Low Risk, High Return Long Term
- Likelihood of World Food Price Inflation and what this means for the Industry and its Returns
- Sustainable and Responsible Management Practices of Farmland Investing
- Timber vs. Stocks – Favorable 30-45 Year Comparison

5:30 PM – Emerging Portfolio Trend – ESG, (Environmental, Social and Governance), (Discussion)

- Why should we consider ESG Issues and is there a Fiduciary Duty to address them?
- ESG Misconceptions
- How ESG should be best Incorporated into the Investment Process – Portfolio Integration into all Asset Classes
- Demand
- ESG Fund Performance vs. Traditional Funds
- Do we have proof that ESG Integration Adds Value?
- How has ESG Research and Data Evolved or Improved? How is it Incorporated into your Portfolio Construction Process?
- Relevant Benchmarks for ESG Risk Measurement and Assessing ESG Factors

6:00 PM – Cocktail Reception

7:20 PM – Cocktail Reception Concludes

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Wednesday, April 17th

7:15 AM – Breakfast

8:15 AM – Keynote Speaker

8:45 AM – Emerging Markets, (Presentation)

- Long Term Global Outlook
- What Major Developments have we seen in the Past Year? Appetite?
- Effects of a possible Global Recession
- What are the Demographics driving Growth in Emerging Markets?
- BRIC Counties – GDP, Growth, Debt and Reserves in comparison to Developed Markets
- Breaking down BRIC Prospects – which Countries offer the best Opportunities and Returns?
- China's Growth – Slowing? Sustainable? Able to Avoid a Hard Landing?
- Does the MSCI Emerging Markets Index understate China and India?
- Frontier Markets – should your Plan consider Investing in MENA Countries for further Diversification and Lower Correlation to Developed Markets?
- MENA – Pros and Cons
- How has the Asset Class Evolved?
- What is an appropriate Long-Term Allocation to Emerging Markets?
- Do you consider Emerging Markets to be an Inefficient Asset Class?
- Choosing an Emerging Markets Fund or Manager – should you be Investing by Region, Country Specific or Sector?
- Active vs. Passive Debate
- Identifying Barriers/Risks
- How do Valuations look Relative to Risk? Are Risk and Return in Balance?
- How should Inflation and Currency Risk be factored in?
- Given the Current Environment, will Emerging Markets Outperform Developed Markets? Equities?

9:25 AM – Hedge Funds, (Discussion)

(A) Current and Future State of the Hedge Fund Industry

- How large is the Industry now and how many Funds will there be in Five Years?
- How many Good Hedge Funds are there?
- Pension Inflows – are they still going to the Largest Hedge Funds? Are there Capacity Constraints with the most Desirable Hedge Funds?
- The ongoing Deleveraging Process – where are we?
- Will Hedge Funds become the Primary Source of Manager Alpha?
- How to go about debunking the Misconception that Hedge Funds are Risky
- Transparency and Risk Aggregation Data – are they valuable and accurate?
- Explain the Benefits of Open Protocol Enabling Risk Aggregation (OPERA), Standards
- Valuation Procedures and Controls
- Fee Arrangements – what sort of Trends are you seeing? Do Investors have the ability to Renegotiate? How do you assess the Tradeoff between Lower Fees and Longer Lock-ups?
- How will Hedge Funds, Real Estate and Private Equity Intertwine in the Years Ahead?
- How do you Defend Industry Underperformance since the Crisis in 2008?

(B) Hedge Fund Portfolio Construction, Selection and Strategies

- Should you be considering Smaller Hedge Funds and do they Outperform their Larger Peers? What Size is too big?
- Considerations for Selecting the right Hedge Fund or Fund of Funds – Due Diligence and Manager Selection. What are the Key Traits you should be looking for?
- Importance of Independent Third Party Administrators for Operational Due Diligence and to Avoiding Fraud
- Fund of Funds vs. Direct
- What sort of innovative Changes have Fund of Funds adopted to stay relevant to their Pension Clients?
- Specialization – is this the Trend?
- Which Strategies offer more Transparency and Liquidity?
- Should you ask for a Separate Account? What is the Advantage and Disadvantage?

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- Does Portfolio Construction change based on the Size of the Portfolio?
- How many Hedge Fund Strategies do you need?
- Do you find Opportunities within the Global Macro Space attractive and if so, why?
- Hedge Fund Replication – will this Strategy catch on? How do the Fees and Returns Compare?
- If there was a Hedge Fund Strategy you would Invest in over the next Decade, which one would it be and why?

10:20 AM – Refreshment Break

10:50 AM – Distressed Debt, (Discussion)
- Where are we in the Distressed Cycle? How much of the Opportunity has passed and how much remains?
- When could we see the Best Opportunities from Maturing Loans coming due?
- Have the Capital Markets Activity fixed a good portion of the Maturity Wall Problem?
- Which Sectors or Strategies will create the Best Opportunities?
- Approaches to Corporate Credit, Structured Credit, Real Estate, Liquidations, Deal Size
- International Distressed Debt Opportunities – do you see Opportunities in Asia?
- Are there Immediate Opportunities in Europe or 2-3 Years from now? Still Uncertainties about how the Sovereign and Banking Crisis will play out?
- Control vs. Non-Control – which do you see as the Best Strategy?
- How does a Pension Plan go about choosing the right Distressed Strategy, Investment Style and Approach?
- What Skill Sets/Characteristics should Pension Plans look for in a Distressed Manager?
- Importance of Patience and staying Defensive
- Are you seeing more Buyout Firms moving into Distressed Deals?
- Effects of Basel III, Dodd-Frank and Volker Rule on the Opportunity Set?
- What are the Implications and Risks associated with Investing in Distressed now? Pitfalls of the Economy?
- What Returns can Investors expect over the next Five Years?

11:25 AM – Credit Strategies and Lending Opportunities, (Discussion)
- Current State of the Credit Market
- Where are we in the Credit Cycle and how will it play out?
- Any Lessons Learned from 2008 that we can apply to today's Environment?
- Debt coming Due in from Amend-and-Extend – how should Investors be Positioned?
- What is the Current State of the Securitization Market and the Trend in terms of Re-Leveraging?
- CLO Reinvestment Challenge
- Caution in High Yield?
- Default Rates and Expectations
- Is the Credit Quality of New Issuance beginning to Deteriorate?
- European Sovereign Debt Crisis and the Opportunity Set
- How do you Manage a Credit Program in a Volatile Market?
- How can Pension Plans take advantage of the available Opportunities and Profit from it?
- How should Pension Plans go about Analyzing and Selecting from the various Credit Funds and Direct Lending Strategies?
- Considerations for Selecting a Manager
- What are the Trade-offs between Mid-Market and Large Market Credit Investing?
- How has the Competition (Fixed Income, Private Equity, Hedge Funds, etc.), altered the Market?
- What are your Best Ideas for Finding Value?

12:00 PM – Emerging Managers, (Discussion)
- How are Plans defining Emerging Managers?
- What are the Benefits and Opportunities offered by Investing in Next Generation Managers?
- Exploiting Market Inefficiencies by utilizing Emerging Managers
- What are the Growth Prospects?
- Strategies for Implementing an Emerging Managers Program – how is Establishing this type of Program different from others?
- What form do the Programs take?
- Due Diligence and Key Points of Analysis for Selecting Emerging Managers
- Comparing the Attributes of Prospective Emerging Managers
- New Firms Fundraising – how important is it to be spun out from Traditional or Name-Brand Firms? Key

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Differentiators that enable a Successful Fund Raising?
- Research Statistics and Results on Emerging Managers
- Risk/Return Prospects of Emerging Manager Programs vs. Programs focused on Established Managers?
- What are the Perceived Risks of Emerging Managers? Are they Inappropriate?
- How do you Evaluate Performance and Measure Success?
- What is an important Lesson Learned from your Experiences?

12:35 PM – Lunch

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1:35 PM – Real Estate, (Discussion)

(A) Current State of the Real Estate Market
- Real Estate Cycle – what Inning are we in?
- Current Conditions
- Commercial Real Estate Challenges – Large amount of Debt Maturities coming due
- Residential Real Estate Challenges – ARM Resets and the new Wave of Foreclosures
- Loan Extensions/Refinancing

(B) Profiting from Distressed Real Estate
- Loan Maturities and Future Opportunities
- Have Lenders started unloading?
- Role of the Government – what is their effect on the Market?
- What sort of Debt Investments are you looking at?
- Importance of Occupancy
- Cap Rates and Vacancy Rates
- Buying Distressed Residential Mortgage Pools
- Strategies for Selecting Investments
- Case Studies
- Drawbacks in this Environment

(C) Strategies in Real Estate
- What Strategies do you see as the biggest Risks and the biggest Rewards/Relative Value for the Future?
- Is Core likely to get your Expected Returns right now?
- Role of Leverage
- Larger vs. Smaller Fund Size – which ones will Outperform going forward?
- Choosing a Manager – Stand Alone vs. Captive
- Joint Ventures with REITs – will we see more Pension Plans re-enter the market by teaming up with Commercial REITs? Why are these Joint Ventures being done?
- Entry Issues with Open-End Funds and Concentration into Fewer Funds?
- Growth of Direct Real Estate for Defined Contribution
- Asia and Europe Real Estate Outlook – Opportunities, Investment Trends and Capital Flows
- Real Estate Secondary Market – Transaction Volume, Pricing, Projected Transaction Flow and Catalysts

2:20 PM – Infrastructure, (Discussion)
- Infrastructure Demand and Size of the Market – where are they projected to be for the Future?
- Infrastructure Spending/Funding Gap – Explanation of the Shortfall and if it Translates into Increased Opportunities for Pension Plans
- Today's Deal Flow Activity and Fundraising
- Infrastructure Objective in Portfolio – Diversification, Inflation Protection, etc.

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- Performance – is Infrastructure delivering on its advertised attributes? What are the Return Expectations from Plan Sponsors?
- What is a suitable Benchmark?
- Risk/Return Profiling – which Infrastructure Assets are classified as High Risk and Low Risk?
- In which Sectors will investors find the best Opportunities and Returns?
- Energy Infrastructure – Big Opportunity Set or Too Much Capital rushing into the Sector?
- Any Emerging Trends/Themes? Co-Investment?
- Implementation Approaches – Primary Partnerships, Direct, Co-Investment, Fund of Funds, Publicly Listed – MLP's, Separate Accounts
- What should you look for when Selecting an Infrastructure Manager?
- Mature vs. Emerging Markets
- What are the Largest Challenges/Risks associated with Infrastructure Investing? Understanding Debt Risk

2:50 PM – Refreshment Break

3:15 PM – Secondaries, (Discussion)

- Reasons why are Pension Plans turning to the Secondary Market – what has been the recent Seller Motivation?
- What are the Expectations for the Future – Supply/Demand, who will be the Sellers and where are Valuations headed?
- What is the Current Deal Flow Environment and Volume of Secondary Activity?
- Why are more Sellers Waiting with firm Prices and a Hungry Buyer Group?
- What Forces are behind the Bid-Ask Spread?
- What sort of Discounts are we seeing on the Secondary Market?
- Volker Rule – will we get a Boost to Secondary Market Activity?
- How should LPs get Exposure to the Secondary Market and what are successful Buy Strategies?
- What should LPs look for to Identify Differentiation?
- What will Increased Specialization look like going forward?
- What should LPs consider when Liquidating portions of their Private Equity Portfolio?
- What are the Risk/Return Characteristics of Secondaries vs. Private Equity in general?

3:45PM – Private Equity, (Discussion)

- Difficulty in Fundraising – What are the Key Characteristics of those who are successfully able to Raise a Fund?
- Fund of Funds Consolidation – how will the space Evolve during future Company Closures/Mergers? Specialization? What are the Points of Distinction?
- Trend of Committing More Capital to Fewer Managers
- Survival of the Fittest – how extreme will the GP Shakeout be? Impact from Zombie Funds?
- Trend of Big LPs committing to Customized GP Relationships with Separate Accounts – how will it affect the Industry?
- What will be the Impact from Sovereign Wealth Funds for Future Fundraising?
- Capital Overhang/Dry Powder – how will it Impact Investment Activity and Returns?
- What are your Expectations for Deal Flow Volume?
- What will it take to Finance Deals? Are Large Deals Difficult to Finance?
- What are your Expectations for Buyout Exits and Distributions? Increase in Average Hold Period?
- Do you see Opportunities in Europe?
- Venture IPO and M&A Exit Pipeline – are the Winners concentrated within the top few Firms? Is Social Media Sustainable?
- Should a case be made for Early Stage? Outperformance of Smaller Venture Funds?
- Can you Time Venture Investment based on Equity Peaks and Troughs? Any Relation?
- Reasons why Co-Investments are Attractive to LPs – will it continue to be a growing Trend?
- What Trends have you seen for Fees and Terms?
- Alignment in the LP/GP Relationship – what have we seen as a result of ILPA?
- Liquidity Concerns – Which Strategies offer Shorter Time Horizons, Cash Yield and Greater Liquidity?
- Where do you expect that we'll see the Best Returns over the next Five Years?

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4:30 PM – CIO Roundtable, (Discussion)

(A) Fiscal Health and Asset/Liability Evaluation

- What is your Current Funded Status and has it changed your Long Term Decisions with Liquid or Illiquid Investments?
- Is your Fund adequately protected for Liquidity and Cash Flow Requirements whether it is for Benefits and/or other Commitments?
- Has your Fund taken adequate Pension Risk Measures and Diversified via Non-Correlation Strategies to guard against a Prolonged Bear Market in Equities? Is your Fund Better Positioned to withstand Major Market Volatility than it was in 2008?
- What significant Rebalancing Changes have you made in your Portfolio?
- Has your Fund done any Stress-Testing under Extreme Economic Scenarios?
- What sort of De-Risking Strategies or Risk Management Approaches has your Fund Integrated into the Investment Decision Process?
- Do you employ or have you considered Utilizing any Risk Parity Strategies in the Future?
- Do you believe Plans in general will be able to meet or beat the Assumed Rate of Return over the next 10 Years?
- Defending DB Plans – What are the basic elements of a reasonable plan to save DBs? What bothers you most about the efforts to "fix" them?

(B) Allocation and Considerations for the Future

- Has your Plan recently Increased or Decreased its Equity Exposure and why?
- Are you worried about the Long Term Aftermath of a "Bond Bubble" and have you positioned your Fund accordingly?
- What do you feel is the proper Emerging Markets Allocation and are there any Regional or Frontier Strategies that interest you?
- Are you concerned about continued Deleveraging of Global Economies? Have you taken any steps as a result?
- What Strategies does your Fund utilize that will Protect or Hedge against Future Inflation?
- What Trends have you seen towards more Liquid Investments and has your Fund deployed Assets into these types of Investments?
- Which Strategies do you expect to Outperform in the next 3-5 Years?
- What Asset Classes do you expect to Allocate more Money to over the next Year?

(C) Alignment of Interests

- What Changes or Trends have you noticed in Fee Structures/Terms and your Bargaining Power?
- What Tactics work best for you when attempting to Negotiate Private Placement Agreements?
- What are your Concerns about Operational Due Diligence and what can you do about this Issue?
- What Support (if any) would help you to do a better job of Addressing and Solving Investment Problems? What Discretion and Authority do you have with those Problems?
- Any Progress in granting you and your Investment Departments more Latitude in Tactically Managing your Porfolios in response to Extreme Economic Conditions?
- How do you keep your Trustees Educated so they can make more timely and effective Decisions? Any Programs?
- Any important Lessons Learned that you can share from your Individual Plan Experiences?

5:30 PM – Conference Concludes

6:25 PM – Bus Leaves for Pier 40

7:00 PM – Bay Cruise Networking Event

Network with our group while cruising the San Francisco Bay. Enjoy stunning skyline views of Fisherman's Wharf, the Golden Gate Bridge, the Bay Bridge, McCovey Cove, Alcatraz, Angel Island, Treasure Island and more. Join us for a cocktail reception, dinner, four decks of luxury and an excellent atmosphere to connect with your industry peers!

9:45 PM – Bay Cruise Docks at Pier 40

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REGISTRATION:

To register or receive more information on The 2013 Pension Bridge Annual:

Florida Office Contact:

Brett Semel
(561) 455-2729
bsemel@pensionbridge.com

New York Office Contact:

Andrew Blake
(516) 818-7989
ablake@pensionbridge.com

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