VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

FEBRUARY 25, 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:

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I.	**INTRODUCTION OF MEETING**	
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III.	**CERTIFICATION OF THE VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (VCERA) BOARD OF RETIREMENT GENERAL MEMBER ELECTION**	6 - 7
	Oath of Office for the Third Position of the Board of Retirement to be Administered by Mark Lunn, County Clerk.	
IV.	**APPROVAL OF MINUTES**	
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V. 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.

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C. Asset Allocation as of January 2013. 40

D. Budget Summary – Year to Date as of January 2013, Fiscal-Year 2012-13. 41

E. Conference Report, CALAPRS Board Leadership Institute: Advanced Principles in Governance, January 29-31, 2012 – Trustee Art Goulet. 42

F. Conference Report, CALAPRS Trustees' Round Table, February 8, 2012 – Trustee Art Goulet. 43 - 44

END OF CONSENT AGENDA

VI. INVESTMENT INFORMATION

A. Annual Investment Presentation, Prudential – PRISA - Mark Oczkus, Principal (30 minutes). 45 - 111

B. Annual Investment Presentation, UBS Real Estate - Thomas C. Klugherz, Portfolio & Client Services Officer; W. David Lawson, Portfolio & Client Services Officer (30 minutes). 112 - 152

C. MLP Finals Presentation, Harvest - David Martinelli, Managing Partner; Kirk Huddles, Marketing Director (30 minutes). 153 - 182

D. MLP Finals Presentation, Tortoise - Andrew Goldsmith, Head of Institutional Sales & Consultant Relations; Abel Mojica, Head of Corporate Development; James Mick, Senior Investment Analyst (30 minutes). 183 - 213

VI. INVESTMENT INFORMATION (continued)

VII. ACTUARIAL INFORMATION

IX. **<u>NEW BUSINESS</u> (continued)**

A. Request for Reinstatement to Active Membership; Sandra Lozano. (continued)

2. Medical Determination. 553

3. Letter Offering Full Time Employment. 554

B. Request to Attend the Annual Adams Street Partners Client Conference, June 5, 2013 – Trustee Towner. 555

C. Proposed Budget Adjustments for Board Approved Requests. 556 - 557

D. Mid-Year Budget Update FY 2012-13. 558 - 560

X. **<u>PUBLIC COMMENT</u>**

XI. **<u>BOARD MEMBER COMMENT</u>**

XII. **<u>ADJOURNMENT</u>**

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

February 25, 2013

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

SUBJECT: CERTIFICATION OF THE VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (VCERA) BOARD OF RETIREMENT GENERAL MEMBER ELECTION

Dear Board Members:

Attached is the Official Certification of Election Results from the County Clerk and Recorder for the VCERA Board of Retirement General Election Held on February 1-19, 2013 to elect the third position of the Board.

From the results, Deanna McCormick, JD, CFN, BSN, PHN is the new trustee filling the position and will take the Oath of Office during the receipt and filing of 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.

CERTIFICATION OF ELECTION RESULTS
VENTURA COUNTY RETIREMENT BOARD
GENERAL MEMBER ELECTION
FEBRUARY 19, 2013

STATE OF CALIFORNIA }
COUNTY OF VENTURA } ss.

On February 21, 2013, at 9:00 a.m. a canvass of election returns was conducted at the Elections Division of the Office of the County Clerk, Administration Building, 800 South Victoria Avenue, Ventura, California, for the election held on February 19, 2013. At this election, the qualified general members of the County of Ventura Retirement system voted to elect one General Member representative. The total number of eligible voters was 6,524; total votes cast were 932.

The canvass of election returns has been completed and the total number of votes cast with distribution is as follows:

General Member	Votes Cast
Paul Bujold	253
Deanna McCormick	432
Michael C. McMahon	244
Over Votes	2
Under Votes	1
Total Votes Cast	932

We hereby report Deanna McCormick received the highest number of votes cast for the General Member Election and is elected to the term beginning February 21, 2013.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this 21st day of February, 2013.

Mark A. Lunn

MARK A. LUNN, CERA
Clerk/Recorder/Registrar of Voters
County of Ventura

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

JANUARY 28, 2013

MINUTES

DIRECTORS PRESENT:	William W. Wilson, Chair, Public Member Tracy Towner, Vice Chair, Safety Employee Member Steven Hintz, Treasurer-Tax Collector 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:	Peter C. Foy, Public Member 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
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 Business Meeting of January 28, 2013, to order at 9:01 a.m.

II. APPROVAL OF AGENDA

Mr. Goulet requested that the Schedule of Investment Management Fees in Item IV. D. (Master Page No. 24) be removed from the Consent Agenda.

MOTION: Judge Hintz moved, seconded by Mr. Henderson, to approve the agenda as modified.

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

III. APPROVAL OF MINUTES

A. Disability Meeting of January 7, 2013.

Mr. Goulet requested the following correction:

Master Page No. 9, VI.A. Pensionable Compensation under the California Public Employees' Pension Reform Act (CalPEPRA), add the following "...that if through legislation, regulation or case law it is determined that 'pensionable compensation' for new members includes items of pay in addition to base pay, the County will make additional employer and member contributions to the retirement system on those additional pay items, with interest at the earnings assumption rate, retroactive to January 1, 2013, and that the County will be responsible for determining whether to seek reimbursement from members for the retroactive member contributions."

MOTION: Mr. Goulet moved, seconded by Mr. Harris, to approve the minutes of January 7, 2013 as corrected.

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

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.

IV. CONSENT AGENDA (continued)

B. Report of Checks Disbursed in December 2012.

C. Asset Allocation as of December 2012.

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

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

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

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

MOTION: Mr. Henderson moved, seconded by Mr. Harris, to approve the Consent Agenda as modified for removal of the Schedule of Investment Management Fees (Master Page No. 24).

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

After discussion of the Schedule of Investment Management Fees (Master Page No. 24), the following motion was made:

MOTION: Mr. Goulet moved, seconded by Mr. Harris, to receive and file the Schedule of Investment Management Fees.

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

END OF CONSENT AGENDA

V. INVESTMENT INFORMATION

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

Following discussion by the Board, staff and Hewitt EnnisKnupp, the following motion was made:

MOTION: Judge Hintz moved, seconded by Mr. C. Johnston, to adopt Option 1 presented by Hewitt EnnisKnupp under the current consulting services agreement and at no additional cost.

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

V. INVESTMENT INFORMATION (continued)

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

Option 1 entails Hewitt EnnisKnupp performing a manager search to identify one or two attractive private equity fund of funds managers and will include existing managers along with a search report summarizing the underwriting process and manager ratings. Hewitt EnnisKnupp will target the March Business meeting when both Adams Street and Pantheon are scheduled to present for finals presentations.

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

John Allen and Edmund Bellord were present on behalf of GMO to present an educational presentation to the Board on Global Tactical Asset Allocation (GTAA) investments.

No Action Taken.

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

Joel Whidden was present on behalf of Bridgewater to present an educational presentation to the Board on Risk Parity investments.

No Action Taken.

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

1. Monthly Manager Performance Report, December 2012.

MOTION: Mr. Henderson moved, seconded by Mr. Harris, to receive and file the Monthly Manager Performance Report for December 2012.

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

2. Highlights and Research, January 2013.

a. Tactical Rebalancing Update

MOTION: Judge Hintz moved, seconded by Mr. Goulet, to receive and file item a. Tactical Rebalancing Update.

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

V. INVESTMENT INFORMATION (continued)

2. Highlights and Research, January 2013. (continued)

b. Investment Policy Statement

MOTION: Mr. Henderson moved, seconded by Mr. C. Johnston, to receive and file item b. Investment Policy Statement.

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

c. Fixed Income Portfolio Discussion

MOTION: Mr. C. Johnston moved, seconded by Judge Hintz, to receive and file item c. Fixed Income Portfolio Discussion and to approve the move of 100% of the current Reams mandate to its unconstrained program.

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

Hewitt EnnisKnupp gave an oral update on the MLP short list and asked the Board if they would like to have any others considered. No additional firms were provided and it was reported that two or three finalists will be scheduled for the February 25, 2013 Business meeting.

d. Clifton Flash Report
e. RREEF Flash Report
f. HEK Client Webcasts
g. Fiscal Cliff Averted
h. Medium Term Views

MOTION: Mr. Goulet moved, seconded by Mr. Harris, to receive and file items V.A.5. d., e., f., g., and h.

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

Before concluding the consideration of the Highlights and Research, and after further discussion, the following motion was made:

MOTION: Mr. Goulet moved, seconded by Mr. Towner, directing Hewitt EnnisKnupp to bring in PIMCO and GMO for GTAA final presentations, and Bridgewater and Wellington for Risk Parity final presentations at the April 15 Business meeting.

V. <u>INVESTMENT INFORMATION</u> (continued)

2. Highlights and Research, January 2013. (continued)

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

Judge Hintz left the meeting at 11:12 a.m.

VI. <u>ACTUARIAL INFORMATION</u>

A. Review and Approval of Annual Actuarial Report as of June 30, 2012; The Segal Company; Paul Angelo and John Monroe.

1. June 30, 2012 Actuarial Valuation Report.

<u>MOTION</u>: Mr. Henderson moved, seconded by Mr. Harris, to approve the June 30, 2012 Actuarial Valuation Report.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz absent for this item.

2. Three-year Phase-in of Employer Contribution Rates. (revised)

<u>MOTION</u>: Mr. Henderson moved, seconded by Mr. Harris, to approve the employer contribution rates in Segal's revised three-year phase in letter and the employee contribution rates in the June 30, 2012 Actuarial Valuation Report.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz absent for this item.

3. Responses to Questions Regarding the Actuarial Valuation.

<u>MOTION</u>: Mr. Goulet moved, seconded by Mr. Henderson, to receive and file Segal's responses to Mr. Goulet's questions regarding the actuarial valuation.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz absent for this item.

C. Cost-of-Living Adjustments (COLA) as of April 1, 2013.

<u>MOTION</u>: Mr. Henderson moved, seconded by Mr. Harris, to approve the cost-of-living adjustments (COLA) as of April 1, 2013.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz absent for this item.

VI. ACTUARIAL INFORMATION (continued)

B. Contribution Rates for CalPEPRA Formulas for the 2013/2014 Fiscal Year: Acknowledge and Distribute.

MOTION: Mr. Henderson moved, seconded by Mr. Harris, to acknowledge the receipt of the contribution rates for the CalPEPRA formulas for the 2013-14 fiscal year and directed staff to distribute the report per the settlement agreement, also including the Grand Jury, REAVC, Management Council and plan sponsors.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz absent for this item.

Mr. Towner left the meeting at 12:11 p.m.

VII. OLD BUSINESS

None.

VIII. NEW BUSINESS

A. Review and Approval of Annual Financial Report; Brown Armstrong; Andrew J. Paulden, CPA.

1. VCERA Comprehensive Annual Financial Report Dated June 30, 2012.

2. Independent Auditor's Report Dated December 28, 2012.

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.

   After discussion with Brown Armstrong and staff, the following motion was made:

   MOTION: Mr. Henderson moved, seconded by Mr. Harris, to approve the June 30, 2012 Comprehensive Annual Financial Report and receive and file Brown Armstrong's Independent Auditor's Reports and Required Communications to the Board.

VIII. NEW BUSINESS (continued)

3. Independent Auditor's Reports to Management dated December 28, 2012. (continued)

   Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz and Mr. Towner absent for this item.

B. Quarterly Retirement Administrator's Report.

MOTION: Mr. Henderson moved, seconded by Mr. Harris, to receive and file Quarterly Retirement Administrator's Report.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz and Mr. Towner absent for this item.

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

1. Education and Travel Sample Trustee Education Tracking Report.
2. Education and Travel Proposed Policy Edits.
3. Travel Reimbursement Template 2013.

After discussion, the following motion was made:

MOTION: Mr. Goulet moved, seconded by Mr. T. Johnston, to approve the proposed education and travel policy updates as modified for the addition of "Attendance shall not count towards the three conference limit" to bullet two on page 3 (master Page No. 486) and for the change of "shall" to "may" under the Documentation of Expense and Submission of Reimbursement Claims section on page 6 (Master Page No. 489) making the attachment of agendas permissive as opposed to mandatory.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz and Mr. Towner absent for this item.

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

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.

VIII. NEW BUSINESS (continued)

F. Request to Attend the 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.

G. Request to Attend the 2013 Pension Bridge Annual Conference, April 16 & 17, 2013 – Mr. Goulet, Mr. Henderson, Mr. Wilson, and Interested Trustees.

MOTION: Mr. Goulet moved, seconded by Mr. T. Johnston, to approve items D. through G., request to attend and requests for authorization to travel.

Mr. Hoag alerted staff and the Board that he will attend the Manatt Fiduciary Forum.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz and Mr. Towner absent for this item.

IX. PUBLIC COMMENT

Motion.

X. BOARD MEMBER COMMENT

Mr. Goulet requested that agenda items that are ready ahead of time, such as the CAFR that was ready two weeks earlier, be provided ahead of time so trustees have more time to pace their review.

XI. ADJOURNMENT

The meeting was adjourned at 1:01 p.m.

Respectfully submitted,

Donald C. Kendig

DONALD C. KENDIG, CPA, Retirement Administrator

Approved,

WILLIAM W. WILSON, Chairman

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

February 4, 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 February 4, 2013, to order at 9:00 a.m.

II. APPROVAL OF AGENDA

MOTION: Mr. Foy moved, seconded by Mr. Goulet, to approve the agenda as presented.

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

III. PENDING DISABILITY APPLICATION STATUS REPORT

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

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

IV. APPLICATIONS FOR DISABILITY RETIREMENT

A. Application for Non-Service Connected Disability Retirement; Mona Goe, Case No. 12-019.

1. Application for Non-Service Connected Disability Retirement and Supporting Documentation.

2. Hearing Notice.

Mr. Towner entered the meeting at 9:01 a.m.

Paul Hilbun was present representing the County of Ventura Risk Management. The applicant, Mona Goe, was present.

MOTION: Mr. Goulet moved, seconded by Mr. T. Johnston, to grant the applicant, Mona Goe, a non-service connected disability retirement.

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

Both parties agreed to waive preparation of Findings of Fact and Conclusions of Law.

B. Application for Non-Service Connected Disability Retirement; Geraldine Murray, Case No. 12-011.

1. Application for Non-Service Connected Disability Retirement and Supporting Documentation.

2. Hearing Notice.

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

B. Application for Non-Service Connected Disability Retirement; Geraldine Murray, Case No. 12-011. (continued)

Paul Hilbun was present representing the County of Ventura Risk Management. The applicant, Geraldine Murray, was present.

<u>MOTION:</u> Mr. Goulet moved, seconded by Mr. Harris, to grant the applicant, Geraldine Murray, a non-service connected disability retirement.

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

Both parties agreed to waive preparation of Findings of Fact and Conclusions of Law.

C. Application for Service Connected Disability Retirement; Christina L. Corpus, Case No. 10-021.

1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Irene P. Ayala, dated December 16, 2012.

2. Applicant's Objection to Recommendation of Hearing Officer, Submitted by John H. Sugden, Attorney at Law, dated December 24, 2012.

3. Respondent's reply to Recommendation of Hearing Officer, Submitted by Stephen D. Roberson, Attorney at Law, dated December 26, 2012.

4. Respondent's Objection to Applicant's Objection to Recommendation of Hearing Officer, Submitted by Stephen D. Roberson, Attorney at Law, dated January 7, 2013.

5. Hearing Notice.

Stephen D. Roberson and Paul Hilbun were present representing the County of Ventura Risk Management. John Sugden, Attorney at Law, was present representing the applicant. The applicant, Christina L. Corpus, was present.

IV. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

C Application for Service Connected Disability Retirement; Christina L. Corpus, Case No. 10-021. (continued)

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

MOTION: Judge Hintz moved, seconded by Mr. Foy, to adopt the hearing officer's recommendation finding that the applicant, Christina L. Corpus, failed to meet her burden of proof that she is permanently disabled from the performance of her duties and to deny the application for service connected disability retirement.

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

D. Application for Service Connected Disability Retirement; Gregory D. Danko, Case No. 10-019.

1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Irene P. Ayala, dated November 24, 2012.

2. Respondent's reply to Recommendation of Hearing Officer, Submitted by Stephen D. Roberson, Attorney at Law, dated November 29, 2012.

3. Applicant's Objection to Recommendation of Hearing Officer, Submitted by Gregory D. Danko, Dated December 6, 2012.

4. Respondent's Objection to Applicant's Objection to Recommendation of Hearing Officer, Submitted by Stephen D. Roberson, Attorney at Law, dated December 11, 2012.

5. Applicant's Rebuttal to Respondent's Objection, Submitted by Gregory D. Danko, dated December 20, 2012.

6. Hearing Notice.

Stephen D. Roberson and Paul Hilbun were present representing the County of Ventura Risk Management. The applicant, Gregory D. Danko, was present.

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

D. Application for Service Connected Disability Retirement; Gregory D. Danko, Case No. 10-019. (continued)

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

<u>MOTION:</u> Mr. Harris moved, seconded by Mr. Henderson, to adopt the hearing officer's recommendation finding that the applicant, Gregory D. Danko, failed to meet his burden of proof on the issue of permanent incapacity for the performance of his duties and to deny the application for service connected disability retirement.

Motion passed. Judge Hintz and Mr. Towner voting no. Third Member vacant. Mr. C. Johnston voting no.

E. Application for Service Connected Disability Retirement; Michael R. Koevenig, Case No. 11-014

1. Applicant's Petition for Reconsideration, Submitted by Michael R. Koevenig, dated January 2013.
2. Respondent's Objection to the Petition for Reconsideration, Submitted by Marshall W. Graves, Attorney at Law, dated January 21, 2013.
3. Hearing Notice.

Marshall Graves and Paul Hilbun were present representing the County of Ventura Risk Management. The applicant, Michael R. Koevenig, was present.

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

<u>MOTION:</u> Mr. Goulet moved, seconded by Mr. Harris, to deny the petition for reconsideration.

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

IV. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

F. Application for Service Connected Disability Retirement; Helen Reid, Case No. 12-003.

1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Paul E. Crost, dated December 1, 2012.

2. Respondent's Objection to Recommendation of Hearing Officer, Submitted by John I. Gilman, Attorney at Law, Dated December 6, 2012.

3. Hearing Notice.

John I. Gilman and Paul Hilbun were present representing the County of Ventura Risk Management. David Schumaker, Attorney at Law, was present representing the applicant. The applicant, Helen Reid, was present.

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

MOTION: Mr. Towner moved, seconded by Mr. T. Johnson, to adopt the hearing officer's findings of fact and conclusions of law and grant the applicant, Helen Reid, a service connected disability retirement.

Motion passed. Third Member vacant. Mr. C. Johnston voting. Judge Hintz and Mr. Foy voting no.

V. NEW BUSINESS

A. Quarterly PAS (VCERIS) Report – Brian Colker, Linea

After discussion, the following motion was made:

MOTION: Judge Hintz moved, seconded by Mr. T. Johnston, to approve the change order proposed in the quarterly report and to receive and file the report and attachments.

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

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

B. Request for Proposal (RFP) for Investment Consulting Services

1. Cortex Proposal

After discussion, the following motion was made:

<u>MOTION</u>: Mr. Towner moved, seconded by Mr. C. Johnston, to authorize the engagement of Cortex Applied Research to assist in the search process for a non-discretionary or discretionary investment consultant at a contract amount not to exceed $29,500.

Motion passed. Third Member vacant. Mr. C. Johnston voting. Mr. Harris voting no.

After further discussion, the following motion was made:

<u>MOTION</u>: Mr. Towner moved, seconded by Mr. Harris, to approve the creation of an ad-hoc RFP Committee and delegate to that committee the responsibility for the approval of the final RFP document, evaluation of proposals, and selection of finalists for Board consideration.

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

Mr. Goulet left the meeting and, after further discussion, the following motion was made:

<u>MOTION</u>: Judge Hintz moved, seconded by Mr. Harris, to appoint Mr. Foy, Mr. Goulet, and Mr. C. Johnston to the ad-hoc RFP Committee.

Motion passed unanimously. Third Member vacant. Mr. C. Johnston voting. Mr. Goulet absent for this motion.

Mr. Goulet returned to the meeting.

Staff suggested a quiet period from February 4, 2013 through selection, tentatively scheduled for July 1, 2013.

After further discussion, the following motion was made:

V. NEW BUSINESS (continued)

B. Request for Proposal (RFP) for Investment Consulting Services (continued)

1. Cortex Proposal

MOTION: Mr. Goulet moved, seconded by Judge Hintz, to designate a quiet period during the consultant RFP and selection process, during which trustees will not knowingly communicate with consultant candidates, with the exception of official search-related interviews and due diligence and ongoing business with the current consultant.

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

C. Ad Hoc Disability Process Review Committee

After discussion, the following motion was made:

MOTION: Mr. Harris moved, seconded by Mr. T. Johnston, to authorize the Retirement Administrator to enter into an agreement with Annette Paladino to document and assess our current disability process and to recommend changes in line with best practices at a not-to-exceed amount of $30,000.

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

D. Oral Reports on the January 22, 2013 GMO Investment Presentation.

No action taken.

VI. PUBLIC COMMENT

The Retirement Administrator announced a RREEF distribution of $273,000 and the success of the new VOIP phone system installation. Board Counsel indicated that an appearance was scheduled by the court in the Lanquist case on February 25, 2013, and that she might be late or have Robert Orellana from County Counsel attend the Board meeting in her absence.

VII. BOARD MEMBER COMMENT

Staff received, and concurred, with a complaint by Mr. Towner regarding the excessive noise coming from the HVAC unit overhead. Staff reported that it had been inspected previously and that staff placed another service call to see about "jacketing" the compressor to reduce noise. Judge Hintz solicited references for volunteers to service on the Treasury Oversight Committee as a great way to serve the community.

VIII. ADJOURNMENT

The meeting was adjourned at 11:31 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

JANUARY 2013

FIRST NAME	LAST NAME	G/S	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
REGULAR RETIREMENTS:							
Robert A.	Hansen	G	6/19/1994	18.48	C=4.62	Treasurer/Tax Collector	12/22/12
Laura	Hernandez	G	1/12/1997	15.98	C=11.36	Sheriff's Department	12/29/12
Pauline	James	G	10/23/1994	17.65		Human Service Agency	12/07/12
Jon C.	Jiron	G	11/12/1989	11.23	C=12.23	Probation Agency	11/03/12
							(from deferred)
Francisco	Landeros	G	11/14/1978	34.01		Public Works	12/07/12
Ronald W.	Lauer	S	09/19/1977	35.28		Fire Protection	12/31/12
Thomas C.	Law	S	2/4/1980	32.90	C=4.59	Fire Protection	12/30/12
Susan M.	Lopez	G	10/4/1987	18.91		Child Support Services	10/30/12
Gloria	Macias	G	05/08/1983	29.30		Health Care Agency	12/22/12
Laron	Matlock	S	11/12/1989	26.49	B=3.52	Probation Agency	12/07/12
Jorgesotero	Mercado	S	12/08/2002	9.60		Probation Agency	12/09/12
							(from deferred)
John	Olivares	G	10/01/1989	29.94		Child Support Services	12/19/12
Mark	Pachowicz	G	06/18/1995	12.73	A=4.64	Child Support Services	12/22/12
					B=0.20		(from deferred)
Beth	Parker	G	10/19/1992	19.98		Human Services Agency	12/08/12
Martha	Recalde	G	11/02/1986	26.25	B=0.11	Human Services Agency	12/22/12
Patricia A.	Ring	G	10/19/1986	24.01		Health Care Agency	12/21/12
Sheryl L.	Sanchez	G	07/29/1996	23.57		Health Care Agency	12/22/12
							(from deferred)
Alvin	Walker	S	08/15/1955	19.83	B=2.95	Probation Agency	12/07/12
Joyce B.	Wilde	G	12/15/2002	5.54		Sheriff's Department	12/16/12
DEFERRED RETIREMENTS:							
Gilbert A.	Romero	G	08/23/1999	13.33		District Attorney	12/14/12
SURVIVORS' CONTINUANCES:							
Juana	Escalona						
Lynda L.	Prill						

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

Date: Tuesday, February 12, 2013
Time: 11:04: AM
User: ASOLIS

Ventura County Retirement Assn

Check Register - Standard

Period: 07-13 As of: 2/12/2013

Report: 03630.rpt
Company: VCERA

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	To	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
Company:	**VCERA**										
Acct / Sub:	1002		00								
014258	VC	1/4/2013	545866393 CHARLENE PANKEY	07-13	07-13	009079	VO	PENSION PAYMENT	5/2/2007	0.00	-450.63
										Check Total	**-450.63**
014259	-	018637	Missing								
018638	VC	1/4/2013	F2137 WILLIAM D WINTERBOURNE	07-13	07-13	013496	VO	PENSION PAYMENT	8/20/2010	0.00	-995.35
										Check Total	**-995.35**
018639	-	018763	Missing								
018764	VC	1/4/2013	1881 MARY E STONE	07-13	07-13	013625	VO	PENSION PAYMENT	9/28/2010	0.00	-739.77
										Check Total	**-739.77**
018765	-	019862	Missing								
019863	VC	1/4/2013	CHILD8 LESLIE DEMATTIA	07-13	07-13	014726	VO	CRT ORDERED PMT	6/29/2011	0.00	-500.00
										Check Total	**-500.00**
019864	-	019914	Missing								
019915	VC	1/4/2013	F7659S1R VENTURA COUNTY CREDIT UI	07-13	07-13	014779	VO	ROLLOVER	7/13/2011	0.00	-3,000.00
										Check Total	**-3,000.00**
019916	-	020232	Missing								
020233	VC	1/4/2013	116203 CHRISTOPHER WELCH	07-13	07-13	015095	VO	REFUND	10/5/2011	0.00	-34,579.26
										Check Total	**-34,579.26**
020234	-	021793	Missing								
021794	CK	1/3/2013	3397B2 JAMES N. GRAHAM	07-13		016616	VO	DEATH BENEFIT	1/3/2013	0.00	76.59
021795	CK	1/3/2013	2849B2 BRENDA ADAMS	07-13		016617	VO	DEATH BENEFIT	1/3/2013	0.00	1,875.44
021796	CK	1/3/2013	2849B1 TONIA GLADDEN	07-13		016618	VO	DEATH BENEFIT	1/3/2013	0.00	2,027.50
021797	CK	1/3/2013	4217B1 SUSAN BETH MUSKAT	07-13		016619	VO	DEATH BENEFIT	1/3/2013	0.00	1,411.37
021798	CK	1/3/2013	AYALA	07-13		016607	VO	ADMIN EXPENSE	1/2/2013	0.00	8,181.25

Ventura County Retirement Assn

Check Register - Standard

Period: 07-13 As of: 2/12/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	To	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
Company:	**VCERA**										
			IRENE P. AYALA								
021799	CK	1/3/2013	BOFA BANK OF AMERICA	07-13		016608	VO	ADMIN EXPENSE	1/2/2013	0.00	469.54
021800	CK	1/3/2013	ADP ADP INC	07-13		016609	VO	ADMIN EXPENSE	1/2/2013	0.00	12,610.10
021801	CK	1/3/2013	MANATT MANATT, PHELPS, PHILLIPS	07-13		016610	VO	ADMIN EXPENSE	1/2/2013	0.00	296.05
021802	CK	1/3/2013	VOLT VOLT	07-13		016611	VO	ADMIN EXPENSE	1/2/2013	0.00	3,970.01
021803	CK	1/3/2013	BROWN BROWN ARMSTRONG	07-13		016612	VO	ADMIN EXPENSE	1/2/2013	0.00	380.00
021804	CK	1/3/2013	EXPRESS EXPRESS BUSINESS MACHINI	07-13		016613	VO	ADMIN EXPENSE	1/2/2013	0.00	95.00
021805	CK	1/3/2013	ZIGMAN LOUIS M. ZIGMAN, ESQ	07-13		016614	VO	ADMIN EXPENSE	1/2/2013	0.00	1,881.25
021806	CK	1/3/2013	MF M.F. DAILY CORPORATION	07-13		016615	VO	ADMIN EXPENSE	1/2/2013	0.00	15,093.21
021807	CK	1/3/2013	CA SDU CALIFORNIA STATE	07-13		016620	VO	CRT ORDERED PMT	1/3/2013	0.00	1,034.22
021808	CK	1/3/2013	CHILD5 STATE DISBURSEMENT UNIT (	07-13		016621	VO	CRT ORDERED PMT	1/3/2013	0.00	511.00
021809	CK	1/3/2013	CHILD9 SHERIDA SEGALL	07-13		016622	VO	CRT ORDERED PMT	1/3/2013	0.00	260.00
021810	CK	1/3/2013	CHILD21 OREGON DEPT OF JUSTICE	07-13		016623	VO	CRT ORDERED PMT	1/3/2013	0.00	171.74

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Company:	**VCERA**										
021811	CK	1/3/2013	SPOUSE2 KELLY SEARCY	07-13		016624	VO	CRT ORDERED PMT	1/3/2013	0.00	1,874.00
021812	CK	1/3/2013	SPOUSE3 ANGELINA ORTIZ	07-13		016625	VO	CRT ORDERED PMT	1/3/2013	0.00	250.00
021813	CK	1/3/2013	SPOUSE4 CATHY C. PEET	07-13		016626	VO	CRT ORDERED PMT	1/3/2013	0.00	550.00
021814	CK	1/3/2013	SPOUSE5 SUZANNA CARR	07-13		016627	VO	CRT ORDERED PMT	1/3/2013	0.00	829.00
021815	CK	1/3/2013	FTBCA3 FRANCHISE TAX BOARD	07-13		016628	VO	GARNISHMENT	1/3/2013	0.00	77.11
021816	CK	1/3/2013	IRS6 INTERNAL REVENUE SERVICE	07-13		016629	VO	GARNISHMENT	1/3/2013	0.00	321.00
021817	CK	1/3/2013	CALPERS CALPERS LONG-TERM	07-13		016630	VO	INSURANCE	1/3/2013	0.00	19,543.95
021818	CK	1/3/2013	CVMP COUNTY OF VENTURA	07-13		016631	VO	INSURANCE	1/3/2013	0.00	556,495.41
021819	CK	1/3/2013	SEIU SEIU LOCAL 721	07-13		016632	VO	DUES	1/3/2013	0.00	334.50
021820	CK	1/3/2013	VCDSA VENTURA COUNTY DEPUTY	07-13		016633	VO	INSURANCE	1/3/2013	0.00	249,222.38
021821	CK	1/3/2013	VCPFF VENTURA COUNTY PROFESS	07-13		016634	VO	INSURANCE	1/3/2013	0.00	74,752.34
021822	CK	1/3/2013	VCREA RETIRED EMPLOYEES' ASSOC	07-13		016635	VO	DUES	1/3/2013	0.00	4,264.50
021823	CK	1/3/2013	VRSD VENTURA REGIONAL	07-13		016636	VO	INSURANCE	1/3/2013	0.00	7,929.79

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021824	CK	1/3/2013	VSP VSP	07-13		016637	VO	INSURANCE	1/3/2013	0.00	5,929.31
021825	ZC	1/10/2013	545866393 CHARLENE PANKEY	07-13	07-13	009079	VO	PENSION PAYMENT	5/2/2007	0.00	450.63
021825	ZC	1/10/2013	545866393 CHARLENE PANKEY	07-13	07-13	016638	AD	PENSION PAYMENT	1/4/2013	0.00	-450.63
									Check Total		**0.00**
021826	ZC	1/10/2013	F2137 WILLIAM D WINTERBOURNE	07-13	07-13	013496	VO	PENSION PAYMENT	8/20/2010	0.00	995.35
021826	ZC	1/10/2013	F2137 WILLIAM D WINTERBOURNE	07-13	07-13	016639	AD	PENSION PAYMENT	1/4/2013	0.00	-995.35
									Check Total		**0.00**
021827	ZC	1/10/2013	1881 MARY E STONE	07-13	07-13	013625	VO	PENSION PAYMENT	9/28/2010	0.00	739.77
021827	ZC	1/10/2013	1881 MARY E STONE	07-13	07-13	016640	AD	PENSION PAYMENT	1/4/2013	0.00	-739.77
									Check Total		**0.00**
021828	ZC	1/10/2013	CHILD8 LESLIE DEMATTIA	07-13	07-13	014726	VO	CRT ORDERED PMT	6/29/2011	0.00	500.00
021828	ZC	1/10/2013	CHILD8 LESLIE DEMATTIA	07-13	07-13	016641	AD	CRT ORDERED PMT	1/4/2013	0.00	-500.00
									Check Total		**0.00**
021829	ZC	1/10/2013	F7659S1R VENTURA COUNTY CREDIT UI	07-13	07-13	014779	VO	ROLLOVER	7/13/2011	0.00	3,000.00
021829	ZC	1/10/2013	F7659S1R VENTURA COUNTY CREDIT UI	07-13	07-13	016642	AD	ROLLOVER	1/4/2013	0.00	-3,000.00
									Check Total		**0.00**
021830	ZC	1/10/2013	116203 CHRISTOPHER WELCH	07-13	07-13	015095	VO	REFUND	10/5/2011	0.00	34,579.26
021830	ZC	1/10/2013	116203 CHRISTOPHER WELCH	07-13	07-13	016643	AD	REFUND	1/4/2013	0.00	-34,579.26
									Check Total		**0.00**
021831	CK	1/10/2013	101601 SUSAN M LOPEZ	07-13		016644	VO	REFUND T2 COL	1/10/2013	0.00	4,204.49
021832	CK	1/10/2013	3349S	07-13		016645	VO	DEATH BENEFIT	1/10/2013	0.00	4,000.00

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	To	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
Company:	**VCERA**										
			BEATRICE D. HARRIS								
021833	CK	1/10/2013	107560 JANICE L. MCGARRY	07-13		016646	VO	REFUND T2 COL	1/10/2013	0.00	5,153.41
021834	CK	1/10/2013	103009 SHARYL R. BURKE	07-13		016647	VO	REFUND T2 COL	1/10/2013	0.00	7,460.62
021835	CK	1/10/2013	107234 JAMES R. BIERMANN	07-13		016648	VO	REFUND T2 COL	1/10/2013	0.00	15,732.87
021836	CK	1/10/2013	106925 CARMEN CASTANEDA	07-13		016649	VO	REFUND T2 COL	1/10/2013	0.00	6,964.98
021837	CK	1/10/2013	104334 SUSAN CHAVEZ	07-13		016650	VO	REFUND T2 COL	1/10/2013	0.00	10,958.45
021838	CK	1/10/2013	F5190 LETHIA J. ROSENBERG	07-13		016651	VO	PENSION PAYMENT	1/10/2013	0.00	986.04
021839	CK	1/10/2013	990002BM ARTHUR E GOULET	07-13		016652	VO	BRD MEM FEES	1/10/2013	0.00	200.00
021840	CK	1/10/2013	ZIGMAN LOUIS M. ZIGMAN, ESQ	07-13		016653	VO	ADMIN EXP	1/10/2013	0.00	262.50
021841	CK	1/10/2013	CUSTOM CUSTOM PRINTING	07-13		016654	VO	ADMIN EXP	1/10/2013	0.00	298.63
021842	CK	1/10/2013	EXPRESS EXPRESS BUSINESS MACHINI	07-13		016655	VO	ADMIN EXP	1/10/2013	0.00	84.73
021843	CK	1/10/2013	990002 ARTHUR E. GOULET	07-13		016656	VO	ADMIN EXP	1/10/2013	0.00	37.74
021844	CK	1/10/2013	COUNTY COUNTY COUNSEL	07-13		016657	VO	LEGAL FEES	1/10/2013	0.00	37,964.75

Ventura County Retirement Assn

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Company:	VCERA										
021845	CK	1/10/2013	990004BM WILL HOAG	07-13		016658	VO	BRD MEM FEES	1/10/2013	0.00	200.00
021846	CK	1/10/2013	990001BM ALBERT G HARRIS	07-13		016659	VO	BRD MEM FEES	1/10/2013	0.00	200.00
021847	CK	1/10/2013	990005BM WILLIAM W WILSON	07-13		016660	VO	BRD MEM FEES	1/10/2013	0.00	200.00
021848	CK	1/10/2013	990003BM JOSEPH HENDERSON	07-13		016661	VO	BRD MEM FEES	1/10/2013	0.00	200.00
021849	CK	1/11/2013	F8280 LINDA L. CLAYTON	07-13		016662	VO	PENSION PAYMENT	1/11/2013	0.00	3,513.60
021850	CK	1/16/2013	104547 PAULINE JAMES	07-13		016663	VO	REFUND T2 COL	1/16/2013	0.00	10,736.05
021851	CK	1/16/2013	F7341B3 KELLY M. RINEHART	07-13		016664	VO	DEATH BENEFIT	1/16/2013	0.00	378.27
021852	CK	1/16/2013	F7341B1 BRADLEY S. COCHRANE	07-13		016665	VO	DEATH BENEFIT	1/16/2013	0.00	367.19
021853	CK	1/16/2013	F4217B3 MICHAEL R. MUSKAT	07-13		016666	VO	DEATH BENEFIT	1/16/2013	0.00	1,369.86
021854	CK	1/16/2013	F6777S ESTELA DURAN	07-13		016667	VO	DEATH BENEFIT	1/16/2013	0.00	3,579.98
021855	CK	1/16/2013	F0503B1 MILDRED M. CARR	07-13		016668	VO	DEATH BENEFIT	1/16/2013	0.00	1,892.12
021856	CK	1/16/2013	F0503B2 RICKY L. COX	07-13		016669	VO	DEATH BENEFIT	1/16/2013	0.00	1,892.12
021857	CK	1/16/2013	F0891S1 THE BASILIA JANE HEDRICK T	07-13	07-13	016670	VO	DEATH BENEFIT	1/16/2013	0.00	489.41

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	To	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
Company:	**VCERA**										
021857	VC	1/17/2013	F0891S1 THE BASILIA JANE HEDRICK T	07-13	07-13	016670	VO	DEATH BENEFIT	1/16/2013	0.00	-489.41
									Check Total		**0.00**
021858	CK	1/16/2013	105703 GLENDA JACKSON	07-13		016672	VO	MILEAGE REIMB	1/16/2013	0.00	24.24
021859	CK	1/16/2013	122180 DONALD C KENDIG	07-13		016671	VO	ADMIN EXP	1/16/2013	0.00	349.57
021860	CK	1/16/2013	BLACKROCK BLACKROCK INSTL TRUST CC	07-13		016673	VO	INVESTMENT FEES	1/16/2013	0.00	167,946.75
021861	CK	1/16/2013	CORPORATE STAPLES ADVANTAGE	07-13		016678	VO	ADMIN EXP	1/16/2013	0.00	1,825.17
021862	CK	1/16/2013	FOLEY FOLEY AND LARDNER LLP	07-13		016679	VO	LEGAL FEES	1/16/2013	0.00	106.00
021863	CK	1/16/2013	HEXAVEST HEXAVEST INC	07-13		016675	VO	INVESTMENT FEES	1/16/2013	0.00	69,416.31
021864	CK	1/16/2013	SEGAL THE SEGAL COMPANY	07-13		016677	VO	ADMIN EXP	1/16/2013	0.00	29,000.00
021865	CK	1/16/2013	SPRUCE SPRUCEGROVE INVESTMENT	07-13		016674	VO	INVESTMENT FEES	1/16/2013	0.00	51,390.34
021866	CK	1/16/2013	TWC TIME WARNER CABLE	07-13		016676	VO	ADMIN EXP	1/16/2013	0.00	426.62
021867	CK	1/17/2013	F0891S1 THE BASILIA JANE HEDRICK T	07-13	07-13	016670	VO	DEATH BENEFIT	1/16/2013	0.00	489.41
021867	VC	1/17/2013	F0891S1 THE BASILIA JANE HEDRICK T	07-13	07-13	016670	VO	DEATH BENEFIT	1/16/2013	0.00	-489.41
									Check Total		**0.00**
021868	CK	1/17/2013	F0891S1 THE BASILIA JANE HEDRICK T	07-13	07-13	016670	VO	DEATH BENEFIT	1/16/2013	0.00	489.41
021868	VC	1/18/2013	F0891S1 THE BASILIA JANE HEDRICK T	07-13	07-13	016670	VO	DEATH BENEFIT	1/16/2013	0.00	-489.41

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Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	To	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
									Check Total		0.00
021869	CK	1/18/2013	F0891S1 THE BASILIA JANE HEDRICK T	07-13	07-13	016670	VO	DEATH BENEFIT	1/16/2013	0.00	489.41
021869	VC	1/22/2013	F0891S1 THE BASILIA JANE HEDRICK T	07-13	07-13	016670	VO	DEATH BENEFIT	1/16/2013	0.00	-489.41
									Check Total		0.00
021870	CK	1/22/2013	F0891S1 THE BASILIA JANE HEDRICK T	07-13		016670	VO	DEATH BENEFIT	1/16/2013	0.00	489.41
021871	VC	1/24/2013	HARRIS HARRIS WATER CONDITIONIN	07-13	07-13						
021872	VC	1/24/2013	101602 HENRY SOLIS	07-13	07-13						
021873	VC	1/24/2013	STATE STATE STREET CORPORATIO	07-13	07-13						
021874	VC	1/24/2013	YORK ACCESS INFORMATION MANA	07-13	07-13						
021875	VC	1/24/2013	CINTAS CINTAS DOCUMENT MANAGEI	07-13	07-13						
021876	VC	1/24/2013	CHAU ANTHONY CHAU	07-13	07-13						
021877	VC	1/24/2013	EXPRESS EXPRESS BUSINESS MACHINI	07-13	07-13						
021878	VC	1/24/2013	VITECH VITECH SYSTEMS GROUP INC	07-13	07-13						
021879	VC	1/24/2013	BARNEY ABU COURT REPORTING INC	07-13	07-13						
021880	VC	1/24/2013	AYALA IRENE P. AYALA	07-13	07-13						

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Company:	**VCERA**										
021881	VC	1/24/2013	WISSLEY DEBORAH Z. WISSLEY	07-13	07-13						
021882	CK	1/24/2013	WOLTERS WOLTERS KLUWER LAW & BU	07-13		016691	VO	ADMIN EXP	1/24/2013	0.00	405.93
021883	CK	1/24/2013	MEGAPATH MEGAPATH INC.	07-13		016692	VO	ADMIN EXP	1/24/2013	0.00	197.36
021884	CK	1/24/2013	COMPUWAVE COMPUWAVE	07-13		016693	VO	ADMIN EXP	1/24/2013	0.00	50.00
021885	CK	1/24/2013	AT&T AT & T MOBILITY	07-13		016694	VO	ADMIN EXP	1/24/2013	0.00	185.70
021886	CK	1/24/2013	122180 DONALD C KENDIG	07-13		016695	VO	TRAVEL REIMB	1/24/2013	0.00	308.96
021887	CK	1/24/2013	104238 TRACY TOWNER	07-13		016696	VO	TRAVEL REIMB	1/24/2013	0.00	434.72
021888	CK	1/24/2013	VOLT VOLT	07-13		016697	VO	ADMIN EXP	1/24/2013	0.00	3,519.10
021889	CK	1/24/2013	CMP CMP & ASSOCIATES, INC	07-13		016698	VO	ADMIN EXP	1/24/2013	0.00	34,080.00
021890	CK	1/24/2013	LINEA LINEA SOLUTIONS	07-13		016699	VO	ADMIN EXP	1/24/2013	0.00	43,533.30
021891	CK	1/24/2013	HARRIS HARRIS WATER CONDITIONIN	07-13		016680	VO	ADMIN EXP	1/24/2013	0.00	79.50
021892	CK	1/24/2013	101602 HENRY SOLIS	07-13		016681	VO	TRAVEL REIMB	1/24/2013	0.00	456.07
021893	CK	1/24/2013	STATE	07-13		016682	VO	INVESTMENT FEES	1/24/2013	0.00	8,098.71

Ventura County Retirement Assn

Check Register - Standard

Period: 07-13 As of: 2/12/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	To	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
Company:	**VCERA**										
			STATE STREET CORPORATIO								
021894	CK	1/24/2013	YORK ACCESS INFORMATION MANA	07-13		016683	VO	ADMIN EXP	1/24/2013	0.00	292.18
021895	CK	1/24/2013	CINTAS CINTAS DOCUMENT MANAGEI	07-13		016684	VO	ADMIN EXP	1/24/2013	0.00	114.50
021896	CK	1/24/2013	CHAU ANTHONY CHAU	07-13		016685	VO	ADMIN EXP	1/24/2013	0.00	12,082.50
021897	CK	1/24/2013	EXPRESS EXPRESS BUSINESS MACHINI	07-13		016686	VO	ADMIN EXP	1/24/2013	0.00	324.06
021898	CK	1/24/2013	VITECH VITECH SYSTEMS GROUP INC	07-13		016687	VO	ADMIN EXP	1/24/2013	0.00	2,500.00
021899	CK	1/24/2013	BARNEY ABU COURT REPORTING INC	07-13		016688	VO	ADMIN EXP	1/24/2013	0.00	464.00
021900	CK	1/24/2013	AYALA IRENE P. AYALA	07-13		016689	VO	ADMIN EXP	1/24/2013	0.00	10,543.75
021901	CK	1/24/2013	WISSLEY DEBORAH Z. WISSLEY	07-13		016690	VO	ADMIN EXP	1/24/2013	0.00	2,677.50
021902	CK	1/25/2013	116070 RAMONA J. ARMIJO	07-13		016700	VO	REFUND	1/25/2013	0.00	9,962.34
021903	CK	1/25/2013	116070R MERRILL LYNCH	07-13		016701	VO	ROLLOVER	1/25/2013	0.00	26,260.11
021904	CK	1/25/2013	119416 ANGEL G. MURILLO	07-13		016702	VO	REFUND	1/25/2013	0.00	13,708.04
021905	CK	1/25/2013	119408 ROXANNA ALVAREZ	07-13		016703	VO	REFUND	1/25/2013	0.00	5,149.59

Ventura County Retirement Assn

Check Register - Standard

Period: 07-13 As of: 2/12/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	To	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
Company:	**VCERA**										
021906	CK	1/25/2013	119349 JAMES S. EICHER JR	07-13		016704	VO	REFUND	1/25/2013	0.00	26,213.78
021907	CK	1/25/2013	106661 CATHERINE BEAS	07-13		016705	VO	REFUND	1/25/2013	0.00	28,940.21
021908	CK	1/25/2013	121949 MONIQUE EASTIS	07-13		016706	VO	REFUND	1/25/2013	0.00	3,319.73
021909	CK	1/25/2013	117700 YRINDIRA BECERRA	07-13		016707	VO	REFUND	1/25/2013	0.00	8,146.03
021910	CK	1/25/2013	117700R FIDELITY INVESTMENTS ATTN	07-13		016708	VO	ROLLOVER	1/25/2013	0.00	6,143.78
021911	CK	1/25/2013	120632 FAISAL HOSSAIN	07-13		016709	VO	REFUND	1/25/2013	0.00	3,403.47
021912	CK	1/25/2013	120632R FIDELITY MGMT. TRUST CO.--I	07-13		016710	VO	ROLLOVER	1/25/2013	0.00	10,958.04
021913	CK	1/25/2013	F5873 LELIA L. FISHER	07-13		016711	VO	PENSION PAYMENT	1/25/2013	0.00	1,629.67
021914	CK	1/31/2013	990005BM WILLIAM W WILSON	07-13		016712	VO	BRD MEM FEES	1/30/2013	0.00	200.00
021915	CK	1/31/2013	990003BM JOSEPH HENDERSON	07-13		016713	VO	BRD MEM FEES	1/30/2013	0.00	200.00
021916	CK	1/31/2013	990001BM ALBERT G HARRIS	07-13		016714	VO	BRD MEM FEES	1/30/2013	0.00	200.00
021917	CK	1/31/2013	990004BM WILL HOAG	07-13		016715	VO	BRD MEM FEES	1/30/2013	0.00	200.00
021918	CK	1/31/2013	990002BM ARTHUR E GOULET	07-13		016716	VO	BRD MEM FEES	1/30/2013	0.00	200.00

Ventura County Retirement Assn

Check Register - Standard

Period: 07-13 As of: 2/12/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	To	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
Company:	**VCERA**										
021919	CK	1/31/2013	990002 ARTHUR E. GOULET	07-13		016717	VO	MILEAGE REIMB	1/30/2013	0.00	38.42
021920	CK	1/31/2013	ADP ADP INC	07-13		016718	VO	ADMIN EXP	1/30/2013	0.00	7,707.11
021921	CK	1/31/2013	F4239 MILDRED ELIZABETH DOVGIN	07-13		016719	VO	PENSION PAYMENT	1/30/2013	0.00	752.88
021922	CK	1/31/2013	F3869 MARY V. TRIBBEY	07-13		016720	VO	PENSION PAYMENT	1/30/2013	0.00	474.30
021923	CK	1/31/2013	COUNTY COUNTY COUNSEL	07-13		016721	VO	LEGAL FEES	1/30/2013	0.00	27,891.50
021924	CK	1/31/2013	CROST PAUL E CROST	07-13		016722	VO	ADMIN EXP	1/30/2013	0.00	6,387.50
021925	CK	1/31/2013	ANTHONY RICHARD C. ANTHONY	07-13		016723	VO	ADMIN EXP	1/30/2013	0.00	2,887.50
021926	CK	1/31/2013	MBS MANAGED BUSINESS SOLUTI(	07-13		016724	VO	ADMIN EXP	1/30/2013	0.00	34,872.50
021927	CK	1/31/2013	CORPORATE STAPLES ADVANTAGE	07-13		016725	VO	ADMIN EXP	1/30/2013	0.00	282.84

Check Count: 144

Acct Sub Total: **1,718,742.54**

Check Type	Count	Amount Paid
Regular	117	1,760,965.19
Hand	0	0.00
Void	21	-42,222.65
Stub	0	0.00
Zero	6	0.00

Ventura County Retirement Assn

Check Register - Standard

Period: 07-13 As of: 2/12/2013

Check Nbr	Check Type	Check Date	Vendor ID Vendor Name	To	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid

Company: VCERA

Mask	0	0.00
Total:	**144**	**1,718,742.54**

Company Disc Total	**0.00**	**Company Total**	**1,718,742.54**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ASSET ALLOCATION
As of 01/31/2013

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	**33,475,134**	0.93%	35,963,482	1.00%	0.5%	2.0%	OK	2,488,348		33,475,134	0.94%	OK
Western U.S. Index Plus	**112,580,301**	3.13%	107,890,445	3.00%	2.0%	4.0%	OK	(4,689,856)	(16,600,000)	95,980,301	2.68%	OK
BlackRock Equity Market Fund	**1,186,404,062**	32.99%	1,150,831,415	32.00%	28.0%	36.0%	OK	(35,572,647)		1,186,404,062	33.14%	OK
Total U.S. Equities	1,332,459,497	37.05%	1,294,685,342	36.00%	30.0%	40.0%	**OK**	(37,774,155)	(16,600,000)	1,315,859,497	36.76%	**OK**
BlackRock ACWI ex-U.S. Index	**354,004,845**	9.84%	359,634,817	10.00%	8.0%	12.0%	OK	5,629,972		354,004,845	9.89%	OK
Sprucegrove	**163,237,338**	4.54%	143,853,927	4.00%	3.0%	6.0%	OK	(19,383,411)		163,237,338	4.56%	OK
Hexavest	**69,456,567**	1.93%	71,926,963	2.00%	1.0%	3.0%	OK	2,470,396		69,456,567	1.94%	OK
Walter Scott	**85,815,607**	2.39%	107,890,445	3.00%	1.5%	4.0%	OK	22,074,838		85,815,607	2.40%	OK
Total Non-U.S. Equities	672,514,357	18.70%	683,306,153	19.00%	15.0%	21.0%	**OK**	10,791,796	-	672,514,357	18.79%	**OK**
GMO Global	**180,074,605**	5.01%	179,817,409	5.00%	3.0%	7.0%	OK	(257,196)		180,074,605	5.03%	OK
BlackRock MSCI ACWI Equity Index	**135,211,570**	3.76%	179,817,409	5.00%	3.0%	7.0%	OK	44,605,839		135,211,570	3.78%	OK
Total Global Equities	315,286,175	8.77%	359,634,817	10.00%	7.0%	13.0%	**OK**	44,348,642	-	315,286,175	8.81%	**OK**
Total Equities	2,320,260,029	64.52%	2,337,626,312	65.00%	58.0%	70.0%	**OK**	17,366,283	(16,600,000)	2,303,660,029	64.35%	**OK**
Western	**278,846,212**	7.75%	287,707,854	8.00%	6.0%	10.0%	OK	8,861,642		278,846,212	7.79%	OK
BlackRock U.S. Debt Fund	**132,889,932**	3.70%	143,853,927	4.00%	3.0%	6.0%	OK	10,963,995		132,889,932	3.71%	OK
Reams	**244,522,630**	6.80%	251,744,372	7.00%	6.0%	9.0%	OK	7,221,742		244,522,630	6.83%	OK
Loomis Sayles	**107,930,710**	3.00%	107,890,445	3.00%	2.0%	4.0%	OK	(40,265)		107,930,710	3.02%	OK
Total Domestic Fixed Income	764,189,484	21.25%	791,196,598	22.00%	17.0%	29.0%	**OK**	27,007,114	-	764,189,484	21.35%	**OK**
PIMCO Global	**99,730,684**	2.77%	107,890,445	3.00%	2.0%	4.0%	OK	8,159,761		99,730,684	2.79%	OK
Loomis Sayles Global	**67,631,385**	1.88%	71,926,963	2.00%	1.0%	4.0%	OK	4,295,578		67,631,385	1.89%	OK
Total Global Fixed Income	167,362,069	4.65%	179,817,409	5.00%	3.0%	8.0%	**OK**	12,455,340	-	167,362,069	4.68%	**OK**
Total Fixed Income	931,551,553	25.90%	971,014,007	27.00%	20.0%	37.0%	**OK**	39,462,454	-	931,551,553	26.02%	**OK**
Prudential Real Estate	**83,100,793**	2.31%	107,890,445	3.00%	2.0%	4.0%	OK	24,789,652		83,100,793	2.32%	OK
UBS Real Estate	**178,706,026**	4.97%	134,863,056	3.75%	3.0%	5.0%	OK	(43,842,970)		178,706,026	4.99%	OK
Guggenheim	**22,252,349**	0.62%	35,963,482	1.00%	0.5%	2.0%	OK	13,711,133		22,252,349	0.62%	OK
RREEF	**10,225,857**	0.28%	8,990,870	0.25%	0.1%	1.0%	OK	(1,234,987)		10,225,857	0.29%	OK
Real Estate	294,285,025	8.18%	287,707,854	8.00%	5.0%	10.0%	**OK**	(6,577,171)	-	294,285,025	8.22%	**OK**
Adams Street Partners	**27,439,375**	0.76%	-	0.00%	0.0%	4.0%	OK	(27,439,375)		27,439,375	0.77%	OK
Pantheon Ventures	**9,600,000**	0.27%	-	0.00%	0.0%	4.0%	OK	(9,600,000)		9,600,000	0.27%	OK
Private Equity	37,039,375	1.03%	-	0.00%	0.0%	5.0%	**OK**	(37,039,375)	-	37,039,375	1.03%	**OK**
Alternatives	-	0.00%	-	0.00%	0.0%	5.0%	**OK**	-	-	-	0.00%	**OK**
Clifton	**13,212,191**	0.37%	-	0.00%	0.0%	3.0%	OK	(13,212,191)		13,212,191	0.37%	OK
Other Assets	13,212,191	0.37%	-	0.00%	0.0%	5.0%	**OK**	(13,212,191)	-	13,212,191	0.37%	**OK**
Total Investment Portfolio	**3,596,348,173**	**100.00%**	**3,596,348,173**	**100.00%**				**0**	**(16,600,000)**	**3,579,748,173**	**100.00%**	

Date Accessed **2/20/2013 16:26**

G:\Finance\FY 2012-13\Investments\HEK Rebalancing Spreadsheet_FY 2012-13January 31, 2013

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BUDGET SUMMARY FISCAL YEAR 2012-2013
January 2013 - 58.33% of Fiscal Year Expended

EXPENDITURE DESCRIPTIONS	2012/2013 Budget	Jan-13	Year to Date Expended	Available Balance	Percent Expended
Salaries & Employee Benefits:					
Regular Salaries	$ 1,623,400.00	$ 115,906.22	$ 780,308.31	$ 843,091.69	48.07%
Extra-Help	25,000.00	3,048.03	25,200.01	(200.01)	100.80%
Overtime	7,600.00	7.61	839.06	6,760.94	11.04%
Supplemental Payments	49,300.00	3,488.04	23,146.23	26,153.77	46.95%
Vacation Redemption	71,700.00	8,578.74	51,613.80	20,086.20	71.99%
Retirement Contributions	363,600.00	25,965.12	169,413.85	194,186.15	46.59%
OASDI Contributions	82,600.00	7,699.41	46,993.01	35,606.99	56.89%
FICA-Medicare	25,400.00	1,800.68	12,092.76	13,307.24	47.61%
Management Retiree Health Benefit	15,600.00	1,351.56	9,138.72	6,461.28	58.58%
Group Insurance	159,800.00	11,466.00	75,348.00	84,452.00	47.15%
Life Insurance/Mgmt	900.00	72.66	486.05	413.95	54.01%
Unemployment Insurance	2,500.00	172.86	1,157.55	1,342.45	46.30%
Management Disability Insurance	4,100.00	280.05	1,887.77	2,212.23	46.04%
Worker' Compensation Insurance	10,200.00	773.37	5,242.84	4,957.16	51.40%
401K Plan Contribution	41,500.00	2,047.53	14,333.48	27,166.52	34.54%
Total Salaries & Employee Benefits	$ 2,483,200.00	$ 182,657.88	$ 1,217,201.44	$ 1,265,998.56	49.02%
Services & Supplies:					
Telephone Services - ISF	$ 21,400.00	$ 2,574.63	$ 24,727.57	$ (3,327.57)	115.55%
General Insurance - ISF	9,600.00	0.00	4,796.00	4,804.00	49.96%
Office Equipment Maintenance	1,000.00	(2,352.97)	503.79	496.21	50.38%
Membership and Dues	9,700.00	(2,900.00)	7,870.00	1,830.00	81.13%
Education Allowance	6,000.00	0.00	2,000.00	4,000.00	33.33%
Cost Allocation Charges	(34,100.00)	(17,074.00)	(17,074.00)	(17,026.00)	50.07%
Printing Services - Not ISF	5,500.00	116.57	804.39	4,695.61	14.63%
Books & Publications	2,500.00	405.93	780.82	1,719.18	31.23%
Office Supplies	18,000.00	2,756.21	8,846.22	9,153.78	49.15%
Postage & Express	55,000.00	5,270.96	24,719.25	30,280.75	44.94%
Printing Charges - ISF	12,000.00	5,095.17	5,335.17	6,664.83	44.46%
Copy Machine Services - ISF	5,900.00	2,153.64	3,039.54	2,860.46	51.52%
Board Member Fees	11,500.00	2,000.00	5,500.00	6,000.00	47.83%
Professional Services	828,400.00	149,628.08	534,494.85	293,905.15	64.52%
Storage Charges	3,200.00	292.18	2,082.67	1,117.33	65.08%
Minor Equipment	18,500.00	0.00	13,319.90	5,180.10	72.00%
Office Lease Payments	178,600.00	15,093.21	86,876.86	91,723.14	48.64%
Private Vehicle Mileage	8,000.00	695.69	5,985.01	2,014.99	74.81%
Conference, Seminar and Travel	60,000.00	4,597.56	21,526.63	38,473.37	35.88%
Furniture	7,000.00	0.00	647.00	6,353.00	9.24%
Facilities Charges	15,000.00	2,856.76	2,856.76	12,143.24	19.05%
Total Services & Supplies	$ 1,242,700.00	$ 171,209.62	$ 739,638.43	$ 503,061.57	59.52%
Total Administrative Budget	$ 3,725,900.00	$ 353,867.50	$ 1,956,839.87	$ 1,769,060.13	52.52%
Information Technology:					
Computer Hardware	$ 20,000.00	$ -	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	54,354.64	216,968.60	199,431.40	52.11%
Special Project - New Pension System	2,089,200.00	84,838.75	1,510,843.10	578,356.90	72.32%
Total Information Technology	$ 2,534,400.00	$ 139,193.39	$ 1,759,794.59	$ 774,605.41	69.44%
Contingency	$ 577,600.00	$ -	$ -	$ -	0.00%
Total Current Year	$ 6,837,900.00	$ 493,060.89	$ 3,716,634.46	$ 3,121,265.54	54.35%

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

February 17, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572

Re: Conference Report

Dear Board Members:

On January 29-31, I attended the CALAPRS Board Leadership Institute: Advanced Principles in Governance, at the UCLA Anderson School of Management. The majority of the participants were trustees from 1937 Act systems, although there was a scattering of attendees from independent retirement systems, as well as one from CalPERS. Although the Institute was aimed at experienced trustees, several of those attending were quite new, including one from the San Francisco retirement system who had just been appointed as trustee in November. She has also only been a member of the Board of Supervisors for two years.

Subject matter comprised "Characteristics of an Effective Board", "Macroeconomic Forecasts and Retirement Planning", an "Investments Panel", "Activist Shareholder Dialogue", "Advanced Actuarial Principles", and "The Role of the Board in Leadership Development & Succession Planning".

The faculty was excellent. Most were senior professors who were seasoned and capable presenters. The investment panel consisted of experienced investment managers, and the actuarial presentation was done by Paul Angelo. Unfortunately, from my perspective, many of the presentations were not relevant to public retirement systems but, to a significant extent, addressed issues and problems only pertinent to corporate boards of directors. These boards differ substantially from public retirement system boards. Nonetheless, because of the quality of the faculty, the presentations were very interesting. It is also possible the aim of the university faculty was to convince public retirement trustees to become more activist and to consider the governance of corporations before investing in them.

In defense of CALAPRS, this was the first iteration of a new program. I commented on what I considered to not be relevant to public retirement systems and, I assume, CALAPRS will make adjustments going forward.

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

Respectfully,

Arthur E. Goulet

Arthur E. Goulet
Board Member

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

February 16, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572

Re: Conference Report

Dear Board Members:

On February 8, I attended the CALAPRS Trustees' Roundtable in San Jose. Not many 1937 Act systems were represented. The majority of those in attendance were from the local area, representing independent retirement systems.

The roundtable began with a presentation by Jeremy Baskin, CEO of AXA Rosenberg Investment Management. He described an investment strategy called "Smarter Beta," aimed at harvesting the maximum amount of market beta, while minimizing risk. Its features are low cost and transparency, diversification away from market capitalization, and fundamental focus and intelligent diversification. Although it is based on reference to an index, it uses a different weighting scheme to reduce concentration risk, while managing liquidity. The results of the prototype presented were volatility about 20% lower than the market, with earnings about 20 basis points higher than a cap weighted index.

The second presenter was Anne Casscells, CIO of Aetos Capital. She talked about why the largest endowment funds have outperformed in the past. That is, they exceeded the median performance of comparable endowment funds by an average of 3.7% per year, and public pension funds by an average of 4.2% over the 10 year period ending 2010. She believes that the outperformance was a function of a governance structure that allowed significant flexibility; in particular, by delegating investment management to staff, and only reviewing investment performance once a year. The gains resulted from portable alpha strategies, hedge funds, and private equity investments. The downside of large commitments to these strategies is illiquidity. Interestingly, a generic 70/30 stock/bond portfolio outperformed endowment funds in FY 2012, and was essentially equivalent in the 10 years ending in June 2012.

Next was Michael Robbins of ECR Capital Management. He presented a case study of the investments of the City of San Jose retirement plans. The premise was to show that, although the plans believed they were extremely diversified, when you drilled down into the holdings of the various investment managers, you found that many invested in the same stocks or the same category of stocks, which substantially reduced the actual diversity. Unfortunately, the slides Mr. Robbins displayed contained far too much information and were very difficult to read, detracting from his presentation, especially since he had no paper handouts.

The final presenter was Kim Arthur, CEO of Main Management. He described a low volatility hedging strategy using ETFs. However, much of what he presented were statistics about national and international economies to show that global uncertainty probably means that volatility will continue to be a concern. He felt that hedge funds have a role in obtaining excess returns in a volatile environment, but the big tradeoff is lack of liquidity and fees. His suggested alternative method is to hedge an equity portfolio with covered call options. He believes this strategy will generate excess returns in flat or declining markets, although likely to trail in strong bull markets. He posited that systematic option writing results in significantly less volatility and superior risk-adjusted returns, and recommended a 15% allocation to this strategy. One of the approaches he suggested, which didn't make sense to me, was to make the related trades using E-Trade or Schwab to reduce fees. That seems to imply that a pension system have a full-time trader on staff.

I was disappointed that there was less time than usual devoted to networking with trustees from other systems, which I find to be very valuable. Additionally, there was no time set aside for any discussion of PEPRA, which I had hoped for.

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

Respectfully,

Arthur E. Goulet

Arthur E. Goulet
Board Member

PREI®

PRUDENTIAL REAL ESTATE INVESTORS

PRISA

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION | FEBRUARY 25, 2013

Mark Oczkus

PRINCIPAL

ABU DHABI
ATLANTA
BEIJING
CHICAGO
FRANKFURT
HONG KONG
ISTANBUL
LISBON
LONDON
LUXEMBOURG
MADISON
MEXICO CITY
MIAMI
MILAN
MUNICH
NEW YORK
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Note: **December 31, 2012 data is preliminary and subject to change.** Unless otherwise stated, all return information provided in this presentation is before the deduction of management fees and is not a guarantee or a reliable indicator of future results. All performance targets throughout this presentation are made as of 12-31-2012 and are not guaranteed. Please refer to the Appendix for returns after the deduction of fees and for other important disclosures regarding the information contained herein.

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I. PREI OVERVIEW

A GLOBAL REAL ESTATE MANAGER

- The benefits of an integrated global platform with the local expertise to ensure investment success

NORTH AMERICA

Atlanta
Chicago
Madison
Miami
New York
San Francisco

LATIN AMERICA

Mexico City
Sao Paulo

EUROPE

Frankfurt
Istanbul
Lisbon
London
Luxembourg
Milan[1]
Munich
Paris

MIDDLE EAST

Abu Dhabi

ASIA PACIFIC

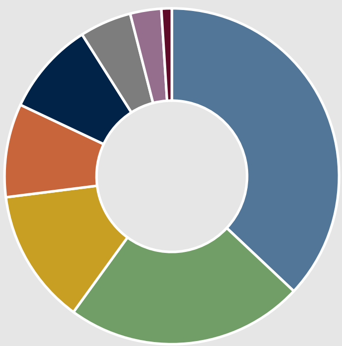
Beijing
Hong Kong
Singapore
Seoul
Sydney[2]
Tokyo

- PREI is one of the few truly global investment managers that can provide a consistent client experience across the world

[1] Representative presence.
[2] Pending regulatory approval.

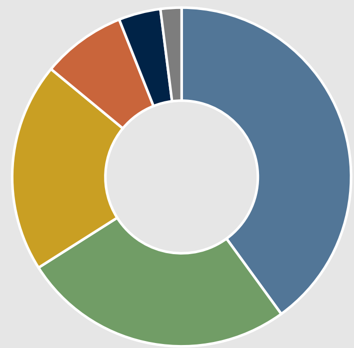
GLOBAL ASSETS UNDER MANAGEMENT — $51.2 BILLION[1]

CLIENT TYPE



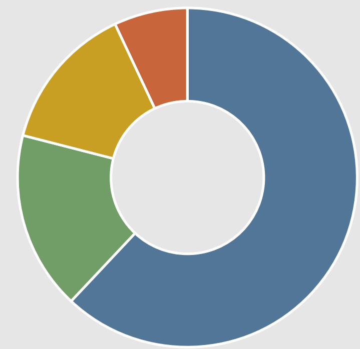
37%	PUBLIC PENSION PLAN
23%	CORPORATE PENSION PLAN
13%	UNION PENSION FUNDS
9%	OTHER
9%	RETAIL
5%	INSURANCE COMPANIES
3%	ENDOWMENTS & FOUNDATIONS
1%	SOVEREIGN WEALTH FUND

INVESTMENT STRATEGY



40%	CORE
26%	CORE PLUS
20%	VALUE ADDED
8%	OPPORTUNISTIC
4%	SECURITIES
2%	DEBT

INVESTMENT LOCATION



62%	NORTH AMERICA
17%	EUROPE
14%	ASIA PACIFIC
7%	LATIN AMERICA

[1] As of September 30, 2012, total net assets under management equal $34.6 billion.

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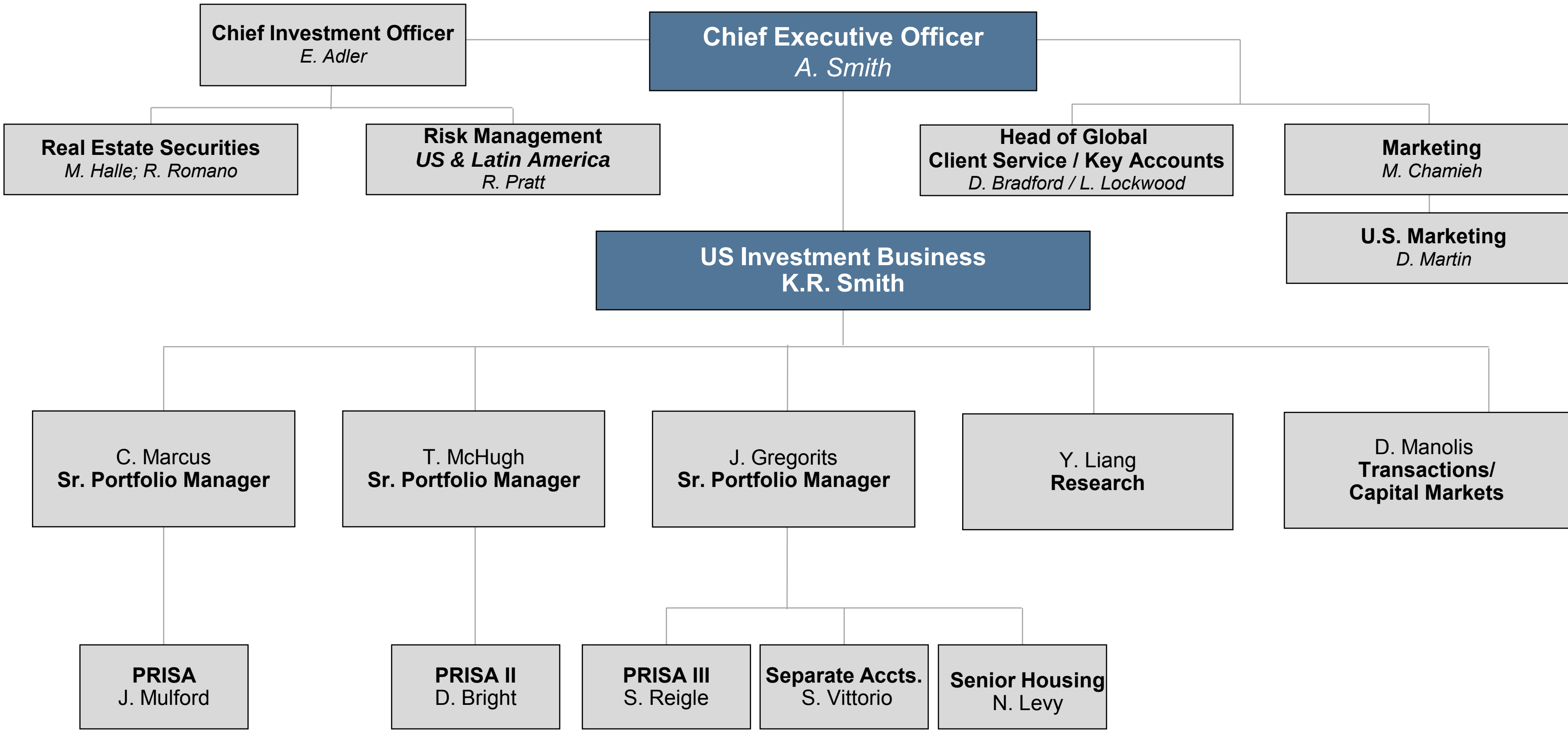
US BUSINESS ORGANIZATION CHART



Note: As of January 2013.

PRISA FAMILY OF FUNDS

Strategy	PRISA	PRISA II	PRISA III
Size: [1] **GAV** **NAV**	 $14.3 B $11.5 B	 $8.0 B $5.6 B	 $2.1 B $1.2 B
Risk Profile: **Core** **Non-Core**	 90% 10%	 65% 35%	 40% 60%
Inception:	1970	1980	2003
Return Focus:	Income	Income + Appreciation	Income + Appreciation
Property Type Focus:	Fully Diversified	Diversified	Limited Diversification
Geographic Focus:	US Diversified	US Diversified	US Diversified
Annualized Benchmark:	Meet or exceed NFI-ODCE	NFI-ODCE +100 bps	NFI-ODCE + 300 bps
Long Term Return Target:[2,3]	7.50% to 9.50%	8.50% to 11.00%	11.00% to 14.00%
Portfolio Leverage Limit:	30%	40%	65%
Other Governors: **- Max. Single asset exposure (% GAV)** **- Max. Mezzanine Investing (% GAV)** **- Max. Land Investing (% GAV)**	 5% 5% 0% (with limited exceptions)	 5% 10% 5%	 15% 15% 5%

[1] As of 12/31/12.
[2] Targeted returns are portfolio level, before fees and over a complete market cycle. There is no guarantee that targeted returns will be achieved.
[3] Net target return for PRISA is 6.50% - 8.50%; PRISA II is 7.50% - 10.00%; and PRISA III is 9.30% - 12.30%. There is no guarantee that targeted returns will be achieved.

II. PRISA

Note: **December 31, 2012 data is preliminary and subject to change.** Unless otherwise stated, all return information provided in this presentation is before the deduction of management fees and is not a guarantee or a reliable indicator of future results. All performance targets throughout this presentation are made as of 12-31-2012 and are not guaranteed. Please refer to the Appendix for returns after the deduction of fees and for other important disclosures regarding the information contained herein.

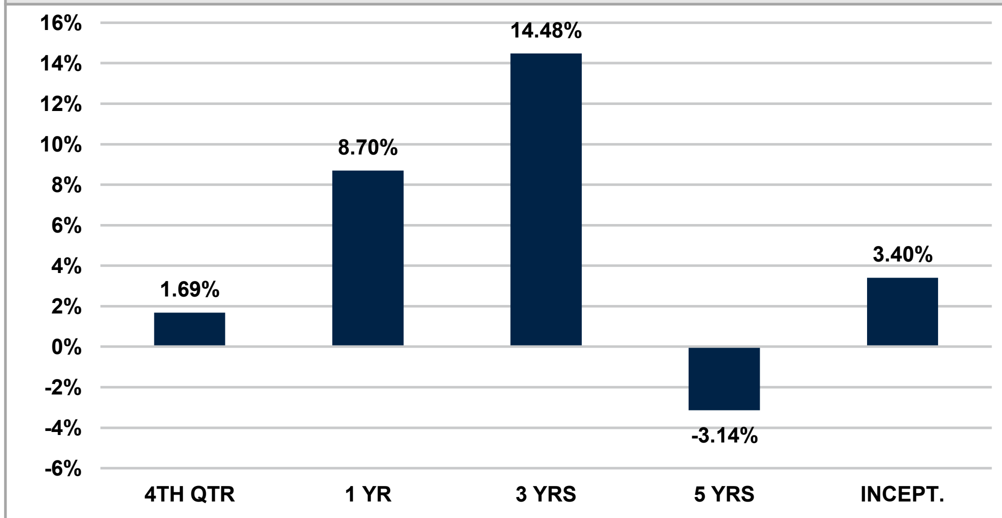
Ventura County Employees’ Retirement Association

PRISA Account Assets as of December 31, 2012

CONTRIBUTIONS:	
Deposits (3/31/05 Inception Date)	$60,000,000.00
DISBURSEMENTS:	
Withdrawals	$0.00
Deducted Fees	$0.00
Cash Flow Distributions	$0.00
TOTAL DISBURSEMENTS	**$0.00**
INVESTMENT EARNINGS	**$22,992,278.57**
MARKET VALUE (DEC 31, 2012)	**$82,992,278.57**

OPERATING CASH FLOW:	Currently Reinvesting
Total Reinvested:	$24,965,807
4Q12:	$891,834
3Q12:	$852,897

PRISA NET DOLLAR-WEIGHTED PERFORMANCE – AS OF DECEMBER 31, 2012



Note: Past performance is not a guarantee or reliable indicator of future results.

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Ventura County Employees' Retirement Association
PRISA Historical Investment Activity

	Beginning Investment Value	Capital Contributions	Fee Contributions	Capital Withdrawals	Operating Cash Flow Distributions	Income Earned Before Fees	Fee Expense	Appreciation	Ending Investment Value
Q105	$0	$40,000,000	$0	$0	$0	$0	$0	$0	$40,000,000
Q205	$40,000,000	$0	$107,958	$0	$0	$723,934	-$107,958	$1,675,548	$42,399,481
Q305	$42,399,481	$20,000,000	$114,614	$0	$0	$813,393	-$114,614	$1,520,535	$64,733,409
Q405	$64,733,409	$0	$142,364	$0	$0	$1,086,686	-$142,364	$2,884,177	$68,704,272
Q106	$68,704,272	$0	$156,938	$0	$0	$1,174,780	-$156,938	$1,708,010	$71,587,062
Q206	$71,587,062	$0	$160,967	$0	$0	$1,168,247	-$160,967	$1,494,067	$74,249,376
Q306	$74,249,376	$0	$173,412	$0	$0	$1,192,761	-$173,412	$1,423,652	$76,865,789
Q406	$76,865,789	$0	$167,101	$0	$0	$1,197,616	-$167,101	$1,739,362	$79,802,766
Q107	$79,802,766	$0	$162,007	$0	$0	$1,182,197	-$162,007	$2,043,874	$83,028,837
Q207	$83,028,837	$0	$178,531	$0	$0	$1,244,677	-$178,531	$3,824,586	$88,098,100
Q307	$88,098,100	$0	$182,199	$0	$0	$1,230,525	-$182,199	$2,666,835	$91,995,460
Q407	$91,995,460	$0	$178,655	$0	$0	$1,319,208	-$178,655	$466,028	$93,780,697
Q108	$93,780,697	$0	$179,479	$0	$0	$1,258,643	-$179,479	-$615,941	$94,423,399
Q208	$94,423,399	$0	$176,746	$0	$0	$1,224,309	-$176,746	-$605,825	$95,041,883
Q308	$95,041,883	$0	$196,823	$0	$0	$1,266,457	-$196,823	-$886,936	$95,421,405
Q408	$95,421,405	$0	$174,509	$0	$0	$1,146,395	-$174,509	-$14,957,515	$81,610,284
Q109	$81,610,284	$0	$174,717	$0	$0	$1,044,937	-$174,717	-$13,705,166	$68,950,055
Q209	$68,950,055	$0	$121,485	$0	$0	$1,233,200	-$121,485	-$10,366,212	$59,817,044
Q309	$59,817,044	$0	$122,590	$0	$0	$1,158,044	-$122,590	-$5,822,419	$55,152,669
Q409	$55,152,669	$0	$124,111	$0	$0	$1,086,088	-$124,111	-$2,575,156	$53,663,601
Q110	$53,663,601	$0	$172,786	$0	$0	$1,067,152	-$172,786	-$1,175,729	$53,555,024
Q210	$53,555,024	$0	$168,199	$0	$0	$993,407	-$168,199	$3,232,665	$57,781,097
Q310	$57,781,097	$0	$168,318	$0	$0	$972,871	-$168,318	$822,090	$59,576,058
Q410	$59,576,058	$0	$135,469	$0	$0	$920,649	-$135,469	$3,053,734	$63,550,440
Q111	$63,550,440	$0	$167,393	$0	$0	$866,848	-$167,393	$2,678,262	$67,095,550
Q211	$67,095,550	$0	$170,348	$0	$0	$925,557	-$170,348	$2,356,428	$70,377,536
Q311	$70,377,536	$0	$161,456	$0	$0	$951,612	-$161,456	$1,939,732	$73,268,880
Q411	$73,268,880	$0	$165,718	$0	$0	$987,384	-$165,718	$1,418,596	$75,674,860
Q112	$75,674,860	$0	$175,678	$0	$0	$996,179	-$175,678	$1,485,116	$78,156,155
Q212	$78,156,155	$0	$178,270	$0	$0	$1,025,284	-$178,270	$836,829	$80,018,268
Q312	$80,018,268	$0	$178,018	$0	$0	$1,022,073	-$178,018	$397,651	$81,437,992
Q412	$81,437,992	$0	$175,442	$0	$0	$1,099,986	-$175,442	$454,301	$82,992,279
Totals	**$0**	**$60,000,000**	**$5,012,302**	**$0**	**$0**	**$33,581,098**	**-$5,012,302**	**-$10,588,819**	**$82,992,279**

US REAL ESTATE MARKET OUTLOOK

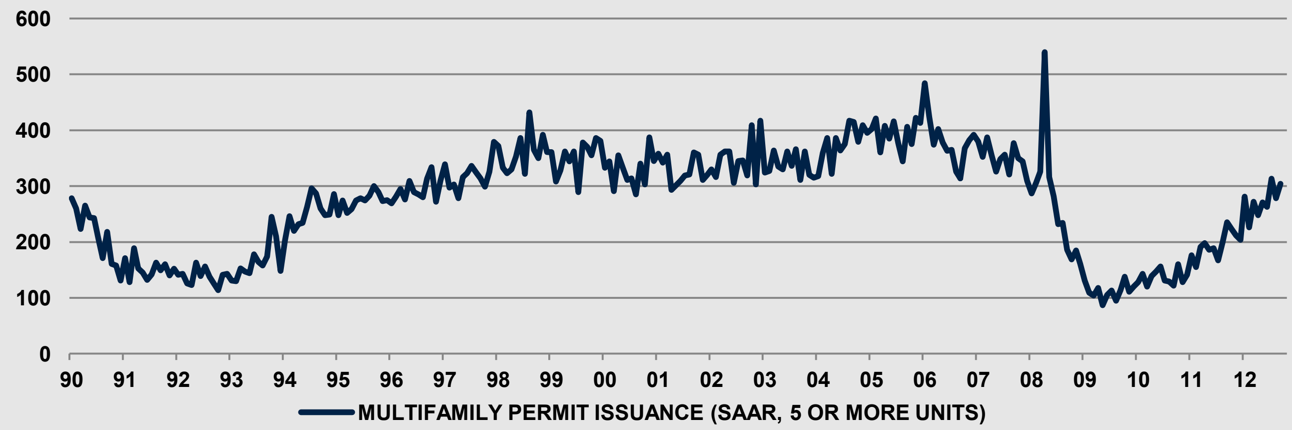
MACRO THEMES

- The US economy is expanding at a moderate pace. The labor market is improving and unemployment, though still high, continues to decline.
- Household spending continues to grow, though may face constraints in early 2013 from higher taxes.
- The Federal Reserve will keep interest rates low until unemployment drops below 6.5% or inflationary pressures build.
- The US housing market recovery is firmly established. Other positives include robust auto sales, strong corporate balance sheets and equity market gains.
- Real estate market fundamentals are improving across the board.
- Global real estate investors believe the US market will provide them with stable and secure opportunities.

IMPLICATIONS & OUTLOOK FOR COMMERCIAL REAL ESTATE

- **Apartments** – Occupancies remain tight. Strong, but decelerating, rent growth.
- **Office** – Strong job gains in technology and energy markets driving significant NOI growth. Supply growth remains extremely limited across many markets.
- **Retail** – Well-located grocery anchored centers and highly productive malls performing well.
- **Hotel** – Tourism and business travel are expanding. Record high demand for higher-priced segments.
- **Industrial** – Consumer spending and population growth spur warehouse demand.
- **Storage** – Occupancies and rent growth improving, institutional acceptance has strengthened.

APARTMENTS ARE THE ONLY SECTOR WHERE SUPPLY IS INCREASING, THOUGH IT IS STILL MANAGEABLE



Sources: PREI Research; Association of Foreign Investors in Real Estate, 1Q13

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PRISA DEDICATED PORTFOLIO MANAGEMENT TEAM

PORTFOLIO MANAGERS

CATHY MARCUS
Managing Director
Senior Portfolio Manager
Real Estate Experience:24
Years with Prudential:14

JOANNA MULFORD
Principal
Portfolio Manager
Real Estate Experience:16
Years with Prudential:23

NICOLE STAGNARO
Vice President
Assistant Portfolio Manager
Real Estate Experience:8
Years with Prudential:8

ASSET MANAGERS

MADISON
William Anderson
Carly Miller
Sarah Downey
Ana Maria Olmedo
Bonnie Poeta
Shaun Trimblett
Laura Rocco
Ryan Murray

SAN FRANCISCO
Keysha Bailey
Clarke Michalak
Jennifer Freedman
Carlos Jimenez
Ari Redstone

ATLANTA
Thomas G. Smith
Martha Burrows
Michael Payne
Jarrett Sappington

CHICAGO
Lawrence Frank
Mark Van De Hey
Michael Mcmains
Christopher Apostal
Dan Sherrard

Note: As of January 2013

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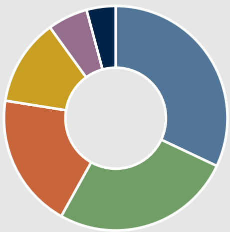
PRISA SNAPSHOT - DECEMBER 31, 2012

PROPERTY DIVERSIFICATION[1]

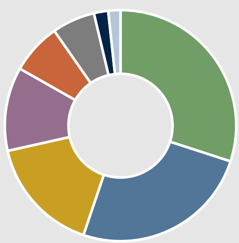
32.0%	OFFICE
26.1%	APARTMENT
19.4%	RETAIL
12.5%	INDUSTRIAL
5.8%	STORAGE
4.2%	HOTEL



PRISA's property type diversification reflects sector allocations relative to ODCE designed to lower volatility and outperform in various cycles.

GEOGRAPHIC DIVERSIFICATION[1]

30.0%	PACIFIC
25.2%	NORTHEAST
16.3%	MIDEAST
11.7%	SOUTHEAST
7.1%	SOUTHWEST
6.0%	EN CENTRAL
2.0%	MOUNTAIN
1.7%	WN CENTRAL



PRISA is more highly weighted to the major markets than NPI.[2]

THE BASICS

Gross Assets	$14.3 B
Net Assets	$11.5 B
Number of Investments	240
Number of Investors	272

RISK METRICS

RISK METRICS	CURRENT	TARGET
Core / Non-Core[2]	87% / 13%	90% / 10%
Leverage Ratio	20.9%	< 30.0%
Debt to Income Multiple	4.0x	< 5.0x

CAPITAL FLOWS

	4Q12	YTD
Deposits	$400.0 M	$1,062.5M
Withdrawal Payments	$89.2 M	$315.8M
Cash Flow Distributions	$57.7 M	$220.4M
Deposit Queue	$447.6 M	

THE DEBT PICTURE

% Fixed / Floating[3]	88% / 12%
Recourse Leverage Ratio	0.7%
Weighted Average Cost of Debt	4.4%

DEBT MATURING:

2013	$307.8 M
2014	$155.6 M
2015	$858.8 M

APPRAISAL ASSUMPTIONS

Direct Cap Rate	5.91%
Discount Rate	7.78%

[1] Based on the Fund's share of gross market value in properties and all debt investments.
[2] NPI is used as the benchmark for diversification by strategic markets. NFI ODCE is not available.
[3] Includes floating rate loans with caps.

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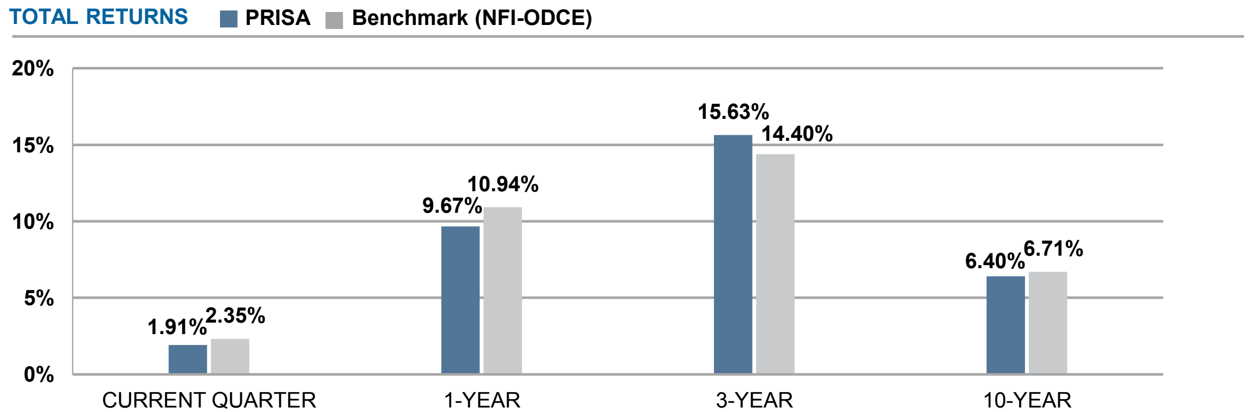
PRISA PERFORMANCE | DECEMBER 31, 2012

PRISA Relative Performance
IPD Attribution for One-Year[1]

What helped:	Relative (bps)
Storage	+ 92
Tech Centers	+ 40
Southern CA	+ 15
What hurt:	
Office (Under leased)	- 89
Retail (Village at Fairview, -55)	- 74
Non-strategic sales	- 62
Lower leverage	- 25
Land	- 15



PRISA	CURRENT QUARTER	1-YEAR	3-YEAR	10-YEAR
Income	**1.35%**	**5.36%**	**6.05%**	**6.76%**
Appreciation	**0.56%**	**4.31%**	**9.58%**	**-0.36%**

PORTFOLIO RESULTS

	4Q12	FULL-YEAR	2012 TARGET[2]
Total Return	**1.91%**	**9.67%**	7.50% - 9.50%
Income	**1.35%**	**5.36%**	5.50% - 6.00%
Appreciation	**0.56%**	**4.31%**	2.00% - 3.50%
Cash Flow Return	**0.94%**	**4.36%**	4.25% - 4.75%

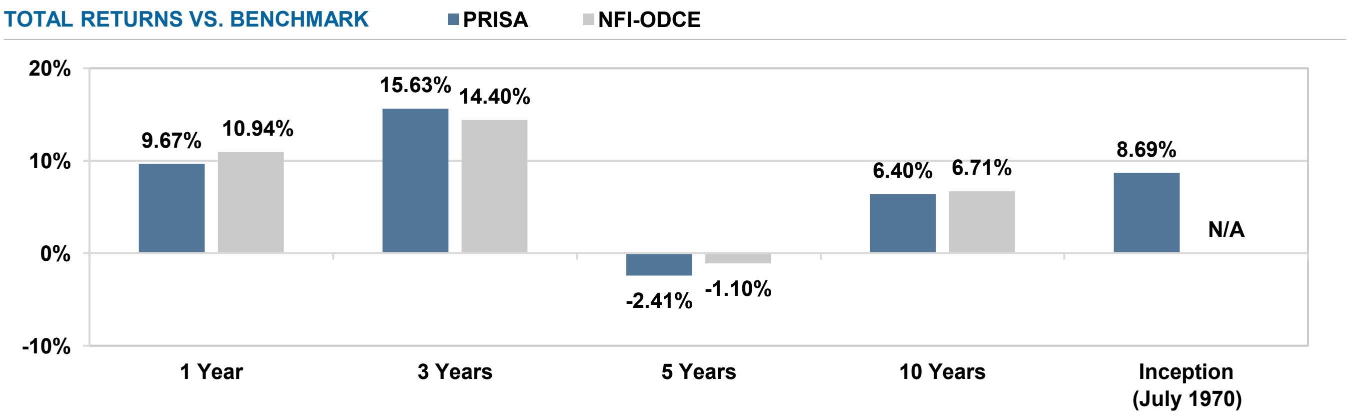
TRANSACTIONS (GROSS)

	4Q12	FULL-YEAR	2012 TARGET[1]
Acquisitions	**$556.8 M**	$1,307.9 M	$1,025.0 M
Dispositions	**$533.5 M**	$894.1 M	$655.0 M

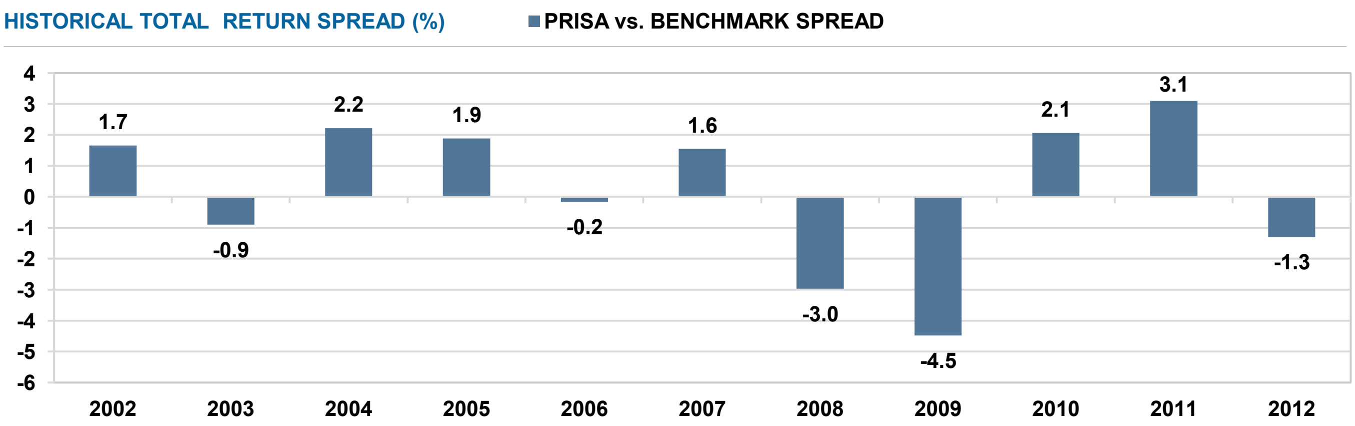
[1] Based on the preliminary report published by IPD U.S. Property Fund Index: Core Diversified Open End Funds on 2/7/2013. Targets are not guaranteed.
[2] Target total net return is 6.50% to 8.50%.
Note: All return information provided is before deduction of management fees. Returns for NFI-ODCE are based on the final report published by NCREIF on 1/31/2013. Past performance is not a guarantee or a reliable indicator of future results. Please refer to the appendix for further information.

PRISA TOTAL RETURNS VS. BENCHMARK - DECEMBER 31, 2012

TOTAL RETURNS VS. BENCHMARK

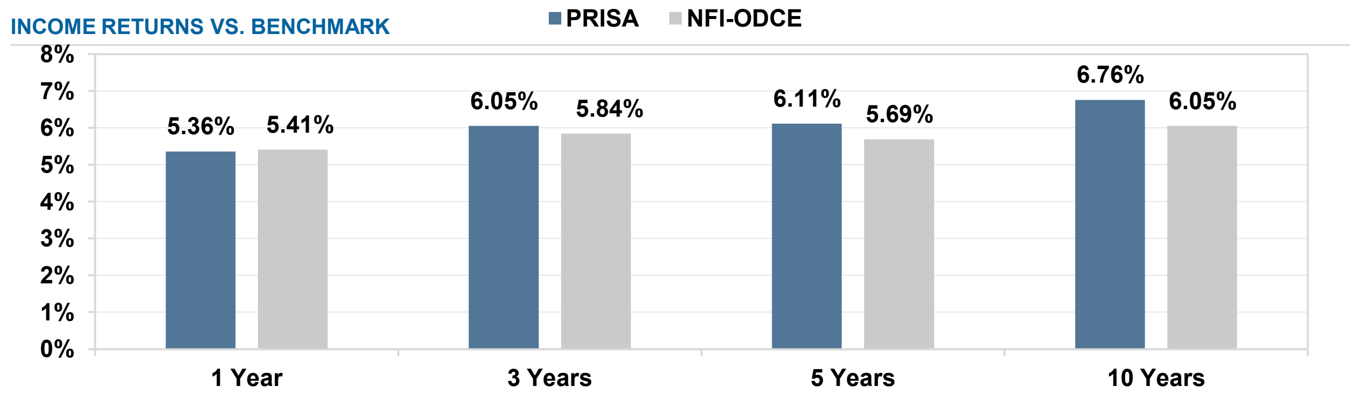


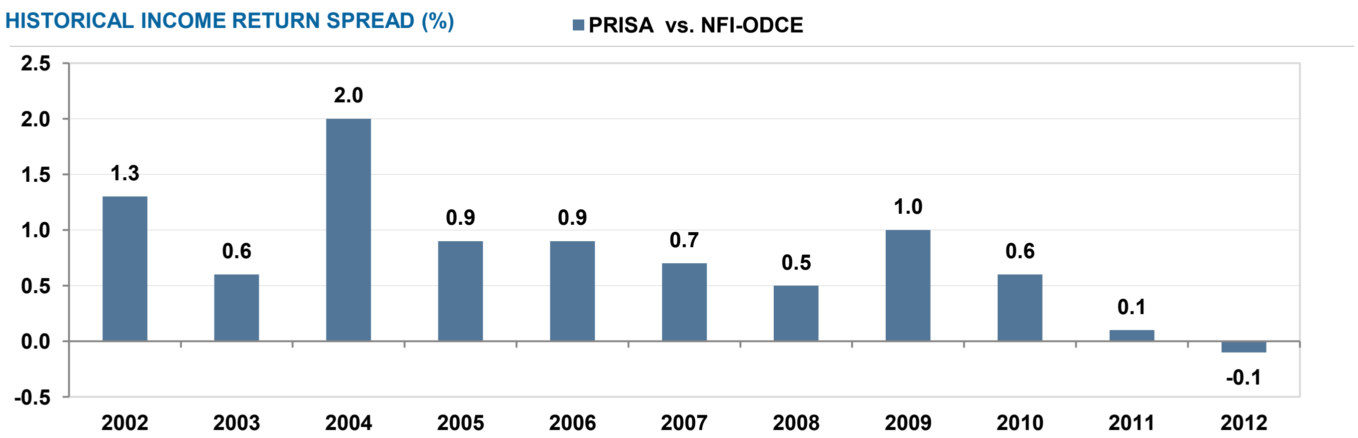
HISTORICAL TOTAL RETURN SPREAD (%)



Note: Returns shown are time-weighted rates of return calculated in conformity with performance reporting standards and are before the deduction of management fees. Returns for NFI-ODCE are based on the final report published by NCREIF on 1/31/13. Past performance is not a guarantee or a reliable indicator of future results.

PRISA INCOME RETURNS VS. BENCHMARK - DECEMBER 31, 2012





Note: Returns shown are time-weighted rates of return calculated in conformity with performance reporting standards and are before the deduction of management fees. Returns for NFI-ODCE are based on returns from the final report released 1/31/13. Past performance is not a guarantee or a reliable indicator of future results.

2012 SAME PROPERTY INCOME GROWTH - DECEMBER 31, 2012

SAME PROPERTY INCOME GROWTH

- PRISA's same property income grew at a very healthy 6.4% for the year.
- Apartments were the greatest contributor for the third consecutive year.

Comparable NOI By Property Type (1)	2012 ($ in MM)	2011 ($ in MM)	%Change
Apartments	$144.6	$132.2	9.4%
Hotel	4.0	2.5	60.3%
Industrial	79.2	68.9	14.9%
Office	200.1	196.9	1.6%
Retail	159.6	156.2	2.1%
Storage	52.5	48.6	7.8%
Core Comparable Property NOI	**$640.0**	**$605.5**	**5.7%**
Non-Core	**12.5**	**7.6**	**62.9%**
Total Comparable Property NOI	**$652.5**	**$613.1**	**6.4%**

Property Type[1]	Income Growth 2010 to 2011 % Change
Apartments	18.0%
Hotel	943.8%
Industrial	3.7%
Office	-7.5%
Retail	3.1%
Storage	5.8%
Total Comparable Property NOI	**2.3%**

[1] 100% Property level unlevered. To provide a more meaningful basis for comparison between periods, net property income excludes income from properties that were purchased or sold during the comparative time periods, land and debt investments. Results are not guaranteed. Past performance is not a guarantee or reliable indicator of future results.

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2013 BUDGET VS. 2012 ACTUAL - DECEMBER 31, 2012

- In 2013, we are targeting income growth at about 6%.
- Approximately 80% of projected income growth is based on in-place leases.

Comparable NOI - Actual to Budget	2013 Budget ($ in MM)	2012 Actual ($ in MM)	% Change
Apartments	$161.3	$154.2	4.6%
Hotel	20.9	20.4	2.8%
Industrial	91.7	86.8	5.7%
Office	217.7	210.1	3.6%
Retail	169.3	155.4	9.0%
Storage	56.8	54.5	4.2%
Core Comparable Property NOI	**$717.8**	**$681.2**	**5.4%**
Non-Core	**14.7**	**7.7**	**92.1%**
Total Comparable Property NOI	**$732.5**	**$688.9**	**6.3%**

CONTRACT VS. MARKET RENTS - AS OF 12/31/12

- PRISA's in-place contract rates are in-line with the market.

	Average Contract Rent	Average Market Rent	Contract Vs Market Rent Difference
Industrial	$5.80	$5.41	7.2%
Office	$40.78	$42.12	-3.2%
Retail	$17.88	$18.02	-0.8%

[1] 100% Property level unlevered. To provide a more meaningful basis for comparison between periods, net property income excludes income from properties that were purchased or sold during the comparative time periods, land and debt investments. Results are not guaranteed.

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PRISA VALUATION - DECEMBER 31, 2012

High-quality, well-located assets valued below current replacement cost

- PRISA's class A assets, representing 85% of the Fund, reported an average cap rate of 5.84% and a discount rate of 7.67%.
- The direct cap rate and discount rate for the portfolio declined by 17 bps and 28 bps, respectively since 12/31/11.

VALUATION METRICS BY PROPERTY TYPE[1]

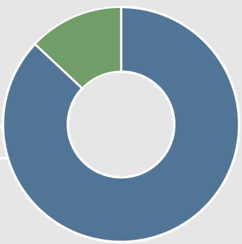
Property Type	December 31, 2012 Direct Cap Rate[2]	December 31, 2012 Discount Rate	December 31, 2011 Direct Cap Rate[2]	December 31, 2011 Discount Rate	Average Appraised Value	
Apartment -Suburban	4.99%	7.21%	5.03%	7.39%	$208,974	per unit
Apartment - Urban	4.76%	7.12%	4.73%	7.21%	$288,889	per unit
Hotel	7.66%	10.22%	7.82%	10.71%	$202,513	per key
Industrial	6.40%	7.84%	6.87%	8.30%	$74	psf
Office - CBD	5.60%	7.57%	5.68%	7.84%	$497	psf
Office - Suburban	6.46%	7.82%	6.77%	8.37%	$316	psf
Retail	7.02%	8.22%	7.15%	8.43%	$223	psf
Storage	6.09%	8.76%	7.21%	10.29%	$134	psf
Total	**5.91%**	**7.78%**	**6.08%**	**8.06%**		

[1] Rates are weighted on gross market value.
[2] The direct cap rate generally reflects the external appraiser's calculation of stabilized NOI divided by current appraised value.

PRISA HIGH QUALITY PORTFOLIO - CORE COMPONENT - DECEMBER 31, 2012

CORE COMPOSITION

87% CORE
13% NON-CORE



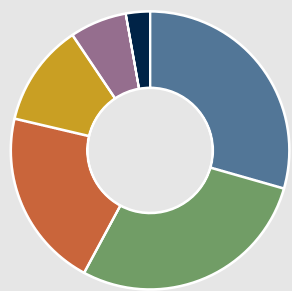
- We define "core" essentially as assets that are 80%+ leased.
- Over 60% of the core portfolio is invested in the prime gateway markets like New York, San Francisco, Washington D.C., Boston and Los Angeles.
- The weighted average cap rate for the core portfolio is 5.9%.

OCCUPANCY AND LEASE ROLLOVER

	Total Portfolio		Core Portfolio		
	12/31/11	12/31/12	12/31/11	12/31/12	Average Lease Expiration 2013-2017
Industrial	80.6%	87.9%	87.0%	93.1%	12.4%
Office	84.3%	83.6%	88.6%	86.7%	9.1%
Retail	88.7%	90.6%	89.9%	91.9%	9.7%
Apartment	94.0%	94.2%	94.0%	94.2%	N/A
Hotel	71.1%	71.5%	71.1%	71.5%	N/A
Storage	90.2%	91.7%	90.2%	91.7%	N/A
Total[1]	**87.5%**	**88.8%**	**90.2%**	**91.0%**	

CORE PROPERTY TYPE DIVERSIFICATION[2]

29.4% OFFICE
28.4% APARTMENT
20.8% RETAIL
11.9% INDUSTRIAL
6.6% STORAGE
2.8% HOTEL



100 Park Avenue, New York, NY

[1] Occupancy status for total portfolio based on gross market value and excludes hotels.

[2] Based on the Fund's share of gross market value in properties and all debt investments.

CASE STUDY – CORE ASSET - DECEMBER 31, 2012

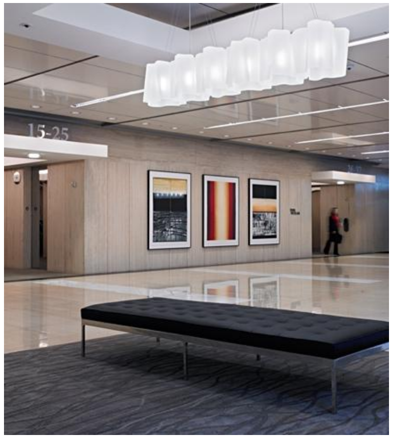
Post Montgomery, San Francisco, CA

GENERAL DESCRIPTION

- **Closing Date:** 11/30/12
- **Property Type:** Office/Retail
- **Year Built:** 1982/1983
- **Size:** 765,043
- **Market Value 4Q12:** $418.4 M ($547 psf)
  - **Direct Cap Rate:** 4.75% / 5.50%
  - **Discount Rate:** 7.25% / 8.00%
  - **Exit Value**: $585.1 M ($765 psf)
- **Purchase Price (48% Interest):** $196.5M ($547 psf)
- **Risk Profile:** Core
- **Occupancy (Current)**: 88.6%

UNDERWRITING METRICS (UNLEVERED)

- **Stabilized Cap Rate:** 5.1%
- **Avg 10-Yr COC Return:** 5.8%
- **Estimated IRR:** 7.6% (10-Year)



ACQUISITION RATIONALE

Purchase of PRISA's JV partner's interest (49%) in a Class A trophy office tower in the heart of San Francisco's Financial District. PRISA is expected to close the transaction by year end.

- **Strong Market**: Proximity to public transportation, the Market Street Corridor and amenities. Benefits from technology based expansion in the Bay Area.
- **Leasing opportunity:** Current vacancy of 11% primarily comprised of 3 upper floors which command premium rents.
- **Favorable basis:** Compares favorably to estimated replacement cost of approx. $700 psf.
- **Limited Supply:** No new development underway in the CBD and limited development under construction in SOMA.

Major Tenants	SF
LinkedIn	95,283
Stifel Nicholaus	68,441
John Wiley & Sons	57,190
OpenTable	48,161

Note: For illustrative purposes only. There is no guarantee that returns for these or similar investments in the future will be achieved

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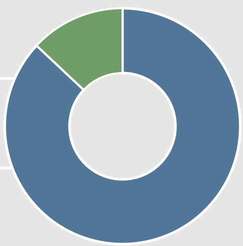
PRISA HIGH QUALITY PORTFOLIO - NON-CORE COMPONENT - DECEMBER 31, 2012

NON-CORE COMPOSITION

87% CORE

13% NON-CORE



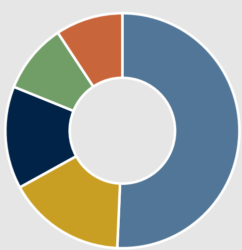
- The non-core component is primarily comprised of newly constructed properties undergoing initial lease-up.
- Lease-up assets move to the core portfolio once they achieve leasing of 80%.
- PRISA's total land exposure represents only 1.8% of PRISA's total gross assets.

SUMMARY OF NON-CORE ASSETS

Investment Type	% Leased	# of Projects	PRISA's GMV ($ Millions)	% of Non-Core
Lease-Up Properties				
Office	56.5%	2	$868.1	46.1%
Retail	60.3%	2	130.6	6.9%
Industrial	28.1%	3	66.8	3.5%
Total Leased-Up	**55.2%**	**7**	**$1,065.5**	**56.5%**
Mezzanine & Other Loans		3	$280.0	14.9%
Development[1]		5	275.4	14.6%
Land		21	263.9	14.0%
Total		**36**	**$1,884.8**	**100.0%**

NON-CORE PROPERTY TYPE DIVERSIFICATION[2]

50.7% OFFICE
16.3% INDUSTRIAL
14.1% HOTEL
9.6% APARTMENT
9.3% RETAIL



Mariner Bay II, Annapolis, MD

[1] Based on total gross development cost at completion. When considering gross amount spent to date of $101.0 M, non-core exposure is 12.0%.

[2] Based on the Fund's share of gross market value in properties and all debt investments.

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ELEVEN TIMES SQUARE, NEW YORK, NY - DECEMBER 31, 2012

GENERAL DESCRIPTION

Year Built: 2010

Size: 1,109,080 sf

Current Occupancy: 61.3%

Cost: $967.9 M ($873 psf)

Market Value: $872.0 M ($786 psf)

Loan Balance: $400.0 M (46% LTV)

Maturity Date: 5/31/15

Interest Rate: LIBOR + 3.20%
(LIBOR has been swapped to 0.55%)

Property Certification: LEED Gold Certified

APPRAISAL METRICS

Direct Cap Rate: 5.50%

Discount Rate: 7.50%

Exit Value: $1,107 psf (10-Yr Hold)

BACKGROUND & MARKET UPDATE

- The Class A vacancy rate in Midtown Manhattan stands at 8.6% as of 4Q12, up 30 bps from 3Q12. Midtown Class A office asking rents average $72.78 PSF, also slightly up from 3Q12.
- Recent activity is centered around tenants who must make decisions to renew or relocate due to impending lease expirations. Political uncertainty and a lack of confidence amongst decision makers muted leasing activity throughout most of 2012. Leasing activity increased somewhat since the election.
- In May 2012, a lease was signed with Global Foods International, a restaurant operator, for 48% of the retail. In addition, in December 2012, a lease was signed with Microsoft for the base floors of the building.
- In June 2012, PRISA refinanced the construction loan with the existing lender, extending the term for 2 years with a $200 million paydown.
- The property is currently 61.3% leased to ten tenants which represents 680,379 sf:

Tenants	
Proskauer Rose	United First
Microsoft	Luskin, Stern & Eisler
Global Foods International	Sovarnum Capital
Zuckerman Gore	Next Capital
Teza Technologies	Off-the Wall

Note: As of December 31, 2012.

PRISA IS BUILDING TO CORE – DEVELOPMENT UPDATE

MARINER BAY II

- **Location:** Annapolis, MD
- **Number of Units:** 215
- **Est. Completion:** 3Q13
- **Gross Cost:** $50.1M
  - Per Unit $233K
- **Stabilized Development Yield:**[1] 6.7%
- **Recent Trades:**
  - Per Unit $193K-$319K
  - Cap Rate 4.5% - 6%

ONE PLANTATION

- **Location:** Plantation, FL
- **Number of Units:** 321
- **Est. Completion:** 2Q13
- **Gross Cost:** $62.4M
  - Per Unit $195K
- **Stabilized Development Yield:**[1] 6.8%
- **Recent Trades:**
  - Per Unit $200K - $275K
  - Cap Rate 4.5% - 5.25%

THE MODERN

- **Location:** Fort Lee, NJ
- **Number of Units:** 450
- **Est. Completion:** 2Q14
- **Gross Cost:** $242.5M
  - Per Unit $539K
- **Stabilized Development Yield:**[1] 6.9%
- **Recent Trades:**
  - Per Unit $408K - $1.1M
  - Cap Rate <4% - 5%

[1] Based on underwriting metrics estimated as of the date of the Investment Committee case. Past performance is not a guarantee or reliable indicator of future results.

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CASE STUDY – NON-CORE ASSET: BUILD TO CORE STRATEGY – DECEMBER 31, 2012

33 THIRTY-THREE WESLEYAN, HOUSTON, TX

GENERAL DESCRIPTION

Property Type: Apartment

Year Built: 2010

Size: 528 units

Partner: The Morgan Group

Occupancy: 94.1%

Gross Cost: $75.5M ($142,931/unit)

GMV: $108.0M ($204,545/unit)

APPRAISAL METRICS

Cap Rate at 12/31/12 : 5.25%

Discount Rate at 12/31/12: 7.50%

Targeted 2013 Income Return: 5.8%[1]

BACKGROUND

- 33 Thirty-Three Wesleyan is an urban in-fill property located in Houston, TX, that was developed as part of the PRISA/Morgan multifamily development program.
- The construction loan on the property was refinanced in January 2012 to a five year term at a fixed rate of 3.85%, full term IO.
- 4Q2012 in place effective rents were $1.65/SF, up 7.84% over 4Q2011.

STRATEGY:

- PRISA will hold this asset for the medium-term.

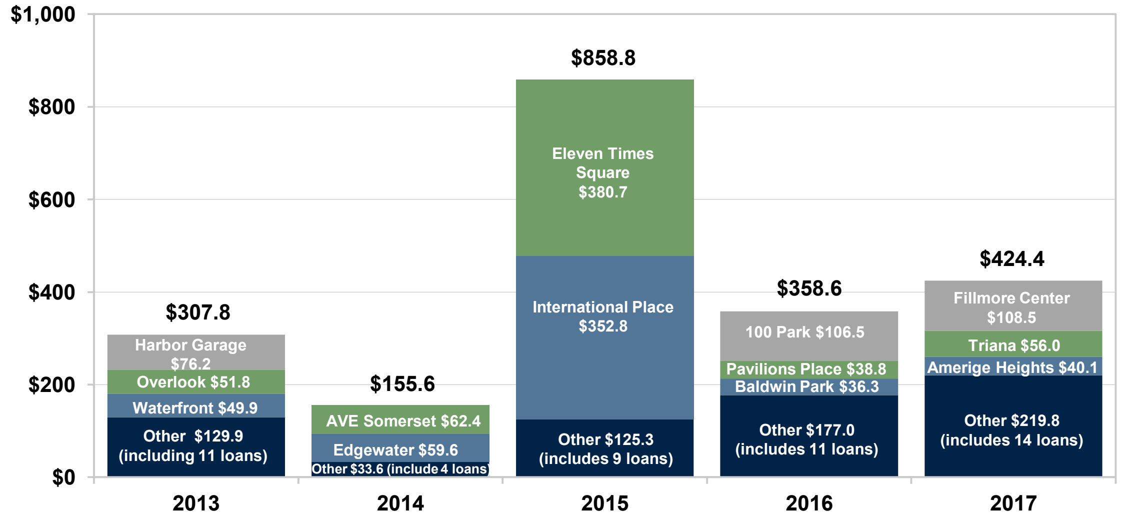
[1] Targets are not guaranteed.

PRISA'S DEBT[1] - DECEMBER 31, 2012

2012 HIGHLIGHTS

- During 2012, PRISA paid off **$386.6M** of recourse debt resulting in a decrease to the Fund's recourse leverage of **288 bps** to **0.7%**.
- PRISA's leverage ratio declined from **26.2%** to **20.9%** during 2012. The debt to income multiple was also reduced to **4.0x**, down from **5.5x**.

DEBT MATURITIES ($ MILLIONS)



LEVERAGE METRICS

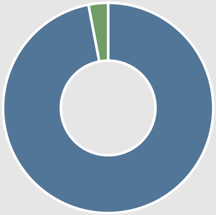
Leverage Ratio	20.9%
Recourse Debt Leverage Ratio	0.7%
Debt to Income Multiple	4.0x

COST OF DEBT

Fixed-Rate	4.7%
Floating-Rate	1.7%
Total Cost of Debt	4.4%

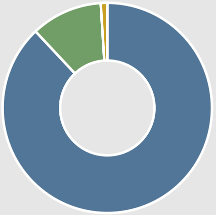
RECOURSE PROFILE

97%	NON- RECOURSE
3%	RECOURSE



INTEREST RATE RISK

88%	FIXED
11%	FLOATING
1%	FLOATING WITH CAP



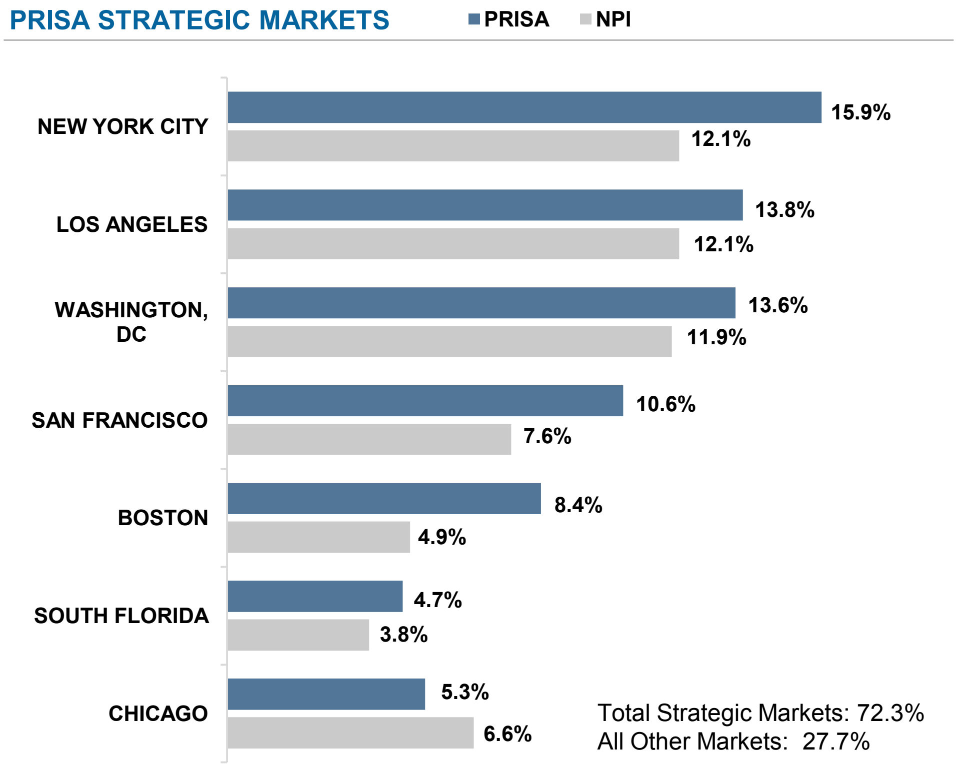
[1] Represents portfolio level debt, 100% of wholly-owned and PRISA's share of all joint ventures; includes off balance sheet debt.

PRISA'S GEOGRAPHIC DIVERSIFICATION BY STRATEGIC MARKETS[1] - DECEMBER 31, 2012

PRISA will remain focused on strategic markets where supply constraints and diverse sources of demand are likely to result in better long-term fundamentals.

- PRISA's assets are concentrated in gateway markets, significantly more than NPI. The strategy is to continue to overweight in urban core markets and infill locations
- PRISA has increased geographic exposure in these strategic markets mainly by selling non-strategic assets this past year (70.6% in the fourth quarter of 2011).
- PRISA is overweighted in San Francisco and has increased exposure in this market due to the growing employment base and seemingly long-term trend of strength in the tech sector (8.2% in fourth quarter 2011).

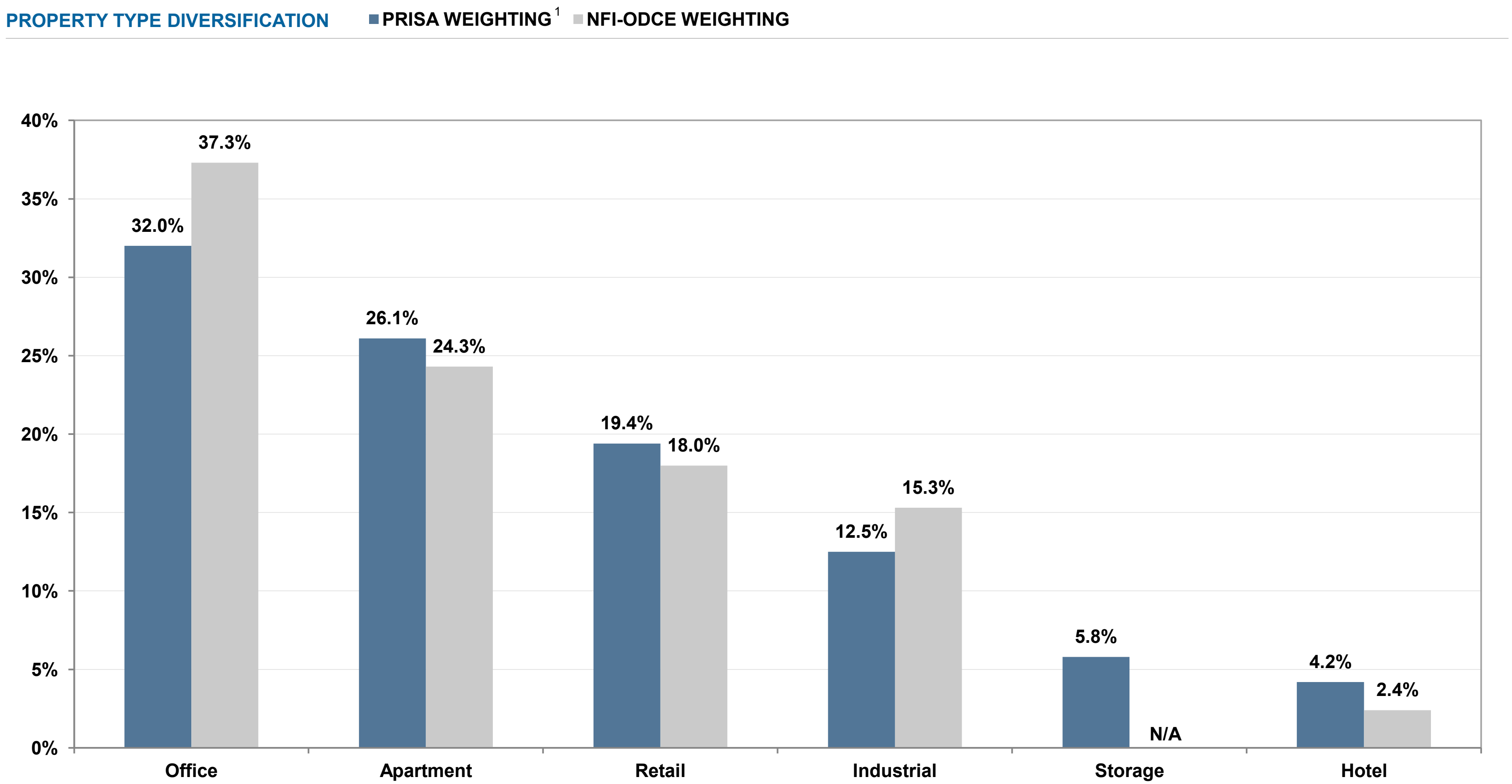
PRISA STRATEGIC MARKETS



Total Strategic Markets: 72.3%
All Other Markets: 27.7%

[1] Based upon PRISA LP's anticipated share of gross market value excluding joint venture partner interests in properties and all loan investments.
Note: Geographic diversification data is provided for the NPI because geographic diversification for the NFI-ODCE has not been made publicly available. NPI is based on the final report published by NCREIF on 1/25/2013.

PRISA PROPERTY TYPE DIVERSIFICATION – DECEMBER 31, 2012



[1] Diversification is based upon the Fund's share of gross market value in properties and all loan investments.
Note: Diversification for NFI-ODCE is based on the final report published by NCREIF on 1/31/2013.

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PRISA INVESTMENT STRATEGY

	PRISA Actual 12/31/2012	ODCE 12/31/2012[1]	PRISA 2013-2015 Plan	PRISA Target 2013-2015[2]	2013-2015 Plan
Office	32.0%	37.3%		36.0%	Selectively increase office holdings to take advantage of the anticipated office recovery in 2014/2015. Over long term, underweight office more significantly.
Apartments	26.1%	24.3%		24.0%	Acquire assets in longer-term strategic markets and sell assets in growth markets with low barriers to entry.
Retail	19.4%	18.0%		16.0%	Retail recovery has lagged other property types (particularly the non-mall formats) during this cycle. Look into adding mall exposure, reduce lifestyle exposure.
Industrial	12.5%	15.3%		14.0%	Increase industrial exposure modestly through the acquisition of Class A in-fill product for long term hold and select build-to-suit opportunities.
Hotel	4.2%	2.4%		4.0%	Target established hotels in supply constrained areas with long-term strong and varied demand drivers.
Storage	5.8%	N/A		6.0%	Increase storage holdings, primarily in very in-fill areas. Consider developing storage as a component of non-core activity.

[1] Diversification NFI-ODCE are based on the final report published by NCREIF on 1/31/2013.
[2] There is no guarantee that these targets will be achieved.

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PRISA ACQUISITION HIGHLIGHTS

POST MONTGOMERY

Tech Market Office

- **Location:** San Francisco, CA
- **Closing Date:** 11/30/12
- **Size:** 764,985 SF
- **Purchase Price (48% Interest):** $196.5M
  - Per SF $547
- **Underwriting Metrics (Unleveraged)**
  - Stabilized Cap Rate: 5.1%
  - Average 10-Yr COC Return: 5.8%
  - Estimated IRR[1] (10 yr hold): 7.6%

SONO EAST

High Rise Apartment Presale

- **Location:** Chicago, IL
- **Closing Date** 12/31/12
- **Size** 324 units
- **Purchase Price:** $107.7M
  - Per Unit $332,436
- **Underwriting Metrics (Unleveraged)**
  - Stabilized Cap Rate: 5.4%
  - Average 5-Yr COC Return: 5.9%
  - Estimated IRR[1] (10 yr hold): 6.8%

GIANT PORTFOLIO

Grocery Anchored Retail (Secondary Market Strategy)

- **Location:** Pennsylvania
- **Closing Date:** 10/12/12
- **Number of Assets** 7
- **Size:** 540,565 SF
- **Purchase Price:** $106.9M
  - Per SF $198
- **Underwriting Metrics (Unleveraged)**
  - Going - In Cap Rate: 7.4%
  - Average 5-Yr COC Return: 7.4%
  - Estimated IRR[1] (10 yr hold): 7.7%

[1] Estimated IRR are not guaranteed.

REPORT CARD 2010 - 2012 ACQUISITIONS - DECEMBER 31, 2012

- The Fund's 2010-2012 acquisitions have increased in value overall. This is due to the fact that 52% ($756.2)[1] of these transactions were sourced on an off-market basis.

Project Name	Gross Market Value 12/31/12 ($ Millions)	Gross Cost[1] 12/31/12 ($ Millions)	Gain/Loss $	Gain/Loss %
Apartments	$760.1	$705.2	$54.9	8%
Hotel	307.8	280.7	27.1	10%
Office	302.2	289.6	12.6	4%
Retail	78.8	69.2	9.6	14%
Storage	37.7	35.2	2.5	7%
Industrial	85.5	87.9	(2.4)	-3%
Total 2010-2012 Acquisitions	**$1,572.1**	**$1,467.8**	**$104.3**	**7%**

[1] Based on acquisition cost.
Note: Past performance is not a guarantee or reliable indicator of future results.

THOUGHTS ABOUT 2013

- **Real Estate Fundamentals**
  - Other than apartments, still not much supply on the horizon.
  - The Great Debate: bullish or bearish on the prospect for continued double digit returns on apartments.
  - Is 2013 finally “the year” for office? Most say no.
  - 2013 – Essentially a re-do of 2012 from a fundamentals perspective.
- **Capital Markets**
  - Does the core party end in 2013? Even in the midst of declining popularity, the 5% coupon produced by core still seems very compelling – especially from the global context.
  - Attractive borrowing rates are expected to stick around.
- **PRISA**[1]
  - Year over year income growth of about 6% expected.
  - Targeting total gross returns of 7.5% to 9.5%.[2]
  - Current cycle apartment developments will begin to deliver.
  - Income at large office assets is expected to increase – 80% of this leasing is already done.
  - Continue the PRISA debt makeover – lock in low, fixed rates and pay off recourse debt.

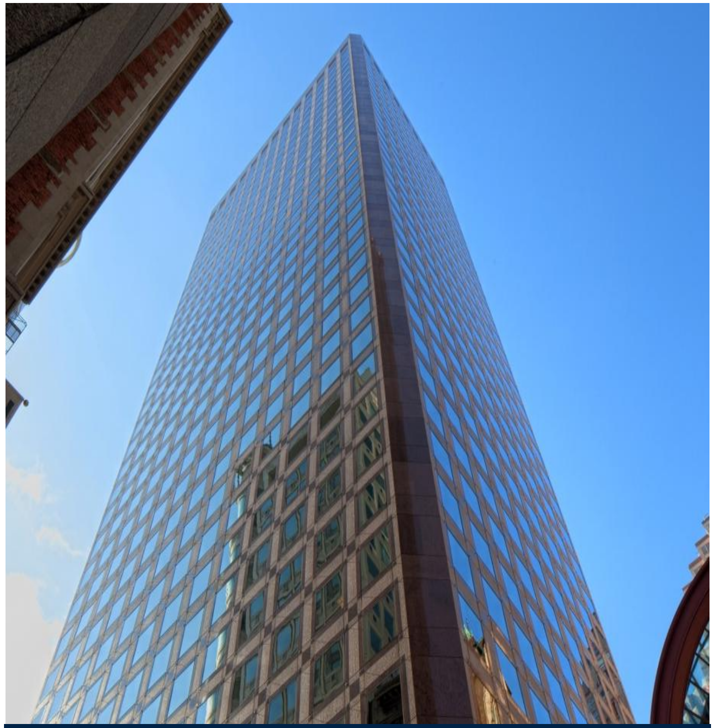
SoNo East, Chicago, IL

One Plantation, Plantation, FL

[1] There is no guarantee that these targets and expectations will be achieved.
[2] Targeted total net returns of 6.5% to 8.5%.

BENEFITS OF INVESTMENT IN PRISA

- **Leading Real Estate Investment Manager**
  - Acting as a fiduciary since 1970
  - Stable experienced portfolio management team
  - Dedicated asset management team in four regions
  - Depth of PREI platform
- **Well Diversified, High Quality Core Portfolio**
  - Concentration in strategic markets
  - Attractive sector weightings
  - “Less obvious core” strategy
  - Selectivity in acquisitions
- **Substantial Liquidity**
  - Provides high income payout
  - Significant investor interest in the Fund



Post Montgomery, San Francisco, CA

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APPENDIX

OFFICE PORTFOLIO OVERVIEW – DECEMBER 31, 2012

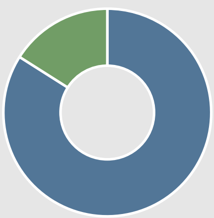
Over-weighting to Central Business District (CBD) office should provide for near-term outperformance.[1]

SNAPSHOT

PRISA's share of GMV[2]	**$4,550.7M**
Current Weighting	**32.0%**
NCREIF Property Index	**35.2%**
Desired Weighting	**Increase**

PRISA AS OF 4Q2012

84% CBD
16% SUBURBAN



NCREIF AS OF 4Q2012

51% CBD
49% SUBURBAN

MAJOR MARKET EXPOSURE:

Market (CMSA)	PRISA'S Share of GMV	% of Total	NCREIF Property Index
New York Metro Area*	$1,339.6	29%	18%
Boston	975.8	21%	8%
S.F. Bay Area	740.9	16%	12%
Washington, DC	493.9	11%	17%
Los Angeles Area	239.6	5%	12%
Subtotal	**3,789.8**	**82%**	**67%**
Other Markets	760.9	18%	33%
Total	**$4,550.7**	**100%**	**100%**

*Includes New Jersey

OCCUPANCY:

	9/30/2012 Occupancy	12/31/2012 Occupancy	% of Square Footage Expiring In 2013	2014	2015	2016
Total	82.9%	83.6%	6.1%	6.7%	11.0%	6.5%
Stabilized	86.8%	86.7%	6.8%	7.5%	12.3%	7.3%

Leverage Ratio: 24.5%

[1] Performance objectives are not guaranteed. Actual results may vary.
[2] NAV as of 12/31/12 $3,447.5 M
Note: NPI are based on the final report published by NCREIF on 1/25/2013. NPI is reported for CMBA information, this information is not publically available.

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INDUSTRIAL PORTFOLIO OVERVIEW – DECEMBER 31, 2012

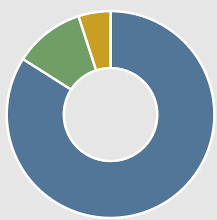
Newly delivered industrial assets provide the opportunity for near-term value increases as lease-up progresses.

SNAPSHOT

PRISA's share of GMV[1]	**$1,773.5M**
Current Weighting	**12.5%**
NCREIF Property Index	**14.2%**
Desired Weighting	**Increase**

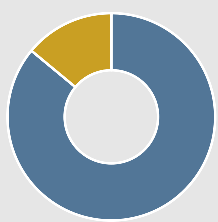
PRISA AS OF 4Q2012

84%	WAREHOUSE DISTRIBUTION
11%	INDUSTRIAL LAND
5%	R & D



NCREIF AS OF 4Q2012

87%	WAREHOUSE DISTRIBUTION
13%	R & D



MAJOR MARKET EXPOSURE:

Market (CMSA)	PRISA'S Share of GMV	% of Total	NCREIF Property Index
Los Angeles	$664.4	37%	25%
Washington, DC	336.8	19%	4%
Chicago	76.4	4%	9%
Dallas	70.7	4%	8%
San Diego	38.5	2%	2%
Subtotal	**1,186.8**	**66%**	**48%**
Other Markets	586.7	34%	52%
Total	**$1,773.5**	**100%**	**100%**

OCCUPANCY:

	9/30/2012 Occupancy	12/31/2012 Occupancy	% of Square Footage Expiring In 2013	2014	2015	2016
Total	87.2%	87.9%	6.4%	13.6%	8.8%	7.9%
Stabilized	92.2%	93.1%	7.0%	13.8%	9.6%	8.6%

Leverage Ratio: 9.0%

[1] NAV as of 12/31/12 $1,618.6 M

Note: NPI are based on the final report published by NCREIF on 1/25/2013. NPI is reported for CMBA information, this information is not publically available.

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RETAIL PORTFOLIO OVERVIEW – DECEMBER 31, 2012

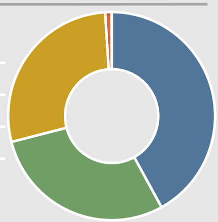
Neighborhood component provides for stability and enhanced liquidity.

SNAPSHOT

PRISA's share of GMV[1]	$2,756.9M
Current Weighting	19.4%
NCREIF Property Index	22.8%
Desired Weighting	Increase

PRISA AS OF 4Q2012

42% POWER
29% LIFESTYLE
28% NEIGHBORHOOD
1% RETAIL LAND



NCREIF AS OF 4Q2012

10% POWER
7% LIFESTYLE
34% NEIGHBORHOOD
49% REGIONAL MALL

MAJOR MARKET EXPOSURE:

Market (CMSA)	PRISA'S Share of GMV	% of Total	NCREIF Property Index
Los Angeles	$406.6	15%	9%
Washington, DC	400.8	15%	10%
Atlanta	263.0	10%	3%
Southern Florida	210.3	8%	5%
S.F. Bay Area	160.3	6%	6%
Subtotal	**1,441.0**	**54%**	**33%**
Other Markets	1,315.8	46%	67%
Total	**$2,756.8**	**100%**	**100%**

OCCUPANCY:

	9/30/2012 Occupancy	12/31/2012 2013	% of Square Footage Expiring In 2013	2014	2015	2016
Total	90.5%	90.6%	5.5%	8.2%	7.8%	12.7%
Stabilized	91.9%	91.9%	5.6%	8.6%	7.9%	13.0%

Leverage Ratio: 22.8%

[1] NAV as of 12/31/12 $2,129.6M

Note: NPI are based on the final report published by NCREIF on 1/25/2013. NPI is reported for CMBA information, this information is not publically available.

APARTMENT PORTFOLIO OVERVIEW – DECEMBER 31, 2012

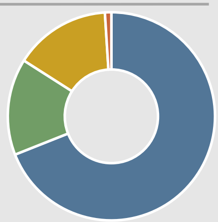
The Fund's apartment portfolio is comprised of mostly new, Class A, infill apartments, many of which have a transit and/or retail component.

SNAPSHOT

PRISA's share of GMV[1]	**$3,717.4M**
Current Weighting	**26.1%**
NCREIF Property Index	**25.2%**
Desired Weighting	**Decrease**

PRISA AS OF 4Q2012

69%	HIGH RISE
15%	GARDEN
15%	LOW RISE
1%	RESIDENTIAL LAND



NCREIF AS OF 4Q2012

51%	HIGH RISE
41%	GARDEN
8%	LOW RISE

MAJOR MARKET EXPOSURE:

Market (CMSA)	PRISA'S Share of GMV	% of Total	NCREIF Property Index
Los Angeles	$570.2	15%	9%
New York	466.3	13%	14%
Washington, DC	592.8	16%	10%
S.F. Bay Area	423.8.	11%	4%
Other Florida	249.8	7%	2%
Subtotal	**2,302.9**	**62%**	**39%**
Other Markets	1,414.5	38%	61%
Total	**$3,717.4**	**100%**	**100%**

OCCUPANCY:

	9/30/2012 Occupancy	12/31/2012 Occupancy
Total	95.8%	94.2%
Stabilized	95.8%	94.2%

Leverage Ratio: 27.2%

[1] NAV as of 12/31/12 $2,707.6 M

Note: NPI are based on the final report published by NCREIF on 1/25/2013. NPI is reported for CMBA information, this information is not publically available.

PRISA 2012 CLOSED ACQUISITIONS - DECEMBER 31, 2012

Property Name	Location	Risk Profile	SF/Units	Closing Date	Gross Investment ($ Millions)[1]	Net Equity Committed ($ Millions)	Funded to Date ($ Millions)	Cap Rate[2]
One Plantation	Plantation, FL	Non-Core	321	1/20/2012	$62.4	$19.7	$19.7	6.8%
Mariner Bay II*	Annapolis, MD	Non-Core	215	3/1/2012	50.1	15.9	16.0	6.7%
James Island II*	Jacksonville, FL	Non-Core	240	3/12/2012	26.3	7.1	2.7	7.6%
Axis at Perimeter	Atlanta, GA	Core	312	4/25/2012	53.5	53.5	53.5	5.3%
AVE Portfolio*	Various, NJ, PA	Core	822	6/7/2012 & 8/31/2012	225.5	153.9	153.9	5.9%
The Modern	Fort Lee, NJ	Non-Core	450	9/5/2012	314.5	39.5	17.9	7.1%
Allegro	Washington DC	Core	297	10/18/2012	131.3	131.3	131.3	4.9%
SoNo East	Chicago, IL	Core	324	12/31/2012	107.7	107.7	107.7	5.4%
Apartment Subtotal			**2,981**		**$971.3**	**$528.6**	**$502.7**	
International Corporate Park	Miami, FL	Core	340,143	5/1/2012	$46.7	$46.7	$46.7	5.3%
Sumner Business Park - Wenatchee*	Sumner, WA	Non-Core	350,075	11/26/2012	15.8	9.8	6.2	7.1%
I-20 Phase II Partner Buyout *	Dallas, TX	Core	1,173,810	11/30/2012	7.9	7.9	7.9	6.0%
Industrial Subtotal			**1,864,028**		**$70.4**	**$64.4**	**$60.8**	
Harbour View East*	Suffolk, VA	Core	172,829	4/11/2012	$30.5	$30.5	$30.5	7.7%
The Giant Portfolio	Various, PA	Core	540,565	10/12/2012	107.0	33.3	33.3	7.4%
Retail Subtotal			**713,394**		**$137.5**	**$63.8**	**$63.8**	
Foulger Pratt Portfolio	Various, MD, VA	Core	200,133	6/29/2012	$68.2	$21.4	$21.4	6.8%
Post Montgomery/Galleria Partner Buyout*	San Francisco, CA	Core	764,985	11/30/2012	196.5	196.5	196.5	5.1%
Office Subtotal			**965,118**		**$264.7**	**$217.9**	**$217.9**	
Hotel Sofitel	Redwood City, CA	Core	421	5/4/2012	92.7	90.5	90.5	5.6%
Hotel Subtotal			**421**		**$92.7**	**$90.5**	**$90.5**	
Contributions to Previously Acquired Assets							**$14.5**	
Less Joint Venture Partners' Share					**$228.7**			
Total Closed Acquisitions					**$1,307.9**	**$965.1**	**$950.2**	

* Denotes a deal that was off-market.
1 Represents 100% of the investment.
2 For core investments, cap rate represents going-in; for non core investments it represent stabilized cap rate.

PRISA 2012 CLOSED DISPOSITIONS - DECEMBER 31, 2012

Property Name	Location	Age (Years)	Risk Profile	SF/Units	Actual Sale Date	Gross Sales Price[1] ($ Millions)	Net Proceeds ($Millions)	Hold Period	IRR
Pinebrook Pointe	Margate, FL	22	Core	394	6/13/2012	$51.7	$51.0	8	7.8%
Broadstone at Vinings	Atlanta, GA	15	Core	310	8/31/2012	42.3	22.5	6	3.6%
Market Station	Kansas City, MO	1	Core	323	9/20/2012	52.5	21.2	2	20.7%
Landmark at Ontario	Ontario, CA	5	Core	469	9/27/2012	90.5	89.9	6	-0.9%
Estates at Countryside	Clearwater, FL	22	Core	320	11/13/2012	29.5	28.9	6	-5.8%
Gateway Villas	Pinellas Park, FL	7	Core	300	11/30/2012	36.0	35.4	6	2.1%
2929 Wycliff	Dallas, TX	4	Core	284	12/19/2012	40.3	37.5	2	10.8%
Apartment Subtotal				**2,400**		**$342.8**	**$286.3**		
750 West Victoria Street	Compton, CA	25	Core	30,000	2/10/2012	$3.3	$3.1	6	0.2%
19060 Dominguez Hills	Rancho Dominguez, CA	28	Core	41,922	2/22/2012	4.5	4.3	6	2.2%
Race Road	Hanover, MD	2	Non-Core	125,400	5/30/2012	8.3	7.9	3	-10.8%
Prologis Park 70[2]	Aurora, CO	N/A	Core	N/A	8/1/2012	2.1	1.0	6	See below[3]
Hayward - 900 Fairmont[2]	Elizabeth, NJ	N/A	Non-Core	N/A	8/3/2012	2.5	2.2	4	See below[3]
2550 Dominguez Drive[2]	Compton, CA	28	Core	125,400	8/24/2012	7.6	7.3	6	0.6%
Southbay Industrial Portfolio[2]	Various, CA	28	Core	432,361	10/18/2012	41.7	40.7	6	-0.2%
Prologis Park 70 Site 7[2]	Aurora, CO	N/A	Non-Core	N/A	12/27/2012	2.1	1.0	7	See below[3]
El Rivino - Rialto	Rialto, CA	N/A	Non-Core	N/A	12/27/2012	15.8	14.9	5	-12.3%
Industrial Subtotal				**755,083**		**$87.9**	**$82.3**		
Greenway Commons	Houston, TX	2	Core	248,424	3/23/2012	$68.3	$31.8	3	14.7%
Laguna Park Village	Elk Grove, CA	12	Core	34,015	8/30/2012	6.5	5.2	6	-6.6%
DDR - Farragut Pointe	Farragut, TN	16	Core	12,964	9/11/2012	1.1	0.9	8	-9.2%
DDR - Tops Norwich	Norwich, NY	16	Core	85,453	12/18/2012	4.4	3.7	8	0.8%
Retail Subtotal				**380,856**		**$80.3**	**$41.6**		
Executive Plaza	Bethesda, MD	26	Core	331,254	6/22/2012	$36.7	$36.0	8	-1.0%
Rocky Point	Tampa, FL	24	Core	491,544	11/15/2012	81.8	80.7	9	5.3%
1440 Broadway	New York, NY	41	Core	754,590	12/21/2012	353.0	94.9	5	-6.3%
Presbyterian Medical Center	Charlotte, NC	14	Core	66,308	12/24/2012	3.9	3.2	14	7.5%
Office Subtotal				**1,643,696**		**$475.4**	**$214.8**		
Joint Venture Partner's Share						**($92.3)**	**N/A**		
Adjustments to Previous Dispositions							**$0.6**		
Total Closed Dispositions						**$894.1**	**$625.7**		

[1] Represents 100% of the investment.

[2] Partial sales.

[3] No equity was funded at inception. IRR cannot be calculated. Gain on cost: Prologis Park 70 ($0.2M), Hayward 900 Fairmont ($0.4) and Prologis Park 70 Site 7 ($0.6M).

Note: 4Q12 sale information is preliminary and subject to change. Past performance is not a guarantee or a reliable indicator of future results.

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ACQUISITION HIGHLIGHTS – EXISTING CORE IN-FILL APARTMENTS

	Axis at Perimeter Atlanta, GA	Allegro Washington ,DC
		
Closing Date:	4/25/12	10/18/12
Year Built:	2009	2009
Size:	312 units	297 units
Gross Cost:	$53.5 million ($171,533 per unit)	$131.3 million ($441,975 per unit)
Market Value 12/31/12:	$54.0 million ($173,077 per unit)	$131.3 million ($441,975 per unit)
Deal Structure:	Wholly Owned	Wholly Owned
Underwriting Metrics (Unlevered):		
Going-In Cap Rate	5.3%	4.9%
Avg 5-Yr COC Return	5.6%	5.3%
Estimated IRR[1]	7.2% (5-year hold)	6.6% (7-year hold)

[1] Estimated IRR based on underwriting metrics.

Note: As of December 31, 2012. For illustrative purposes only. There is no guarantee that returns for these or similar investments in the future will be achieved.

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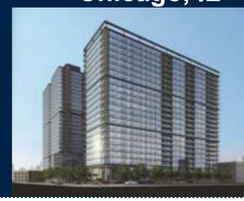
ACQUISITION HIGHLIGHTS – PRE SALE

	SoNo East Chicago, IL 	The Market at Lake Nona Orlando, FL 
Closing Date:	12/31/12	1Q13 (est)
Est./Actual Completion Date:	4Q12	N/A
Size:	324 units	69,940 sf
Gross Cost:	$107.7 million ($332,436 per unit)	$12.2 million ($175 psf)
Market Value 12/31/12:	$107.7 million ($332,436 per unit)	N/A
Deal Structure:	Wholly Owned	Wholly Owned
Underwriting Metrics (Unlevered):		
Stabilized Cap Rate	5.4%	7.6%
Avg 5-Yr COC Return	5.9%	7.4%
Estimated IRR[1]	6.8% (10-year hold)	8.1% (5-year hold)

[1] Estimated gross IRR based on underwriting metrics.
Note: As of December 31, 2012. For illustrative purposes only. There is no guarantee that returns for these or similar investments in the future will be achieved.

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ACQUISITION HIGHLIGHTS – GROCERY-ANCHORED RETAIL AND INDUSTRIAL

	Giant Portfolio Various, PA	Harbour View East Suffolk, VA	International Corporate Park Miami, FL
			
Closing Date:	10/15/12	4/11/12	5/1/12
Year Built:	Various (1998-2005)	Various (2001-2011)	Various (1999-2001)
Size:	560,712 sf	172,829 sf	340,143 sf
Gross Cost:	$106.9 million ($191 psf)	$30.6 million ($177 psf)	$46.7 million ($137 psf)
Market Value 12/31/12:	$106.9 million (191 psf)	$34.2 million ($198 psf)	$46.7 million ($137 psf)
Deal Structure:	Joint Venture	Wholly Owned	Wholly Owned
Underwriting Metrics (Unlevered):			
Going-In Cap Rate	7.4%	7.7%	5.3%
Avg 5-Yr COC Return	7.4%	7.6%	5.2%
Estimated IRR[1]	7.7% (10-year hold)	8.4% (5-year hold)	6.3% (10-year hold)

[1] Estimated IRR based on underwriting metrics.

Note: As of December 31, 2012. For illustrative purposes only. There is no guarantee that returns for these or similar investments in the future will be achieved.

ACQUISITION HIGHLIGHTS – BUILD TO CORE

	One Plantation Plantation, FL	Mariner Bay II Annapolis, MD	James Island II Jacksonville, FL	The Modern Fort Lee, NJ
				
Closing Date:	1/20/12	3/1/12	3/12/12	9/5/12
Est./Actual Completion Date:	2Q13	3Q13	1Q13	2Q14
Size:	321 units	215 units	240 units	450 units
Gross Cost:	$62.4 million ($194,745 per unit)	$50.1 million ($233,087 per unit)	$26.3 million ($109,623 per unit)	$235.3 million ($522,817 per unit)
Market Value 12/31/12:	N/A	N/A	N/A	$235.3 million ($522,817 per unit)
Deal Structure:	Joint Venture	Joint Venture	Joint Venture	Joint Venture
Underwriting Metrics (Unlevered):				
Stabilized Cap Rate	6.8%	6.7%	7.6%	7.1%
Avg 5-Yr COC Return[1]	7.2%	7.2%	8.2%	3.6%
Estimated IRR[2]	9.7% (5-year hold)	9.5% (5-year hold)	12.0% (5-year hold)	8.9% (10-year hold)

[1] 5-year COC from stabilization.
[2] Estimated IRR based on underwriting metrics.
Note: As of December 31, 2012. For illustrative purposes only. There is no guarantee that returns for these or similar investments in the future will be achieved.

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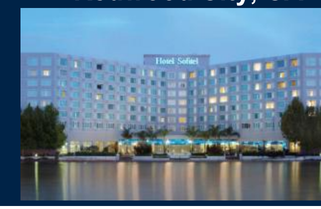
ACQUISITION HIGHLIGHTS – NICHE STRATEGIES AND HOTEL

	Foulger-Pratt Various MD & VA	Ave Portfolio Various NJ & PA	Hotel Sofitel Redwood City, CA
			
Closing Date:	6/29/12	6/7/12	5/4/12
Year Built:	Various (1988-2006)	Various (2002-2007)	1987 (renovated 2002-2006)
Size:	205,064 sf	822 units	421 keys
Gross Cost:	$66.7 million ($325 psf)	$226.0 million ($274,919 per unit)	$94.5 million ($224,433 pk)
Market Value 12/31/12:	$68.0 million ($332 psf)	$234.8 million ($285,645 per unit)	$95.5 million ($226,841 pk)
Deal Structure:	Joint Venture	Joint Venture	Joint Venture
Underwriting Metrics (Unlevered):			
Going-In Cap Rate	6.8%	5.9%	5.6%
Avg 5-Yr COC Return	6.5%	6.5%	7.5%
Estimated IRR[1]	7.7% (7-year hold)	7.5% (10-year hold)	9.3% (10-year hold)

[1] Estimated IRR based on underwriting metrics.

Note: As of December 31, 2012. For illustrative purposes only. There is no guarantee that returns for these or similar investments in the future will be achieved.

PRISA 2012 PERFORMANCE ATTRIBUTION

Property Type	% of Portfolio's NAV	Total Appreciation ($ MILLIONS)	Appreciation Return	Contribution to Total	Cap Rate as of 12/31/12
Apartments	24.0%	$129.2	5.32%	30.5%	4.83%
Hotel	5.3%	27.1	6.72%	6.4%	7.66%
Industrial	14.3%	93.2	6.43%	22.0%	6.40%
Office	30.5%	18.7	0.56%	4.4%	5.77%
Retail	18.5%	6.0	0.45%	1.4%	7.02%
Storage	7.4%	149.5	23.06%	35.3%	6.09%
Total	**100.0%**	**$423.7**	**4.31%**	**100.0%**	**5.91%**

APARTMENT: During 2012, this sector reported increases to both occupancy and effective rents, most notable in assets in technology related markets and Southern California.

HOTEL: The Atrium mezzanine investment contributed 87% of appreciation in the hotel sector driven by the value increase of underlying collateral and a decrease in market yield.

INDUSTRIAL: The value increase in the industrial sector was driven by capitalization and discount rate compression and leasing activity. This was more prevalent in those assets located in Southern California, which accounted for 80% of the value increase.

OFFICE: PRISA continues to benefit from its overweight to Central Business District "CBD" locations, which have outperformed suburban markets. However, the vacancy in certain assets negatively impacted office performance. The value increase in the CBD office sector is largely attributed to Post Montgomery in San Francisco and International Place in Boston.

RETAIL: Underperformance in the retail sector is primarily the result of a downward appraisal adjustment in the value of one of the Fund's larger retail assets, The Village at Fairview. Due to a lack of leasing velocity, less than satisfactory sales history and other property level factors, numerous valuation assumptions were negatively adjusted. This decline was largely offset by value increases in the Fund's power and community centers.

STORAGE: PRISA's storage portfolio outperformed all other property types, contributing 35% of the 2012 value increase driven by capitalization and discount rate compression and higher occupancy and rents.

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NOTABLE FINANCING ACTIVITY - DECEMBER 31, 2012

Asset Info			Prior Loan		New/Modified Loan							
Property Name	Location	4Q12 GMV ($M)	Rate	LTV	Loan ($M)	Fixed Rate	LTV	Term	Execution Date	Lender	Comments
James Island	Jacksonville, FL	$36.0	L + 135	53%	$19.8	**3.40%**	55%	5 Years	1/31/2012	Met Life	Refinanced construction loan - Full Term IO.
Lake Lily PH I & II	Orlando, FL	$78.7	L + 100	58%	$46.5	**3.53%**	59%	7 Years	2/3/2012	Fannie Mae	Refinanced construction loan - 5yr IO.
Spectrum	Charlotte, NC	$57.8	L + 100	50%	$29.0	**3.35%**	50%	5 Years	3/1/2012	NY Life	Refinanced construction loan – Full Term IO
The Brick Yard	Laurel, MD	$31.5	N/A	N/A	$48.4	**3.98%**	59%	10 Years	5/1/2012	Principal Life	New Financing on a newly constructed property.
Eleven Times Square	New York, NY	$872.0	L + 320	68%	$400.0	**3.75%**	46%	3 Years	6/8/2012	PNC & Others	Refinanced - 2yr IO.
AVE Clifton	Clifton, NJ	$79.4	N/A	N/A	$42.8	**2.99%**	54%	5 Years	6/30/2012	JP Morgan	5 Yr floating rate swapped to fixed, one 2 Yr option .
AVE Malvern	Malvern, PA	$64.6	N/A	N/A	$33.8	**2.99%**	52%	5 Years	6/30/2012	JP Morgan	5 Yr floating rate swapped to fixed, one 2 Yr option.
International Corporate Park	Miami, FL	$46.7	N/A	N/A	$23.0	**3.80%**	49%	10 Years	8/28/2012	New York Life	New Loan – Full Term IO.
95 Greene Street	Jersey City, NJ	$75.3	L + 235	49%	$37.0	**3.88%**	49%	7 Years	12/20/2012	Investors Bank	Refinanced - 1yr IO.
Apartment Credit Facility #2*	Various	$297.5	N/A	N/A	$165.9	**3.10%**	56%	10 Years	Early 1Q13	Fannie Mae	Expansion of existing facility - 10yr IO.

- PRISA continues to take advantage of the attractive debt environment for core, multi-family assets. The Fund is preparing to close on a $175M expansion of the existing $250M Apartment Credit facility in the first quarter of 2013. The existing apartment credit facility matures in July 2021 and has a fixed rate of 4.45%. Target pricing for the accordion portion of the facility would be approximately 3.0%, resulting in a blended cost of debt of 3.87%.

* Estimated rate, close is pending.

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RISK PROFILE 2013 – 2015

CORE / NON-CORE ALLOCATION

We expect to be in compliance with the new investment guidelines (90% core and 10% non-core) by mid 2014. The lease-up of Eleven Times Square is the big swing factor.

	12/31/2011 Actual	12/31/2012 Actual	Target
Core	87.6%	86.9%	90.0%
Non-Core	12.4%	13.1%	10.0%

ADDITIONS TO NON-CORE EXPOSURE SINCE 12/2011 - DEVELOPMENT

Project Name	Property Type	Location	Deal Status	Projected Units, SF, or Acres	Projected Date of Stab. (reaching 80%)	PRISA's Projected Costs ($M)
The Modern	Apartment	Fort Lee, NJ	Development/Land	450 units	2Q15	$138.9
One Plantation	Apartment	Plantation, FL	Development	321 units	1Q14	56.3
Mariner Bay II	Apartment	Annapolis, MD	Development	215 units	3Q14	45.1
James Island II	Apartment	Jacksonville, FL	Development	240 units	4Q13	23.7
Sumner Business Park-Wenatchee	Industrial	Sumner, WA	Development	350,075 sf	1Q14	16.6
Total						$280.6
Total as a % of the Fund						1.8%

TOP 4 NON-CORE ASSETS

Project Name	Property Type	Location	Deal Status	Size	% Leased	PRISA's GMV / Projected Cost[1]	% of Non-Core Exposure
Eleven Times Square	Office	New York, NY	Lease-Up	1,109,080 sf	61%	$830.0	44.0%
The Atrium Portfolio	Hotel	Various	Mezz	N/A	N/A	241.5	12.8%
The Modern	Apartment	Fort Lee, NJ	Development/Land	450 units	N/A	138.9	7.4%
Village at Fairview	Retail	Fairview, TX	Lease-Up	529,992 sf	60%	129.8	6.9%
Total						$1,340.2	

[1] Represents PRISA's GMV for all assets except development which reflects total projected cost.

NON-CORE INVESTMENTS - LEASE-UP ASSETS – DECEMBER 31, 2012

Project Name	Location	Deal Structure	Size (SF)	% Leased	Projected Stabilization	PRISA's Share of GMV
Eleven Times Square	New York, NY	JV	1,109,080	61%	3Q14	$830.0
Emerystation Greenway	Emeryville, CA	JV	99,693	3%	1Q14	38.2
Office Lease Up			**1,208,773**	**56%**		**$868.1**
Village at Fairview	Fairview, TX	WO	529,991	60%	2Q16	$129.8
John Ross Condominiums	Portland, OR	WO	5,636	0%	N/A	0.8
Retail Lease Up			**535,627**	**60%**		**$130.6**
Northeast Business Park - Phase II	Washington Township, NJ	WO	722,082	59%	2Q13	$31.3
Northport Logistics Center	Jacksonville, FL	WO	872,627	0%	4Q14	26.1
The Brick Yard Bldg H	Laurel, MD	JV	101,073	48%	1Q14	9.4
Industrial Lease Up			**1,695,782**	**28%**		**$66.8**
Total						**$1,065.5**

PRISA NON-CORE INVESTMENTS - DECEMBER 31, 2012

Land Investments Summary

Property Type	# of Investments	PRISA's Share of GMV ($M)
Apartment	5	$25.2
Industrial	13	207.9
Office	1	2.0
Retail	2	28.8
Total	**21**	**$263.9**

- PRISA's land investments accounted for approximately 2% of the Fund's GMV. PRISA is not obligated to build on any of this land
- PRISA sold eight land investments during 2011-2012 for a total gain on appraised value of $4 million and a loss on cost of $15 million

Mezzanine and Other Loans

Project Name	Location	Deal Structure	Interest Rate	Origination Date	Terminal Maturity Date	PRISA's Share of GMV
The W Boston	Boston, MA	Mortgage	4.25%	01/08	03/14	$25.4
Turnberry Corporate Loan	Miami, FL	Mezz	N/A	09/04	12/12[1]	13.1
Apartment Loan Investments						**$38.5**
The Atrium Portfolio	Various	Mezz	9.5%	09/08	09/15	$241.5
Hotel Loan Investments						**$241.5**
Total						**$280.0**

[1] Currently working on an extension.

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NON-CORE INVESTMENTS - ASSETS UNDER DEVELOPMENT– DECEMBER 31, 2012

Project Name	Location	Deal Structure	Projected Units/SF	Gross Cost	PRISA's Share of Gross Cost	PRISA's Cost Spent to Date	PRISA's Share of GMV	Percentage Complete	Anticipated Completion Date
The Modern I	Fort Lee, NJ	JV	450	$235.3	$133.7	$13.0	$13.0	4%	2Q14
One Plantation	Plantation, FL	JV	321	62.4	56.3	43.1	43.1	67%	2Q13
Mariner Bay II	Annapolis, MD	JV	215	50.1	45.1	25.9	25.9	40%	3Q13
James Island II	Jacksonville, FL	JV	240	26.3	23.7	12.7	12.7	54%	1Q13
Apartment Development			**1,226**	**$374.1**	**$258.8**	**$94.7**	**$94.7**		
Sumner Adams Building - Wenatchee	Sumner, WA	JV	350,075	$15.8	$16.6	$6.3	$6.3	5%	3Q13
Industrial Development			**350,075**	**$15.8**	**$16.6**	**$6.3**	**$6.3**		
Total:				**$389.9**	**$275.4**	**$101.0**	**$101.0**		

PROPERTY SECTOR BY STRATEGIC MARKET[1] – DECEMBER 31, 2012

	Primary Exposure	Comments
NEW YORK METRO	59% office, 21% apartment	Manhattan & NJ Waterfront
LOS ANGELES METRO	34% industrial, 29% apartment	Infill port related industrial and Class A infill apartments
WASHINGTON, DC	26% office, 31% apartment, 21% retail	DC, Northern VA & Maryland
SAN FRANCISCO	49% office, 28% apartment	CBD office, infill apartment and East Bay lab office
BOSTON	81% office, 15% apartment	Trophy Boston office
SOUTH FLORIDA	31% retail, 26% office, 19% apartment	Publix anchored retail & infill office
CHICAGO	37% office, 18% retail, 32% apartment	CBD office, retail & apartment

[1] Based upon PRISA's share of GMV in properties and debt investments.

SINGLE ASSET EXPOSURE - TOP 10 ASSETS[1] - DECEMBER 31, 2012

Project Name	Property Type	Location	Units / SF	100% GMV / Unit	PRISA's Share GMV ($ Millions)	Percentage of Fund's GMV	NAV ($ Millions)
International Place[2]	**Office**	**Boston, MA**	**1,843,094**	**$509.5**	**$842.2**	**5.9%**	**$495.3**
Eleven Times Square[2]	**Office**	**New York, NY**	**1,109,080**	**$786.2**	**$830.0**	**5.8%**	**$454.4**
The Fillmore Center	Apartment	San Francisco, CA	1,114	$380,403.9	$423.8	3.0%	$318.2
Post Montgomery Tower	Office	San Francisco, CA	675,432	$598.1	$402.0	2.8%	$397.8
100 Park Avenue	Office	New York, NY	894,967	$765.4	$343.2	2.4%	$239.9
1800 M Street	Office	Washington, DC	551,391	$480.6	$265.0	1.9%	$265.0
Annapolis Towne Centre at Parole	Retail	Annapolis, MD	504,373	$521.6	$262.8	1.8%	$102.3
The Atrium Portfolio	Hotel	Various	N/A	N/A	$241.5	1.7%	$241.5
Democracy Center	Office	Bethesda, MD	689,294	$290.2	$200.0	1.4%	$200.0
22 West Washington	Office	Chicago, IL	439,434	$423.3	$186.0	1.3%	$186.0
					$3,996.4	**28.0%**	**$2,900.4**

[1] Based on PRISA's GMV.
[2] Exceeds single asset exposure.

PRISA TOP 10 TENANTS - DECEMBER 31, 2012

- PRISA's largest tenants are diversified across the financial, government, law, media, insurance and retail sectors

Tenant	Property	Industry	Credit Rating (S&P)[1]	% of Fund's Revenue	Square Feet
Proskauer Rose	Eleven Times Square / International Place	Legal	NR	2.8%	503,356
Eaton Vance Management	International Place/100 Park	Finance	A-	1.2%	320,526
Marsh & McLennan	Waterfront Corporate Center Phase II	Insurance	BBB-	1.2%	425,424
Choate Hall & Stewart	International Place	Legal	NR	0.7%	192,592
BDO Seidman	100 Park Avenue	Finance	NR	0.6%	121,858
Merrill Lynch, Pierce, Fenner & Smith, Inc.	95 Greene Street	Finance	A	0.6%	224,632
Morningstar, Inc.	22 West Washington	Finance	NR	0.6%	255,721
Amyris Biotechnologies	Emery Station East	Biotechnology	NR	0.5%	113,384
General Services Administration (GSA)	1800 M Street	Government	NR	0.5%	174,954
J&W Seligman	100 Park Avenue	Finance	NR	0.5%	103,615
Total				**9.1%**	**2,436,062**

[1] www.standardandpoors.com

Note: Based on revenue contribution budgeted for 2013.

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PRISA'S SUSTAINABILITY ROSTER - DECEMBER 31, 2012

- 24 properties totaling $4.0B (29.7%) in GMV have LEED Certification
- 8 PRISA properties totaling $1.0B (7.5%) in GMV have received the Energy Star Rating
- PRISA continually seeks ways to operate its assets more efficiently

LEED Certification	Energy Star Level
Office	**Office**
100 North Tampa - Silver	Ponce de Leon[1]
100 Park Avenue - Silver	Glendale Plaza
2020 Main – Silver	Post Montgomery Tower
Emerystation I - Silver	100 North Tampa
Emerystation II – Silver	120 North LaSalle
Emerystation East - Silver	2020 Main Street
Glendale Plaza - Silver	Westside Plaza I
International Place – Silver[1]	Democracy Center[2]
Westside Plaza I – Silver	
Westside Plaza II – Silver	
Westside Plaza III - Silver	
Ponce de Leon - Gold/Silver[1]	
120 North LaSalle - Gold	
Eleven Times Square - Gold	
Post Montgomery Tower - Gold	
Industrial	
I-20 Distribution Center - Silver	
Northpoint Logistics - Silver	
The Brick Yard, Building E - Silver	
The Brick Yard, Building H - Silver	
The Brick Yard, Building I - Silver	
Apartment	
Fillmore Center - Silver	
Vanguard Chelsea - Platinum	
Retail	
Marshfield Plaza - Silver	
Pacoima Retail Center - Gold	

[1] This property consists of two buildings.

[2] One of the three buildings at Democracy is Energy Star Label.

PRISA LONG-TERM RETURN TARGETS

Strategy	Long-Term Return Target[1]	Long-Term PRISA Blend[1]
Risk Profile:		
Core (90%)	7.00% to 9.00%	7.50% to 9.50%
Non-Core (10%)	11.00% to 14.00%	

- Performance Benchmark remains the NFI-ODCE, as PRISA will have a risk and leverage profile similar to the NFI-ODCE averages after the Implementation Phase.
- Income is expected to contribute approximately 80% to the total return.

[1] Targeted returns are portfolio level and before fees. There is no guarantee that targeted returns will be achieved.
Total net target return is 6.5%-8.5%.

PRISA INVESTMENT GUIDELINES

- PRISA targets a total gross return of 7.5% to 9.5% over a complete market cycle, with 80% of the return expected to come from income.

Strategy	Prior	Current[1]	NFI-ODCE
Risk Profile			
- Core	80%	90% (87% currently)	80%
- Non-Core	20%[2]	10% (13% currently)	20% (max)
Return Focus:	Income	Income	N/A
Property Type Focus:	Fully Diversified: Mainly Office, Industrial, Multifamily and Retail. Limited Hotel and Storage	Fully Diversified: Mainly Office, Industrial, Multifamily and Retail. Limited Hotel (up to 10% of GMV) and Storage	Fully Diversified: Mainly Office, Industrial, Apartment and Retail. No More than 65% in one sector
Geographic Focus:	Fully Diversified within the US: Overweight to major markets and coastal regions	Fully Diversified within the US: Overweight to major markets and coastal regions	95% in US market; No more than 65% in one region
Benchmark:	Meet or exceed NFI-ODCE over a complete market cycle	Meet or exceed NFI-OCDE over a complete market cycle	N/A
Maximum Debt:			
- Effective Leverage Ratio	30%	30% (20.9% currently)	40%
- Debt to Portfolio Operating Income	N/A	5 x (4.0x currently)	N/A
- Recourse Leverage	N/A	15% (0.7% currently)	N/A
Other Governors:			
- Max. Single asset exposure (% GMV)	N/A	5% (International Place 5.9% and Eleven Times Square 5.8% currently)	N/A
- Max. Mezzanine Investing (% GMV)	5%	5% (1.9% currently)	N/A

Note: Targeted returns are not guaranteed. Total net target return is 6.5%-8.5%

[1] Adopted 9/30/10. Information as of 12/31/12.

[2] Prior limits: up to 15% of GMV in forward commitments or leasing risk assets; up to 5% of GMV in non-traditional structures (i.e. mezzanine loans).

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CATHERINE MARCUS

MANAGING DIRECTOR

catherine.marcus@prudential.com
(973) 683 1601

NUMBER OF YEARS REAL ESTATE EXPERIENCE: 24
NUMBER OF YEARS WITH PRUDENTIAL: 13

Cathy Marcus is PRISA's Senior Portfolio Manager, and is involved in all aspects of managing the fund including portfolio strategy, investment decisions and management of the PRISA team.

From 2002 to early 2004, Cathy was the head of investment underwriting and operations for the Transactions Group of PREI. This included the underwriting review of each investment presented for approval to PREI's Investment Committee, as well as the coordination of the acquisition activity of the PREI acquisition professionals located in four regional offices.

From 1998 to 2001, Cathy was Vice President for Prudential Corporate Real Estate Advisors. In this capacity, she directed the strategic planning, development activities and transactional activities for over $800 million of corporate real estate on behalf of clients.

Prior to joining Prudential, Cathy was a Second Vice President with MBL Life Assurance Corporation. In this position, she was involved in real estate portfolio management, commercial loan securitization, commercial mortgage loan restructuring, portfolio dispositions and special projects, including the sale of the Agricultural Lending Division and a luxury resort development.

Cathy holds a BSE degree in Real Estate Finance and Entrepreneurial Management from the Wharton School at the University of Pennsylvania and a Master of Science degree in Real Estate Investment and Development from New York University.

JOANNA MULFORD

PRINCIPAL

joanna.mulford@prudential.com
(973) 683 1743

NUMBER OF YEARS REAL ESTATE EXPERIENCE: 16
NUMBER OF YEARS WITH PRUDENTIAL: 23

Joanna is the Portfolio Manager for PRISA, and is involved in all aspects of managing the fund including portfolio strategy, investment decisions and management of the PRISA team.

From 2005 through 2007, Joanna was responsible for U.S. real estate sales on behalf of PREI's clients. In 2007, PREI executed 79 commercial property sales totaling $5.7 billion.

Joanna had previously been the Portfolio Manager for three accounts: A mezzanine fund with $250 million of client commitments; a $400 million private REIT; and a $400 million co-investment program with an off-shore investor. Prior to this, she was responsible for the asset management of a portfolio of commercial real estate investments including office, residential, retail, storage and industrial property types and mezzanine loans.

Before joining PREI in 1997, Joanna was a member of the Private Equity Group, performing Enterprise reporting on behalf of Prudential's domestic and international subsidiaries investing in private equity transactions. Prior to this, she had been a member of the Comptrollers unit of the Prudential Asset Management Company since joining the firm in January of 1990. She provided support to several of Prudential's money management subsidiaries investing in both public and private equities.

Joanna is a graduate of Rutgers University where she studied Finance and Management and earned both an MBA and Bachelor's Degree.

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NICOLE STAGNARO

VICE PRESIDENT

nicole.stagnaro@prudential.com
(973) 683 1640

NUMBER OF YEARS REAL ESTATE EXPERIENCE: 8
NUMBER OF YEARS WITH PRUDENTIAL: 8

Nicole Stagnaro is the assistant portfolio manager for PRISA. As such, she is involved in many aspects of the Fund's portfolio strategy, including investment selection, sales, asset management and portfolio reporting. She has been elected to serve on several PREI initiatives including the global portfolio management round table.

From 2008 to early 2011, Nicole managed a portfolio of assets and relationships that were being closely monitored due to unfavorable market conditions and executed on resolution strategies. Additionally, Nicole was responsible for the asset management of approximately $700 million of properties including hotel, multi-family, industrial, land and mezzanine loans.

Nicole joined PREI in 2004 as a member of the acquisition team in San Francisco and conducted underwriting for approximately $4 billion across all real estate asset classes with a broad scope of structures and strategies.

Nicole earned a Bachelors Degree in Business Administration and minor in Psychology from California Polytechnic State University in San Luis Obispo and earned a Masters Degree in Real Estate Finance and Development from New York University.

MARK A. OCZKUS

PRINCIPAL

mark.oczkus@prudential.com
(415) 291 5019

NUMBER OF YEARS REAL ESTATE EXPERIENCE: 24
NUMBER OF YEARS WITH PRUDENTIAL: 15

Mark A. Oczkus is a member of PREI's marketing and client service team, responsible for managing relationships with major corporate, public, and Taft Hartley pension funds in the Western United States.

Prior to assuming his current position with Prudential in February 1998, Mark was a Vice President with SSR Realty Advisors, from 1995 to 1997, responsible for marketing to corporate pension plans nationwide. From 1991 to 1995, Mark was the Director of Marketing for MIG Realty Advisors, and served in a variety of marketing and client relation functions, including consultant relations and sales to public and corporate pension plans. Mark received a BA and MBA from the University of California, Berkeley.

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PREI'S DEFINITION OF CORE

- Office, retail, warehouse, storage, and residential properties that were more than 80% leased when purchased and hotels that were operating at, or near, market occupancy. (For the sake of clarity, properties will not move out of the core category if their occupancy falls below the 80% threshold subsequent to acquisition.)

- Properties (office, retail, warehouse, multi-family or storage) that were developed, renovated or purchased and have now achieved leasing of 80% or more of the total leasable area.

- Properties undergoing a minor renovation/expansion that does not have a material impact on the property's occupancy or operation.

- Build-to-suit investments which are 80% or more pre-leased and where the Fund has reasonable protection from completion and cost overrun risk.

- Investment activities incidental to the Fund's main strategies:

  – Listed securities or purchase money mortgages accepted as part of the consideration in a property sale

  – Senior first mortgages with an LTV at origination of 65% or less

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PRISA: The basis for the performance target set forth within this presentation is based on a fund that is a broadly diversified, core portfolio that invests primarily in existing, income-producing properties with strong cash flow that is expected to increase over time and thereby provide the potential for capital appreciation. Target returns are expected to be achieved over a complete market cycle which can be defined as a period of time whereby valuations have bottomed (hit a trough), rose to a peak and then declined to the trough point again. PREI has based this investment objective on certain assumptions that it believes are reasonable. There is no guarantee, however, that any or all of such assumptions will prove to be accurate in the face of actual changes in the market or other material changes in regional or local markets specific to this strategy. Factors necessary to achieve this performance target include a property type and geographic diversification strategy, which is intended to reduce risk and maintain a

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broadly diversified portfolio. Property selection and performance impact the ability to achieve the target returns, including asset location, asset class, and property type assets, investment strategy and the capitalization of investment. Property and Fund performance are subject to healthy economic conditions in the US market and sub-markets where investments are located. Factors that would mitigate against achieving this performance target would include, but are not limited to, unforeseen sudden and drastic changes in economic and capital markets and/or demographic trends affecting the US or a particular market or sub market that could impact property performance and/or investors' demand for commercial real estate. There can be no guarantee that this target will be achieved.

PRISA II: The basis for the performance target set forth within this presentation is based on a fund that is a broadly diversified equity real estate portfolio that seeks to structure investments to enhance risk-adjusted returns. Target returns are expected to be achieved over a complete market cycle which can be defined as a period of time whereby valuations have bottomed (hit a trough), rose to a peak and then declined to the trough point again. PREI has based this investment objective on certain assumptions that it believes are reasonable. There is no guarantee, however, that any or all of such assumptions will prove to be accurate in the face of actual changes in the market or other material changes in regional or local markets specific to this strategy. Factors necessary to achieve this performance target include a diversification strategy, which is intended to reduce risk and maintain a broadly diversified portfolio. Property selection and performance impact the ability to achieve the target returns, including asset location, asset class, property type of asset, investment strategy and the capitalization of investment. Property and Fund performance are subject to healthy economic conditions in the US market and sub-markets where investments are located. Factors that would mitigate against achieving this performance target would include, but are not limited to, unforeseen sudden and drastic changes in economic and capital markets and/or demographic trends affecting the US or a particular market or sub market that could impact property performance and/or investors' demand for commercial real estate.

PRISA III: The basis for the performance target set forth within this presentation is based on a fund that seeks to execute a value-added strategy by acquiring real estate investments located in diverse markets and to structure investments to enhance risk-adjusted returns. Target returns are expected to be achieved over a complete market cycle which can be defined as a period f of time whereby valuations have bottomed (hit a trough), rose to a peak and then decline to the trough point again. PREI has based this investment objective on certain assumptions that it believes are reasonable. There is no guarantee, however, that any or all of such assumptions will prove to be accurate in the face of actual changes in the market or other material changes in regional or local markets specific to this strategy. Factors necessary to achieve this performance target include a diversification strategy, which is intended to reduce risk and maintain a broadly diversified portfolio. Property selection and performance impact the ability to achieve the target returns, including asset location, asset class, property type of asset, investment strategy and the capitalization of investment. Property and Fund performance are subject to healthy economic conditions in the US market and sub-markets where investments are located. Factors that would mitigate against achieving this performance target would include, but are not limited to, unforeseen sudden and drastic changes in economic and capital markets and/or demographic trends affecting the US or a particular market or sub market, lack of opportunities in the market and/or investors' demand for commercial real estate. There can be no guarantee that this target will be achieved.

The financial indices referenced herein as benchmarks are provided for informational purposes only. The holdings and portfolio characteristics

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Risk Factors: Investments in commercial real estate and real estate-related entities are subject to various risks, including adverse changes in domestic or international economic conditions, local market conditions and the financial conditions of tenants; changes in the number of buyers and sellers of properties; increases in the availability of supply of property relative to demand; changes in availability of debt financing; increases in interest rates, exchange rate fluctuations, the incidence of taxation on real estate, energy prices and other operating expenses; changes in environmental laws and regulations, planning laws and other governmental rules and fiscal policies; changes in the relative popularity of properties risks due to the dependence on cash flow; risks and operating problems arising out of the presence of certain construction materials; and acts of God, uninsurable losses and other factors which are beyond the control of the Manager and the Fund. As compared with other asset classes, real estate is a relatively illiquid investment. Therefore, investors' withdrawal requests may not be satisfied for significant periods of time. Other than its general fiduciary duties with respect to investors, PREI has no specific obligation to take any particular action (such as liquidation of investments) to satisfy

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withdrawal requests. In addition, as recent experience has demonstrated, real estate is subject to long-term cyclical trends that give rise to significant volatility in real estate values.

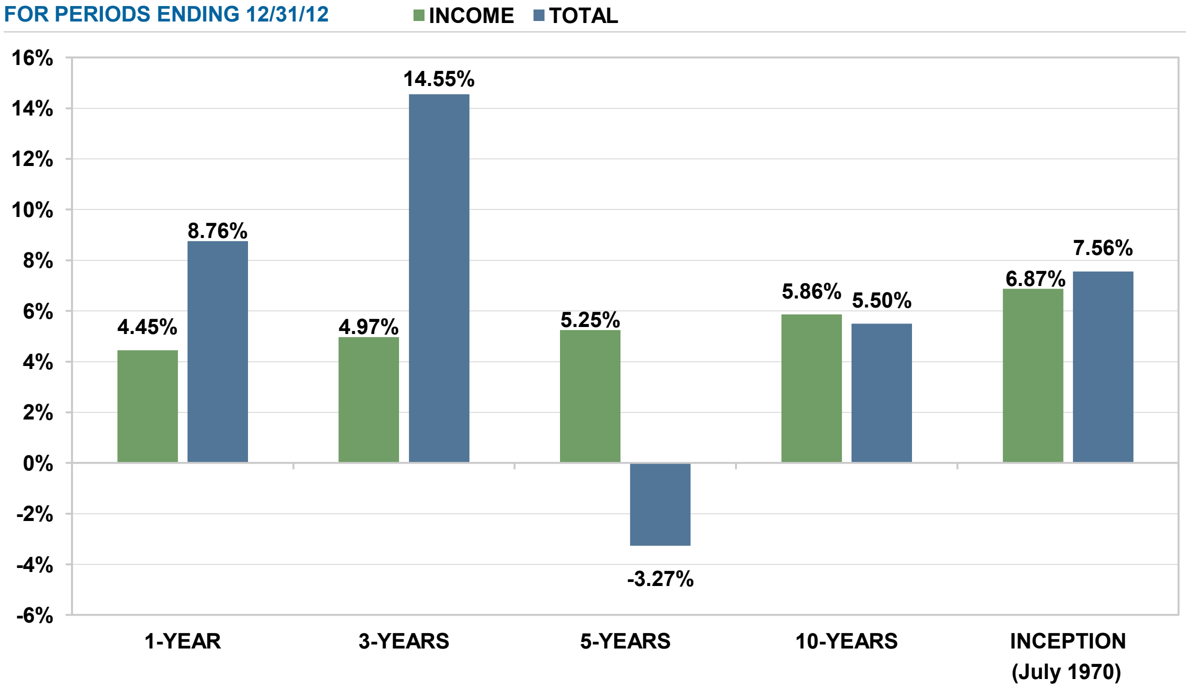
The Interests have not been and will not be registered under the U.S. Securities Act and are being offered and sold in compliance with Regulation D under the U.S. Securities Act. The Interests are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under Regulation D under the U.S. Securities Act and the applicable state, foreign and other securities laws, pursuant to registration or exemption there from. The transferability of Interests will be further restricted by the terms of the Partnership Agreement of the applicable Fund. Prospective Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

NCREIF Fund Index-Open End Diversified Core Equity (NFI-ODCE): The NFI-ODCE, short for NCREIF Fund Index - Open End Diversified Core Equity, is the first of the NCREIF Fund Database products and is an index of investment returns reporting on both a historical and current basis the results of 18 private open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. Fund membership requires the following criteria: (1) Private open-end funds; (2) Not more than 40% leverage; (3) At least 80% of assets in the five major property types; (4) At least 95% of assets located in the U.S.; and (5) Not more then 70% of assets in one region or one property type. Reinvestment of dividends is not applicable to this asset class. A benchmark Index is not professionally managed, does not have a defined investment objective, and does not incur fees or expenses. Investors cannot invest directly in an index.

The NCREIF Property Index (NPI): The NCREIF Property Index ("NPI") is comprised of the NCREIF Classic Property Index (unleveraged) and the NCREIF Leveraged Property Database. The universe of investments includes: (1) Wholly owned and joint-venture investments; (2) Existing properties only -- no development projects; and (3) Only investment-grade, non-agricultural, income-producing properties: apartments, hotels, office, retail, office showroom/R&D, and warehouses. The database fluctuates quarterly as participants acquire properties, as new members join NCREIF, and as properties are sold. Sold properties are removed from the Index in the quarter the sales take place (historical data remains). Each property's market value is determined by real estate appraisal methodology, consistently applied. Please note that when returns are computed for the NPI, the returns for the levered properties are computed on a de-levered basis, i.e., the impact of financing is excluded. Reinvestment of dividends is not applicable to this asset class. Note: A benchmark Index is not professionally managed, does not have a defined investment objective, and does not incur fees or expenses. Investors cannot invest directly in an index.

PRISA RETURNS AFTER MANAGEMENT FEES – DECEMBER 31, 2012

Net Performance	4Q12
Income	1.15%
Appreciation	0.56%
Total	**1.71%**



Note: Returns shown are time-weighted rates of return after deduction of Management fees using the highest rate applicable. Actual fee schedules and other expenses are described in the individual PRISA contracts. Please see Part II of the Prudential Investment Management Inc. Form ADV, for more information concerning fees. Past performance is not a guarantee or reliable indicator of future results.

UBS

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Global Real Estate - US

Overview presentation

Ventura County Employees' Retirement Association

Presented by:

Thomas C. Klugherz, Portfolio & Client Services Officer

W. David Lawson, Portfolio & Client Services Officer

February 25, 2013

General risk disclosure

Certain sections of this presentation that relate to future prospects are forward looking statements and are subject to certain risks and uncertainties that could cause actual results to differ materially. This material is designed to support an in-person presentation, is not intended to be read in isolation, and does not provide a full explanation of all the topics that are presented and discussed.

An investment in real estate will involve significant risks and there are no assurances against loss of principal resulting from real estate investments or that the portfolio's objectives will be attained.

This is not a recommendation. Investors must have the sophistication to independently evaluate investment risks and to exercise independent judgment in deciding to invest in real estate funds. Investors must also have the financial ability and willingness to accept and bear the risks, including, among other things:

- **Risk of illiquidity.** Real estate is an illiquid investment and the account may not be able to generate sufficient cash to meet withdrawal requests from investors. Redemptions may be delayed indefinitely;
- **Risks of investing in real estate.** These risks include adverse changes in economic conditions (local, national, international), occupancy levels and in environmental, zoning, and other governmental laws, regulations, and policies;
- **Use of leverage.** Leverage will increase the exposure of the real estate assets to adverse economic factors, such as rising interest rates, economic downturns, or deteriorations in the condition of the properties or their respective markets and changes in interest rates; and
- **Limitations on the transfer of fund units**. There is no public market for interests in any of our funds and no such market is expected to develop in the future.
- **Legal & Taxation**. Investors should consult their own legal and tax advisers for potential US and/or local country legal or tax implications on any investment

Investors should evaluate all risk and uncertainties before making any investment decision. Risks are detailed in the respective fund's offering memorandum.

Table of Contents

SECTION 1

Investment Results

UBS

UBS-TPF investment results for Ventura County Employees'

Periods ending December 31, 2012

Year	Deposits[1]	Reinvested Distributions[2]	Withdrawals[3]	Market Value 12/31/12	Client Net IRR's: 12 months ended 12/31/12	3 years ended 12/31/12	5 years ended 12/31/12	Since Inception 3/31/03 to 12/31/12
	$ in thousands							
2003	54,000							
2004	10,000							
2005			10,000					
2008		2,539						
2009		2,884	1,013					
2010	30,000	2,751						
2011	30,000	4,558						
2012								
Total	124,000	17,829	11,013	178,706	9.0%	11.8%	2.2%	7.4%

1 Represent capital contributions to the Fund

2 Represent the reinvested distributions, as per the DRIP program which was initiated after the conversion to the UBS Trumbull Property Fund on 2/29/08.

3 Represent withdrawals requested from the Fund

*Client Net IRRs are dollar-weighted and after fees that were deducted from the account. Past performance is not indicative of future results. This is not an official statement of your account. Refer to your client statement and the quarterly UBS-TPF report. **Time Weighted Returns are available upon request.**

UBS

SECTION 2

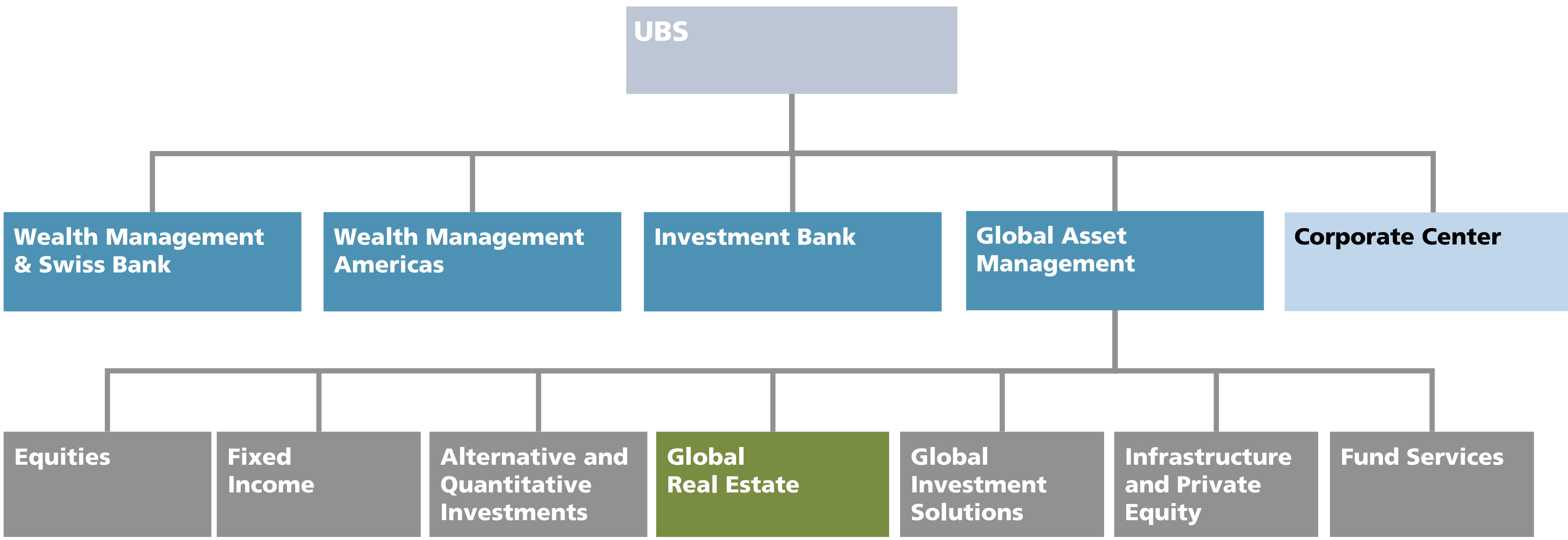
Organization and Capabilities

UBS

UBS Global Asset Management - *Overview*

As of September 30, 2012

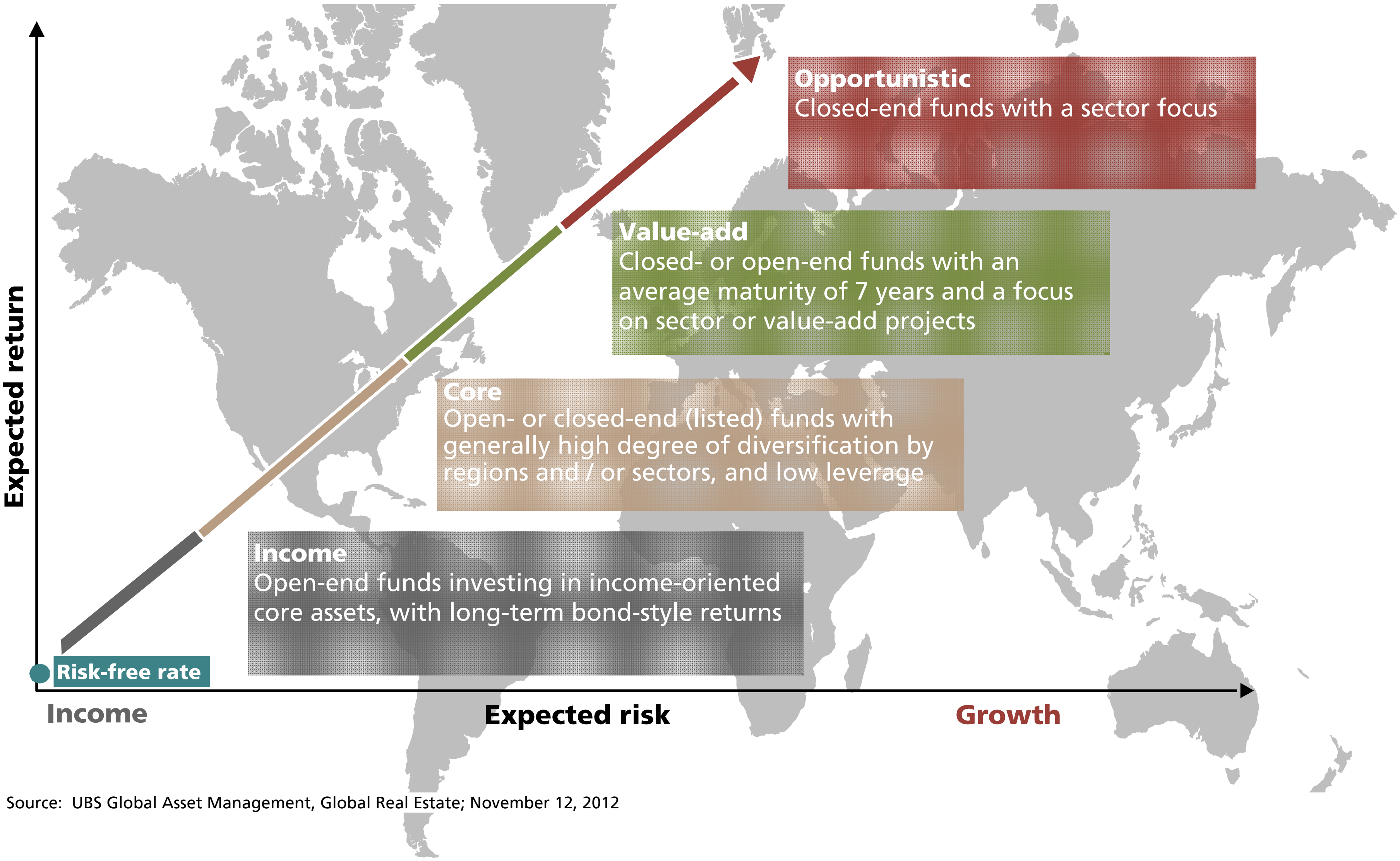
- Total invested assets: USD 625 billion
- Approximately 3,800 employees located in 24 countries
- Seven business segments
- Value driven investment philosophy
- Real estate is a prominent business area within UBS Global Asset Management



Updated December 3, 2012

GRE – *Delivers across the risk / return spectrum*

General style characteristics



Source: UBS Global Asset Management, Global Real Estate; November 12, 2012

US real estate *investment experience*

As of December 31, 2012

Organizational strengths

- Long history of investing in both value-added and core strategies
- National market presence; local expertise
- Continuity and experience of professional staff
- Commitment to client service
- Rigorous multi-disciplined acquisition process
- Expertise in all major property types
- Successful portfolio takeover experience
- Strong research department thoroughly integrated into all facets of our business
- Demonstrated sales discipline

Updated January 15, 2013

- Over 34 years of core and value added real estate investment experience
- USD 20.2 billion of assets for over 450 clients
- Real estate organization with 177 employees and offices in California, Connecticut, and Texas
- Quality people, properties and relationships

Our mission is to provide both superior risk-adjusted investment performance for our clients through private and public real estate investment strategies and outstanding client service.

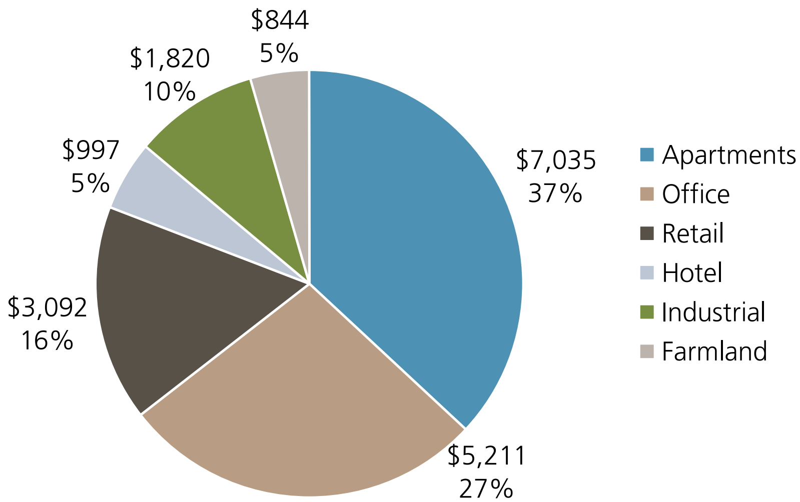
Global Real Estate funds in the US - *Overview*

As of December 31, 2012

Gross assets – USD 20.2 billion

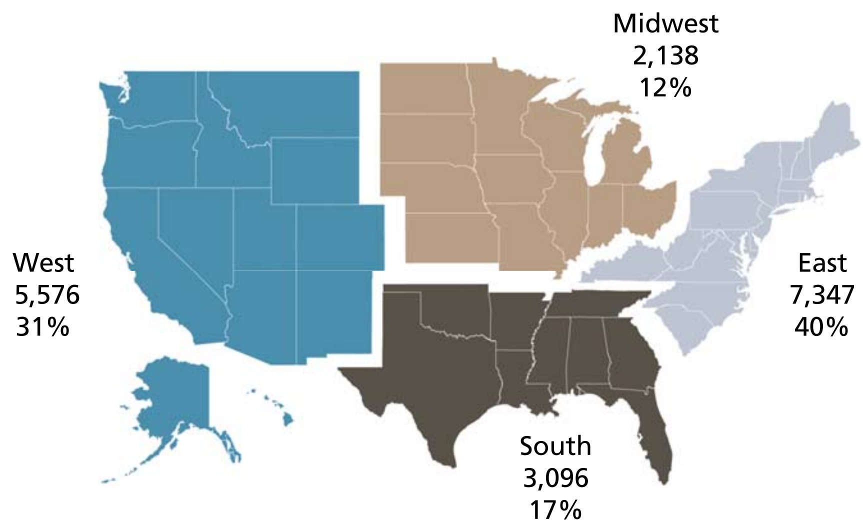
Assets by property type

(USD in millions)



Assets by geographic region

(USD in millions)

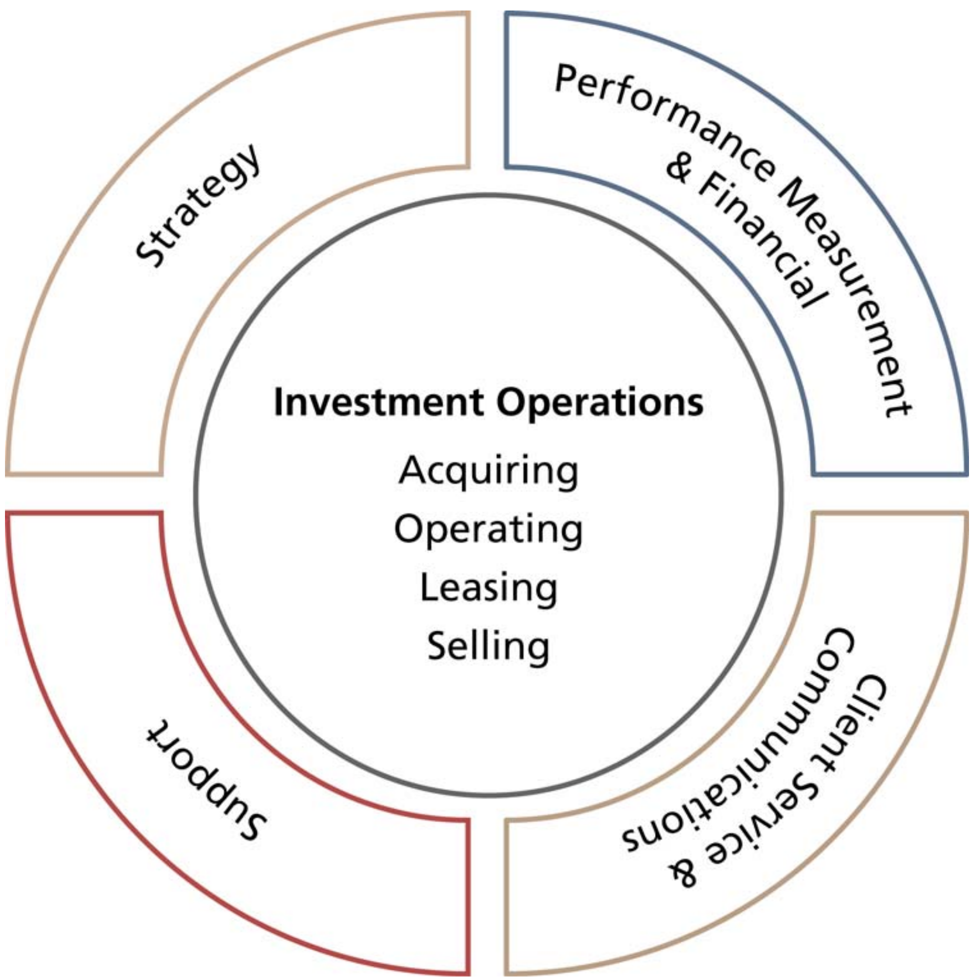


Notes: Assets by property type and geographic regions represent real estate assets only and exclude other assets, such as cash, which are included in Gross Assets. Assets by geographic region exclude farmland.

Updated January 15, 2013

US real estate - *multidisciplined organization*

As of December 31, 2012



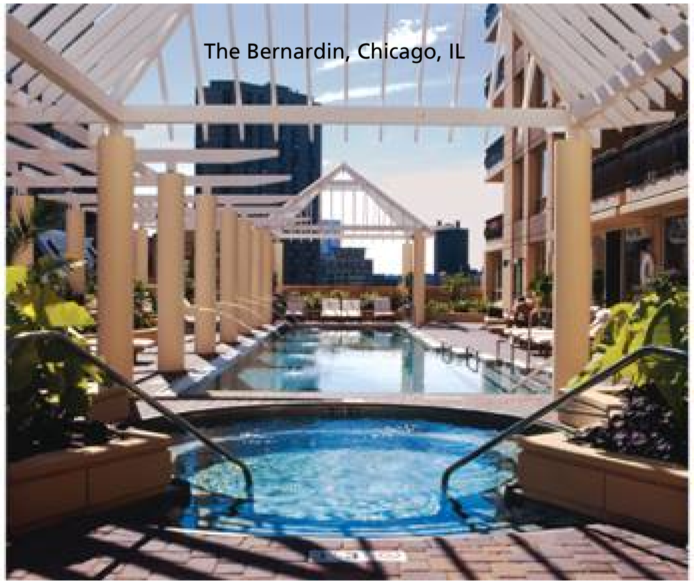
Strategy	
- Senior Management	1
- Portfolio Management	10
- Research	8
Investment Operations	
- Acquisitions	18
- Asset Management	41
- Dispositions	3
- Engineering	4
Performance Measurement & Financial	
- Valuation	4
- Fund & Property Accounting	29
- Corporate Accounting/Operations	2
Client Service & Communications	
- Client & Portfolio Services	6
- Client Service & Communications	9
Support	
- Information Technology	12
- Legal & Compliance	10
- Administrative	20
Total	**177**

Updated January 15, 2013

US real estate - *acquisition team continuity*

- Region heads with over 27 years average real estate experience
- Continuity creates opportunities through long-term relationships
- Credibility and reputation
- Enhanced deal flow


Alexan Lenox, Atlanta, GA


The Bernardin, Chicago, IL


455 Market Street, San Francisco, CA

Updated September 21, 2012

US real estate – *strengths and distinguishing characteristics*

- Performance record for both value-added and core strategies
- National market presence; local expertise
- Continuity and experience of professional staff
- Commitment to client service
- Rigorous multi-disciplined acquisition process
- Expertise in all major property types
- Successful portfolio takeover experience
- Strong research department thoroughly integrated into all facets of our business
- Demonstrated sales discipline

Updated September 21, 2012

SECTION 3

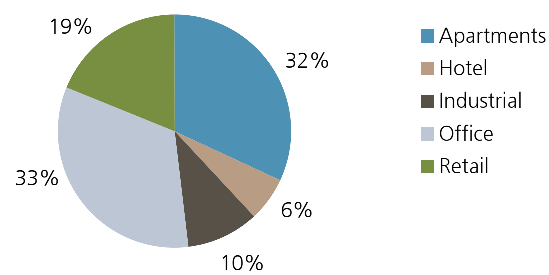
US Real Estate Strategies

UBS

UBS Trumbull Property Fund
Facts & figures 4Q 2012

UBS Trumbull Funds

Portfolio distribution by property type[1]



Objective

The UBS Trumbull Property Fund (UBS-TPF) is an actively managed core portfolio of equity real estate. The Fund seeks to provide attractive returns while limiting downside risk. The Fund has both relative and real return objectives. Its relative performance objective is to outperform the NFI-ODCE index over any given three-to five-year period. The Fund's real return performance objective is to achieve at least a 5% real rate of return (i.e., inflation-adjusted return), before advisory fees, over any given three- to five-year period.

Highlights

- Net investment income before fees was USD 158.8 million. The fourth quarter results also reflect a net realized and unrealized gain of USD 84.4 million.
- UBS-TPF acquired three apartment investments during the quarter: a 153-unit property in Seattle, WA for USD 28.1 million, a 404-unit community in Tempe, AZ for USD 54.1 million, and entered a joint venture to develop a 352-unit luxury property in Charlotte, NC for USD 69.8 million.
- The Fund's Becknell industrial joint venture acquired two 100% leased properties and committed to develop two other 100% preleased properties during the quarter. The Fund's share of total gross commitments is USD 25.9 million.
- UBS-TPF acquired a 100% leased 206,000-square-foot industrial warehouse in Miami, FL for USD 26.0 million.
- The Fund sold two apartment properties during the quarter: an 884-unit property in Voorhees, NJ for USD 83.1 million and a 500-unit property in Atlanta, GA for USD 48.2 million.

Total returns by property type

Periods ending 12/31/2012	Apt	Hotel	Ind	Office	Retail
Quarter (%)	3.07	-0.38	1.65	0.75	4.19
12 months (%)	11.27	4.43	13.42	9.31	13.68

Key statistics

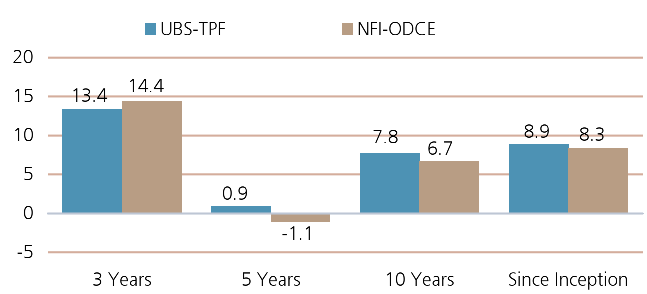
Gross asset value (GAV)	USD 14.5 bn
Net Asset value (NAV)	USD 12.6 bn
Cash as a % of GAV	6.3%
Debt as % of GAV	11.6%
Number of investments	176
Number of investors	384
Deposits	USD 146.2 m
Redemptions	USD 8.2 m

Quarterly returns	(%)
Income	1.27
Appreciation	0.68
Total (before fees)	1.95
Total (after fees)	1.69

One-year rolling returns (%)	
Income	5.35
Appreciation	4.62
Total (before fees)	10.15
Total (after fees)	9.04

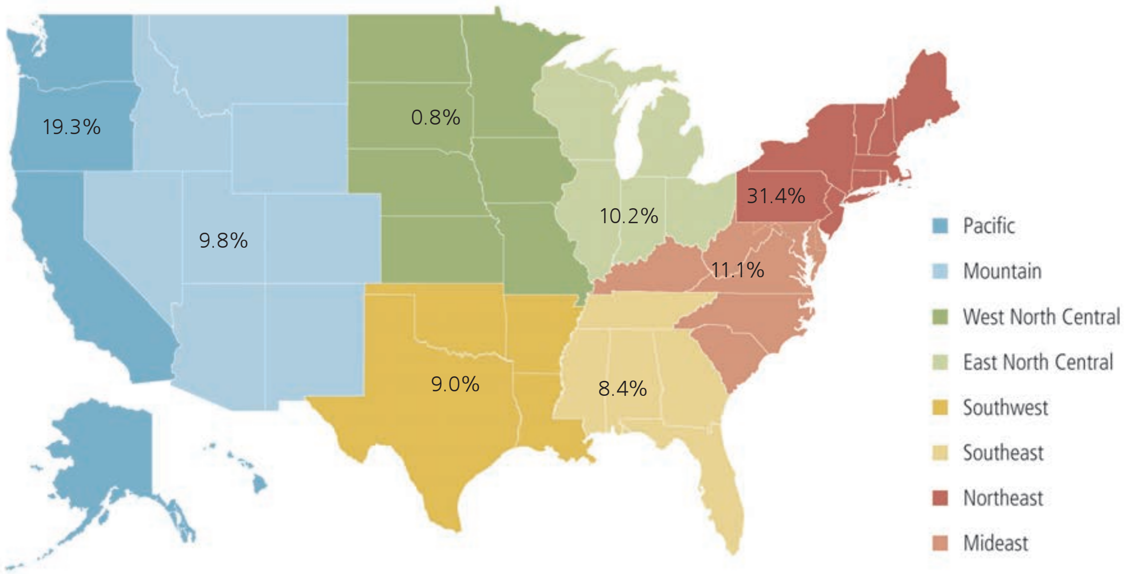
Performance for periods ending December 31, 2012

Gross returns vs. NFI-ODCE (annualized %)

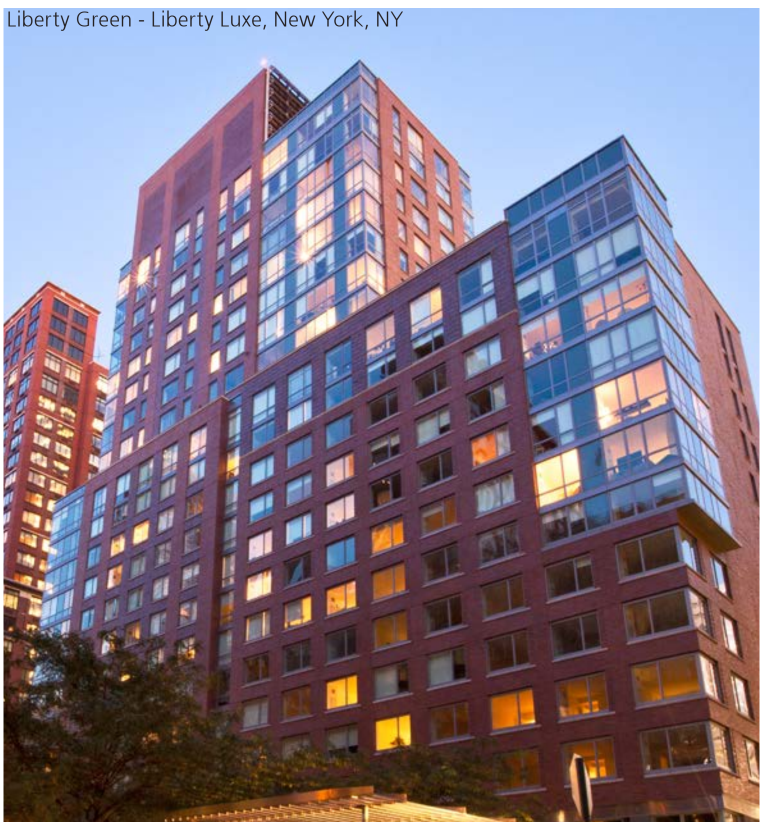


Inception date January 13, 1978

Distribution by geographic division[1]



Liberty Green - Liberty Luxe, New York, NY



[1]Percentage of gross market value of real estate investments.

[2]Deposits and redemptions for the fourth quarter of 2012 were recorded in January 2013.

This summary is not a recommendation, an offer, a solicitation, or advertisement to purchase or sell securities or interests in the Fund. The Fund will only be offered pursuant to a confidential offering memorandum and then only to accredited investors on a private placement basis in jurisdictions in which such an offer may be legally made. The Fund may not be available to investors in all jurisdictions—investors should consult their legal and tax advisors regarding investment in the Fund.

The UBS (US) Trumbull Property Fund LP (UBS-TPF) is a Delaware limited partnership and is part of the group of funds known as the UBS Trumbull Funds. The Fund is denominated in USD. Returns include reinvestment of income and are before deduction of management fees. Net returns for the three-, five- and ten-year periods ended 12/31/2012 were 12.30%, 0.02% and 6.80% and the net return since inception was 7.91%. All returns shown are before the deduction of contract charges, which are only applicable through February 29, 2008. NCREIF Fund Index-Open End Diversified Core Equity ("NFI-ODCE") returns are time-weighted, fund-level returns that include cash balances and leverage, and are presented gross of fees. With property investment, the underlying assets are very illiquid and redemptions may be delayed. Past performance is not indicative of future results and the possibility of loss does exist.

In the US, investment in the Fund is offered by UBS Fund Services (USA) LLC member FINRA and SIPC.

In Canada, the Fund may be offered through UBS Global Asset Management (Canada) Inc.

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UBS Realty Investors LLC
10 State House Square, 15th Floor
Hartford, CT 06103-3604
Tel. +1-860-616 9000
Fax. +1-860-616 9104
www.ubs.com/realestate

UBS Trumbull Property Income Fund
Facts & Figures 4Q 2012

UBS Trumbull Funds

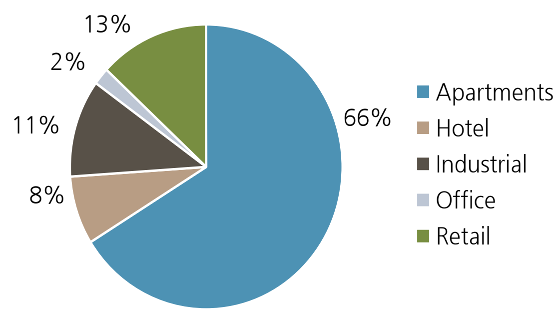
Objective

The UBS Trumbull Property Income Fund (UBS-TPI) offers a combination of fixed returns and participation in the cash flows and market value changes of commercial real estate investments. The investment objective of the account is to seek to achieve at least a 5% real rate of return (i.e., inflation-adjusted return), before fees, over any given three- to five-year period.

Highlights

- Net investment income before advisory fee was USD 18.4 million, up approximately USD 2.0 million from last quarter.
- All investments were externally appraised except for three early-stage construction loans. The account recognized a net realized/unrealized gain of USD 34.8 million.
- UBS-TPI closed on a new construction loan secured by an apartment property in Atlanta, Georgia. Upon completion of construction, the loan will convert to a participating mortgage of approximately USD 61.0 million.
- In December, we converted the construction loan secured by the Hilton Carlsbad Oceanfront hotel to a 10-year participating mortgage.

Portfolio distribution by property type[1]



Key statistics

Gross asset value (GAV)	USD 1.8 bn
Net Asset value (NAV)	USD 1.7 bn
Cash as a % of GAV	6.5%
Number of investments	50
Number of investors	69

Deposits[2]	USD 82.5 m
Redemptions[2]	USD 0.0 m

Quarterly returns	(%)
Income	1.08
Appreciation	2.05
Total (before fees)	3.13
Total (after fees)	2.91

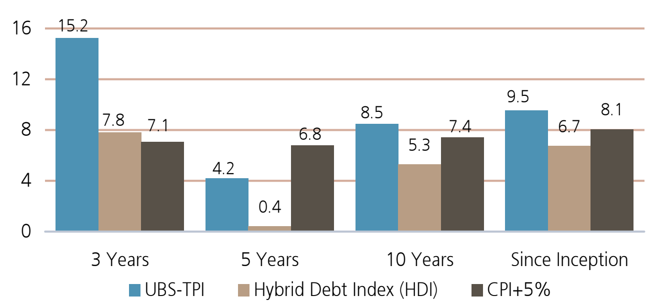
One-year rolling returns (%)	
Income	4.24
Appreciation	6.80
Total (before fees)	11.25
Total (after fees)	10.35

Total returns by property type

Periods ending 12/31/2012	Apt	Hotel	Ind	Office	Retail
Quarter (%)	3.25	4.93	1.13	6.39	5.10
12 months (%)	13.76	15.33	5.39	22.47	12.64

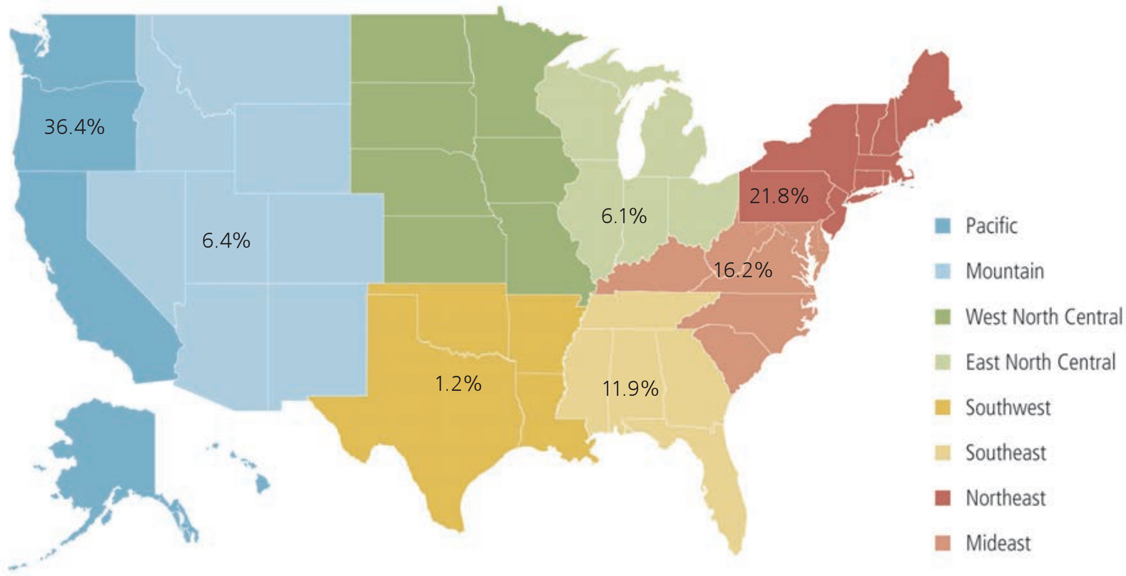
Performance for Periods ending 12/31/2012

Gross returns vs. Hybrid Debt Index and CPI+5% (annualized %)



Inception date March 31, 1981

Distribution by geographic division[1]



Freeport Village Station, Freeport, ME

[1]Percentage of gross market value of real estate investments

[2]Deposits and redemptions for the fourth quarter of 2012 were recorded in January 2013.

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The UBS (US) Trumbull Property Income Fund LP (UBS-TPI) is a Delaware limited partnership and is part of the group of funds known as the UBS Trumbull Funds. The Fund is denominated in USD. Returns include reinvestment of income and are before deduction of management fees. Net returns for the three-, five- and ten-year periods ended 12/31/2012 were 14.31%, 3.37% and 7.67% and the net return since inception was 8.74%. All returns shown are before the deduction of contract charges, which were only applicable through February 29, 2008. The Hybrid Debt Index (HDI) is a custom index that includes the yield of the Barclays Bond Index plus 75% of the appreciation of NCREIF Fund Index – Open-end Diversified Core Equity (NFI-ODCE) properties that are included in the NCREIF Property Index (NPI).With property investment, the underlying assets are very illiquid and redemptions may be delayed. Past performance is not indicative of future results and the possibility of loss does exist.

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UBS Realty Investors LLC
10 State House Square, 15th Floor
Hartford, CT 06103-3604
Tel. +1-860-616 9000
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UBS Trumbull Property Growth & Income Fund

Facts & figures 4Q 2012

Objective

UBS Trumbull Property Growth & Income Fund (UBS-TPG) is an open-end real estate fund that builds on our 30 years of experience investing in US real estate. It is an actively managed fund utilizing both a broad range of value added strategies and tactical market selection to enhance returns. Leverage is targeted to be approximately 50% of its gross asset value. The Fund's return objective is, on a relative basis, to seek to exceed the NFI-ODCE Index by at least 200 basis points per annum over any given three- to five-year period. The secondary absolute objective is to seek to achieve at least a 7% real rate of return (i.e., inflation-adjusted return), before management fees, over any given three- to five-year period.

Highlights

- Fourth quarter results include net investment income before fees of USD 2.0 million and net unrealized gain of USD 14.8 million. The unrealized gain was spread across nearly all the Fund's investments. The largest gain was on the Fund's office buildings in Woburn, MA.

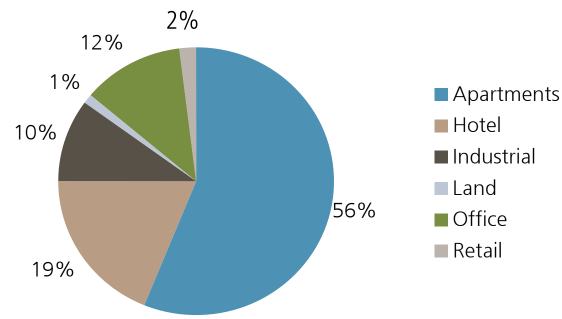
- At the end of September, the Fund purchased an empty apartment property in New York, NY. By the end of December, the units were 50% leased at rents in excess of our underwriting. We expect to complete the lease-up and place debt on this property in the first half of 2013.

- Renovations at our Palm Beach Gardens, FL apartment property have been well received by the tenants and are generating a return on cost of approx 26%. More than 50% of the units have been renovated. The remainder of the unit renovations are expected to be complete by the end of 2013.

- UBS-TPG has apartment joint ventures in Los Angeles, CA and Tampa, FL that are in the construction phase. Both projects are currently on schedule and on budget. Leasing is expected to begin in late 2013.

UBS Trumbull Funds

Portfolio distribution by property type[1]



Key statistics

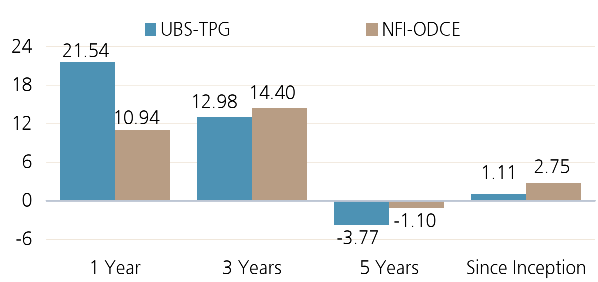
Gross asset value (GAV)	USD 314.7 m
Net Asset value (NAV)	USD 189.8 m
Cash as a % of GAV	1.0%
Debt as % of GAV	37.3%
Number of investments	11
Number of investors	15
Deposits	USD 11.1 m
Redemptions	USD 0.0 m

Quarterly returns	(%)
Income	1.12
Appreciation	8.42
Total (before fees)	9.54
Total (after fees)	8.24

One-year rolling returns (%)	
Income	4.25
Appreciation	16.78
Total (before fees)	21.54
Total (after fees)	18.62

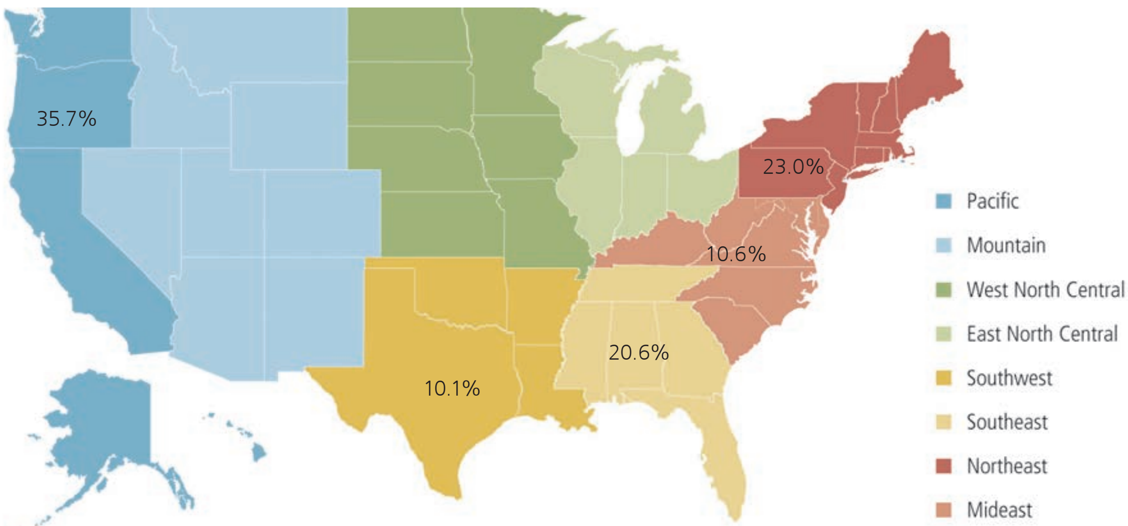
Performance for periods ending December 31, 2012

Gross returns vs. NFI-ODCE (annualized %)



Inception date June 6, 2006

Distribution by geographic division[1]



Property type	CBSA	Size	Ownership structure
Apartments	New York	46 units	Wholly Owned
Apartments	Tampa	300 units[3]	Joint Venture
Apartments	Los Angeles	94 units[3]	Joint Venture
Hotel	Los Angeles	434 rooms	Wholly Owned
Apartments	Washington DC	196 units	Joint Venture
Apartments	San Jose	110 units	Wholly Owned
Apartments	Miami	352 units	Wholly Owned
Industrial	El Paso	1,095,407 SF	Joint Venture
Land	Boston	10.7 acres	Joint Venture
Office	Boston	218,789 SF	Joint Venture
Retail	Boston	32,500 SF	Joint Venture

[1]Percentage of gross market value of real estate investments.

[2]Deposits and redemptions for the fourth quarter of 2012 were recorded in January 2013.

[3]Under construction.

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The Fund is denominated in USD. Returns include reinvestment of income and are before deduction of management fees. Prior to January 1, 2011, net returns did not reflect the accrual of any incentive fee nor did they reflect the discounted fees available for investors beginning January 2011. Net returns for the three- and five-year periods ended 12/31/2012 were 10.89% and (5.45)% and the net return since inception was (0.57)%.

With property investment, the underlying assets are very illiquid and redemptions may be delayed. NCREIF Fund Index-Open End Diversified Core Equity ("NFI-ODCE") returns are time-weighted, fund-level returns that include cash balances and leverage, and are presented gross of fees. Past performance is not indicative of future results and the possibility of loss does exist.

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UBS Realty Investors LLC
10 State House Square, 15th Floor
Hartford, CT 06103-3604
Tel. +1-860-616 9000
Fax. +1-860-616 9104
www.ubs.com/realestate

UBS Trumbull Diversified Property Fund
Facts & figures 4Q2012

Inception: October 18, 2012
Assets: USD 31.7 million

Objective

The UBS Trumbull Diversified Property Fund (UBS-TDP) is a collective trust that invests primarily in private, directly-owned, institutional real estate and real estate related investments (e.g. participating mortgages). The Fund consists of a strategic allocation of 75% to diversified open-end US real property portfolios with a 25% "liquidity component" invested in US REIT securities and cash equivalents. Both capital appreciation and current income are potential components of the Fund's total return goal. The Fund seeks to outperform its custom weighted benchmark (75% NFI-ODCE index/20% DJ US REIT Index/5% 30 day-T bill) gross of fees over full market cycles. The Fund provides daily valuation and "managed liquidity" for eligible retirement plans and asset allocation fund managers.

Highlights

- UBS-TDP is a bank collective trust product that is specifically designed for institutional retirement plans. The Fund is part of the UBS (US) Group Trust.

- UBS-TDP is available to defined contribution plans as a component or "sleeve" of a target-date, target-risk, custom balanced, real asset or other multi-asset investment portfolio. The Fund may also be offered to defined benefit plans as a single real estate "solution."

- The risk profile of the Fund will primarily be a function of the risk profile of the underlying private real estate portfolios. Two of the three funds pursue "core" strategies with limited low to moderate leverage. Thus, the Fund is expected to have a below average risk profile for the asset class. Overall, the Fund is expected to exhibit a risk/return profile that is higher than investment grade bonds, but lower than the S&P 500 Stock Index. (For more information, refer to the profiles of the underlying funds and model return charts.)

- Although the Fund itself is new, the Advisor, UBS Realty Investors LLC has significant experience managing private institutional real estate. UBS Realty Investors LLC, and its predecessors, has been investing in institutional US real properties since 1978, and its flagship Fund, UBS Trumbull Property Fund, is ranked in the top quartile in the NCREIF open-end fund universe for the five- and ten-year periods ending December 31, 2012.

- The Fund offers direct exposure to a diversified portfolio of institutional real properties by investing in the manager's existing open-end funds that employ differentiated investment strategies, often referred to as "core" and "value-add" as well as an income oriented, participating mortgage fund. These underlying funds are well diversified across property types and major markets in the US.

Portfolio distribution

Private Real Estate
60-90%; neutral position = 75%

- **UBS Trumbull Property Fund** — 40-60%
- **UBS Trumbull Property Income Fund** — 20-30%
- **UBS Trumbull Property Growth & Income Fund** — 5-15%

Real Estate Securities
10-30%; neutral= 20%

- **SSgA US REIT Index Collective Fund (non-lending)**

Cash and cash equiv.
0-10%; neutral = 5%

- **UBS Cash Mgt. Prime Collective Fund**

Credit facility

Fund level credit facility up to 15% of NAV

(Allocations are approximate and subject to change)

Highlights (continued)

- The Fund also invests in publicly traded real estate securities (i.e. REITs) and cash equivalents in order to manage liquidity needs and gain quarterly access to the private real estate funds. The REIT component is an index strategy reflecting the Dow Jones US REIT Select Index, managed by State Street Global Advisors. The cash fund is the UBS Prime Cash Collective Trust, benchmarked to the 30-day Treasury bill.

- UBS-TDP provides daily valuation using a methodology that includes both the daily accrual of the net operating income from the properties and adjustments to property values based on an independent third party appraisal process managed by Altus (formerly PricewaterhouseCoopers). Daily NAVs on the Fund's real estate component are combined with the daily NAVs of the REIT and cash fund to determine UBS-TDP's price each day.

- Liquidity is supported by the cash, REIT and credit facility portions of the Fund. Under normal conditions, this represents 25-35% of the Fund and should fully support "regular withdrawal" and rebalancing activity (defined as 15% or less of an Investor's NAV per quarter). An Investor who requests more than 15% of their NAV in the Fund in any given quarter, is required to give advance notice. Such "excess withdrawals" will only be honored on a pro-rata basis after all "regular withdrawals" have been fulfilled and the Fund's liquidity remains adequate.

- Management believes limiting the use of the Fund to multi-asset portfolios (i.e. not offering it as a direct participant option in DC plans) will mitigate liquidity concerns. However, investors must be aware that liquidity is not guaranteed. (See details in the Fund's Offering Memorandum.)

- Fees: Management fees will be 0.90% through 12/31/2015 and start at 1.15% therafter. All other administrative, legal and operating expenses of the Fund will be capped at 0.10%.

Model TDP Portfolio performance for periods ending December 31, 2012

	1 year	3 years	5 years	10 years	20 years	30 years
Total Gross Return (%)	12.39	14.22	3.02	8.80	10.12	8.85
Standard Deviation (%)	N/A	1.93	5.46	4.26	3.29	3.02
Sharpe Ratio	N/A	1.75	0.15	0.43	3.02	0.39
Custom Benchmark[1]	11.64	14.58	1.20	8.05	8.79	7.94

As of December 31, 2012
To calculate the performance shown, we retroactively applied actual historical gross performance of the underlying real estate funds and indices to a model portfolio, using a static neutral position the manager has established within the Fund's strategic allocations. Some of the limitations inherent in a model include the possibility that results may not accurately reflect the timing of cash in-flows or out-flows, the timing of trades, the cost of trades, or allocations changes that would have been made if an actual account were being managed. Furthermore, it should be noted that model portfolios may themselves be self-selecting and the possibility of loss exists.

Performance returns net of the 0.90% annual fee would be 11.42%, 13.23%, 2.10%, 7.84%, 9.16% and 7.89% for the 1-, 3-, 5-, 10-, 20-, and 30-year periods, respectively. The cash and REIT historical performance is represented by the 30-day Treasury bill and Dow Jones US Select REIT Index, as reported by Morningstar. UBS-TPG was incepted 3Q 2006. Prior to that time, only UBS-TPF and UBS-TPI allocations are included at 50% and 25%, respectively. These earlier results are linked to the 3Q2006 to present returns to illustrate the model for the entire period shown.
[1]Custom benchmark represents 75% NFI-ODCE, 20% DJ Select US REIT Index and 5% 30-day Treasury bill, the neutral portfolio allocations.
Past performance of the underlying funds is not indicative of future results. The possibility of loss exists.

UBS Realty Investors LLC
10 State House Square, 15th Floor
Hartford, CT 06103-3604
Tel. +1-860-616 9000
Fax. +1-860-616 9104
www.ubs.com/realestate

UBS AgriVest Farmland Fund, Inc.
Facts and figures 4Q 2012

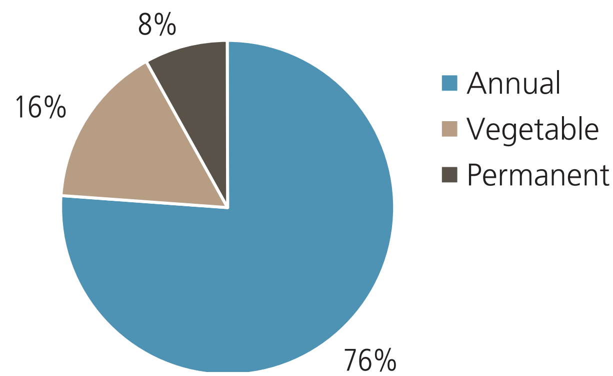
Objective

The UBS AgriVest Farmland Fund, Inc. (the Fund) is an open-end, infinite life, private REIT permitting quarterly contributions and redemptions based on independent appraised values. The investment objective of the Fund is to seek to provide competitive, risk-adjusted total returns from diversified exposure to US farmland by investing in row, vegetable and permanent crop farmland in select agricultural areas across the United States. Our investments are wholly owned and leased to commercial farm operators. UBS AgriVest LLC, the advisor, selects investments in which it believes there is the opportunity for favorable current income and long-term capital appreciation. The Fund is targeting total annualized returns, before advisor fees, that exceed the Core Farmland Index (CFI) over 3- to 5-year periods.

Highlights

- Total returns were 17.12% over the past year and 12.20% since inception.
- Net unrealized gain on investments was approximately USD 27.1 million in the quarter.
- Four new properties were acquired during the quarter.
- Eight commitments were received during the quarter.
- Five deposits were funded during the quarter.
- There are no pending acquisitions under contract at quarter end.

Portfolio distribution by property type



UBS AgriVest Farmland Fund key statistics

Periods ending 12/31/2012

Returns (%)	Quarterly	One Year	Three Years	Five Years	Since Inception
Income	0.87	3.85	4.18	4.07	4.00
Appreciation	6.89	12.90	7.35	6.26	7.96
Total (before fees)	7.76	17.12	11.77	10.52	12.20
Total (after fees)	7.52	15.97	10.64	9.42	11.11
CFI	6.66	17.33	13.24	12.06	13.59

Gross asset value (GAV)	USD 444.1 m	Number of investments	50
Net asset value (NAV)	USD 415.4 m	Number of acres	85,803
Cash as a % of GAV	1.1%	Number of investors	31

Inception date June 29, 2006
See accompanying notes on reverse page. Returns for periods greater than one year are annualized.

Farmland overview

Investments in core US farmland historically have demonstrated stable income, diversification for a traditional stock, bond and/or real estate portfolio, and protection from inflation. We offer investors an opportunity to invest in farmland through individual accounts and a fund structure that invests in high-quality, income-producing agricultural properties, diversified across the prime farming regions of the United States.

Below are the NCREIF farmland regions and the competitive advantages of US agriculture.

- Geography:
  - Largest cropland mass in the world located in latitudes favorable to crop production
  - Midway between major export markets of Europe, Asia, Mexico and Canada
- Infrastructure:
  - Mississippi, Ohio, Columbia Rivers
  - Rails, highways
  - Port facilities - New Orleans, Portland, Houston, Los Angeles, Baltimore
- Technology & capital:
  - Biotechnology, mechanical, conservation
  - Land grant colleges, agricultural extension programs
  - Innovative farmers with strong management skills
  - Well-capitalized farm economy
- Dominant global export market share:
  - Increasing global demand from improving income in developing countries and alternative fuels (ethanol and biodiesel)
  - US is most efficient and reliable producer

Returns reflect the reinvestment of income. Past performance is not indicative of future results and the possibility of loss does exist.

For the Core Farmland Index (CFI) we re-weighted NCREIF farmland returns to 80% annual (including vegetable) cropland and 20% permanent cropland and excluded investments that are owner/operated. We consider this to be more appropriate as a benchmark for broadly diversified exposure to core US farmland. The Core Farmland Index consists of the 422 leased properties in the NCREIF Farmland Index, valued at USD 2413.4 million as of December 31, 2012.

This is not a recommendation or offer or solicitation or advertisement to purchase or sell securities or interests in the Fund or any other fund. The Fund will only be offered pursuant to a confidential offering memorandum and then only to accredited investors on a private placement basis in jurisdictions in which such an offer may be legally made. Investors should consult their legal and tax advisors before making an investment in the Fund. In the US, the Fund is distributed by UBS Fund Services (USA) LLC, member FINRA or other UBS Global Asset Management broker-dealer affiliates. UBS Fund Services (USA) LLC main office is located at 10 State House Square, 15th floor, Hartford, CT 06103. In Canada, the Fund may be offered through UBS Global Asset Management (Canada) Inc.

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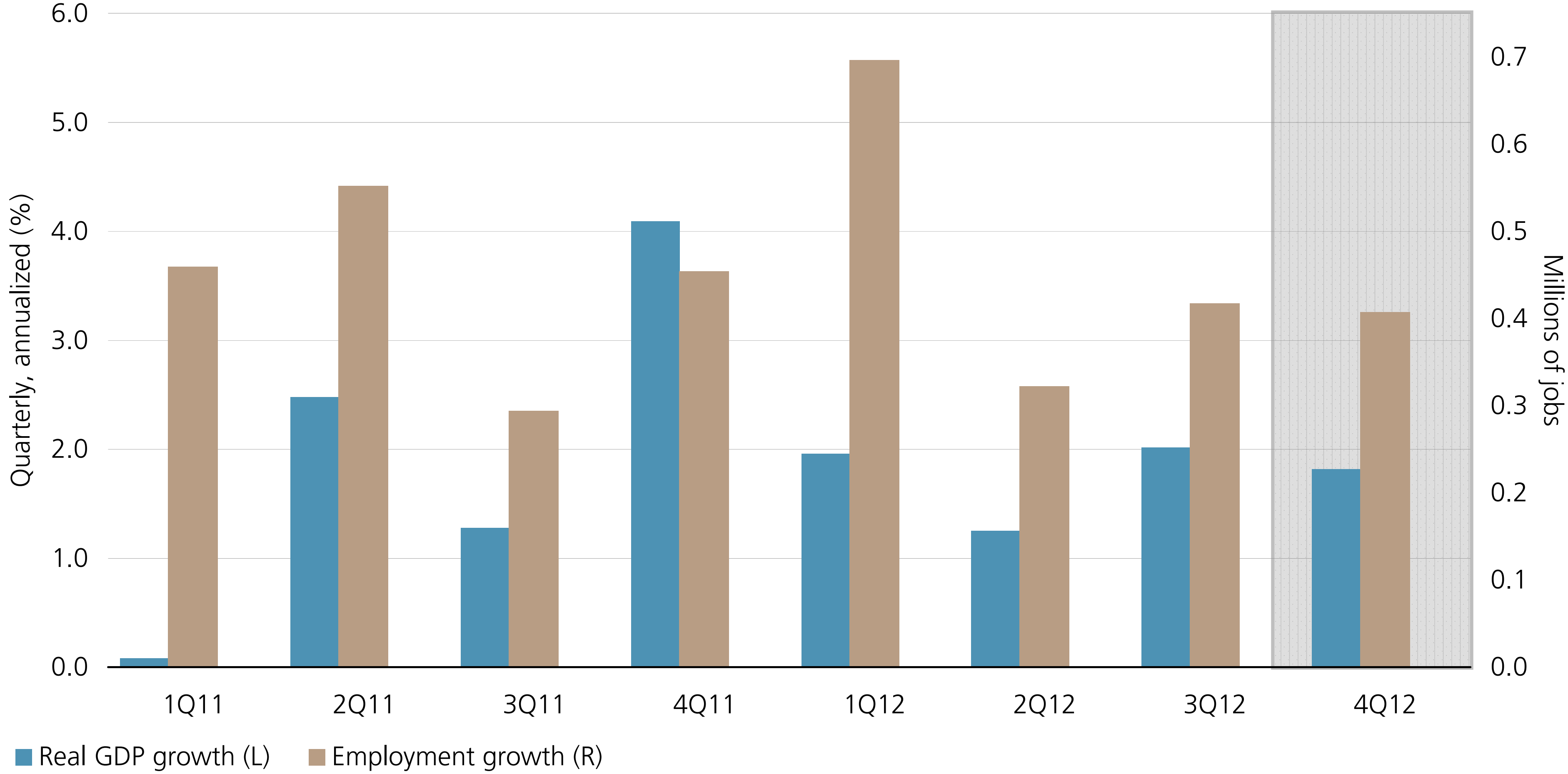
UBS AgriVest LLC
10 State House Square, 15th floor
Hartford, CT 06103-3604
Tel. +1-860-616 9200
Fax +1-860-616 9204
www.ubs.com

SECTION 4

US Real Estate Market Outlook

UBS

Economic condition



Source: Moody's Analytics as of September 2012
Shaded area indicates forecast data.
Updated: November 6, 2012

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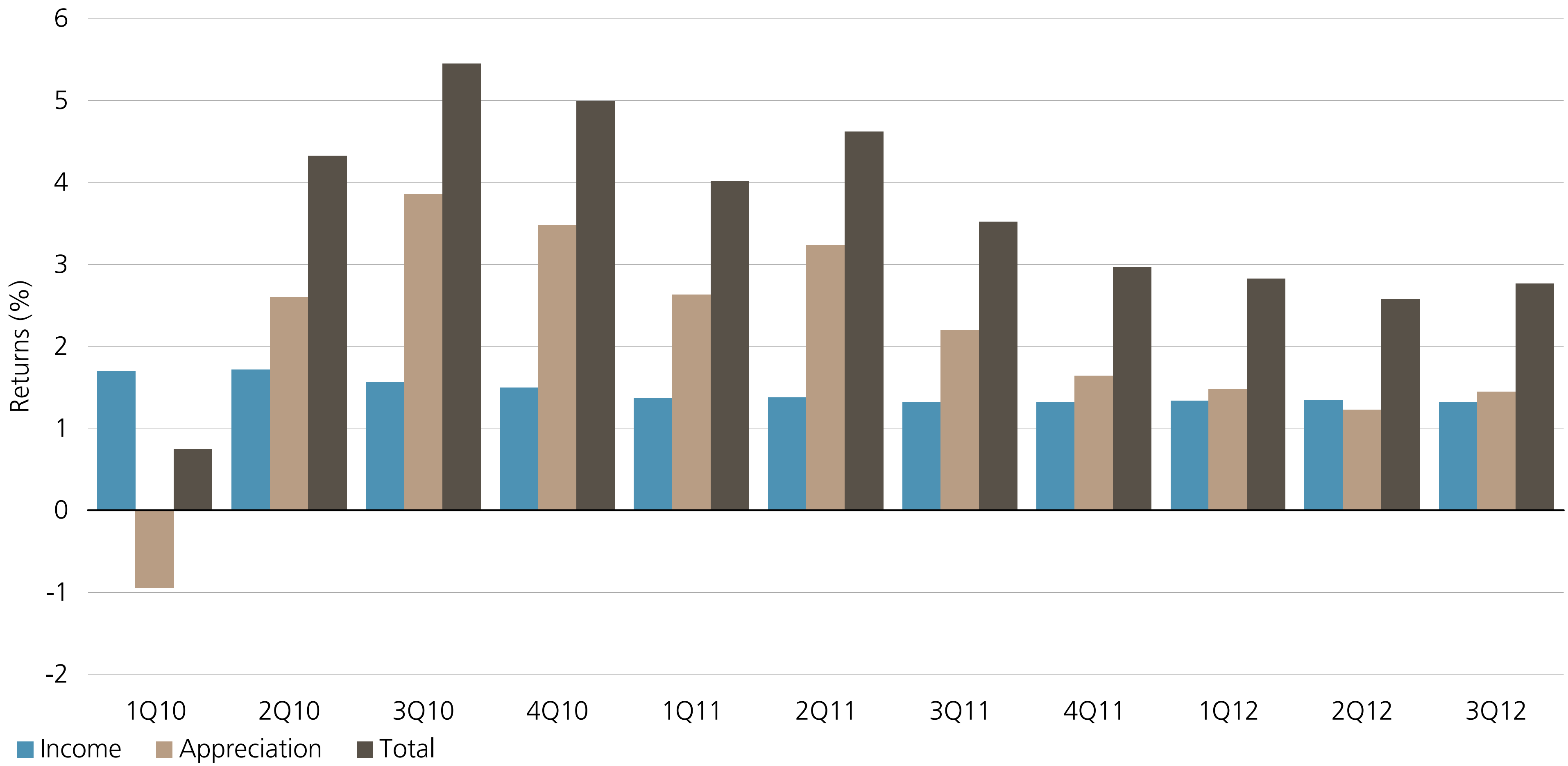
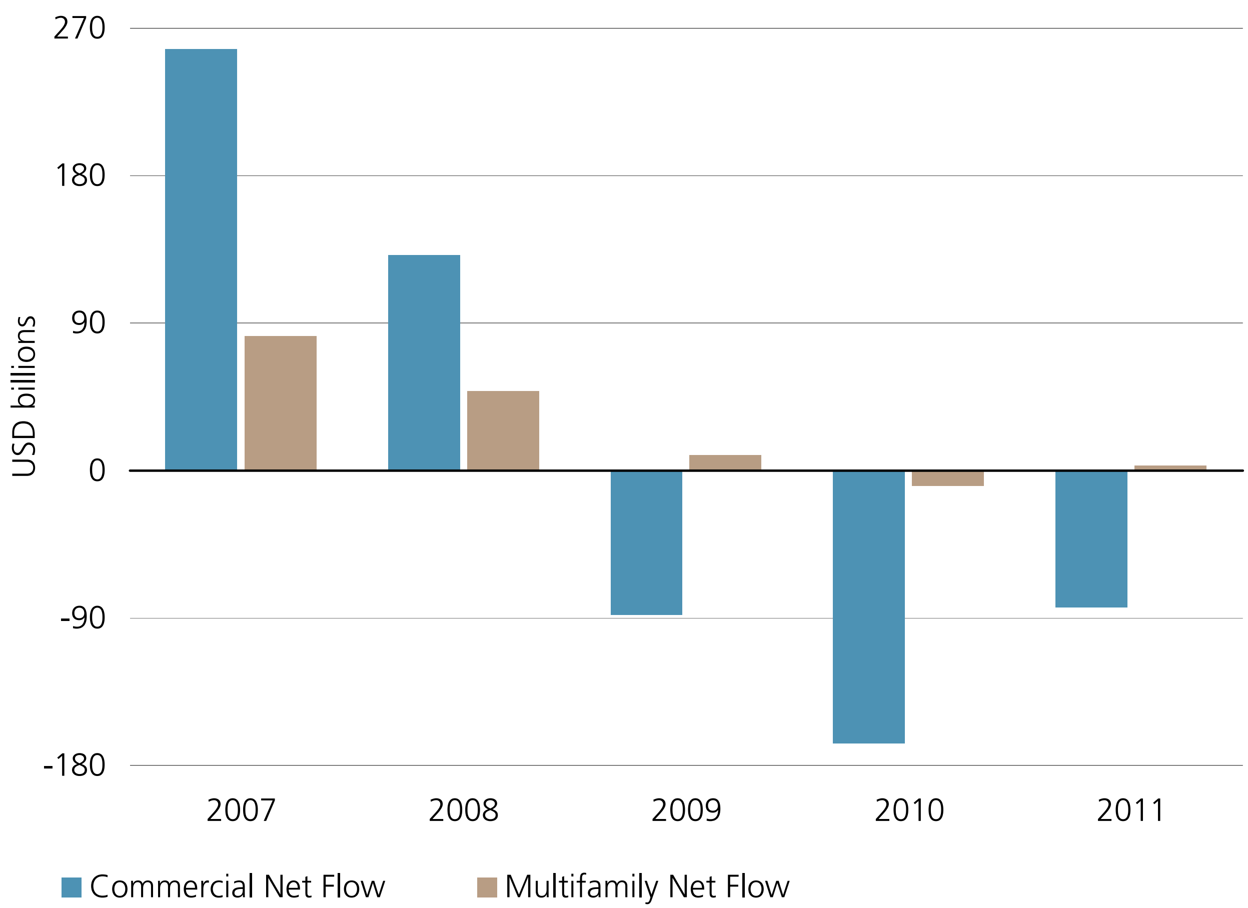
ODCE returns

Quarterly NFI-ODCE income, appreciation and total return



Source: NCREIF as of September 30, 2012.
Updated: November 1, 2012

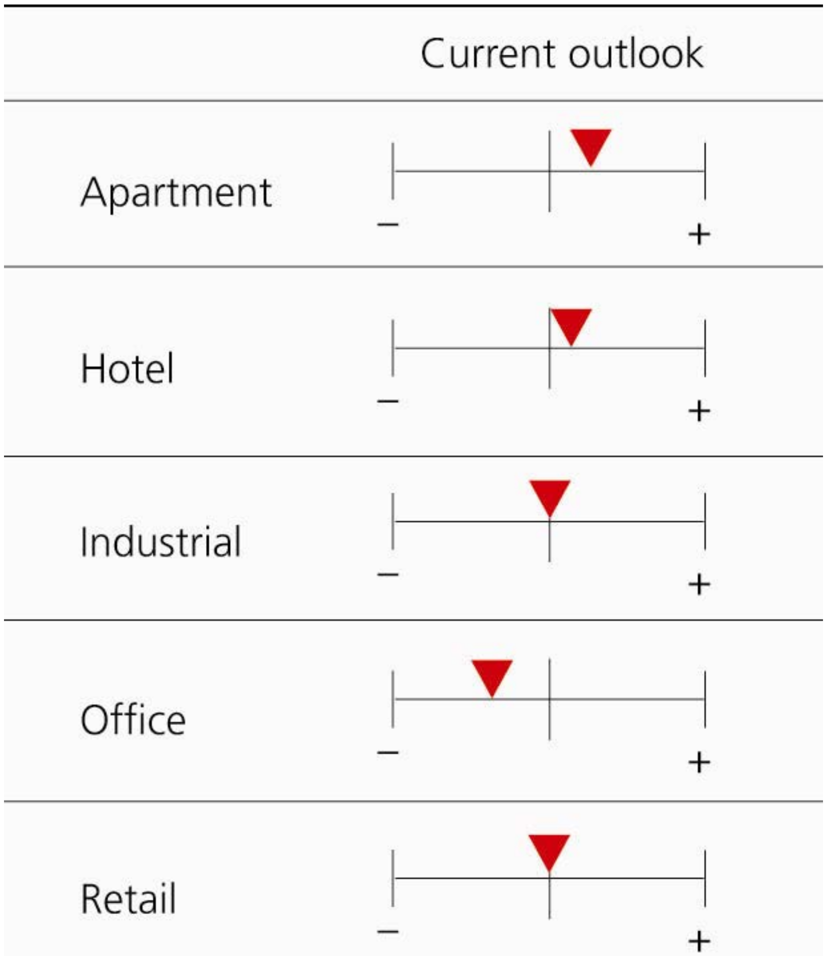
Mortgage flows



Source: Federal Reserve as of March 8, 2012
Updated: April 17, 2012

UBS

2012 *strategy*

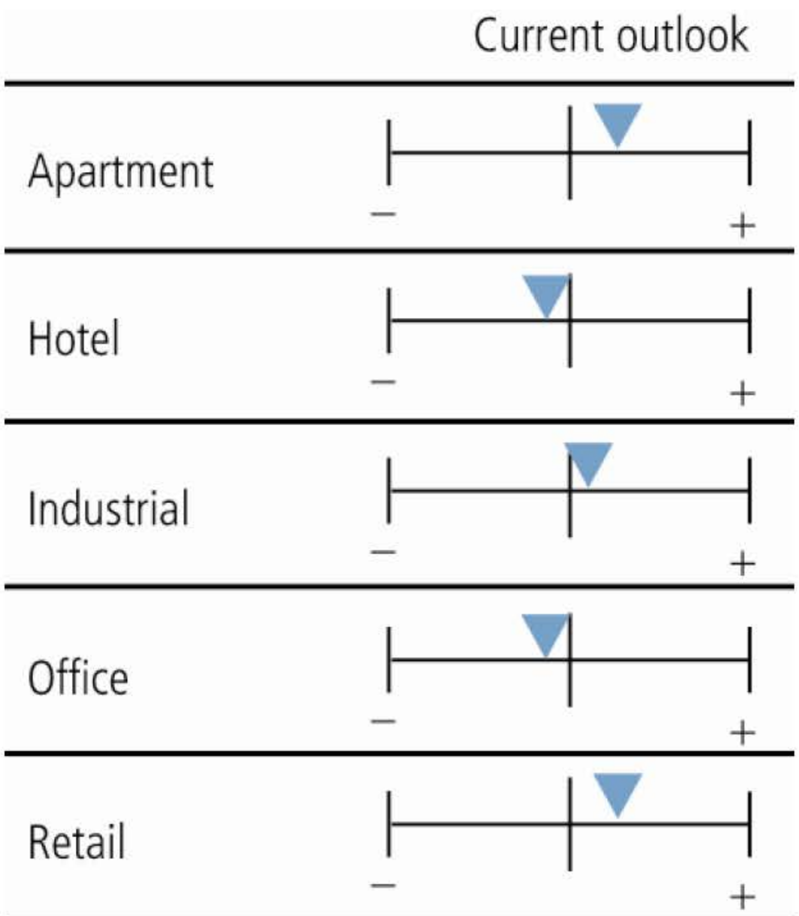


2012 real estate returns forecast

NOI growth (%)	1.0
Cap rate change (bps)	(10.0)
Income return (%)	5.9
Appreciation (%)	2.7
Total return (%)	8.6

Source: UBS Global Asset Management, Real Estate Research & Strategy as of December 2011.
Updated: February 13, 2012

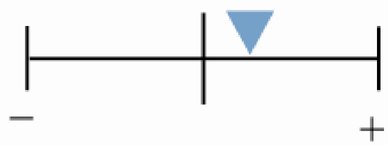
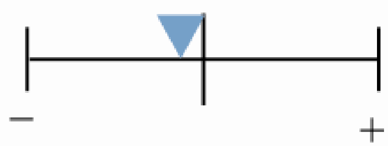
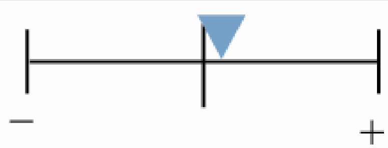
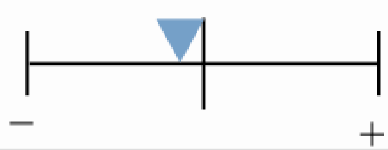
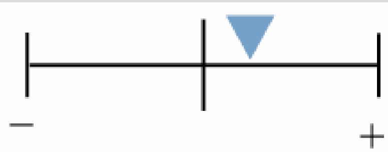
2013 *strategy*



Source: UBS Global Asset Management, Global Real Estate Research & Strategy as of January 2013
Updated: January 9, 2013

2013 strategy for core real estate portfolio

Current outlook on the relative strength of fundamentals. Sliding scale position implies conservative or aggressive underwriting posture.

	Current outlook	
Apartment		Fundamentals lead to confidence in overall sector performance. However, not all markets are recovering at the same pace and attention must be given to individual market supply levels and growth potential.
Hotel		Hotel fundamental growth is coming down from a recovery surge to a more sustainable growth. Overall occupancy is near peak and construction is moderate. Lower business confidence and flat leisure travel lead to moderation in RevPAR growth.
Industrial		Relatively unchanged GDP growth should support similar steady, gentle growth in industrial demand. Fundamentals indicate pending improvement in housing, construction and industrial related employment by year end.
Office		Although a modest construction pipeline bodes well for the supply side, slow job growth is hindering absorption for the office sector as a whole, leaving landlords vulnerable during lease negotiations.
Retail		Retail sales should be bolstered by improved momentum in employment and housing markets. Stronger sales support improved occupancy, which allows rent growth, in turn net operating income should grow in 2013.

Source: UBS Global Asset Management, Real Estate Research & Strategy as of January 2013.
Updated: January 18, 2013

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SECTION 5

Appendix

UBS

Thomas C. Klugherz

Portfolio and Client Services Officer
Executive Director

Years of investment industry experience: 25

Education: San Jose State University (US), BA;
Santa Clara University (US) MBA-Finance

- Tom Klugherz is a member of the Portfolio and Client Services Unit located in San Francisco. He currently has investor relations and new business development responsibilities in the Western region.
- Tom has 25 years of experience working in various capacities as a fiduciary for some of the nation's largest pension plans and institutions. His prior experience includes acquisitions, asset management, portfolio management and day-to-day operations of several investment managers including GE Capital Investments Advisors and SSR Realty Advisors.
- During his career he has been directly involved in sourcing, underwriting and managing more than USD 10 billion of institutional grade investments across the United States. Tom has worked directly with existing and prospective separate account and fund clients to analyze their portfolios and formulate investment strategies
- Tom is a member of PREA and NAREIM. He previously served as NAREIM's interim President.

Dated: January 2013

UBS

W. David Lawson, MAI

Portfolio and Client Services Officer
Director

Years of investment industry experience: 35

Education: University of Texas at Austin (US), BS;
Southern Methodist University (US), MBA

- David Lawson is a member of the Global Real Estate - US Portfolio and Client Services team, based in the Dallas office.
- David has extensive experience in a variety of real estate disciplines including underwriting/acquisitions, dispositions, development, asset management, financial analysis/modeling and property valuation. Before joining UBS in March 2004, he most recently spent 10 years with Archon Group, a real estate investment/asset management subsidiary of Goldman Sachs. David served as Director of commercial real estate assets.
- He previously held several senior management positions with Cadillac Fairview/Prentiss Properties in the Washington, D.C. area, Dallas and Houston.
- David holds the MAI professional designation of the Appraisal Institute and is a licensed real estate broker in the states of Texas and Virginia. David is a member of The Real Estate Council.

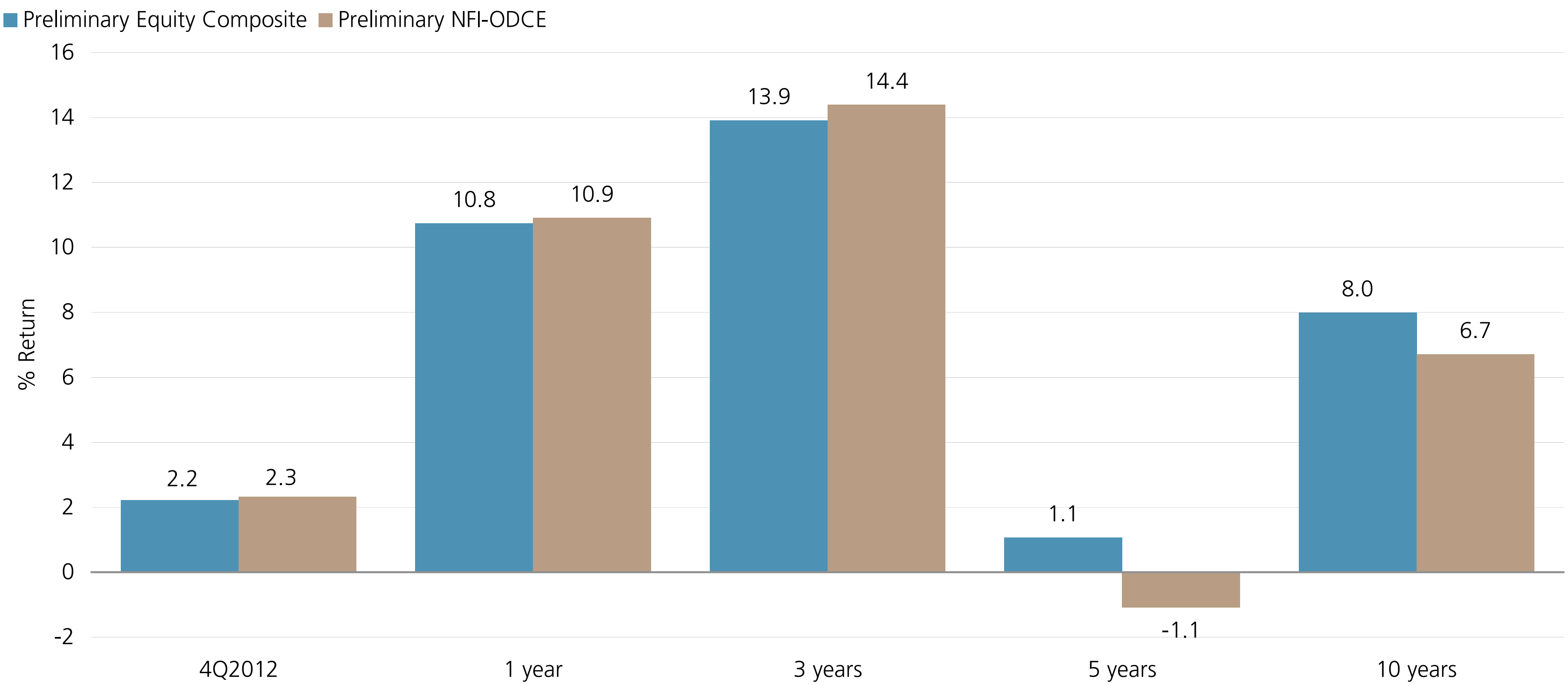
Dated: March 2012

UBS

GL-I BIO210408

Equity Composite vs NFI-ODCE Index

Periods ended December 31, 2012



Notes: Past performance is not indicative of future results and the possibility of loss does exist. Please see the full Composite page and required notes at the back of this presentation for more details.
Updated January 14, 2013

UBS Realty Investors Equity Composite

Year	Number of accounts	Year-end Composite Net Assets (USD millions)	Year-end Total Firm Net Assets (USD millions)	Gross of fees (%) Income return	Gross of fees (%) Appreciation (depreciation)	Gross of fees (%) Total return	Benchmark return (%)	Net of fees (%) Total return	Range of Gross Returns (%) Max	Range of Gross Returns (%) Min	Asset weighted standard deviation
2002	10	5,217	7,265	8.39	1.23	9.70	5.54	8.77	27.7	2.3	3.97
2003	10	5,972	7,964	7.97	1.28	9.33	9.28	8.36	13.4	(7.5)	2.79
2004	9	7,011	9,182	7.40	7.56	15.37	13.06	14.27	25.8	9.2	2.46
2005	9	8,652	10,910	6.87	13.30	20.84	21.39	19.73	38.2	14.1	2.84
2006	10	11,302	13,940	6.03	10.79	17.30	16.32	16.13	40.6	13.9	2.21
2007	9	12,155	14,798	5.14	8.85	14.32	15.97	13.20	38.6	11.7	2.93
2008	9	10,445	13,285	4.99	(12.21)	(7.67)	(10.01)	(8.47)	(4.2)	(41.0)	1.91
2009	9	7,995	10,232	6.68	(27.91)	(22.69)	(29.76)	(23.32)	(11.8)	(62.2)	4.23
2010	8	9,687	12,107	7.10	9.37	16.95	16.36	15.92	42.0	4.7	3.20
2011	8	12,404	15,241	5.57	8.20	14.10	15.99	12.96	35.3	8.6	2.88

1. Compliance Statement Global Real Estate - US claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Global Real Estate - US has been independently verified for the periods from 1993 to 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 UBS Realty Investors Equity Composite has been examined for the periods January 1, 1997 through December 31, 2011. Verification does not ensure the accuracy of any specific composite presentation. The verification report is available upon request.

2. The Firm The Firm is defined as UBS Realty Investors LLC and UBS AgriVest LLC, together Global Real Estate - US. Both entities are registered with the US Securities and Exchange Commission as investment advisors. Prior to January 1, 1999, UBS AgriVest LLC was a stand-alone firm and was defined separately. On January 1, 2001, the real estate investment management activities of UBS Global Asset Management (New York) Inc. (a provider of non-discretionary investment management services to non-US clients) were integrated into the Firm.

3. The Composite The UBS Realty Investors Equity Composite (the "Composite") was created in 2005. All results are presented in US dollars. A complete list and description of Firm composites is available upon request. The Composite comprises all fee-paying, non-taxable discretionary accounts that invest *primarily* in *equity* real estate including, but not limited to, the following property types: apartments, office, retail, industrial, and hospitality. The strategy of the accounts in the Composite is to acquire investments in US commercial and multifamily real estate (core and value-added properties) expected to provide attractive risk-adjusted returns consisting of current income and capital appreciation. Since October 2003, a sub-adviser has managed the cash for some pooled accounts included in the Composite; previously the sub-adviser was the direct investment manager for the cash. Initially, accounts must have at least USD 30 million in commitments or assets, including debt, to be included in the Composite. Composite dispersion for any year is represented by both the range and the asset-weighted standard deviation of the gross total returns of the accounts that were in the Composite for the entire calendar year. Discretion is broadly defined as the Firm having discretion over the selection, capitalization, asset management, and disposition of investments within the parameters of a given mandate.

4. Valuation An independent appraisal of the underlying real estate for each investment is performed at least annually and includes a complete property inspection and market analysis. Starting October 1, 2009, independent appraisals are generally completed every quarter for most of the underlying real estate investments. For real estate investments that are held in funds where appraisals are not performed on a quarterly basis, the underlying real estate is either scheduled to be appraised once or twice a year. In the interim quarters, updated property and market information is reviewed. If this review indicates a potential material change in the value, the valuation is then updated by the independent appraiser. If this review indicates that any change in value is likely not material, the value is determined to remain unchanged. Valuations of real estate and debt use significant unobservable inputs. In general, each annual property appraisal includes at least an income approach using a discounted cash flow model and a sales comparison approach, which are considered in determining a final value conclusion. All appraisals are certified by members of the Appraisal Institute who hold the MAI designation. Third party debt is stated at fair value. The valuation of debt is taken into consideration when determining the estimated fair value of the equity in the related investment. During calendar years 2007, 2008, 2009, 2010 and 2011 the percentages of assets externally valued were 99%, 100%, 100%, 100% and 100%, respectively.

UBS Realty Investors Equity Composite

5. Calculation of Performance Returns reflect the impact of leverage, which averaged approximately 15.49% of gross asset value (net asset value plus debt) during 2002 through 2011, and approximately 16.23% in 2011. Leverage has consisted primarily of mortgage loans payable that are collateralized by the related real estate investment. The extent to which leverage is used varies by account strategy and may include either portfolio or property level debt. Expenditures, including tenant improvements and leasing commissions that extend the useful life or represent additional capital investments benefiting future periods, are capitalized as a component of cost. Annual returns are time-weighted rates of return calculated by linking quarterly returns. The sum of income and appreciation (depreciation) may not equal total returns due to the linking of quarterly returns. Gross of fees returns are presented before all management fees, but after third-party expenses. Net returns are presented net of the management fees and third-party expenses. All returns are presented before any applicable insurance company contract charges in effect on certain funds through February 29, 2008. The policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

6. Investment Management Fees The fee schedule below represents the schedule for the largest fund in the Composite, the UBS Trumbull Property Fund (the "Fund"). The investor's annual applicable base fee percentage is a blended percentage rate derived by reference to the following fee scale and is based upon the investor's share of net asset value in the fund and other designated UBS Realty sponsored funds as of the beginning of the quarter. To the extent that average cash exceeds 7.5% of the average net assets, the base fee with respect to such excess will be reduced to 20 basis points (pro rated for the quarter). The "Incentive Fee Percentage" is set at a fulcrum point of 0.15%, and ranges from a minimum of 0% to a maximum of 0.25%, depending on the performance of the Fund. Please see the applicable Confidential Private Offering Memorandum for more information on how fees are calculated and charged.

Investor's share of Net Asset Value in the Fund (USD)	Annual Base Fee Percentage
First 10 million	0.955%
Next 10 million to 25 million	0.825%
Next 25 million to 50 million	0.805%
Next 50 million to 100 million	0.790%
Next 100 million to 250 million	0.670%
Above 250 million	0.600%

7. Benchmark Effective May 2009, the Firm changed the benchmark retroactively from the property-level National Council of Real Estate Investment Fiduciaries ("NCREIF") Property Index ("NPI") to a fund-level Index, the NCREIF Fund Index-Open End Diversified Core Equity ("NFI-ODCE" or the "Index"). The Firm believes a fund-level index provides a more meaningful comparison for a fund-level composite. The NFI-ODCE, first published mid-2005, is a capitalization-weighted, time-weighted, fund-level return index beginning as of the first quarter of 1978, inclusive. It is presented gross of fees. As of December 31, 2011, the NFI-ODCE consisted of 18 active funds with total net assets of USD 77.5 billion.

8. Market Conditions The real estate market expressed extremes during the past decade. Performance was weak in all sectors other than retail in the aftermath of the 2001 recession. Fundamental recovery following the recession, along with a dramatic increase in the availability and reduction in the cost of debt capital, propelled commercial and multifamily performance to the highest level in NCREIF history. Dating back to 1978, 2005 was the calendar year with the highest total return in the index. A worldwide credit crisis followed, initiating a new recession during 2008 and causing an evaporation of liquidity in most asset classes, including commercial real estate. This turned total returns negative, producing the lowest total return in history during the calendar year of 2009. The years 2010 and 2011 reflected a period of recovery from the 2008 recession and total returns have been above the long-term average rate. While the recovery portion of returns fade, the fundamentals continue to stabilize and the markets appear to be moving toward equilibrium.

Note: Past performance is not indicative of future results.
Updated: June 25, 2012

Required notes

The Total Composite returns include all pooled and individual discretionary accounts investing in core and value-added equity and equity-oriented investments using varying degrees of leverage. Accounts are managed with the objective of providing attractive risk adjusted returns consisting of current income and capital appreciation.

As of September 30, 2012 returns for the quarter, one-, three-, five- and 10-year periods after the deduction of management fees, but before the deduction of contract charges in effect on some funds through 2/29/08 were 2.24%, 10.10%, 10.94%, 0.45% and 7.01%, respectively. Additional information on fees is available upon request.

The Equity Composite returns include all pooled and individual discretionary accounts investing in core and value-added equity and equity-oriented investments using varying degrees of leverage. Accounts are managed with the objective of providing attractive risk adjusted returns consisting of current income and capital appreciation.

As of September 30, 2012 returns for the quarter, one-, three-, five- and 10-year periods after the deduction of management fees, but before the deduction of contract charges in effect on some funds through 2/29/08 were 2.20%, 10.10%, 10.84%, 0.11%, and 6.97%, respectively. Additional information on fees is available upon request.

The NCREIF Fund Index-Open End Diversified Core Equity ("NFI-ODCE") is a fund-level capitalization-weighted index beginning as of the first quarter of 1978, inclusive. The Total Composite and NFI-ODCE returns are time-weighted, include cash balances and leverage, and are presented gross of fees. As of September 30, 2012 the NFI-ODCE report consisted of 18 active funds with total net assets of USD 86.2 billion.

The NPI consists of 7,276 properties valued at USD 315.3 billion as of September 30, 2012. The NPI is dollar-weighted and time-weighted and reflects reinvestment of income. It consists of existing properties only (development projects and participating mortgages are excluded), is unleveraged, and excludes cash and other non-property related assets, liabilities, income, and expenses such as management fees.

Please note that past performance is not a guide to the future. The value of investments and the income from them may go down as well as up, and investors may not get back the original amount invested.

Updated November 8, 2012

Risks

- Investors should be aware that return objectives are subject to a number of assumptions and factors, a change in any of which could adversely affect returns. Accordingly, investors should note the limitations of an objective.
- Investments in direct real estate and real estate funds involve a high degree of risk. For instance, events in 2008 and 2009 such as the deterioration of credit markets and increased volatility have resulted in a historically unprecedented lack of liquidity and decline in asset values. The value of investments and income from them may increase or decrease. Investors must have the financial ability and willingness to accept and bear the risks (including, among other things, the risk of loss of investment) that are characteristic of real estate investing and investing in commingled fund for an indefinite period of time. Among the risks to be considered are:
  - **Risks of investing in real estate.** Risks include adverse changes in market and economic conditions, zoning, and other governmental laws, regulations, and policies, occupancy levels and the ability to lease space, and environmental risks, and risk of uninsured loses.
  - **Debt investment risk.** Risk includes risks of borrower defaults, bankruptcies, fraud and special hazard losses that are not covered by standard hazard insurance
  - **Restrictions on redemption and transferability of shares or units; illiquidity.** Real estate is an illiquid investment and the account may not be able to generate sufficient cash to meet withdrawal requests from investors.
  - **Reliance on controlling persons and third parties.** The exercise of control over an entity can impose additional risks and the fund can experience a significant loss. The risk of third parties includes a conflict between their objectives and those of the account or fund.
  - **Use of leverage.** Leverage will increase the exposure of the real estate assets to adverse economic factors, such as rising interest rates, economic downturns, or deteriorations in the condition of the properties or their respective markets and changes in interest rates
  - **Legal & Taxation.** Investors should consult their own legal and tax advisers for potential US and/or local country legal or tax implications on any investment
  - **Currency risk.** The funds and accounts managed by UBS Realty Investors LLC are denominated in US Dollars. There is a potential for loss due to currency fluctuations for non-US investors.
  - **Lack of diversification**. Individually managed accounts and funds in their initial investment periods may have investments that are relatively large compared to the account's or fund's anticipated total value. Any limit to diversification increases risk because the unfavorable performance of even a single investment might have an adverse effect on the aggregate return.
  - **Unspecified investments**. There can be no assurance that the advisor will be able to continually locate and acquire assets meeting the fund or account's objective. Competition for assets may generally reduce the number of suitable prospective assets available.
- In considering an investment in a commingled real estate fund, prospective investors must rely on their own examination of the partnership agreement, private placement memorandum, and all terms of the offering, including merits and details of these and other risks involved. If there are any discrepancies in fund terms between this presentation and the private placement (offering) memorandum, the memorandum shall prevail.
- This is not a recommendation to invest in any product or services. Investors must have the sophistication to independently evaluate investment risks and to exercise independent judgment in deciding whether or not to invest in real estate and real estate funds.

Updated: June, 2012

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Updated: March 2, 2012

Contact information

Thomas Klugherz
Portfolio and Client Services
UBS Realty Investors LLC
455 Market Street
San Francisco, CA 94105
thomas.klugherz@ubs.com

Tel. +1-415-538 4850
Fax: +1-415-538 8141

www.ubs.com/realestate

W. David Lawson
Portfolio and Client Services
UBS Realty Investors LLC
12001 North Central Expressway
Dallas, TX 75243
wdavid.lawson@ubs.com

Tel. +1-972-458 3337
Fax: +1-972-458 3305

www.ubs.com/realestate

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Dated: January 8, 2013

HARVEST







Why Harvest & Why MLPs

Ventura County Employees' Retirement Association

Board of Trustees Presentation

February 25, 2013

David Martinelli – Managing Partner
Kirk Huddles – Marketing Director

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HARVEST

Introduction

Founded:	November 2005 SEC Registered RIA
Location:	Wayne, Pennsylvania
Staff:	13 employees
Investment Strategy:	Fundamental, value-oriented investing Long-only
Investment Vehicles:	Pooled Funds Customized Separately Managed Accounts
Investment Objectives:	15% risk-adjusted return per annum high cash yield payout to investors
AUM:	$1.86 billion (firm); $1.82 billion (strategy)

HARVEST

Management Team

Harvest Fund Advisors LLC

Over 50 years of combined energy investment and operating industry experience

Has invested almost $20 million in Harvest's various strategies

Features complementary skill sets, with a broad base of industry experience and backgrounds in investment banking, research, hedge funds, and private equity

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Portfolio Manager

Eric Conklin

Managing Partner

David Martinelli

Business Development

Carl Robbins - Consultant Relations

Kirk Huddles - Business Development

Investment Team

John Simkiss - Risk Manager & Strategist

Nicholas Gaspari - Investment Analyst

Sanjay Khindri - Investment Analyst

Brandon Adams - Investment Analyst

Josh Salzman - Investment Analyst

Operation & Administration

Anthony Merhige - COO & GC

David Thayer - CFO & CCO

Alexander Brengle - Operations Analyst

Carol Mullin - Bookkeeping

Service Providers & Vendors

Merlin Securities

JP Morgan Clearing

STP Investment Services

Rothstein Kass

Morgan Lewis

HARVEST

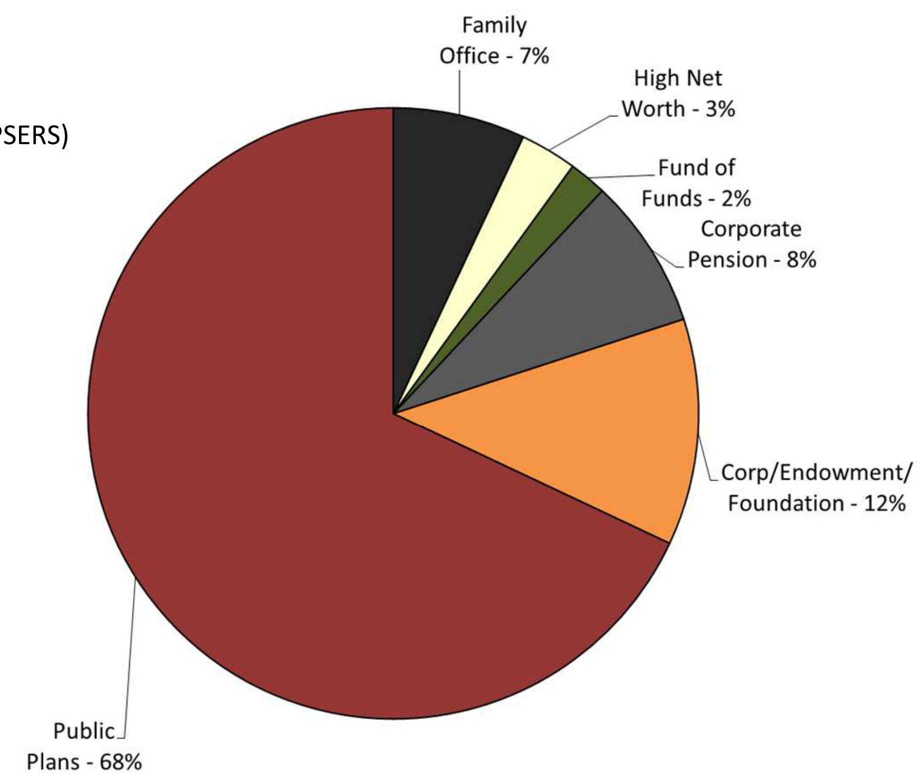
Investor Base – A Focus on Public Plans

Representative Public Plan Clients

- Missouri State Employees’ Retirement System (MOSERS)
- Pennsylvania Public School Employees’ Retirement System (PSERS)
- Maryland State Retirement Agency (MSRA)
- Iowa Public Employees’ Retirement System (IPERS)
- 14 Total Public Plan Clients

Representative Non-Public Plan Clients

- BJC HealthCare System
- University of Michigan Foundation, Inc.
- Georgia Tech Foundation, Inc.
- University of Oklahoma Foundation, Inc.
- Minnesota Philanthropy Partners
- United States Tennis Association



HARVEST

The Opportunity

Yield Attractive Portfolio Yield	**Growth** Undervalued Growth	**Security** 1.2x Coverage
Real Asset Pipeline/Terminal/Storage Assets	**Diversification** Low Broad Market Correlation	**Low Fee** 75 basis points

Source: Harvest Fund Advisors.

HARVEST

The Opportunity II

- MLPs have outperformed all other major asset classes over a sixteen-year period
- High current, tax-advantaged yield and distribution growth supports continued strength
- Distribution growth is supported by organic growth and acquisition opportunities

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Annualized Returns
REITs 35.27%	S&P 500 33.36%	S&P 500 28.58%	EMG Eq. 67.11%	MLP 45.71%	MLP 43.73%	Corp Bonds 10.52%	EMG Eq. 57.16%	REITs 31.58%	EMG Eq. 35.19%	REITs 35.06%	EMG Eq. 40.28%	US Bonds 5.24%	EMG Eq. 81.02%	MLP 35.85%	MLP 13.88%	EMG Eq. 18.89%	**MLP 15.88%**
S&P 500 22.96%	**MLP 26.20%**	Int'l Equity 18.76%	Int'l Equity 27.93%	REITs 26.37%	REITs 13.93%	US Bonds 10.25%	Small Cap 47.25%	EMG Eq. 28.11%	Int'l Equity 14.47%	EMG Eq. 35.11%	**MLP 12.72%**	T Bills 3.96%	**MLP 76.41%**	REITs 27.96%	Corp Bonds 8.35%	REITs 18.06%	REITs 10.84%
MLP 16.60%	Small Cap 22.36%	US Bonds 8.69%	Small Cap 21.26%	US Bonds 11.63%	Corp Bonds 10.40%	REITs 3.82%	**MLP 44.54%**	Int'l Equity 20.38%	REITs 12.16%	**MLP 26.07%**	Int'l Equity 12.44%	Corp Bonds -3.08%	High Yield 58.21%	Small Cap 26.85%	REITs 8.29%	Int'l Equity 16.41%	EMG Eq. 8.60%
Small Cap 16.49%	REITs 20.26%	Corp Bonds 8.57%	S&P 500 21.04%	Corp Bonds 9.39%	US Bonds 8.44%	T Bills 1.93%	Int'l Equity 39.42%	Small Cap 18.33%	**MLP 6.32%**	Int'l Equity 25.71%	US Bonds 6.97%	High Yield -26.16%	Int'l Equity 33.67%	EMG Eq. 20.64%	US Bonds 7.84%	Small Cap 16.35%	High Yield 7.67%
High Yield 11.35%	High Yield 12.76%	T Bills 5.31%	T Bills 4.18%	T Bills 6.25%	High Yield 5.28%	High Yield -1.41%	REITs 37.13%	**MLP 16.67%**	S&P 500 4.91%	Small Cap 18.37%	T Bills 5.89%	Small Cap -33.79%	REITs 27.99%	High Yield 15.12%	High Yield 4.98%	S&P 500 16.00%	Small Cap 7.40%
EMG Eq. 9.37%	Corp Bonds 10.23%	High Yield 1.87%	High Yield 2.39%	Small Cap -3.02%	T Bills 5.09%	**MLP -3.36%**	High Yield 28.97%	High Yield 11.13%	Small Cap 4.55%	S&P 500 15.79%	S&P 500 5.49%	**MLP -36.92%**	Small Cap 27.17%	S&P 500 15.06%	S&P 500 2.11%	High Yield 15.81%	S&P 500 7.01%
Int'l Equity 6.87%	US Bonds 9.65%	Small Cap -2.55%	US Bonds -0.82%	High Yield -5.86%	Small Cap 2.49%	EMG Eq. -3.94%	S&P 500 28.68%	S&P 500 10.88%	T Bills 3.13%	High Yield 11.85%	Corp Bonds 5.11%	S&P 500 -37.00%	S&P 500 26.46%	Int'l Equity 8.95%	T Bills 0.30%	Corp Bonds 9.37%	Corp Bonds 6.60%
T Bills 5.53%	T Bills 5.54%	**MLP -2.98%**	Corp Bonds -1.96%	S&P 500 -9.10%	EMG Eq. 1.77%	Int'l Equity -15.80%	Corp Bonds 7.70%	Corp Bonds 5.24%	High Yield 2.74%	T Bills 4.98%	High Yield 1.87%	REITs -37.73%	Corp Bonds 16.04%	Corp Bonds 8.47%	Small Cap -4.18%	MLP 4.80%	US Bonds 6.04%
US Bonds 3.63%	Int'l Equity 2.27%	REITs -17.50%	REITs -4.62%	Int'l Equity -13.37%	S&P 500 -11.89%	Small Cap -20.48%	US Bonds 4.10%	US Bonds 4.34%	Corp Bonds 1.96%	Corp Bonds 4.26%	Small Cap -1.57%	Int'l Equity -43.56%	US Bonds 5.93%	US Bonds 6.54%	Int'l Equity -12.21%	US Bonds 4.22%	Int'l Equity 4.67%
Corp Bonds 3.28%	EMG Eq. -14.74%	EMG Eq. -22.01%	**MLP -7.82%**	EMG Eq. -31.76%	Int'l Equity -21.40%	S&P 500 -22.10%	T Bills 1.04%	T Bills 1.13%	US Bonds 2.43%	US Bonds 4.33%	REITs -15.69%	EMG Eq. -53.74%	T Bills 0.67%	T Bills 0.32%	EMG Eq. -19.03%	T Bills 0.21%	T Bills 3.24%

Sources: Bloomberg, Harvest Fund Advisors.
Note: The MLP Index utilized is the Alerian MLP Total Return Index.

HARVEST

Energy Themes

New and changing supply sources + increasing production will require significant infrastructure build-out

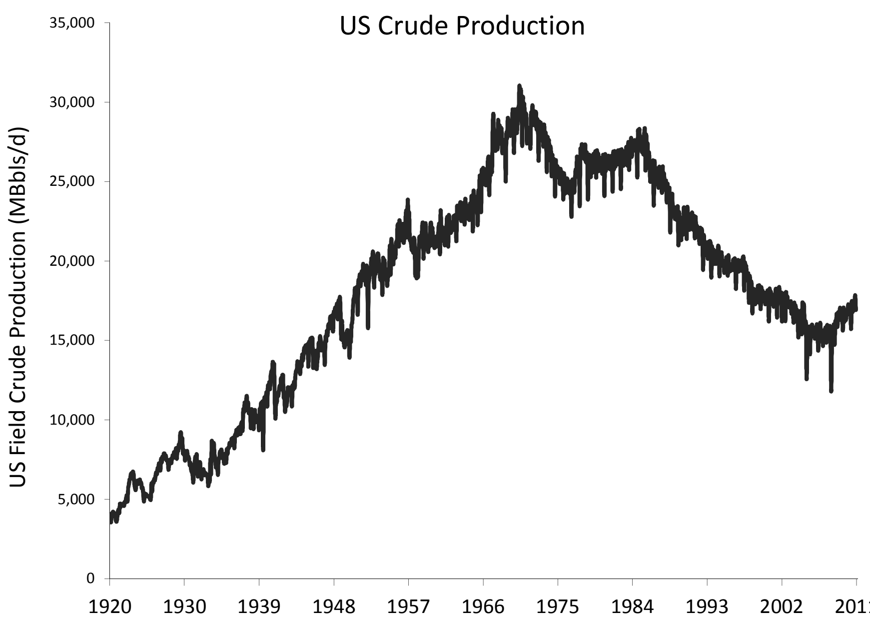
Opportunistic Portfolio Positioning

Crude Oil Play Exposure =

Bakken/Eagle Ford/Niobrara/
Utica/Permian/CAD Oil Sand Presence
+ New Takeaway Capacity

NGL Shale Plays =

Gathering & Processing Expansion
+ NGL Logistics Infrastructure



Sources: Bloomberg, Harvest Fund Advisors.

HARVEST

Harvest Advantages

Harvest is the only MLP investment firm run by a former MLP owner-operator

Managing Partner's extensive network of relationships and years of operating experience add invaluable advantage to the quality of our investment process

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Harvest focuses on a fundamentally driven research process

A differentiated outlook on the sector comes from our proprietary models and research effort

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Harvest is built exclusively as a pure-play MLP platform for institutional investors

No conflicts of interest allowing an unwavering focus on our client. Focus is on clients, not marketing. No retail public products

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Management Continuity

Same firm … same team. Harvest management team has been with the firm since inception and the firm is 100% employee owned; client and management interests are aligned

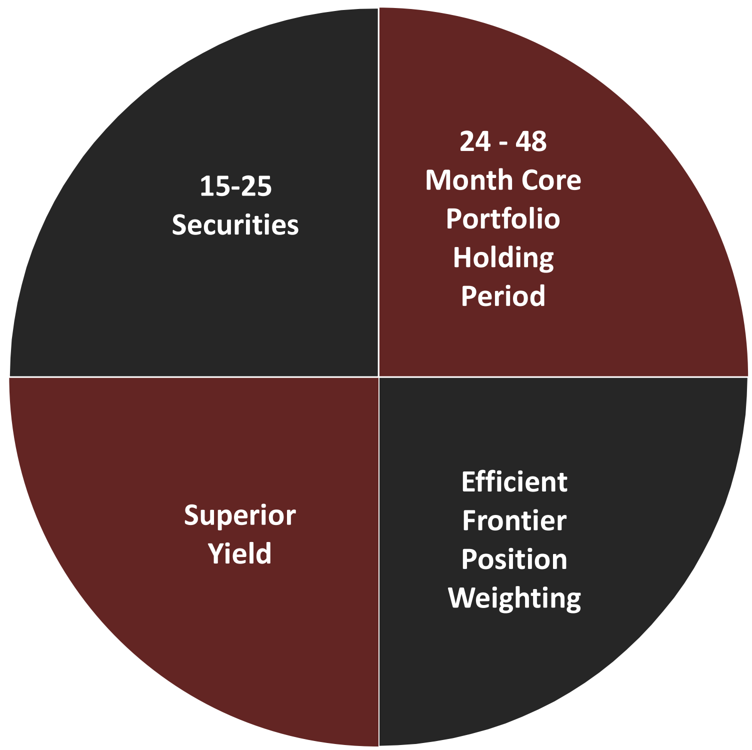
HARVEST

Investment Philosophy

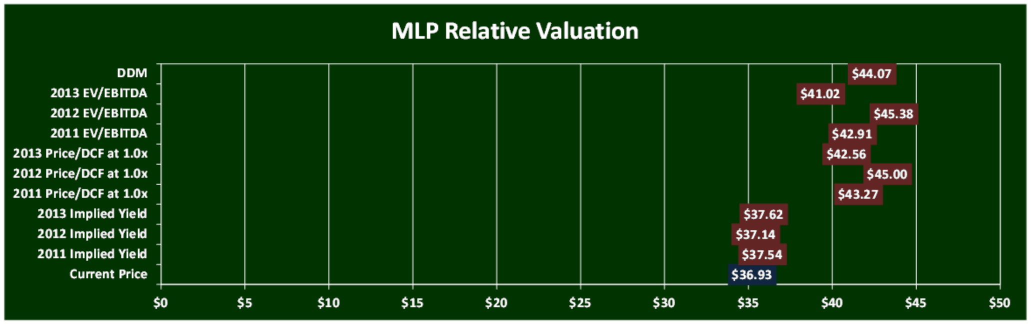
Investment Philosophy

Compose a portfolio of energy securities with a track record of consistent growth through organic expansion and accretive acquisitions, unique market advantages, high-quality management team, or improving dividend payouts.

Portfolio Characteristics



Investment Process

Approach	Example
100+ proprietary models of energy C-Corps and MLPs	Models updated real-time after discussions with management and/or filings Acquisition effects are quickly modeled Bottoms-up fundamental analysis
5-Step Valuation Methodology	DCF Analysis/Yield Analysis/Comp Multiples/Multivariate Regression/NAV
Qualitative Analysis	Assessment of management teams, growth prospects, and ownership structures
Quantitative Analysis	Employ Volume and Level II Analysis to optimize position entry and exit Capture and correlate intraday price movements across universe and subsector Study historical trading to unmask buying patterns of funds, retail, and institutions
Relative Valuation	

Balancing Reward Per Unit of Risk

HARVEST

Liquidity **Asset Quality** **Management Quality** **Commodity Exposure** **Leverage** **Size** **Capital Need** **ESG**

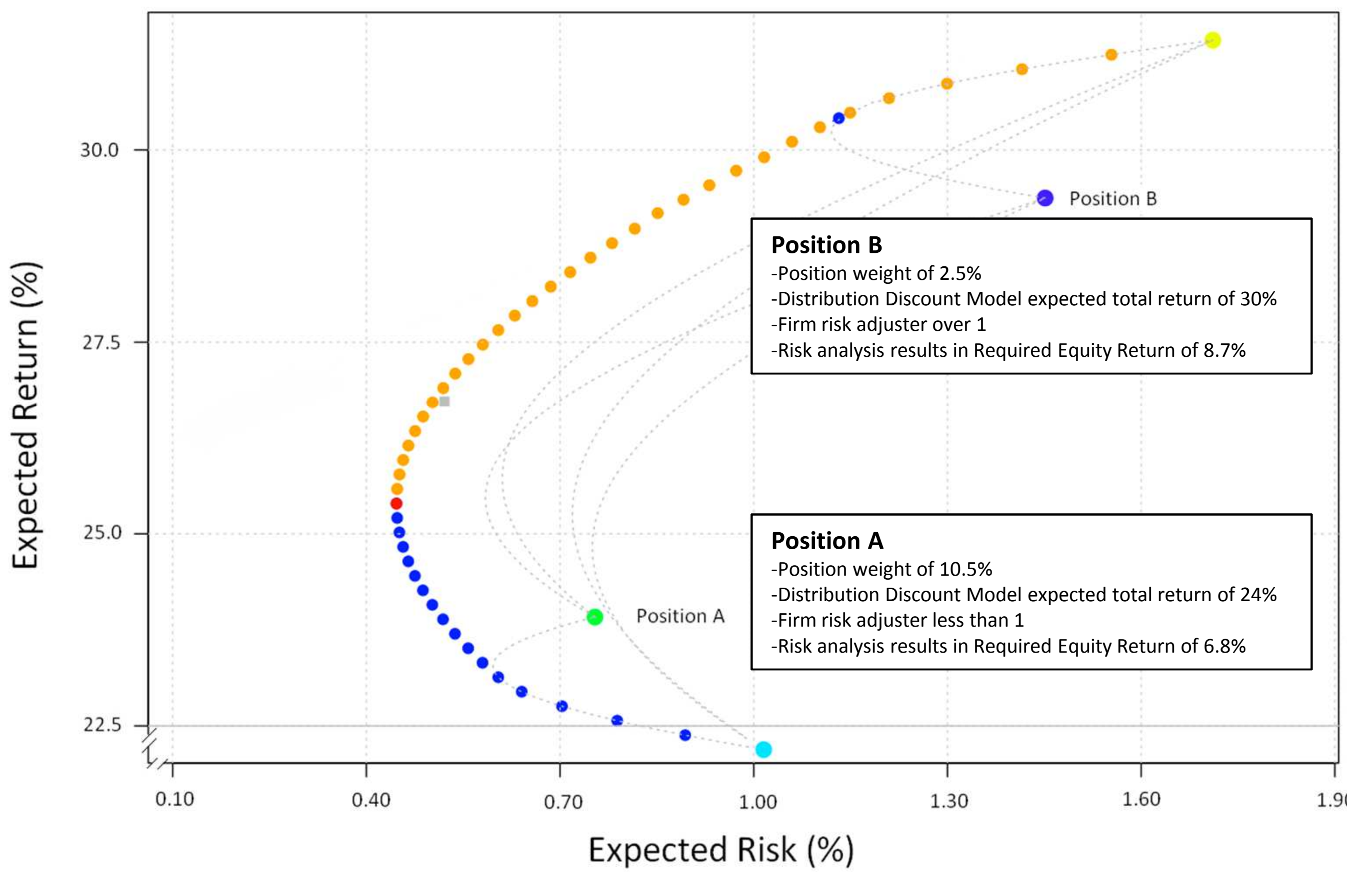
Reward

Fundamental modeling work translated into expected total returns through distribution discount models

Risk

NOT based solely on historical price movements, which is a poor predictor of future risk; instead based on Harvest's proprietary **eight factor risk scoring**

Efficient Frontier



Source: Harvest Fund Advisors and Bloomberg as of December 31, 2013

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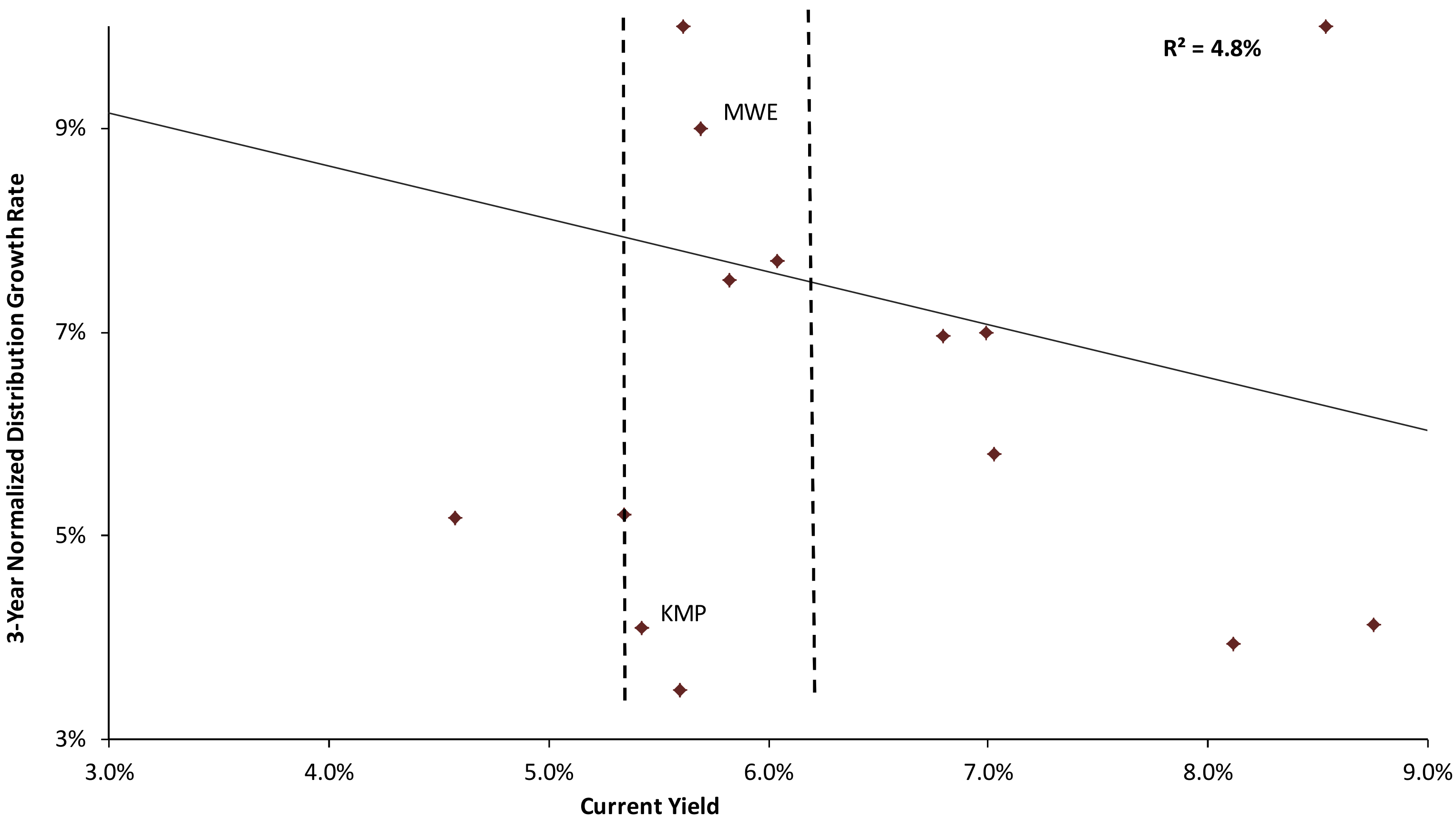
Inefficient Pricing

Retail energy investors focus on yield, largely disregarding underlying growth rates



*As of December 31, 2012

Note: Based on normalized distribution growth rate estimates for 2013-2015. Source: Harvest Fund Advisors

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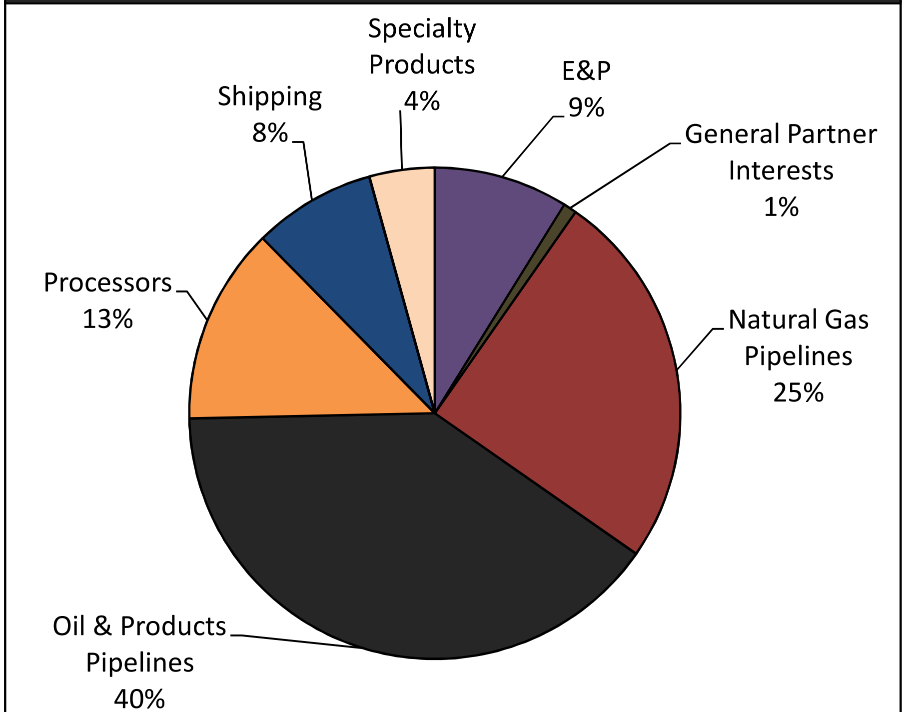
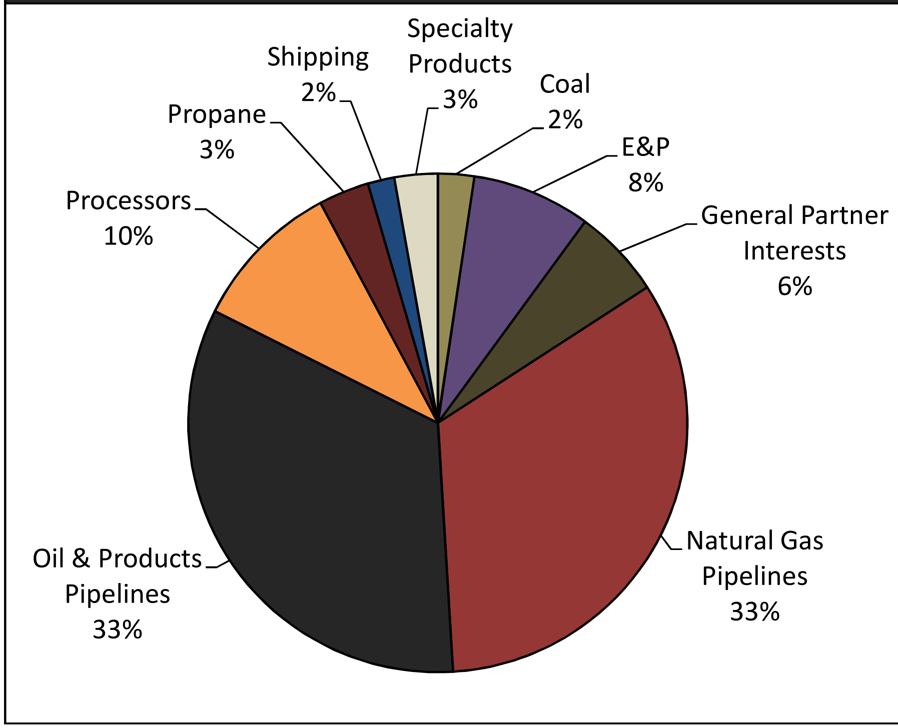
Portfolio Summary

Harvest Portfolio



S&P MLP Index



	Position Count	Distribution Growth		Yield		Coverage		Debt/ EBITDA		WACC
	1/31/2013	2013	2014	2013	2014	2013	2014	2013	2014	2013
Harvest	25	11.8%	8.7%	5.4%	6.0%	1.21x	1.24x	2.80x	2.60x	6.0%
Index	55	6.2%	5.9%	5.5%	5.8%	1.19x	1.20x	3.08x	2.79x	6.8%

Source: Harvest Fund Advisors and Bloomberg as of January 31, 2013

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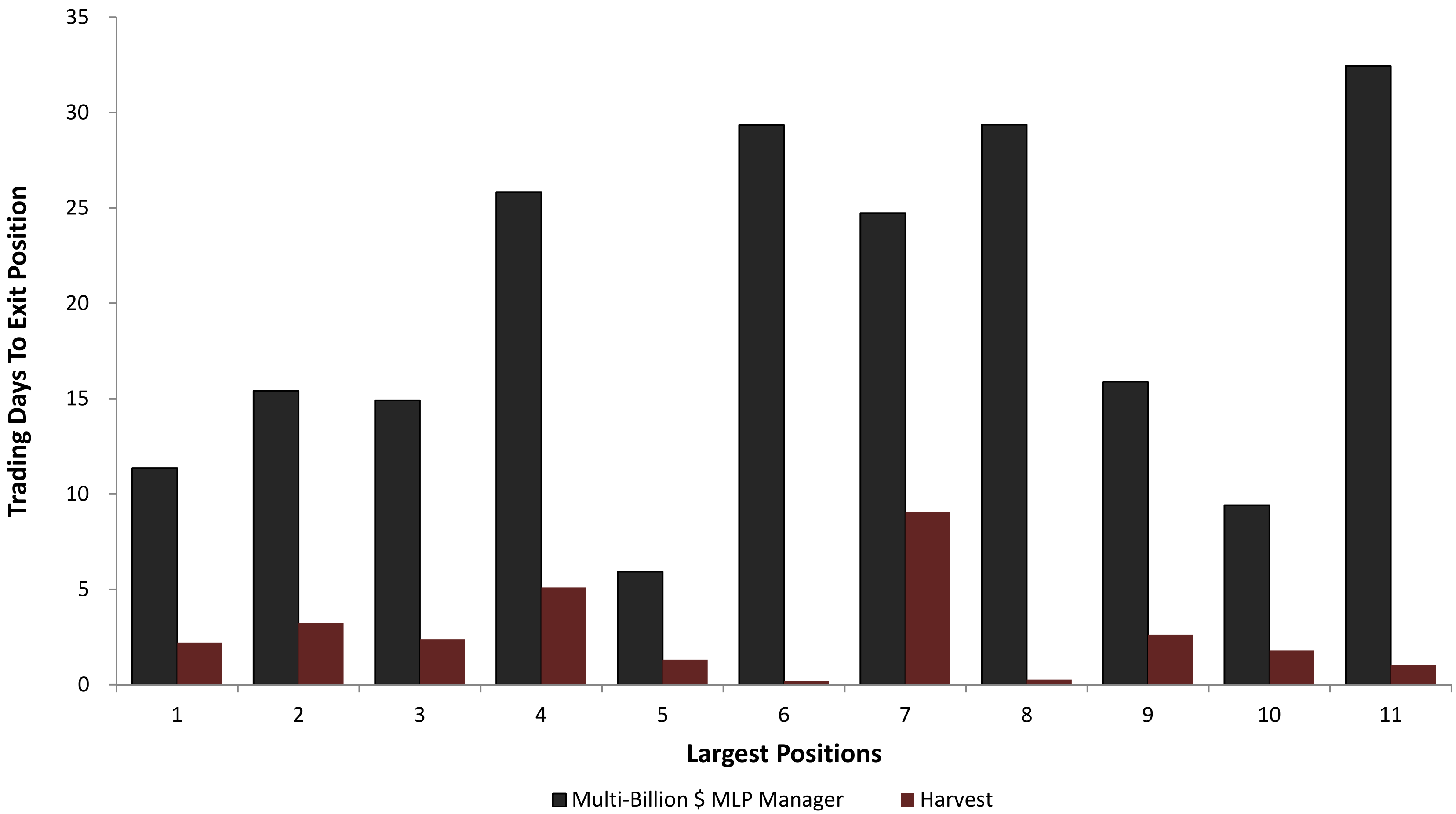
Bigger ≠ Better

Harvest's multi-billion dollar competitors lack the trading liquidity to nimbly move positions.



Source: Harvest Fund Advisors, Bloomberg as of December 31, 2012; trading days to exit position calculation assumes 100% of daily volume.

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MLP Structures

Harvest Long-Only, No-Leverage MLP Investment Options

SMA Accounts (Direct Holdings)	→	Ideal for U.S. Public Pension Plans
Harvest MLP Income Fund (Pooled Vehicle – Direct Holdings)	→	Ideal for U.S. Taxable Investors Investor receives a single consolidated Form K-1
Harvest MLP Income Fund II (Pooled Vehicle – Swap Holdings)	→	Ideal for U.S. Tax-Exempts Investor receives a single Form K-1; MLP swaps; no UBTI
Harvest MLP Income Fund III (Pooled Vehicle – Group Annuity)	→	Ideal for U.S. Tax-Exempts & Foreign Investors Investor holds annuity contract, not MLPs; no UBTI or ECI

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MLP Alpha Composite Performance

Harvest MLP Alpha Composite (Net; Long-only, no-leverage)

Return Profile	Harvest	S&P MLP
1 Year Return	20.84%	16.22%
3 Year Annual Return	29.38%	22.00%
5 Year Annual Return	17.63%	15.53%
ITD Annualized Return	19.49%	15.75%
ITD Cumulative Return	253.09%	181.81%

Risk/Return (3YR)	Harvest	S&P MLP
Sharpe Ratio	2.2	1.5
Annualized STD	13.4	14.8
Annualized Return	29.4%	22.0%
% Positive Periods	77.8%	66.7%
Max Drawdown	-6.8%	-7.3%

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Harvest	Index
2006	5.92	0.66	1.74	1.90	0.37	-1.18	4.48	3.07	0.23	4.90	3.25	4.59	34.05	25.91
2007	6.22	6.02	13.52	9.16	3.29	1.83	8.22	-12.37	-7.71	1.31	-3.35	-1.67	23.69	9.41
2008	-5.44	-0.16	-8.31	7.99	0.81	-3.42	-7.06	-0.09	-17.01	-2.82	-15.12	-5.05	-45.05	-37.46
2009	15.74	-2.29	1.10	11.63	6.58	-0.89	12.08	-2.58	4.25	2.73	5.23	5.84	75.61	78.79
2010	1.88	4.37	3.64	3.18	-4.91	5.83	8.66	-1.68	5.67	5.93	3.37	2.85	45.52	35.17
2011	2.53	3.68	2.02	3.85	-3.55	1.45	0.19	-1.76	-3.20	8.48	1.98	4.96	21.93	14.47
2012	2.92	5.39	-3.26	2.77	-6.77	2.55	5.40	2.12	1.60	0.05	0.61	-1.37	11.95	4.95
2013	11.10												11.10	12.67

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Summary of Terms & Providers

Pooled Funds (Harvest MLP Income Funds):	
Structure:	3(c)(7); long-only, no leverage
Minimum:	$500K
Lock-up:	None
Fee:	75 bps per annum
Expenses:	Capped at 10 bps per annum
Liquidity:	Monthly, with 30 days' notice
Reporting:	Monthly
Custodian:	JP Morgan
Administrator:	STP Investment Services, Inc.
Audit & Tax	Rothstein Kass & Co., LLP
Legal:	Morgan Lewis & Bockius LLP

Separately Managed Accounts:	
Structure:	SMA
Minimum:	$10 million
Lock-up:	None
Fee:	75 bps per annum
Expenses:	None
Reporting:	Monthly
Custodian:	Client selects custodian

HARVEST

Appendix A: Management Team

David Martinelli -- Founder and Managing Partner: Mr. Martinelli has nearly two decades experience in MLPs, having founded Harvest and having previously serves as principal and majority owner of Glenmoor Partners LLC, which led a management buyout of the General Partner of Buckeye Pipeline Company, a NYSE-listed MLP, from the Penn Central Corporation in 1996. During his tenure at Buckeye, Mr. Martinelli engineered the financial restructuring of the Company and directed corporate acquisitions in excess of $150 million. Mr. Martinelli ultimately sold Glenmoor to the Carlyle Group in 2004 and exited to found Harvest. Prior to joining Buckeye, Mr. Martinelli was an investment banker with Salomon Brothers in New York; Paine Webber International in London; and Drexel Burnham Lambert in both London and New York. Mr. Martinelli has a B.S. in Finance from Syracuse University and an M.B.A. from the Stern School of Business at New York University.

Eric Conklin -- Portfolio Manager: Mr. Conklin has nearly two decades of Wall Street energy industry experience, having recently served as a Vice President in the Credit Suisse Energy Equity Research Group responsible for coverage of the MLP sector. Prior to joining Credit Suisse, Mr. Conklin was a Research Analyst on both the Exploration & Production and Oil Services teams at Lehman Brothers. Before moving to research, Mr. Conklin was an associate in the Mergers & Acquisitions Group at JP Morgan and an associate in the Energy Group at the Bank of New York. Mr. Conklin received a B.A. in Economics from Hamilton College, where he graduated Magna Cum Laude and as a member of Phi Beta Kappa, and an M.B.A. with Honors from the Wharton School at the University of Pennsylvania.

John Simkiss -- Portfolio Strategist: Mr. Simkiss has nearly two decades experience in the design of complex financial models and investment strategies, having spent five years in private equity with Vivum Group LLC and over a decade in the insurance industry with The Simkiss Companies, where he also managed a portfolio of high yield debt. Mr. Simkiss has earned CLU, CPCU, AFSB, and ChFC professional designations and has held Series 6 and Series 63 NASD certifications. Mr. Simkiss received his B.A. from Trinity College in Hartford, Connecticut.

Anthony Merhige -- COO & General Counsel: Mr. Merhige has nearly two decades of experience in law, operations, and regulatory compliance, having spent five years in private equity with Vivum Group LLC and nearly eight years as an associate in the Philadelphia office of the multi-national law firm Pepper Hamilton LLP. Mr. Merhige received a B.A. with Honors from the Johns Hopkins University in Baltimore and a J.D. from Temple University in Philadelphia where he was an Editor of the Law Review.

David Thayer -- CFO & CCO: Mr. Thayer has two decades experience in operations and finance, having previously served as COO and Chief Compliance Officer at Endowment Management LLC, a $500 million hedge fund catering to marquee endowments and foundations. Prior to Endowment, Mr. Thayer also worked with Booz Allen & Hamilton, Aegon, N.V., and the Hay Group. For 20 years he also served with the Army Reserves, most recently as Commander of the First Troop Philadelphia City Cavalry, an historic armored cavalry unit. Mr. Thayer received a B.S. from the Wharton School at the University of Pennsylvania, an M.A. from the London School of Economics, and an M.B.A. with Honors from the University of Chicago.

HARVEST

Appendix A: Management Team

Carl Robbins -- Consultant Relations Director: Mr. Robbins has nearly two decades experience in fund sales and marketing, having served as the Senior Manager for Consultant Relations/Institutional Sales at Vanguard. At Vanguard, Mr. Robbins was responsible for the creation and direction of the Consultant Relations group. Prior to Vanguard, Mr. Robbins spent twenty-five years in HR with various enterprises including FMC Corp., Towers Perrin, and the University of Pennsylvania. Mr. Robbins had a storied Philadelphia basketball career, having served as the Captain of the 1970 Ivy League Champion Penn team. Mr. Robbins received a B.A. from the University of Pennsylvania and his M.B.A. from the Wharton School at the University of Pennsylvania.

Kirk Huddles -- Business Development Director : Mr. Huddles has over fifteen years experience in capital introduction and project financing, having previously served as the owner-operator of Equator Enterprises Inc., specializing in asset-raising for select alternatives firms from institutional relationships within the Taft-Hartley, municipal, and endowment markets. Mr. Huddles has also served as a Managing Director for Point Capital Partners, a merchant banking firm, and for Gemini Partners, a boutique middle-markets investment banking firm. Mr. Huddles holds a B.A. from The University of Richmond and an M.B.A from Georgetown University.

Nicholas Gaspari -- Investment Analyst: Mr. Gaspari previously served as an analyst at J.P. Morgan in the Fixed Income, Currencies, and Commodities Group, focusing on a wide variety of asset classes. Prior to J.P. Morgan, Mr. Gaspari was an Investment Associate with U.S. Trust Company. Mr. Gaspari received his B.A. from Boston College.

Sanjay Khindri -- Investment Analyst: Mr. Khindri previously served as an associate with The Vanguard Group, analyzing individual investment objectives and managing a team of investment associates. Mr. Khindri received his B.S. from the University of Delaware and Masters degrees in Finance with Honors from Pace University and Villanova University.

Brandon Adams -- Investment Analyst: Mr. Adams previously served as an analyst at Aquiline Capital Partners. Prior to Aquiline, Mr. Adams served in the U.S. Army for five years, winning numerous service medals and ribbons. Mr. Adams received his B.A. from the University of Pennsylvania and his M.B.A. from Temple University.

Josh Salzman -- Investment Analyst: Mr. Salzman joined Harvest as an Investment Analyst in 2011 after completing his undergraduate coursework at the Wharton School. During his time at Wharton, Mr. Salzman interned at Blackrock Asset Management. Mr. Salzman received his B.S. from the University of Pennsylvania.

Alexander Brengle -- Operations Analyst: Mr. Brengle previously served as an analyst at Glenmede Trust Company, analyzing numerous asset classes. He also previously served as an intern at Radnor Trust Company and Susquehanna Investment Group. Mr. Brengle received his B.A. from Hampden-Sydney College.

HARVEST







Appendix B: Why Energy Infrastructure

Macro Industry Drivers and Valuation Update

Confidential

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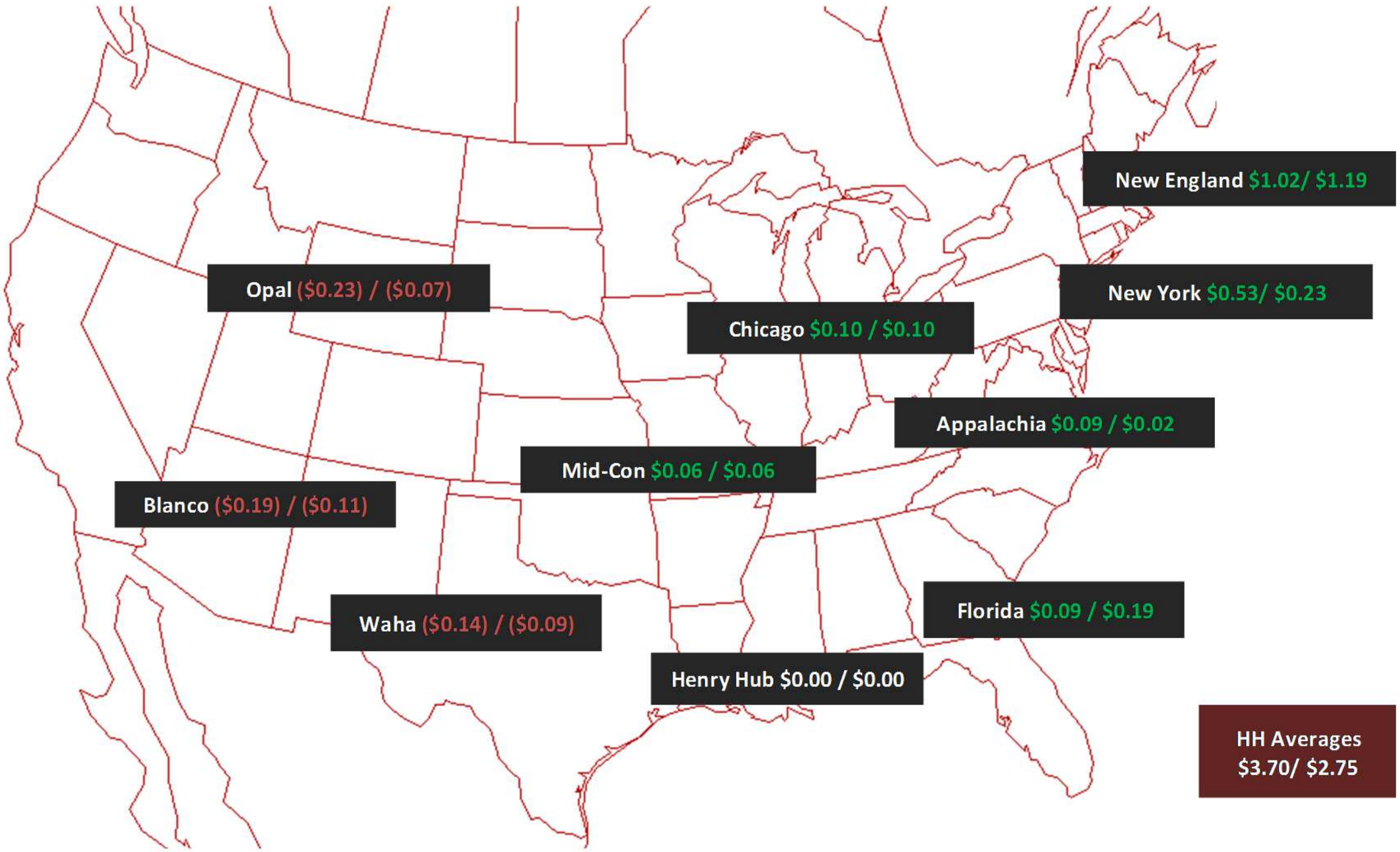
HARVEST

Insufficient Transport Capacity

Natural gas basis differentials and shift in oil importation drive infrastructure build-out



*As of December 31, 2012
Note: Basis differential versus NYMEX Henry Hub; 3YR and LTM averages. Sources: Bloomberg, Harvest Fund Advisors.

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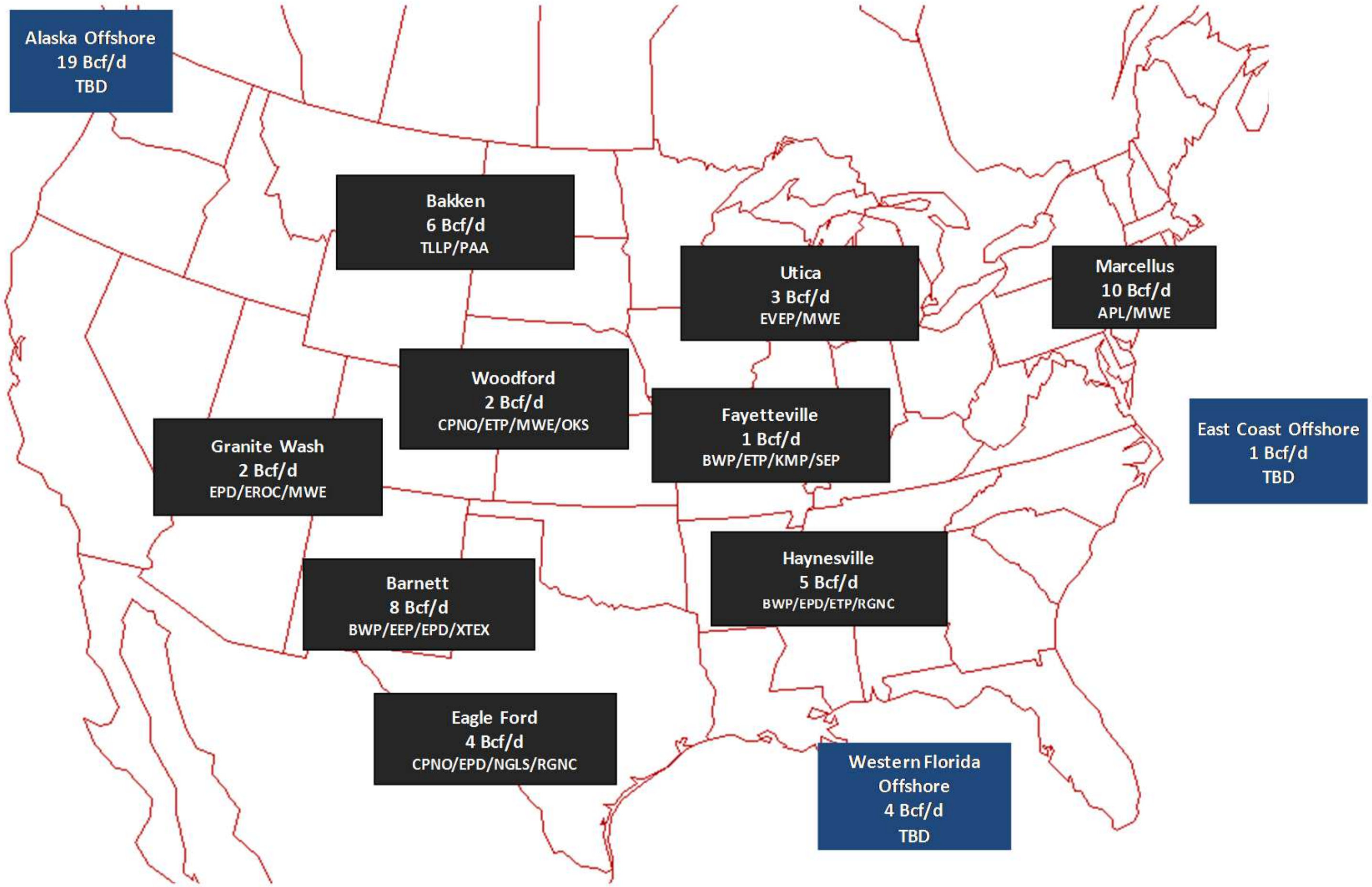
Substantial Reserve Potential

New supply sources will require significant midstream infrastructure build-out



*As of December 31, 2012
Sources: Bloomberg, Harvest Fund Advisors.

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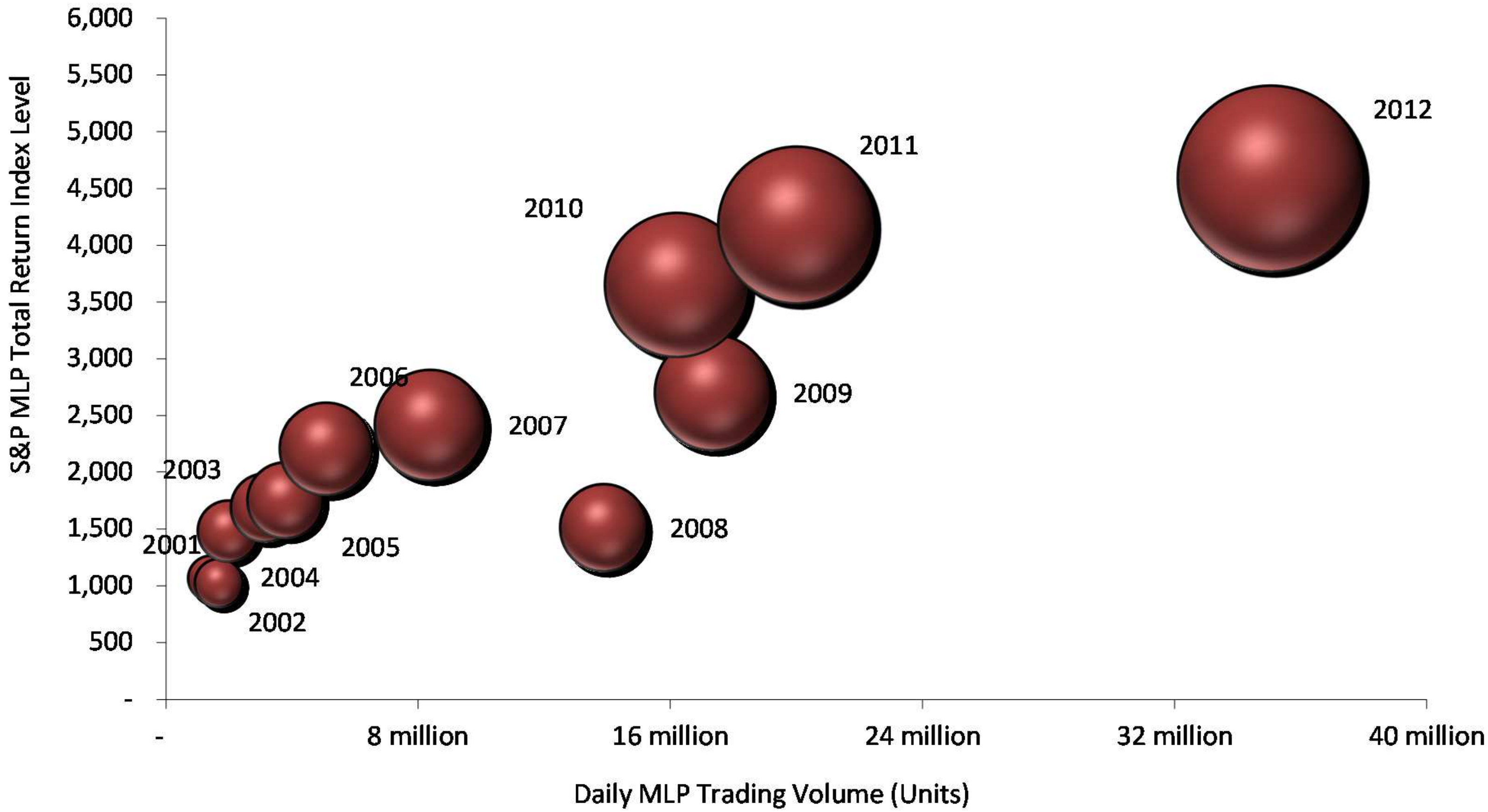
Market Development

Institutional investment has fueled MLP market growth and liquidity



Notes: Size of spheres corresponds to market capitalization of MLP universe.
Source: Partnership filings, Harvest Fund Advisors.

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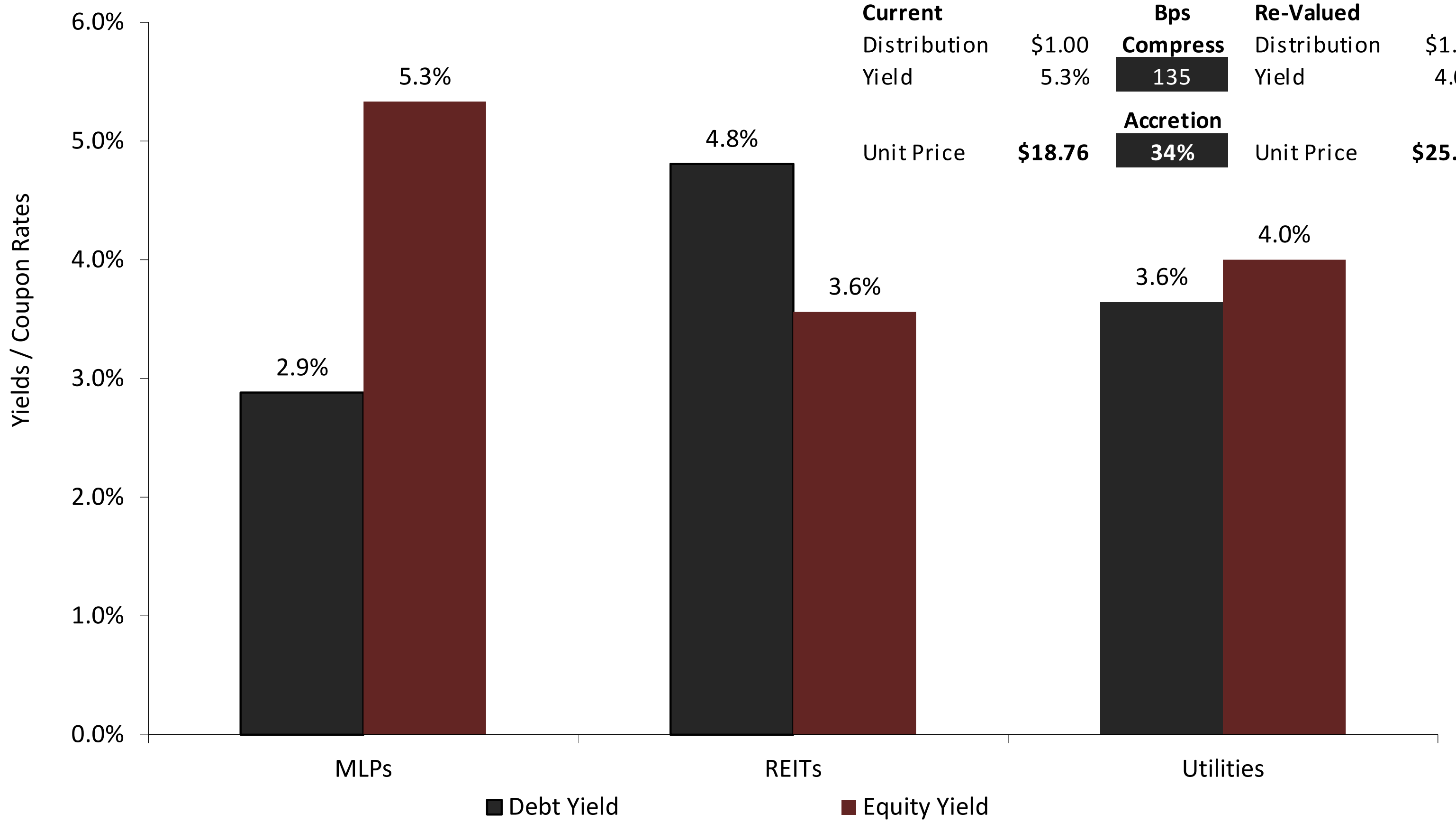
Sector Revaluation

We believe MLP equity yields will be re-priced over time to match the quality of their cash flows

MLP Yield Compression Scenario

Current		**Bps**	**Re-Valued**	
Distribution	$1.00	**Compress**	Distribution	$1.00
Yield	5.3%	135	Yield	4.0%
		Accretion		
Unit Price	**$18.76**	**34%**	Unit Price	**$25.13**

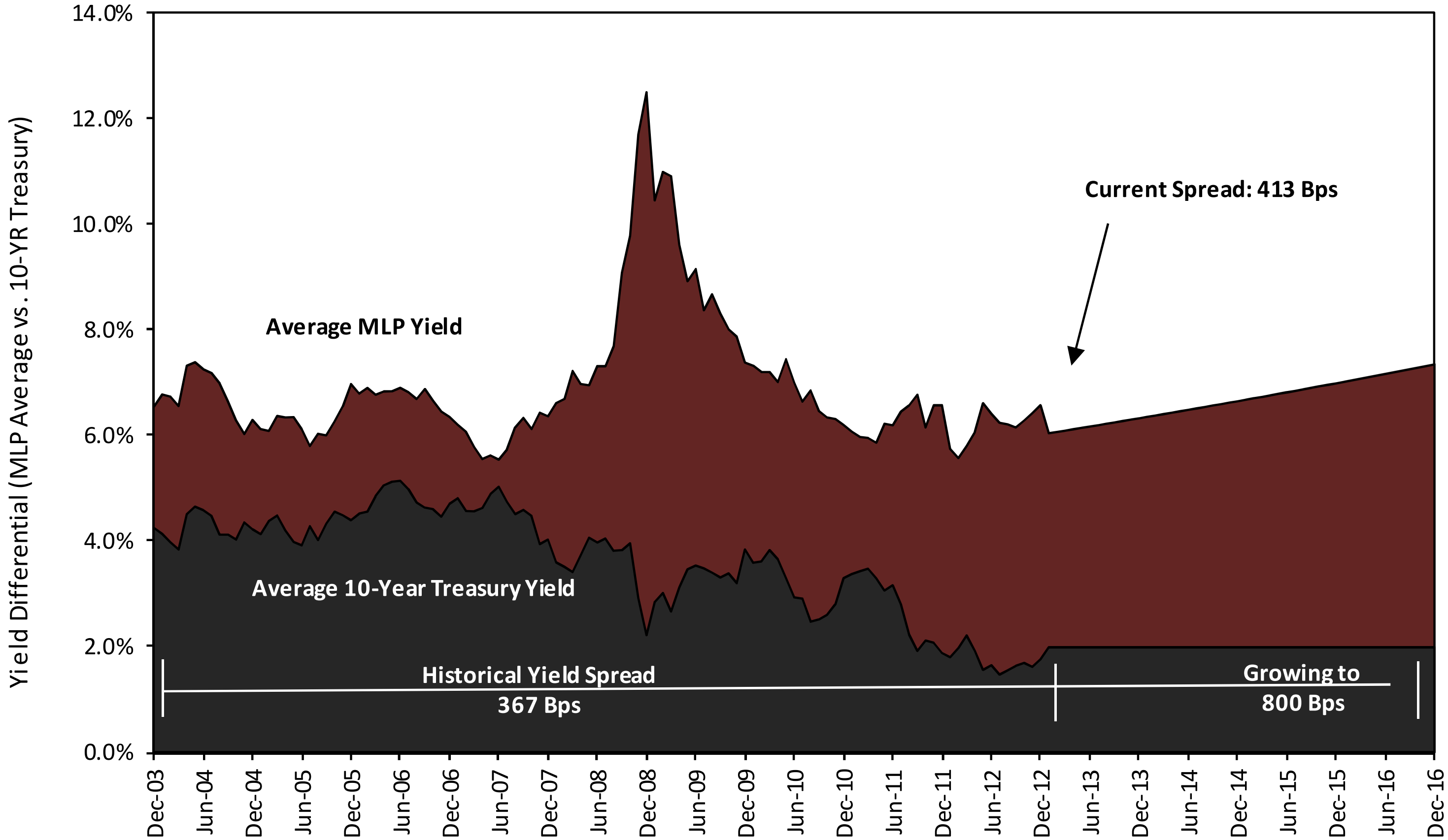


*As of January 31, 2013

Note: Bond yields are based on Bloomberg sector 10-year yield curves. Equity yields are based on the market-capitalization-weighted investment grade MLP universe, the NAREIT equity REIT constituents, and the Dow Jones Utilities average. Source: Bloomberg, Harvest Fund Advisors.

Yield Spreads

Yield spreads to the 10-Year do not adequately reflect the growth component of MLP total returns



*As of January 31, 2013

Note: Assumes 5% per annum MLP distribution growth and flat projected 10-year Treasury Yield.

Sources: Bloomberg, Harvest Fund Advisors.

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Inflation Hedge

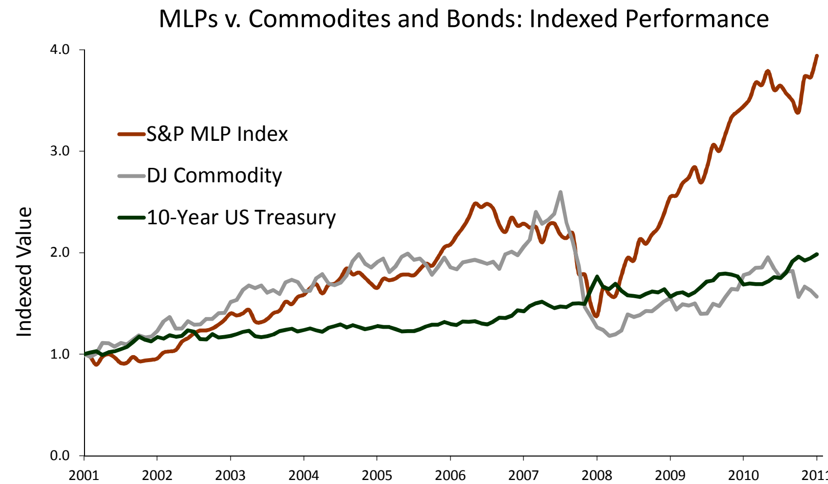
MLPs offer investors a hedge against inflation, commodities, and traditional fixed income instruments

FERC-regulated pipelines are inflation-adjusted, tied to PPI + 2.65%

Strong commodity prices – though indirectly affecting MLP operations – will expedite midstream capex projects in order to accommodate new upstream production, facilitating distribution growth

Distribution growth will allow well positioned partnerships to stay ahead of potential yield compression

In inflationary periods, MLPs have outperformed rate-sensitive commodities and bonds, exhibiting a low correlation to changing yield environments



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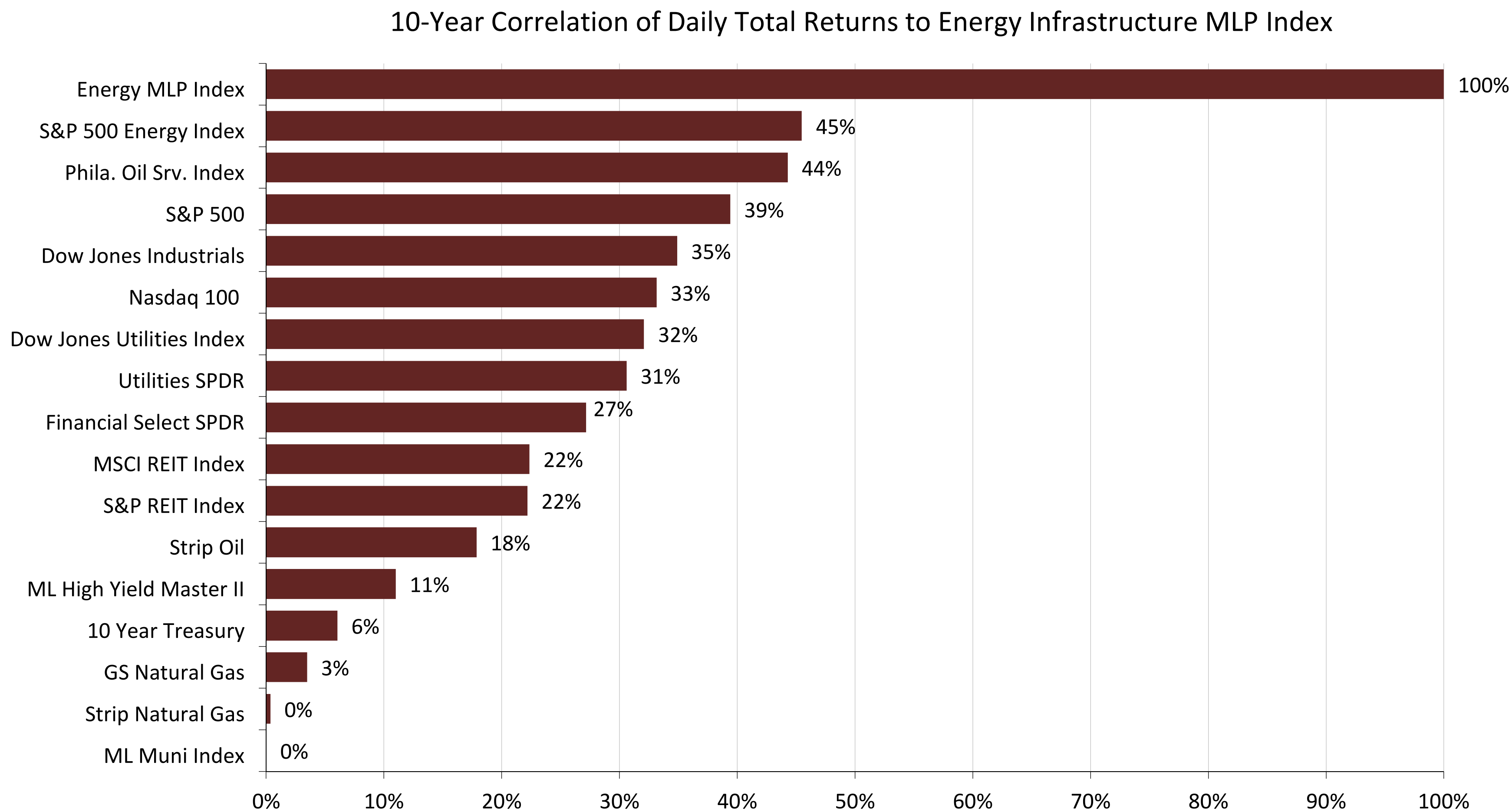
Limited Correlation

Energy infrastructure has low correlation to both commodity prices and the broader markets



Source: Bloomberg and Harvest Fund Advisors.
Note: Data based on daily total returns.

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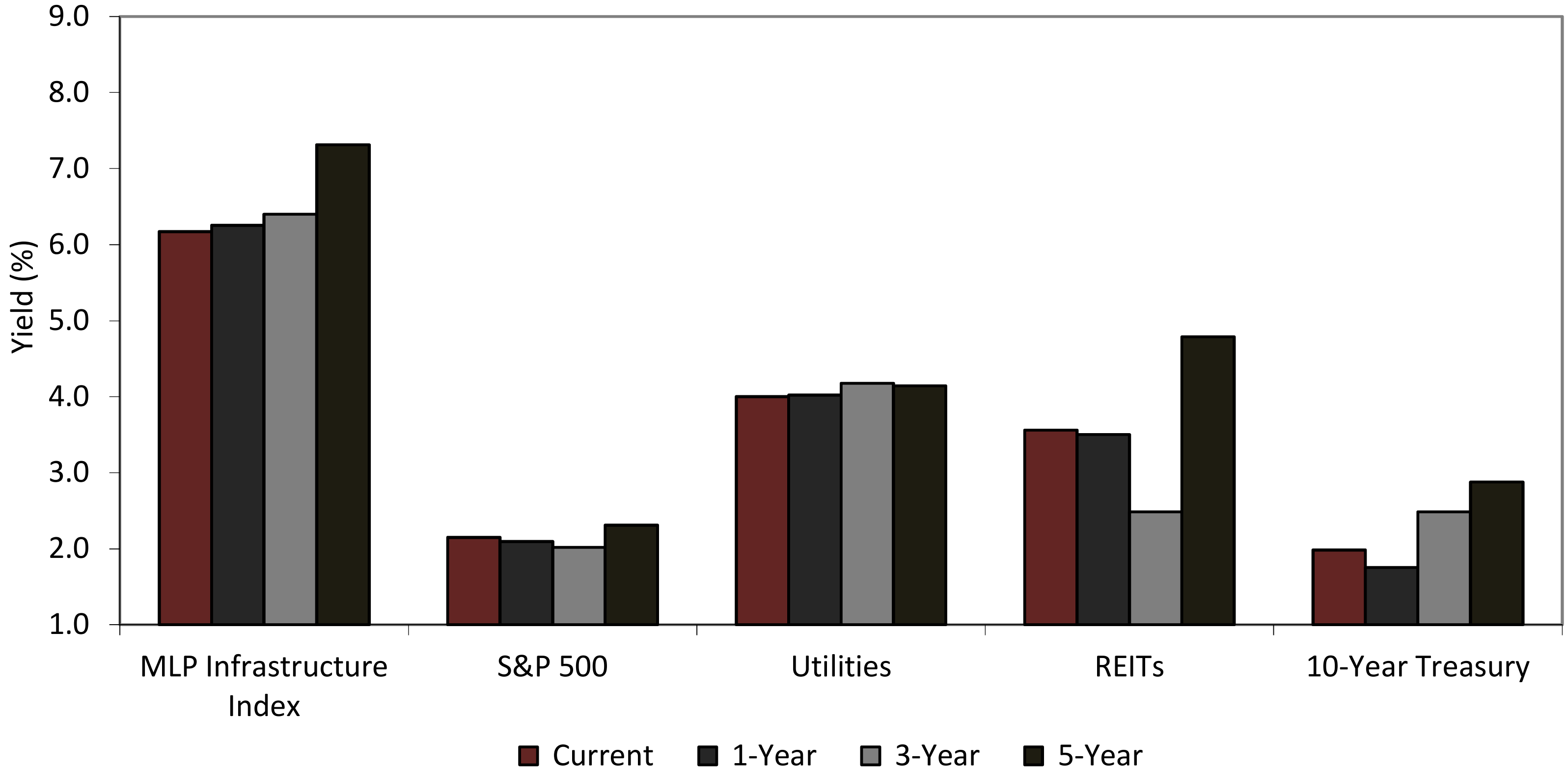
MLP Yield Comparison

MLP yields have been consistently strong when compared against other asset classes



*As of January 31, 2013
Source: Bloomberg, Harvest Fund Advisors.

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Contact Information

Harvest Fund Advisors LLC
100 West Lancaster Avenue, Second Floor
Wayne, Pennsylvania 19087

Telephone: 610.341.9700
Facsimile: 610.995.9775
Web: www.harvestmlp.com

Email:
David Martinelli dmartinelli@harvestmlp.com
Anthony Merhige amerhige@harvestmlp.com
Kirk Huddles khuddles@harvestmlp.com
Carl Robbins crobbins@harvestmlp.com

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PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. FUTURE RETURNS ARE NOT GUARANTEED, AND A LOSS OF PRINCIPAL MAY OCCUR.

Investment in any of the Harvest MLP Funds involves significant risks, including, but not limited to, the risk that the MLP sector performs unfavorably. For a more detailed explanation of risks, please refer to the Confidential Private Placement Memorandum.

The Funds have a total return objective and do not have a relevant comparative index. The inclusion of indexes in this presentation is not for comparative purposes, but rather is intended to show the performance of other investments during the relevant periods.

Unless otherwise noted, all returns are shown net of fees and expenses, and reflect reinvestment of distributions and dividends. Returns prior to May 2008 are hypothetical returns. Hypothetical returns are calculated based on the actual returns of the Harvest MLP Fund LLC from January 2006 through April 2007, adjusted to remove the effect of realized and unrealized corporate taxes incurred by the fund, as well as fund-level expenses, leverage, and short sales transactions, if any, and the actual returns of the Harvest Infrastructure Partners Fund LLC from May 2007 through April 2008, adjusted to remove the effect of fund-level expenses, leverage, and short sales transactions, if any. Long-only returns from May 2008 are a dollar weighted composite of Harvest long-only accounts running the same or similar MLP alpha strategy though an account in the composite from January 2009 through August 2011 had a portfolio which differed slightly from most accounts in its composition of non-MLP names held. The historical performance of redeemed accounts, if any, remain in the composite. Current quarter returns are subject to revision.

The shares that will be issued by the fund have not been and will not be registered for sale in any jurisdiction and there will be no public offering of such interests. The information contained herein has not been filed with or approved or disapproved by any regulatory authority of any country or jurisdiction, nor has any regulatory authority passed upon or endorsed the merits or risks of an investment in the fund.

This does not constitute an offer to sell or a solicitation of an offer to by any interests in either Fund; any such offering will occur only in accordance with the terms and conditions set forth in the Offering Memorandum pertaining to the Fund. Investments in a Fund will be subject to substantial investment restrictions and may be illiquid; investors are strongly urged to review carefully the Offering Memorandum, including the risk considerations described therein and other documents pertaining to the Fund and to discuss any prospective investment therein with their legal and tax advisers prior to investing. This presentation does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it would be unlawful to make such offer or solicitation.

As a privately offered fund, an investment in the fund will be subject to a variety of risks, some of which would not be present if the fund was registered as an investment company. An investor in the fund will not benefit from the protections afforded to mutual fund investors by the Investment Company Act of 1940.

AN INVESTMENT IN HARVEST COULD SUFFER LOSS.

Ventura County Employees' Retirement Association

February 25, 2013

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Tortoise Capital Advisors

Why Tortoise Capital Advisors?

Team

Largest and deepest team in the sector

Leading innovators in the industry

Outstanding client service

Process

Team-based approach focused on risk management

Emphasize strategic assets with fee-based revenues

Performance

Longest pure play MLP track record

Tortoise claims compliance with GIPS®*

Performance reflective of our investment process

*Please see important disclosures at end of presentation.

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Who we are

Deeply committed to exceptional service

A mindset that values relationships and a commitment to put clients first

A foundation on which we build and maintain trust

Passionate about quality

A focus on providing high quality in all we do

Focused on the long term

A disciplined and results-driven investment process

A steadfast, "tortoise-like" investment philosophy that endures across economic cycles

Motivated by thinking differently

An approach that fosters curiosity, debate and teamwork

A view that looks beyond the obvious and inspires relevant investment solutions

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Company timeline

KANSAS CITY EQUITY PARTNERS

Inergy private investment

Est. 1993 | 1999 | 2001

Inergy IPO

Tortoise Capital Advisors

First direct placement

First public closed-end fund (TYG)

MBO in conjunction with Mariner Holdings, LLC[1]

Est. 2002 | 2003 | 2004 | 2005 | 2006 | 2009 | 2010 | 2011 | 2012

Establish separate accounts practice

FOUNTAIN CAPITAL MANAGEMENT

Est. 1990 | 2001

$2.5b high yield portfolio
$900mm energy

[1] Mariner Holdings, LLC ("Mariner") transferred its ownership to Mariner's wholly-owned subsidiary, Montage Investments, in 2010. This did not result in change of control.

The Tortoise team brings a depth of experience

49 people focused on energy

Five person investment committee averaging 27 years of experience

Portfolio/Trading Team averages 9 years with 7 senior analysts/traders averaging more than 12 years of experience

We are personally committed to our clients

Nineteen TCA employees own 39% of the management company

We only develop investment strategies in which we invest ourselves

As of 1/31/2013.

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The Tortoise team

Investment Committee

5 Professionals

14 CFA designations

Investment Management

15 Professionals

- Public company research
- Trading

Development

10 Professionals

- Institutional development
- Petroleum engineer/geologist
- New product development
- Fund investor relations

Operations

12 Finance / Operations

7 SMA Support

- SMA client service
- Trade processing
- Accounting
- Compliance
- Tax

As of 1/31/2013.

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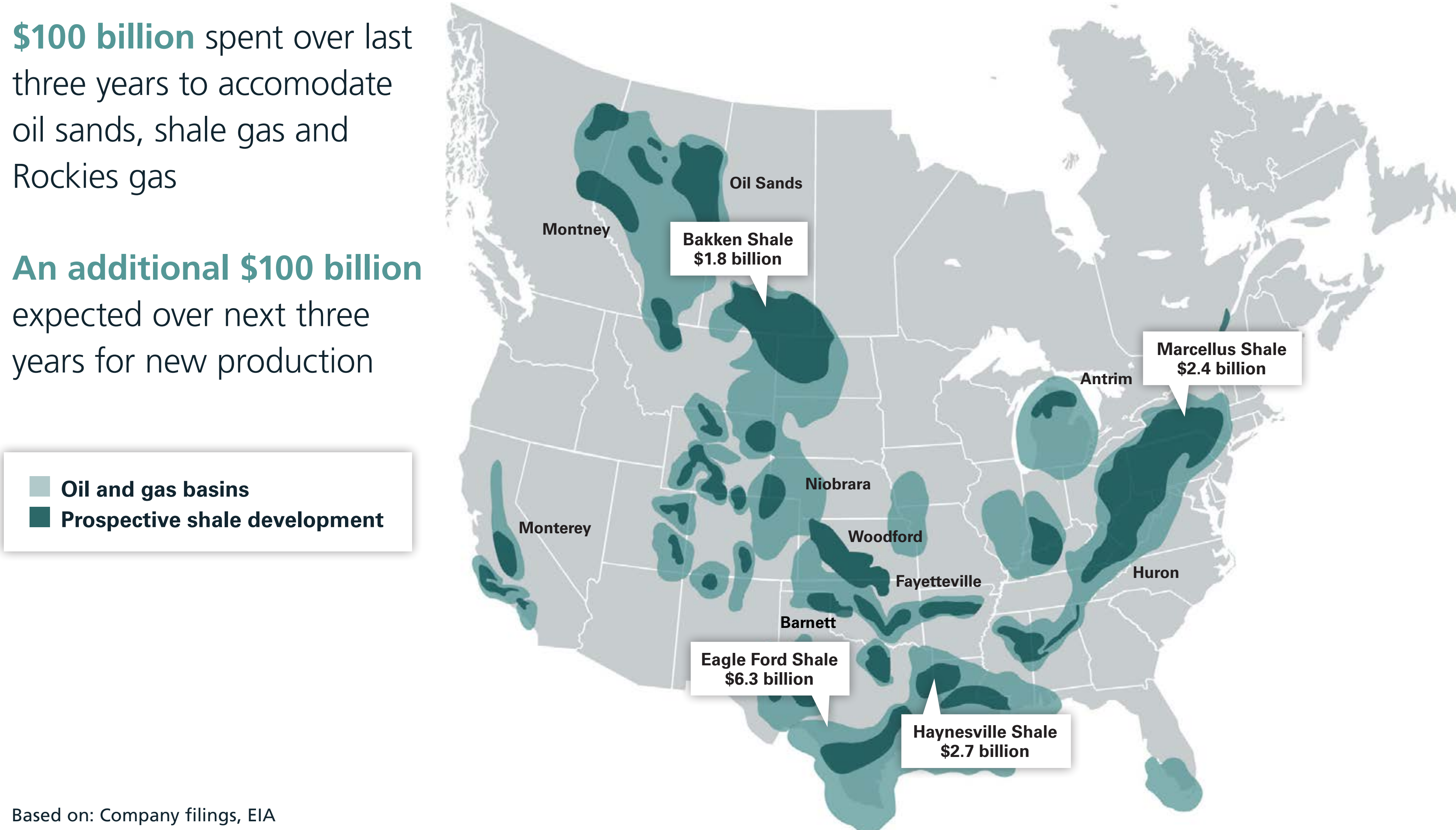
Value-added investment process

Clear need for additional capital for development

$100 billion spent over last three years to accomodate oil sands, shale gas and Rockies gas

An additional $100 billion expected over next three years for new production



Based on: Company filings, EIA
Source: Tortoise Capital Advisors

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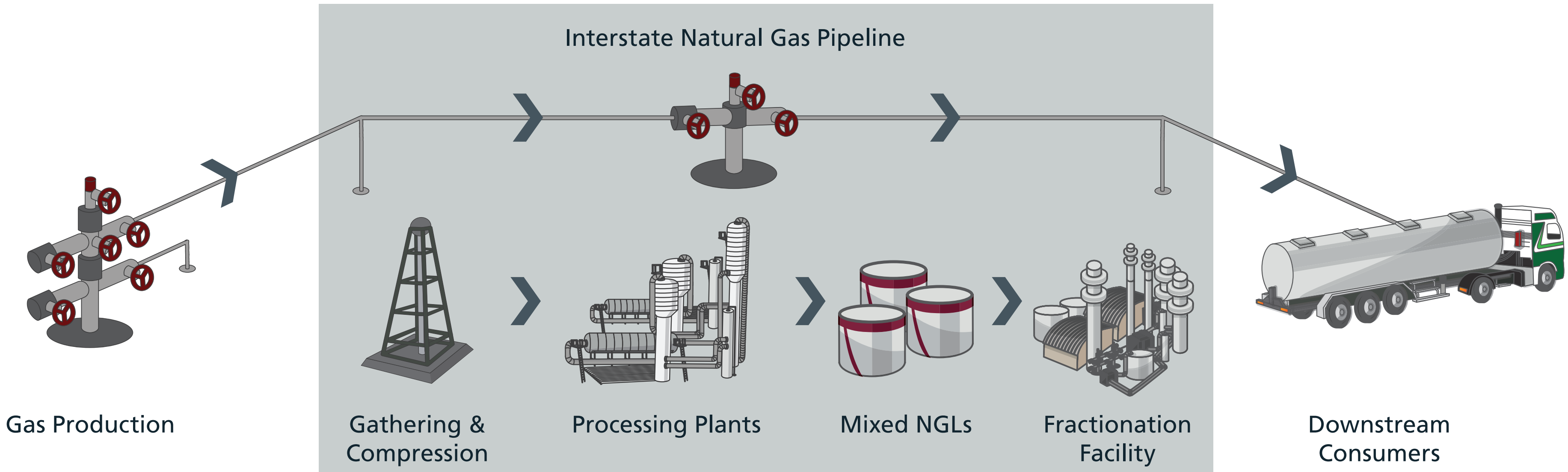
The quality of an MLP's cash flow can vary widely



Traditional Midstream MLP Portion of Value Chain

- Pipeline companies generally have steady, recurring, fee-based cash flows with limited direct commodity price exposure
- Cash flow generally grows with the economy, population and project development and acquisitions

MLPs are publicly traded companies operating essential energy toll roads

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"MLP" is not analogous to "pipeline"

Pipeline MLPs (Total 53)

Refined Products
Buckeye Partners
Delek Logistics Partners
Global Partners
Holly Energy Partners
Lehigh Gas Partners
Magellan Midstream Partners
MPLX
Susser Petroleum Partners
TransMontaigne Partners

Crude Oil
Blueknight Energy Partners
Enbridge Energy Partners
Genesis Energy
NuStar Energy
NuStar GP Holdings
Oiltanking Partners
Plains All American Pipeline
Rose Rock Midstream
Sunoco Logistics Partners
Tesoro Logistics LP

Natural Gas Transmission
Boardwalk Pipeline Partners
Cheniere Energy Partners
El Paso Pipeline Partners
Energy Transfer Partners
Energy Transfer Equity
Enterprise Products Partners
EQT Midstream Partners
Inergy, LP
Inergy Midstream
Kinder Morgan Energy Partners
Niska Gas Storage Partners
Oneok Partners
PAA Natural Gas Storage Partners
Regency Energy Partners
Spectra Energy Partners
TC Pipelines
Williams Partners

Gathering & Processing
Access Midstream Partners
American Midstream Partners
Atlas Pipeline Partners
Compressco Partners
Copano Energy
Crestwood Midstream Partners
Crosstex Energy
DCP Midstream Partners
Exterran Partners
MarkWest Energy Partners
Martin Midstream Partners
PVR Partners
Southcross Energy Partners
Summit Midstream Partners
Targa Resources Partners
Western Gas Equity Partners
Western Gas Partners

E&P MLPs (Total 15)
Atlas Energy, LP
Atlas Resource Partners, LP
BreitBurn Energy Partners, LP
Constellation Energy Partners, LLC
Dorchester Minerals, LP
Eagle Rock Energy Partners, LP
EV Energy Partners, LP
Legacy Reserves, LP
Linn Energy, LLC
LRR Energy, LP
Memorial Production Partners, LP
Mid-Con Energy Partners, LP
Pioneer Southwest Energy Partners, LP
QR Energy, LP
Vanguard Natural Resources, LLC

Propane MLPs (Total 5)
AmeriGas Partners, LP
Ferrellgas Partners, LP
NGL Energy Partners, LP
Star Gas Partners, LP
Suburban Propane Partners, LP

Shipping MLPs (Total 5)
Capital Product Partners, LP
Golar LNG Partners, LP
Navios Maritime Partners, LP
Teekay LNG Partners, LP
Teekay Offshore Partners, LP

Real Estate (Total 4)
New England Realty Associates, LP
NTS Realty, Ltd.
America First Tax Exempt Investors
Ellington Financial, LLC

Other Natural Resources (Total 10)
Alon USA Partners, LP
Calumet Specialty Prod. Partners, LP
CVR Partners, LP
Hi-Crush Partners, LP
Northern Tier Energy
PetroLogistics, LP
Pope Resources, LP
Rentech Nitrogen Partners, LP
Seadrill Partners LLC
Terra Nitrogen Company, LP

Coal (Total 5)
Alliance Resource Partners, LP
Alliance Holdings GP, LP
Natural Resources Partners, LP
Oxford Resource Partners, LP
Rhino Resource Partners, LP

Financial Services (Total 12)
Alliance Bernstein, LP
Apollo Global Management, LLC
The Blackstone Group, LP
Carlyle Group, LP
Compass Diversified Holdings, LLC
Fortress Investment Group
Icahn Enterprises, LP
KKR & Co., LP
KKR Financial Holdings, LLC
Lazard Ltd.
Oaktree Capital Management, LLC
Och-Ziff Capital Management Group, LLC

Other MLPs (Total 3)
Brookfield Infrastructure Partners, LP
Cedar Fair, LP (amusement parks)
StoneMor Partners, LP (cemetaries)

As of 12/31/2012.

MLP SMA investment strategy

Own strategic assets critical to sustainability and growth of economic activity

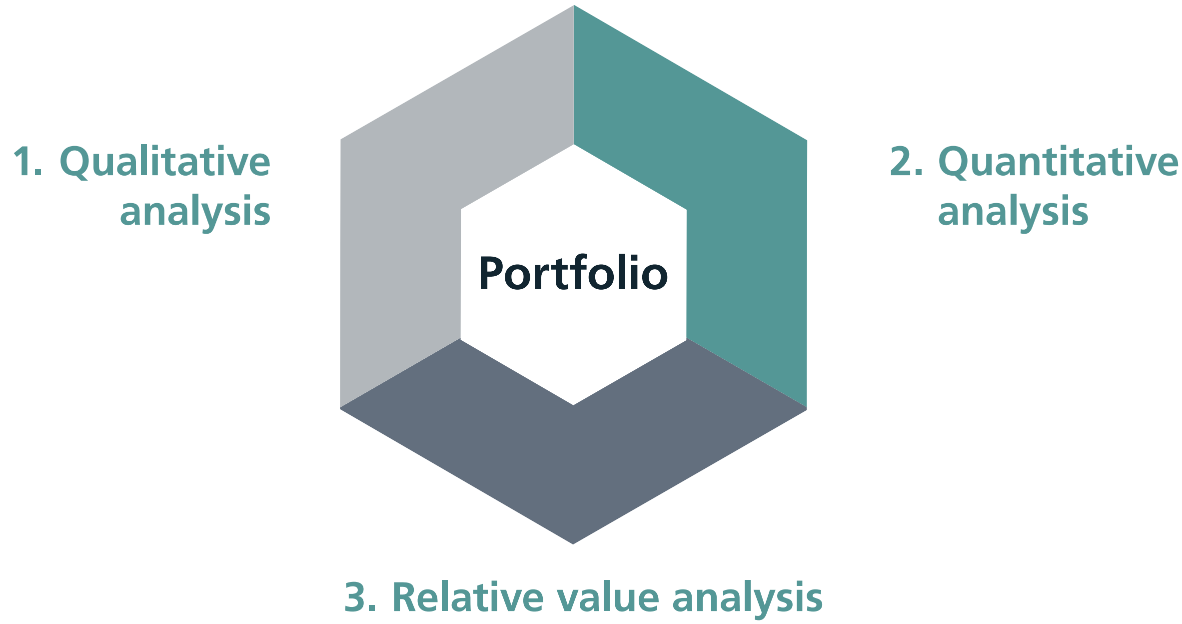
Emphasize high quality companies

- Long-haul pipeline asset footprint
- Proven management teams
- Fee-based cash flow generation with investment grade metrics

Prefer internal and dropdown growth potential with low cost of capital

We have consistently pursued a strategy focused on long-haul, fee based, investment grade companies for their compelling risk and return characteristics

In-depth security analysis focused on risk mitigation



1. Proprietary risk models

- Management strength rating
- Stability of cash flows
- Asset quality assessment

2. Proprietary financial models

- Historical and projected operational and financial data
- Organic project/acquisition profile
- Liquidity analysis and credit sensitivities
- Sensitivity analysis to various key drivers

3. Proprietary valuation models

- Discounted cash flow model
- Comparable company multiples
- Relative value
- Other considerations *(i.e. unit coverage, subordination, parent/sponsor relationship, etc.)*

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Our midstream strategy focuses on low risk segments

Tortoise Midstream MLP SMA Focus

Segment	Commodity Exposure	Investment Grade	Beta[1]	Distribution Cuts[2]
Long-Haul Natural Gas Pipelines	Low	69%	0.75	0%
Long-Haul Crude Oil & Refined Products Pipelines	Low	43%	0.74	7%
Natural Gas Gathering & Processing	Mixed	13%	0.95	23%
Upstream (E&P, Coal, Shipping and Other)	High	0%	1.03	55%

As of 12/31/2012. Source: Tortoise Capital Advisors and Bloomberg. Please see important disclosures at end of presentation.
[1]Betas based on 10-year historical raw beta, where available.
[2]Percent of universe with distribution cuts during most recent economic downturn.
Past performance is no guarantee of future results.

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Risk model examples

Tier I company — Long haul pipeline

Management Strength Rating ★★★★★

- 40 consecutive quarters of meeting/exceeding guidance
- Deep bench
- Substantial ownership at management level
- >70 acquisitions completed in history
- Investment grade rated

Asset Quality ★★★★★

- 416,000 miles of pipeline
- 103 million barrels of storage
- 2,450 railcars & ~700 trucks
- Touch 15% of all volumes utilized in U.S. per day
- $5B+ project backlog

Stability of Cash Flows ★★★☆☆

- 70% fee-based
- 20% margin-based
- 10% optimization

Tier III company Gathering & Processing

Management Strength Rating ★★★★☆

- Experienced management team
- Transparent structure
- Ownership at management level
- Strong strategic vision (Eagle Ford Basin)

Asset Quality ★★★☆☆

- 7,000 miles of gathering pipelines
- 10 natural gas processing plants
- 1 NGL fractionation facility
- Multiple basins, including assets in OK, TX & CO

Management Strength Rating ★★☆☆☆

- 40% fee-based
- 60% commodity sensitive (KW or POP)
- Substantial hedging profile

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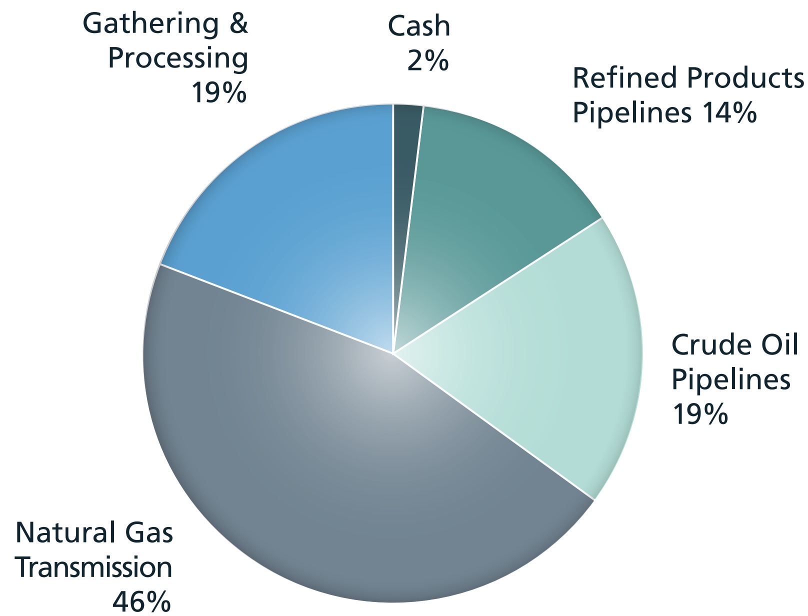
Representative MLP separate account profile

Characteristics

Long-Haul Pipelines:	81%
Fee-Based Cash Flows:	88%
Investment Grade Rating:	70%
Capitalization Above $1bn:	99%
Average Annual Turnover:	20 - 25%
Number of Names:	20 - 30

Proposed Fee:	
Under $100mm	75 bps
$100mm +	62.5 bps



Midstream strategy emphasizes high-quality companies that generate recurring cash flows

As of 12/31/2012.
Please refer to the end of the presentation for additional index and performance information.

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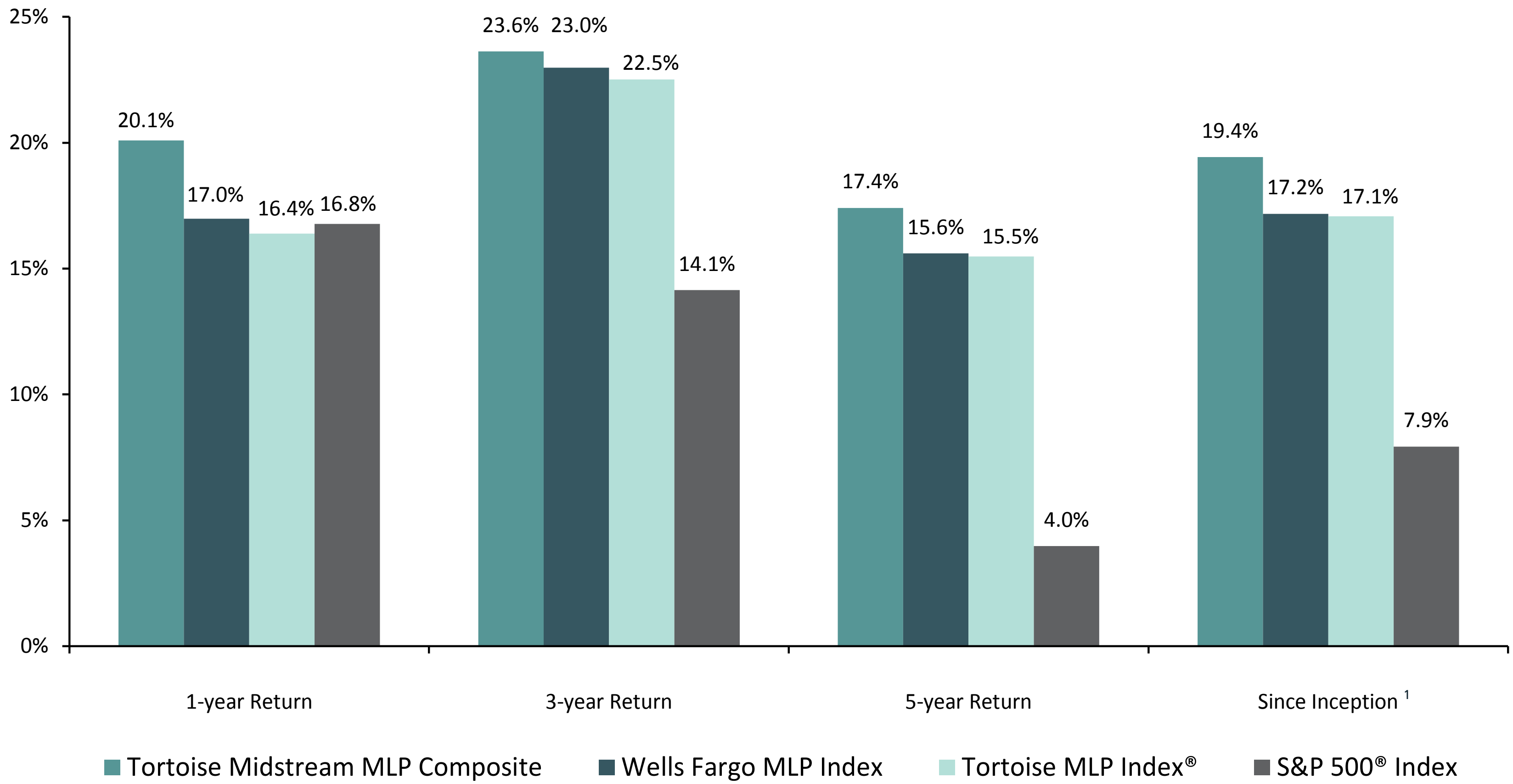
Performance

Performance of Tortoise Midstream MLP Composite



As of 1/31/2013. [1]Inception date: 1/31/2003.
All return information is before fees. Please see additional performance information and important disclosures at end of presentation.
Source: Bloomberg, Tortoise Capital Advisors
Past performance is no guarantee of future results.

Yearly performance vs. MLP indices

Tortoise Midstream MLP Composite Calendar Year Over/Under Performance vs. MLP Indices

	2003*	2004	2005	2006	2007	2008	2009	2010	2011	2012	YTD 2013
Wells Fargo MLP Index	120 bps	560 bps	130 bps	470 bps	100 bps	100 bps	860 bps	(400 bps)	240 bps	240 bps	20 bps
Tortoise MLP Index®	270 bps	440 bps	360 bps	190 bps	100 bps	140 bps	660 bps	(440 bps)	320 bps	330 bps	20 bps

As of 1/31/2013. *1/31/2003 to 12/31/2003. All return information is before fees. Please see additional performance information and important disclosures at end of presentation. Source: Bloomberg, Tortoise Capital Advisors

Past performance is no guarantee of future results.

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Public pension fund clients

	Inception Date
CITY	
Denver Employees Retirement Plan	Apr - 10
City of Knoxville Employees' Pension System	Nov - 10
City of Jacksonville	Feb - 11
Tacoma Employees' Retirement System	Sep - 11
City of Philadelphia Board of Pensions	Feb - 12
Houston Municipal Employees Pension System	Jun - 12
City of Norfolk	Pending
STATE	
Maryland State Retirement Agency	Jul - 09
Kentucky Retirement Systems	Jul - 09
State of Alaska Retirement and Benefit Plans	Nov - 12

	Inception Date
PUBLIC SAFETY	
Missouri DOT & Patrol Employees' Retirement System	Sep - 10
The Firemen's Retirement System of St. Louis	Oct - 10
Fire & Police ERS of the City of Baltimore	Nov - 10
Jacksonville Police & Fire Pension Fund	Mar - 11
Louisiana Clerks of the Court	Apr - 11
St. Charles Fire Pension Fund	Mar - 12
St. Charles Police Pension Fund	Apr - 12
Municipal Fire & Police Retirement System of Iowa	Pending
COUNTY / OTHER	
Omaha School Employee Retirement System (OSERS)	Dec - 03
Weld County Retirement Plan	Aug - 11
Adams County Retirement Plan	Jan - 12
Platte River Power Authority	Jan - 12
Arapahoe County Retirement Plan	Mar - 12
El Paso County Retirement Plan	Jun - 12
Navy Exchange Service Command	Oct - 12

23 clients with $1 billion in AUM as of 1/31/2013.

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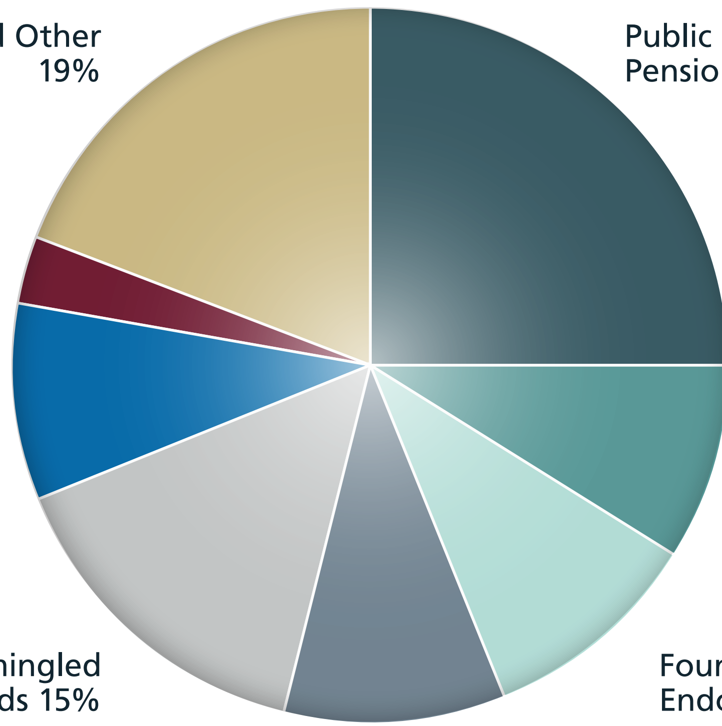
Breakout of institutional clients

Institutions make up approximately 85% of the $4.0 billion (as of 1/31/13) that we manage in SMAs



Pie chart data as of 12/31/2012.

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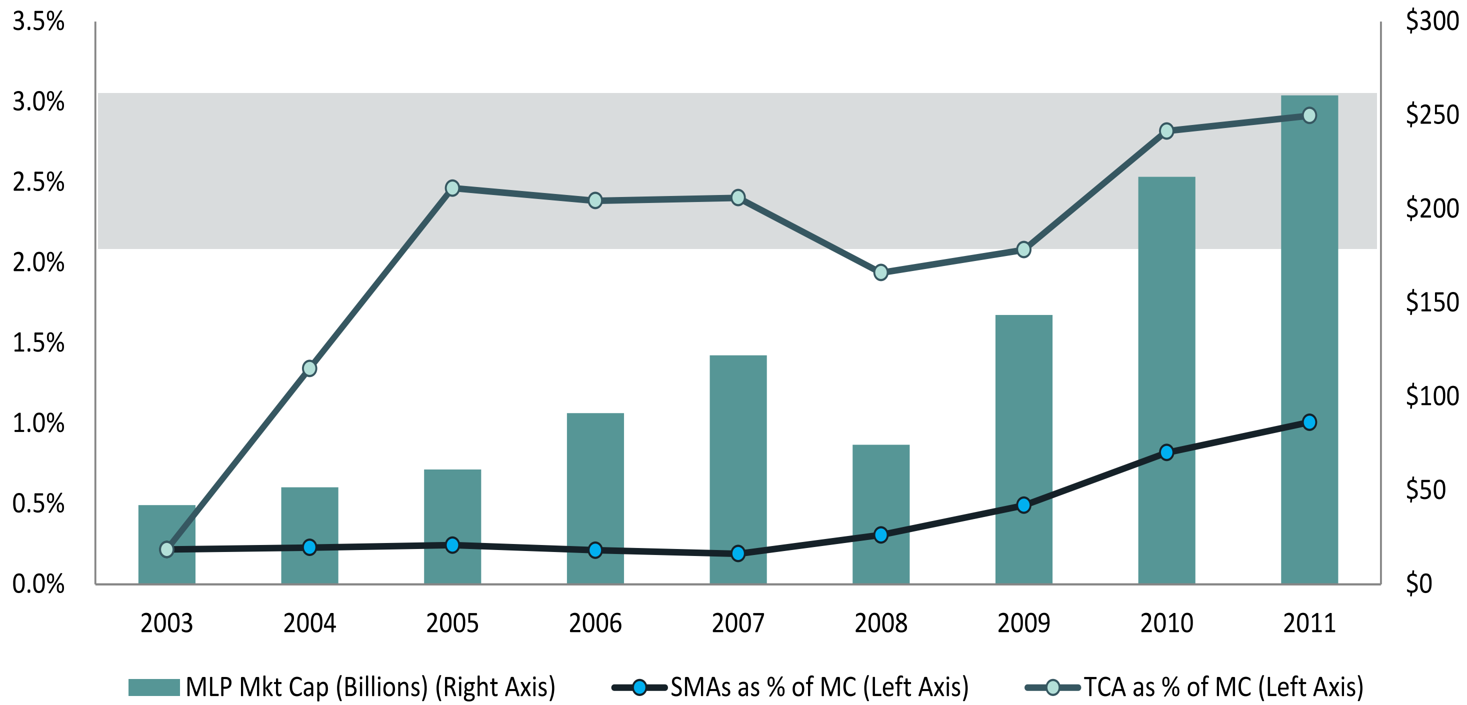
Appendix

Tortoise AUM have grown alongside MLP industry

Growing asset manager in a growing industry

- Acceptance of the asset class and opportunity set has driven substantial growth
- Our AUM has historically constituted 2-3% of overall industry
- Market liquidity has improved fivefold in the last five years



Source: Bloomberg

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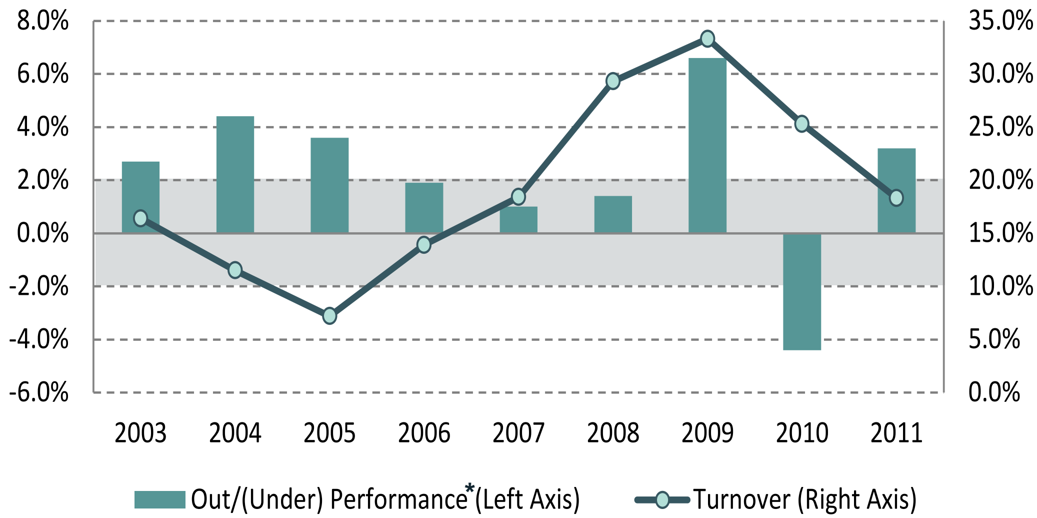
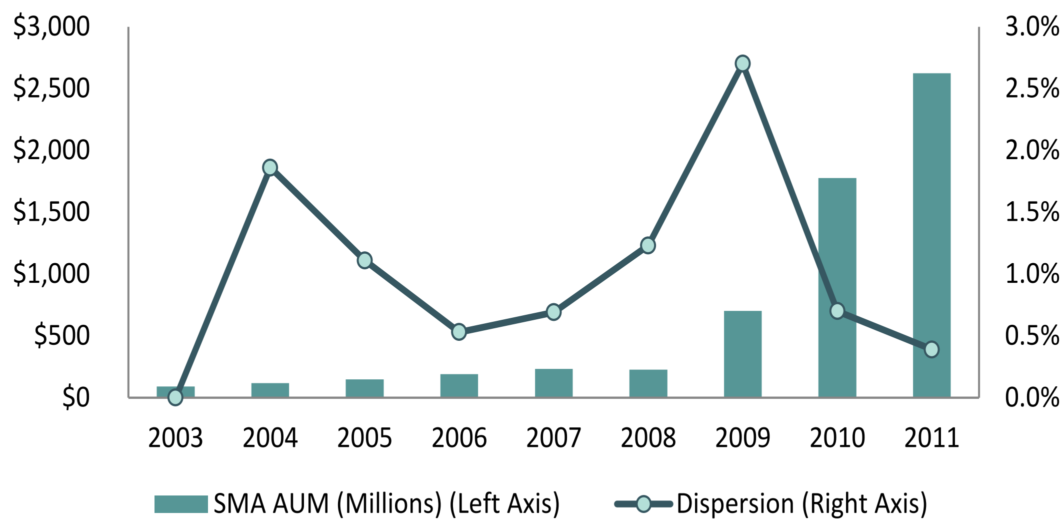
Our strategy and approach continues to prove effective



Portfolio turnover remains at target 15-25% range

Dispersion of returns at **lowest** historical point



As of 12/31/2011.
*Out/Under performance calculated using Tortoise Midstream MLP Composite vs. Tortoise MLP Index.
Past performance is no guarantee of future results.

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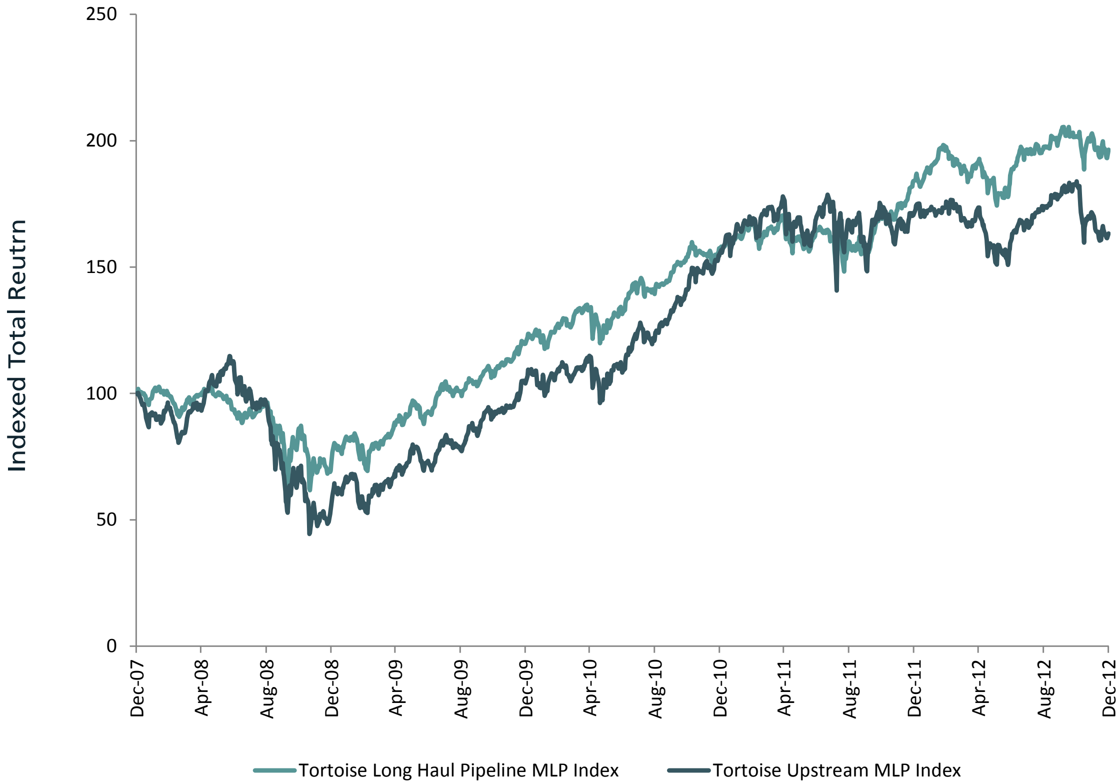
Historical result of high quality, low commodity risk strategy

Since 2007



Asset class metrics

	Long Haul	Upstream
Total Return		
5 Year	14.5%	10.3%
3 Year	17.9	16.3
1 Year	6.7	-4.3
Standard Deviation		
5 Year	18.1%	27.8%
3 Year	12.6	18.3
1 Year	11.1	16.1
Sharpe Ratio		
5 Year	0.81x	0.48x
3 Year	1.37	0.91
1 Year	0.63	-0.19

Source: Bloomberg and TCA through 12/31/2012. Please see important disclosures at end of presentation.

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Investment committee

H. Kevin Birzer, CFA, Senior Managing Director and Co-Founder

Mr. Birzer co-founded Tortoise Capital in 2002. He began his career in 1981 at KPMG Peat Marwick. His experience includes three years as vice president for F. Martin Koenig & Co., where he focused on equity and options investments, and three years at Drexel Burnham Lambert, where he served as vice president in the corporate finance department. In 1990, Mr. Birzer co-founded Fountain Capital Management, a high-yield bond management firm and founding sponsor of Tortoise. He earned a Master of Business Administration degree from New York University and a Bachelor of Science in business administration degree from the University of Notre Dame. He is a CFA charterholder.

Zachary A. Hamel, CFA, Managing Director and Co-Founder

Mr. Hamel co-founded Tortoise Capital in 2002. He joined Fountain Capital, a founding sponsor of Tortoise, in 1997 and served as a partner from 2001 through September 2012. Prior to joining Fountain Capital, Mr. Hamel spent eight years with the Federal Deposit Insurance Corp. as a bank examiner and a regional capital markets specialist. He earned a Master of Business Administration from the University of Kansas School of Business, and a Bachelor of Science in business administration from Kansas State University. Mr. Hamel is a CFA charterholder.

Kenneth P. Malvey, CFA, Managing Director and Co-Founder

Mr. Malvey co-founded Tortoise Capital in 2002. He joined Fountain Capital, a founding sponsor of Tortoise, in 2002 and served as a partner from 2001 through September 2012. Prior to joining Fountain Capital, Mr. Malvey was one of three members of the Global Office of Investments for GE Capital's Employers Reinsurance Corp., and also served as the global investment risk manager for a portfolio of approximately $24 billion of fixed-income, public equity and alternative investment assets. Before joining GE Capital in 1996, Mr. Malvey spent nine years at the Federal Deposit Insurance Corp. as a bank examiner and regional capital markets specialist. Mr. Malvey earned a Bachelor of Science in finance from Winona State University, in Winona, Minn. He is a CFA charterholder.

Terry Matlack, CFA, Managing Director and Co-Founder

Mr. Malvey co-founded Tortoise Capital in 2002. From 2001 to 2002, Mr. Matlack was a managing director at Kansas City Equity Partners (KCEP), a founding sponsor of Tortoise. Prior to joining KCEP, Mr. Matlack was president of GreenStreet Capital and its affiliates in the telecommunications service industry. Mr. Matlack served as the executive vice president and on the board of directors of W.K. Communications, Inc., a cable television acquisition company, and as chief operating officer of W.K. Cellular, a cellular rural service area operator. Mr. Matlack earned a Juris Doctorate and Master of Business Administration degree from the University of Kansas and a Bachelor of Science in business administration from Kansas State University. He is a CFA charterholder.

David Schulte, CFA, Managing Director and Co-Founder

Mr. Schulte co-founded Tortoise Capital in 2002. Previously, Mr. Schulte was a managing director at Kansas City Equity Partners (KCEP), a founding sponsor of Tortoise from 1993 to 2002, where he led private financing for two growth master limited partnerships (MLPs). Mr. Schulte served on the board of directors of Inergy, LP, a propane gas MLP, from 2001 to 2004. Mr. Schulte served as the observer to the board of directors of Markwest Energy Partners, a natural gas gathering and processing MLP from 2002 to 2004. Before joining KCEP, he spent five years as an investment banker at the predecessor of Oppenheimer & Co., Inc. Mr. Schulte earned a Juris Doctorate from the University of Iowa and a Bachelor of Science in business administration from Drake University. He is a CFA charterholder.

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Public securities team

Brian Kessens, CFA, Senior Investment Analyst

Mr. Kessens joined Tortoise Capital in 2008 as an investment analyst. Previously, he was a vice president at Citigroup Global Markets in global energy investment banking from 2004 to 2008. He earned a Master of Business Administration from Columbia Business School in New York and a Bachelor of Science in economics from the United States Military Academy at West Point. He is a CFA charterholder.

James Mick, CFA, Senior Investment Analyst

Mr. Mick joined Tortoise Capital in 2006 as a research analyst. Previously, he was a senior finance specialist at General Electric Insurance Solutions (now Swiss Re) from 2003 to 2006 and a senior auditor at Ernst & Young from 2000 to 2003. Mr. Mick earned Bachelor of Science degrees in business administration and accounting and a Master of Accounting and Information Systems degree from the University of Kansas. He is a CFA charterholder.

Matthew Sallee, CFA, Director, Senior Investment Analyst

Mr. Sallee joined Tortoise Capital in 2005 as a research analyst. Previously, he served for five years as a senior financial analyst with Aquila, Inc., where he was responsible for analysis of capital allocation at the firm's communications infrastructure subsidiary, Everest Connections. Mr. Sallee graduated magna cum laude from the University of Missouri with a degree in business administration. He is a CFA charterholder.

Robert Thummel, Director, Senior Investment Analyst

Mr. Thummel joined Tortoise Capital in 2004 as a senior investment analyst. In September 2008, he was appointed president of Tortoise North American Energy Corp. Previously Mr. Thummel was director of finance at KLT Inc., a subsidiary of Great Plains Energy from 1998 to 2004 and a senior auditor at Ernst & Young from 1995 to 1998. Mr. Thummel earned a Bachelor of Science in accounting from Kansas State University and a Master of Business Administration degree from the University of Kansas.

Brett Jergens, CFA, CPA, CFP, Investment Analyst

Mr. Jergens joined Tortoise Capital in 2007 as a research analyst. Previously, he was a tax accountant with KPMG, LLP and most recently practiced as a financial planner. He earned a Bachelor of Science in finance and accounting from Kansas State University. Mr. Jergens is a certified public accountant (CPA), with the Personal Financial Specialist (PFS) designation from the American Institute of Certified Public Accountants. He is a CFA charterholder.

Nick Holmes, Research Analyst

Mr. Holmes joined Tortoise Capital in 2010 as an assistant research analyst after serving as an intern in 2009. He earned a Bachelor of Arts in political science from Yale University and a Master of Business Administration from the University of Kansas.

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Public securities team

Matt Lumpkin, CPA, Research Analyst
Mr. Lumpkin joined Tortoise Capital in 2012 as a research analyst. Previously, Mr. Lumpkin was an associate at Metalmark Capital from 2009 to 2012 and an analyst in the leveraged acquisition group at Bank of America Merrill Lynch from 2007 to 2009. Mr. Lumpkin graduated from the University of Missouri with a Bachelor of Science degree in accounting. He also earned a Masters of Accounting degree from the University of Missouri.

Kevin Brown, Junior Analyst
Mr. Brown joined Tortoise Capital in 2011 as a junior analyst after serving as an intern earlier in that year. He earned a Bachelor of Science in financial management and a Bachelor of Arts in modern languages – French from Kansas State University.

Braden Cielocha, Junior Analyst
Mr. Cielocha joined Tortoise Capital in 2011 as an assistant research analyst. He previously served as a member of the United States Marine Corps. Mr. Cielocha earned a Bachelor of Science in finance with highest distinction from the University of Kansas.

Michael Perry, Junior Analyst
Mr. Perry joined Tortoise Capital in 2011 as a junior analyst after serving as an intern earlier in that year. He earned a Bachelor of Science in finance from the University of Denver.

Evan Raynsford, Junior Analyst
Mr. Raynsford joined Tortoise Capital in 2011 as a junior analyst after serving as an intern earlier in that year. He earned a Bachelor of Science in economics and finance from the University of Missouri.

Kyle Krueger, CFA, CIPM, Senior Trader
Mr. Krueger joined Tortoise Capital in 2004 and serves a senior trader. Prior to joining the company, Mr. Krueger was a fixed-income analyst for Fountain Capital. Mr. Krueger graduated magna cum laude from William Jewell College with a Bachelor's degree in business administration and earned a Master of Business Administration from the University of Kansas. He is a CFA charterholder and a CIPM certificant.

Dave Santacroce, CFA, Trader
Mr. Santacroce joined Tortoise Capital in 2011 and serves as a trader. Previously he worked at General Electric Asset Management as a global equity trade and operations associate. Mr. Santacroce graduated from Boston College with a Bachelor of Science degree in finance and economics. He is a CFA charterholder.

Matthew Weglarz, Trader
Mr. Weglarz joined Tortoise Capital in 2008 and serves as a trader. Previously, he worked at Morgan Keegan as an intern. Mr. Weglarz graduated from the Missouri State University with a Bachelor of Science degree in finance and earned a Master of Business Administration degree from the University of Notre Dame.

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Development team

Abel Mojica III, Head of Corporate Development Group

Mr. Mojica joined Tortoise Capital in 2005 and played a key role in the development of Tortoise Capital Resources Corp., the firm's publicly traded private equity vehicle. In 2008 he was named Head of the newly formed Corporate Development Group. He brings more than 17 years of experience, most recently as a private equity investor with Kansas City Equity Partners. His investment experience included early investments in Inergy Partners, LP (NRGY) and MarkWest Energy Partners, LP (MWE). Prior to KCEP, Mr. Mojica was a high yield investment banker with First Chicago Capital Markets and a commercial banker with Citigroup. His professional experience also includes serving as an adjunct faculty member at the Bloch School of Business at the University of Missouri where he taught the MBA level Venture Capital Finance course for six years. Mr. Mojica graduated with a Bachelor of Arts degree from the University of Chicago and holds a Master of Business Administration degree from the Kenan-Flagler School of Business at the University of North Carolina.

Andrew Goldsmith, Head of Institutional Sales and Consultant Relations

Mr. Goldsmith joined Tortoise Capital in 2011 to lead Tortoise's institutional sales efforts. Previously he worked for ClearBridge Advisors, where he served in a similar role as institutional sales manager. Prior to his years with ClearBridge, he held sales and marketing positions at Reserve Funds, Bear Stearns and Kemper Funds. Mr. Goldsmith earned a Bachelor of Arts degree in anthropology from Haverford College (Pennsylvania) and also holds FINRA Series 7, 63 and 24 licenses.

Jeff Fulmer, Senior Advisor, Petroleum Engineer/Geologist

Mr. Fulmer joined Tortoise Capital in 2007 and serves as a senior advisor. From 2002 to 2007 Mr. Fulmer was with the U.S. Department of Defense (DoD) where he headed a group of infrastructure analysts engaged globally in critical infrastructure analysis, assessment and protection. Prior to the DoD, Mr. Fulmer served as president of Redland Energy, senior vice president of Statoil Energy, and in engineering and geologic positions for ARCO Oil and Gas and Tenneco Oil Exploration and Production. Mr. Fulmer earned a Bachelor of Science in geological engineering from the Colorado School of Mines and a Master of Petroleum Engineering degree from the University of Southern California.

Michelle Kelly, CFA – Director, Business Development

Ms. Kelly joined Tortoise Capital in 2006 and serves as a director focused on business and product development, marketing and communications. Previously, Ms. Kelly was an investment banker for Goldman, Sachs & Co. in its industrial & natural resources group in Chicago and its financial institutions group in New York. Ms. Kelly graduated summa cum laude from DePauw University with a Bachelor of Arts degree in economics. She is a CFA charterholder.

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Performance record using GIPS® standards

Tortoise Midstream MLP Composite - February 1, 2003 through December 31, 2012

Period Ended	Total Return (Gross)	Benchmark Return	Composite 3 Year Std Dev	Benchmark 3 Year Std Dev	Composite Dispersion	Composite Ending Value (millions)	Ending Number of Portfolios	Total Firm Assets End of Period (millions)	Percentage of Firm Assets	Percentage of Bundled Fee Accounts
2/1/03-12/31/2003	39.60%	36.88%			NA	$23	69	$91	25%	4%
12/31/04	22.05%	17.71%			1.86%	$72	90	$692	10%	3%
12/31/05	6.06%	2.51%			1.11%	$127	143	$1,506	8%	2%
12/31/06	31.27%	29.42%	11.34%	11.06%	0.53%	$192	158	$2,175	9%	2%
12/31/07	12.73%	11.65%	11.35%	11.86%	0.69%	$232	176	$2,930	8%	2%
12/31/08	-37.22%	-38.61%	18.16%	19.09%	1.23%	$217	190	$1,440	15%	1%
12/31/09	84.46%	77.91%	22.91%	24.09%	2.70%	$659	245	$2,830	23%	1%
12/31/10	33.25%	37.71%	22.61%	24.05%	0.70%	$1,145	376	$6,119	19%	2%
12/31/11	16.92%	13.73%	16.34%	17.69%	0.39%	$1,602	456	$7,593	21%	3%
12/31/12	8.67%	5.43%	12.38%	13.48%	0.26%	$2,042	572	$9,206	22%	3%

Tortoise Capital Advisors, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Tortoise has been independently verified for the periods 2/1/03-6/30/12. 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 Tortoise Midstream MLP Composite has been examined for the periods 2/1/03-6/30/12. The verification and performance examination reports are available upon request.

Performance Disclosures

1. Tortoise Capital Advisors, LLC ("Tortoise") is a registered investment advisor established in 2002. Tortoise manages assets for open-end and closed-end funds and separately managed institutional and high net worth accounts primarily in energy infrastructure investments in the U.S. and Canada with a focus on Master Limited Partnerships.
2. The Tortoise Midstream MLP Composite (the "Composite") is a composite of Tortoise managed institutional and individual separate accounts focused on investments in publicly traded Master Limited Partnerships predominately comprised of U.S. energy infrastructure assets. The Composite name was previously known as the Tortoise MLP Separate Account Composite. A complete list of Tortoise performance composites is available upon request.
3. The creation and inception date for the Composite is 2/1/03; therefore, the period ended 12/31/03 includes 2/1/03 through 12/31/03 (eleven months).
4. Valuations are computed and stated in U.S. dollars.
5. The Composite includes all fee-paying, discretionary, similarly managed accounts starting with the first full month under management, including accounts no longer managed by the firm. One account totaling less than 1.0% of the composite utilizes total return swaps for all of its MLP investment exposure.
6. Performance is reported as a total rate of return, reflecting reinvested dividends and income. Performance is size weighted and is calculated using time weighted monthly returns for periods prior to 6/30/09. Periods after 6/30/09 are calculated using daily returns.
7. The ex-post risk measurement shown is the three year annualized standard deviation of monthly returns for both the Composite and the Index as of each year end if a full 36 months of trailing data is available.
8. Composite dispersion is measured by asset weighted standard deviation of returns for accounts managed for the full year.
9. Composite returns for periods prior to 12/31/04 are calculated based on dividend distribution pay dates. For periods after 12/31/04 returns are calculated using accruals for distributions based on distribution ex-dates.
10. Results are presented before management fees. Client returns will be reduced by advisory fees and other expenses incurred as a client. Tortoise's standard fee is 100 basis points of the market value of assets annually. The compounding effect of advisory fees would reduce annualized returns by approximately 110 basis points at 10% total annual return. Such impact would vary with rates of portfolio returns. Fees may be lower for older accounts with grandfathered fees or for accounts with negotiated fees based on size of account and the nature and level of services provided by Tortoise. See Part II of Tortoise's Form ADV for additional fee disclosures.
11. Bundled fees include advisory, trading, custody and other service fees.
12. The portfolio returns have been compared to the Tortoise MLP Total Return Index (the "Index") as a benchmark. The Index is a float-adjusted, capitalization weighted index of energy master limited partnerships. The Index has a 10% cap on any one constituent at the time it is rebalanced. Standard & Poor's Custom Indicies independently calculates the Index which is rebalanced quarterly. The benchmark was changed to the Index from the Atlantic Asset Management MLP Energy Index as of 1/1/10 when Atlantic discontinued publication of their index. The returns prior to 1/1/10 for the Index are not materially different from the Atlantic Index.
13. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
14. Consultants may provide Tortoise's gross performance results to prospective clients only on a "one-on-one" basis and with the above disclosures.
15. Past performance is not indicative of future results.

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Important disclosures

This presentation contains certain forward-looking statements. These forward-looking statements include all statements regarding the intent, belief or current expectations regarding matters covered and all statements which are not statements of historical fact. The forward-looking statements involve known and unknown risk, uncertainties, contingencies and other factors, many of which are beyond our control. Since these factors can cause results, performance and achievements to differ materially from those discussed in the presentation, you are cautioned not to place undue reliance on the forward-looking statements. This presentation is updated through December 31, 2012.

The Tortoise Long Haul Pipelines Sub Index is comprised of all constituents included in the following subsector indices: Crude Oil Pipelines, Natural Gas Pipelines and Refined Products Pipelines. The Tortoise Gathering & Processing Sub Index is comprised of some or all of MLPs engaged in the following activities: gathering, compressing, dehydrating, treating, processing and marketing of natural gas, and fractionating of natural gas liquids (NGLs). The Tortoise Upstream Sub Index is comprised of all constituents included in the Coal and Oil & Gas Production subsector indices. Standard and Poor's® and S&P® are registered trademarks of Standard & Poor's® Financial Services LLC. "Calculated by Standard & Poor's®" and its related stylized mark(s) are service marks of Standard & Poor's® Financial Services LLC and have been licensed for use by Tortoise Capital Advisors, L.L.C. S&P® and its affiliates shall have no liability for any errors or omissions in calculating the index. It is not possible to invest directly in an index. Wells Fargo MLP Index (formerly Wachovia MLP Index), a float-adjusted, capitalization-weighted index of energy master limited partnerships (MLPs) with a market capitalization of at least $200 million at the time of inclusion. Equities = S&P 500®, an unmanaged market-value weighted index of stocks.

*Tortoise claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with GIPS standards. Tortoise Capital Advisors has been independently verified for the periods of February 1, 2003 to December 31, 2012. The verification report(s) is/are available upon request. 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. Verification does not ensure the accuracy of any specific composite presentation.

Past performance is no guarantee of future results.

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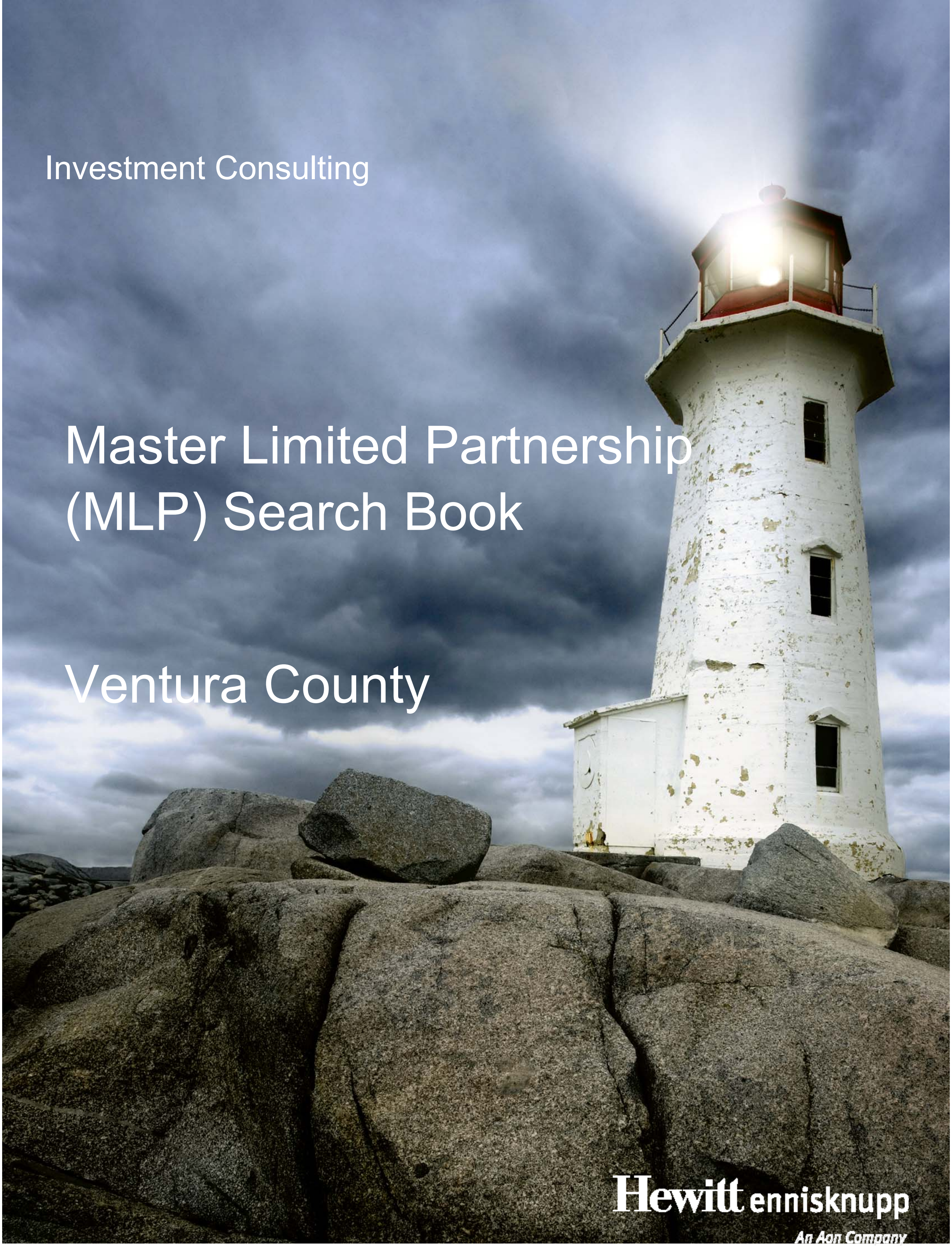

Investment Consulting

Master Limited Partnership (MLP) Search Book

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Table of Contents

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Section 1: Executive Summary

This document provides a brief introduction to Master Limited Partnerships ("MLPs") and the investment vehicles available to institutional investors looking to gain exposure to MLPs. It also provides a preliminary long-list of potential managers and a short list of best in class managers from amongst the long list.

The key benefit of an MLP structure is the fact that it avoids the double taxation of dividends of a traditional corporation. Profits are passed through as distributions and taxed as income. To gain status as an MLP the partnership must generate at least 90 percent of its income from qualifying sources such as natural gas and crude oil pipelines. This provides the second main benefit of investing in MLPs, highly predictable cash flows protected by high barriers to entry and little commodity risk.

For tax exempt institutions, this picture is somewhat complicated by the fact that MLP distributions are consider Unrelated Business Taxable Income ("UBTI"). There are several options for avoiding UBTI, including public open and closed end funds and Separately Managed Accounts ("SMA").

After considering the return profiles of each of the seven managers, we tend to favor the SMA strategy. SMA is typically the best performing investment vehicle for any given manager. On average, the SMA strategy outperformed the Alerian MLP total return index and the passively managed investment vehicles. Furthermore, SMAs allow for greater transparency and reporting leading to better risk management for investors. Finally, separate custodian of SMAs means that investors' assets are protected.

Tortoise Capital ("Tortoise") is one of our top two managers among the seven managers considered. Tortoise stands out for its strong bench of investment professionals dedicated to the MLP space; nineteen in total, which is more than any other manager in our search. We also like their lower than average fee (75 bps) and top quartile one, three and five year total returns (18.7%, 85.7%, 102.6% respectively).

We consider Harvest Fund Advisors ("Harvest") a top pick from amongst the MLP managers considered. Differentiating it from the other managers is the fact that Harvest draws upon the experience of Mr. David Martinelli and his decade of experience as an MLP owner-operator. Harvest is also fully employee owned for better alignment of interests. We also like Harvest's below average fees (75 bps) and top quartile one, three and five year total returns (19.9%, 117.5%, 97.3% respectively).

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Section 2: Sector Overview and Outlook

The US is in the early stages of a significant transformation of North American energy due to the development of new technology such as hydraulic fracturing. The new technology has resulted in growing volumes of U.S. and Canadian-produced oil, natural gas and NGLs. This in turn is fuelling increased demand for mid stream MLP infrastructure, critical to supporting the expanding production. There will be a continued need for mid-stream infrastructure capacity build out as production growth takes away capacity.

In 2012, the range of assets and businesses in the MLP structure continues to expand, including several MLP IPOs of companies engaged in traditional refining, frack sand mining, propane dehydrogenation, retail gasoline distribution and oilfield services. Most of these new entrants carry an increased level of commodity sensitivity and some are dependent upon a single asset (e.g., NTI, ALDW, PDH, RNF). We consider many of these entrants low quality, one asset, commodity plays. With the growth in low quality assets in the relatively small MLP space (the total number of mid-stream MLPs is about 85), stock selection will become more critical as there are now mixed fundamentals across the MLP landscape, likely providing for a wide dispersion of performance. Picking high quality MLP managers therefore has become even more essential.

Our view on the sector going forward is positive. Post financial crisis, MLPs have seen a strong run up in prices, which gives us some concern whether the trend will continue; the sectors valuation based on a cash flow multiple is above historical averages but below prior peaks[1]. However, when compared to other yield alternatives (BBB bonds, REITS) the sector remains attractively priced. Furthermore, the Alerian MLP Index (AMZ) underperformed the S&P 500 in 2012 (the first time since 1999) and some of the run-up in prices has been mitigated. We also do not see the low yield environment changing in the short term, favourable for fund flows to continue into the MLP space, given growing pension and endowment fund interest and retail oriented investment vehicles. Over the longer term, there is visibility to growth from a larger population and inflation protection built into in MLP mid stream assets.

There was some talk of changes to the tax exempt status of MLPs prior to the fiscal cliff negotiations in late 2012. We continue to believe any potential elimination of MLPs' tax benefits as unlikely. A recent study by the Joint Committee on Taxation estimated MLP taxation would generate only $1.5 billion over five years, an arguably small amount. And given that there is broad bi-partisan support for US energy independence, we consider it unlikely that the any changes will be made to the tax status of one of the key driving forces behind this shift towards energy independence.

[1] Source: FactSet Research Systems. Inc

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Section 3: Defining MLPs

A Master Limited Partnership (MLP) is a limited partnership that is traded on a securities exchange. Because MLPs are classified as partnerships, they avoid corporate income tax at both a state and federal levels. Additionally, limited partners may also record a pro-rated share of the MLPs depreciation on their own tax forms to reduce liability and pay annual taxes on their share, typically 20%, of the MLPs taxable income; the related tax form is a K-1 rather than a 1099.

By The Revenue Act of 1987, only certain enterprises that are in the natural resource sector, such as petroleum and natural gas extraction and transportation, can qualify as an MLP. Furthermore, to gain MLP status, a partnership must generate at least 90 percent of its income from qualifying sources. Assets can include crude oil, natural gas, mining, timber and coal. Businesses can include pipeline, transport, storage, refining, exploration and mining.

Key Characteristics of MLPs are:

- Fee-based midstream energy assets, such as pipelines, generated stable, predictable cash flows and distributions.
- Strategic, long-lived assets whose cash flows are in part protected by regulation and high barriers to entry.
- Moderate, low, or no commodity risk.
- High visibility to modest organic growth.

MLPs generally have two classes of owners: the general partner (GP) and the limited partner (LP). The GP is typically owned by a major natural resources company, an investment fund, the direct management of the MLP or is an entity owned by a combination of such parties. The GP may be structured as a private or publicly-traded corporation, an entity that is treated as a flow-through for tax purposes.

The entity that owns the GP typically controls operations and management of the MLP through an up to 2% equity interest in the MLP plus, in many cases, ownership of common and subordinated units. LPs own the remainder of the partnership, through ownership of common units, and have a limited role in the MLPs operations and management.

MLPs are typically structured such that common units and GP interests have first priority to receive quarterly cash distributions up to an established minimum amount, minimum quarterly distribution (MDQ). GP interests also generally accrue unpaid distributions to the extent the MQD is not paid. Once GP interests have been paid, subordinated units receive distributions of up to the MQD (subordinated units do not accrue unpaid distributions). Distributable cash in excess of the MQD paid to both common and subordinated units is distributed to both common and subordinated units on a pro rata basis.

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Section 3: Defining MLPs

The majority of MLPs are mid-stream energy companies (the total universe is roughly 85 companies). Midstream energy assets include transportation, processing, and storage assets for natural gas, crude oil, and refined products, such as gathering systems, pipelines, and storage facilities.

The key benefit of an MLP structure is the fact that it avoids the double taxation of dividends of a traditional corporation. Profits are passed through as distributions and taxed as income. To gain status as an MLP the partnership must generate at least 90 percent of its income from qualifying sources such as natural gas and crude oil pipelines. This provides the second main benefit of investing in MLPs, highly predictable cash flows protected by high barriers to entry and little commodity risk.

For tax exempt institutions, this picture is somewhat complicated by the fact that MLP distributions are consider Unrelated Business Taxable Income ("UBTI"). There are several options for avoiding UBTI, including public open and closed end funds and Separately Managed Accounts ("SMA").

To avoid UBTI, several strategies are used. C-corp investment structures can invest 100% in MLPs but lose the key advantage of MLP investing: avoiding double taxation on dividends. Regulated Investment Company ("RIC"), a structure also used by real estate trusts, avoids both UBTI and double taxation. However, to be eligible as a RIC, the investment vehicle has to limit its exposure to MLPs to less than 25%. It is possible to raise this limit by setting up a subsidiary that is a C-corp. (Salient MLP & Energy Infrastructure Fund II, for example). Other options for avoiding UBTI are investment vehicles that replicate MLPs returns by investing in total return swaps and annuity products.

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Excluding hedge funds and private equity there are five vehicles available for investing in MLPs:

1) Direct investment in publicly-listed MLP securities
2) Exchange Traded Funds (ETF's) and Exchange Traded Notes (ETN's)
3) Publicly listed open-end and closed-end funds
4) Separately Managed Accounts (SMAs) provided by MLP Managers

Investors can choose from approximately 85 MLPs and 42 fund products that invest in MLPs:

- 20 closed-end funds
- 11 exchange-traded products and
- 11 mutual funds.

The majority of these fund products have come into the markets in the last three years.

The first three options may not be suitable for some institutional investors simply based on the fact that some institutions do not have the capability or infrastructure to directly manage their own investments. For such institutions the only viable option is to have a SMA.

Direct investment in publicly-listed MLP securities

Individual MLP selection may offer the best overall return potential. But the potential risks are also greater, depending on the investor's ability and diligence at managing their own portfolio. The investor saves expenses for management and incentive fees and can customize to individual investment needs. However, the investors would have to spend considerable time and energy in security selection, sector allocation and day-to-day management of investments.

Direct investing also requires complex tax filings, including state filing responsibilities for its partners. Typically an MLP will allocate its income and deductions to the states in which business is carried on. Each partner would then have to file tax returns in those states adding complexity and cost to the investor's tax return. In addition some states require that partnerships withhold tax for non-residents of that state adding additional filing burdens.

Direct investment may not be suitable for tax exempt entities because income generated by the MLP constitutes unrelated trade or business (UBTI) for the tax exempt investor. Once a tax exempt partner receives UBTI they will be subjected to the filing of Form 990-T and pay taxes on UBTI in excess of $1,000.

Exchange Traded Funds (ETFs) and Exchange Traded Notes (ETNs)

ETNs are structured products that are issued as senior debt notes by financial institutions, while ETFs represent a stake in an underlying asset itself. Both offer an attractive passive investment strategy, allowing investors to hold a portfolio of diversified assets that track the MLP Alerian Index without the requisite efforts of building and maintaining a portfolio of direct investments.

ETNs typically track their underlying indexes minus an annual expense of 75 basis points per year. Unlike ETFs, there are no tracking errors with ETNs. Also, ETNs may also have less of a drag on performance due to tax efficiencies from holding notes instead of securities.

The main benefits to buying MLPs in an exchange-traded wrapper are easy diversification and simpler tax returns. Returns will be filed on a 1099 (not K-1) and UBTI taxes are avoided.

The main drawback is that investors lose out on extra returns due to higher taxation (since the tax advantages of the pass though MLP structure are lost) and, potentially, from loss of alpha that can be generated from active strategies.

According the ETF Database website, there are a total of 11 exchange traded MLP products (includes both ETNs and ETFs) with an expense ratios that ranges from 0.45% to 0.95 with an average expense Ratio of 0.82%. Issuers include: ALPS, Credit Suisse, Exchange Traded Concepts, First Trust, Global X, JP Morgan, Morgan Stanley and UBS.

MLP exchange traded products are a relatively new phenomenon. Only one of the exchange traded products, AMJ, has a three year track record (returning 61%).

Symbol	Name	Price	Assets*	4 Week	YTD	1 Year	Inception	Exp Ratio	Annual Dividend Rate	Annual Dividend Yield	Beta
AMJ	JP Morgan Alerian MLP Index ETN	$37.96	$4,801,940	-0.87%	2.30%	6.85%	4/2/2009	0.85%	$2.02	5.34%	1.28
AMLP	Alerian MLP ETF	$15.80	$4,344,878	-0.69%	0.67%	3.66%	8/25/2010	0.85%	$1.00	6.31%	0.8
MLPI	UBS E-TRACS Alerian MLP Infrastructure Index	$31.96	$470,975	-0.96%	1.43%	5.85%	3/31/2010	0.85%	$1.66	5.20%	1.26
MLPN	Cushing 30 MLP Index	$23.49	$301,316	0.25%	-1.38%	3.93%	4/13/2010	0.85%	$1.36	5.79%	1.35
EMLP	First Trust North American Energy Infrastructure Fund	$20.78	$115,519	2.03%	n/a	n/a	6/21/2012	0.95%	$0.11	0.53%	0.93
YMLP	Yorkville High Income MLP ETF	$17.08	$89,460	-0.75%	n/a	n/a	3/13/2012	0.82%	$1.21	7.08%	1.38
AMU	ETRACS Alerian MLP Index ETN	$23.88	$33,432	-1.07%	n/a	n/a	7/17/2012	0.80%	$0.68	2.83%	1.48
MLPG	UBS E-TRACS Alerian Natural Gas MLP Index	$28.07	$25,263	-1.55%	-0.10%	2.34%	7/13/2010	0.85%	$1.74	6.20%	1.61
MLPA	Global X MLP ETF	$14.29	$20,619	-0.90%	n/a	n/a	4/19/2012	0.45%	$0.65	4.59%	1.18
MLPY	Morgan Stanley Cushing MLP High Income Index ETN	$15.44	$18,398	1.12%	1.81%	6.24%	3/16/2011	0.85%	$1.21	7.85%	1.43
MLPW	UBS E-TRACS Wells Fargo MLP Index	$27.32	$10,928	0.04%	5.55%	9.24%	11/1/2010	0.85%	$1.42	5.18%	1.35

* in thousands of dollars
As of December 17th 2012

Publicly listed open-end and closed-end funds

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Publicly listed funds provide greater convenience, diversification, and least tax filing complexity. Similar to exchange traded products, these funds incur additional drag due to federal, state and corporate income tax from which direct investments in MLPs are except. To compensate, these funds are actively managed to generate alpha and may also use leverage to enhance returns. Sector exposures (within the energy infrastructure asset class) may also differ significantly.

Separately Managed Accounts (SMAs)

MLP investment funds offer the greatest convenience, diversification, and least tax filing complexity than the other options. The minimum investment amount required for SMA is generally around $1.0 million with the exception of Kane Anderson, which offers SMAs for amounts greater than $100 million.

The degree of customization varies by manager with the larger MLP managers offer less customization. Tortoise's SMA strategy, for example, entails investing in a model portfolio with sector exposures and tax structure predetermined (no UBTI). The smaller MLP managers SMA strategy offers the ability to customize:

- active risk
- sector exposures
- tax structure
- reporting

Better performance is also an added benefit of the SMAs. Generally speaking, for a given manager, their SMA strategy has tended to outperform their other MLP investment vehicles (publicly listed open and closed end funds). On average, the SMA strategy outperformed the Alerian MLP total return index and the passively managed investment vehicles.

Separately managed accounts provide two additional benefits to hedge fund investors: asset protection and transparency. Asset protection provided by a separate account is an immediate benefit to investors. In the extreme, a separate, reliable custodian for the assets directly protects the investor in case of a fraud perpetrated by the fund manager. In contrast, the value of transparency largely derives from what the investor does with the additional information. In the case of managers drifting from their core strategy or taking on too much risk, this additional information may allow for better risk management for investors.

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Given below are the seven managers we considered as part of our search.

Kane Anderson

Kayne Anderson Capital Advisors, L.P. ("KACALP") was founded in 1984 and is an independent alternative investment management firm focused on niche investing in midstream and upstream oil and gas companies, marketable securities, private growth equity, student housing and specialty credit financing. It currently manages approximately $17.8 billion in assets for institutional investors, family offices and high net-worth-individuals, and has offices in Los Angeles, Houston, New York, Chicago, Denver, and Atlanta.

KACALP has one of the longest track records in the MLP space with over two decades of experience. It is also the largest institutional MLP investor, with over $18 billion of assets in the sector. It has 35 investment professionals focused on the energy and energy infrastructure in both sector public and private markets with 6 analysts dedicated to public MLPs.

KACALP differs from the other six MLP managers in that they do not offer SMAs for clients with less that $100 million to invest. Their long hedge fund strategy, Kane Anderson Midstream Institutional Fund (“KAMIF”), is the closest proxy to an SMA strategy. Since KAMIF does not have a five year track record, we looked at their other MLP investment vehicles (Kayne Anderson MLP Fund and Kayne Anderson Midstream Energy Fund) to assess their five year track record, which lags the top quartile.

Below is an overview of their investment vehicles.

MLP Investment Products										
Fund Name	Ticker	Structure	Net Assets $MM*	Leverage	Mang. Fees	Expense Ratio	Tax Structure	Total Return (as of Dec 1st 2012) 1 Yr	3 Yr	5 Yr
Kayne Anderson MLP Fund, L.P.	N/A	Hedge Fund	$1,170.80	1.0	1.00%	NA	L.P.	14.4%	79.9%	55.4%
Kayne Anderson Midstream Energy Fund, Ltd.	N/A	Hedge Fund	105.6	1.4	1.00%	NA	Ltd Co.	8.2%	76.5%	-1.3%
Kayne Anderson Midstream Institutional Fund, L.P.	**N/A**	**Hedge Fund**	**241.1**	0.0	**1.00%**	**NA**	**L.P.**	**16.8%**	**92.7%**	**NA**
Kayne Midstream Specialty Fund, L.P.	N/A	Hedge Fund	23.6	1.0	1.00%	NA	L.P.	17.0%	NA	NA
Kayne Anderson Infrastructure Income Fund, L.P.	N/A	Hedge Fund	304.9	0.0	0.75%	NA	L.P.	10.9%	NA	NA
Kayne Anderson Energy Credit Opportunities Fund, L.P.	N/A	Hedge Fund	30.1	0.0	0.75%	NA	L.P.	14.8%	NA	NA
Kayne Anderson Capital Income Partners, L.P.	N/A	Hedge Fund	373.2	0.0	1.00%	NA	L.P.	12.7%	52.5%	28.5%
Kayne Anderson MLP Investment Company	KYN	Closed-End Fund	2520.8	0.5	NA	1.375%	C-corp	20.8%	85.0%	48.4%
Kayne Anderson Energy Total Return Fund, Inc.	KYE	Closed-End Fund	901.8	0.5	NA	1.25%	RIC	23.3%	63.9%	51.9%
Kayne Anderson Midstream/ Energy Fund	KMF	Closed-End Fund	635.2	0.4	NA	1.25%	RIC	46.3%	NA	NA
Kayne Anderson Energy Development Company	KED	Closed-End Fund	248.368	0.3	NA	1.75%	C-corp	35.8%	180.3%	55.6%

Salient Partners

Salient Partners (“Salient”) was founded in 2002 and is headquartered in Houston, Texas. It has over $17 billion in assets under management. They advise across a broad spectrum of traditional and alternative investments in the energy and energy infrastructure space. The investment team comprises 7 investment professionals focused on MLP space.

Salient's MLP investment philosophy utilizes a fundamental, "bottoms up" research-driven stock selection process. The focus of the investment process centers on determining, through extensive excel-based modeling: the sustainability of the MLPs distribution and the ability of the MLP to grow its distribution at a rate better than 5% annually over the long-term.

Below is an overview of Salient's MLP Investment vehicles.

Fund Name	Ticker	Structure	Net Assets $MM*	Leverage	Manage. Fee	Expense Ratio	Tax Structure	Inception Date	Total Return (as of Dec 1st 2012) 1 Yr	3 Yr	5 Yr
Salient MLP Fund LP	N/A	Hedge Fund	$185.4	35.0%	1.5% & 20%	N/A	Taxable with potential UBTI	Oct-07	14.75%	111.96%	116.25%
Salient MLP TE Fund LP	N/A	Hedge Fund	$33.7	31.0%	1.5% & 20%	N/A	Taxable with no UBTI	Jan-12	N/A	N/A	N/A
Private Managed Funds	N/A	Hedge Fund	$54.5	34.0%	Negotiable	N/A	Taxable	N/A	14.75%	111.96%	N/A
Salient MLP SMA	**N/A**	**SMA**	**$422.1**	**N/A**	**Negotiable**	**N/A**	**Taxable & Tax -Exempt**	**Jan-06**	**22.2%**	**105.55%**	**109.21%**
Salient MLP & Energy Infrastructure Fund	SMF	Closed End Fund	$209.7	25.00%	1.00%	2.73%	RIC & C-Corp	May-11	10.99%	N/A	N/A
Salinet Midstream & MLP Fund	SMM	Closed End Fund	$262.4	25.00%	1.00%	N/A	RIC & C-Corp	May-12	N/A	N/A	N/A
Salient MLP & Energy Infrastructure Fund II	SMLPX	Open End Fund	$18.4	N/A	0.95%	1.33%	RIC & C-Corp	Sep-12	N/A	N/A	N/A

Tortoise Capital

Tortoise Capital ("Tortoise") manages over $9 billion is MLP and energy infrastructure assets and has a track record of investing in MLPs since 2002. It has a team of 14 investment professionals that focus solely on MLP investing. Tortoise also offers two closed end and one open end MLP investment products, most of which have been in inception of less than a year.

Tortoise seeks to identify and invest predominately in long-haul, fee-based pipeline MLPs that generate stable, fee-based revenues with attractive growth prospects and controlled risk. They do not invest in companies that have a majority of their revenues directly exposed to changes in commodity prices (e.g., exploration and production MLPs, shipping, coal MLPs). For their SMA strategy uses a model portfolio which invests in approximately 25-30 of approximately 80 publicly traded MLPs. The portfolio construction focuses on yield, growth, and quality.

Fund Name	Ticker	Structure	Net Assets $MM	Leverage	Premium/ Discount	Management Fee	Expense Ratio	Tax Structure	Total Return (as of Nov 30, 2012) 1 Yr	3 Yr	5 Yr
Tortoise Midstream MLP Separate Account	**N/A**	**SMA**	**$3,572.82**	**0%**	**N/A**	**0.75%**	**N/A**	**Direct Ownership**	**18.68%**	**85.67%**	**102.60%**
Tortoise Energy Infrastructure Corp.	TYG	Close-End Fund	1020.4	19.2%	8.64%	0.95%	1.01%	C-Corp	5.28%	58.75%	72.00%
Tortoise Energy Capital Corp.	TYY	Close-End Fund	540.5	19.3%	4.92%	0.95%	1.05%	C-Corp	15.82%	53.61%	60.07%
Tortoise North American Energy Corp.	TYN	Close-End Fund	160.7	15.4%	-1.76%	1.00%	1.21%	C-Corp	10.78%	55.00%	57.37%
Tortoise Power and Energy Infrastructure	TPZ	Close-End Fund	186.0	16.2%	-5.61%	0.95%	1.07%	RIC	10.88%	59.43%	N/A
Tortoise MLP Fund, Inc.	NTG	Close-End Fund	1140.6	22.6%	1.67%	0.95%	0.81%	C-Corp	7.03%	N/A	N/A
Tortoise Pipeline & Energy Fund, Inc.	TTP	Close-End Fund	252.5	21.8%	-4.30%	1.10%	1.01%	RIC	3.20%	N/A	N/A
Tortoise Energy Independence Fund, Inc.	NDP	Close-End Fund	329.7	11.7%	-1.76%	1.10%	N/A[7]	RIC	N/A	N/A	N/A

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Famco MLP (Advisory Research)

Established in 1995 and headquartered in Chicago, Famco MLP ("Famco") has one of the longest track records of MLP managers under consideration. It has a 12 person dedicated team of investment professionals with an average of 14 years of industry experience. The team manages $3.2 billion in MLP and energy infrastructure assets.

FAMCO MLPs investment management process develops strategic industry and market themes then conducts a bottom-up analysis of company fundamentals, including cash flow models, valuation, credit analysis, asset level analysis, management review, and fiscal controls for each MLP in their research universe. The ultimate goal of the process is identify core holdings among MLPs that will have sustainable distributions throughout a cycle, and exposed to investment themes that will provide growth opportunities, and have the necessary access to capital required to realize that growth. A portion of the portfolio is allocated to more tactical holdings that will be identified through the research process.

Fund Name	Ticker	Structure	Net Assets $MM*	Leverage	Manag.Fee	Expense Ratio	Tax Structure	Total Return (as of Nov 30th 2012) 1 Yr	3 Yr	5 Yr
MLP & Energy Infrastructure	INFIX	Open End	$211.50	No	1.25%	3.30%	LP	10.35	n/a	n/a
Master Limited Partnerships	NA	SMA	$2,985.00	No	negotiable	NA	NA	13.15	81.64	85.6

Cushing MLP Asset Management (Swank Capital)

Established in 2003 and headquartered in Dallas, Texas, Cushing MLP Asset Management ("Cushing") is led by Jerry Swank, who has 38 years of experience in the energy infrastructure investing. It has a 10 person dedicated team of investment professionals. The team manages $2.3 billion in MLP and energy infrastructure assets. Cushing offers a broad range of MLP investment options, from Hedge Fund strategies to several open and closed-end funds.

Cushing uses detailed fundamental analysis, combined with a macro-driven thematic overlay, to identify the MLPs that offer the best total return prospects. It looks to identify both value and growth opportunities. Technical analysis plays a small role and is used as one of several inputs that help create the buy and sell disciplines. This process includes creating an in-depth financial model for each MLP using a bottom-up fundamental research process.

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Fund Name	Ticker	Structure	Net Assets $MM*	% Total Assets	Leverage	Management Fee	Expense Ratio	Tax Structure	Total Return (as of Dec 1st 2012) 1 Yr	3 Yr	5 Yr
The Cushing MLP Instutional Alpha Strategy	**N/A**	**SMA**	**226**	**11.01%**	**No**	**1%- .55%**	**N/A**	**Varies**	**14.31%**	**99.91%**	**36.25%**
The Cushing MLP Institutional Core Strategy	N/A	SMA	19	0.93%	No	1%- .55%	N/A	Varies	16.49%	65.33%	N/A
The Cushing MLP Infrastructure Fund	N/A	Co-mingled			No	1.00%	N/A	LP	16.49%	65.33%	N/A
The Cushing MLP GP Strategies Fund, LP	N/A	Hedgefund	95	4.63%	Yes	1.5% /20%	N/A	LP	19.75%	109.55%	41.37%
The Cushing MLP Opportunity Fund I, LP	N/A	Hedgefund	508	24.75%	Yes	1.5% /20%	N/A	LP	10.26%	39.46%	-20.50%
The Cushing Market Neutral Fund, LP	N/A	Hedgefund	0.69	0.03%	Yes	1.5% /20%	N/A	LP	15.21%	73.64%	25.82%
The Cushing Total Return Fund	SRV	Closed	220	10.72%	Yes	1.25%	N/A	N/A	0.02%	57.55%	11.51%
The Cushing Royalty & Income Fund	SRF	Closed	193	9.40%	Yes	1.25%	N/A	N/A	-15.71%	N/A	N/A
The Cushing Renaissance Fund	SZC	Closed	144	7.02%	Yes	1.25%	N/A	N/A	-0.04%	N/A	N/A
The Cushing MLP Premier Fund Class A	CSHAX	Open	304	14.81%	No	1.10%	2.33%	C-corp	9.29%	N/A	N/A
The Cushing MLP Premier Fund Class C	CSHCX	Open	251	12.23%	No	1.10%	3.08%	C-corp	N/A	N/A	N/A
The Cushing MLP Premier Fund Class Z	CSHZX	Open	91	4.43%	No	1.10%	2.08%	C-corp	N/A	N/A	N/A
The Cushing Royalty Energy Income Fund Class A	CURAX	Open	0.30	0.01%	No	1.35%	2.00%	N/A	6.58%	N/A	N/A
The Cushing Royalty Energy Income Fund Class C	CURCX	Open	0.40	0.02%	No	1.35%	2.75%	N/A	N/A	N/A	N/A
The Cushing Royalty Energy Income Fund Class Z	CURZX	Open	0.08	0.00%	No	1.35%	1.75%	N/A	N/A	N/A	N/A

Harvest Fund Advisors LLC

Established in 2005 and headquartered in Wayne, Pennsylvania, Harvest Fund Advisors LLC ("Harvest") manages $1.5 billion in MLP assets. It has a 7 person dedicated team of investment professionals focused on MLPs. The firm is employee-owned for better alignment of management and client interests.

Harvest uses fundamental, value-oriented, bottoms-up research, analysis, and industry knowledge to generate alpha. It aims to construct a portfolio of energy securities with a track record of consistent growth through organic expansion and accretive acquisitions, unique market advantages, high quality management team, or improving dividend payouts. Differentiating it from the other managers is the fact that Harvest draws upon the experience of Mr. David Martinelli and his decade of experience as an MLP owner-operator. The firms qualitative approach is considered in tandem with knowledge developed from relationships with MLP management teams.

Fund Name	Ticker	Structure	Net Assets $MM*	Leverage	Manag.Fee	Expense Ratio	Tax Structure	Inception Date	Total Return (as of Nov 30th 2012) 1 Year	3 year	5 year
Harvest MLP Alpha Composite	NA	SMA	$1,220	None	0.75%	NA	LP	1/1/2006	14.19	117.37	97.29
Harvest MLP Income Fund LLC	NA	Comingled	$75	None	0.75%	10bps	LP	4/1/2011	14.33	NA	NA
Harvest MLP Income Fund II LLC	NA	Comingled	$175	None	0.75%	7bps	LP	10/1/2011	13.00	NA	NA
Harvest MLP Income Fund III LLC	NA	Comingled	$25	None	0.75%	10bps	LP	7/16/2012	NA	NA	NA
HRF RVA Harvest Master Trust	NA	Comingled	$25	None	2.00%	25bps	LP	1/1/2009	9.60	81.26	NA

Chickasaw Capital Management

Chickasaw Capital Management, LLC ("CCM") is a financial investment advisory firm headquartered in Memphis, Tennessee. The firm manages 308 accounts totaling an estimated $693 Million of assets under management. CCMs, has four investment professionals have an average of 18 years of MLP experience.

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Section 5: MLP Managers Long List

CCM focuses on three areas that comprise total return, yield, growth, and change in valuation and views the MLP universe based on cash flow certainty and variability. Their approach uses bottoms-up fundamental analysis to find the best opportunities in the MLP universe and focuses on managing risk associated with the underlying cash flows supporting yields. CCM looks for MLPs with sustainable distribution growth rates and strong balance sheets.

Fund Name	Ticker	Structure	Net Assets $MM*	% Total Assets	Leverage	Management Fee	Expense Ratio	Front Load	Tax Structure	Inception Date	Total Return (as of Dec 1st 2012) 1 Yr	3 Yr	5 Yr
MainGate MLP Fund I Share	IMLPX	Open End	$90	9.6%	NA	1.25%	1.50%	NA	C Corp	2/17/2011	13.06%	NA	NA
MainGate MLP Fund A Share (load, waived)	AMLPX	Open End	$28	2.9%	NA	1.25%	1.75%	waived	C Corp	2/17/2011	12.89%	NA	NA
MainGate MLP Fund A Share (with Load)	AMLPX	Open End	NA	NA	NA	1.25%	1.75%	5.75%	C Corp	2/17/2011	6.35%	NA	NA
Chickasaw Capital MLP SMA	NA	SMA	$564	59.8%	NA	1.50%	NA	NA	SMA	10/31/2006	24.60%	126.30%	76.50%

Section 6: Conclusion

To gain a better understanding of the MLP investment strategies and vehicles, we conducted multiple conference calls through November 2012 and Jan 2013 to review the following managers:

1) Kane Anderson Capital Partners
2) Salient Capital Management
3) Tortoise Capital Management
4) Famco MLP
5) Swank Capital
6) Harvest Fund Advisors
7) Chickasaw Capital Management

Aon Hewitt has developed this list of candidates based on our global infrastructure research process.

The following managers were eliminated based on performance, fee structure and overall business consideration: Kayne Anderson, Famco MLP, Swank Capital, Salient Capital Management, Chickasaw Capital Management.

The following two managers were chosen to advance through process and comprise the Short List:

1) Tortoise Capital Management
2) Harvest Capital Management

Aon Hewitt has provided a summary spreadsheet of the two Short List managers as well as our InTotal documents for the Board's consideration.

Fund Name	Harvest Fund Adivors LLC	Tortoise Capital
AUM (Firm/SMA) in $billions	$1.54/1.46	$9.1/3.5
Strategy Offerings	Three long only options 3(c)(7) structure, Min:$500k, fee: 75bps/year, expenses 10 bps. SMA min $10m, fee=75bps, no expenses	Seven closed end funds. SMA min is half million.
Management Fee (for SMA)	75 bps/year plus expenses capped at 10bps for pooled funds. SMA 75bps/year	under $50mm= 100bp flat between $50 - $75= teired over $75mm= 75bp flat **HEKclients = 75 bps**
SMA Customization	• active risk • sector exposures • tax structure • reporting • enviornmental & social gov Issues	reporting
SMA Strategy Returns (1, 3 and 5 year)	19.9%, 117.5%, 97.29%	18.7%, 85.7%, 102.6%
Investment Process	Mostly Bottom up	Mosltly Bottom Up
Investment Proffesionals	7	14 investment proffesional plus 5 MDs
Additional Notes	Differentiating it from the other managers is the fact that Harvest draws upon the experience of Mr. David Martinelli and his decade of experience as an MLP owner-operator. Employee owned for better alignement of interests.	Special discounted fee for HEK clients due to existing relationship
Main Contact	Anthony Merhige	Andrew Goldsmith, Abel Mojica

Alerian MLP Index - Total Cumulative 1,3,5 year return

13%, 46 %, 97%

AON Hewitt

InTotal

Global Investment Management

Harvest Fund Advisors — Master Limited Partnership

Review Date	Current Rating	Previous Rating
Jan 2013	**Buy**	Hold

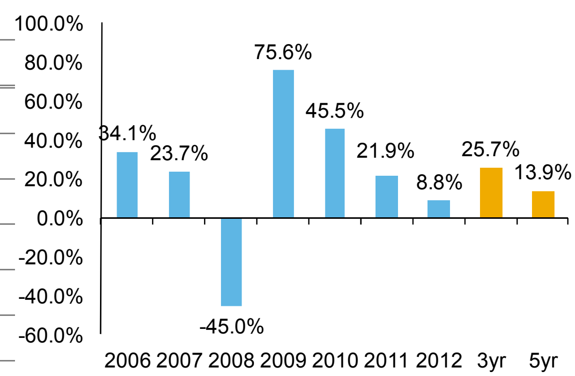
Overall Rating

We believe Harvest has matured into a strong institutional player in the MLP space as evidenced by its continued top-quartile performance and growing institutional client base and AUM. Harvest's strong ties with owner operators of MLPs also give it a competitive advantage amongst the MLP infrastructure managers.

Component Ratings

	Rating	*Previous Rating*
Overall	**Buy**	*Hold*
Business	3	*2*
Staff	3	*2*
Process	2	*2*
Risk	2	*2*
ODD	Pass	*Conditional Pass*
Performance	3	*3*
T&C	3	*3*

Absolute Performance (periods ending 31 Dec)



Fund performance (USD) is net of fees
Source: Manager

Firm Summary

Head Office Location	Wayne, PA	**Firm Launch**	2005
Firm AUM	$1.5 billion	**Total Staff**	14
Strategy inception	2005	**Investment Staff**	8

Portfolio Strategy Characteristics

Fund Name	Separate Account	**Portfolio Manager**	Investment Committee
Performance Objective	12% – 15%	**Risk Objective**	10% – 12%
Management Fee	0.75%	**Performance Fee**	N/A
Hurdle Rate	N/A	**Lock-up**	N/A
Redemption Terms	N/A	**Currency Available**	$

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Investment Manager Evaluation

Ratings Sheet		
Factor	**Rating**	**Comments**
Business	3	Harvest Fund Advisors (HFA) is a dedicated firm within the Master Limited Partnership (MLP) space. Of the $1.5 million of AUM within the MLP space, approximately $1.4 billion is managed in separate accounts and the remaining is through three pooled vehicles. With eight investment professionals on staff, the firm is small but appropriately sized for the AUM. The firm is employee owned for better alignment of interest and bonuses are paid to the junior staff based on performance. With the almost doubling in AUM, HFA has shown the ability to attract and retain clients; our concerns from a business perspective have been alleviated and we are raising our rating from a two to a three.
Investment Staff	3	The senior staff has between 16 and 21 years experience. HFA is unique in that its founder, David Martinelli, was formerly an owner-operator of Buckeye Pipeline Company, a NYSE-listed MLP. There are eight investment professionals, up from seven from our earlier rating. With the addition of one more investment professional to the team and the now proven value-add network of MLP owner-operators that Harvest relies on for its research, we are raising our rating from two to three.
Investment Process	2	HFA's investment process is based upon fundamental, value-oriented bottom-up analysis. It employs a four-step process: 1) build and maintain proprietary models; 2) undertake a five-step valuation analysis for ranking the MLP universe; 3) undertake a qualitative review of the management and growth strategy; and 4) undertake a quantitative analysis to assess optimal portfolio size and balancing. Investment opportunities are presented to the investment committee for buy, hold, and sell decisions and must be approved unanimously, except that Eric Conklin has ultimate authority for security selection. We have concerns on the checks and balances with Mr. Conklin's authority for security selection but believe the bottom-up fundamental analysis performed by HFA is robust.
Risk Management	2	Portfolio risk is monitored on a daily basis through standardized reporting tools, including those to evaluate liquidity and concentration risk. Additionally, execution risk is monitored through the development of standardized procedures by which all trades have at least two sets of eyes on them before they are entered and while they are in process. HFA periodically reviews portfolio construction with tools from RiskMetrics to prevent allocation drift away from a maximal return for a given risk budget. John Simkiss is responsible for risk management. We would prefer to see HFA utilize additional software programs in place of their own Excel documents for trade allocations across the pooled vehicles and separate accounts as a further check and balance.

Factor	Rating	Comments
Operational Due Diligence	Pass	Although HFA does not have a formal succession plan in place, given the small size of the firm, redundancies already in place in roles and responsibilities, and insurance on key man departures which will allow for additional staff/hiring, we are comfortable with the informal succession plan in place. HFA is still in the process of getting GIPS-compliant. However, its SMA composite used in our analysis has been independently verified by Rothstein Kass. Overall we found HFA to be in line with industry standards within the MLP space.
Performance Analysis	3	The manager has generated good returns for its investors since 2006. In 2008, the MLP strategy, similar to most strategies, was down significantly but has rebounded faster than broader market indices.
Terms & Conditions	3	As a separate account, the terms and conditions seem to be better than market at a management fee of 75 basis points with no performance fee. There is no lock-up and the term of this vehicle is at the discretion of the separate account client. There is also an annual compliance questionnaire and certificate that the manager will provide to the separate account holder.
Overall Rating	**Buy**	We believe Harvest has matured into a strong institutional player in the MLP space as evidenced by its top-quartile performance in the MLP mid-steam infrastructure space, growing institutional client base and AUM. Harvest's strong tie with the owner operators of MLPs gives it an edge amongst the MLP infrastructure managers.

Manager Profile

Overview

Harvest Fund Advisors (HFA), based in Wayne, PA, is a MLP manager founded in 2005 by David Martinelli. The firm has an expansive definition of MLPs and manages three pooled vehicles and more than 20 separate accounts.

The portfolio managers will invest in MLPs on a long/short as well as long-only basis.

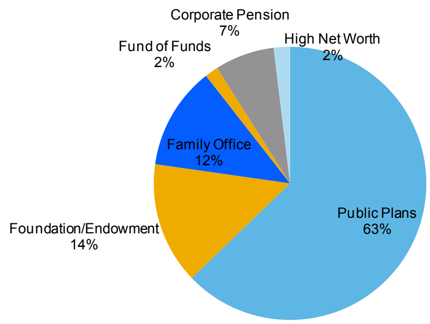
Business

- HFA is a limited liability corporation which is fully owned by its five employee-owners with a 70% stake owned by the founder David Martinelli.
- The firm employs fourteen people, eight of which are investment professionals.
- HFA has hired an additional analyst in 2012 and is looking to hire one more in 2013.

Client Base

Harvest Fund Advisors

Total AUM by business type



Source: Manager

- HFA had $1.5 billion in assets under management at the end of December 2012.
- This capital is spread across various types of institutional investors with a current overweight (63%) to public plans.

Investment Staff

Key Staff	Position	Date Joined	Years Experience
David J. Martinelli	Managing Partner	2005	20
Eric M. Conklin	Portfolio Manager	2005	15
John A. Simkiss	Portfolio Strategist	2005	16

- Stren Lea /Analyst, was called to active duty in the military in 2008.
- Naveen Kallu/Analyst, resigned in 2008.
- Ryan Greener/Analyst, resigned in 2010.

Investment Process

Philosophy

Harvest's investment objective is to deliver both high yield and stable growth through the disciplined application of its investment and trading strategies to MLP assets.

HFA's return objectives are to generate stable, risk-adjusted returns of approximately 15% annually for investors by exploiting market inefficiencies and the fundamental mispricing of MLPs. HFA utilizes fundamental, value-oriented, bottom-up research, analysis, and industry knowledge to generate alpha.

Process

HFA's investment process is based upon fundamental, value-oriented bottom-up analysis.

HFA employs its own proprietary qualitative models to identify long-term and short-term market opportunities. Its models reflect the cumulative experience and wisdom of the investment staff, including Mr. Martinelli and his decade of experience as an MLP owner-operator. HFA's qualitative approach is then considered in tandem with knowledge developed from strong relationships with MLP management teams and proprietary quantitative analysis. This ultimately results in security selections and portfolio weightings. Decisions made by the Investment Committee must be unanimous, but Mr. Conklin has ultimate authority for security selection.

The process can be outlined as follows:

1. Build and maintain proprietary models.

- Models are integrated and updated continuously with information from discussions with management teams and public filings.
- Acquisition effects are quickly modeled.
- Parallel comparisons can be easily run.

2. Undertake a five-step valuation analysis for ranking MLPs.

- Discounted cash flow analysis;
- Yield analysis;
- Comparable market-multiple analysis;
- Multivariate regression analysis; and
- Net Asset Value (NAV) Analysis.

3. Undertake a qualitative assessment of management and its growth strategy.

4. Undertake a quantitative analysis to assess optimal portfolio size and balancing.

- Use volumes and Level II analysis to optimize individual position entry and exit.
- Capture and correlate intraday price movements among MLPs broadly and by sub-sector.
- Review historical MLP trading to unmask buying patterns by funds, retail investors, and institutions.

As noted in Step 2, HFA's valuation approach involves five steps: discounted cash flow analysis, yield analysis, comparable market-multiple analysis, multivariate regression analysis, and net asset value (NAV) analysis. The primary focus of MLP valuation is discounted cash flow growth, which is forecasted in models based upon public filings, discussions with management teams, and the macro outlook on the MLP sector. Cash flow growth is highly dependent on acquisitions and organic expansion; in these areas, the relationships with management teams and experience as energy industry generalists provides a competitive advantage. HFA analyzes leverage at both the partnership and parent levels, and computes various leverage metrics (Debt/EBITDA, EBITDA/Interest Expense) to make comparisons across the universe. HFA regularly makes accounting adjustments as its primary interest is cash flow generation and not accrual accounting. Additionally, HFA adjusts for the interest of all stakeholders in the MLP, including limited partners, general partners, and debt holders.

Risk Management

Portfolio risk is monitored on a daily basis through standardized reporting tools, including those to evaluate liquidity and concentration risk. Additionally, execution risk is monitored through the development of standardized procedures by which all trades have at least two sets of eyes on them before they are entered and while they are in process. HFA periodically reviews portfolio construction with tools from RiskMetrics to prevent allocation drift away from a maximal return for a given risk budget.

Operational Due Diligence

- The investment manager is registered with the SEC.
- The firm has a detailed Business Continuity Plan with systems back-up and full off-site facilities. Harvest Fund Advisors LLC's financial statements are reviewed by Stephano Slack LLC.
- Portfolio risk is monitored on a daily basis through standardized reporting tools, including those to evaluate liquidity and concentration risk.

- Citi Hedge Fund Services and STP Investment Services serve as fund administrators.
- HFA does not have a formal succession plan in place. However, redundancies are already in place in roles and responsibilities, and insurance on key man departures will allow for additional staff/hiring. The succession plan is in line with industry standards for the size of the firm.
- HFA is not yet GIPS-compliant. However, its SMA composite has been independently verified by Rothstein Kass.

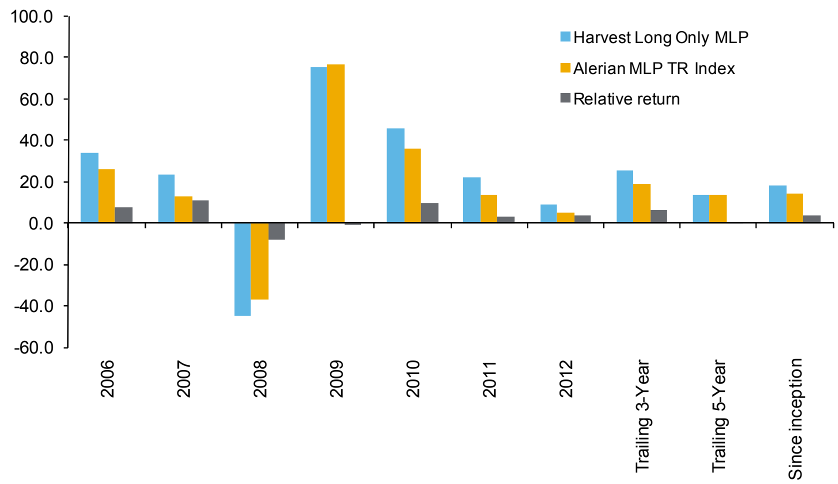
Terms & Conditions

The fund charges a separate account management fee of 0.75%.

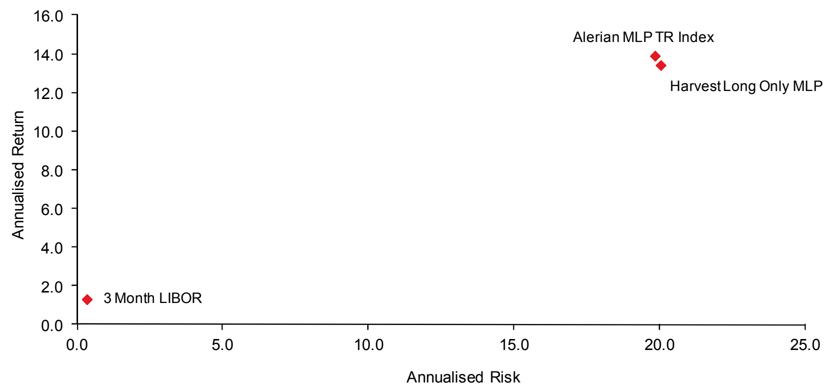
Proprietary & Confidential

Performance and Risk Metrics

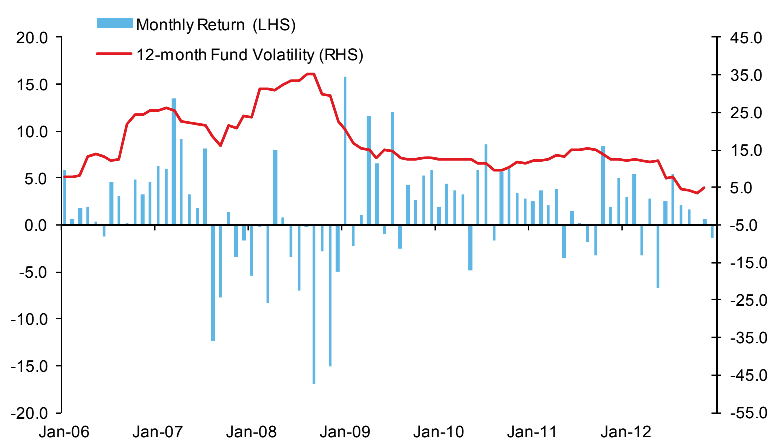
Historic Performance (Inception: January 2006)



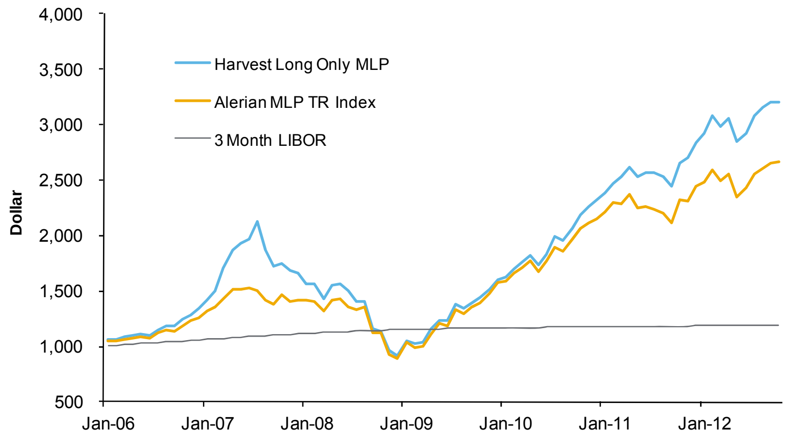
Risk – Return
5 Years Ending 31/12/2012



Monthly Return and 12-Month Rolling Volatility
5 Years Ending 31/12/2012



Cumulative Return (Inception: January 2006)



Ratings Explanation

Below we describe the criteria which we use to rate fund management organizations and their specific investment products. Each criterion, except for Operational Due Diligence ("ODD"), is individually rated from 1 to 4, where:

1 = Weak
2 = Average
3 = Above Average
4 = Strong

The ODD factor can be assigned a Pass, Conditional Pass, or Fail rating and can be interpreted as follows:

Pass – Our research indicates that the manager has acceptable operational controls and procedures in place.
Conditional Pass – We have specific concerns that the manager needs to address within a reasonable established timeframe.
Fail – Our research indicates that the manager has critical operational weaknesses and we recommend that clients formally review the appointment.

An overall rating is then derived for the product from the individual ratings. We do not assign a fixed weight to each criterion to establish the overall rating; instead we consider each case individually. The overall rating score can be interpreted as follows:

Buy = We recommend purchase of this investment product
Hold = We recommend client investments in this product are maintained
Sell = We recommend termination of client investments in this product

The comments and assertions reflect our views of the specific investment product and our opinion of its strengths and weaknesses.

Disclaimer

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Aon Corporation
200 E. Randolph Street
Chicago
Illinois 60601
USA

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InTotal

Global Investment Management

Tortoise Capital Management — Master Limited Partnership

Review Date	Current Rating	Previous Rating
Jan 2013	Buy	Hold

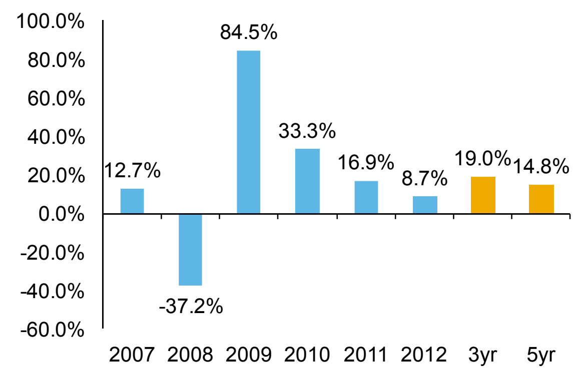
Overall Rating

Tortoise Capital Management, with $9.1 billion in AUM and a staff of 47, has been operating since 2002. Its systems, transparency, and risk management are good. This strategy can be appropriate for investors seeking a yield component within their equity investments and a sub-sector that has low correlations to public market indices.

Component Ratings

	Rating	*Previous Rating*
Overall	**Buy**	**Hold**
Business	2	2
Staff	3	3
Process	3	3
Risk	3	3
ODD	Pass	Conditional Pass
Performance	3	3
T&C	3	3

Absolute Performance (periods ending 31 Dec)



Fund performance (USD) is net of fees
Source: Manager

Firm Summary

Head Office Location	Leawood, KS	**Firm Launch**	2002
Firm AUM	$9.1 billion	**Total Staff**	47
Strategy inception	2003	**Investment Staff**	19

Portfolio Strategy Characteristics

Fund Name	Separate Account	**Portfolio Manager**	Investment Committee
Performance Objective	10% – 12%	**Risk Objective**	8% – 12%
Management Fee	0.75%	**Performance Fee**	N/A
Hurdle Rate	N/A	**Lock-up**	N/A
Redemption Terms	N/A	**Currency Available**	$

Proprietary & Confidential

Investment Manager Evaluation

Ratings Sheet		
Factor	**Rating**	**Comments**
Business	2	Tortoise is a dedicated firm within the Master Limited Partnership (MLP) space. Of the $9.1 billion of AUM within the MLP space, $3.5 billion is managed in separate accounts and the remaining is through seven public closed-end vehicles. With 18 investment professionals on staff, the firm has ample resources to execute its investment strategy. We have some concerns over the ownership of the firm and alignment of interest as 61% is owned by Montage Asset Management, LLC and the remaining 39% is held by nine senior Tortoise employees. Further concerns include the numerous affiliates of Tortoise, certain questions regarding the time commitments of certain senior staff, and potential conflicts of interest with generating fees for MLP research.
Investment Staff	3	The senior investment staff has between 23 years and 30 years of experience, inclusive of the last nine years with Tortoise. There has been a gradual expansion of the team over the last five years but management believes the current investment staff is sufficient for the near and medium term. Turnover has been low. The level of resources, team stability, and experience on the senior team are sufficient.
Investment Process	3	Tortoise utilizes a bottom-up approach for its investment process and is current on all 85 companies in its universe. It employs a three-step process: 1) qualitative analysis (proprietary risk model that reviews asset quality, management, and stability of cash flows); 2) quantitative analysis (financial modeling of historic as well as projected financial statements); and 3) relative value (dividend discount model, industry comparables such as yield, P/E ratio, EV/EBITDA, etc). Investment opportunities are brought before the Investment Committee for buy, hold, and sell decisions and must be unanimously approved by the five Managing Directors. If one of the five believes a security should be a sell, then it is sold. The portfolio management team is constantly reviewing the holdings and monitoring its investments as well as seeking new opportunities.

Factor	Rating	Comments
Risk Management	3	Kenneth Malvey, one of the Managing Directors and a former Global Investment Risk Manager for GE Capital's Employer's Reinsurance Corporation, is responsible for risk management. Tortoise believes its investment process is a key mitigant of risk as well as its philosophy to avoid assets that include commodity risk. Two managing directors must sign every trade ticket. Further, members of the investment team actively monitor the portfolio of securities and Tortoise utilizes a trading monitoring system called Advent Rules Manager system (an automated solution for compliance and portfolio monitoring providing automated real-time testing for at-time-of purchase (front-end) and holdings (back-end) restrictions). Proper diversification limitations are included in the separate account investment management agreement.
Operational Due Diligence	Pass	Overall, we found that Tortoise seems to have the requisite procedures and controls in place. It is registered with the SEC and utilizes credible professionals for legal, audit/tax, and administration functions. The separate accounts do not utilize a fund administrator as they are held at the client's custodian.
Performance Analysis	3	The manager has generated good returns for its investors since 2002. In 2008, the MLP strategy, similar to most strategies, was down significantly but has rebounded faster than broader market indices.
Terms & Conditions	3	As a separate account, the terms and conditions seem to be better than market at a management fee of 75 basis points with no performance fee. There is no lock-up and the term of this vehicle is at the discretion of the separate account client. There is also an annual compliance questionnaire and certificate that the manager will provide to the separate account holder.
Overall Rating	**BUY**	Tortoise, with $9.1 billion in AUM and a staff of 47, has been operating since 2002. Its systems, transparency, and risk management are good. This strategy can be appropriate for investors seeking a yield component within their equity investments and a sub-sector that has low correlations to public market indices.

Manager Profile

Overview

Tortoise Capital Management (TCM), based in Leawood, KS, is a MLP manager founded in 2002 by five managing directors. The firm exclusively focuses on Master Limited Partnerships (MLP) and manages seven publicly traded closed-end funds as well as a number of separate accounts.

The portfolio managers will invest in MLPs on a long-only strategy basis.

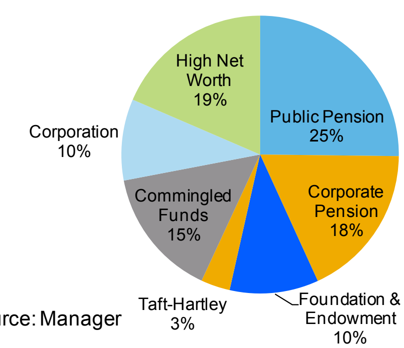
Business

- TCM is a limited liability corporation which is owned by Montage Asset Management (61%) and nine Partners of the firm (39%). Montage Asset Management is ultimately owned by the Bicknell family.
- The firm employs 47 people, 19 of which are investment professionals.
- TCM has grown is team over the past four years and believes it is at the right number of investment professionals. If assets under management were to increase, TCM may hire additional administrative as well as client service personnel.

Client Base

Tortoise Capital Management

Total AUM by business type



Source: Manager

- TCM had $9.1 billion in assets under management at the end of December 2012 with 3.5 in their SMA strategy.
- This capital is spread across various types of institutional investors.

Investment Staff

Key Staff	Position	Date Joined	Years of Experience
H. Kevin Birzer	Senior Managing Director	2002	30
Zachary A. Hamel	Managing Director	2002	23
Kenneth Malvey	Managing Director	2002	25
Terry Matlack	Managing Director	2002	29
David Schulte	Managing Director	2002	23

- Bernard Colson was terminated in January of 2010.
- David Hendrickson transferred to Montage Asset Management in September 2010.

Investment Process

Philosophy

TCM focuses on the energy infrastructure sector, primarily investing in MLPs, and typically investing in midstream companies that transport, store, process, and distribute crude oil, refined petroleum products (gasoline, diesel, and jet fuel), and natural gas. These companies effectively connect areas of energy supply with areas of demand. MLPs tend to generate a stable high current yield and consistent growth from long-lived, critical assets. TCM seeks to identify and invest predominantly in long-haul, fee-based pipeline MLPs that generate stable, fee-based revenues with attractive growth prospects and controlled risk. The firm generally will not invest in companies that have a majority of their revenues directly exposed to changes in commodity prices (e.g., exploration and production MLPs, shipping, coal MLPs). TCM's separate account strategy is focused on the U.S. Energy Infrastructure MLP sector and portfolio construction focuses on yield, growth, and quality.

Process

When analyzing companies via its proprietary risk model, one of the qualitative factors TCM evaluates is the asset footprint. Based on the breadth, diversity, geographical footprint, and quality of the assets, TCM ranks each company on a scale of 1 to 5 (with 5 being the best). Along with the assessment of the management team and the stability of the cash flow, a tier ranking is developed. The tier of a particular company serves to limit the amount of exposure to any particular company. For instance, a tier 1 company (the best tier) would have a higher percentage of ownership than a tier 3 company. To this end, generally speaking, the companies with larger market capitalizations and greater amounts of liquidity represent higher weights in a portfolio. Generally, TCM limits investments in a particular company to 10% of a respective portfolio's value. However, given the portfolio composition of 20-30 securities, TCM holds very few positions that are near the 10% limit.

As opposed to setting a hard price target or return goal at which to exit an investment, TCM is continuously measuring the value of the portfolio against the relative price of the other MLPs. If a company runs up significantly in price and creates an opportunity where return objectives are fully priced (or overpriced), TCM typically reduces its position to enable investments in better returning opportunities. Sell strategies depend on the urgency to liquidate the position as well as the liquidity of the portfolio name. Typically, TCM identifies a position to sell, then sells ten percent or less of average daily volume (as long as the valuation is above the price objective) until the position has been sold. TCM does not use stop/loss triggers. Also, it is the policy of the Investment Committee that any one member can require the firm to sell a security. TCM has never deviated from this discipline, and does not anticipate a situation where it would do so.

Risk Management

TCM believe attractive returns can be achieved within the energy infrastructure MLP sector without taking excessive risks. As a result, TCM is averse to direct commodity price risk and the portfolio research team dedicates a great deal of time and effort to assess the extent of each MLP's exposure and sensitivity to commodity prices. TCM does not invest in the exploration and production segment of the MLP market and attempts to limit portfolio exposures within other MLP segments (gathering and processing, for example) to those MLPs with less commodity price exposure and/or other mitigating circumstances (high distribution coverage ratios, effective hedging strategies, etc.). TCM also considers other risk factors like size, diversification, degree of financial leverage, stability of revenues and quality, and management's track record.

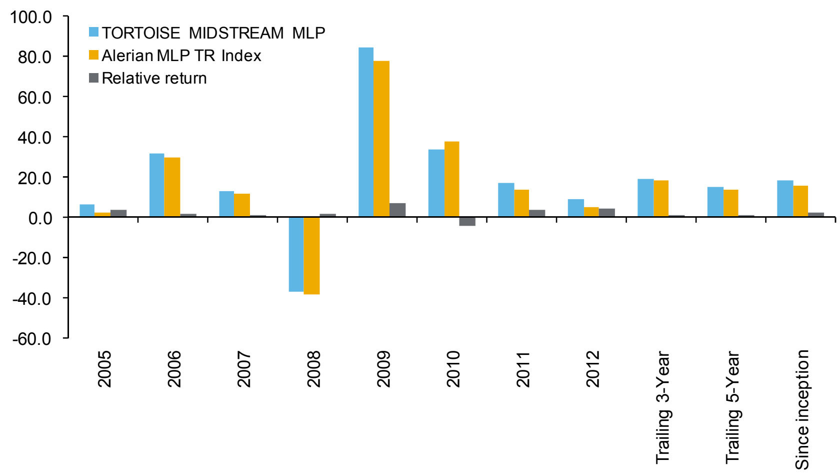
Single issuer concentration risk is measured on a pre-trade basis by the trade order management system. Additionally, the Investment Committee must specifically approve any new name before it can be added to a portfolio. The Investment Committee also receives and reviews portfolio positions and sector weights to ensure the portfolios are positioned in a manner consistent with risk tolerance. Last, at least two Managing Directors (who are also members of the Investment Committee) must sign every trade ticket. In addition to being a sound practice from an internal routines and controls standpoint, this also ensures awareness at the most granular transaction level of all portfolio activity.

In order to control risk, the portfolios are actively managed and securities are continuously monitored by members of the investment team. Potential investments are ranked based on a proprietary model which includes an assessment of quantitative and valuation metrics, as well as various subjective criteria. The portfolio research team maintains a risk model ranking for each MLP based on the following criteria: 1) asset quality (size and diversity of assets, location, strategic value, operational condition, etc); 2) management (integrity, track record, experience, depth, amount and quality of disclosure); and 3) stability of cash flows (nature of contracts – fee based preferred, regulatory considerations, commodity price exposure). These individual risk weights are used to determine each MLP's overall risk ranking. TCM confines the largest portfolio holdings to MLPs in its lowest risk tier. TCM precludes itself from buying any MLPs ranked in its worst risk tier. The result is portfolio positions scaled such that lower-risk MLPs comprise the largest holdings and position sizes get smaller for higher risk-weighted MLPs. This ranking is used to create and maintain an approved list of securities. The investment management team meets at least weekly to review portfolio strategy and to add or delete companies from the list of approved securities.

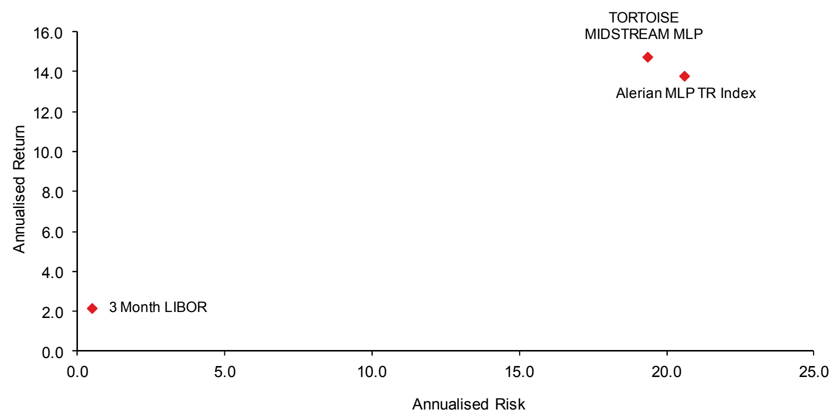
Operational Due Diligence	▪ The investment manager is registered with the SEC. ▪ Tortoise maintains a Business Continuity Plan and operates a fully redundant disaster recovery facility. ▪ Tortoise is GIPS-compliant and verified. ▪ Tortoise's auditor is Ernst & Young, LLP and its funds' auditor is Ernst & Young, LLP. ▪ US Bancorp Fund Services serves as the funds' administrator.
Terms & Conditions	The fund charges a separate account management fee of 0.75%.

Performance and Risk Metrics

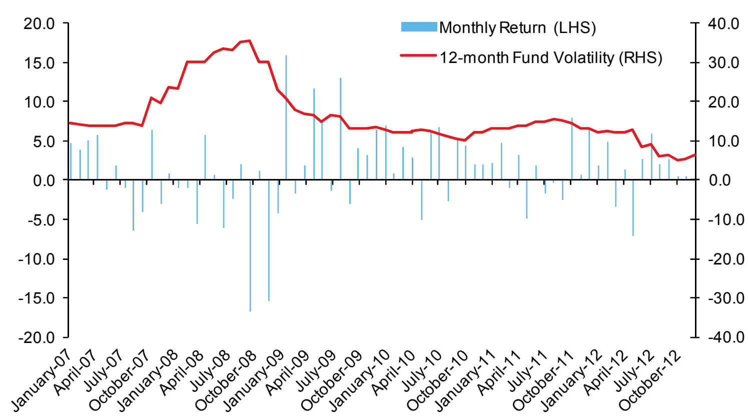
Historic Performance (Inception: February 2003)



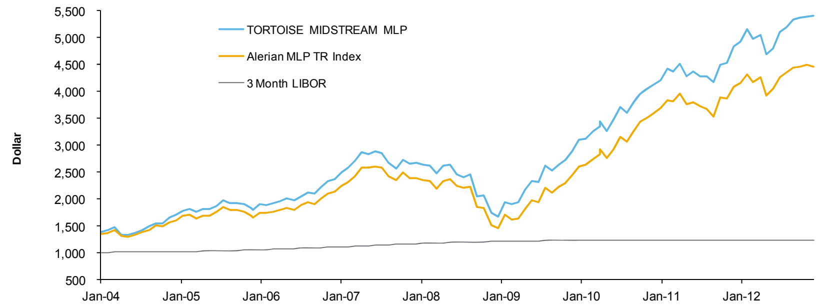
Risk – Return
5 Years Ending
31/12/2011



Monthly Return and 12-Month Rolling Volatility
5 Years Ending
31/12/2011



Cumulative Return (Inception: February 2003)



Ratings Explanation

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Aon Corporation
200 E. Randolph Street
Chicago
Illinois 60601
USA

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Ventura County Employees' Retirement Association

Fourth Quarter 2012

Hewitt EnnisKnupp, Inc.
10 South Riverside Plaza, Suite 1600
Chicago, IL 60606
phone: 1-312-715-1700
fax: 1-312-715-1952
www.hewittennisknupp.com

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Market Environment

Fourth Quarter 2012

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Market Highlights

Returns of the Major Capital Markets

Periods Ending 12/31/2012

	Fourth Quarter	Year-to-Date	1-Year	3-Year[1]	5-Year[1]	10-Year[1]
Equity						
MSCI All Country World IMI	2.99%	16.38%	16.38%	7.02%	-0.73%	8.60%
MSCI All Country World	2.88%	16.13%	16.13%	6.63%	-1.16%	8.11%
Dow Jones U.S. Total Stock Market	0.18%	16.38%	16.38%	11.40%	2.21%	7.95%
Russell 3000	0.25%	16.42%	16.42%	11.20%	2.04%	7.68%
S&P 500	-0.38%	16.00%	16.00%	10.87%	1.66%	7.10%
Russell 2000	1.85%	16.35%	16.35%	12.25%	3.56%	9.72%
MSCI All Country World ex-U.S. IMI	5.74%	17.04%	17.04%	4.18%	-2.59%	10.16%
MSCI All Country World ex-U.S.	5.85%	16.83%	16.83%	3.87%	-2.89%	9.74%
MSCI EAFE	6.57%	17.32%	17.32%	3.56%	-3.69%	8.21%
MSCI EAFE (100% Hedged)	7.03%	13.79%	13.79%	-0.08%	-6.67%	3.19%
MSCI EAFE (Local Currency)	7.52%	17.31%	17.31%	2.60%	-4.25%	5.43%
MSCI Emerging Markets	5.58%	18.22%	18.22%	4.66%	-0.91%	16.52%
Fixed Income						
Barclays Global Aggregate	-0.48%	4.31%	4.31%	5.16%	5.44%	5.98%
Barclays Aggregate	0.22%	4.23%	4.23%	6.21%	5.96%	5.19%
Barclays Long Gov't	-0.70%	3.78%	3.78%	13.62%	9.58%	7.64%
Barclays Long Credit	1.30%	12.79%	12.79%	13.50%	10.41%	8.23%
Barclays Long Gov't/Credit	0.45%	8.77%	8.77%	13.65%	10.16%	7.96%
Barclays High Yield	3.29%	15.81%	15.81%	11.86%	10.33%	10.62%
SSB Non-U.S. WGBI	-2.36%	1.51%	1.51%	3.95%	5.24%	6.38%
JP Morgan EMBI Global (Emerging Markets)	3.33%	18.54%	18.54%	12.94%	10.47%	11.56%
Commodities						
Dow Jones-UBS Commodity	-6.33%	-1.06%	-1.06%	0.07%	-5.17%	4.09%
Goldman Sachs Commodity	-3.28%	0.08%	0.08%	2.54%	-8.12%	2.75%
Hedge Funds						
HFRI Fund-Weighted Composite[2]	1.27%	6.16%	6.16%	3.50%	1.50%	6.66%
HFRI Fund of Funds[2]	1.77%	5.25%	5.25%	1.60%	-1.67%	3.67%
Real Estate						
NAREIT U.S. Equity REITS	2.58%	18.06%	18.06%	17.83%	5.45%	11.63%
NCREIF ODCE[3]	2.06%	9.77%	9.77%	13.30%	-2.00%	5.72%
Private Equity						
Thomson Reuters VentureXpert[4]	-0.07%	5.28%	4.57%	15.18%	4.46%	11.44%
Infrastructure						
Macquarie Global Infrastructure - North America	-1.33%	4.13%	4.13%	11.72%	2.82%	11.96%

MSCI Indices and NCREIF ODCE show net retuns. MSCI EAFE (100% Hedged) shows price return; all other indices show total returns.

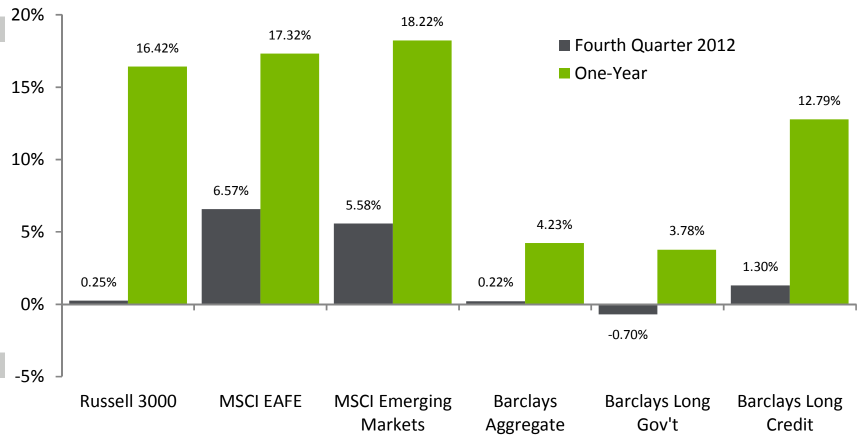
[1] Periods are annualized.

[2] Latest 5 months of HFR data are estimated by HFR and may change in the future.

[3] Fourth quarter return is preliminary.

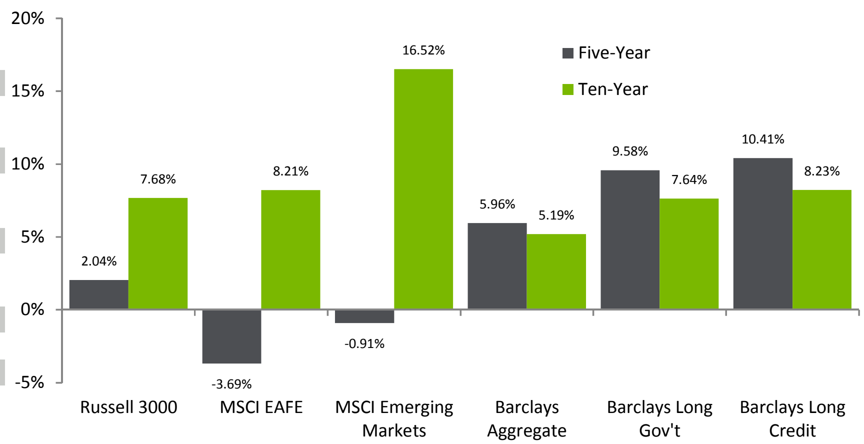
[4] Benchmark is as of 06/30/2012.

SHORT TERM RETURNS AS OF 12/31/2012



Source: Russell, MSCI, Barclays

LONG TERM ANNUALIZED RETURNS AS OF 12/31/2012



Source: Russell, MSCI, Barclays

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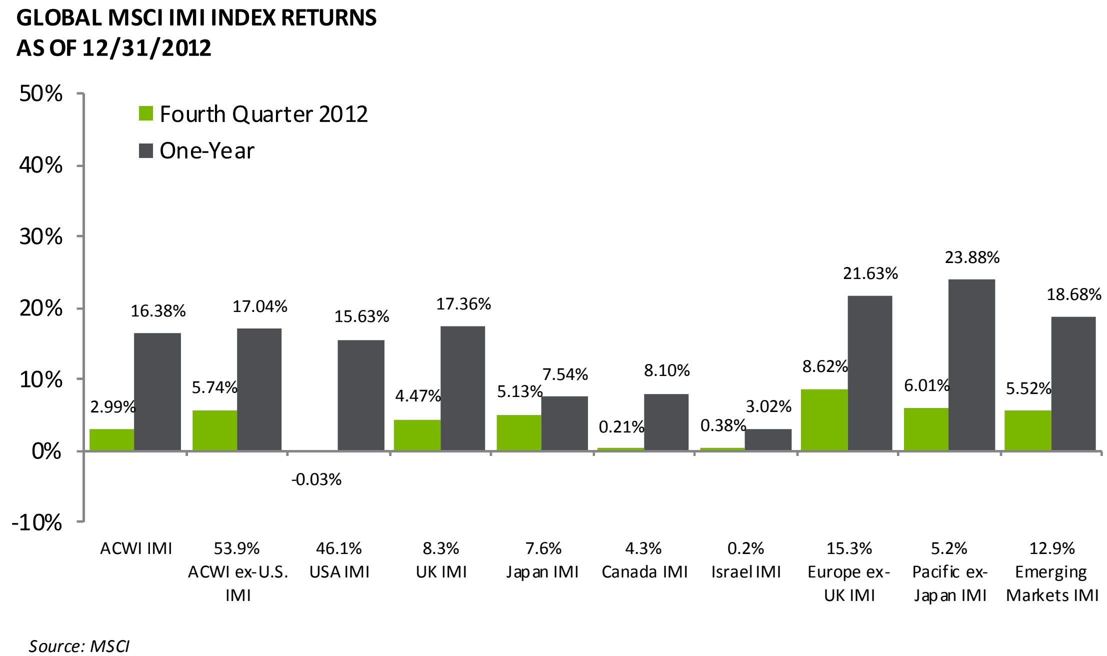
Global Equity Markets



Source: MSCI

- Positive economic data and a lessening of Eurozone debt crisis worries helped during the fourth quarter, but the impending "fiscal cliff" kept risk appetites in check.
- Most equity markets around the world posted positive returns during the quarter. The best performing market was Europe ex-UK, and the worst performing market was the U.S. with "fiscal cliff" concerns impeding equities in the U.S.

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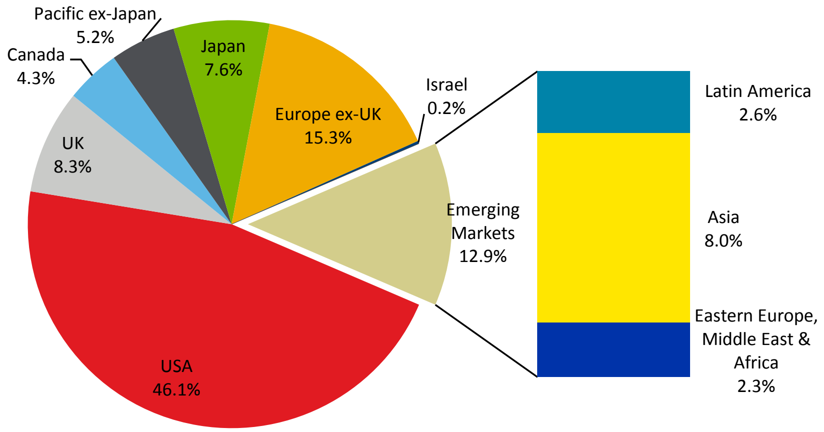
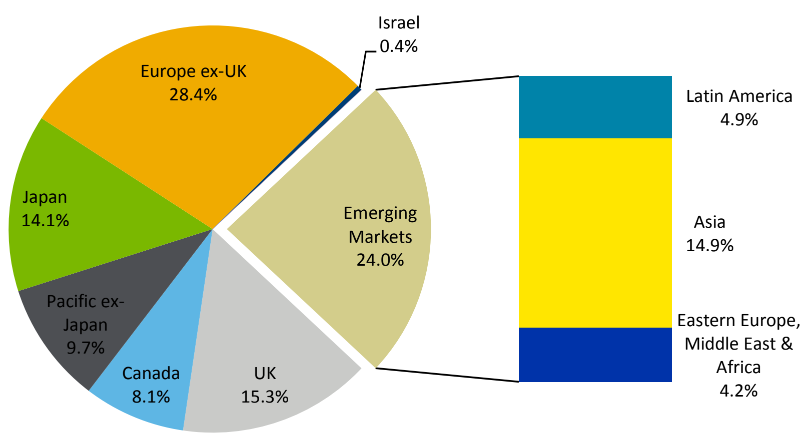
Global Equity Markets

MSCI ALL COUNTRY WORLD IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 12/31/2012



Source: MSCI

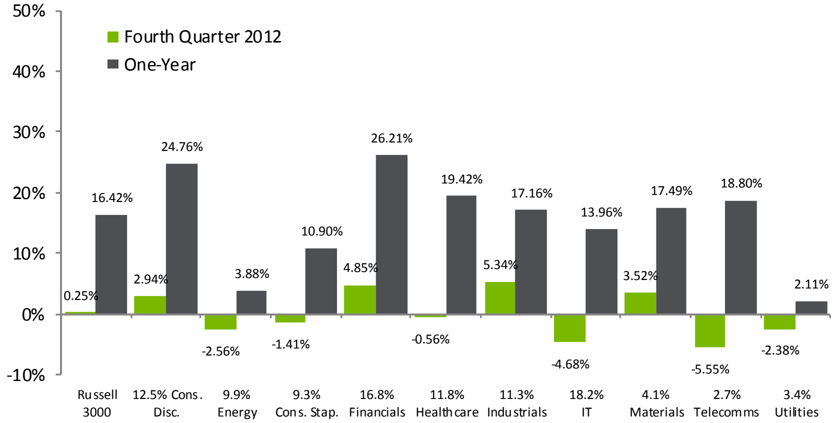
MSCI ALL COUNTRY WORLD EX-U.S. IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 12/31/2012



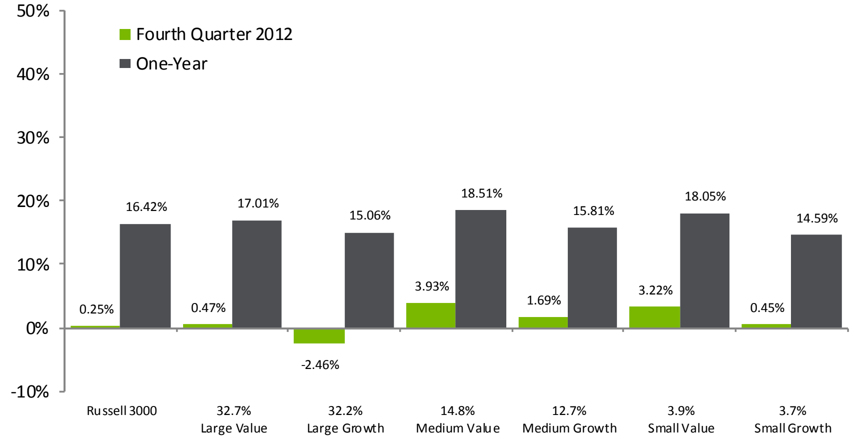
Source: MSCI

- The two exhibits on this slide illustrate the percent each country/region represents of the global equity market as measured by the MSCI All Country World IMI Index and the MSCI All Country World ex-U.S. IMI Index.

U.S. Equity Markets



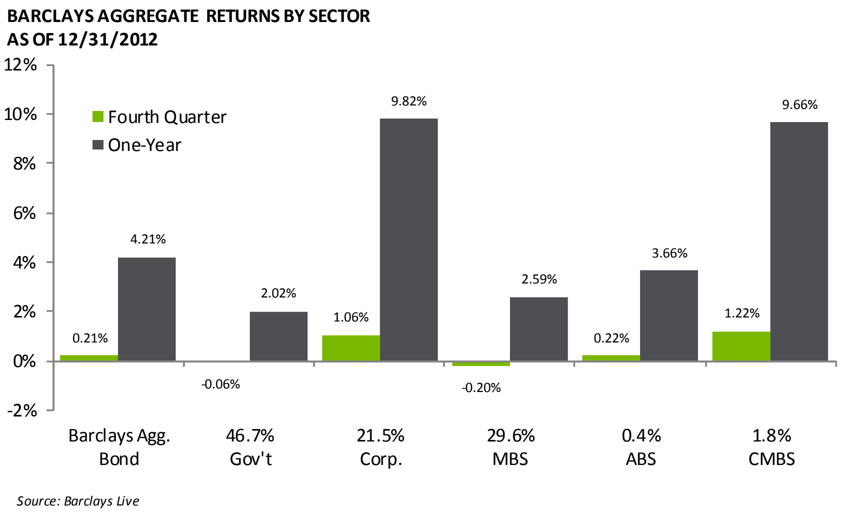
Source: Russell Indexes

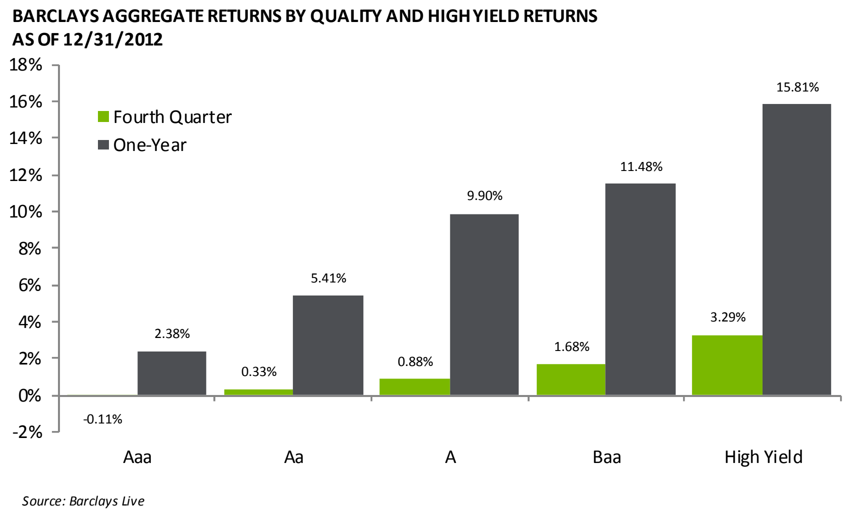


Source: Russell Indexes

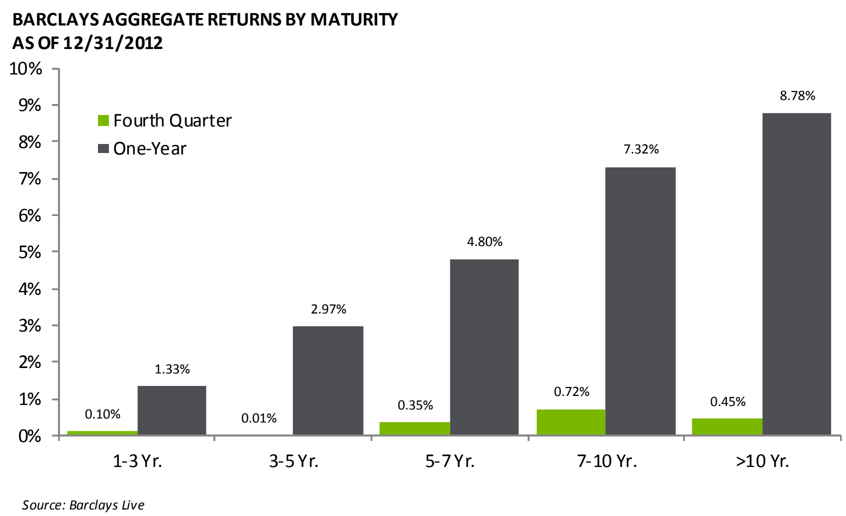
- Generally positive U.S. economic data was overshadowed by the “fiscal cliff”, which led to significant uncertainty during the quarter.
- The Russell 3000 rose 0.25% during the quarter and returned 16.42% during 2012.
- The Industrials, Financials, and Materials sectors were the best performing sectors during the fourth quarter, posting returns of 5.34%, 4.85%, and 3.52%, respectively. The Telecommunications and Information Technology sectors were the worst performing areas, producing returns of -5.55% and -4.68%, respectively, during the fourth quarter.
- Mid cap outperformed both small cap and large cap during the fourth quarter. Value outperformed growth across all capitalization segments of the market during the quarter.

U.S. Fixed Income Markets

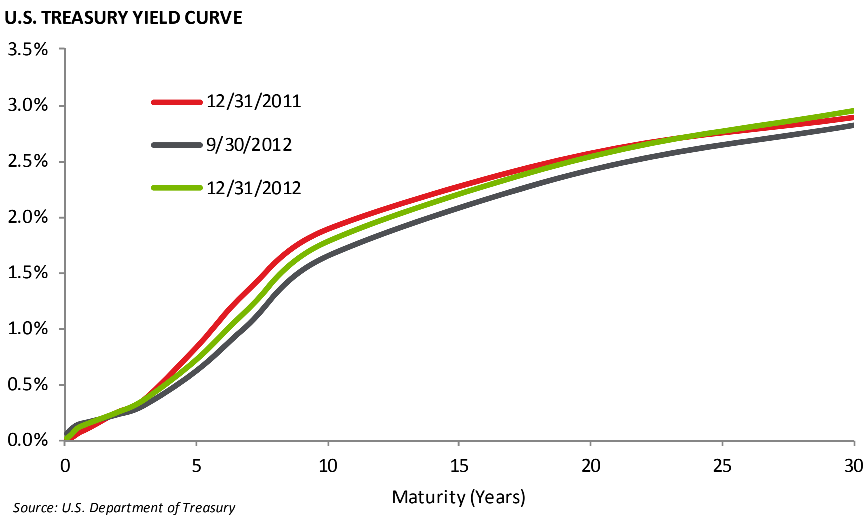




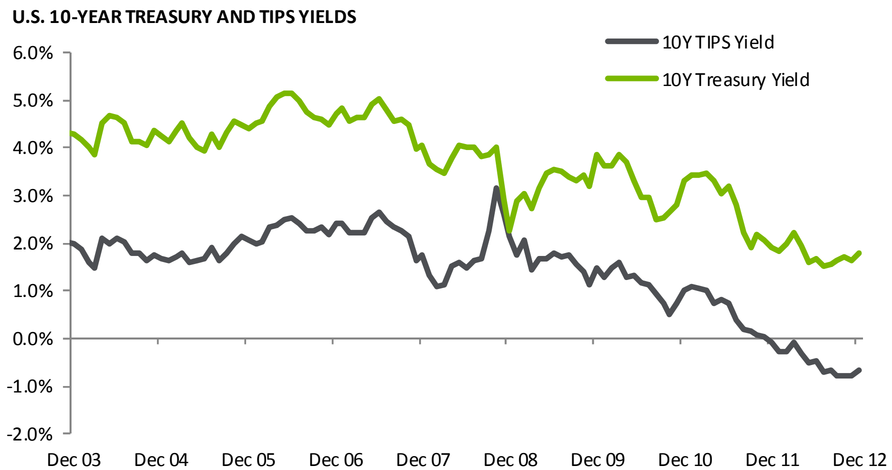
- The Barclays Aggregate Bond Index returned 0.21% in the fourth quarter.
- Corporate bonds and commercial mortgage-backed securities were the strongest performing sectors, returning 1.06% and 1.22%, respectively, over the course of the fourth quarter.
- In the investment grade market, lower quality bonds outperformed higher quality bonds. This held true for the quarter and for the full year 2012.
- High yield bonds outperformed investment grade bonds as investors sought yield in a low interest rate environment.
- From a maturity perspective, the 7-10 year range performed the strongest with a return of 0.72% during the fourth quarter.



U.S. Fixed Income Markets



Source: U.S. Department of Treasury



Source: U.S. Department of Treasury

- The Treasury yield curve steepened during the quarter; both the intermediate (1 to 10 years) and the long-term segments of the yield curve rose.
- The 10-year U.S. Treasury yield ended the quarter at a yield of 1.78%, roughly 13 basis points higher than its level at the beginning of the quarter.
- 10-year TIPS yields remained in negative territory, but rose by 10 basis points to -0.67% over the quarter.

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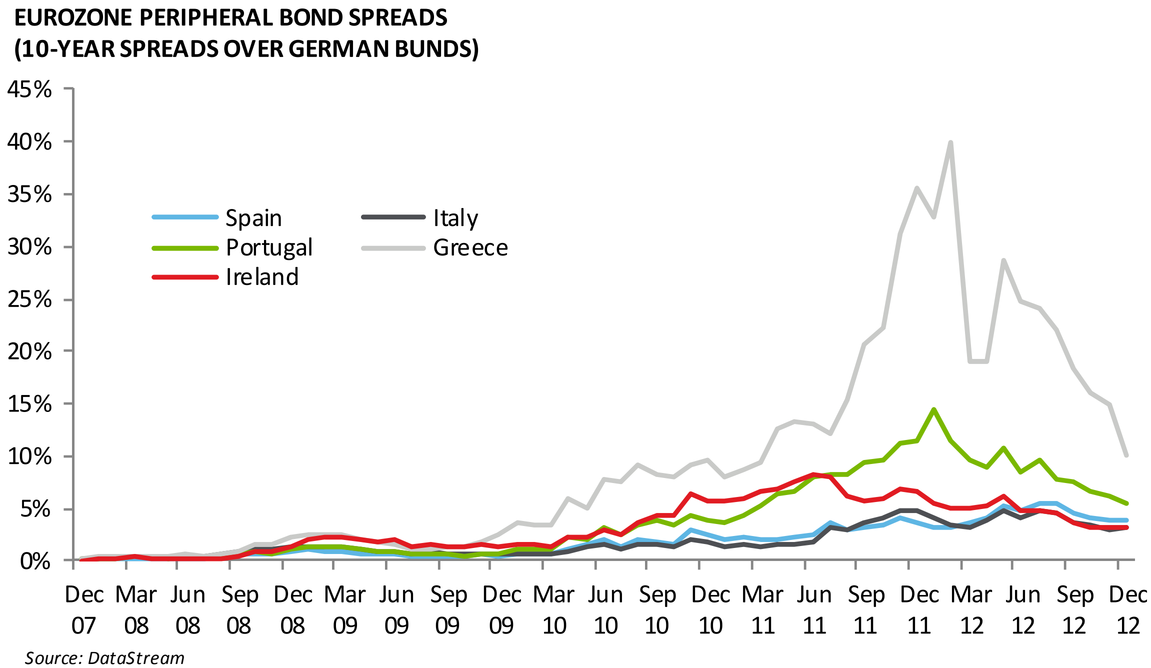
European Fixed Income Markets



- Greece was one of the focal points of the Eurozone debt crisis during the quarter as speculation rose on whether it would obtain a second tranche of bailout funds. On November 26, European leaders, the European Central Bank, and the International Monetary Fund reached an agreement to release the next €34 billion tranche of bailout money to Greece. This was generally viewed positively by market participants and led to a reduction in Greek spreads over German Bunds.

- 10-year yield spreads over German Bunds decreased for the rest of the Eurozone periphery as well over the quarter.

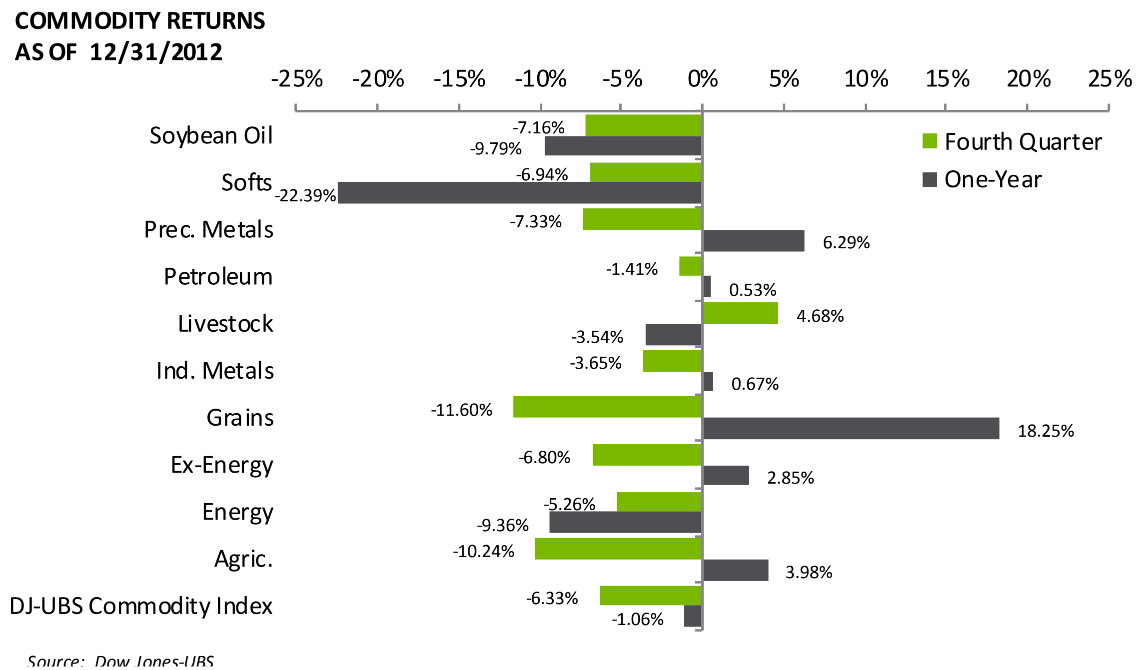
Credit Spreads

Spread (bps)	12/31/2012	9/30/2012	12/31/2011	Quarterly Change (bps)	1-Year Change (bps)
U.S. Aggregate	53	49	87	4	-34
Long Gov't	4	4	6	0	-1
Long Credit	180	191	239	-11	-59
Long Gov't/Credit	109	114	131	-5	-22
MBS	50	24	75	26	-26
CMBS	124	155	308	-31	-184
ABS	43	44	99	-1	-56
Corporate	141	156	234	-15	-93
High Yield	511	551	699	-40	-188
Global Emerging Markets	293	332	464	-39	-171

Source: Barclays Live

- Credit spreads fell across most markets during the quarter with the exception of MBS.
- Fixed income markets that saw the largest drops in spreads were High Yield, Global Emerging Markets, and CMBS.
- Credit spreads across every segment as of December 31, 2012 were lower relative to a year prior.

Commodities



- Driven by negative returns across most market sectors, the Dow Jones-UBS Commodity Index decreased by 6.33% during the fourth quarter.
- The strongest and only positive performing segment of the market was livestock with a return of 4.68% during the quarter.
- Grains and Agriculture were the worst performing sectors of the market during the fourth quarter with returns of -11.60% and -10.24%, respectively.

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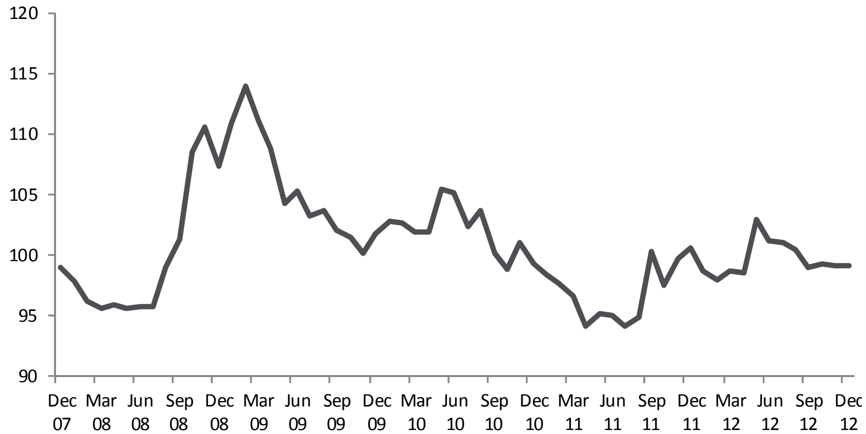
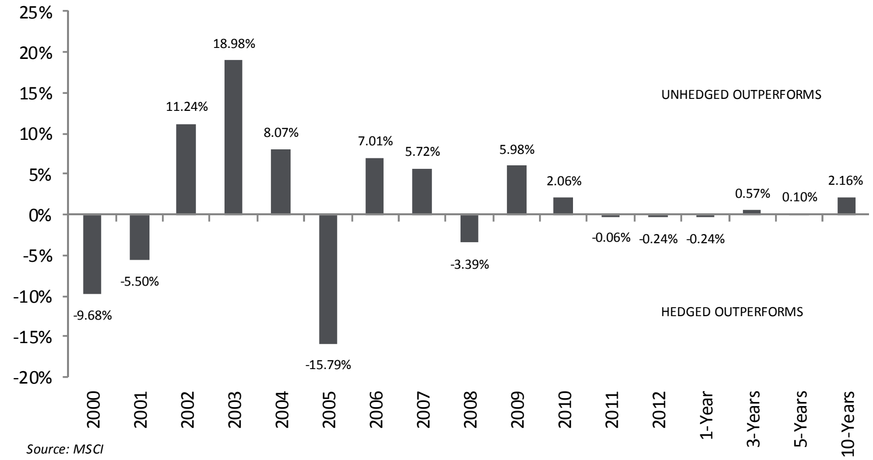
Currency

TRADE WEIGHTED U.S. DOLLAR INDEX
(1997 = 100)



Source: Federal Reserve

DIFFERENCE BETWEEN MSCI EAFE UNHEDGED AND HEDGED INDICES
AS OF 12/31/2012



Source: MSCI

- As measured through the broad trade weighted U.S. dollar index, the U.S. dollar marginally appreciated during the quarter and the one year period.

- The MSCI EAFE Unhedged Index slightly underperformed the MSCI EAFE 100% Hedged Index during the year-to-date period reflecting the appreciation of the U.S. dollar. The Unhedged index outperformed the Hedged index during the trailing 3, 5, and 10 year periods.

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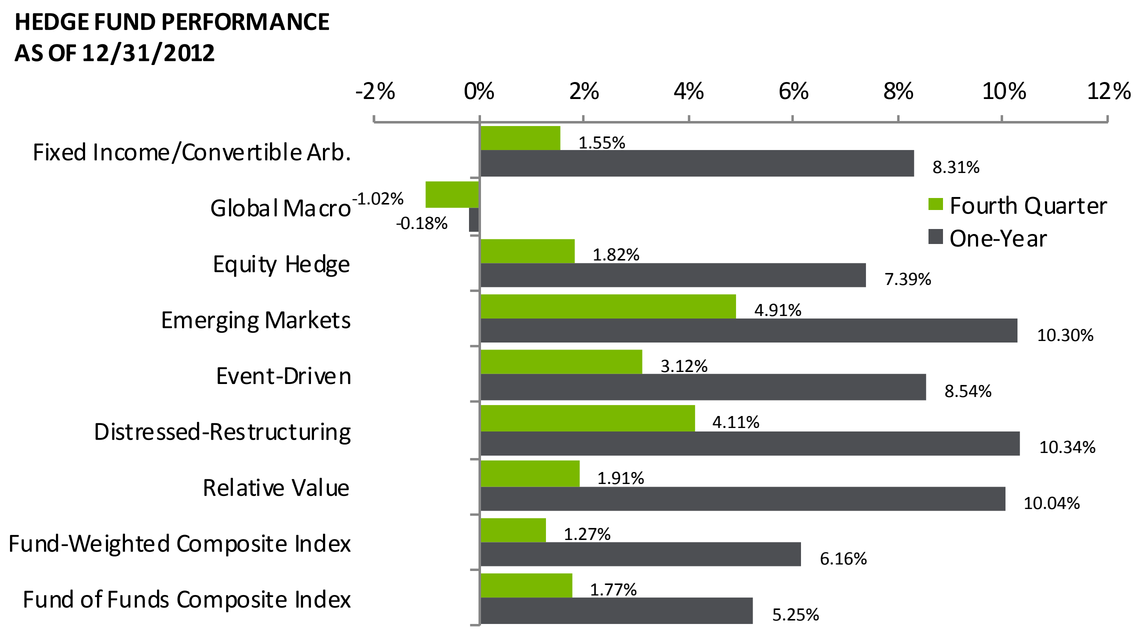
Hedge Fund Markets Overview



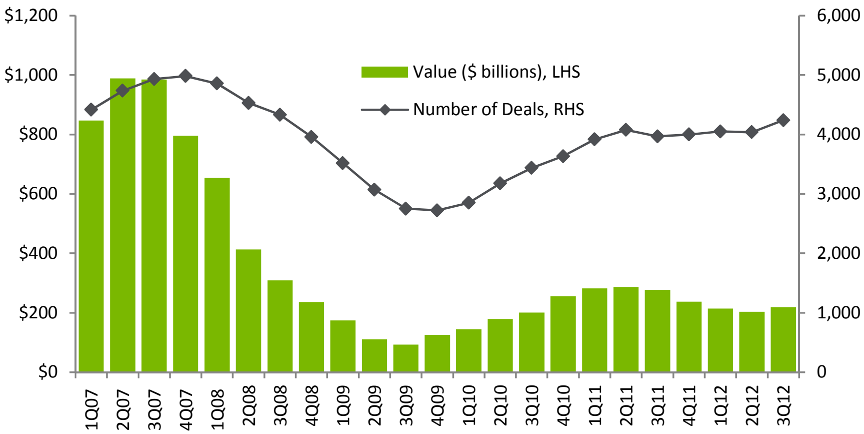
Source: HFR

- Except for Global Macro, all major hedge fund strategies types posted positive returns in the fourth quarter and for the full year 2012. The HFRI Fund-Weighted Composite Index and the HFRI Fund of Funds Composite Index produced returns of 1.27% and 1.77%, respectively, during the fourth quarter.

- Emerging Markets and Distressed-Restructuring strategies were the strongest performers during the quarter gaining 4.91% and 4.11%, respectively.

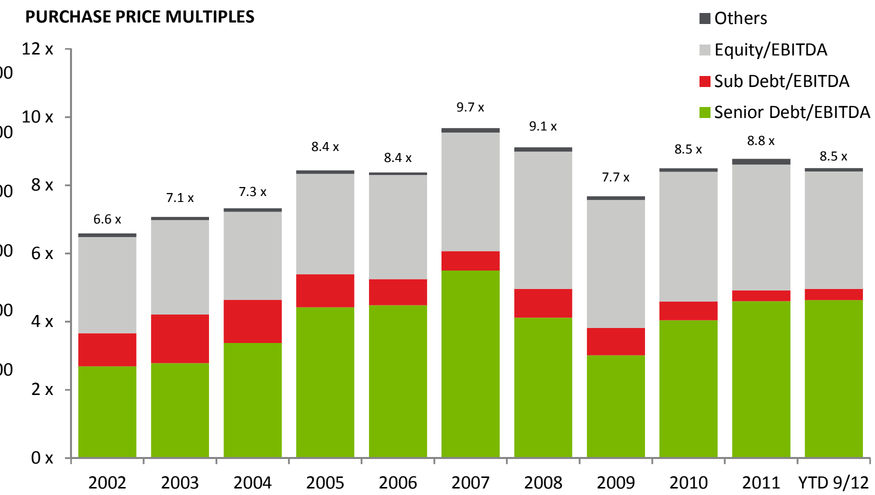
Private Equity Market Overview – Q3 2012

LTM GLOBAL SPONSOR M&A DEAL VOLUME AND VALUE
(TRAILING 12 MONTH DATA)



Source: ThomsonOne

PURCHASE PRICE MULTIPLES



Source: S&P

- **Fundraising:** Continues to improve: LTM levels ($263B) healthy but not excessive levels. Remains well below pre-crisis levels ($490B). Overhang significant ($785B) but decreasing.
- **Buyout:** Deal volume vacillating quarter to quarter, but flat to slightly trending up. Small and middle market deals comprise bulk of activity although increasing activity seen in the large market. Purchase price multiples remained relatively steady for last three years; large cap is above its 10 year average while middle market is below its 10 year average. European activity remains slow due to economic uncertainty.
- **Venture capital:** YTD investment levels ($20B) lagging strong levels in 2011. Meaningful shift over last 1.5 years to later stage deals with a commensurate increase in series C in pre-money valuations and a decrease in series A and B pre-money valuations; YTD exit activity down 14% due to reduced M&A activity, number of IPOs flat with 2011.
- **Mezzanine:** U.S. mezzanine lenders continue to target smaller transactions as getting squeezed out of larger transactions in favor of high yield. YTD sub debt usage in large cap deals represented smallest percentage of total purchase price multiple in last 15 years.
- **Distressed Debt:** Investment activity remains low due to high refinance activity and continued low high-yield default rates; looking forward to 2013-2014 attractive opportunities exist primarily in mid to lower cap market due to fragile economy and reduced leveraged loan capacity.
- **Secondaries:** $16 billion raised YTD expect second highest year of fundraising; YTD volume of $18.5 billion lagging 2011 but still robust. Pricing discounts flat at 11% for Buyout and decreasing slightly to 25% for Venture.
- **Infrastructure:** YTD Fundraising down from 2011, new infrastructure debt funds being raised. Activity plateaued at lower levels due to debt availability and increased regulation in Europe.

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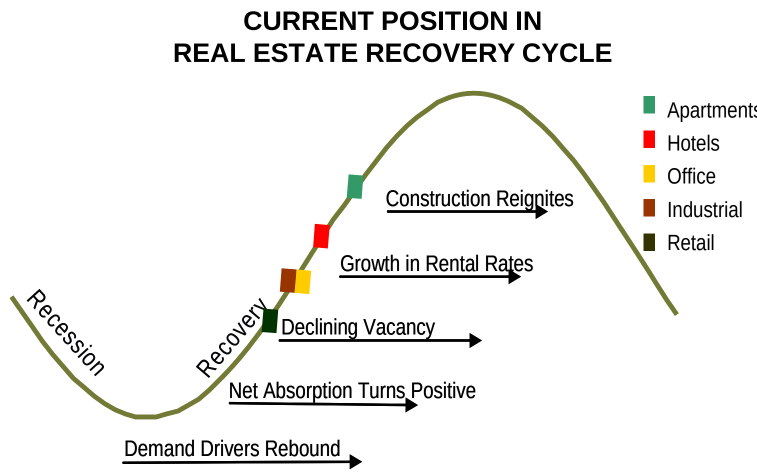
U.S. Commercial Real Estate Markets



2013 U.S. Real Estate Outlook:

- The U.S. economy is expected to remain in a slow-growth mode for much of 2013. While still supporting a continuation of measured improvements in real estate fundamentals (e.g. net absorption, occupancies, and now more broadly some rent growth), the pace of improvement is expected to remain modest.
- Real Estate returns are expected to continue their path of moderation given the sector's robust pricing rebound over the past few years. Consensus forecast range for the NPI is 6–9% (Core real estate), which is still generally in line with the sector's long-term average.
  - If Core buyers accept lower yields for real estate absent attractive income alternatives in other asset classes, returns could reach the high end of the range. On the flip side, policies meant to address long term government fiscal issues could deliver a short term economic shock placing returns at the lower end of the range, at best.
- Uncertainty stemming from the negative scenarios that could play out through multiple macro economic/political issues will likely keep investors cautious in early 2013. Thus we expect growth in transaction volumes to remain muted versus typical rebound periods. We anticipate the market will continue to seek the safety of current yield provided by Core, which remains historically attractive relative to other asset classes.
  - The current low interest rate environment continues to support price recovery/growth and this is expected to persist as the U.S. Federal Reserve has indicated it will support a low interest rate environment until sustained economic growth is evident.
- New supply is expected to become more noticeable in 2013, first entering through the apartment sector, though select industrial development has also begun. As an asset class, however, new deliveries are still well restrained.
  - The ramp up in multifamily supply is expected to slow that segment’s positive momentum in 2013, though not derail it—selective pruning of apartment holdings in high supply markets should be up for consideration.

Total Fund

Highlights

Return Summary

	Qtr	1 Yr	3 Yrs	5 Yrs
Dow Jones US Total Stock Index	0.2 %	16.4 %	11.4 %	2.2 %
MSCI All Country World ex-U.S. Index	5.8 %	16.8 %	3.9 %	-2.9 %
MSCI EAFE Index	6.6 %	17.3 %	3.6 %	-3.7 %
MSCI Emerging Markets Index	5.6 %	18.2 %	4.7 %	-0.9 %
MSCI All Country World Index	2.9 %	16.1 %	6.6 %	-1.2 %
Barclays Aggregate Bond Index	0.2 %	4.2 %	6.2 %	5.9 %

4Q 2012 Market Commentary

Politics drove equity markets during the fourth quarter as U.S. investors sought clarity over the presidential election and the looming fiscal cliff. Despite the daily volatility, the U.S. equity markets ended the quarter essentially flat, with the Dow Jones U.S. Total Stock Market Index gaining 0.2% during the quarter.

According to the Bureau of Labor Statistics (BLS), the unemployment rate remained unchanged at 7.8%, and U.S. employers created 453,000 jobs in the fourth quarter. During the 1-year period through October, home prices increased 4.3%, as measured by the S&P/Case Shiller Index, signaling that the real estate market may have found a floor during the second quarter amidst an environment with sub-4% 30 year mortgage rates and population growth exceeding the rate of new home construction.

The Federal Open Market Committee (FOMC) again decided to keep the target range for the federal funds rate at 0-0.25%. Additionally, the Fed has committed to continue QE3 until economic conditions improve, specifically, keeping rates exceptionally low until unemployment falls below 6.5%, or inflation exceeds 2.5%.

The U.S. equity market, as measured by the Dow Jones U.S. Total Stock Market Index, gained 0.2% during the fourth quarter. From a capitalization standpoint, small-cap stocks outperformed large-cap stocks, while from a style perspective, value outperformed growth during the quarter. Telecommunication Services was the worst performing sector during the quarter, falling 5.5%, while the Industrials sector was the best performing sector, gaining 5.3% during the quarter.

As a result of improving economic conditions in emerging markets, particular the BRIC (Brazil, Russia, India, and China) economies, and continuing stabilization in Europe as a result of the new bond buying program by the European Central Bank, international equities performed particularly well during the fourth quarter relative to U.S. equities. The non-U.S. equity market, as measured by the MSCI All Country World ex-U.S. Investable Market Index, rose 5.7% during the quarter, while emerging markets gained 5.6%, according to the MSCI Emerging Market Index.

The U.S. bond market, as measured by the Barclays Aggregate Bond Index, returned 0.2% during the fourth quarter. Long duration bonds underperformed intermediate and short duration bonds as the yield curve rose during the quarter. High yield bonds gained 3.3%, as investors sought yield in a low interest rate environment.

Highlights

Commentary on Investment Performance

The Total Fund returned 1.8% during the fourth quarter, outperforming the return of the Policy Portfolio by 6 basis points. The Fund's U.S. Fixed Income component added value over their benchmark. Partially offsetting results were the below-benchmark returns from the, Non-U.S. Equity and Real Estate components.

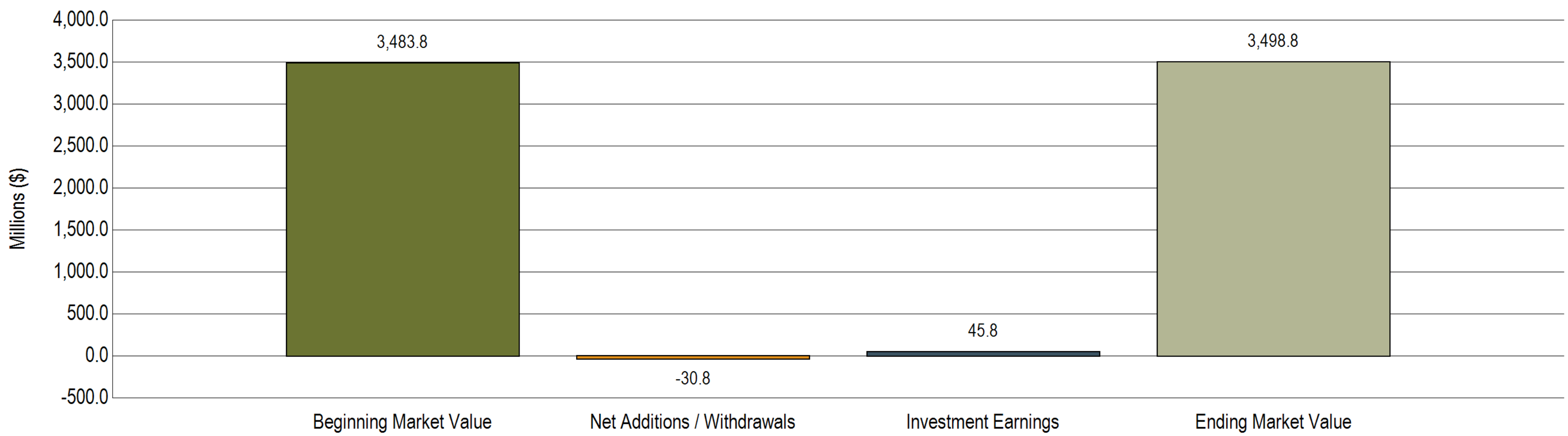
For the one-year ending December 31, 2012, the Total Fund advanced 14.0%, outpacing the return of the Policy Portfolio by 115 basis points. Overperformance was mainly attributed to above-benchmark returns from the U.S. Fixed Income, U.S. Equity and Non-U.S. Equity components.

The Total Fund's longer-term relative performance remains mixed. While the Total Fund has matched the return of its benchmark during the trailing five-year period, it has outperformed the benchmark during the three-year and one-year period. The Fund's annualized since inception return rose to 7.9% to match it up with the Policy Portfolio.

The attribution analysis exhibits on page 33 provide additional information regarding each sub-component's contribution to performance during the quarter and year-to-date period.

Plan Summary

Change in Market Value
From October 1, 2012 To December 31, 2012



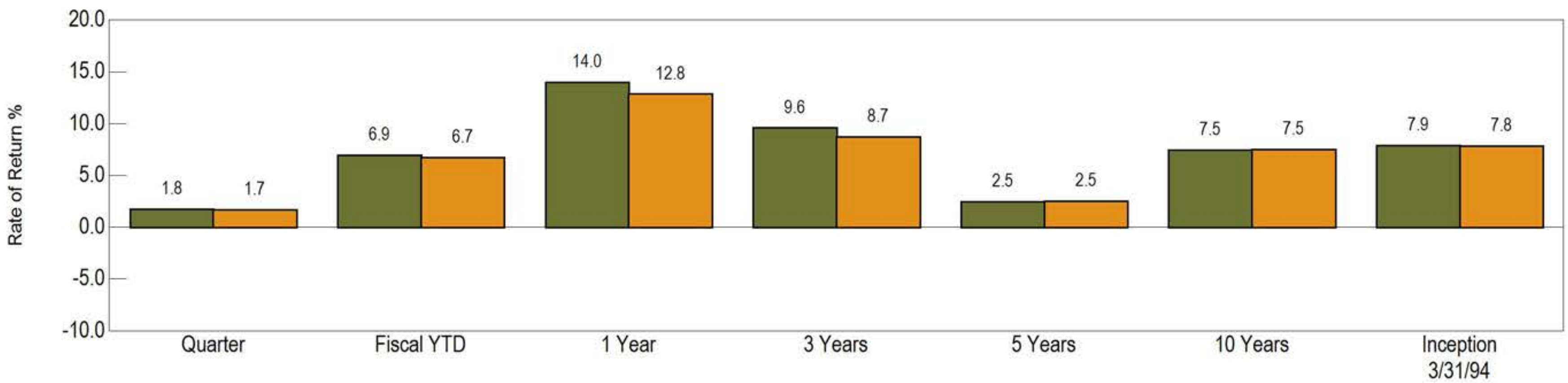
Summary of Cash Flows

Sources of Portfolio Growth	Fourth Quarter	One Year
Beginning Market Value	$3,483,762,393	$3,069,762,197
Net Additions/Withdrawals	-$30,839,208	$113,763,334
Investment Earnings	$45,835,655	$315,233,309
Ending Market Value	$3,498,758,840	$3,498,758,840

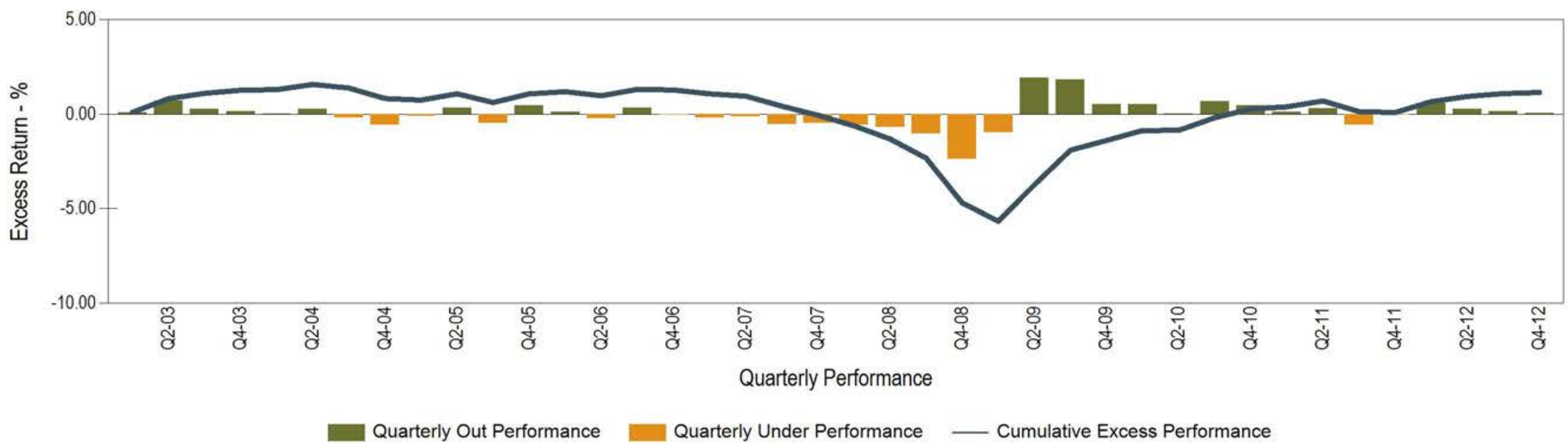
Plan Performance

Benchmark: Policy Portfolio

Return Summary



Quarterly and Cumulative Excess Performance



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

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

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

	4th Quarter	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*******	0.3	4.0	--	--	--	--	4.0	6/30/12
Barclays Capital Global Aggregate Bond Index	-0.5	2.8	--	--	--	--	2.8	
PIMCO Global Fixed Income	-0.3	--	--	--	--	--	-0.3	9/30/12
Barclays Capital Global Aggregate Bond Index	-0.5	--	--	--	--	--	0.7	
Total Global Fixed Income	-0.1	3.5	--	--	--	--	3.5	6/30/12
Barclays Capital Global Aggregate Bond Index	-0.5	2.8	--	--	--	--	2.8	
Western	1.0	4.5	9.7	9.4	7.1	6.4	7.0	12/31/96
Barclays Capital Aggregate Bond Index	0.2	1.8	4.2	6.2	5.9	5.2	6.2	
BlackRock U.S. Debt Fund	0.2	1.8	4.3	6.3	6.1	5.2	6.1	11/30/95
Barclays Capital Aggregate Bond Index	0.2	1.8	4.2	6.2	5.9	5.2	6.1	
Reams	1.2	4.2	9.9	9.4	9.4	7.7	7.1	9/30/01
Barclays Capital Aggregate Bond Index	0.2	1.8	4.2	6.2	5.9	5.2	5.5	
Loomis Sayles	3.4	9.4	16.8	11.4	8.8	--	8.2	7/31/05
Performance Benchmark***	1.1	3.5	7.5	7.7	7.2	--	6.5	
Total Fixed Income	1.0	4.4	9.6	9.2	8.3	6.9	6.8	2/28/94
Barclays Capital Aggregate Bond Index	0.2	1.8	4.2	6.2	5.9	5.2	6.2	
Total Prudential Real Estate	1.7	3.3	8.8	14.7	-3.2	--	2.6	6/30/94
Policy Benchmark	2.3	5.0	10.4	13.4	1.9	--	7.8	
UBS Real Estate	1.7	4.0	9.1	12.3	-0.1	--	6.8	3/31/03
NCREIF Open End Fund Index	2.3	5.0	10.4	13.4	1.9	--	8.0	
Guggenheim	1.9	3.9	11.6	14.5	-4.9	--	-1.5	6/30/06
NCREIF Open-End Fund Property Index*****	2.7	4.7	13.4	14.7	4.4	--	6.0	
RREEF	1.8	9.6	22.9	27.0	-15.8	--	-15.1	10/31/07
NCREIF Open End Fund Index	2.3	5.0	10.4	13.4	1.9	--	2.2	
Total Real Estate****	1.5	3.6	9.1	12.9	-3.6	5.2	7.5	3/31/94
Policy Benchmark	2.3	5.0	10.4	13.4	1.9	8.1	9.1	
Total Private Equity*******	2.9	1.4	10.3	--	--	--	--	
Adams Street Partners	2.8	1.6	10.8	--	--	--	--	
Pantheon	4.5	-3.3	0.9	--	--	--	--	
Total Fund	1.8	6.9	14.0	9.6	2.5	7.5	7.9	3/31/94******
Policy Portfolio	1.7	6.7	12.8	8.7	2.5	7.5	7.8	
Total Fund (ex-Private Equity)	1.6	6.6	13.3	--	--	--	--	
Total Fund (ex-Clifton)	1.7	6.8	13.7	9.4	2.4	7.4	7.9	

*All returns contained in this 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.
*******Returns for Private Equity may not be meaningful, due to their relatively short investment period

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	Policy
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	32.1%	
Total U.S. Equity	**$1,276,183**						**$1,276,183**	**36.5%**	**36.0%**
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%**	**19.0%**
GMO Global Equity	$79,582	$93,800					$173,382	5.0%	
BlackRock MSCI ACWI Equity Index	$59,860	$69,427					$129,287	3.7%	
Total Global Equity	**$139,442**	**$163,227**					**$302,669**	**8.7%**	**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%**
Prudential Real Estate				$82,992			$82,992	2.4%	
UBS Real Estate				$178,706			$178,706	5.1%	
Guggenheim				$22,664			$22,664	0.6%	
RREEF				$10,226			$10,226	0.3%	
Total Real Estate				**$294,588**			**$294,588**	**8.4%**	**8.0%**
Adams Street Partners					$27,248		$27,248	0.8%	
Pantheon Ventures					$6,346		$6,346	0.2%	
Total Private Equity					**$33,594**		**$33,594**	**1.0%**	**0.0%**
Clifton Group						$10,854	$10,854	0.3%	
Total Cash						**$10,854**	**$10,854**	**0.3%**	**0.0%**
Total Assets	**$1,415,625**	**$810,881**	**$933,216**	**$294,588**	**$33,594**	**$10,854**	**$3,498,759**	**100.0%**	**100.0%**
Percent of Total	**40.5%**	**23.2%**	**26.7%**	**8.4%**	**1.0%**	**0.3%**	**100.0%**		

* Asset allocation reflects net exposure
* Private Equity reflects Market Values as of 9/30/2012 plus Capital Calls from 10/1/2012-12/31/2012
**Market Value data is preliminary as final data is not yet available

Calendar Year Performance

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Calendar Year Performance

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
BlackRock Extended Equity	**18.4**	**-3.4**	**29.0**	**35.0**	**-38.4**	**5.4**	**15.2**	**10.5**	**18.1**	**43.2**	--
Dow Jones U.S. Completion Total Stock Market Index	17.9	-3.8	28.6	37.4	-39.0	5.4	15.3	10.0	18.0	44.0	--
Western U.S. Index Plus	**20.6**	**0.8**	**24.6**	**42.0**	**-56.3**	--	--	--	--	--	--
S&P 500 Index	16.0	2.1	15.1	26.5	-37.0	--	--	--	--	--	--
BlackRock Equity Market Fund	**16.5**	**1.2**	**17.6**	**28.2**	--	--	--	--	--	--	--
Dow Jones U.S. Total Stock Market Index	16.4	1.1	17.5	28.6	--	--	--	--	--	--	--
Total U.S. Equity	**16.9**	**0.9**	**18.5**	**29.2**	**-40.0**	**4.3**	**15.3**	**5.2**	**11.8**	**32.0**	**-21.8**
Performance Benchmark**	16.4	1.1	17.5	28.6	-37.2	5.5	15.7	6.1	11.9	31.1	-21.5
BlackRock All Country World ex-U.S.	**17.2**	**-14.1**	**12.8**	**43.1**	**-45.6**	--	--	--	--	--	--
MSCI All Country World ex-U.S. IM Index	17.0	-14.3	12.7	43.6	-45.9	--	--	--	--	--	--
Sprucegrove	**17.1**	**-10.8**	**18.7**	**36.1**	**-42.5**	**5.8**	**29.9**	**14.3**	**24.6**	**33.8**	--
MSCI EAFE Index	17.3	-12.1	7.8	31.8	-43.4	11.2	26.3	13.5	20.2	38.6	--
MSCI All Country World ex-U.S. Index	16.8	-13.7	11.2	41.4	-45.5	16.7	26.7	16.6	20.9	40.8	--
Hexavest	**13.9**	**-9.2**	--	--	--	--	--	--	--	--	--
MSCI EAFE Index	17.3	-12.1	--	--	--	--	--	--	--	--	--
Walter Scott	**20.4**	**-9.3**	--	--	--	--	--	--	--	--	--
MSCI All Country World ex-U.S. Index	16.8	-13.7	--	--	--	--	--	--	--	--	--
Total International	**17.9**	**-13.6**	**13.5**	**37.4**	**-44.1**	**11.7**	**25.2**	**19.3**	**18.8**	**36.0**	**-12.4**
Performance Benchmark	16.8	-13.7	11.2	41.4	-45.5	16.7	26.7	16.6	20.9	40.8	-15.8
GMO Global Fund	**15.0**	**-2.0**	**10.2**	**24.3**	**-32.8**	**10.0**	**19.7**	--	--	--	--
MSCI All Country World Index	16.1	-7.3	12.7	34.6	-42.2	11.7	21.0	--	--	--	--
Total Global Equity	**14.4**	**-3.9**	**11.4**	**17.8**	**-37.3**	**11.3**	**19.5**	--	--	--	--
MSCI All Country World Index	16.1	-7.3	12.7	34.6	-42.2	11.7	21.0	--	--	--	--

Note: Returns are net of fees.

Calendar Year Performance

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (Continued)
Calendar Year Performance

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Western	9.7	7.3	11.3	18.2	-8.9	4.8	5.1	3.2	6.4	9.1	9.5
Barclays Capital Aggregate Bond Index	4.2	7.8	6.5	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3
BlackRock U.S. Debt Fund	4.3	7.9	6.7	6.0	5.4	7.0	4.3	2.4	4.3	4.2	10.3
Barclays Capital Aggregate Bond Index	4.2	7.8	6.5	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3
Reams	9.9	8.3	10.1	35.9	-12.1	7.4	5.0	3.9	5.0	8.7	4.1
Barclays Capital Aggregate Bond Index	4.2	7.8	6.5	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3
Loomis Sayles	16.8	4.2	13.5	38.1	-19.9	6.7	9.0	--	--	--	--
Performance Benchmark***	7.5	7.1	8.7	18.8	-4.6	5.1	6.8	--	--	--	--
Total Fixed Income	9.6	7.3	10.6	25.6	-8.7	6.3	5.3	3.2	5.2	7.1	7.9
Barclays Capital Aggregate Bond Index	4.2	7.8	6.5	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3
Total Prudential Real Estate	8.8	18.2	17.5	-34.8	-13.7	16.6	15.8	27.8	--	--	--
Policy Benchmark	10.4	15.0	14.7	-18.8	-7.3	15.2	15.3	20.1	--	--	--
UBS Real Estate	9.1	12.2	15.8	-23.2	-8.4	12.7	15.6	20.1	13.5	--	--
NCREIF Open End Fund Index	10.4	15.0	14.7	-18.8	-7.3	15.2	15.3	19.0	13.6	--	--
Guggenheim	11.6	17.0	15.1	-27.0	-29.0	3.8	--	--	--	--	--
NCREIF Open-End Fund Property Index*****	13.4	13.0	17.8	-3.2	-15.2	5.8	--	--	--	--	--
RREEF	22.9	53.7	8.4	-64.5	-41.8	--	--	--	--	--	--
NCREIF Open End Fund Index	10.4	15.0	14.7	-18.8	-7.3	--	--	--	--	--	--
Total Real Estate******	9.1	14.4	15.4	-31.2	-16.0	12.8	15.7	26.6	7.5	12.1	9.4
Policy Benchmark	10.4	15.0	14.7	-18.8	-7.3	15.2	15.3	20.1	14.5	9.0	6.7
Total Private Equity*********	10.3	--	--	--	--	--	--	--	--	--	--
Adams Street Partners	10.8	--	--	--	--	--	--	--	--	--	--
Pantheon	0.9	--	--	--	--	--	--	--	--	--	--
Total Fund	14.0	0.3	15.1	24.2	-30.9	7.0	14.2	7.8	10.9	24.4	-10.6
Policy Portfolio	12.8	0.6	13.3	20.8	-27.1	8.5	14.0	7.6	11.3	22.9	-10.1
Total Fund (ex-Private Equity)	13.3	--	--	--	--	--	--	--	--	--	--
Total Fund (ex-Clifton)	13.7	0.6	14.5	23.3	-30.3	6.9	14.0	7.9	10.8	24.4	-10.4

*All returns contained in this 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.

*******Returns for Private Equity may not be meaningful, due to their relatively short investment period.

Note: Returns are net of fees.

Manager "Watch" List

Manager "Watch" Status Policy
A manager may be placed on "Watch" status for:

- Failure to meet one or more of the standards, objectives, goals, or risk controls as set forth in this policy statement
- Violation of ethical, legal, or regulatory standards
- Material adverse change in the ownership of the firm or personnel changes
- Failure to meet reporting or disclosure requirements
- Failure to meet performance objectives or goals
- 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.

"Watch" status:

- RREEF is currently on watch for performance reasons.

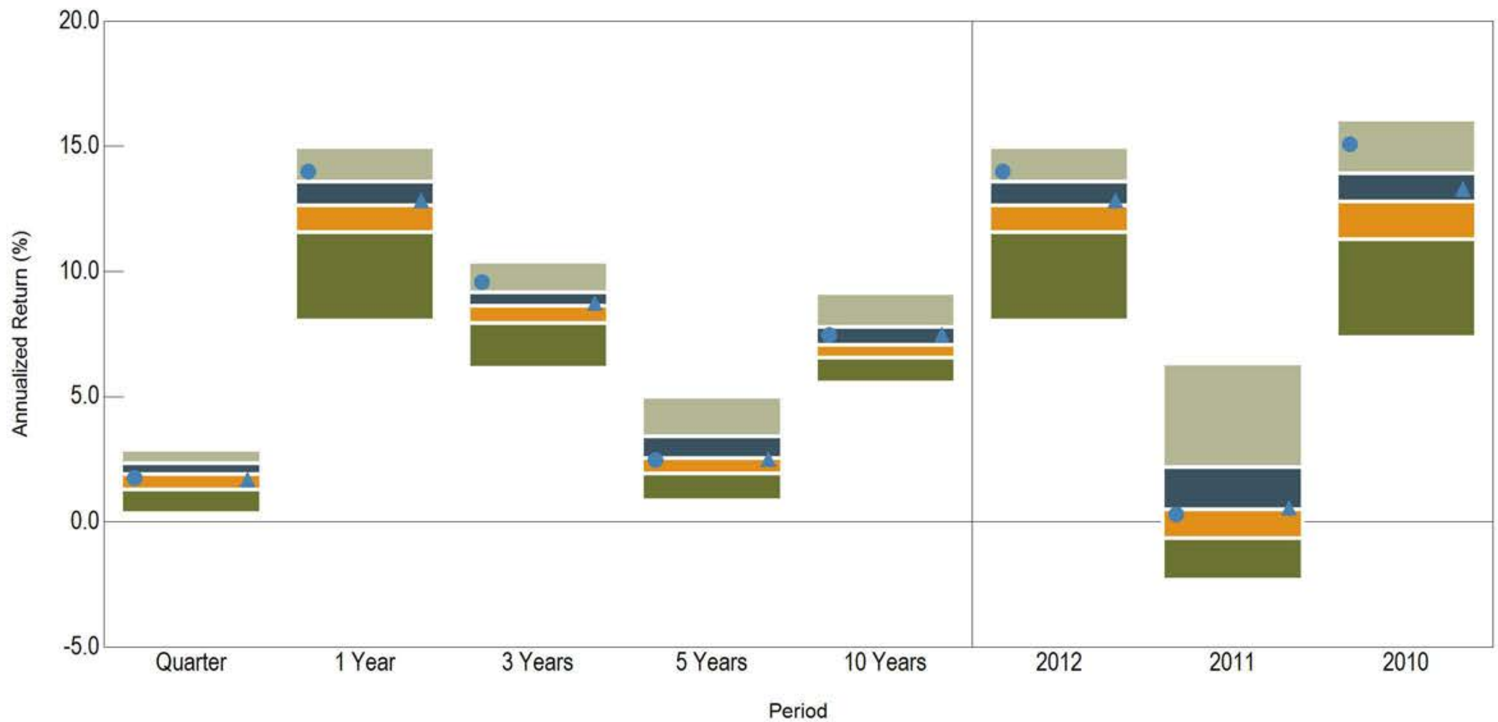
Manager	Date Added	Reason	Follow-Up Date
RREEF	February 1, 2009	Performance	TBD

Universe Comparison

Benchmark: Policy Portfolio

Universe: Public Funds Net

Ending December 31, 2012

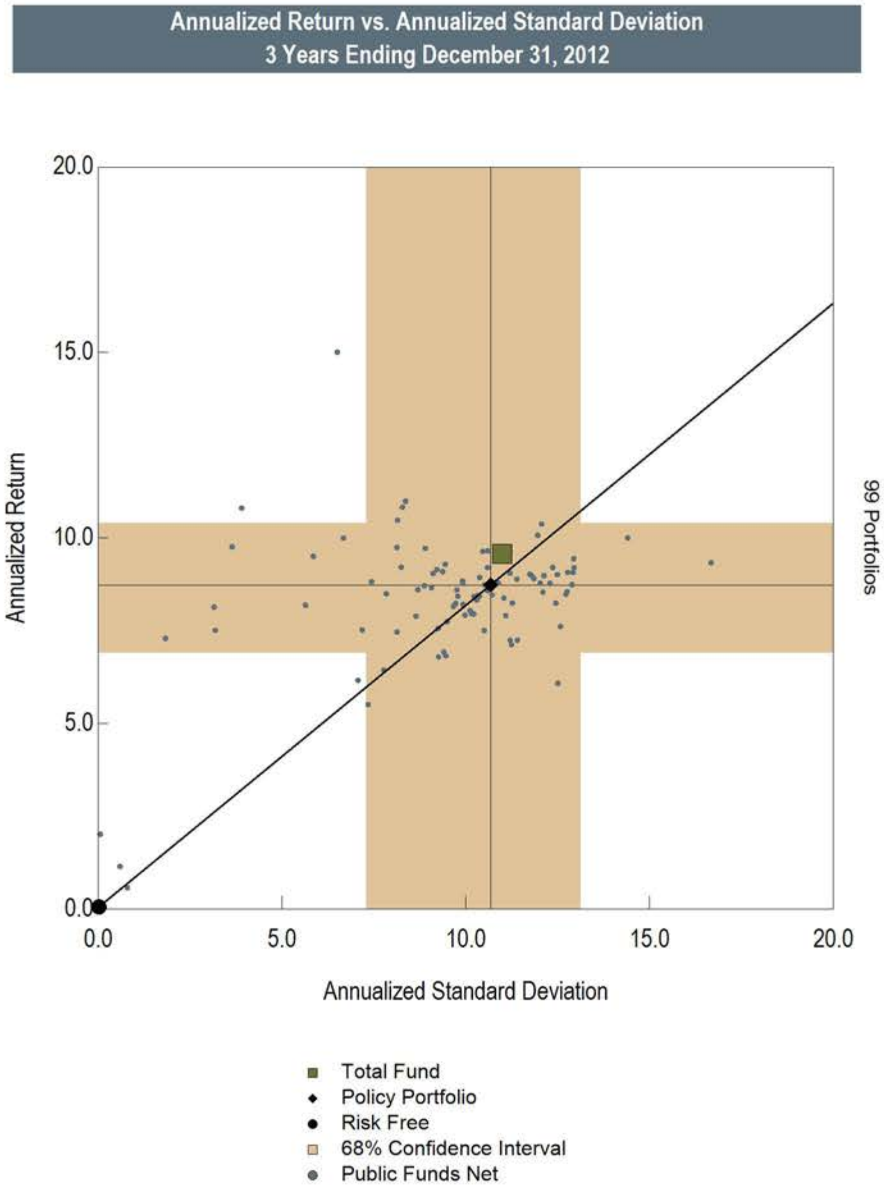


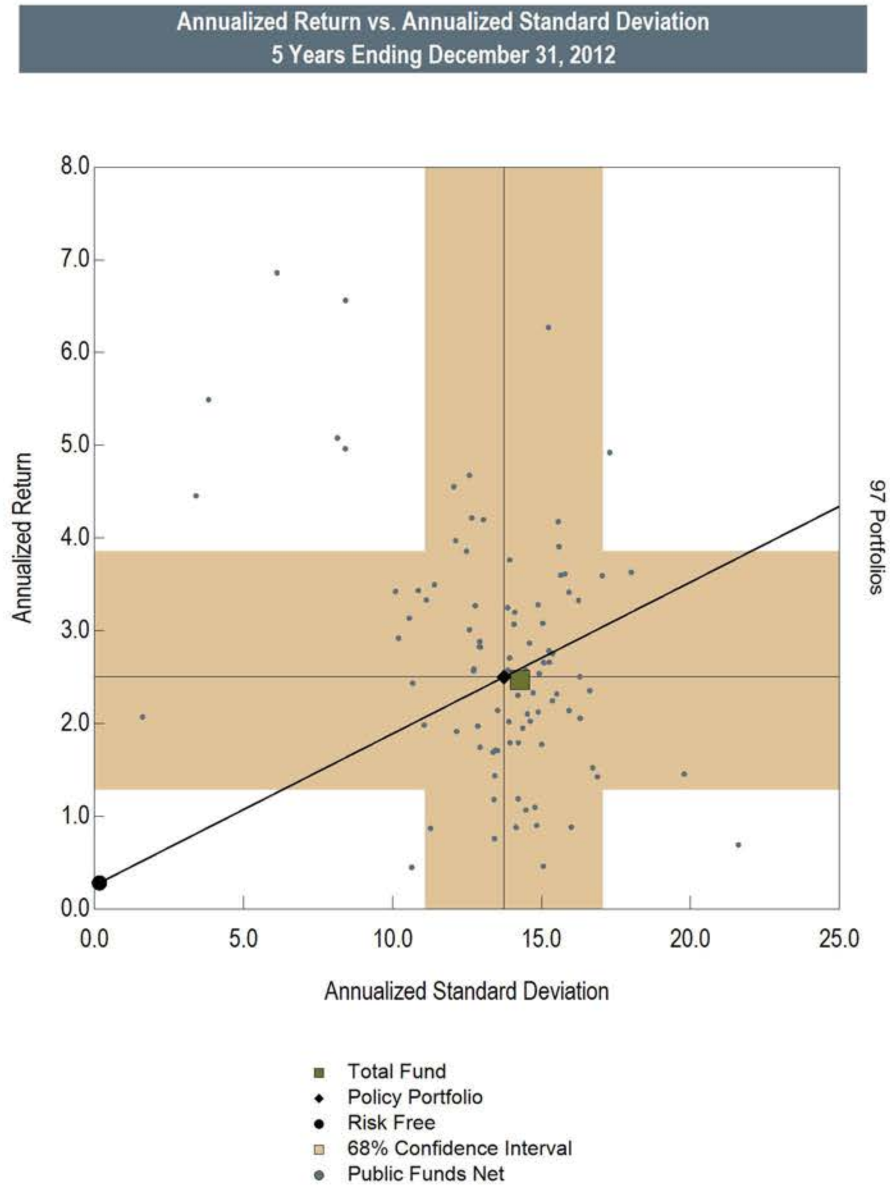
	Return (Rank)															
5th Percentile	2.9		15.0		10.4		5.0		9.1		15.0		6.3		16.1	
25th Percentile	2.4		13.6		9.2		3.4		7.8		13.6		2.2		13.9	
Median	1.9		12.7		8.6		2.6		7.1		12.7		0.5		12.8	
75th Percentile	1.3		11.6		8.0		1.9		6.6		11.6		-0.6		11.3	
95th Percentile	0.4		8.0		6.2		0.9		5.6		8.0		-2.3		7.4	
# of Portfolios	112		108		99		97		85		108		111		113	
● Total Fund	1.8	(62)	14.0	(19)	9.6	(16)	2.5	(57)	7.5	(35)	14.0	(19)	0.3	(55)	15.1	(10)
▲ Policy Portfolio	1.7	(64)	12.8	(47)	8.7	(46)	2.5	(57)	7.5	(33)	12.8	(47)	0.6	(49)	13.3	(43)

Risk Profile

Benchmark: Policy Portfolio

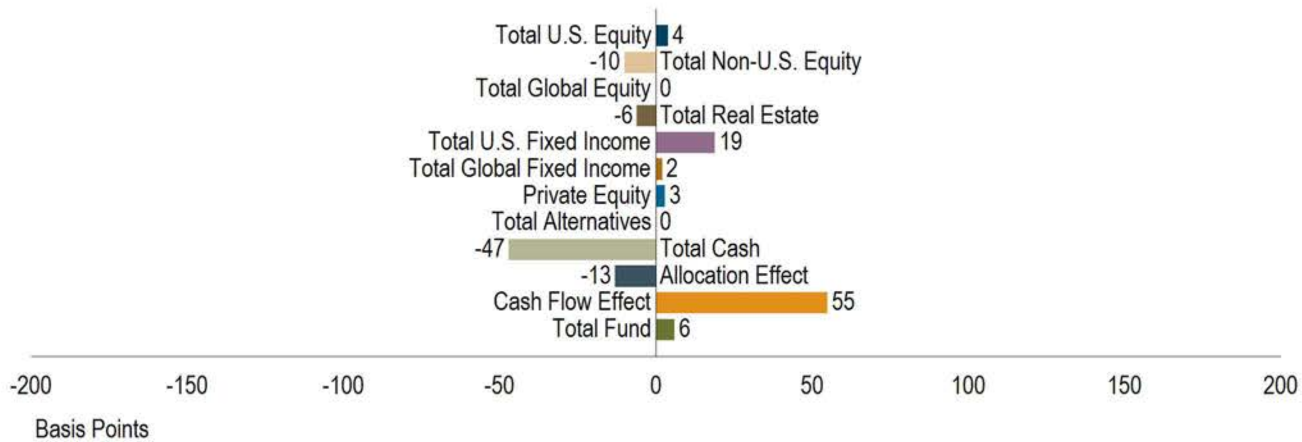
Universe: Public Funds Net



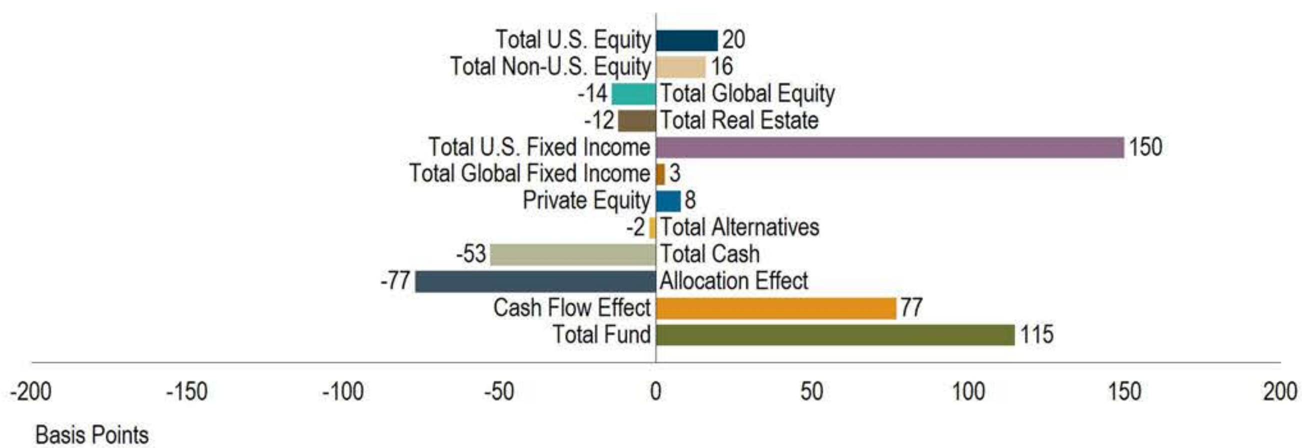


Attribution

TOTAL FUND ATTRIBUTION ANALYSIS
3 MONTHS ENDING 12/31/12



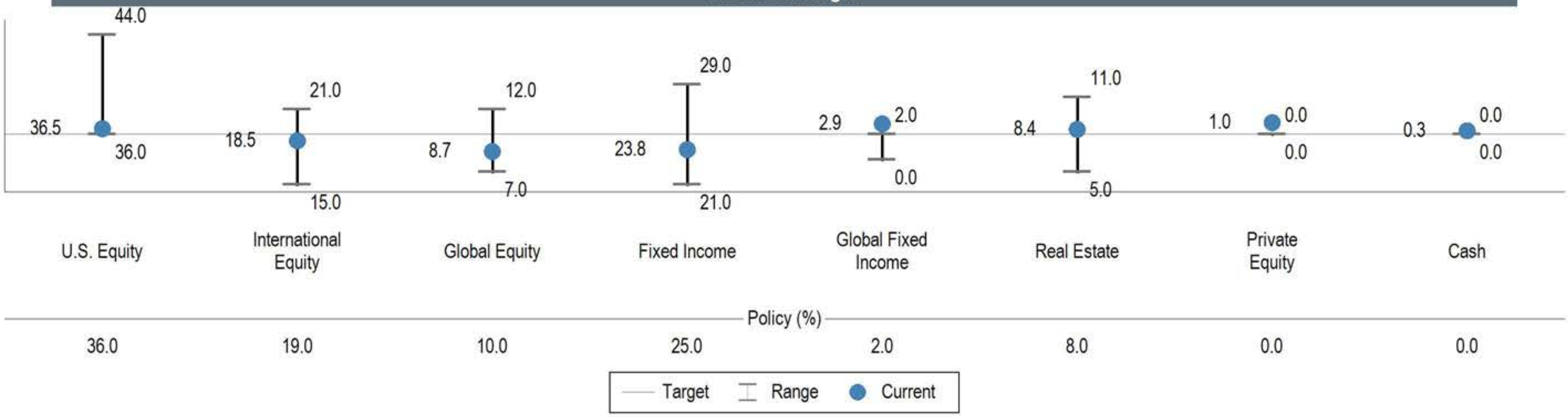
TOTAL FUND ATTRIBUTION ANALYSIS
1 YEAR ENDING 12/31/12



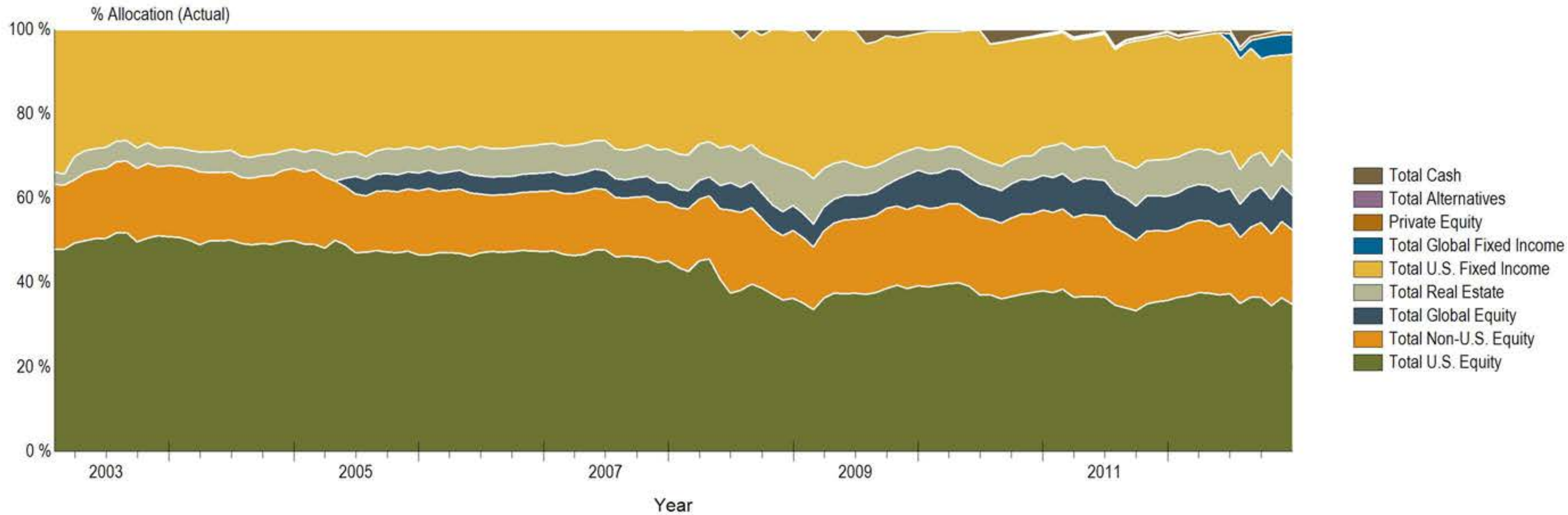
Note: The Cash Flow Effect exhibited in this quarter's and over the one year attribution charts represents the effect the Clifton Group had on the Total Fund.

Asset Allocation

Actual vs. Target



Asset Allocation History
10 Years Ending December 31, 2012

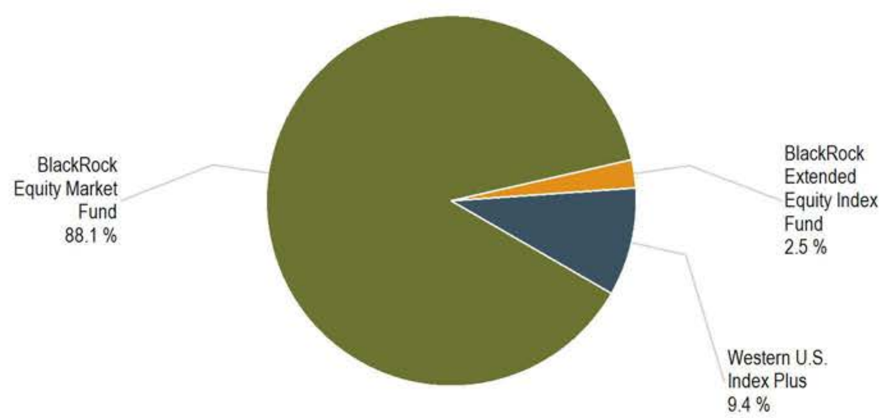


Total U.S. Equity

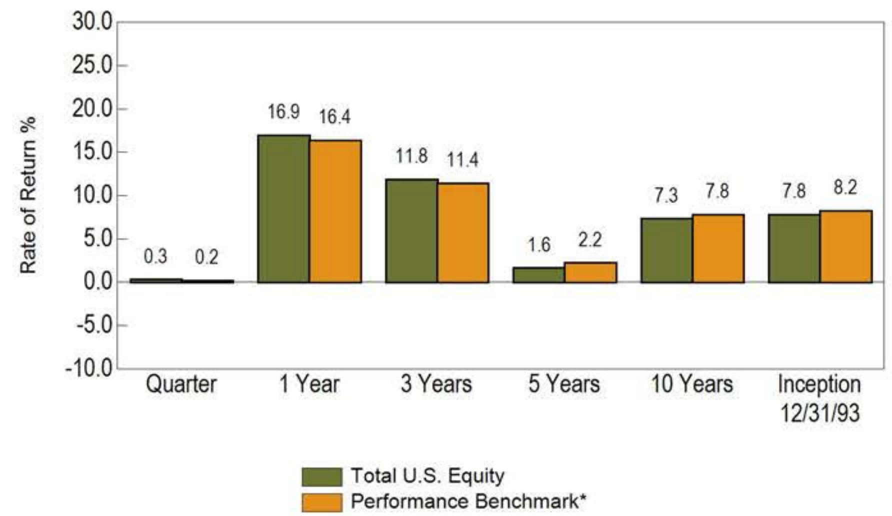
Overview

Benchmark: Performance Benchmark*

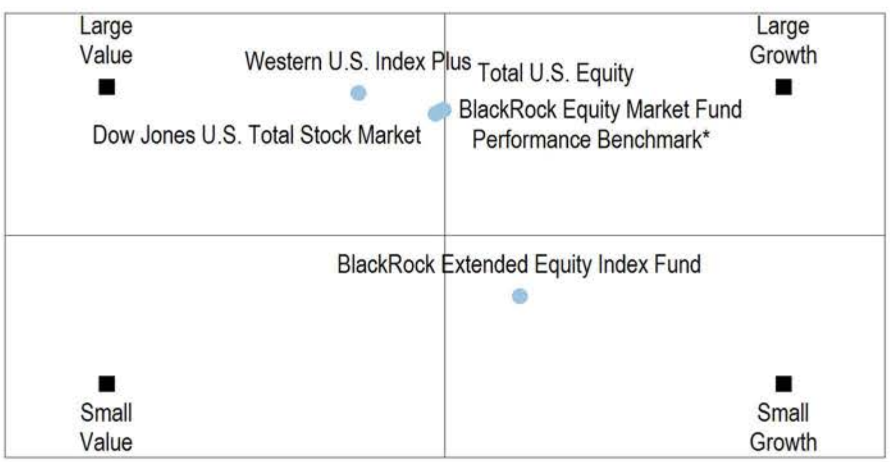
Current Allocation



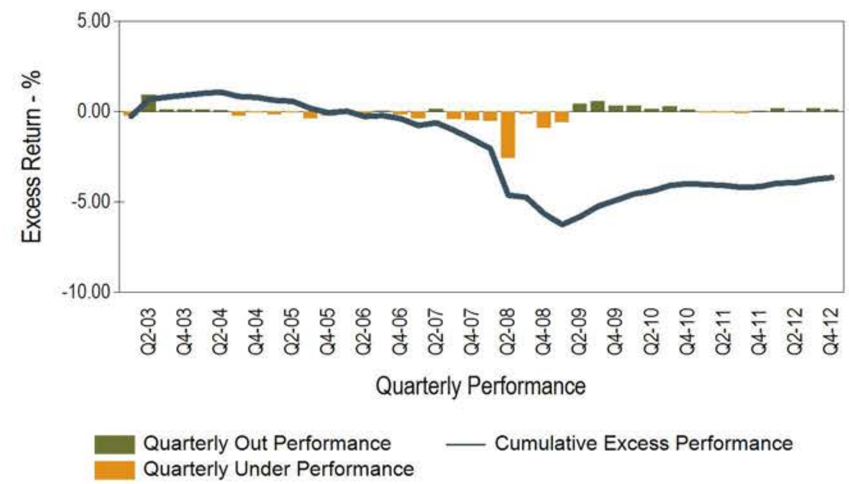
Return Summary



U.S. Effective Style Map
3 Years Ending December 31, 2012



Quarterly and Cumulative Excess Performance

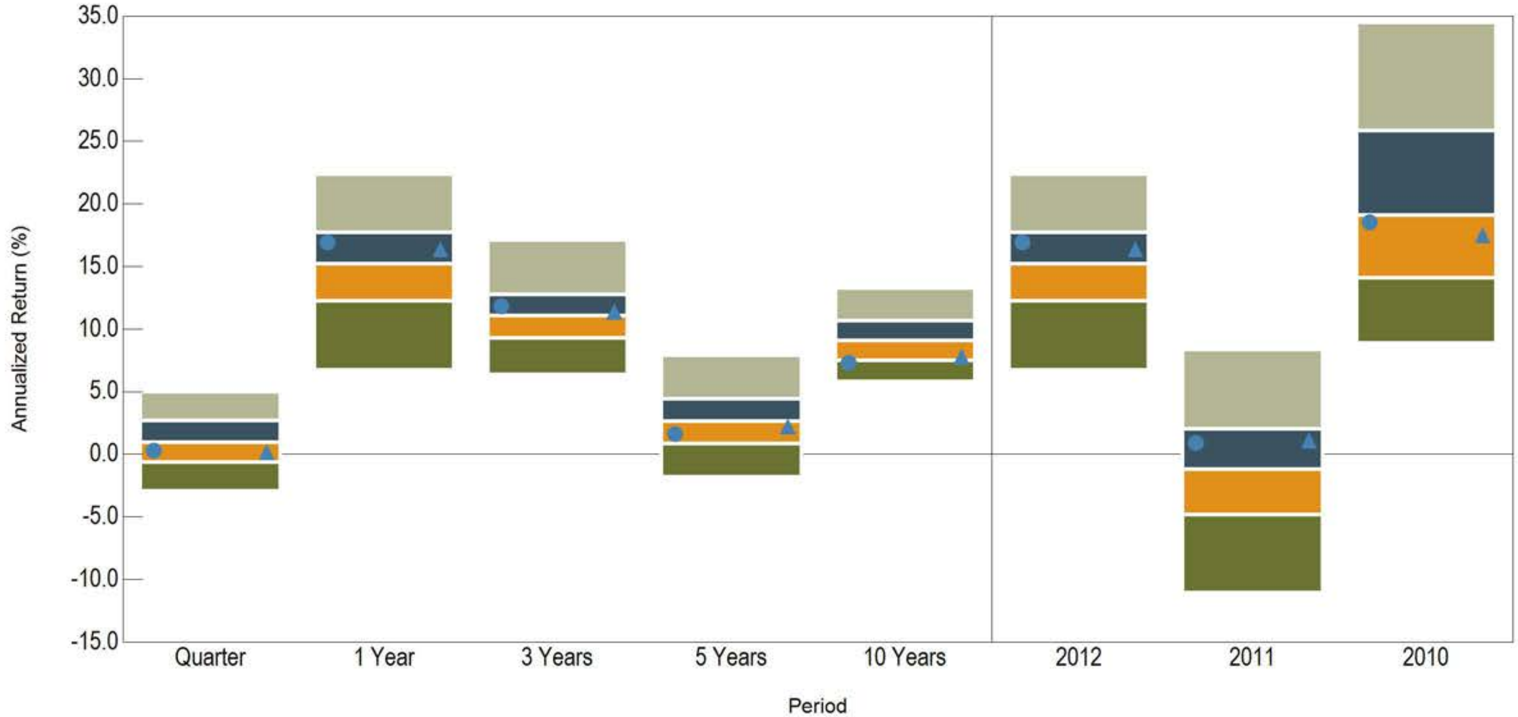


Universe Comparison

Benchmark: Performance Benchmark*

Universe: eA All US Equity Net

Ending December 31, 2012



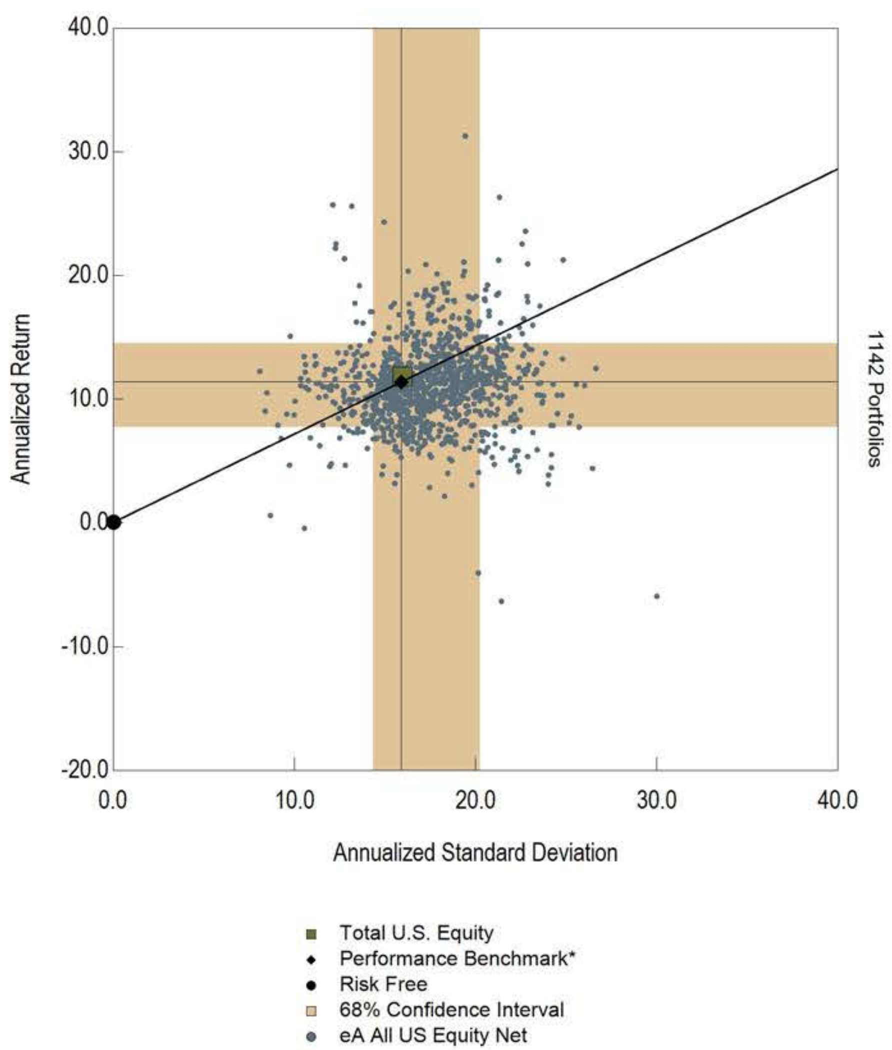
Return (Rank)	Quarter		1 Year		3 Years		5 Years		10 Years		2012		2011		2010	
5th Percentile	5.0		22.4		17.1		7.9		13.3		22.4		8.4		34.5	
25th Percentile	2.7		17.7		12.8		4.5		10.7		17.7		2.1		25.9	
Median	1.0		15.3		11.1		2.7		9.1		15.3		-1.1		19.1	
75th Percentile	-0.6		12.3		9.3		0.9		7.5		12.3		-4.8		14.1	
95th Percentile	-2.9		6.8		6.4		-1.8		5.8		6.8		-11.0		8.9	
# of Portfolios	1,310		1,223		1,142		1,023		693		1,223		1,081		1,035	
● Total U.S. Equity	0.3	(61)	16.9	(32)	11.8	(39)	1.6	(67)	7.3	(80)	16.9	(32)	0.9	(35)	18.5	(53)
▲ Performance Benchmark*	0.2	(63)	16.4	(38)	11.4	(46)	2.2	(58)	7.8	(72)	16.4	(38)	1.1	(33)	17.5	(58)

Risk Profile

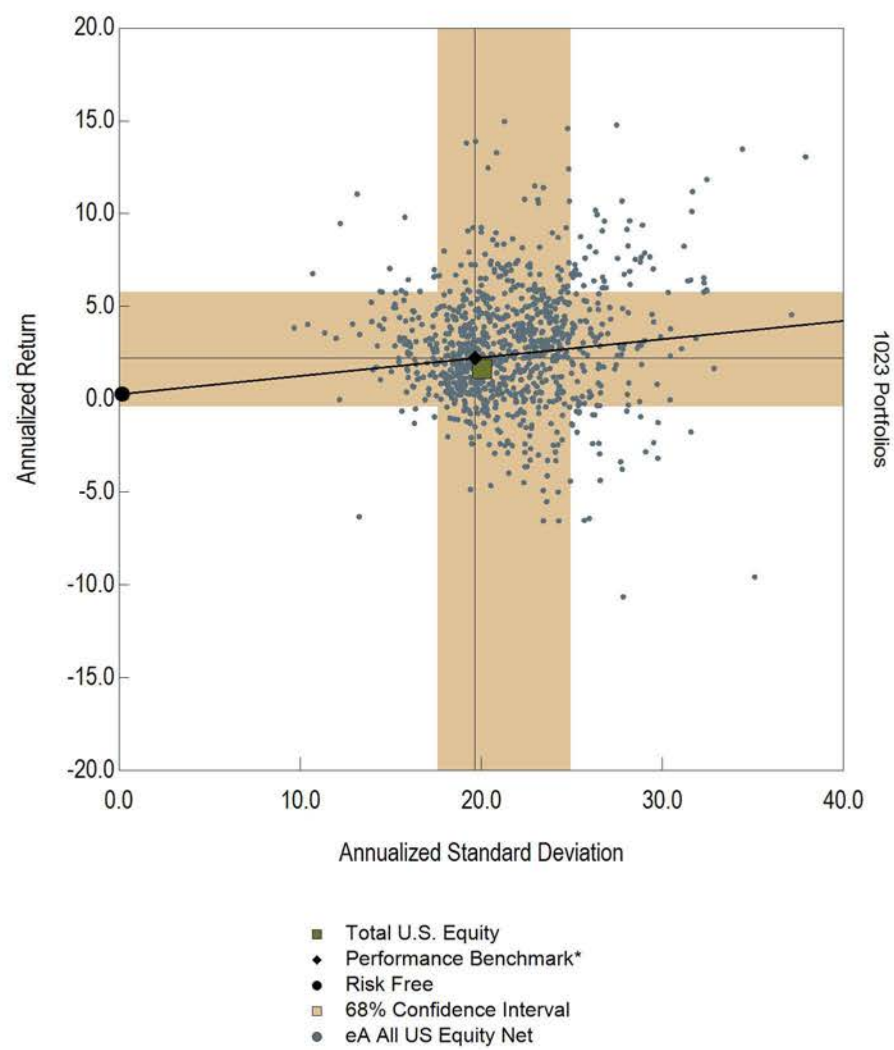
Benchmark: Performance Benchmark*

Universe: eA All US Equity Net

Annualized Return vs. Annualized Standard Deviation 3 Years Ending December 31, 2012

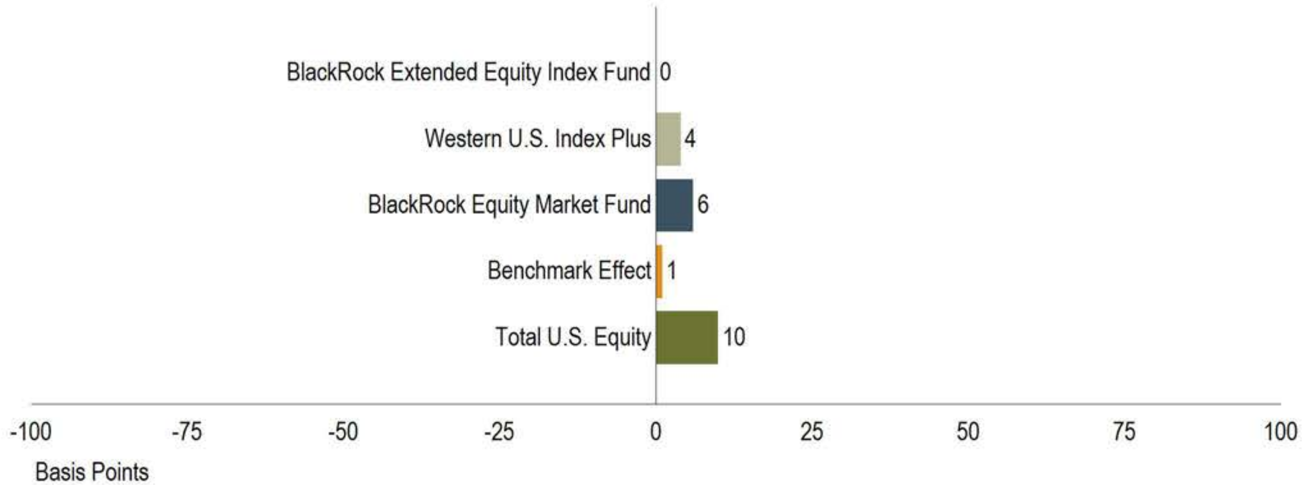


Annualized Return vs. Annualized Standard Deviation 5 Years Ending December 31, 2012

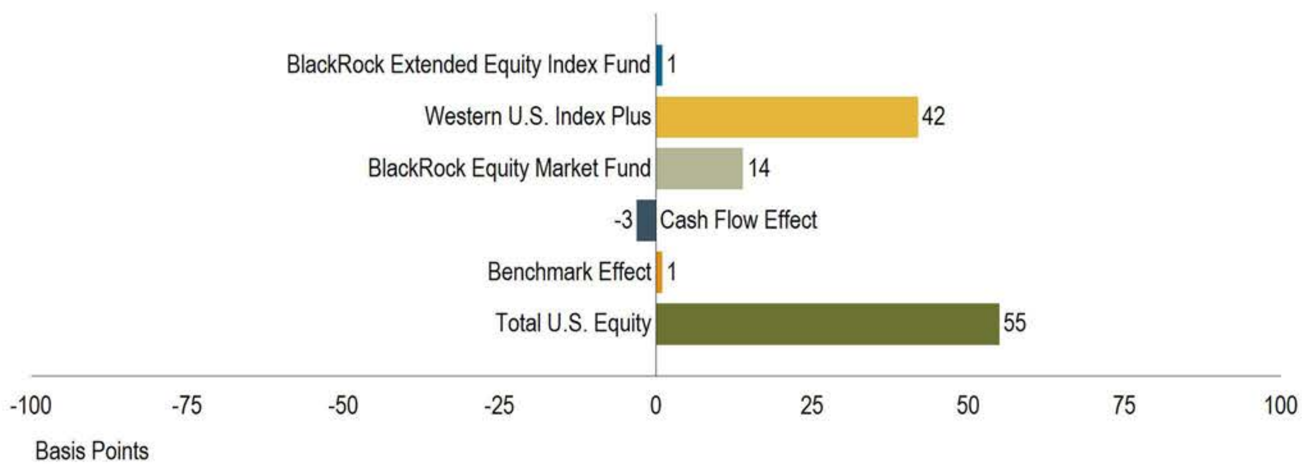


Attribution

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 12/31/12



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 12/31/12



Manager Performance

Benchmark: Dow Jones U.S. Completion Total Stock Market Index

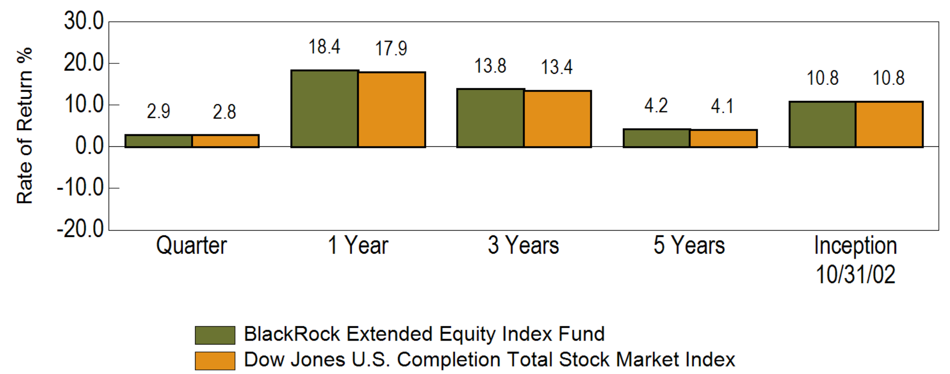
The BlackRock Extended Market Index Fund provides investment in the U.S. equity market excluding those stocks represented in the S&P 500 Index. The Fund is passively managed using a "fund optimization" technique. The Fund typically invests all, or substantially all, assets in the 1,300 largest stocks in the Index and in a representative sample of the remainder. Stocks are selected based on appropriate industry weightings, market capitalizations, and certain fundamental characteristics (e.g. price/earnings ratio and dividend yield) that closely align the Fund's characteristics with those of its benchmark.

The Fund does not hold publicly traded partnerships (PTPs) because of their potential to distribute unrelated business taxable income. However, the DJ U.S. Completion Total Stock Market Index includes PTPs which result in the Fund experiencing tracking discrepancies. While there will likely be tracking discrepancies on a quarter-to-quarter basis, we expect the difference to be minimal over longer time periods.

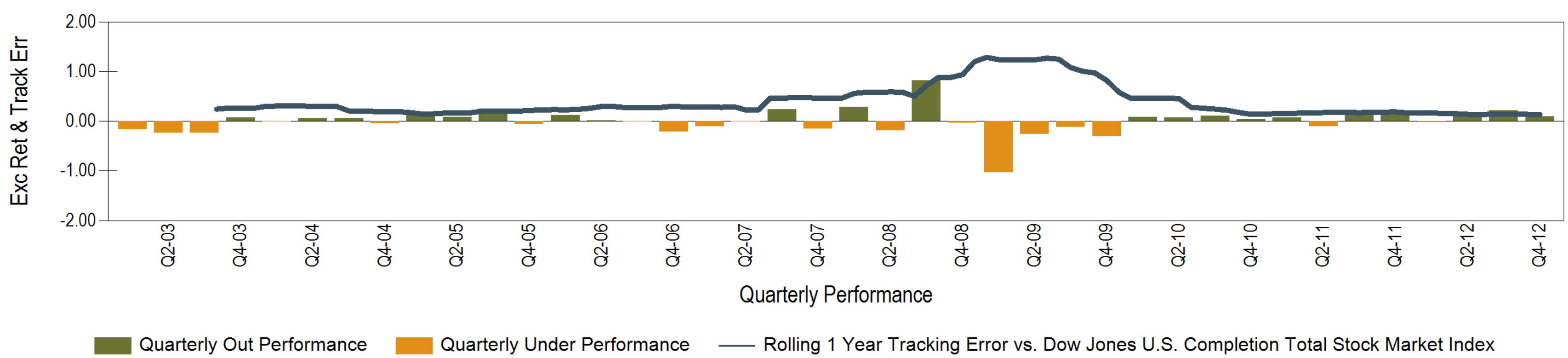
Account Information

Account Name	**BlackRock Extended Equity Index Fund**
Account Structure	**Commingled Fund**
Investment Style	**Passive**
Inception Date	**10/31/02**
Account Type	**US Stock**
Benchmark	**Dow Jones U.S. Completion Total Stock Market Index**
Universe	**eA US Small-Mid Cap Equity Net**

Return Summary



Tracking Error

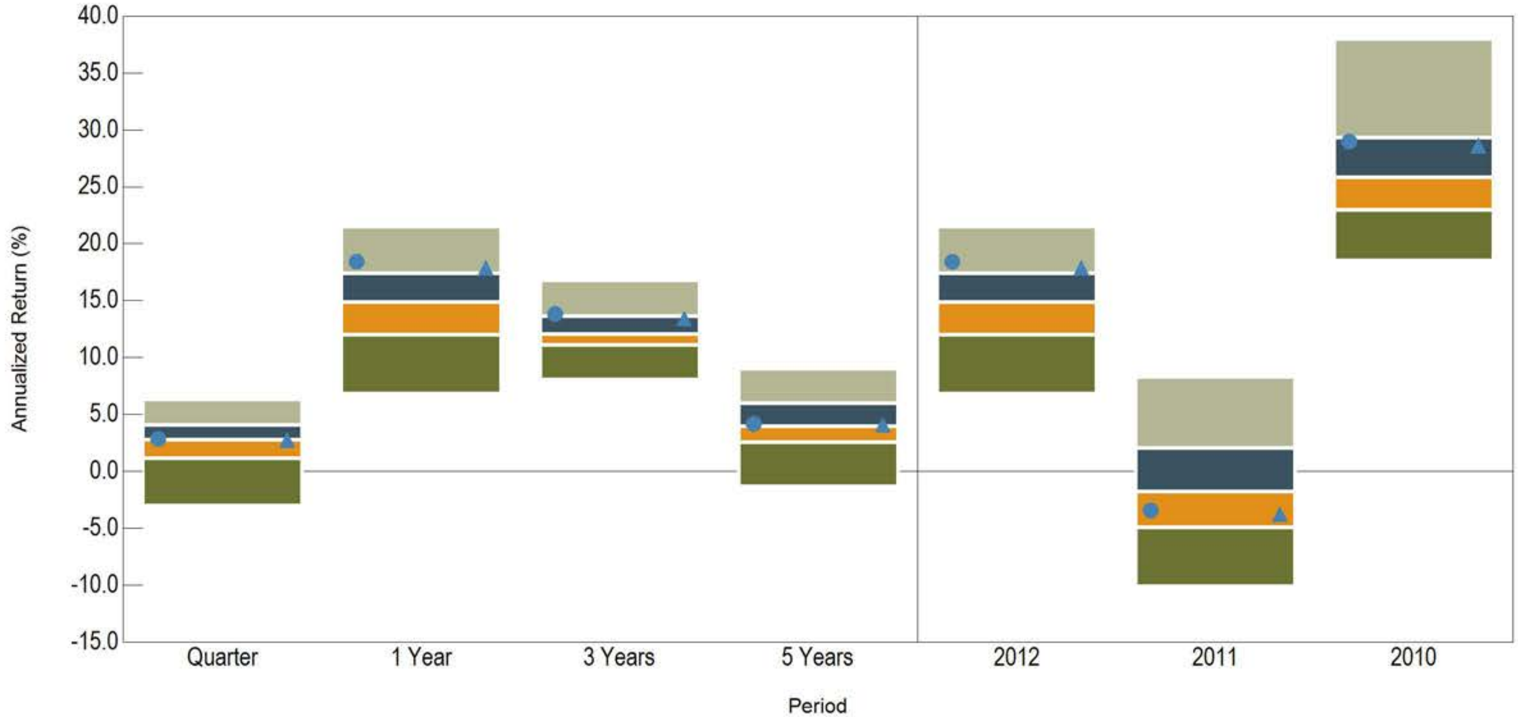


Universe Comparison

Benchmark: Dow Jones U.S. Completion Total Stock Market Index

Universe: eA US Small-Mid Cap Equity Net

Ending December 31, 2012



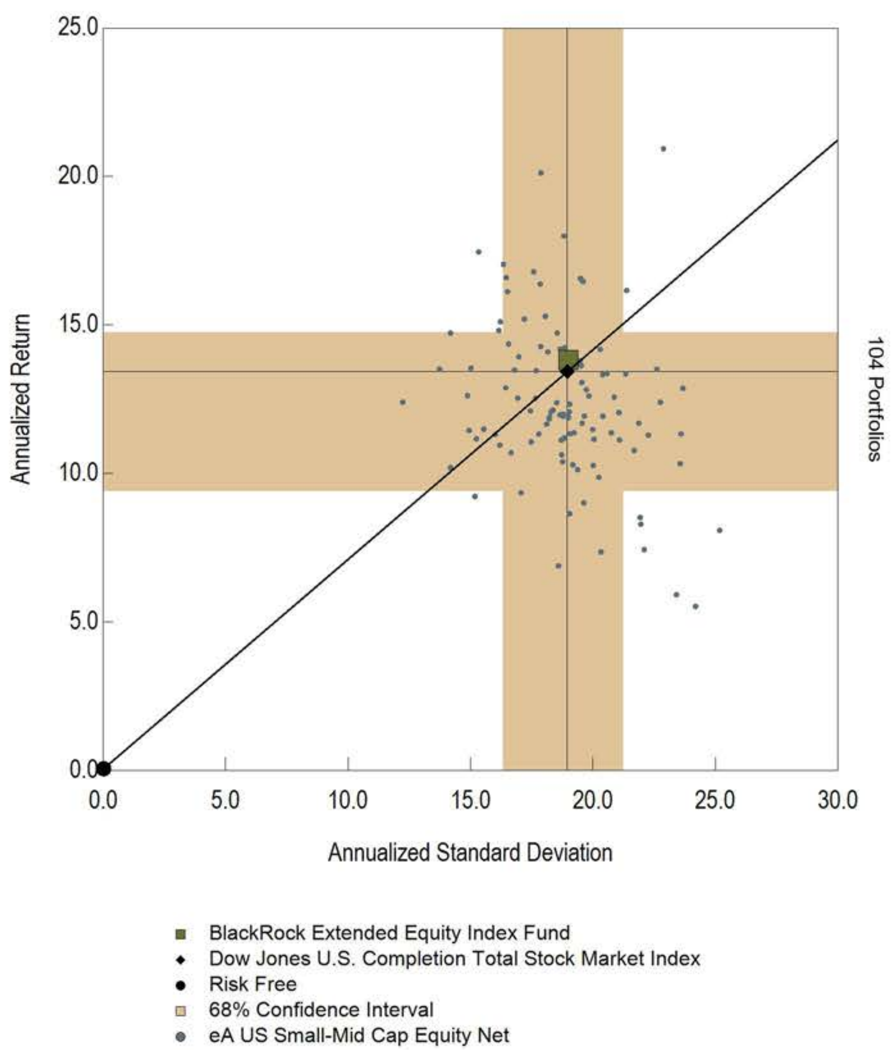
Return (Rank)	Quarter		1 Year		3 Years		5 Years		2012		2011		2010	
5th Percentile	6.3		21.5		16.8		9.0		21.5		8.3		38.0	
25th Percentile	4.1		17.5		13.7		6.0		17.5		2.1		29.3	
Median	2.8		14.9		12.1		4.0		14.9		-1.7		25.8	
75th Percentile	1.2		12.0		11.1		2.6		12.0		-4.9		23.0	
95th Percentile	-3.0		6.9		8.1		-1.3		6.9		-10.1		18.5	
# of Portfolios	124		115		104		93		115		93		89	
● BlackRock Extended Equity Index Fund	2.9	(50)	18.4	(18)	13.8	(25)	4.2	(49)	18.4	(18)	-3.4	(66)	29.0	(28)
▲ Dow Jones U.S. Completion Total Stock Mark	2.8	(51)	17.9	(22)	13.4	(32)	4.1	(50)	17.9	(22)	-3.8	(67)	28.6	(34)

Risk Profile

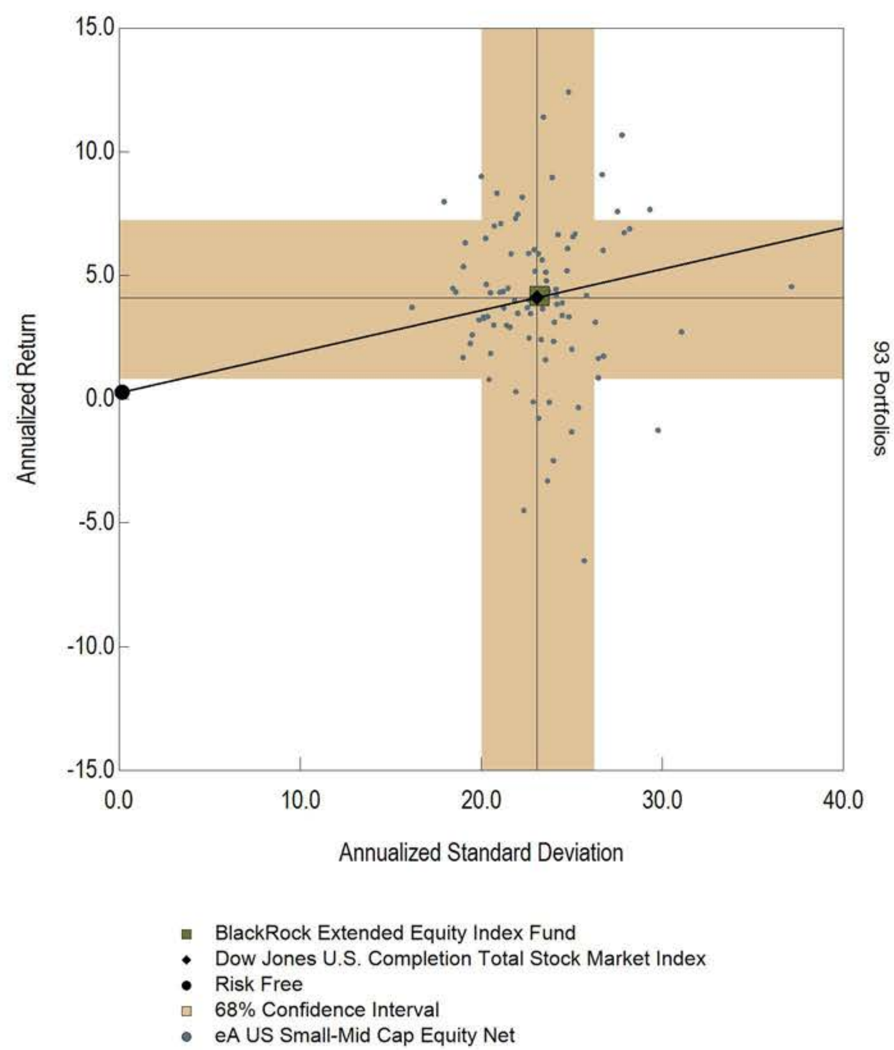
Benchmark: Dow Jones U.S. Completion Total Stock Market Index

Universe: eA US Small-Mid Cap Equity Net

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2012



Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2012



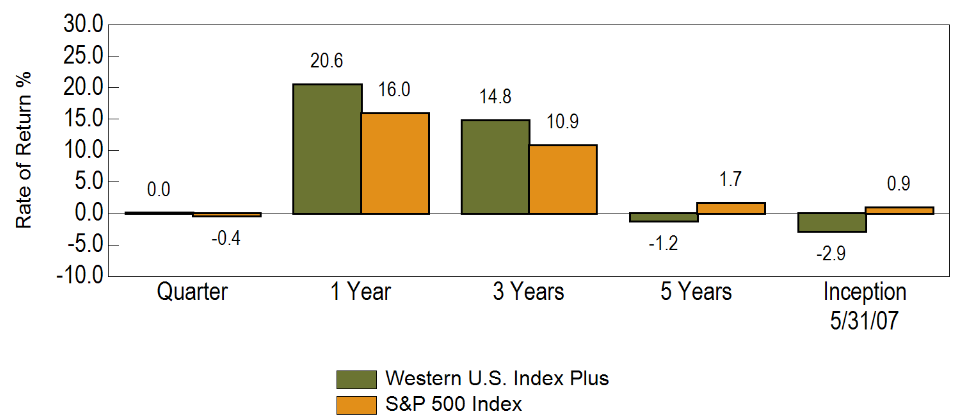
Manager Performance

Benchmark: S&P 500 Index

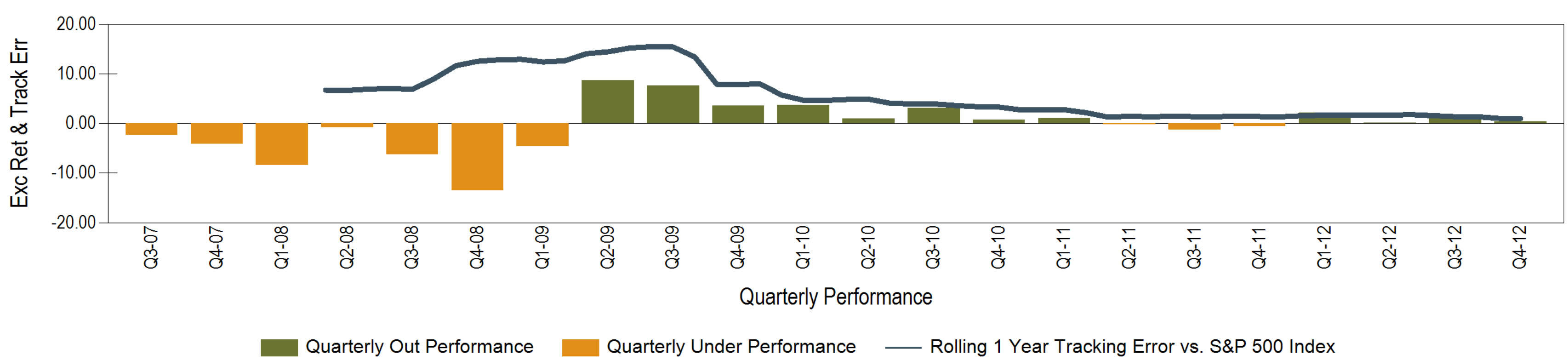
Western employs a value-oriented investment approach that has proven successful in adding excess returns across various market cycles. This versatility comes from the manager's multiple sources of value-added and focus on finding long-term fundamental value. Western seeks to achieve balance between multiple sources of value added - duration management, yield curve positioning, sector allocation, and security selection - while diversifying risk. Western has one of the deepest teams of investment/risk professionals in the industry. The manager also has dedicated significant resources to analytics and risk management. We would highlight that active sector rotation and portfolio construction are key strengths of Western.

Account Information	
Account Name	**Western U.S. Index Plus**
Account Structure	**Separate Account**
Investment Style	**Passive**
Inception Date	**5/31/07**
Account Type	**US Stock**
Benchmark	**S&P 500 Index**
Universe	**eA All US Equity Net**

Return Summary



Tracking Error

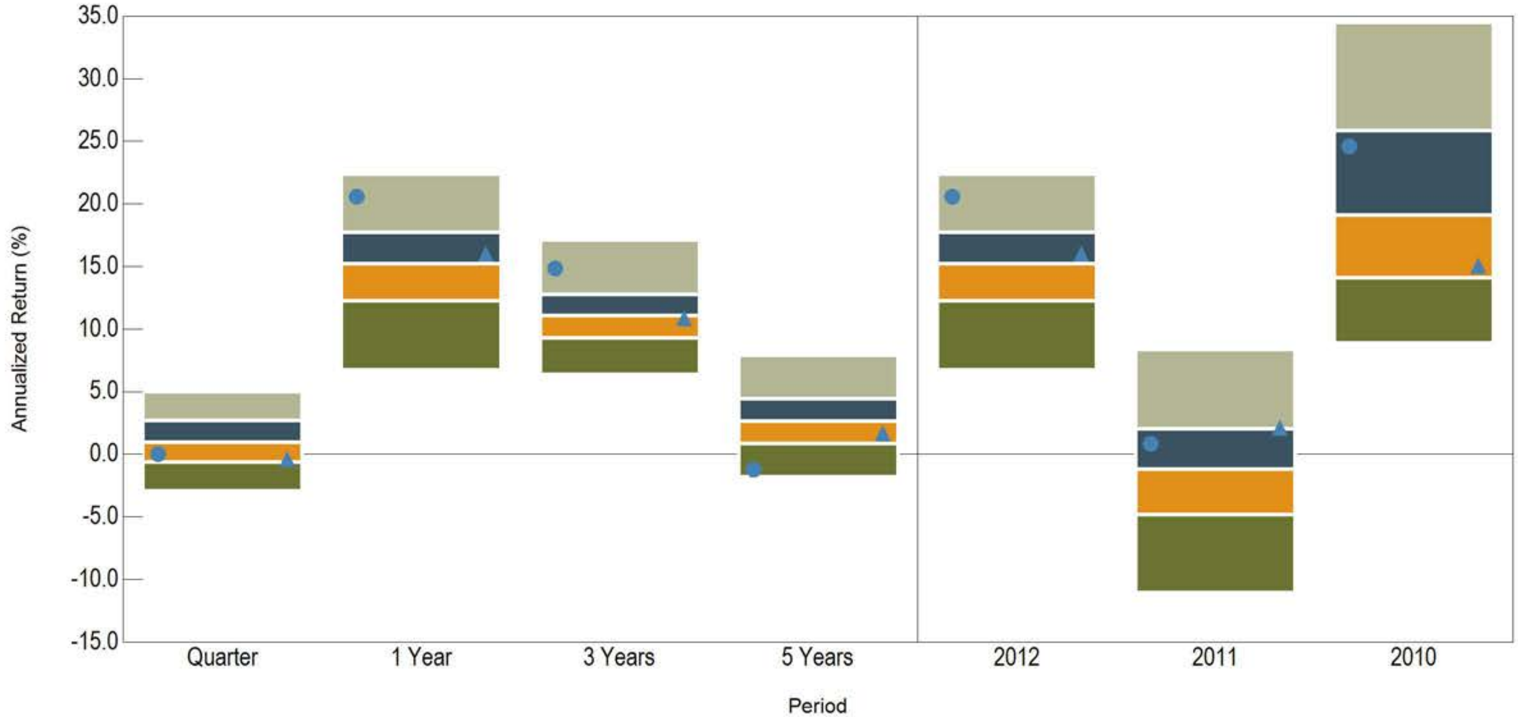


Universe Comparison

Benchmark: S&P 500 Index

Universe: eA All US Equity Net

Ending December 31, 2012

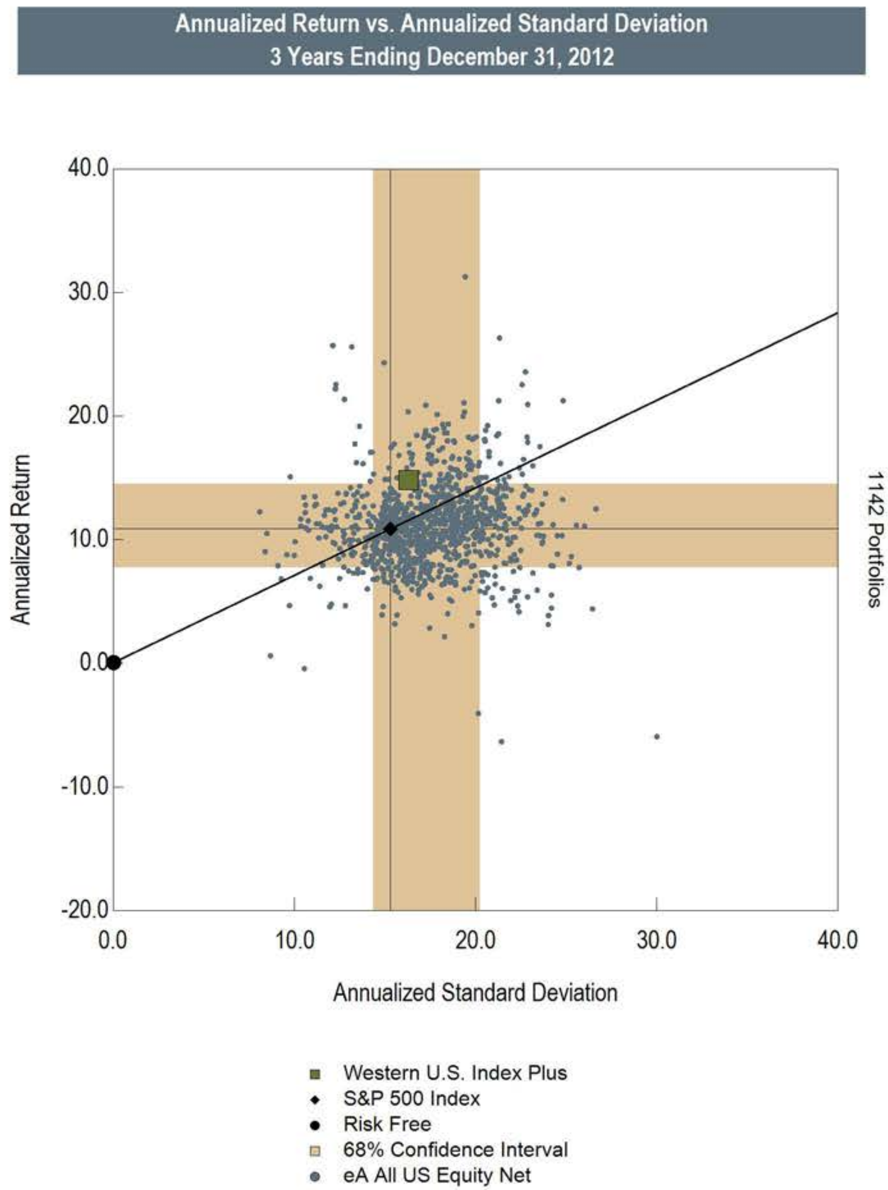


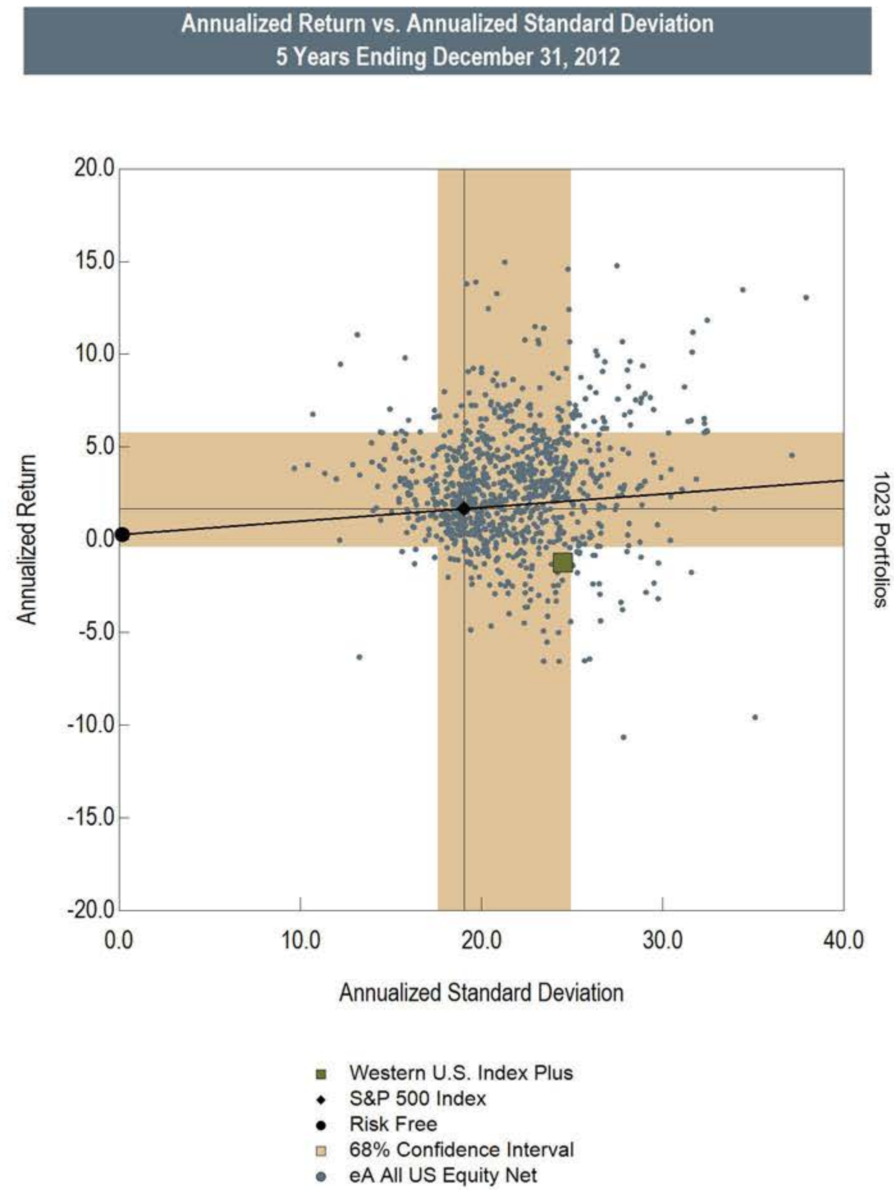
Return (Rank)	Quarter		1 Year		3 Years		5 Years		2012		2011		2010	
5th Percentile	5.0		22.4		17.1		7.9		22.4		8.4		34.5	
25th Percentile	2.7		17.7		12.8		4.5		17.7		2.1		25.9	
Median	1.0		15.3		11.1		2.7		15.3		-1.1		19.1	
75th Percentile	-0.6		12.3		9.3		0.9		12.3		-4.8		14.1	
95th Percentile	-2.9		6.8		6.4		-1.8		6.8		-11.0		8.9	
# of Portfolios	1,310		1,223		1,142		1,023		1,223		1,081		1,035	
● Western U.S. Index Plus	0.0	(65)	20.6	(10)	14.8	(12)	-1.2	(94)	20.6	(10)	0.8	(36)	24.6	(30)
▲ S&P 500 Index	-0.4	(72)	16.0	(42)	10.9	(55)	1.7	(65)	16.0	(42)	2.1	(25)	15.1	(69)

Risk Profile

Benchmark: S&P 500 Index

Universe: eA All US Equity Net





Manager Performance

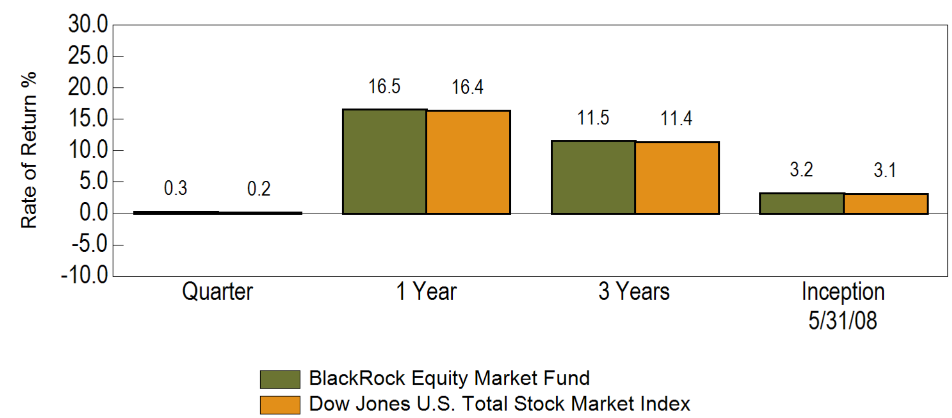
Benchmark: Dow Jones U.S. Total Stock Market Index

The objective of the BlackRock U.S. Equity Market Fund is to approximate the return of the Dow Jones U.S. Total Stock Market Index. The Dow Jones U.S. Total Stock Market Index contains essentially all publicly traded stocks in the U.S. Accordingly, it is the broadest available measure of the domestic stock market.

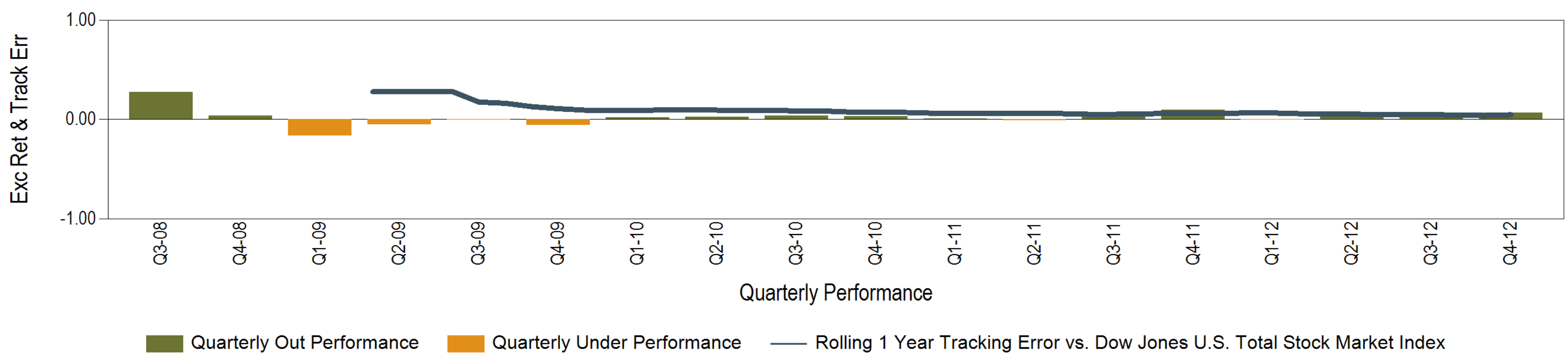
Account Information

Account Name	**BlackRock Equity Market Fund**
Account Structure	**Commingled Fund**
Investment Style	**Passive**
Inception Date	**5/31/08**
Account Type	**US Stock**
Benchmark	**Dow Jones U.S. Total Stock Market Index**
Universe	**eA All US Equity Net**

Return Summary



Tracking Error

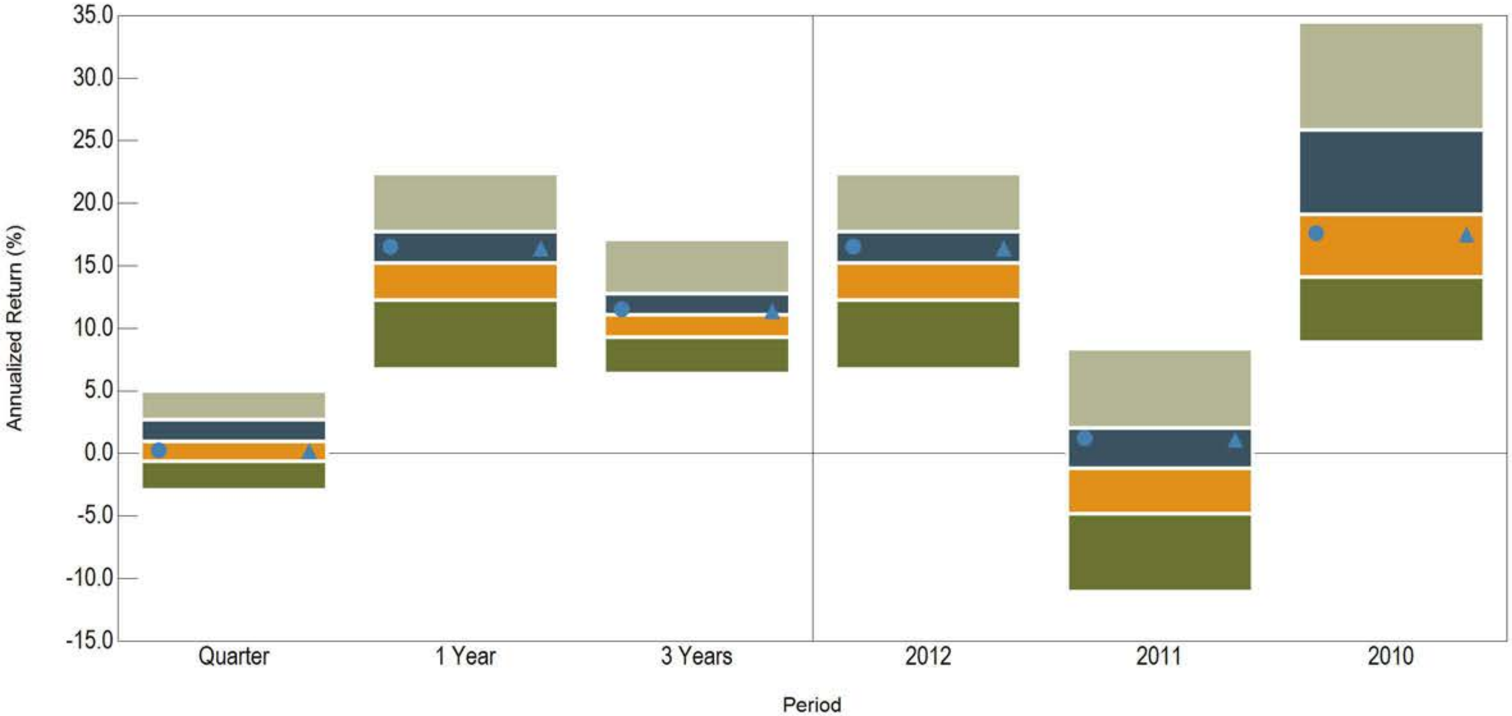


Universe Comparison

Benchmark: Dow Jones U.S. Total Stock Market Index

Universe: eA All US Equity Net

Ending December 31, 2012



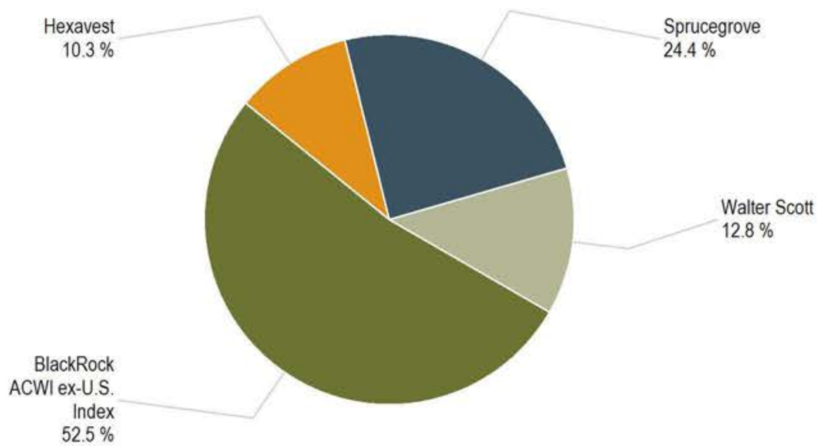
Return (Rank)	Quarter		1 Year		3 Years		2012		2011		2010	
5th Percentile	5.0		22.4		17.1		22.4		8.4		34.5	
25th Percentile	2.7		17.7		12.8		17.7		2.1		25.9	
Median	1.0		15.3		11.1		15.3		-1.1		19.1	
75th Percentile	-0.6		12.3		9.3		12.3		-4.8		14.1	
95th Percentile	-2.9		6.8		6.4		6.8		-11.0		8.9	
# of Portfolios	1,310		1,223		1,142		1,223		1,081		1,035	
● BlackRock Equity Market Fund	0.3	(62)	16.5	(36)	11.5	(43)	16.5	(36)	1.2	(32)	17.6	(57)
▲ Dow Jones U.S. Total Stock Market Index	0.2	(63)	16.4	(38)	11.4	(46)	16.4	(38)	1.1	(33)	17.5	(58)

Total Non-U.S. Equity

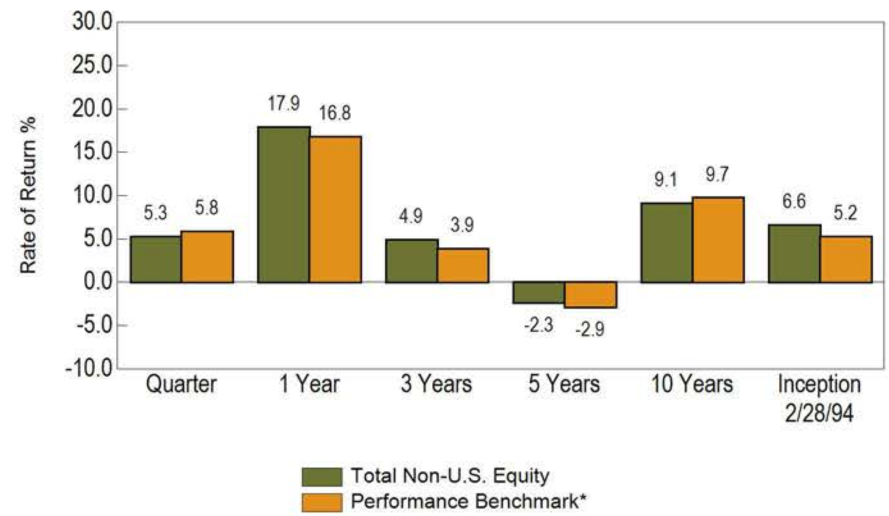
Overview

Benchmark: Performance Benchmark*

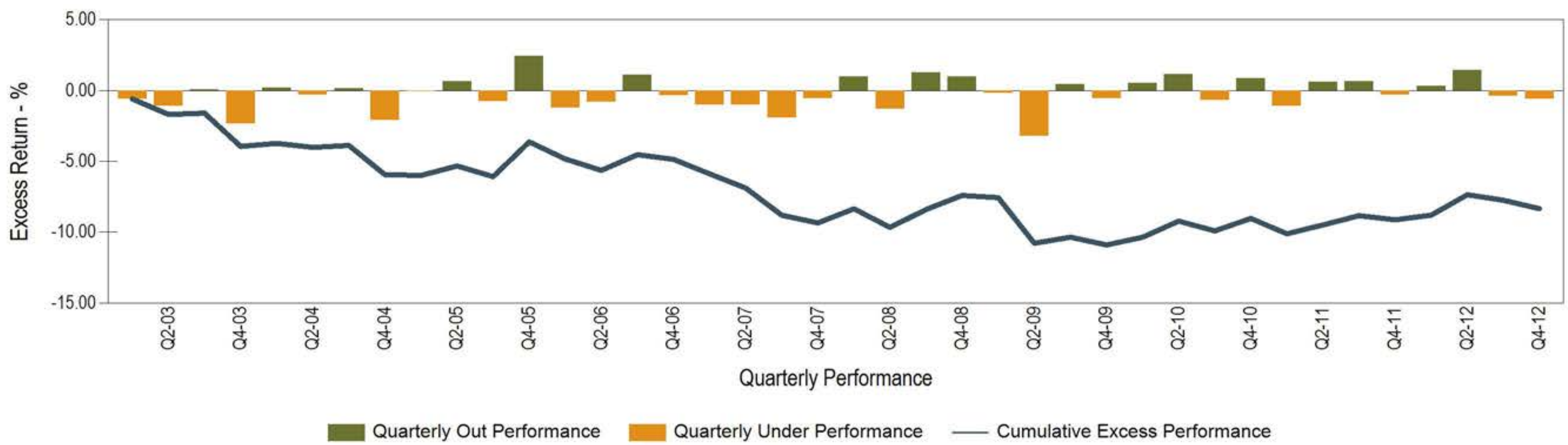
Current Allocation



Return Summary



Quarterly and Cumulative Excess Performance

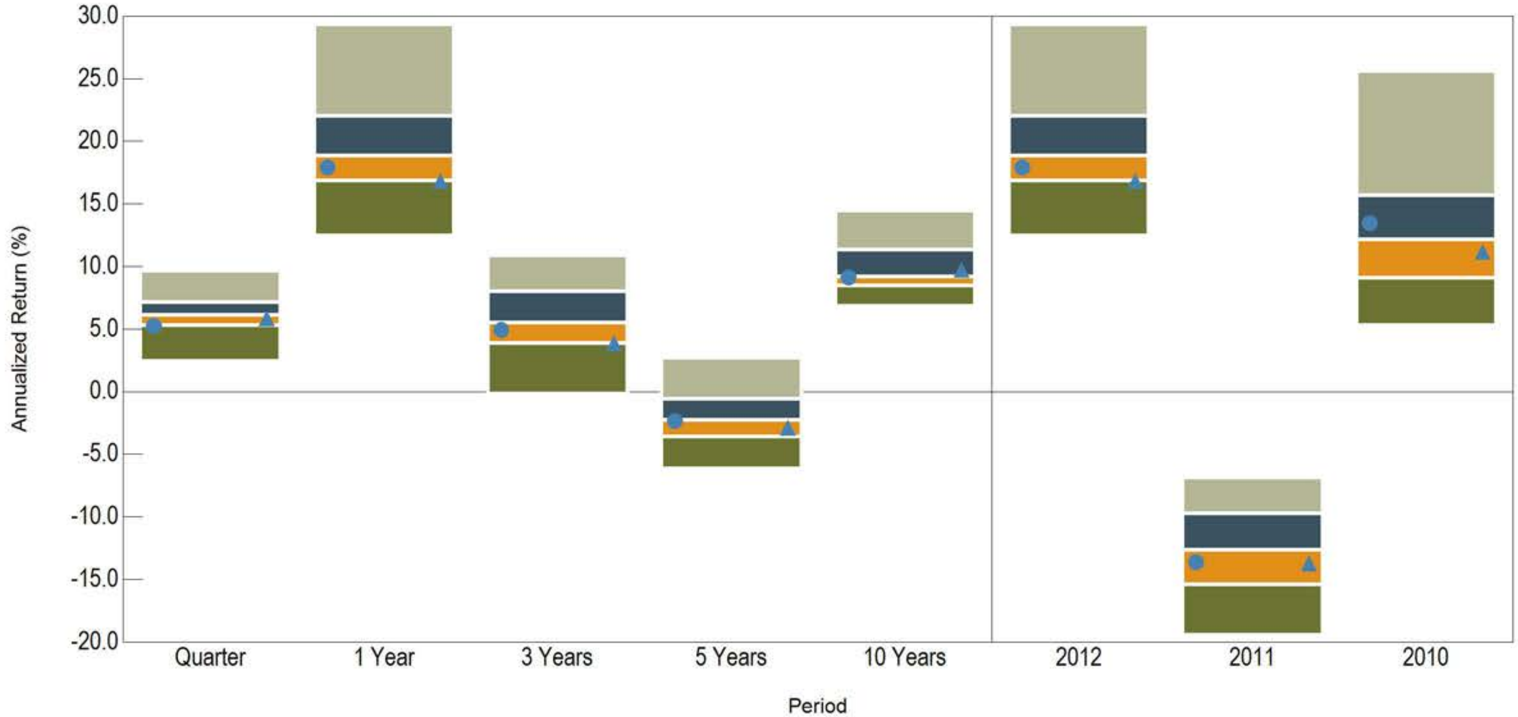


Universe Comparison

Benchmark: Performance Benchmark*

Universe: eA All EAFE Equity Net

Ending December 31, 2012

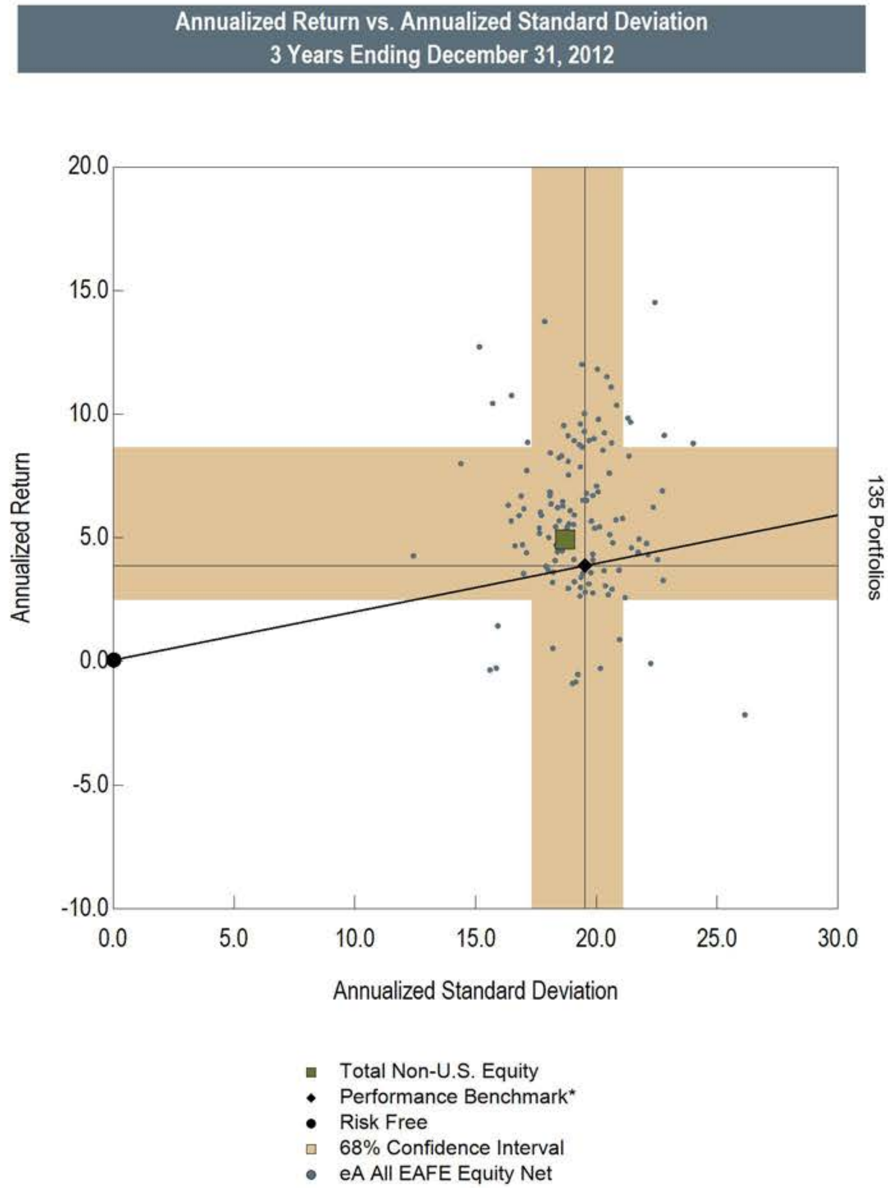


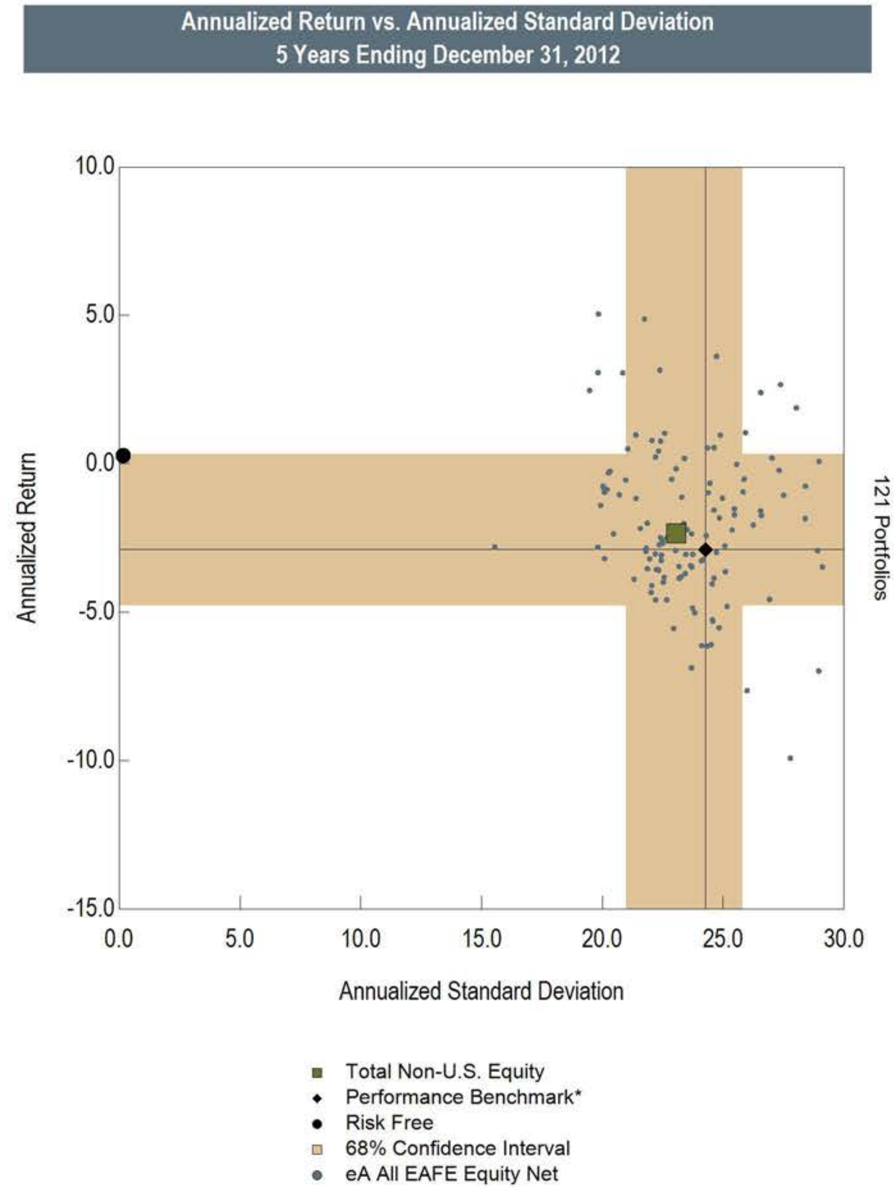
Return (Rank)	Quarter		1 Year		3 Years		5 Years		10 Years		2012		2011		2010	
5th Percentile	9.6		29.3		10.9		2.7		14.5		29.3		-6.9		25.6	
25th Percentile	7.2		22.1		8.0		-0.5		11.4		22.1		-9.7		15.7	
Median	6.2		18.9		5.6		-2.2		9.2		18.9		-12.6		12.2	
75th Percentile	5.3		16.9		3.9		-3.5		8.5		16.9		-15.4		9.1	
95th Percentile	2.5		12.5		-0.1		-6.1		6.9		12.5		-19.4		5.3	
# of Portfolios	149		144		135		121		78		144		129		143	
● Total Non-U.S. Equity	5.3	(77)	17.9	(63)	4.9	(59)	-2.3	(51)	9.1	(59)	17.9	(63)	-13.6	(59)	13.5	(38)
▲ Performance Benchmark*	5.8	(60)	16.8	(77)	3.9	(76)	-2.9	(61)	9.7	(37)	16.8	(77)	-13.7	(60)	11.2	(54)

Risk Profile

Benchmark: Performance Benchmark*

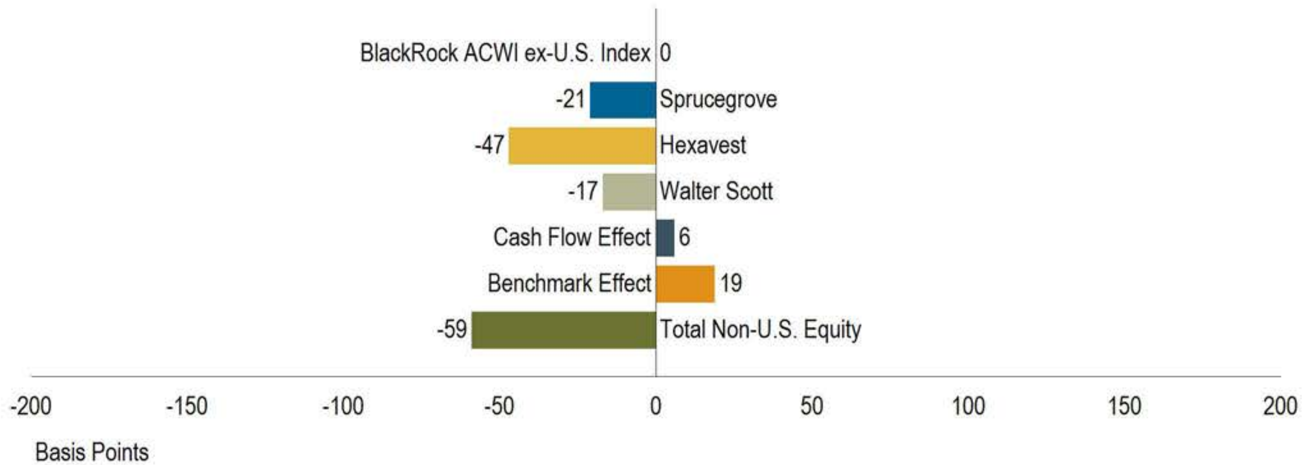
Universe: eA All EAFE Equity Net



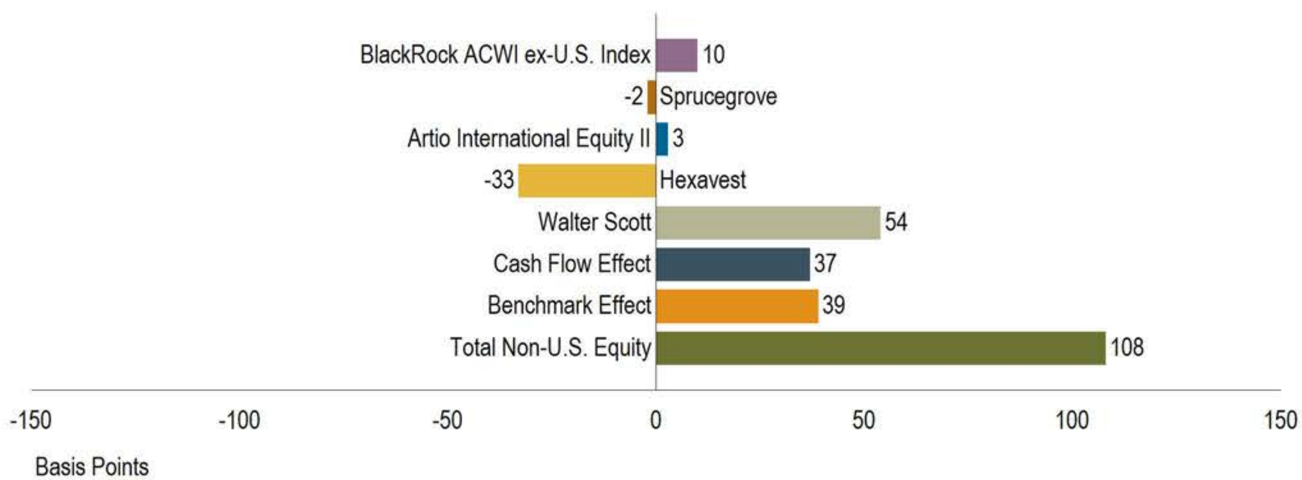


Attribution

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 12/31/12



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 12/31/12



Manager Performance

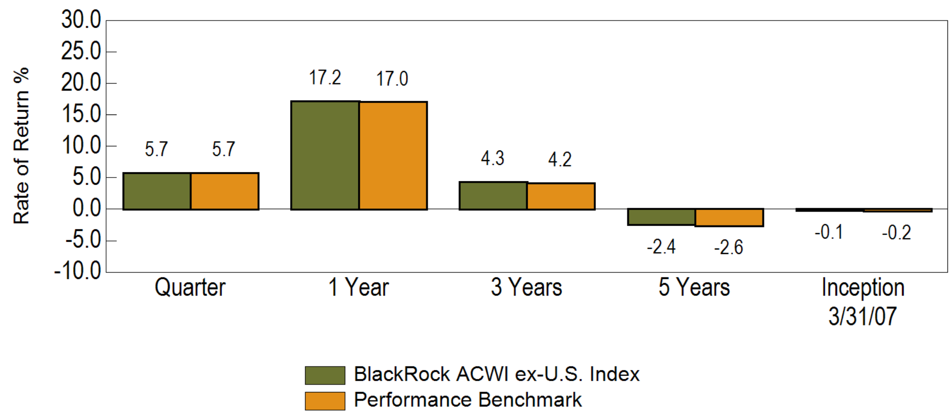
Benchmark: Performance Benchmark

The BlackRock ACWI ex-U.S. Index Fund is designed to track the performance and risk characteristics of the MSCI All Country World ex-U.S. IM Index.

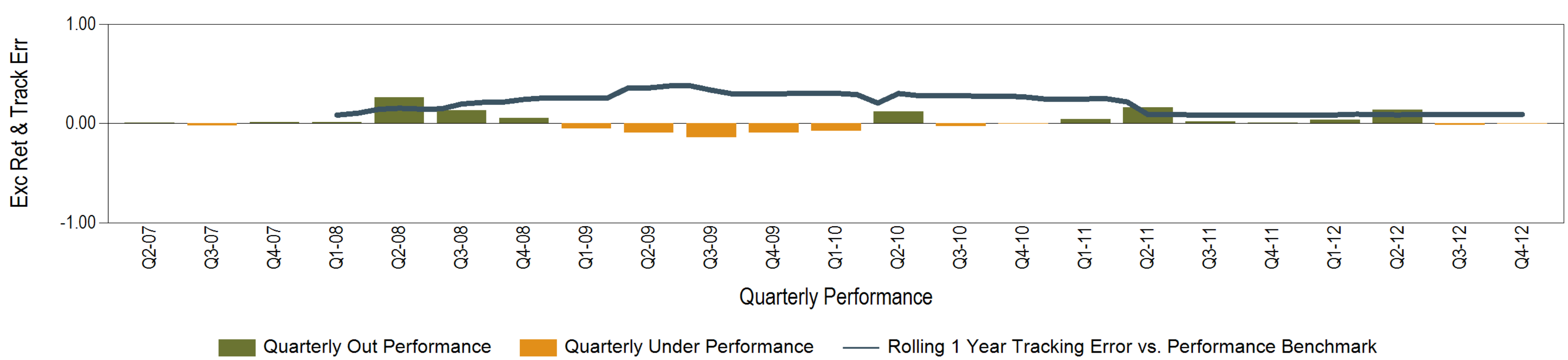
Account Information

Account Name	**BlackRock ACWI ex-U.S. Index**
Account Structure	**Commingled Fund**
Investment Style	**Passive**
Inception Date	**3/31/07**
Account Type	**Non-U.S. Stock - All**
Benchmark	**Performance Benchmark**
Universe	**eA All EAFE Equity Net**

Return Summary



Tracking Error

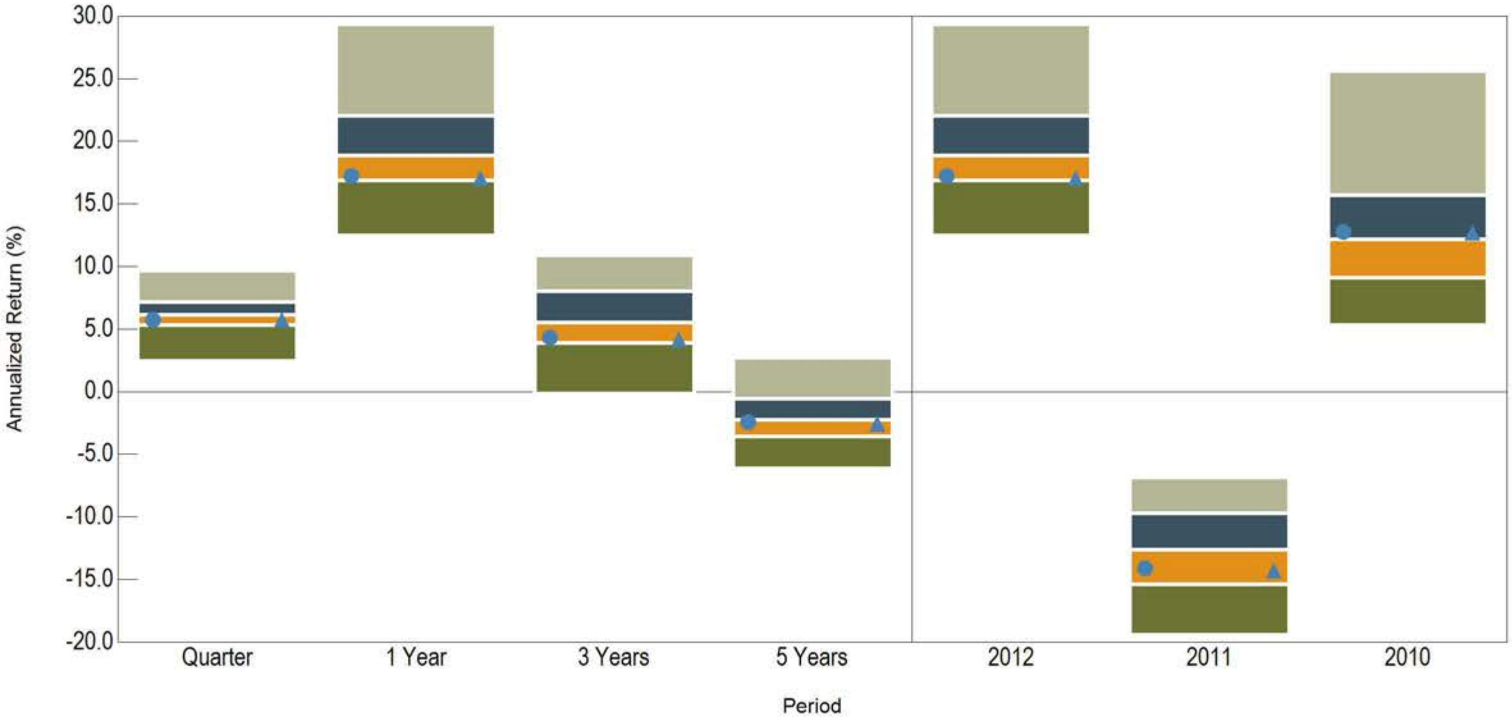


Universe Comparison

Benchmark: Performance Benchmark

Universe: eA All EAFE Equity Net

Ending December 31, 2012



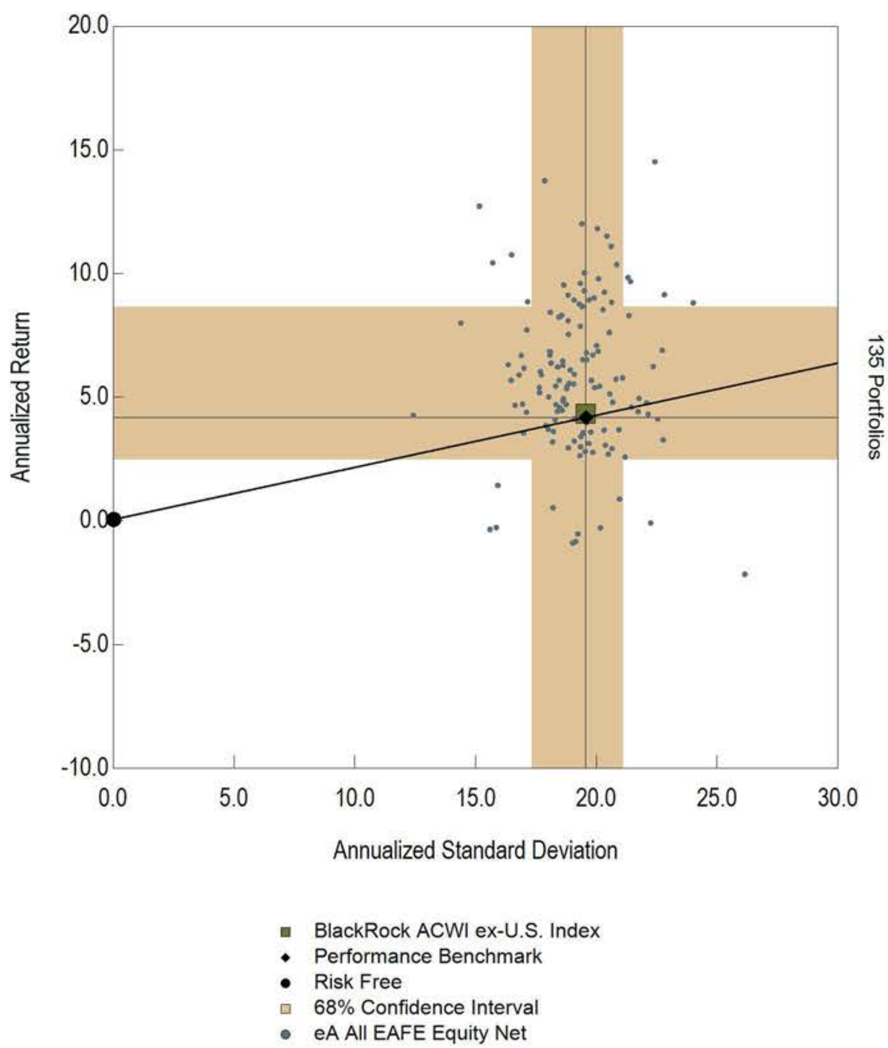
Return (Rank)	Quarter		1 Year		3 Years		5 Years		2012		2011		2010	
5th Percentile	9.6		29.3		10.9		2.7		29.3		-6.9		25.6	
25th Percentile	7.2		22.1		8.0		-0.5		22.1		-9.7		15.7	
Median	6.2		18.9		5.6		-2.2		18.9		-12.6		12.2	
75th Percentile	5.3		16.9		3.9		-3.5		16.9		-15.4		9.1	
95th Percentile	2.5		12.5		-0.1		-6.1		12.5		-19.4		5.3	
# of Portfolios	149		144		135		121		144		129		143	
● **BlackRock ACWI ex-U.S. Index**	5.7	(64)	17.2	(72)	4.3	(70)	-2.4	(53)	17.2	(72)	-14.1	(65)	12.8	(45)
▲ **Performance Benchmark**	5.7	(64)	17.0	(74)	4.2	(72)	-2.6	(55)	17.0	(74)	-14.3	(66)	12.7	(45)

Risk Profile

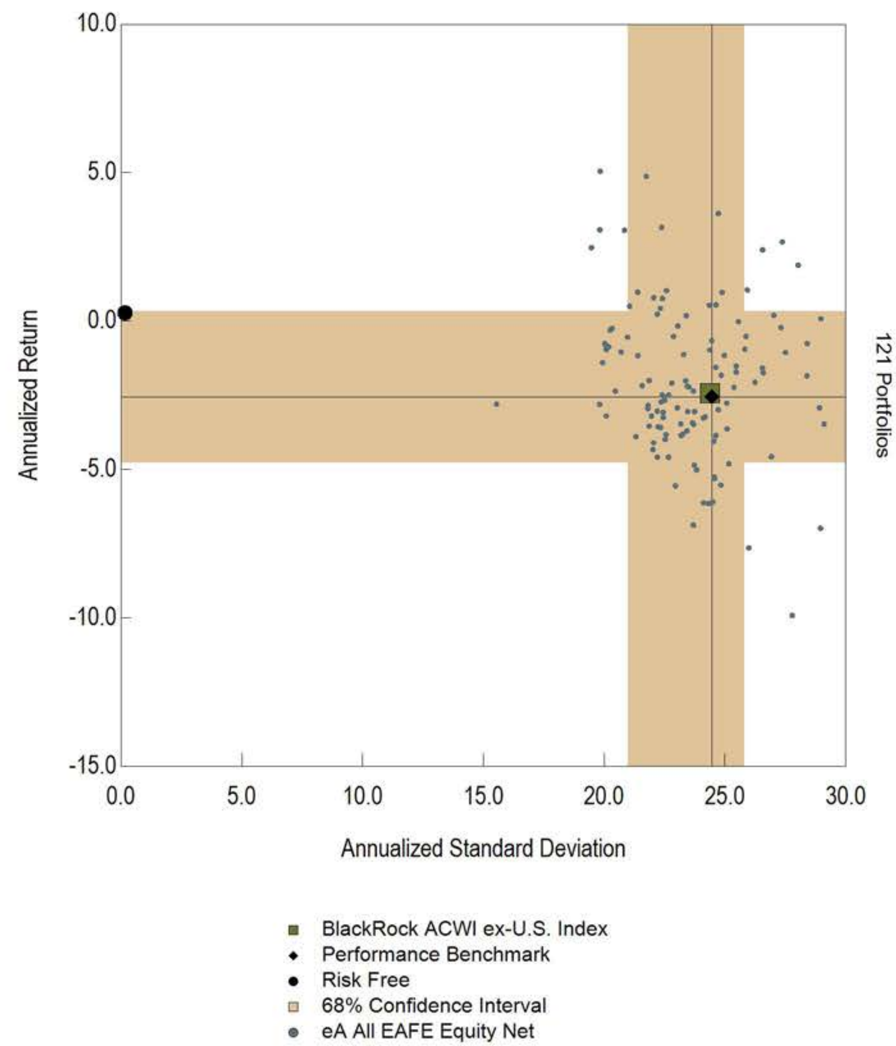
Benchmark: Performance Benchmark

Universe: eA All EAFE Equity Net

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2012



Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2012



Manager Performance

Benchmark: MSCI EAFE Index

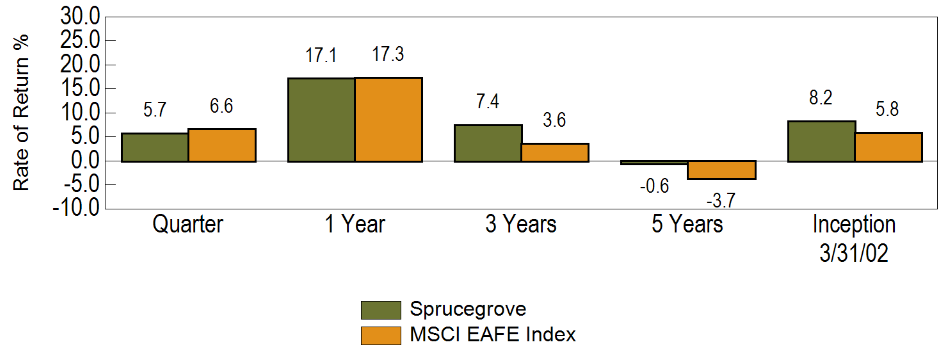
Sprucegrove is a value manager, following a bottom-up approach, and seeking to invest in quality companies selling at attractive valuations. As a value manager, Sprucegrove believes that the international markets are inefficient and by maintaining a long term perspective, they can capitalize on mispricings in the market. Investment objectives are: to maximize the long-term rate of return while preserving the investment capital of the fund by avoiding investment strategies that expose fund assets to excessive risk; to outperform the benchmark over a full market cycle; and to achieve a high ranking relative to similar funds over a market cycle.

High emphasis is given to balance sheet fundamentals, historical operating results, and company management. If a company is truly promising, the portfolio management team instructs the analyst to do a full research report to ensure the company qualifies for inclusion in Sprucegrove's investable universe. There are approximately 300 companies on Sprucegrove's working list.

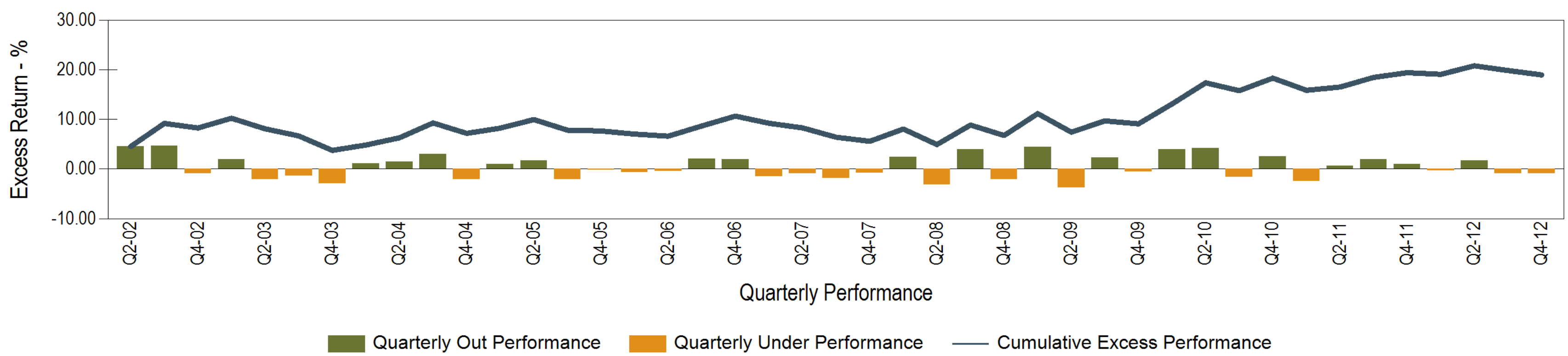
Account Information

Account Name	**Sprucegrove**
Account Structure	**Commingled Fund**
Investment Style	**Active**
Inception Date	**3/31/02**
Account Type	**Non-U.S. Stock - All**
Benchmark	**MSCI EAFE Index**
Universe	**eA All EAFE Equity Net**

Return Summary



Quarterly and Cumulative Excess Performance

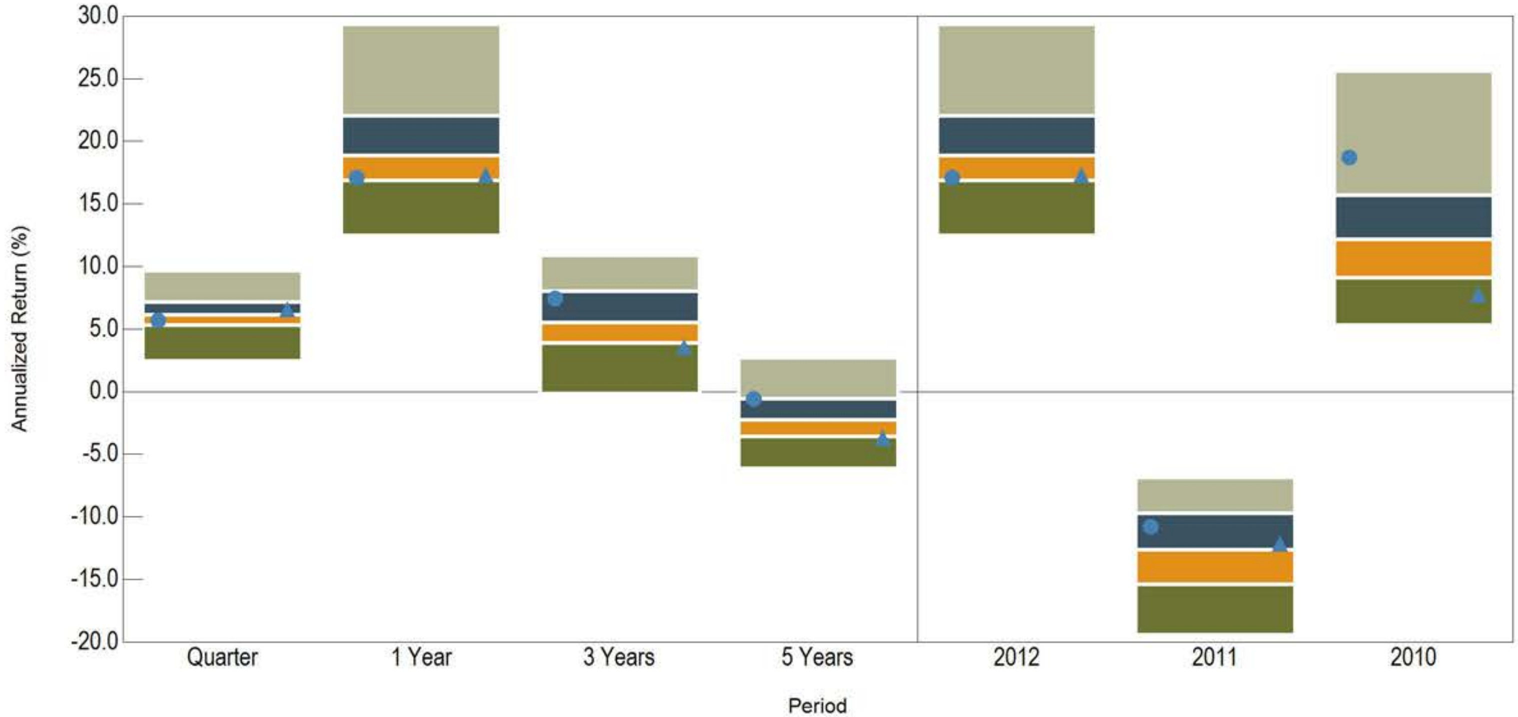


Universe Comparison

Benchmark: MSCI EAFE Index

Universe: eA All EAFE Equity Net

Ending December 31, 2012



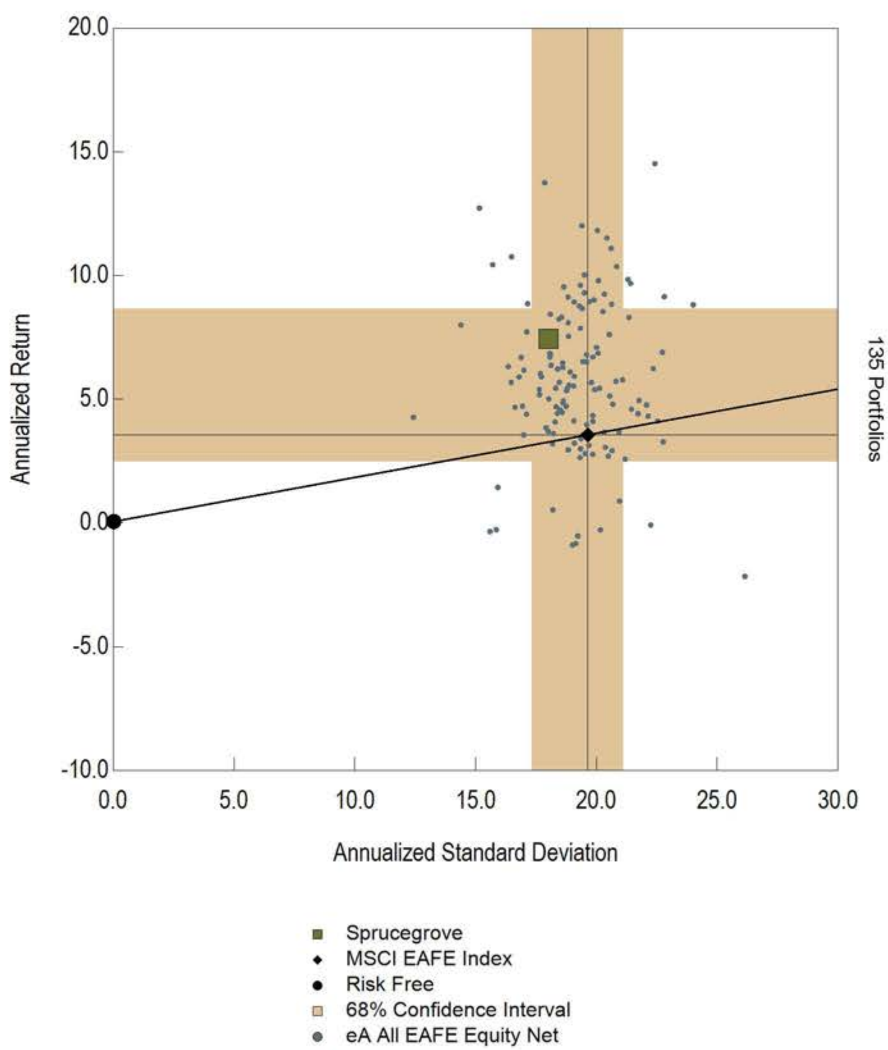
Return (Rank)	Quarter		1 Year		3 Years		5 Years		2012		2011		2010	
5th Percentile	9.6		29.3		10.9		2.7		29.3		-6.9		25.6	
25th Percentile	7.2		22.1		8.0		-0.5		22.1		-9.7		15.7	
Median	6.2		18.9		5.6		-2.2		18.9		-12.6		12.2	
75th Percentile	5.3		16.9		3.9		-3.5		16.9		-15.4		9.1	
95th Percentile	2.5		12.5		-0.1		-6.1		12.5		-19.4		5.3	
# of Portfolios	149		144		135		121		144		129		143	
● Sprucegrove	5.7	(65)	17.1	(73)	7.4	(29)	-0.6	(27)	17.1	(73)	-10.8	(31)	18.7	(15)
▲ MSCI EAFE Index	6.6	(41)	17.3	(72)	3.6	(81)	-3.7	(79)	17.3	(72)	-12.1	(45)	7.8	(83)

Risk Profile

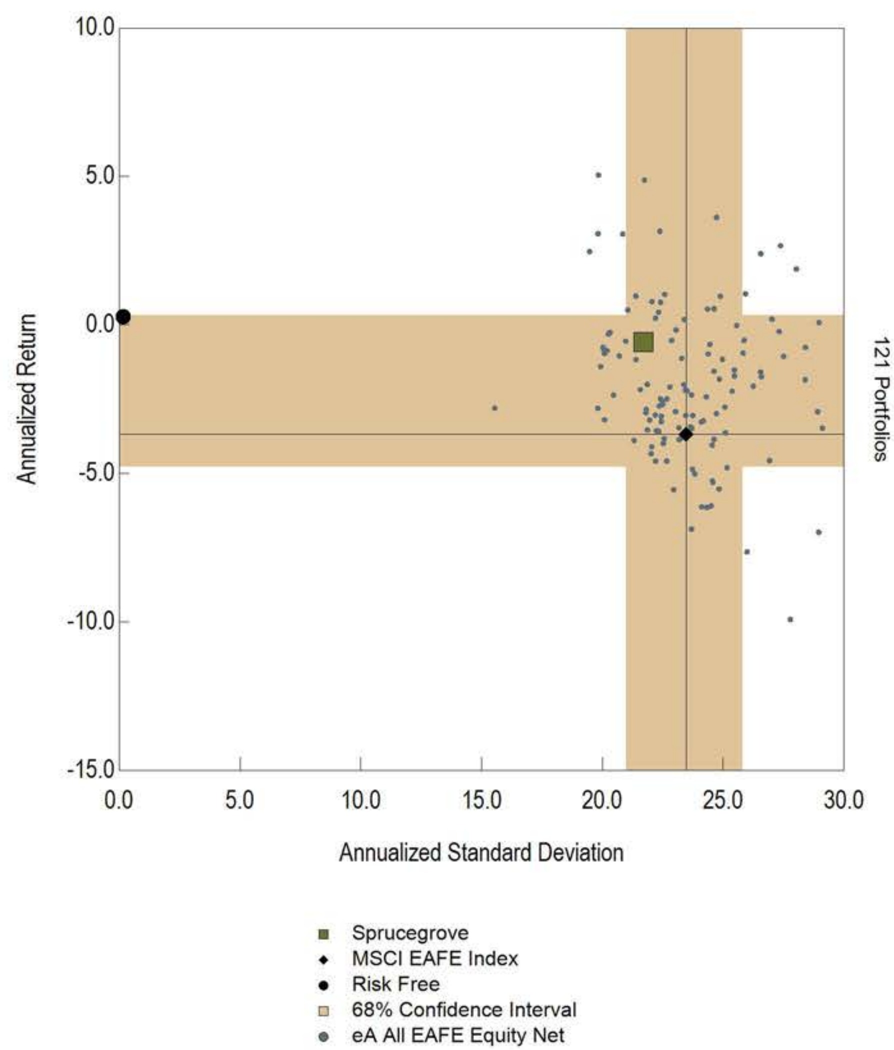
Benchmark: MSCI EAFE Index

Universe: eA All EAFE Equity Net

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2012



Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2012



Manager Performance

Benchmark: MSCI EAFE Index

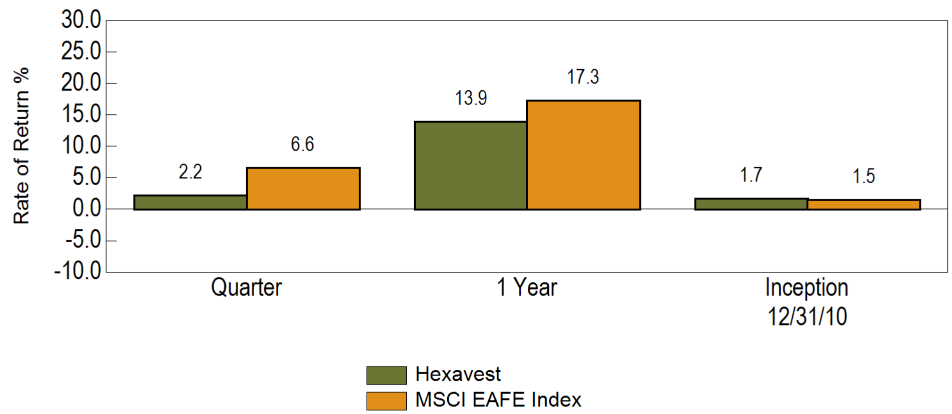
The manager's investment process was established in the early 1990s and at the time was almost entirely macro-focused. The model was enhanced in 1999 to include a bottom-up component, expected to contribute 20% to the overall decision making, so that portfolio managers can fine tune the active positions to further express their market views.

Hexavest attempts to identify inconsistencies at a macro level by analyzing the following three factor groups: economic environment (e.g., growth and interest rates), valuation of the individual markets, and sentiment (e.g., momentum and risk).

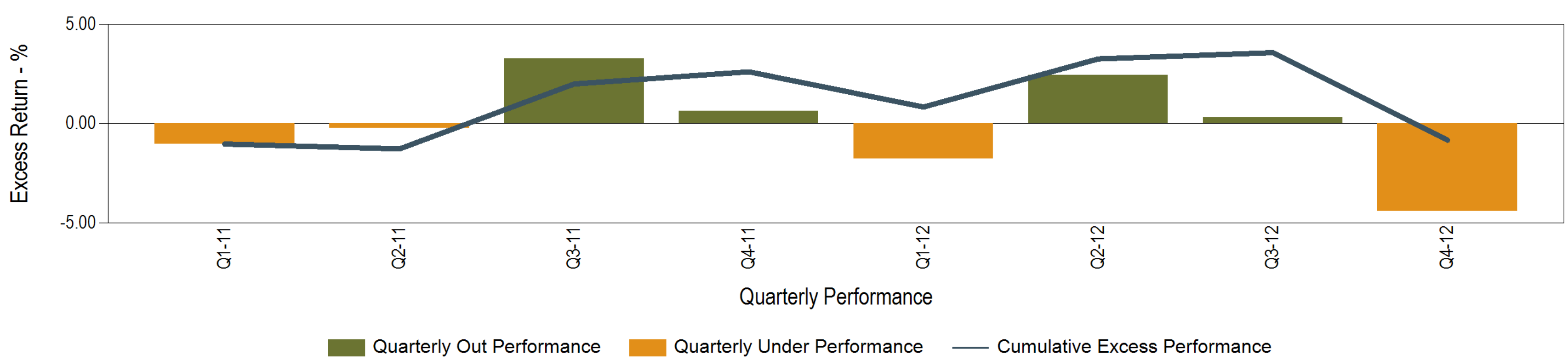
Account Information

Account Name	**Hexavest**
Account Structure	**Commingled Fund**
Investment Style	**Active**
Inception Date	**12/31/10**
Account Type	**Non-U.S. Stock - All**
Benchmark	**MSCI EAFE Index**
Universe	**eA All EAFE Equity Net**

Return Summary



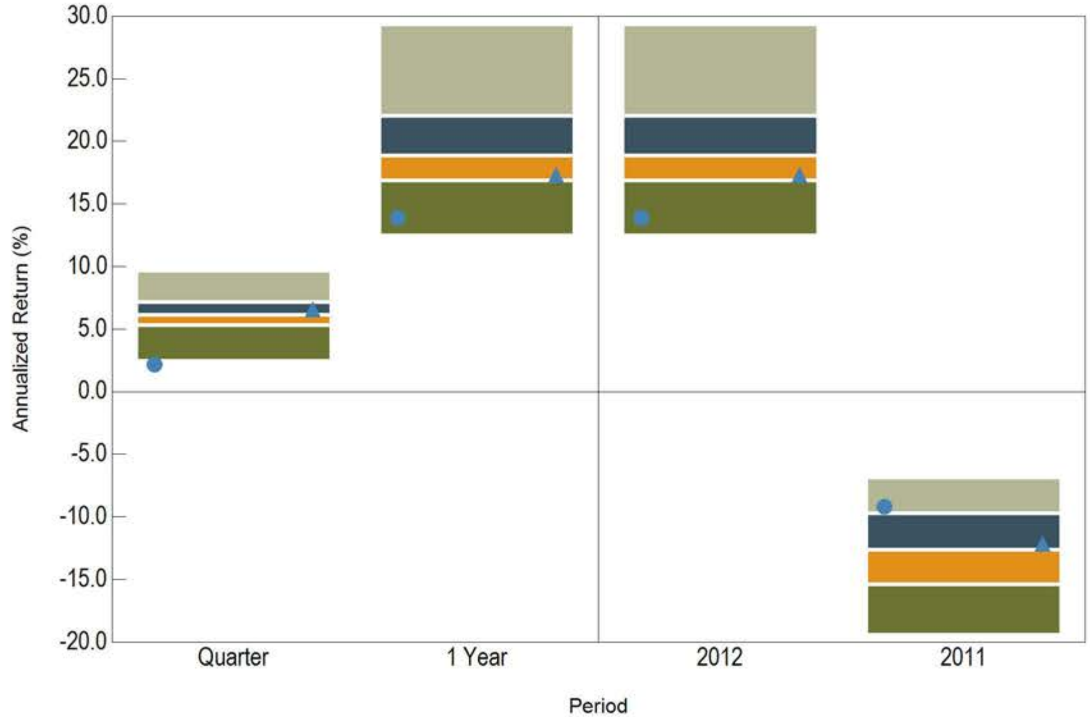
Quarterly and Cumulative Excess Performance



Universe Comparison

Benchmark: MSCI EAFE Index Universe: eA All EAFE Equity Net

Ending December 31, 2012



	Return (Rank)							
5th Percentile	9.6		29.3		29.3		-6.9	
25th Percentile	7.2		22.1		22.1		-9.7	
Median	6.2		18.9		18.9		-12.6	
75th Percentile	5.3		16.9		16.9		-15.4	
95th Percentile	2.5		12.5		12.5		-19.4	
# of Portfolios	149		144		144		129	
● Hexavest	2.2	(96)	13.9	(91)	13.9	(91)	-9.2	(22)
▲ MSCI EAFE Index	6.6	(41)	17.3	(72)	17.3	(72)	-12.1	(45)

Manager Performance

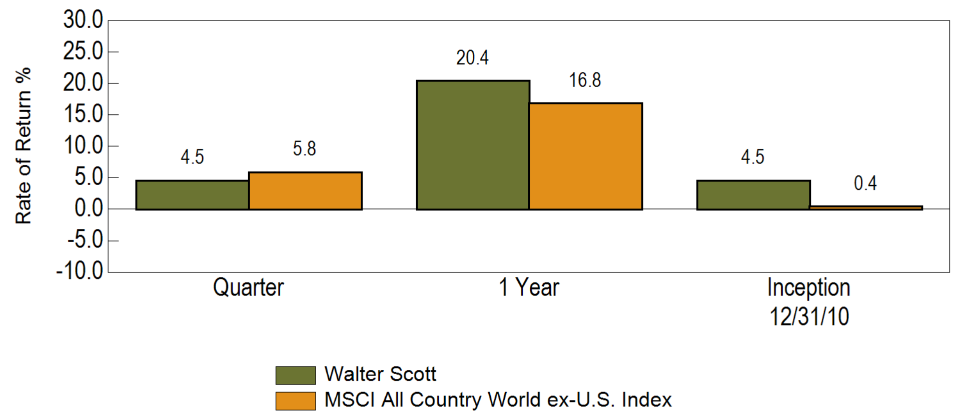
Benchmark: MSCI All Country World ex-U.S. Index

Walter Scott & Partners employs a bottom-up fundamental growth investment style. Security selection focuses on companies with 20% or more internal growth which will be sustainable over time. The manager identifies major political and economic trends that may impact industry or sector growth. At the company level, the manager utilizes fundamental analysis such as returns on invested capital, soundness of management, strength of balance sheet, and management track record. By gaining an understanding as to how the financial figures of the past were generated, the analysts will be able to better understand how future earnings will be generated.

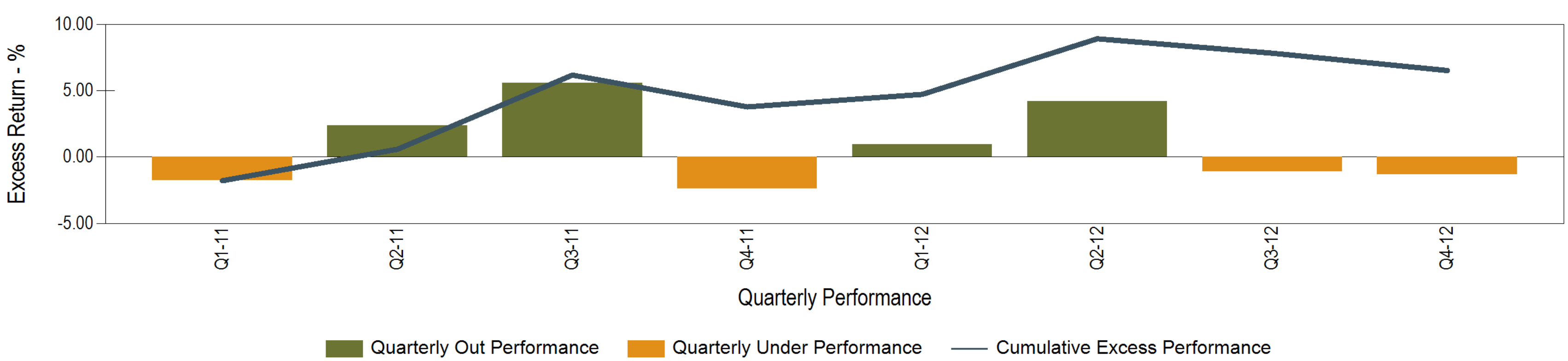
Account Information

Account Name	**Walter Scott**
Account Structure	**Commingled Fund**
Investment Style	**Active**
Inception Date	**12/31/10**
Account Type	**Non-U.S. Stock - All**
Benchmark	**MSCI All Country World ex-U.S. Index**
Universe	**eA All EAFE Equity Net**

Return Summary



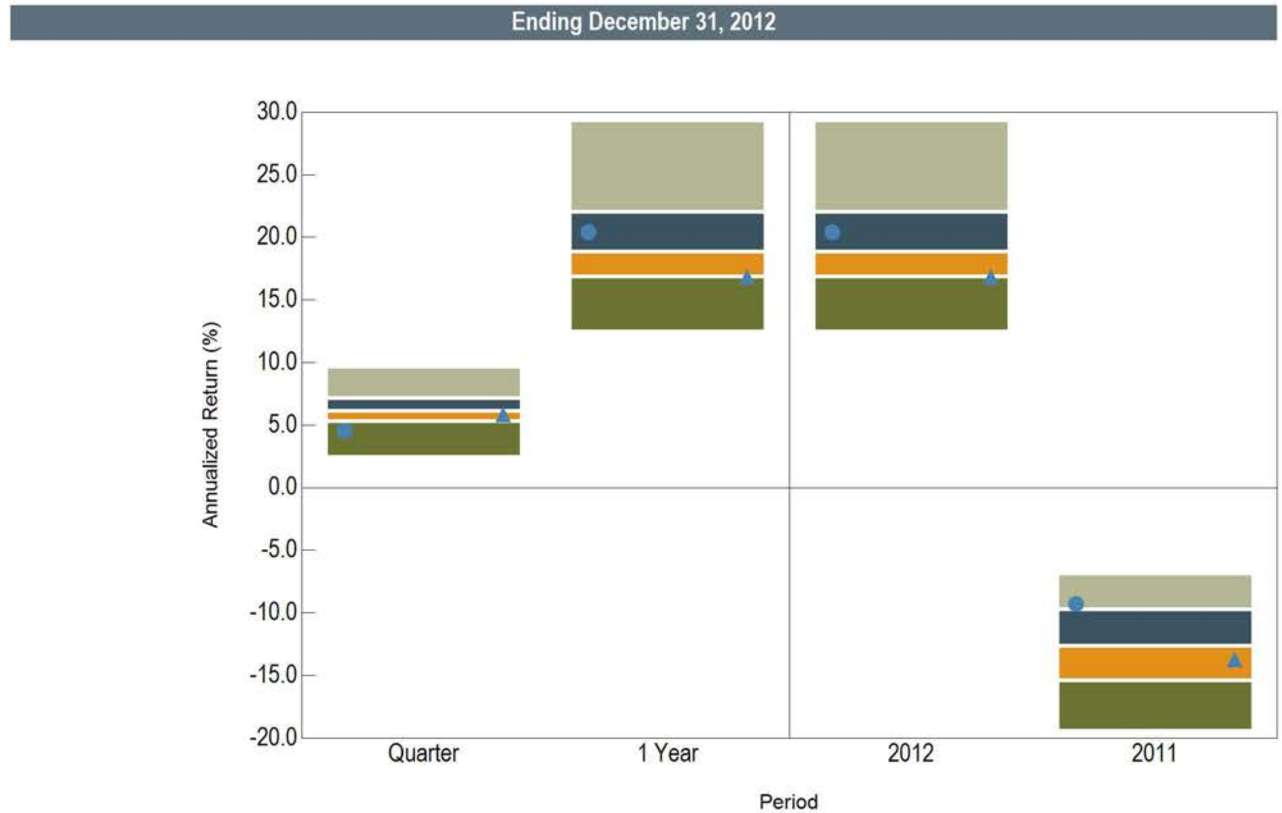
Quarterly and Cumulative Excess Performance



Universe Comparison

Benchmark: MSCI All Country World ex-U.S. Index

Universe: eA All EAFE Equity Net



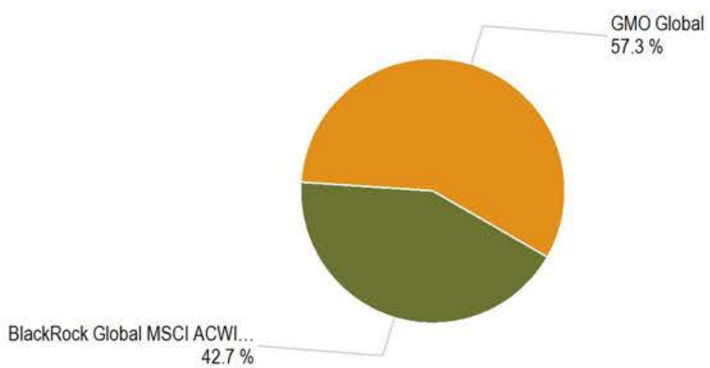
Return (Rank)	Quarter		1 Year		2012		2011	
5th Percentile	9.6		29.3		29.3		-6.9	
25th Percentile	7.2		22.1		22.1		-9.7	
Median	6.2		18.9		18.9		-12.6	
75th Percentile	5.3		16.9		16.9		-15.4	
95th Percentile	2.5		12.5		12.5		-19.4	
# of Portfolios	149		144		144		129	
● Walter Scott	4.5	(86)	20.4	(41)	20.4	(41)	-9.3	(23)
▲ MSCI All Country World ex-U.S. Index	5.8	(60)	16.8	(77)	16.8	(77)	-13.7	(60)

Total Global Equity

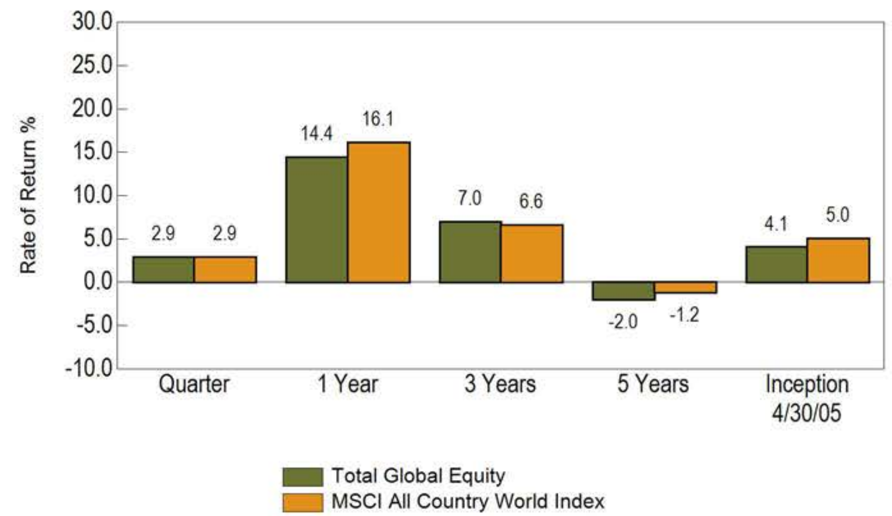
Overview

Benchmark: MSCI All Country World Index

Current Allocation



Return Summary



Quarterly and Cumulative Excess Performance

Universe Comparison

Benchmark: MSCI All Country World Index

Universe: eA All Global Equity Net

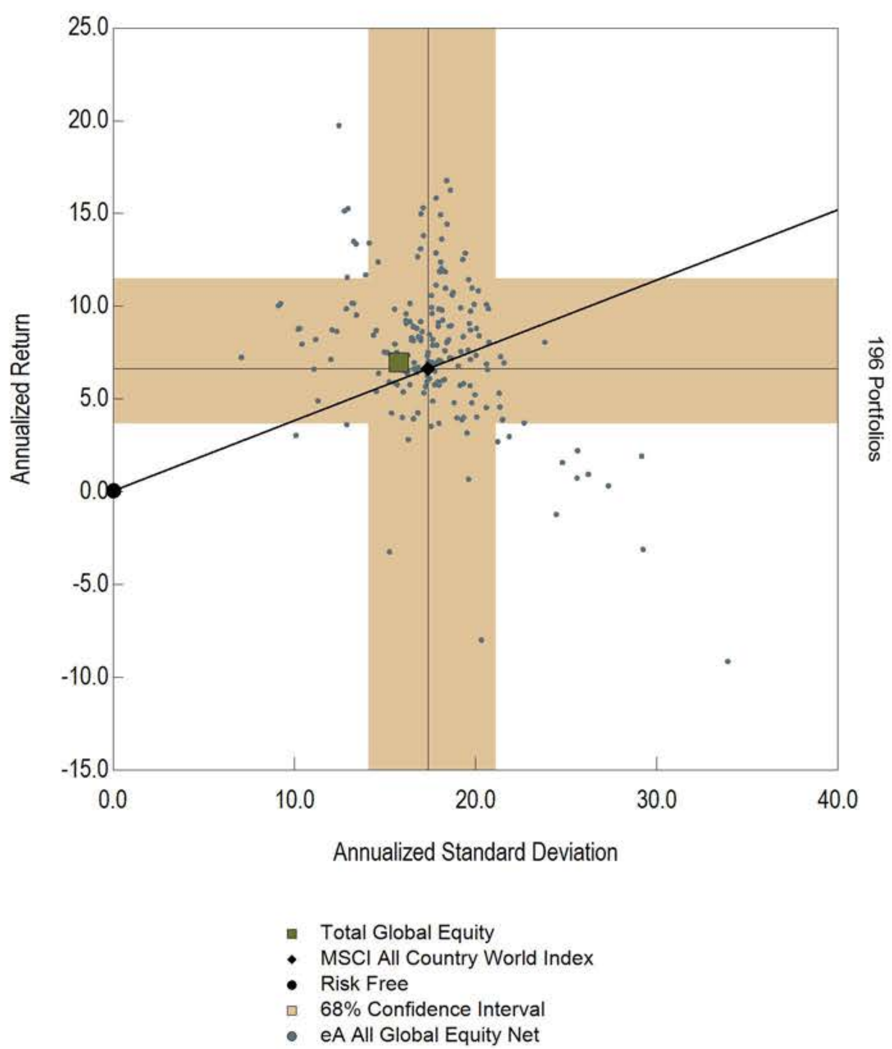
Return (Rank)	Quarter		1 Year		3 Years		5 Years		2012		2011		2010	
5th Percentile	8.0		29.0		14.0		4.7		29.0		4.1		27.2	
25th Percentile	4.6		19.8		9.8		1.9		19.8		-2.9		18.3	
Median	3.0		16.7		7.6		0.2		16.7		-6.3		13.6	
75th Percentile	1.6		13.6		5.8		-1.8		13.6		-10.4		11.3	
95th Percentile	-1.3		4.8		1.8		-4.0		4.8		-17.4		6.6	
# of Portfolios	241		230		196		166		230		186		140	
● Total Global Equity	2.9	(53)	14.4	(70)	7.0	(61)	-2.0	(79)	14.4	(70)	-3.9	(35)	11.4	(75)
▲ MSCI All Country World Index	2.9	(53)	16.1	(56)	6.6	(66)	-1.2	(68)	16.1	(56)	-7.3	(56)	12.7	(56)

Risk Profile

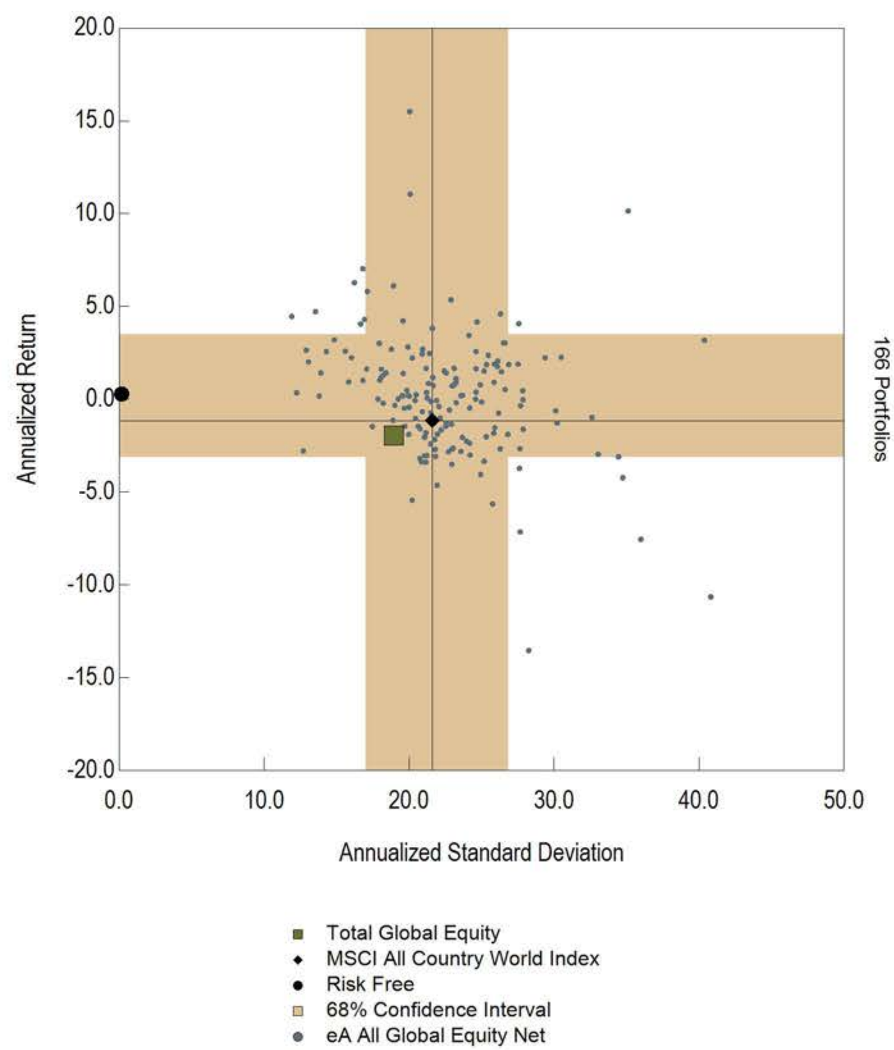
Benchmark: MSCI All Country World Index

Universe: eA All Global Equity Net

Annualized Return vs. Annualized Standard Deviation 3 Years Ending December 31, 2012

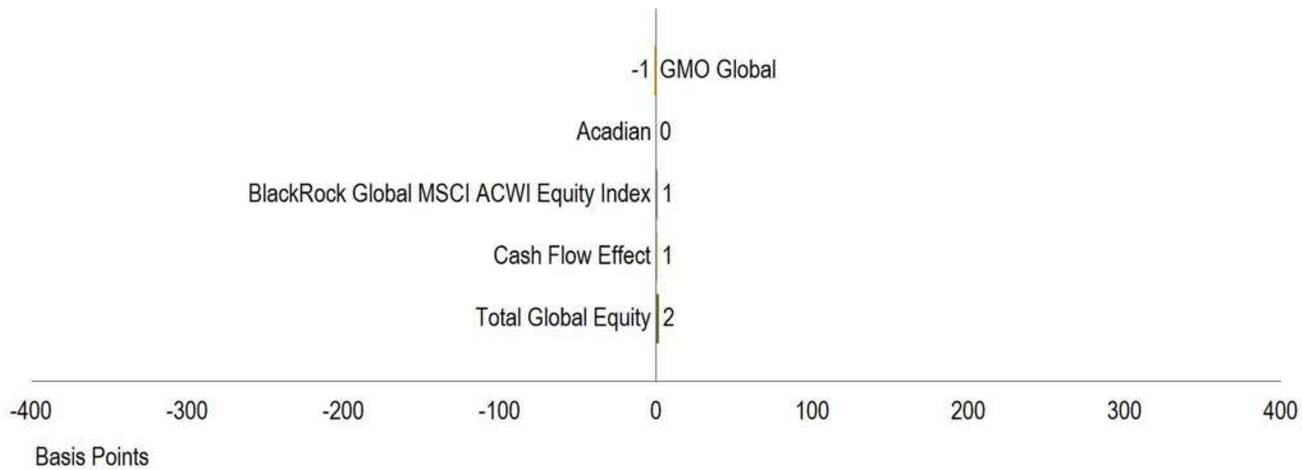


Annualized Return vs. Annualized Standard Deviation 5 Years Ending December 31, 2012

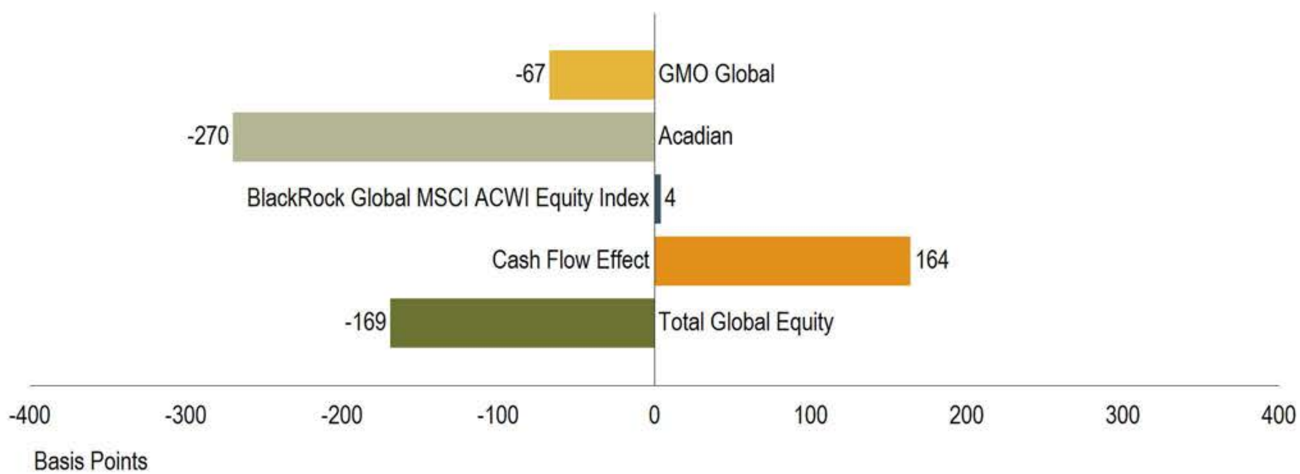


Attribution

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 12/31/12



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 12/31/12



Manager Performance

Benchmark: MSCI All Country World Index

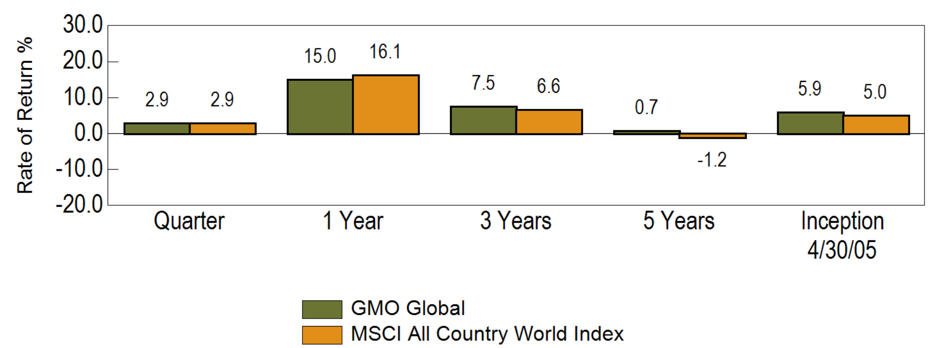
GMO uses a quantitative investment process to allocate between several of their mutual funds. They aim to add value both from opportunistic allocation between various segments of the market and from stock selection within the individual funds.

GMO does not employ a team of traditional fundamental security analysts. Instead, they attempt to exploit market inefficiencies by evaluating asset classes and individual securities largely through quantitative analysis. They prepare seven-year forecasts for different asset classes by conducting regression analysis on statistical and macroeconomic data. The forecasts are revised once every year, which leads to re-allocation among the different mutual funds. There is minimal rebalancing during the year. While the global equity allocation portfolio has no style bias, both value and momentum factors are taken into account when evaluating potential holdings (at the individual fund level). About 70% of the contribution to the portfolio is expected from value-related factors and 30% from momentum-related ones.

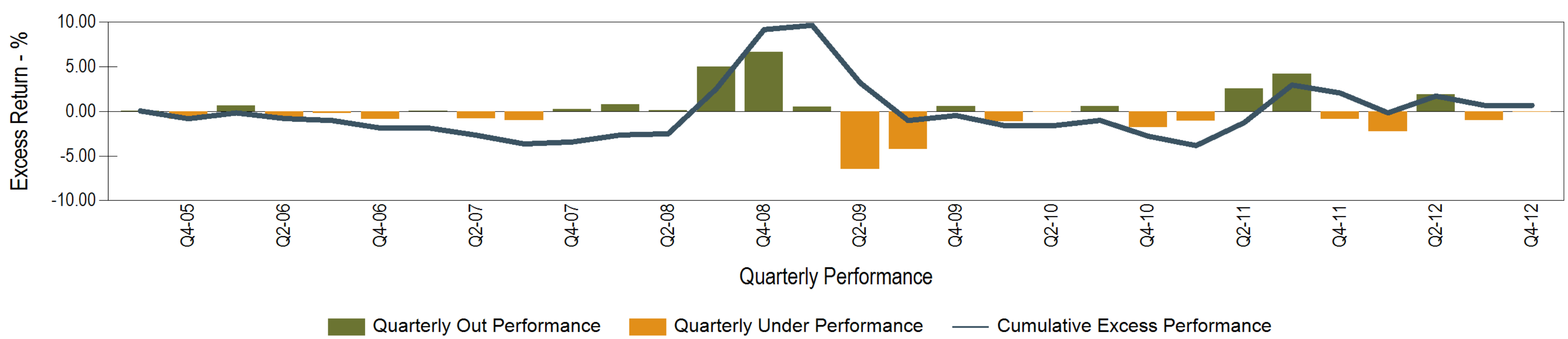
Account Information

Account Name	**GMO Global**
Account Structure	**Commingled Fund**
Investment Style	**Active**
Inception Date	**4/30/05**
Account Type	**Global Equity**
Benchmark	**MSCI All Country World Index**
Universe	**eA All Global Equity Net**

Return Summary



Quarterly and Cumulative Excess Performance

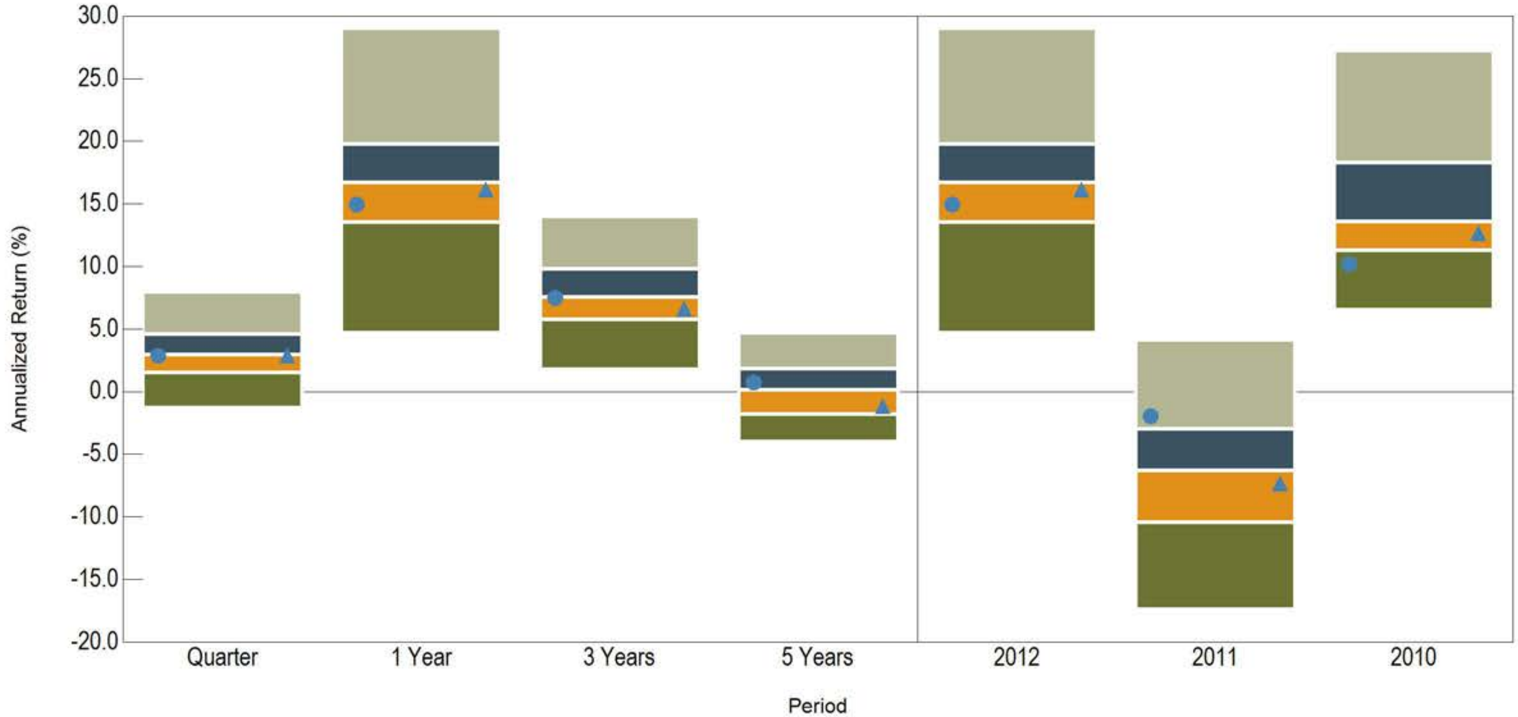


Universe Comparison

Benchmark: MSCI All Country World Index

Universe: eA All Global Equity Net

Ending December 31, 2012



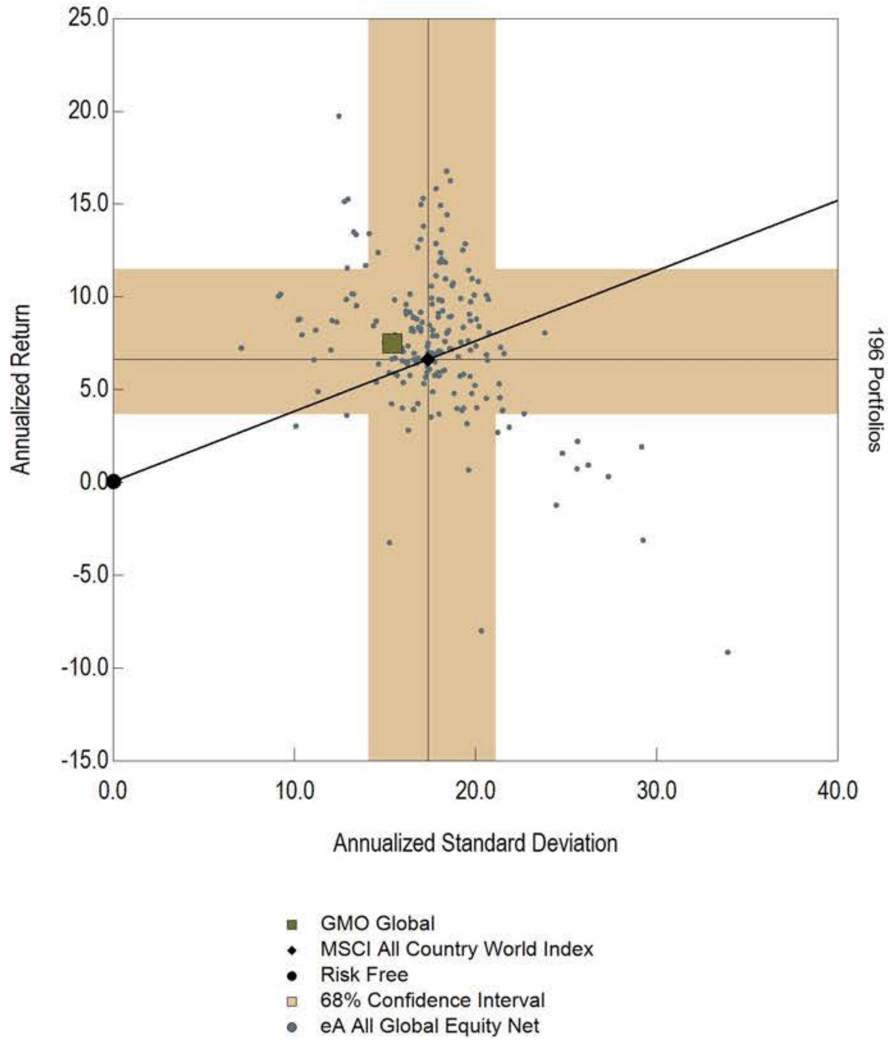
Return (Rank)	Quarter		1 Year		3 Years		5 Years		2012		2011		2010	
5th Percentile	8.0		29.0		14.0		4.7		29.0		4.1		27.2	
25th Percentile	4.6		19.8		9.8		1.9		19.8		-2.9		18.3	
Median	3.0		16.7		7.6		0.2		16.7		-6.3		13.6	
75th Percentile	1.6		13.6		5.8		-1.8		13.6		-10.4		11.3	
95th Percentile	-1.3		4.8		1.8		-4.0		4.8		-17.4		6.6	
# of Portfolios	241		230		196		166		230		186		140	
● GMO Global	2.9	(53)	15.0	(68)	7.5	(53)	0.7	(42)	15.0	(68)	-2.0	(20)	10.2	(88)
▲ MSCI All Country World Index	2.9	(53)	16.1	(56)	6.6	(66)	-1.2	(68)	16.1	(56)	-7.3	(56)	12.7	(56)

Risk Profile

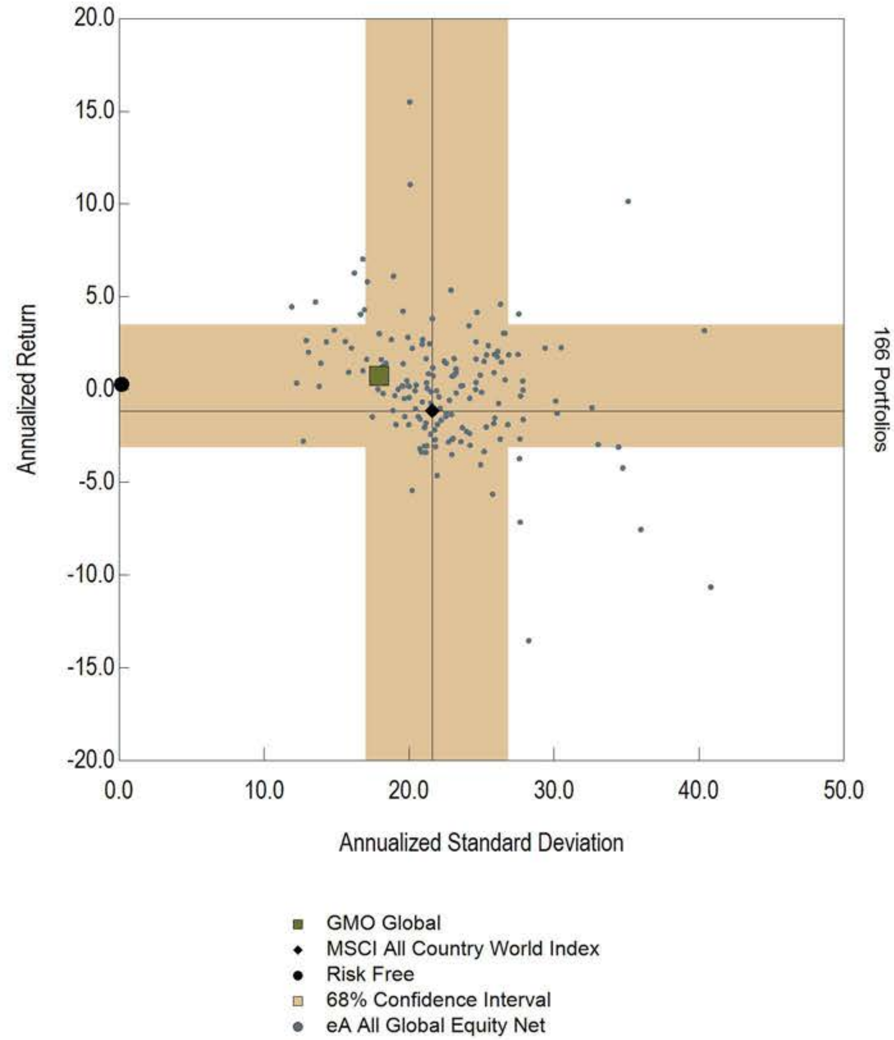
Benchmark: MSCI All Country World Index

Universe: eA All Global Equity Net

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2012



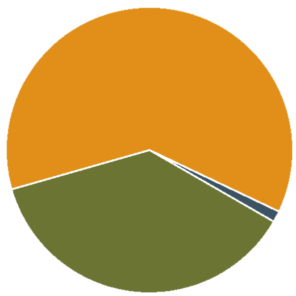
Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2012



Manager Analysis

Benchmark: MSCI All Country World Index

Current Allocation



	Actual $	Actual %
US Equity	$64,560,325	37.2%
Non-US Equity	$106,620,355	61.5%
US Fixed Inc.	$2,185,653	1.3%
Non-US Fixed Inc.	$0	0.0%
Alternative	$0	0.0%
Real Estate	$0	0.0%
Cash	$11,963	0.0%
Other	$0	0.0%
Total	$173,378,296	

Characteristics

	Portfolio	MSCI ACWI Gross
Number of Holdings	1,670	2,431
Weighted Avg. Market Cap. ($B)	85.25	70.82
Median Market Cap. ($B)	4.41	7.42
Price To Earnings	13.92	17.09
Price To Book	2.78	2.60
Price To Sales	1.88	1.90
Return on Equity (%)	19.84	16.75
Yield (%)	3.34	2.72
Beta	0.87	1.00
R-Squared	0.97	1.00

Top Holdings

	Weight %
ORACLE	2.23%
JOHNSON & JOHNSON	2.14%
TOTAL	2.11%
CISCO SYSTEMS	1.96%
GOOGLE 'A'	1.92%
COCA COLA	1.90%
MICROSOFT	1.78%
SANOFI	1.68%
PFIZER	1.68%
PHILIP MORRIS INTL.	1.59%
Total	**18.99%**

Best Performers

	Portfolio Weight %	Index Weight %	Return %
THOMAS COOK GROUP	0.03%		176.10%
NIPPON CARBIDE INDS.	0.00%		175.33%
HOPSON DEVELOPMENT HDG.	0.03%		113.88%
SUMITOMO MITSUI CON.	0.00%		90.98%
NIPPON SHEET GLASS	0.01%		84.87%
TRINITY MIRROR	0.01%		83.47%
NINE DRAGONS PAPER HDG.	0.02%	0.01%	81.29%
PREMIER FOODS	0.01%		77.73%
MAZDA MOTOR	0.10%	0.02%	72.05%
TURK HAVA YOLLARI	0.01%	0.01%	67.51%

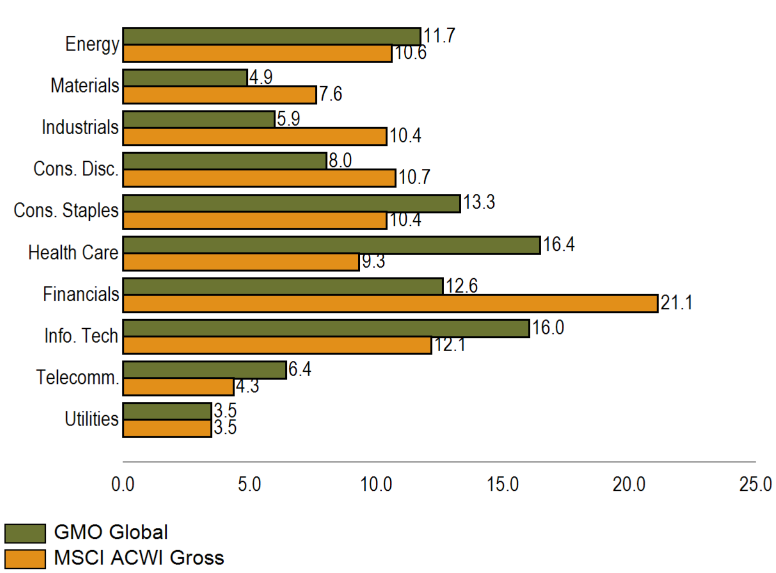
Worst Performers

	Portfolio Weight %	Index Weight %	Return %
KINROSS GD.WTS.17/09/14	0.00%		-58.35%
EQUINAIRE CHEMTECH	0.00%		-49.34%
ELETROBRAS ON	0.01%	0.00%	-48.16%
CENEL.BRASL.ELETROBRAS ON ADR 1:1	0.01%		-47.39%
CENEL.BRASL.ELETROBRAS PNB ADR 1:1	0.00%		-44.52%
ELETROBRAS PNB	0.02%	0.00%	-43.04%
MELLANOX	0.03%	0.01%	-41.51%
TNK-BP HOLDINGS PF.	0.01%		-39.05%
BILLABONG INTERNATIONAL	0.01%		-37.46%
KPN KON	0.00%	0.02%	-35.95%

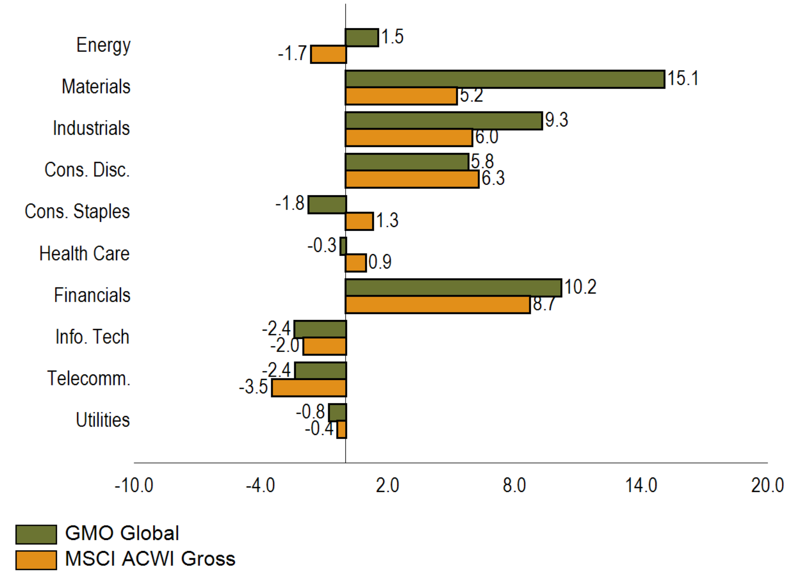
Sector Attribution

Benchmark: MSCI All Country World Index

Sector Allocation (%) vs MSCI ACWI Gross



Sector Returns (%) vs MSCI ACWI Gross



GMO Global Fund Performance Attribution vs. MSCI ACWI Gross

	Total Effects		Selection Effect		Allocation Effect		Interaction Effects
Energy	0.36%		-0.03%		0.18%		0.21%
Materials	0.34%		0.54%		0.13%		-0.34%
Industrials	0.07%		0.11%		-0.06%		0.02%
Cons. Disc.	-0.12%		-0.29%		0.04%		0.13%
Cons. Staples	-0.49%		-0.07%		-0.33%		-0.08%
Health Care	-0.36%		-0.11%		-0.19%		-0.06%
Financials	-0.32%		0.10%		-0.25%		-0.17%
Info. Tech	-0.22%		0.04%		-0.36%		0.10%
Telecomm.	-0.07%		0.02%		-0.09%		0.00%
Utilities	-0.01%		-0.03%		0.02%		0.00%
Cash	0.00%		--		0.00%		--
Portfolio	**-0.81%**	=	**0.28%**	+	**-0.93%**	+	**-0.16%**

Country Allocation

Benchmark: MSCI All Country World Index

Versus MSCI ACWI Gross - Quarter Ending December 31, 2012	Manager Allocation (USD)	Index Allocation (USD)	Manager Return (USD)	Index Return (USD)
Americas				
Brazil*	2.2%	1.6%	4.3%	3.6%
Canada	1.0%	4.4%	7.4%	0.9%
Chile*	0.1%	0.2%	-2.1%	-0.5%
Colombia*	0.0%	0.2%	--	12.7%
Mexico*	0.5%	0.6%	1.6%	5.7%
Peru*	0.0%	0.1%	--	7.5%
United States	38.3%	47.3%	-3.2%	-0.2%
Total-Americas	**42.1%**	**54.3%**	**-2.5%**	**0.1%**
Europe				
Austria	0.2%	0.1%	10.3%	19.1%
Belgium	0.6%	0.4%	3.8%	6.1%
Czech Republic*	0.3%	0.0%	-1.2%	-3.2%
Denmark	0.4%	0.4%	2.7%	3.3%
Finland	0.2%	0.3%	36.9%	13.2%
France	5.7%	3.3%	8.9%	11.0%
Germany	3.1%	3.1%	0.5%	8.1%
Greece	0.1%	0.0%	47.7%	28.1%
Hungary*	0.0%	0.0%	-2.4%	-0.9%
Ireland	0.2%	0.1%	10.8%	3.0%
Italy	2.2%	0.8%	10.0%	9.5%
Luxembourg	0.0%	0.0%	0.9%	3.0%
Netherlands	0.9%	0.9%	14.3%	9.7%
Norway	0.2%	0.4%	2.1%	1.0%
Poland*	0.4%	0.2%	21.4%	11.9%
Portugal	0.1%	0.1%	9.6%	10.8%
Russia*	2.1%	0.8%	4.8%	2.6%
Spain	2.7%	1.0%	10.2%	9.8%
Sweden	0.4%	1.2%	4.5%	5.1%
Switzerland	2.4%	3.1%	4.7%	8.0%
United Kingdom	11.2%	8.3%	4.5%	4.2%
Total-Europe	**33.4%**	**24.4%**	**6.5%**	**6.9%**

Versus MSCI ACWI Gross - Quarter Ending December 31, 2012	Manager Allocation (USD)	Index Allocation (USD)	Manager Return (USD)	Index Return (USD)
AsiaPacific				
Australia	2.0%	3.2%	8.3%	6.9%
China*	1.8%	2.2%	12.6%	12.8%
Hong Kong	0.5%	1.1%	3.7%	5.7%
India*	1.0%	0.9%	0.2%	0.8%
Indonesia*	0.8%	0.3%	1.4%	1.3%
Japan	11.9%	7.2%	3.0%	5.9%
Korea*	1.6%	2.0%	3.6%	4.6%
Malaysia*	0.1%	0.5%	6.9%	3.8%
New Zealand	0.2%	0.0%	-0.3%	4.8%
Philippines*	0.4%	0.1%	4.2%	11.4%
Singapore	0.8%	0.7%	2.3%	3.1%
Sri Lanka*	0.0%	0.0%	-8.7%	3.0%
Taiwan*	0.9%	1.4%	-1.1%	1.6%
Thailand*	0.7%	0.3%	3.9%	6.5%
Total-AsiaPacific	**22.8%**	**19.8%**	**4.0%**	**6.0%**
Other				
Egypt*	0.3%	0.0%	-9.9%	-11.6%
Israel	0.1%	0.2%	-4.3%	-3.5%
Kazakhstan	0.0%	0.0%	-2.4%	3.0%
Morocco*	0.0%	0.0%	4.9%	1.3%
Nigeria	0.0%	0.0%	21.8%	3.0%
South Africa*	0.5%	1.0%	7.7%	6.3%
Turkey*	0.7%	0.2%	20.6%	18.4%
Total-Other	**1.7%**	**1.5%**	**8.8%**	**6.0%**

* Asterisk denotes Emerging Markets countries

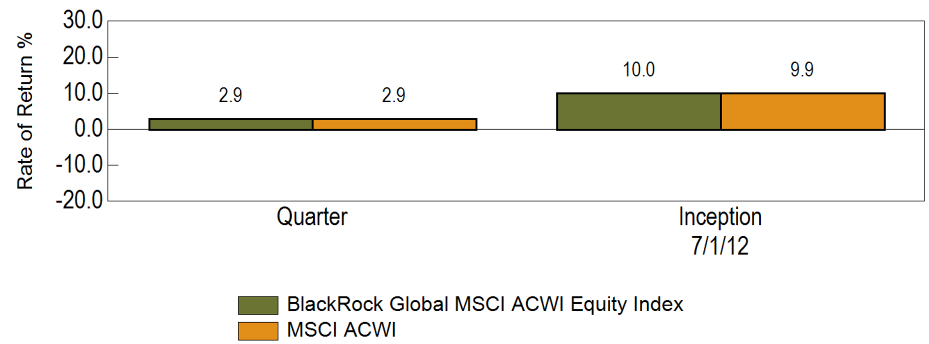
Manager Performance

Benchmark: MSCI ACWI

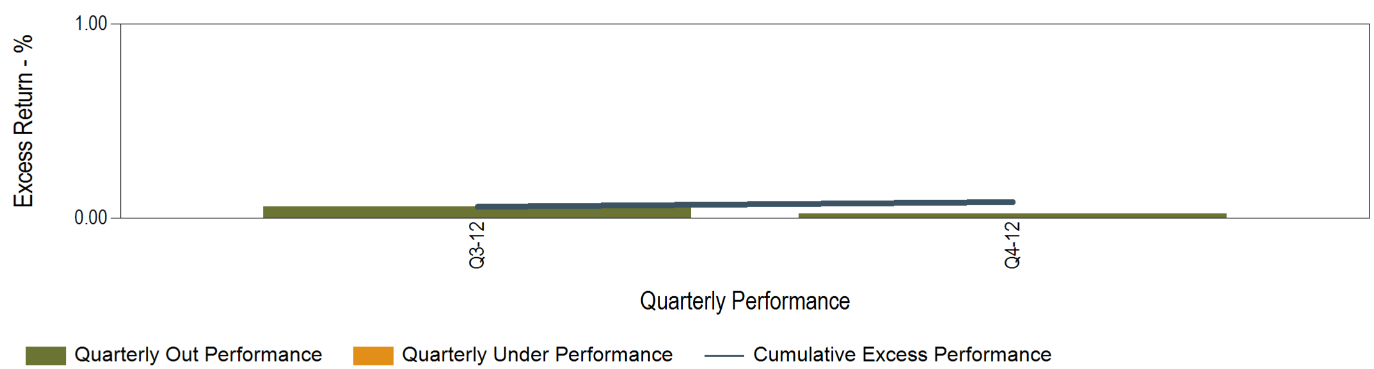
Account Information

Account Name	**BlackRock Global MSCI ACWI Equity Index**
Account Structure	**Commingled Fund**
Investment Style	**Passive**
Inception Date	**7/01/12**
Account Type	
Benchmark	**MSCI ACWI**
Universe	**eA All Global Equity Net**

Return Summary



Quarterly and Cumulative Excess Performance

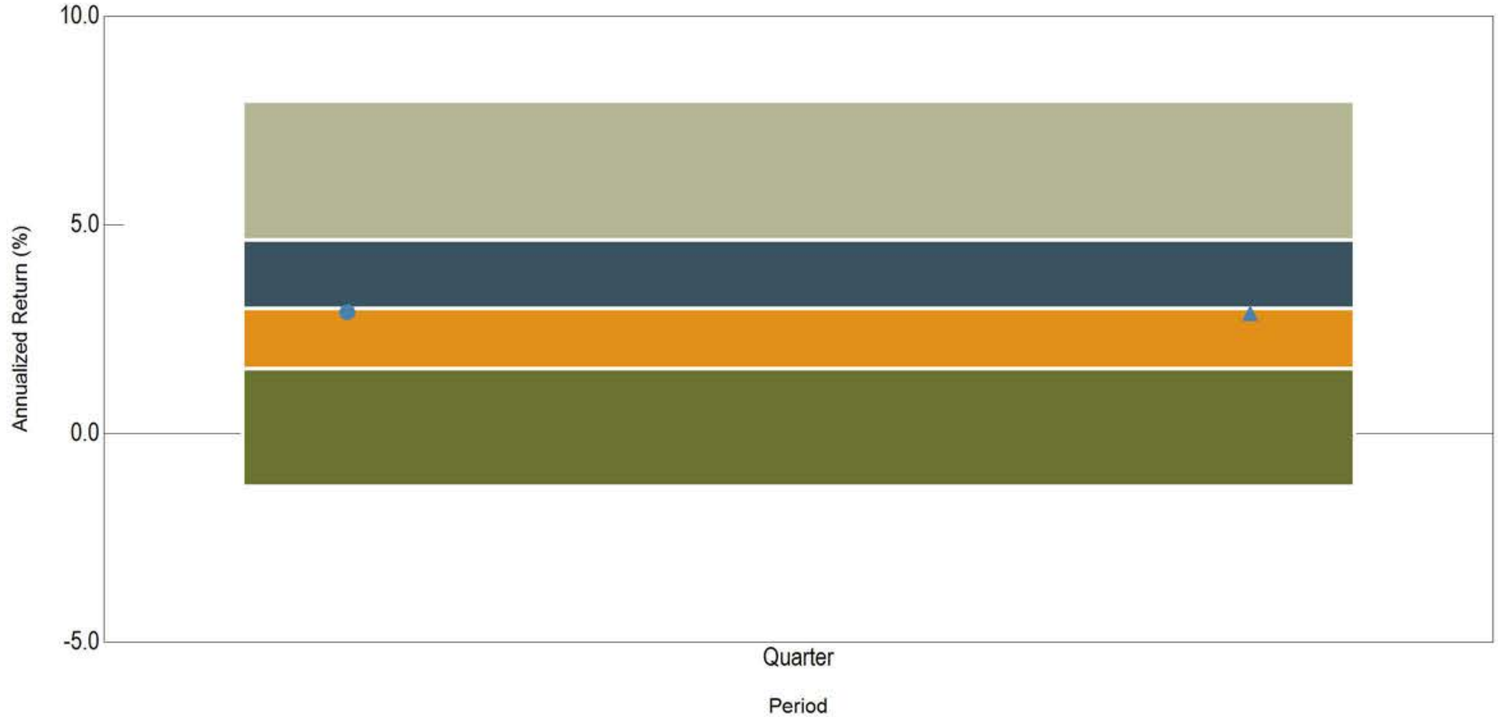


Universe Comparison

Benchmark: MSCI ACWI

Universe: eA All Global Equity Net

Ending December 31, 2012



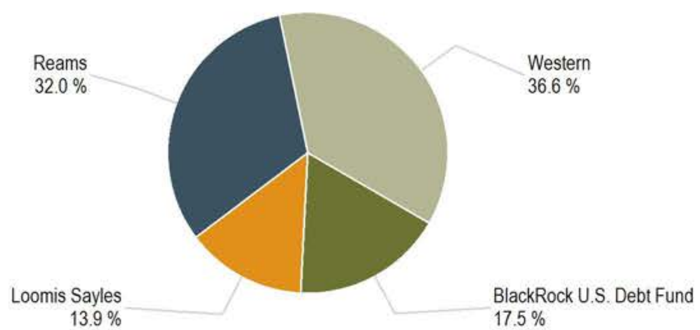
	Return (Rank)	
5th Percentile	8.0	
25th Percentile	4.6	
Median	3.0	
75th Percentile	1.6	
95th Percentile	-1.3	
# of Portfolios	241	
● BlackRock Global MSCI ACWI Equity Index	2.9	(52)
▲ MSCI ACWI	2.9	(53)

Total U.S. Fixed Income

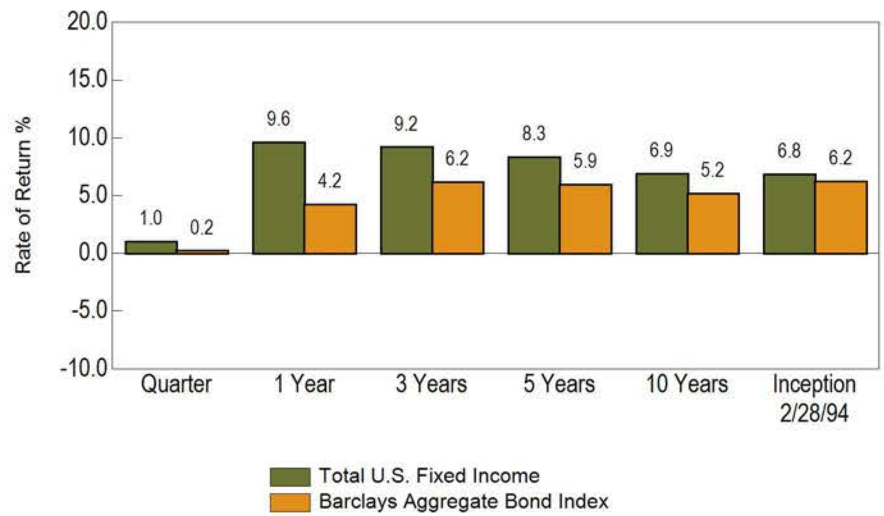
Overview

Benchmark: Barclays Aggregate Bond Index

Current Allocation



Return Summary

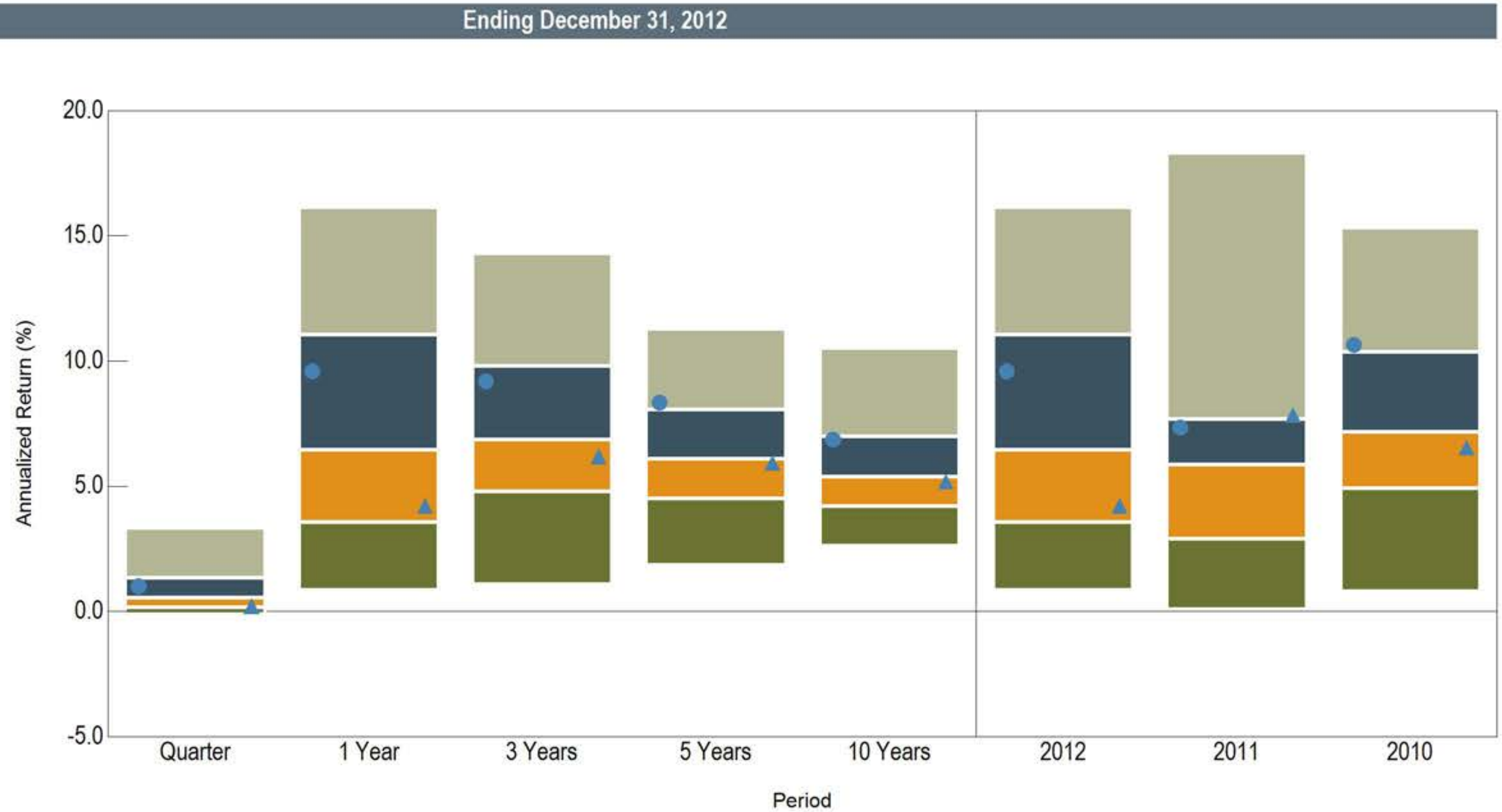


Quarterly and Cumulative Excess Performance

Universe Comparison

Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net



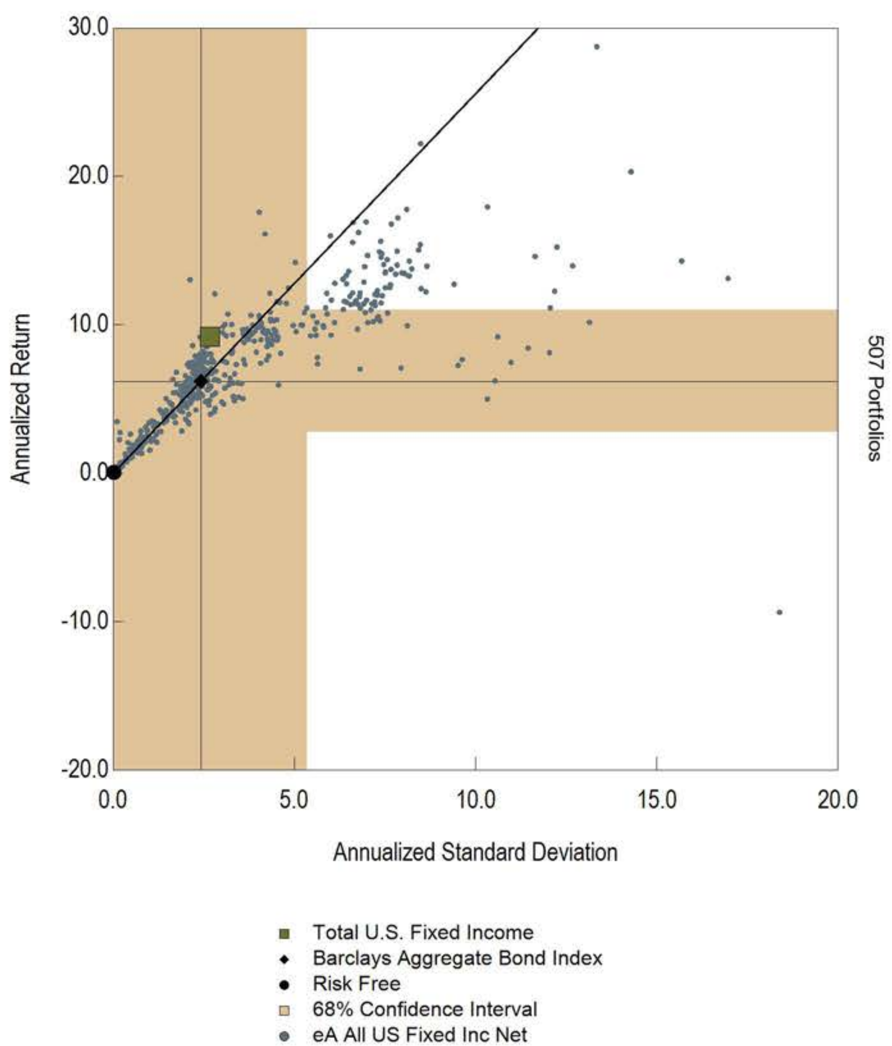
Return (Rank)	Quarter		1 Year		3 Years		5 Years		10 Years		2012		2011		2010	
5th Percentile	3.3		16.1		14.3		11.3		10.5		16.1		18.3		15.3	
25th Percentile	1.4		11.1		9.8		8.1		7.0		11.1		7.7		10.4	
Median	0.6		6.5		6.9		6.1		5.4		6.5		5.9		7.2	
75th Percentile	0.2		3.6		4.8		4.5		4.2		3.6		2.9		4.9	
95th Percentile	-0.1		0.9		1.1		1.9		2.6		0.9		0.1		0.8	
# of Portfolios	591		555		507		424		320		555		483		425	
● Total U.S. Fixed Income	1.0	(34)	9.6	(32)	9.2	(31)	8.3	(24)	6.9	(27)	9.6	(32)	7.3	(30)	10.6	(25)
▲ Barclays Aggregate Bond Index	0.2	(73)	4.2	(70)	6.2	(60)	5.9	(55)	5.2	(54)	4.2	(70)	7.8	(24)	6.5	(59)

Risk Profile

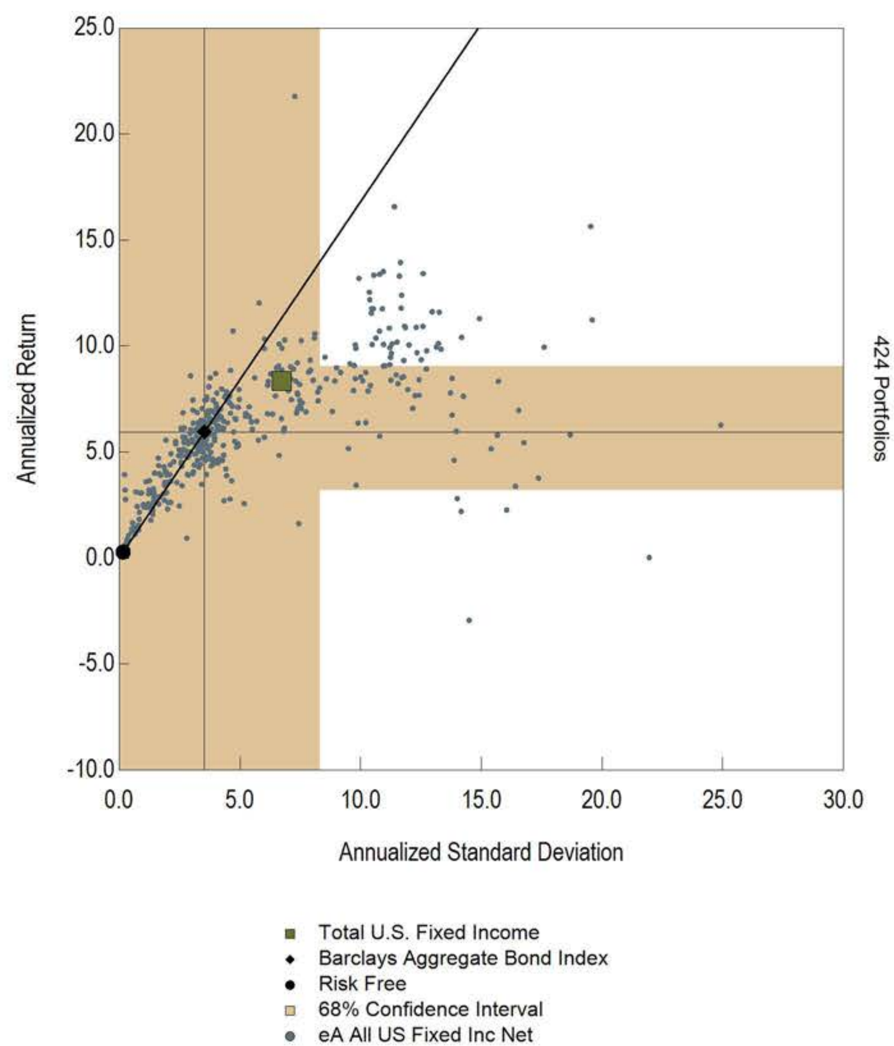
Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2012

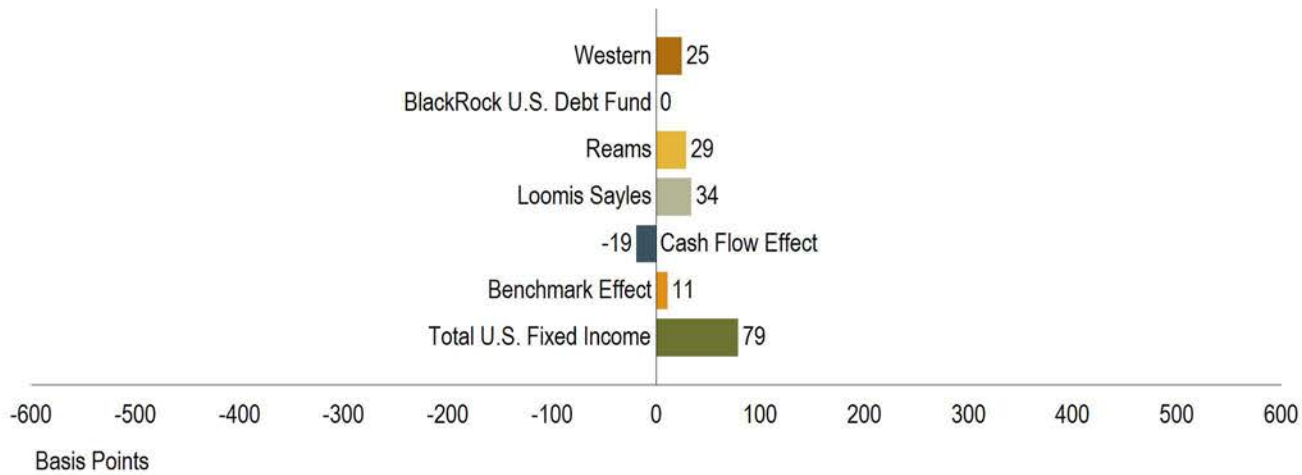


Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2012

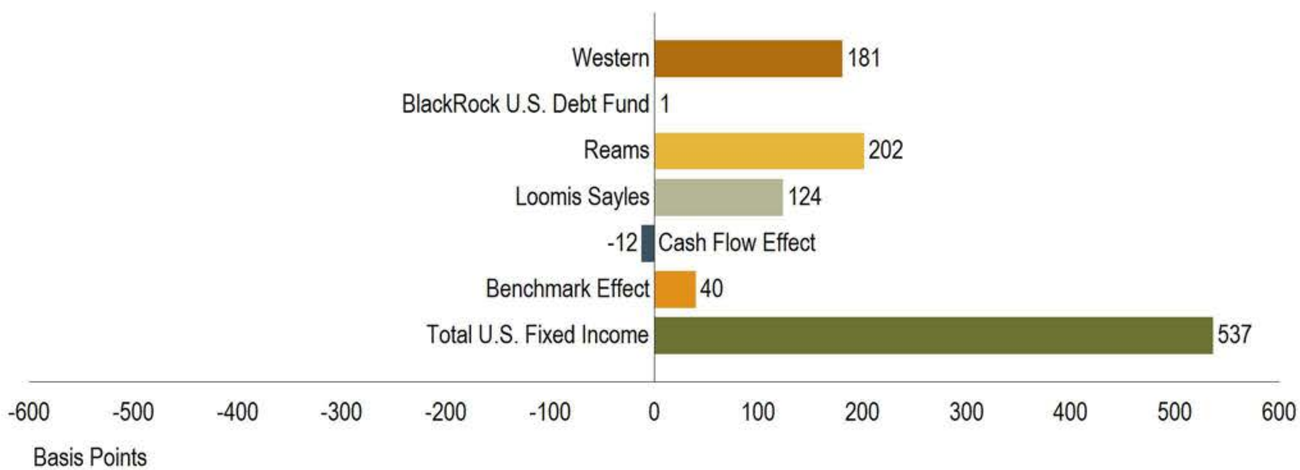


Attribution

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 12/31/12



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 12/31/12



Manager Performance

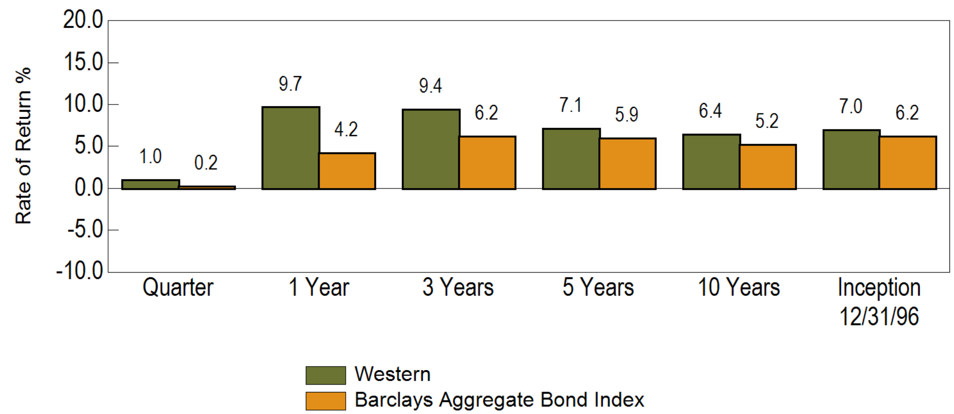
Benchmark: Barclays Aggregate Bond Index

Western Asset Management seeks to add value in fixed income accounts by employing multiple investment strategies while controlling risk. Western is an active sector rotator and attempts to exploit market inefficiencies by making opportunistic trades. The firm emphasizes non-Treasury sectors such as corporate and mortgages. The firm's team approach to fixed income management revolves around an investment outlook developed by the Investment Strategy Group. This group interacts on a daily basis, evaluating developments in both the market and the economy. Additionally, the group meets formally twice a month to review its outlook and investment strategy.

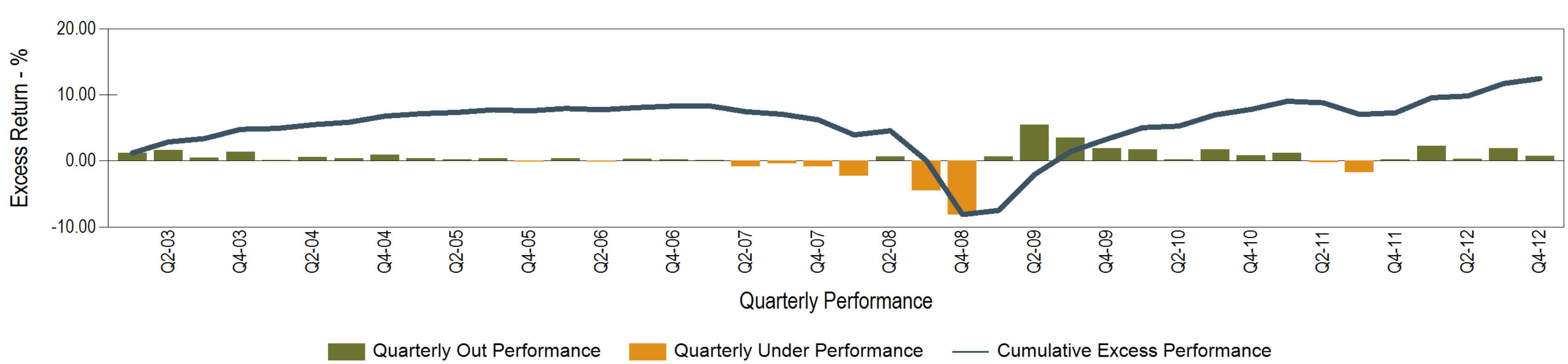
Account Information

Account Name	**Western**
Account Structure	**Separate Account**
Investment Style	**Active**
Inception Date	**12/31/96**
Account Type	**U.S. Fixed Income**
Benchmark	**Barclays Aggregate Bond Index**
Universe	**eA All US Fixed Inc Net**

Return Summary



Quarterly and Cumulative Excess Performance

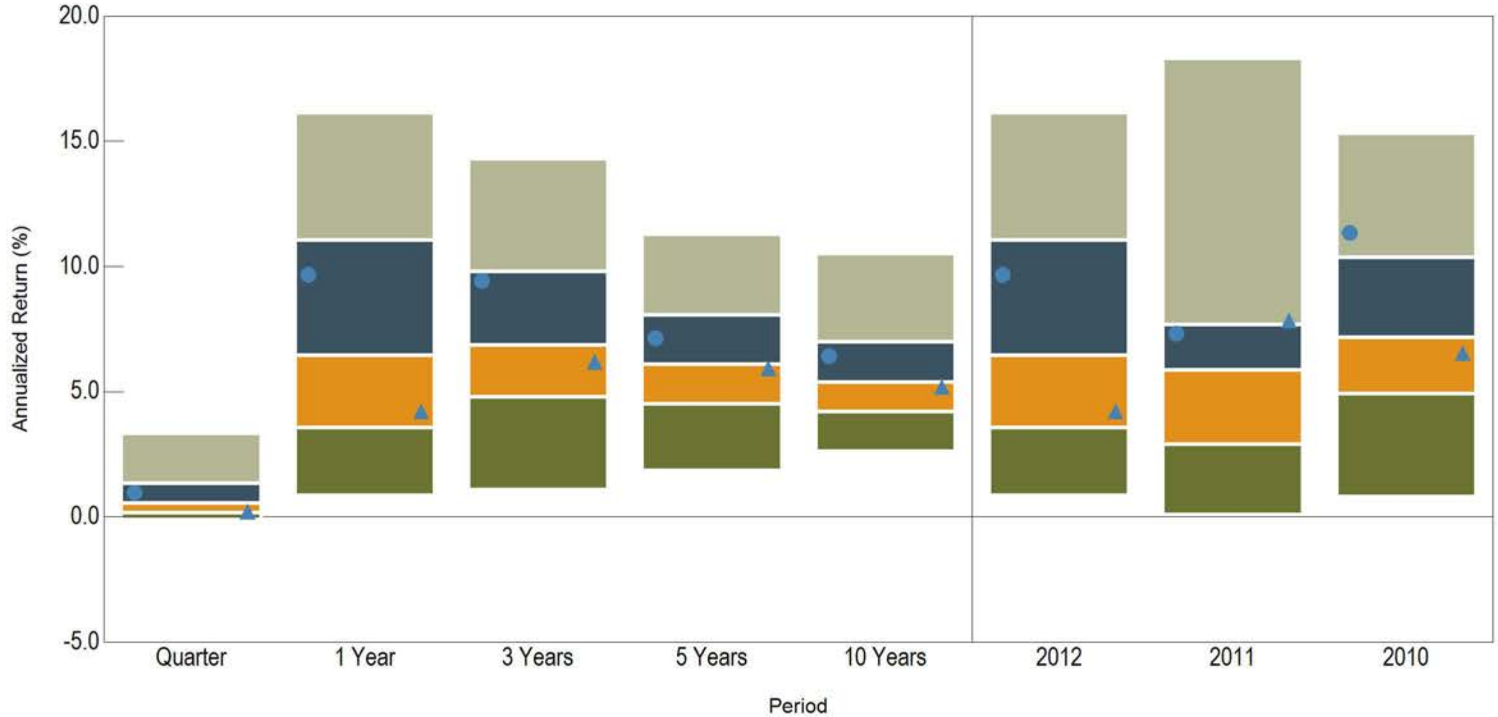


Universe Comparison

Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

Ending December 31, 2012



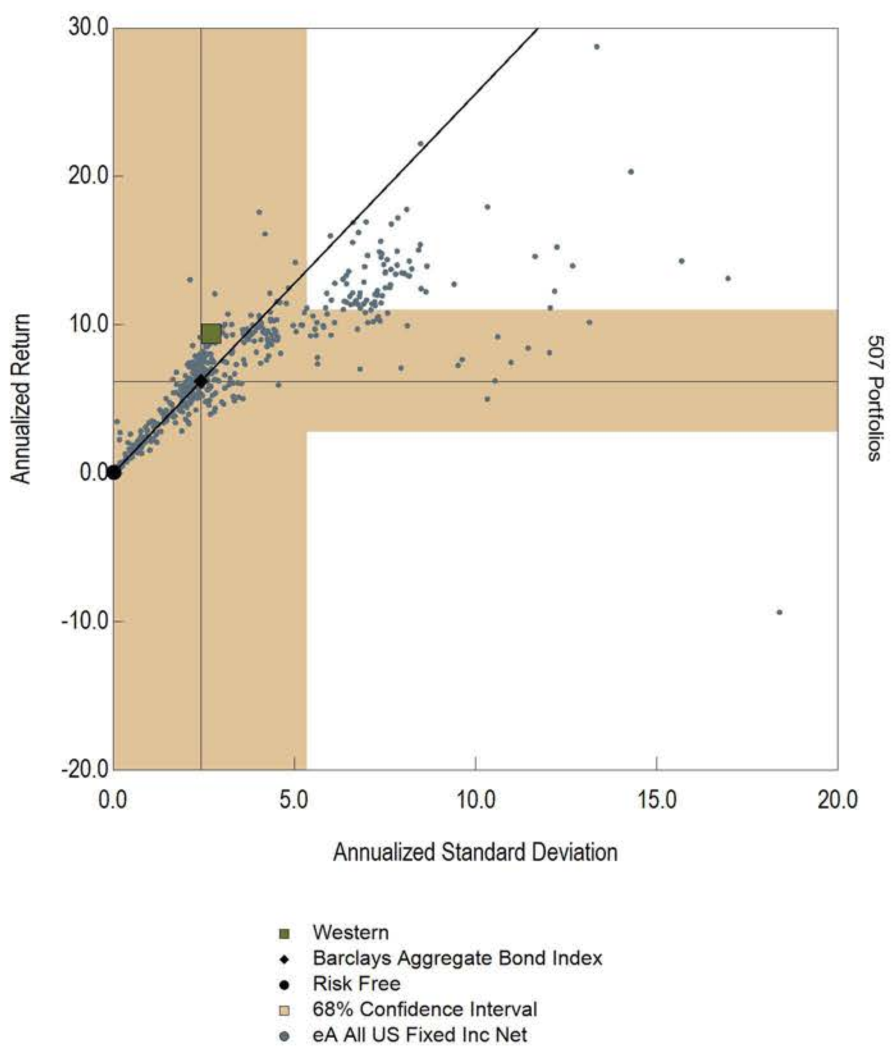
Return (Rank)	Quarter		1 Year		3 Years		5 Years		10 Years		2012		2011		2010	
5th Percentile	3.3		16.1		14.3		11.3		10.5		16.1		18.3		15.3	
25th Percentile	1.4		11.1		9.8		8.1		7.0		11.1		7.7		10.4	
Median	0.6		6.5		6.9		6.1		5.4		6.5		5.9		7.2	
75th Percentile	0.2		3.6		4.8		4.5		4.2		3.6		2.9		4.9	
95th Percentile	-0.1		0.9		1.1		1.9		2.6		0.9		0.1		0.8	
# of Portfolios	591		555		507		424		320		555		483		425	
● Western	1.0	(35)	9.7	(31)	9.4	(28)	7.1	(35)	6.4	(33)	9.7	(31)	7.3	(31)	11.3	(20)
▲ Barclays Aggregate Bond Index	0.2	(73)	4.2	(70)	6.2	(60)	5.9	(55)	5.2	(54)	4.2	(70)	7.8	(24)	6.5	(59)

Risk Profile

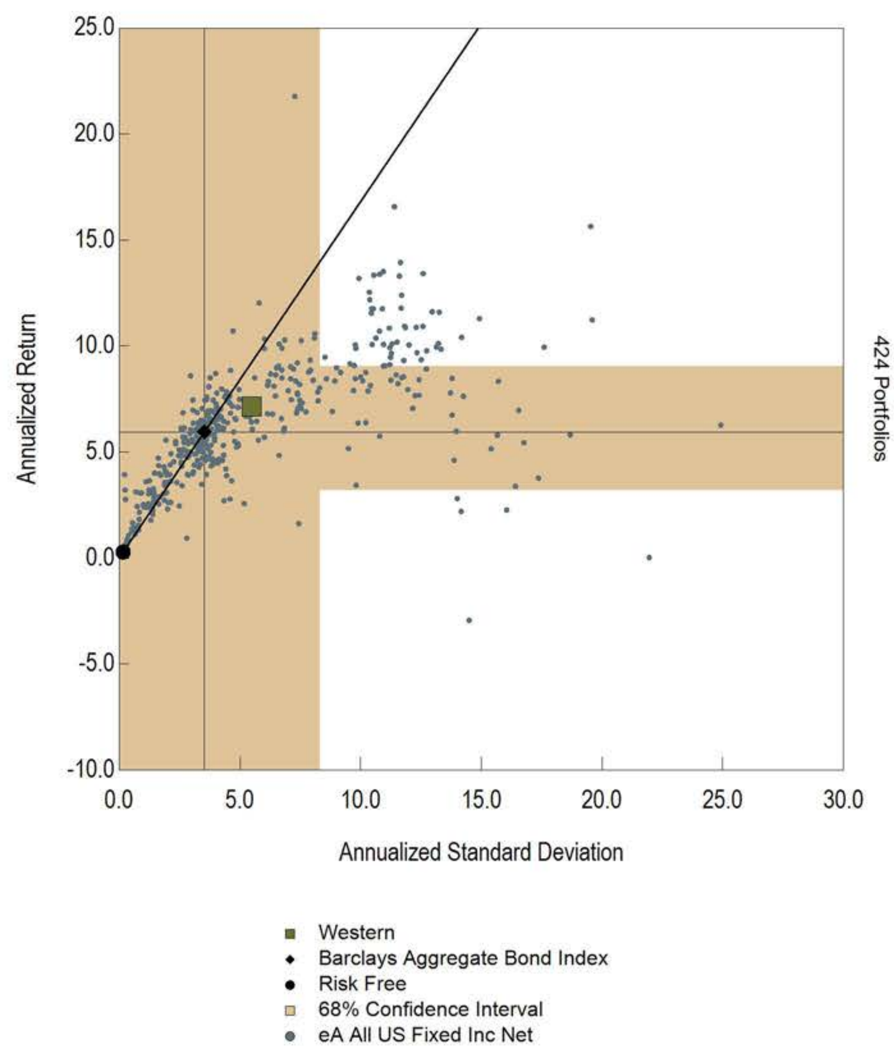
Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

Annualized Return vs. Annualized Standard Deviation 3 Years Ending December 31, 2012



Annualized Return vs. Annualized Standard Deviation 5 Years Ending December 31, 2012



Manager Performance

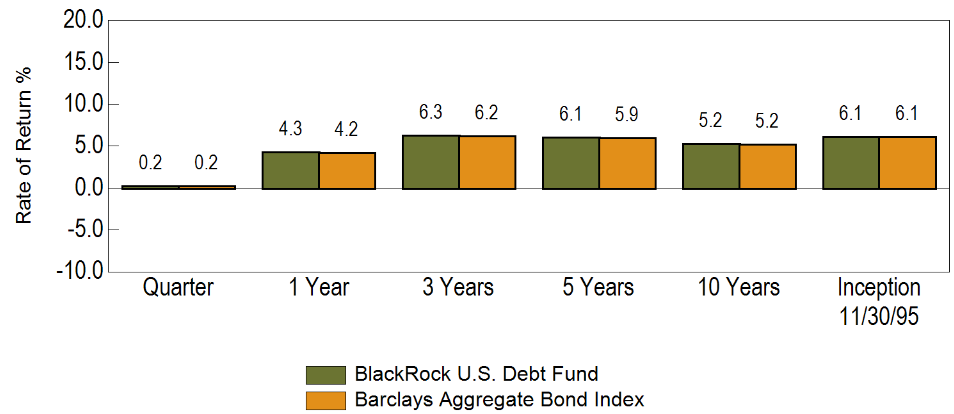
Benchmark: Barclays Aggregate Bond Index

The BlackRock U.S. Debt Fund is an index fund which is designed to replicate the performance of the Barclays Capital Aggregate Bond Index. The U.S. Debt Fund is constructed by holding 7 different sub-funds that track specific sector/maturity combinations of the Barclays Capital Aggregate Bond Index.

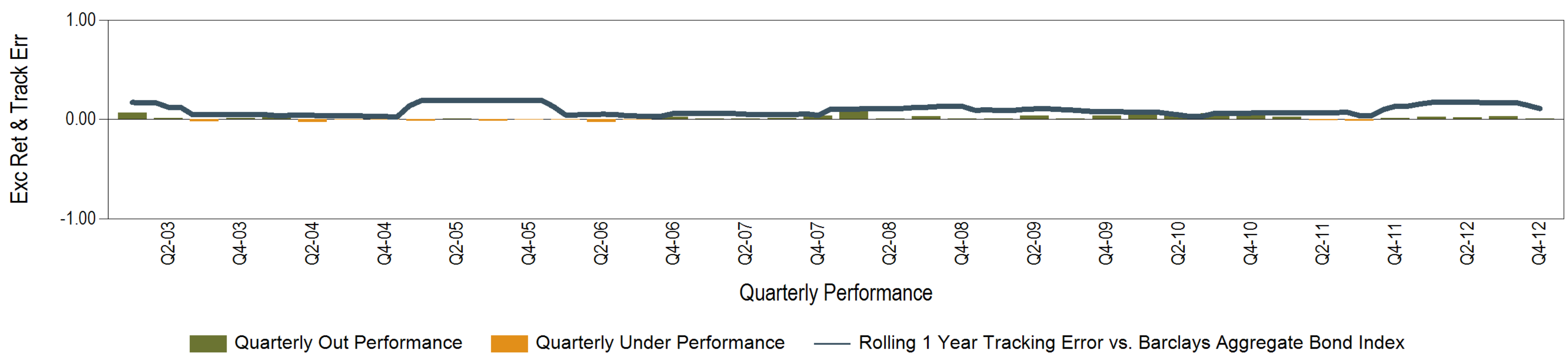
Account Information

Account Name	**BlackRock U.S. Debt Fund**
Account Structure	**Commingled Fund**
Investment Style	**Passive**
Inception Date	**11/30/95**
Account Type	**U.S. Fixed Income**
Benchmark	**Barclays Aggregate Bond Index**
Universe	**eA All US Fixed Inc Net**

Return Summary



Tracking Error

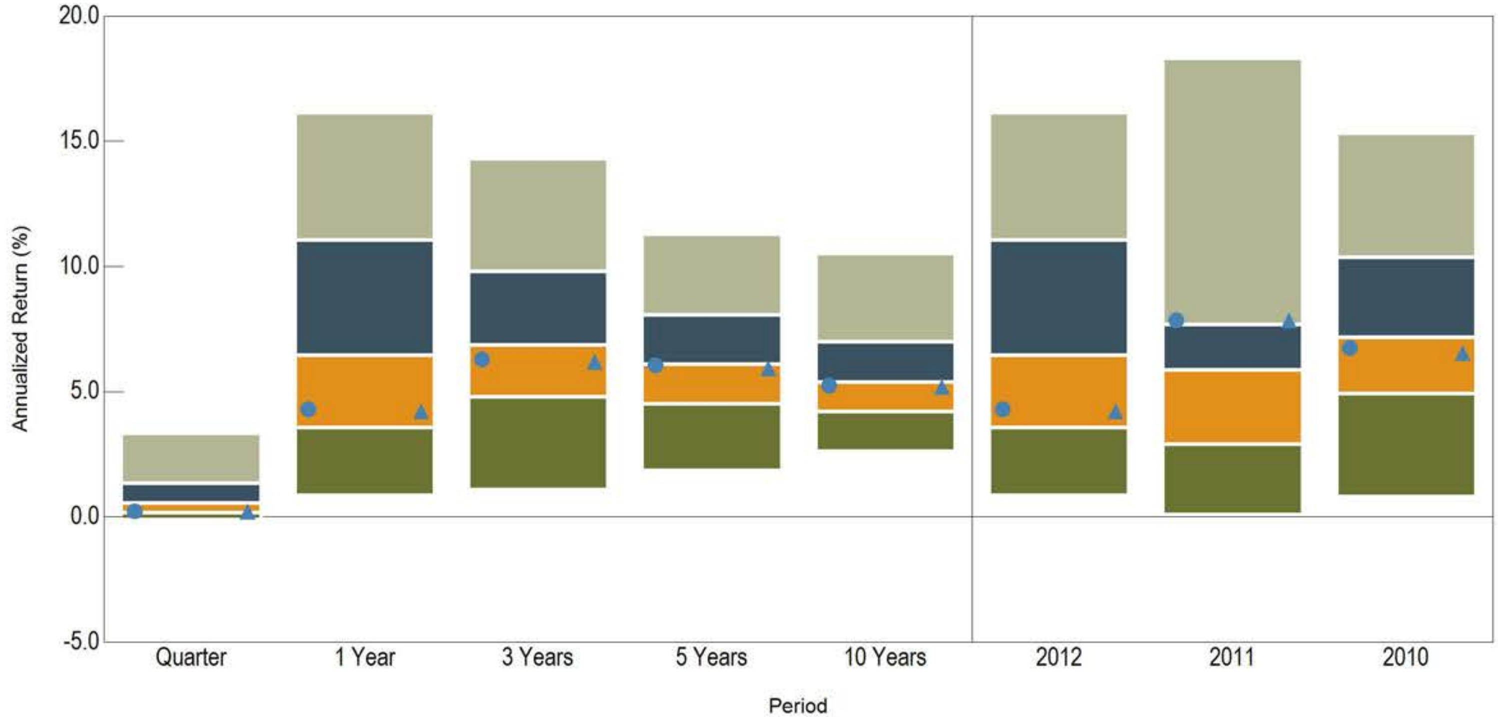


Universe Comparison

Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

Ending December 31, 2012



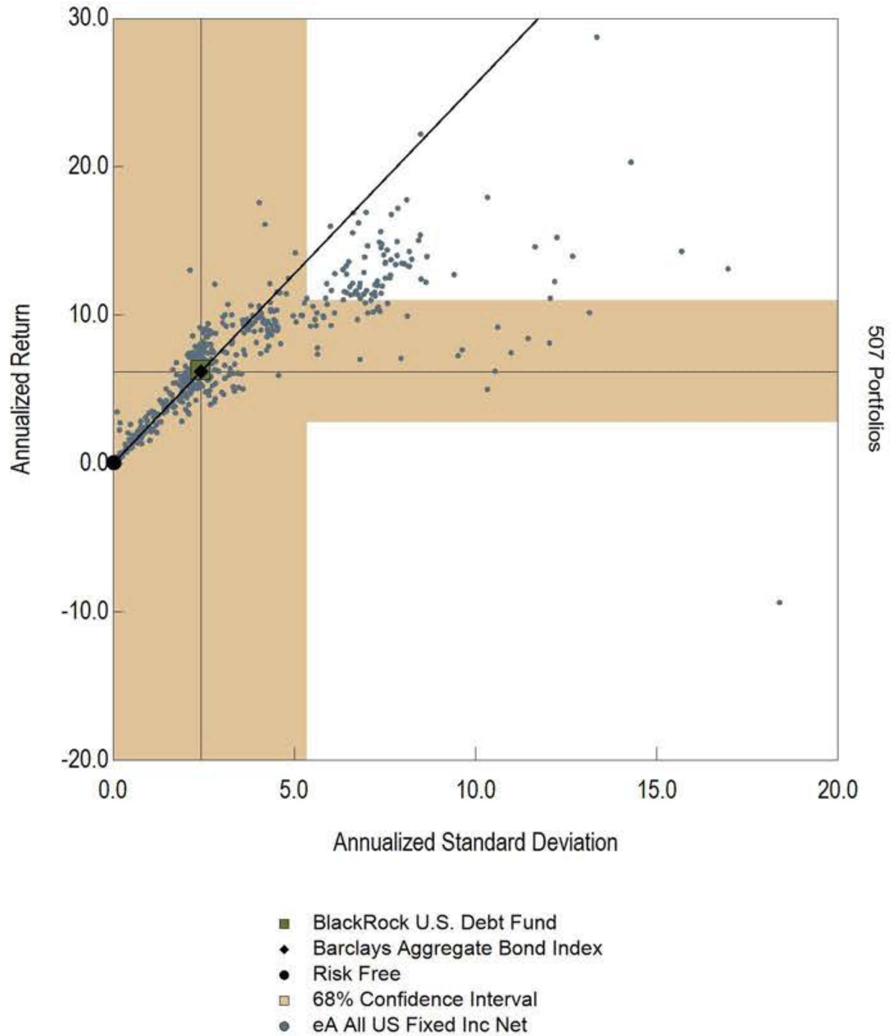
Return (Rank)	Quarter		1 Year		3 Years		5 Years		10 Years		2012		2011		2010	
5th Percentile	3.3		16.1		14.3		11.3		10.5		16.1		18.3		15.3	
25th Percentile	1.4		11.1		9.8		8.1		7.0		11.1		7.7		10.4	
Median	0.6		6.5		6.9		6.1		5.4		6.5		5.9		7.2	
75th Percentile	0.2		3.6		4.8		4.5		4.2		3.6		2.9		4.9	
95th Percentile	-0.1		0.9		1.1		1.9		2.6		0.9		0.1		0.8	
# of Portfolios	591		555		507		424		320		555		483		425	
● BlackRock U.S. Debt Fund	0.2	(73)	4.3	(70)	6.3	(59)	6.1	(53)	5.2	(52)	4.3	(70)	7.9	(23)	6.7	(56)
▲ Barclays Aggregate Bond Index	0.2	(73)	4.2	(70)	6.2	(60)	5.9	(55)	5.2	(54)	4.2	(70)	7.8	(24)	6.5	(59)

Risk Profile

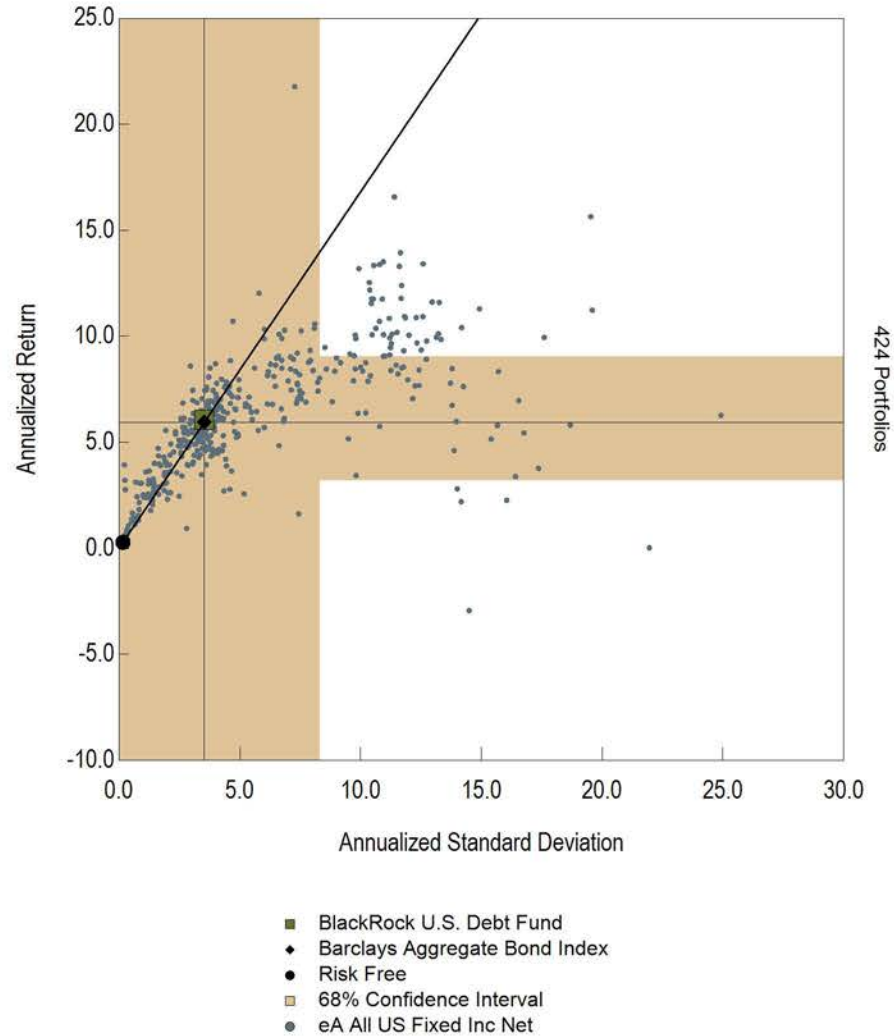
Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2012



Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2012



Manager Performance

Benchmark: Barclays Aggregate Bond Index

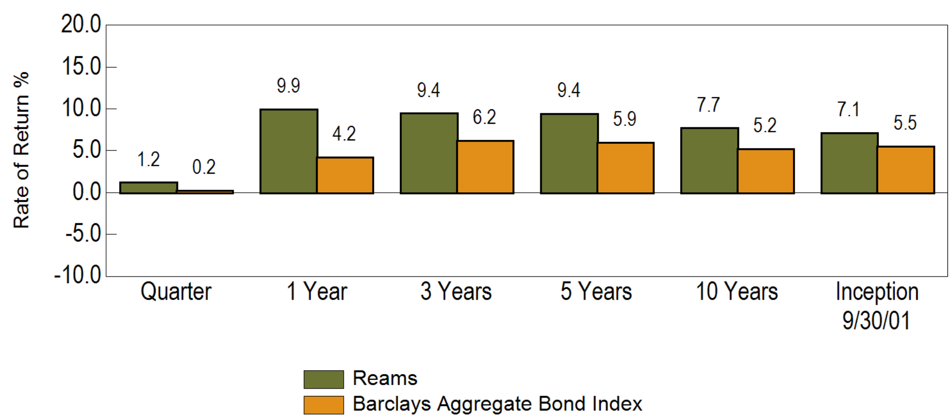
Reams' investment process revolves around the manager's ability to combine top-down macroeconomic portfolio positioning with bottom-up bond selection. The top-down interest rate positioning is somewhat contrarian in that the manager uses real interest rates to gauge when the market is expensive and when it is cheap, increasing duration when the market is cheap and decreasing duration when it is expensive.

The manager attempts to exploit its relatively small size and uncover issues not widely followed by Wall Street. The manager prefers to hold securities by underlying collateral. The firm tends to avoid residential mortgages in favor of commercial mortgages.

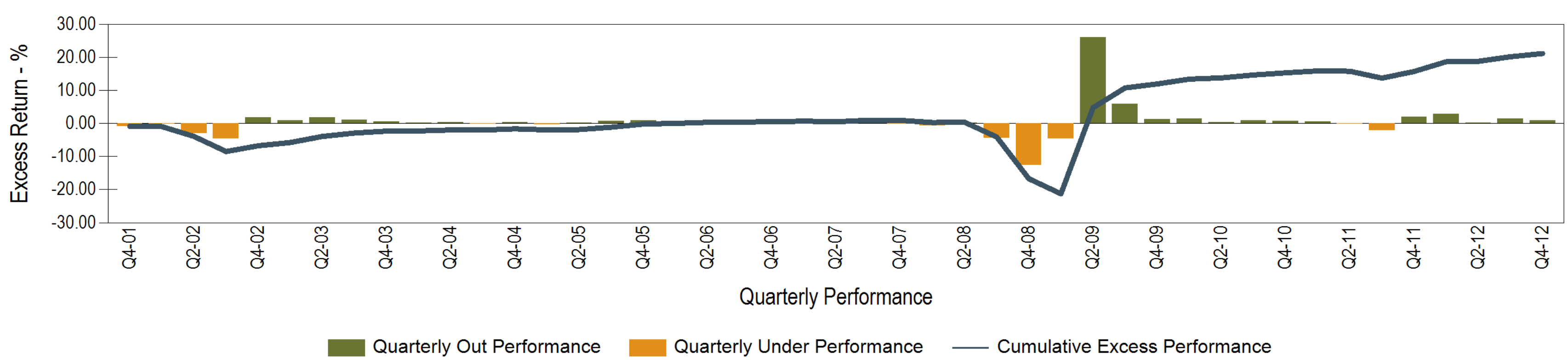
Account Information

Account Name	**Reams**
Account Structure	**Separate Account**
Investment Style	**Active**
Inception Date	**9/30/01**
Account Type	**U.S. Fixed Income**
Benchmark	**Barclays Aggregate Bond Index**
Universe	**eA All US Fixed Inc Net**

Return Summary



Quarterly and Cumulative Excess Performance

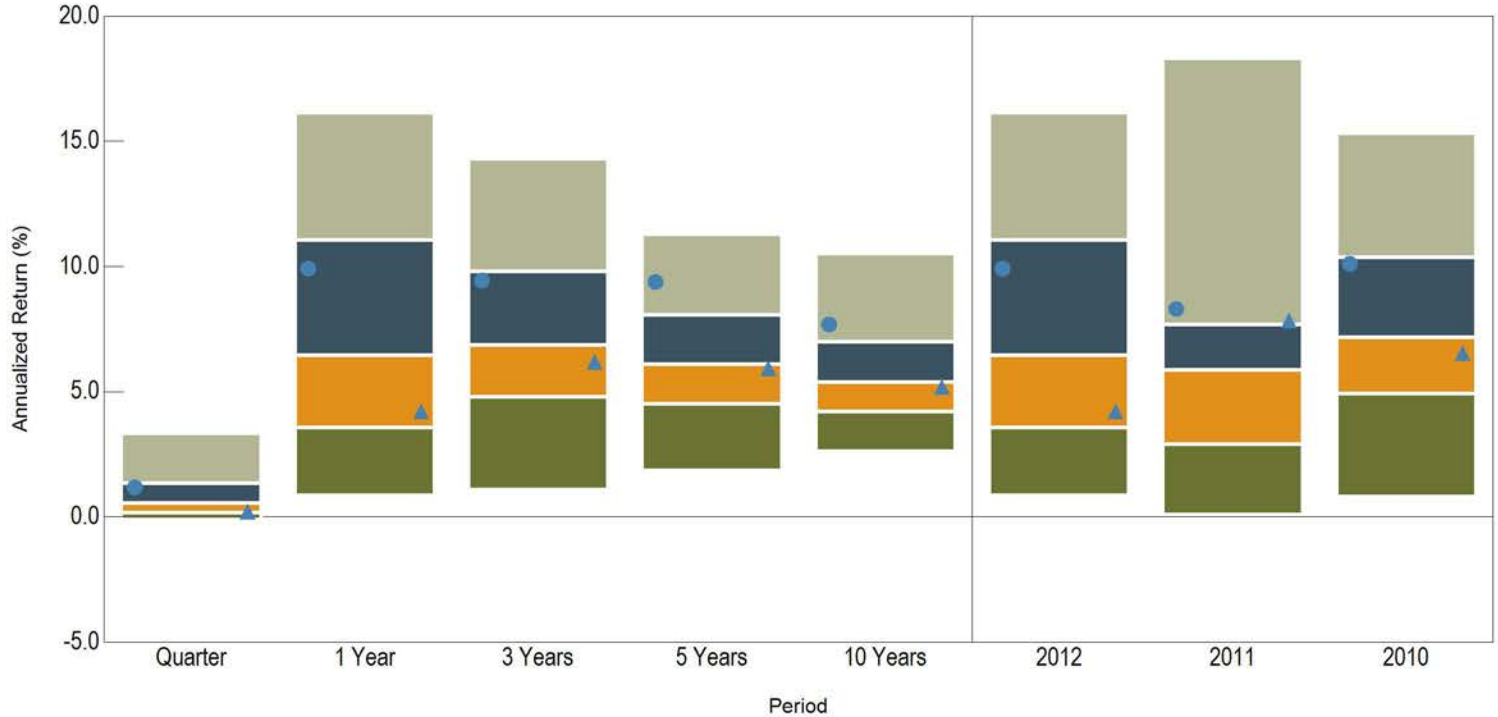


Universe Comparison

Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

Ending December 31, 2012



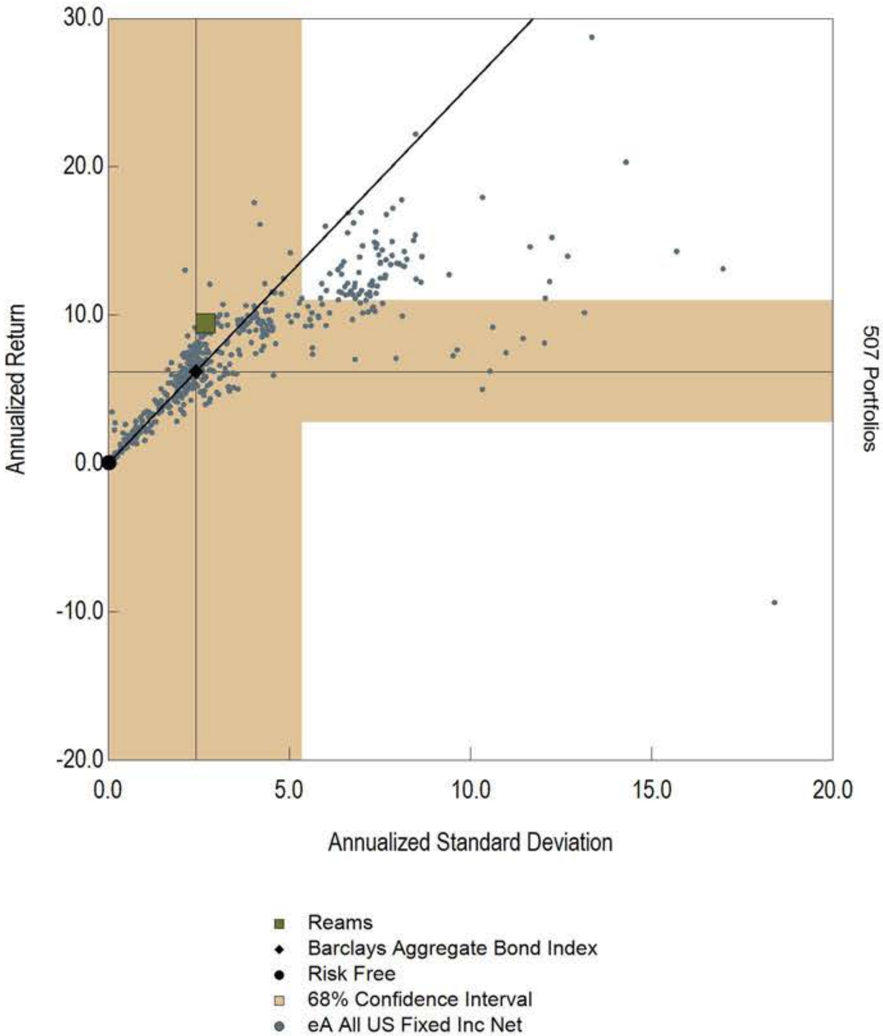
Return (Rank)	Quarter		1 Year		3 Years		5 Years		10 Years		2012		2011		2010	
5th Percentile	3.3		16.1		14.3		11.3		10.5		16.1		18.3		15.3	
25th Percentile	1.4		11.1		9.8		8.1		7.0		11.1		7.7		10.4	
Median	0.6		6.5		6.9		6.1		5.4		6.5		5.9		7.2	
75th Percentile	0.2		3.6		4.8		4.5		4.2		3.6		2.9		4.9	
95th Percentile	-0.1		0.9		1.1		1.9		2.6		0.9		0.1		0.8	
# of Portfolios	591		555		507		424		320		555		483		425	
● Reams	1.2	(30)	9.9	(31)	9.4	(28)	9.4	(14)	7.7	(22)	9.9	(31)	8.3	(19)	10.1	(27)
▲ Barclays Aggregate Bond Index	0.2	(73)	4.2	(70)	6.2	(60)	5.9	(55)	5.2	(54)	4.2	(70)	7.8	(24)	6.5	(59)

Risk Profile

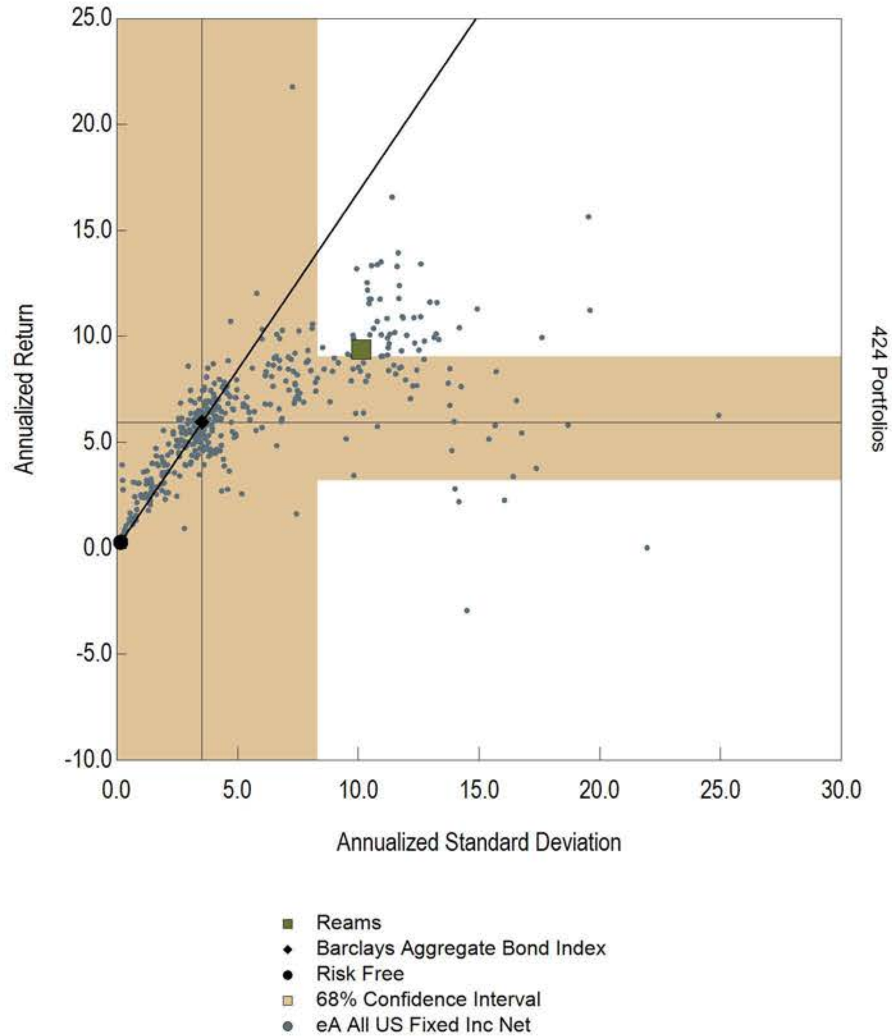
Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2012



Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2012



Manager Performance

Benchmark: Performance Benchmark

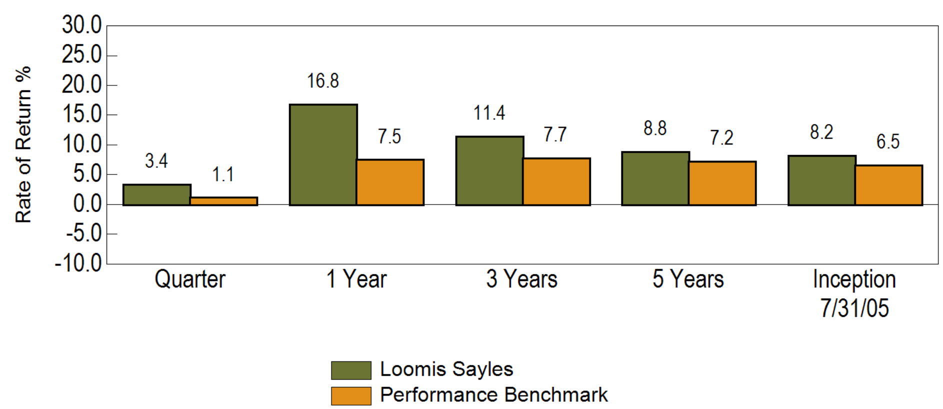
Loomis Sayles' fixed income philosophy is rooted in identifying undervalued securities through in-house credit research. Its philosophy emphasizes identifying issuers whose credit ratings appear likely to be upgraded or downgraded. The fixed income analysts use forward-looking analyses of cash flow, along with source and application of funds, to identify factors that may affect a debt issuer's future credit rating. Loomis Sayles believes that considerable value can be added by holding under-rated issues for which the firm has projected a credit upgrading.

Loomis typically allocates up to 40% of its assets to high yield securities and its portfolio's duration is significantly higher than that of the broad bond market. The manager also invests in convertible securities. The performance benchmark for the strategy is 60% Barclays Capital Aggregate Bond Index and 40% Barclays Capital High Yield Index.

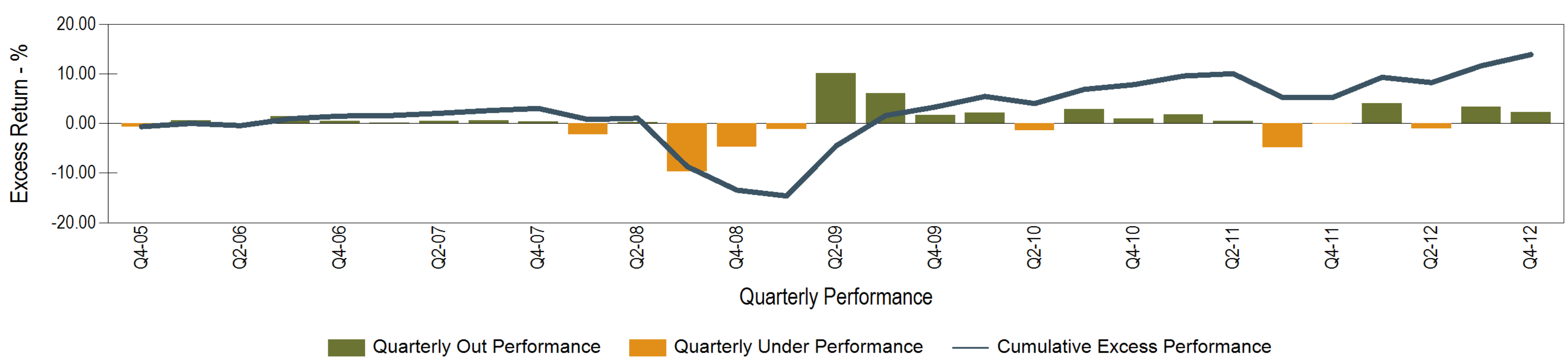
Account Information

Account Name	**Loomis Sayles**
Account Structure	**Separate Account**
Investment Style	**Active**
Inception Date	**7/31/05**
Account Type	**Global Fixed Income**
Benchmark	**Performance Benchmark**
Universe	**eA All US Fixed Inc Net**

Return Summary



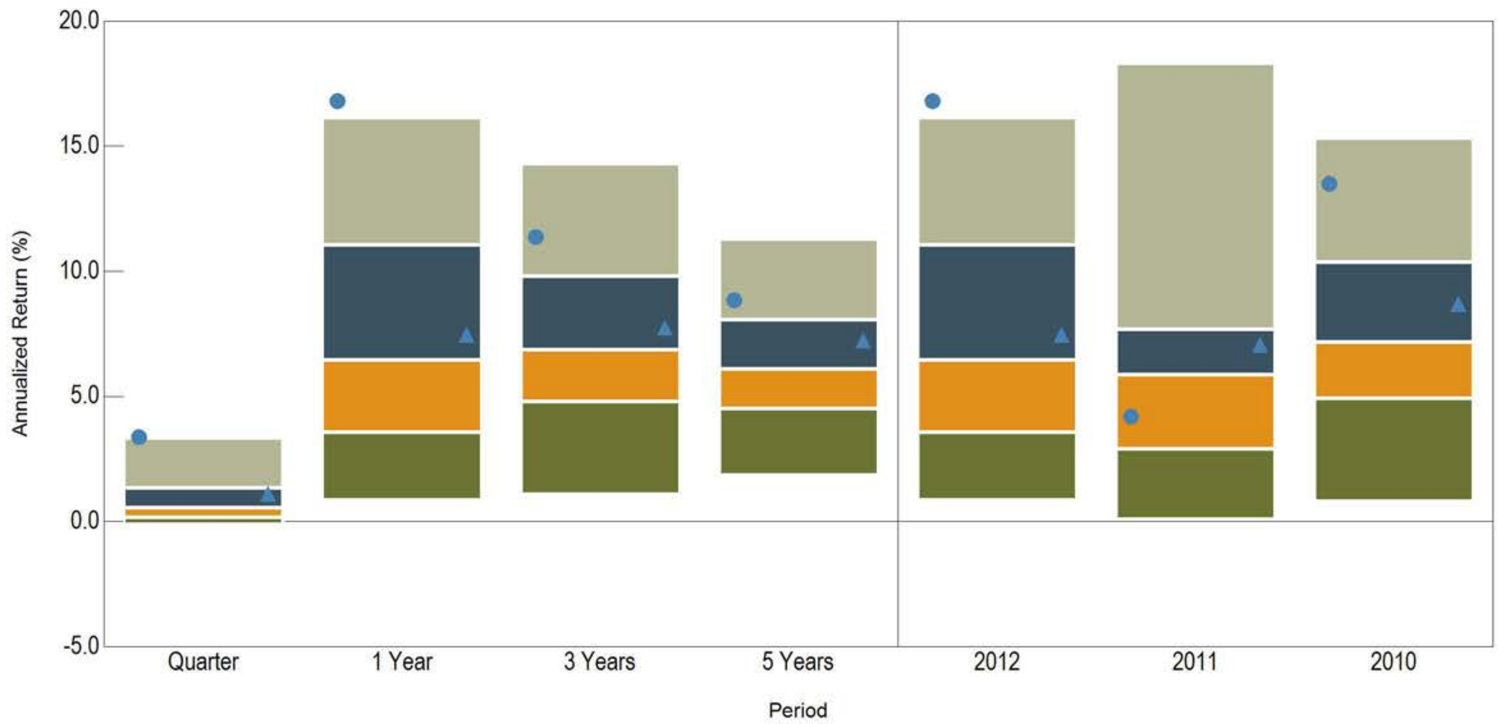
Quarterly and Cumulative Excess Performance



Universe Comparison

Benchmark: Performance Benchmark | Universe: eA All US Fixed Inc Net

Ending December 31, 2012



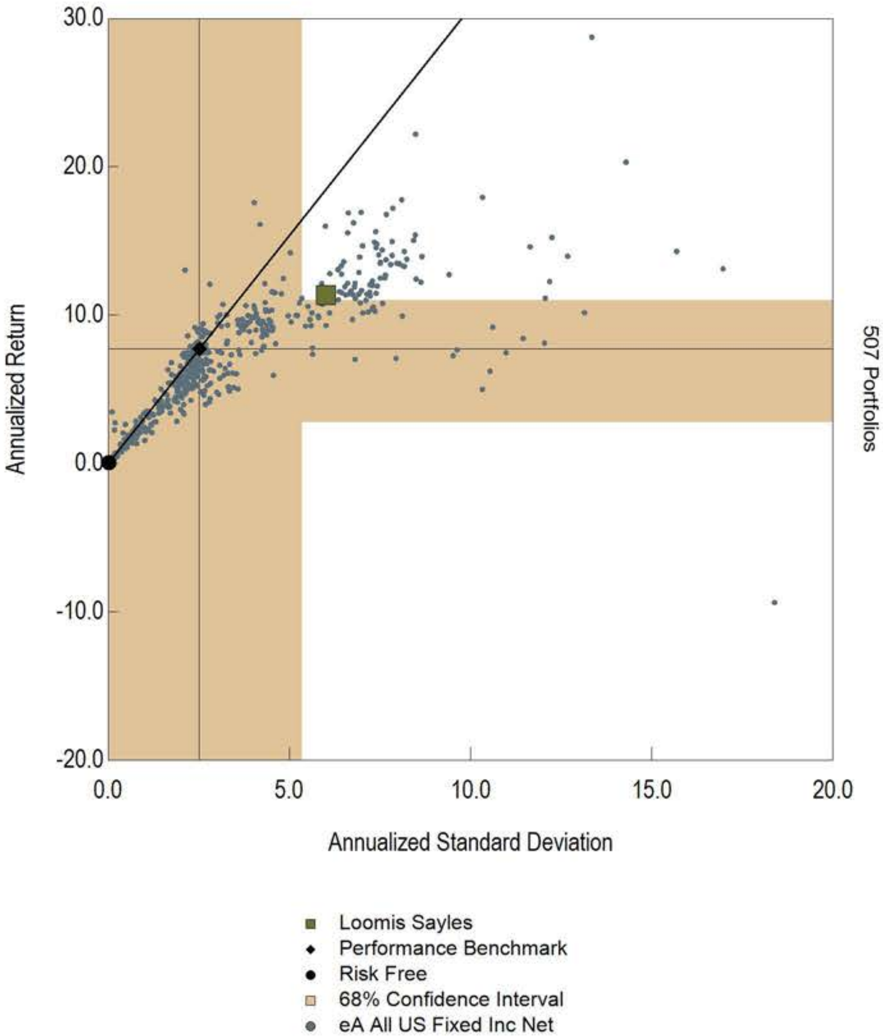
	Return (Rank)													
5th Percentile	3.3		16.1		14.3		11.3		16.1		18.3		15.3	
25th Percentile	1.4		11.1		9.8		8.1		11.1		7.7		10.4	
Median	0.6		6.5		6.9		6.1		6.5		5.9		7.2	
75th Percentile	0.2		3.6		4.8		4.5		3.6		2.9		4.9	
95th Percentile	-0.1		0.9		1.1		1.9		0.9		0.1		0.8	
# of Portfolios	591		555		507		424		555		483		425	
● Loomis Sayles	3.4	(5)	16.8	(4)	11.4	(17)	8.8	(18)	16.8	(4)	4.2	(67)	13.5	(12)
▲ Performance Benchmark	1.1	(31)	7.5	(42)	7.7	(41)	7.2	(34)	7.5	(42)	7.1	(35)	8.7	(34)

Risk Profile

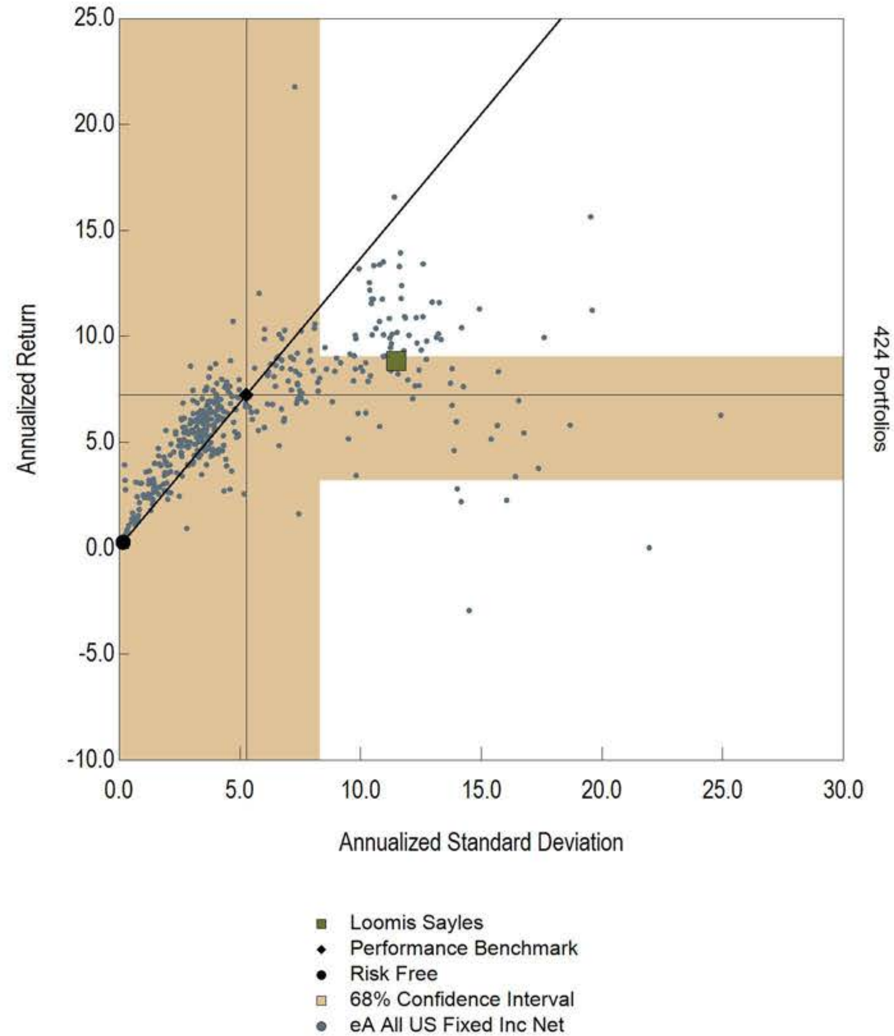
Benchmark: Performance Benchmark

Universe: eA All US Fixed Inc Net

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2012



Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2012

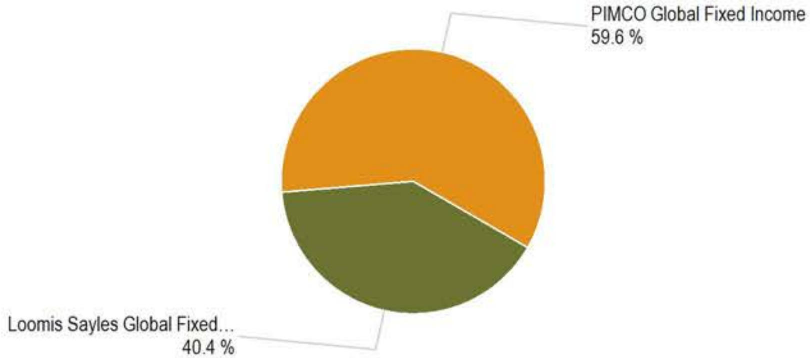


Total Global Fixed Income

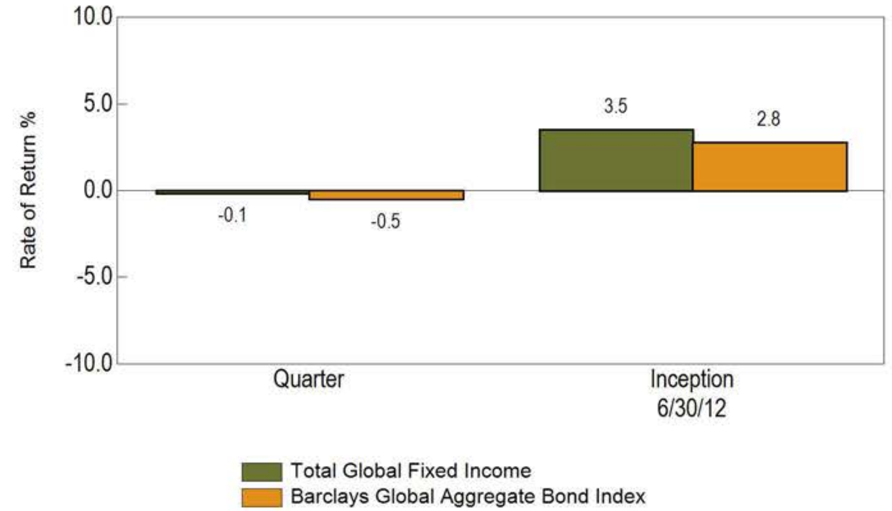
Overview

Benchmark: Barclays Global Aggregate Bond Index

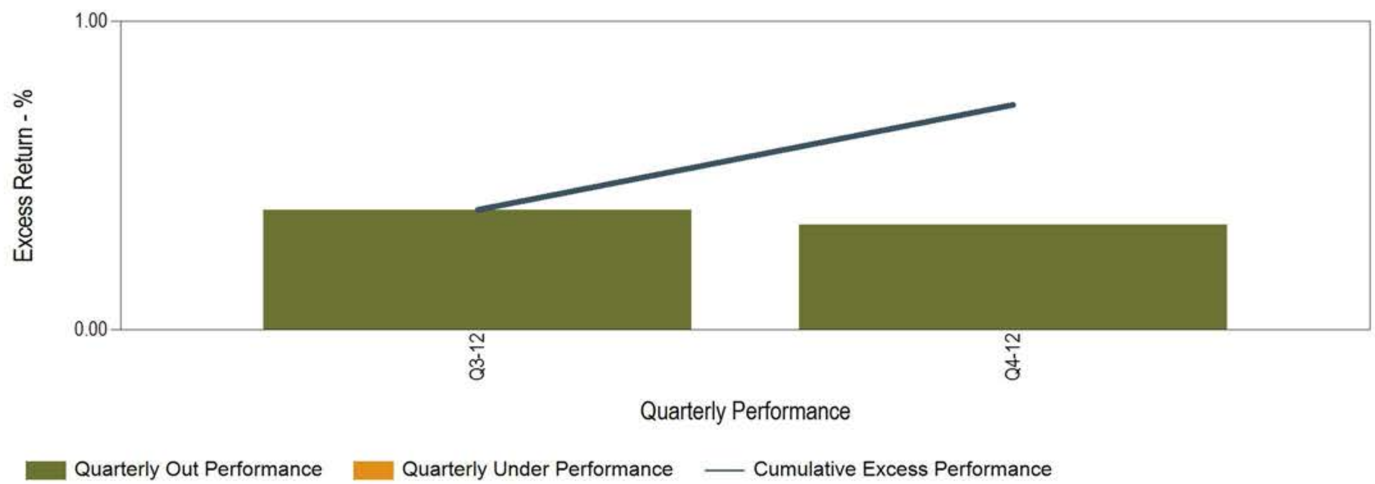
Current Allocation



Return Summary



Quarterly and Cumulative Excess Performance

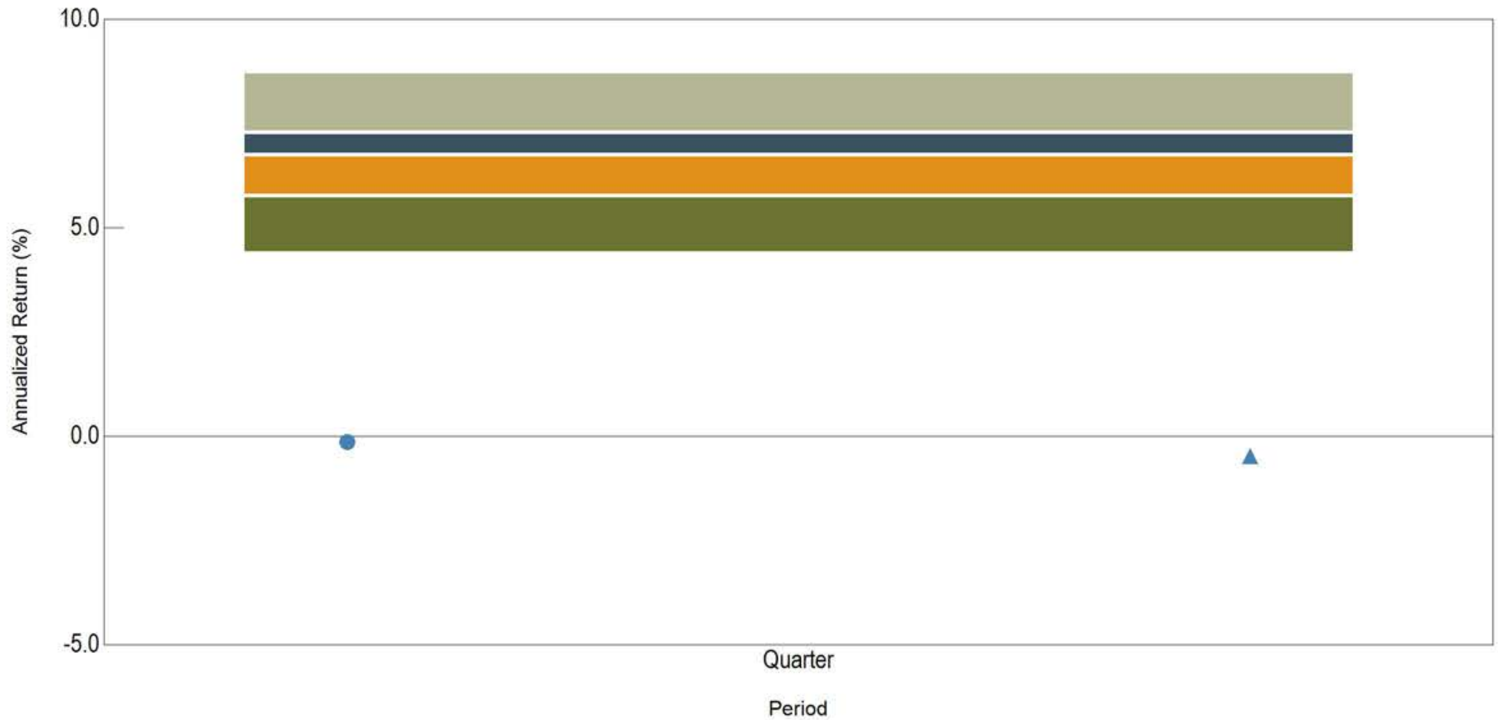


Universe Comparison

Benchmark: Barclays Global Aggregate Bond Index

Universe: Global xUS Fixed Income -Unhedged

Ending December 31, 2012



	Return (Rank)	
5th Percentile	8.7	
25th Percentile	7.3	
Median	6.8	
75th Percentile	5.8	
95th Percentile	4.4	
# of Portfolios	22	
● Total Global Fixed Income	-0.1	(99)
▲ Barclays Global Aggregate Bond Index	-0.5	(99)

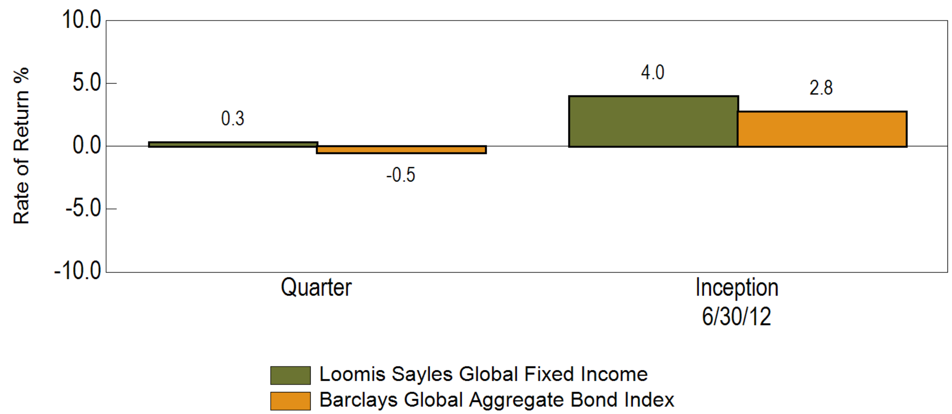
Manager Performance

Benchmark: Barclays Global Aggregate Bond Index

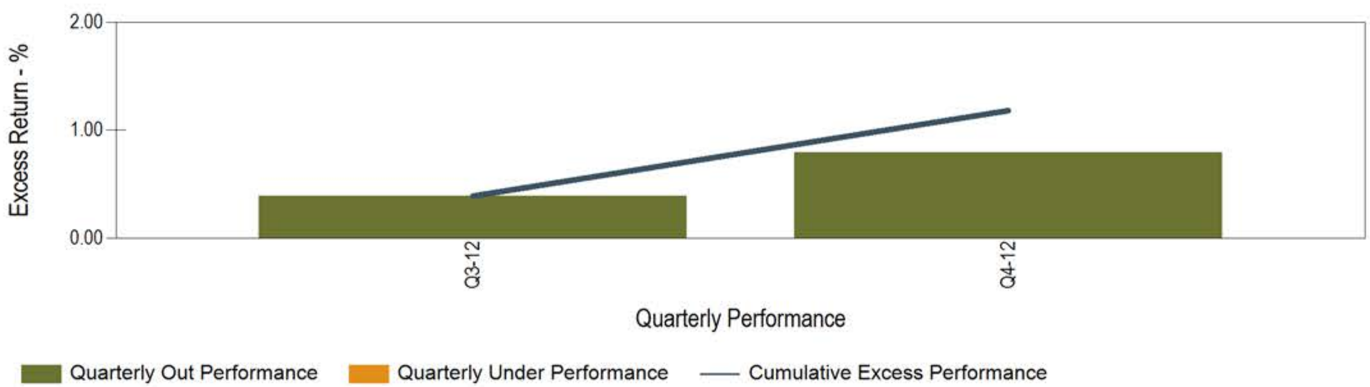
Account Information

Account Name	**Loomis Sayles Global Fixed Income**
Account Structure	**Separate Account**
Investment Style	**Passive**
Inception Date	**6/30/12**
Account Type	
Benchmark	**Barclays Global Aggregate Bond Index**
Universe	**Global Fixed Income - Unhedged**

Return Summary



Quarterly and Cumulative Excess Performance

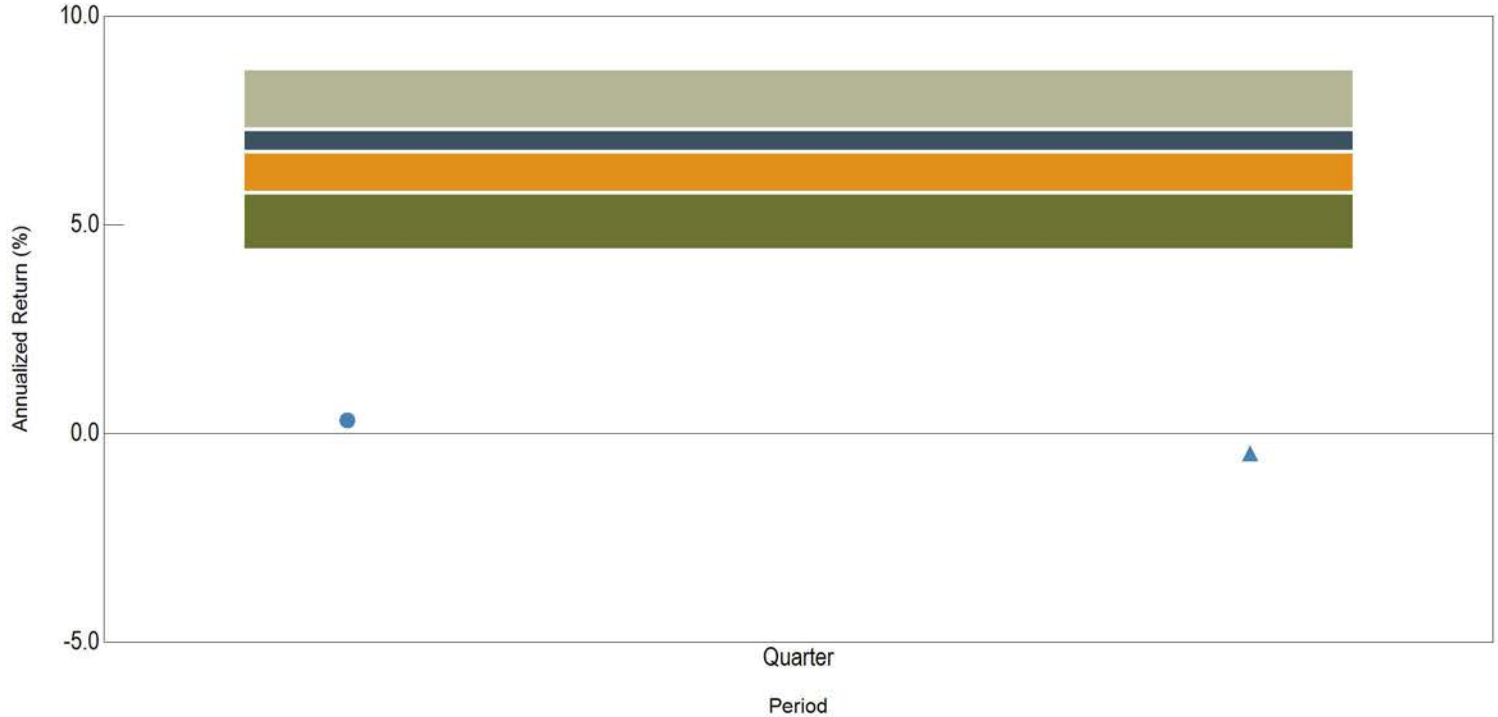


Universe Comparison

Benchmark: Barclays Global Aggregate Bond Index

Universe: Global Fixed Income - Unhedged

Ending December 31, 2012



	Return (Rank)	
5th Percentile	8.7	
25th Percentile	7.3	
Median	6.8	
75th Percentile	5.8	
95th Percentile	4.4	
# of Portfolios	22	
● Loomis Sayles Global Fixed Income	0.3	(99)
▲ Barclays Global Aggregate Bond Index	-0.5	(99)

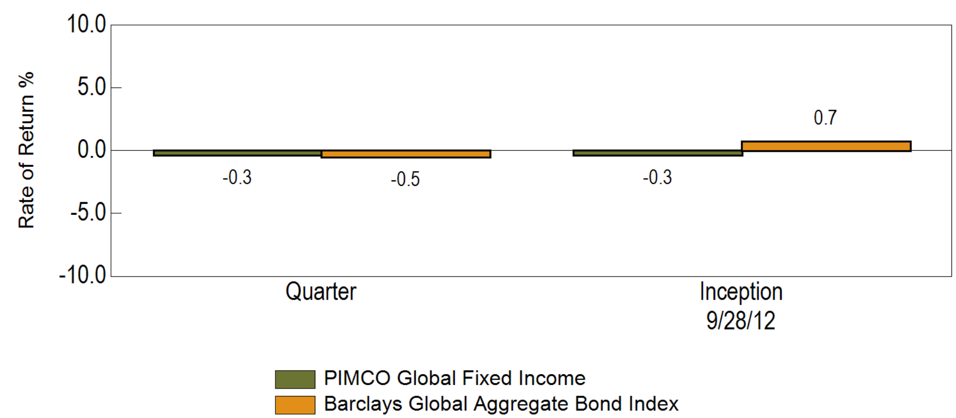
Manager Performance

Benchmark: Barclays Global Aggregate Bond Index

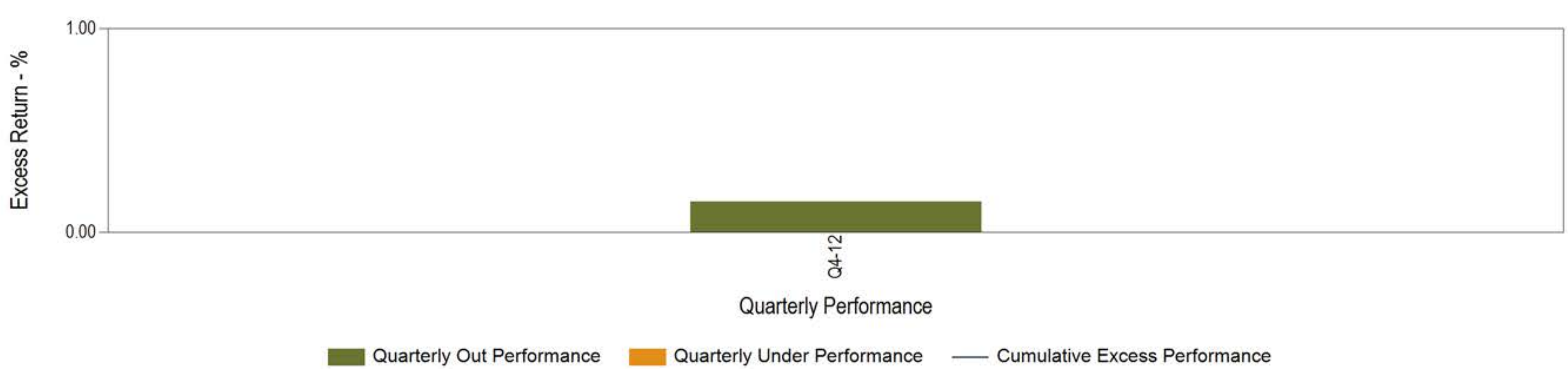
Account Information

Account Name	**PIMCO Global Fixed Income**
Account Structure	**Mutual Fund**
Investment Style	**Passive**
Inception Date	**9/28/12**
Account Type	
Benchmark	**Barclays Global Aggregate Bond Index**
Universe	**Global Fixed Income - Unhedged**

Return Summary



Quarterly and Cumulative Excess Performance

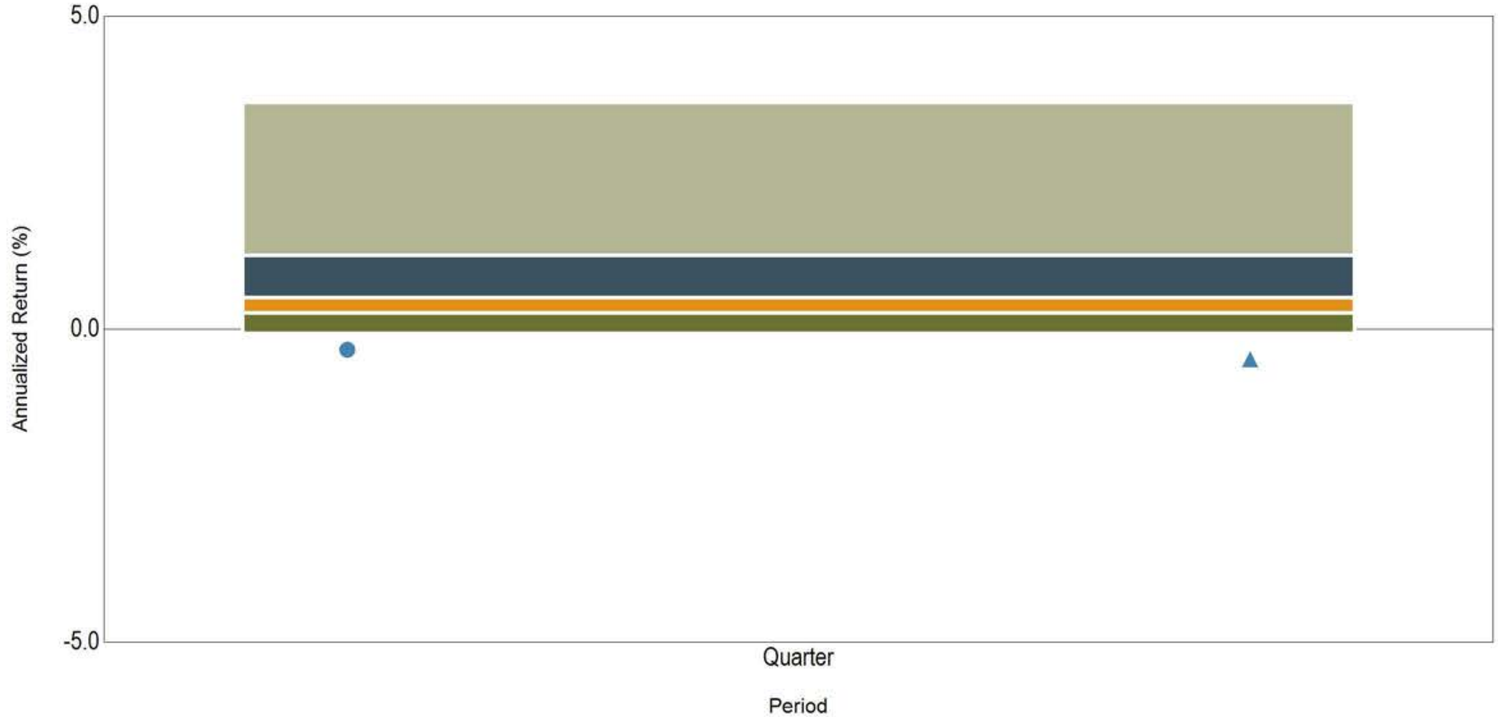


Universe Comparison

Benchmark: Barclays Global Aggregate Bond Index

Universe: Global Fixed Income - Unhedged

Ending December 31, 2012



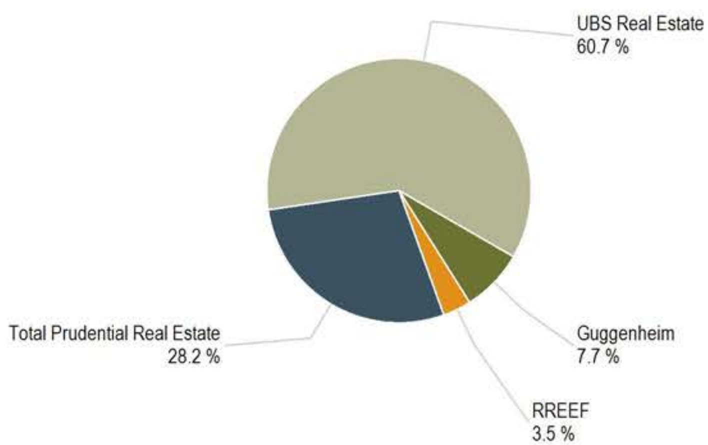
	Return (Rank)	
5th Percentile	3.6	
25th Percentile	1.2	
Median	0.5	
75th Percentile	0.3	
95th Percentile	-0.1	
# of Portfolios	1,675	
● PIMCO Global Fixed Income	-0.3	(98)
▲ Barclays Global Aggregate Bond Index	-0.5	(99)

Total Real Estate

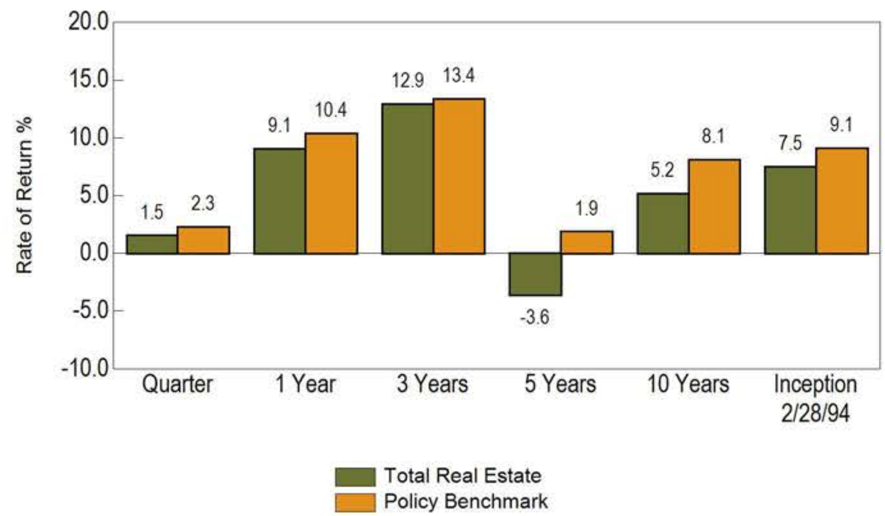
Overview

Benchmark: Policy Benchmark

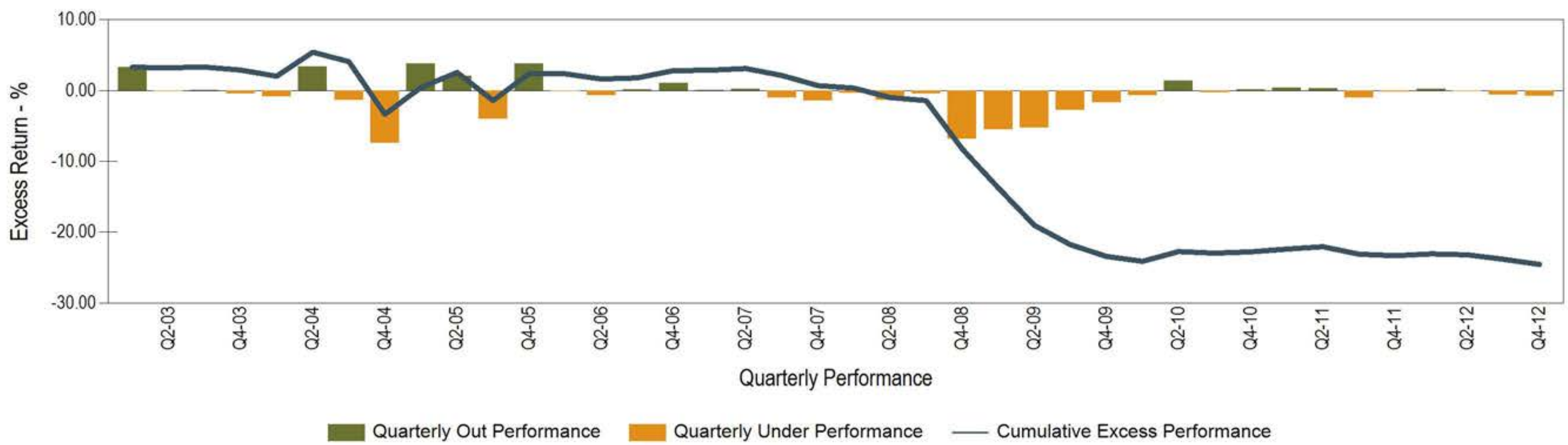
Current Allocation



Return Summary



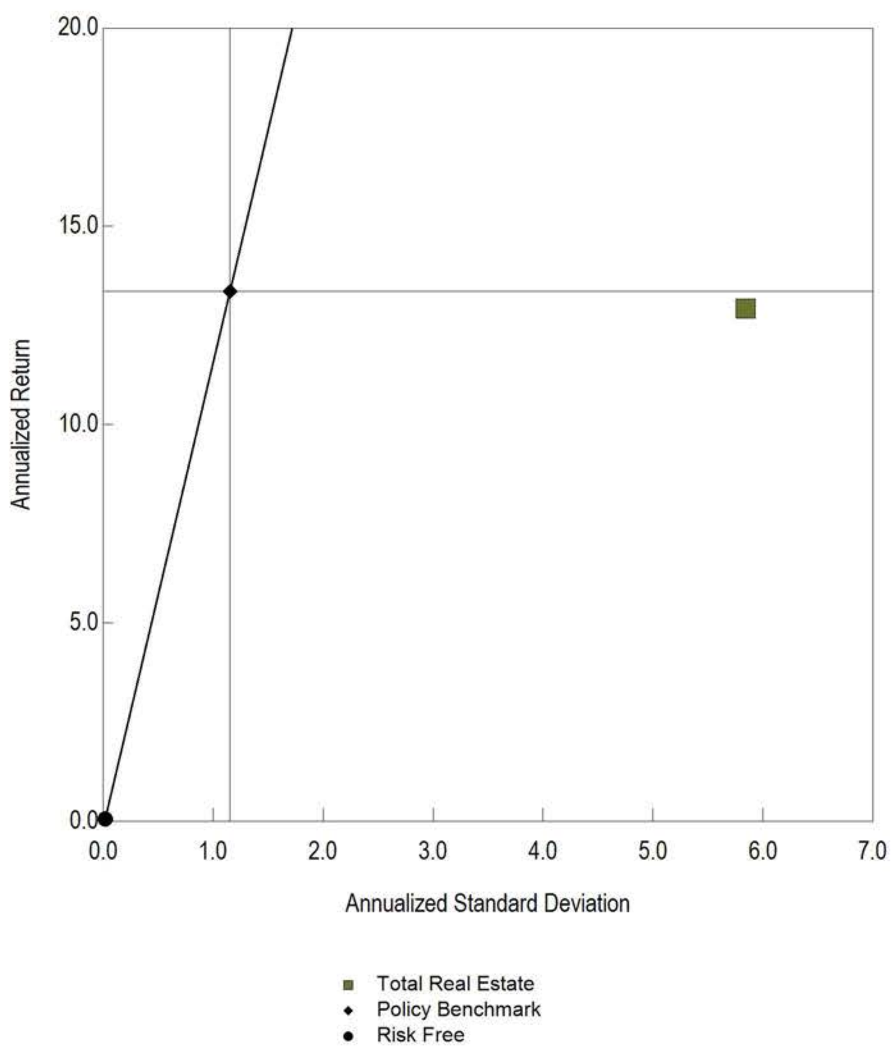
Quarterly and Cumulative Excess Performance



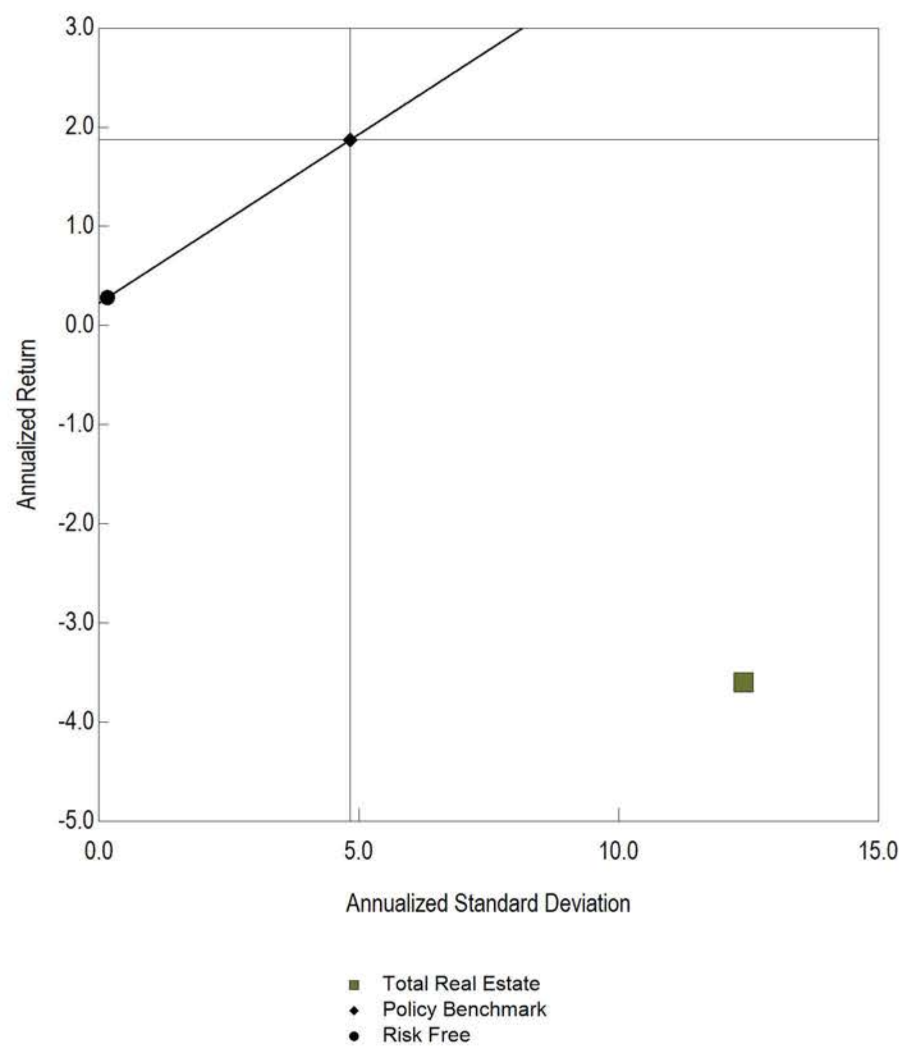
Risk Profile

Benchmark: Policy Benchmark

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2012

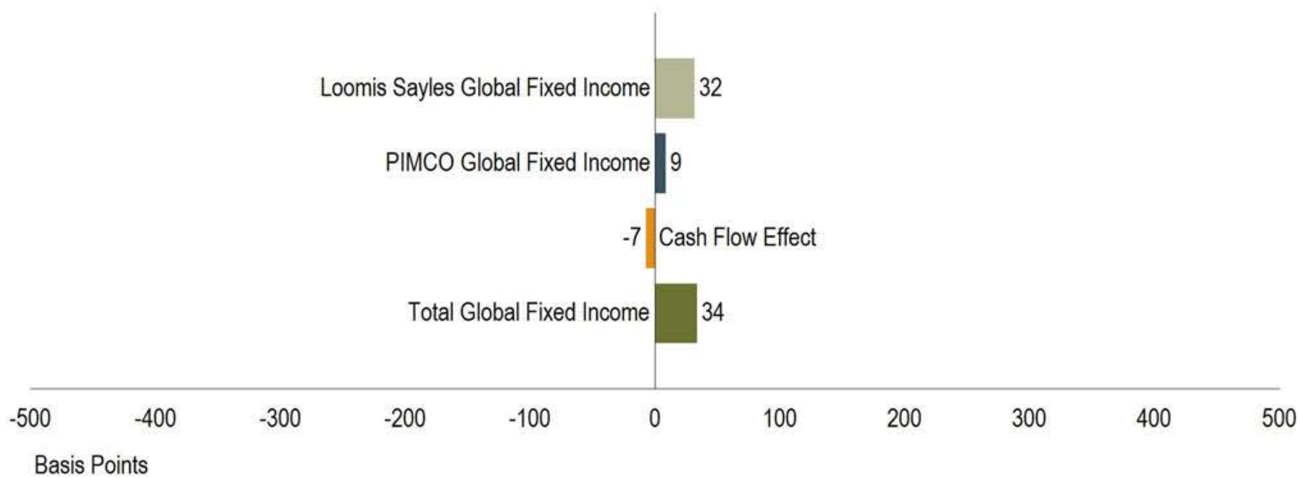


Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2012



Attribution

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 12/31/12



Manager Performance

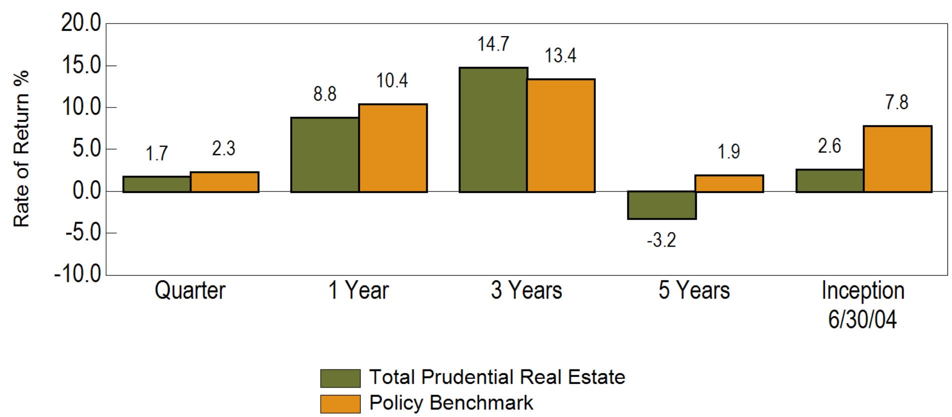
Benchmark: Policy Benchmark

Prudential's PRISA is a core-only product with no value-added component. The manager utilizes low leverage (max 30%) and is diversified across both property types and regions. PRISA has a dedicated team of 15 regional research professionals who work on the portfolio. In constructing the PRISA portfolio, the lead portfolio manager annually develops a forward-looking three-year forecast. The forecast is based on macroeconomic predictions, along with input from the manager's proprietary software systems. The transaction team utilizes this forward-looking forecast in its search for potential properties.

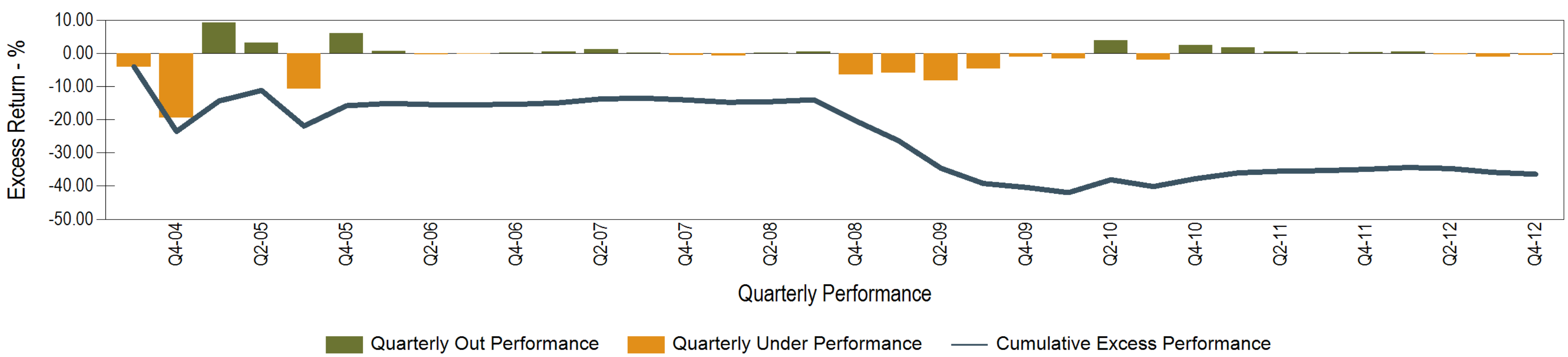
Account Information

Account Name	**Total Prudential Real Estate**
Account Structure	**Other**
Investment Style	**Active**
Inception Date	**6/30/04**
Account Type	**Real Estate**
Benchmark	**Policy Benchmark**
Universe	

Return Summary



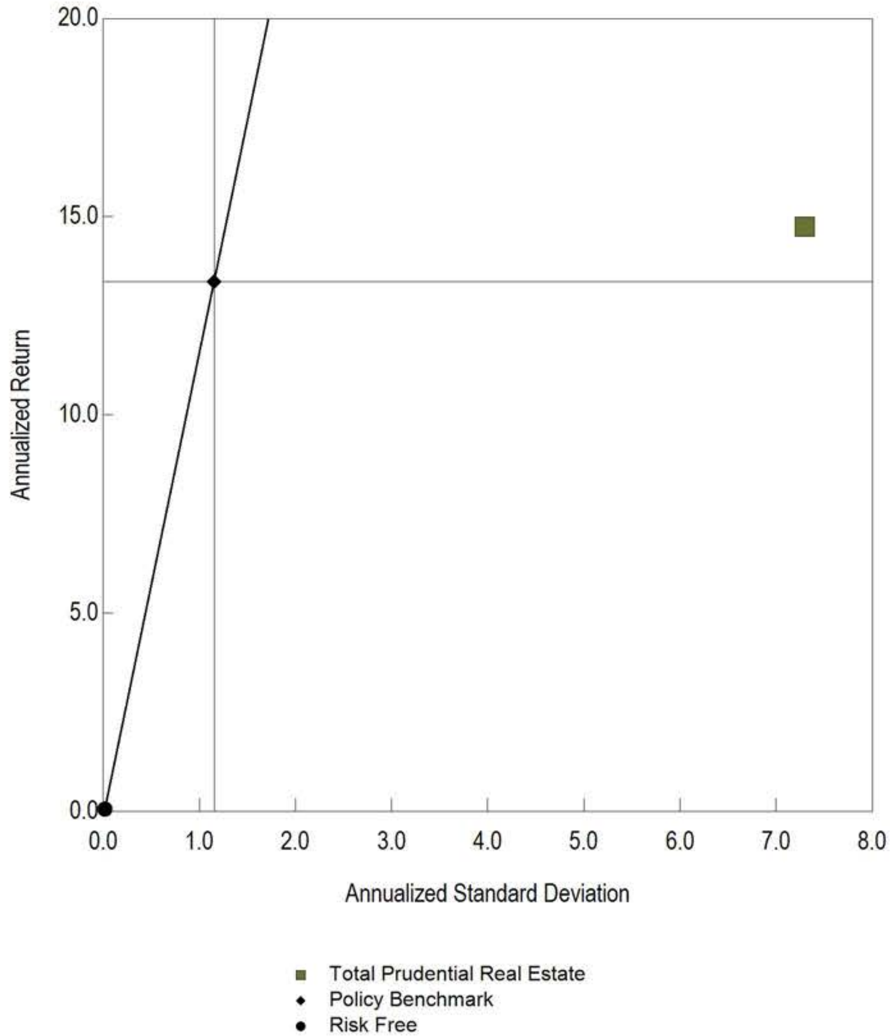
Quarterly and Cumulative Excess Performance



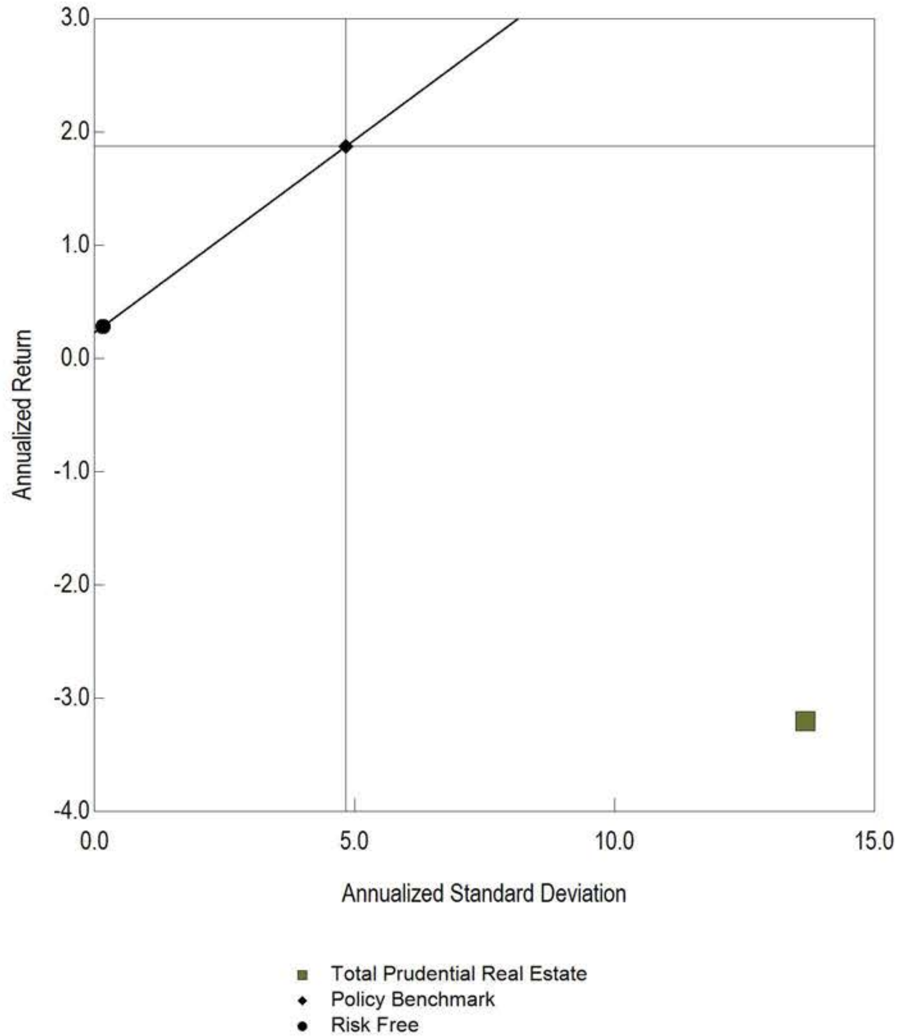
Risk Profile

Benchmark: Policy Benchmark

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2012

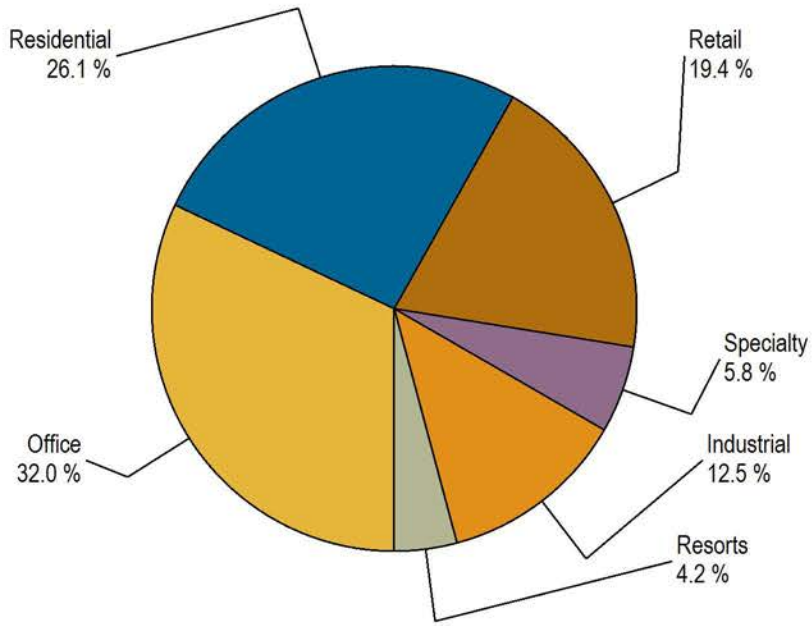


Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2012

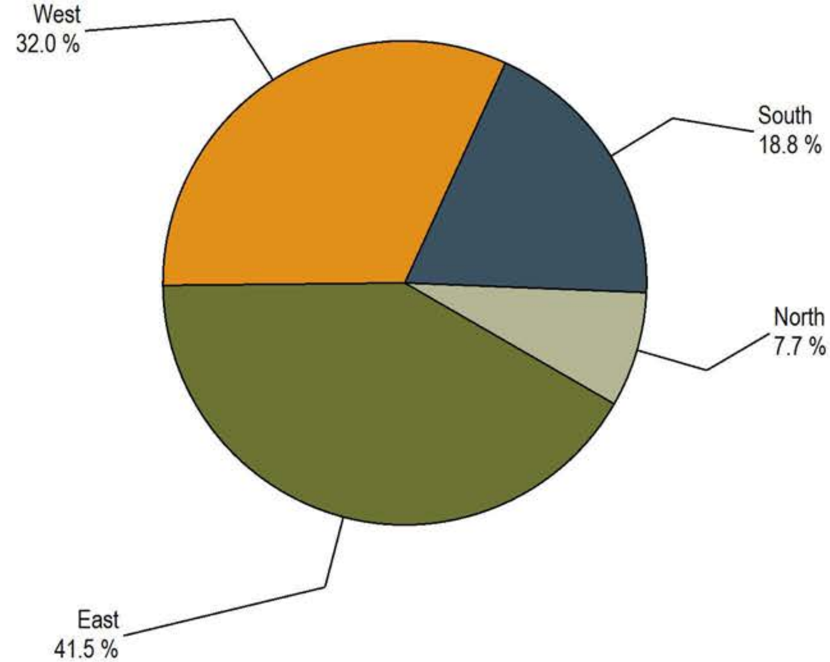


Manager Analysis

Property Type Allocation



Geographic Diversification



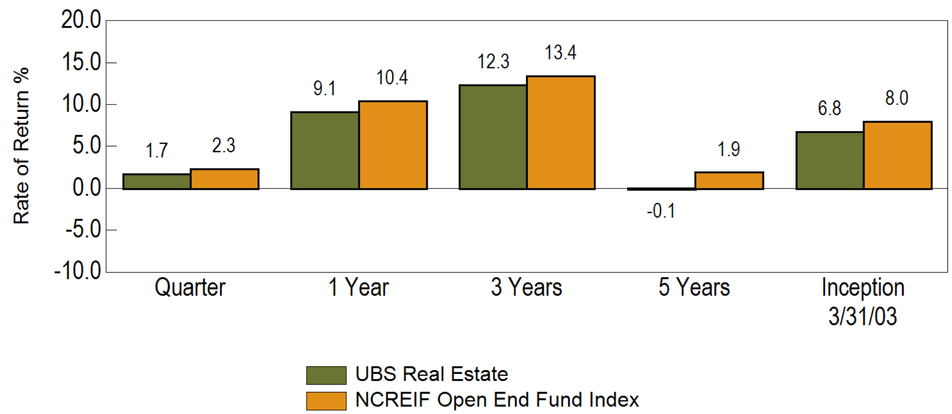
Manager Performance

Benchmark: NCREIF Open End Fund Index

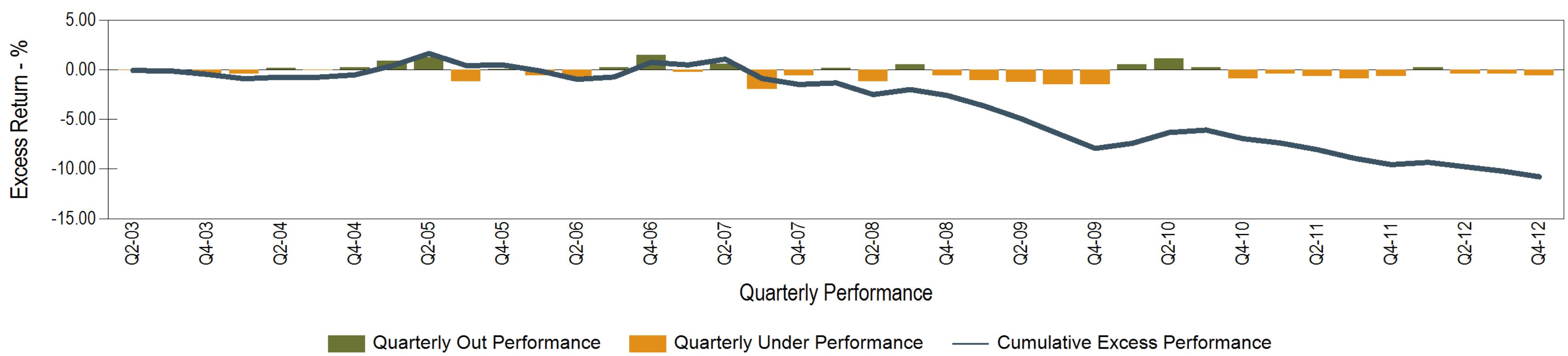
Account Information

Account Name	**UBS Real Estate**
Account Structure	**Other**
Investment Style	**Active**
Inception Date	**3/31/03**
Account Type	**Real Estate**
Benchmark	**NCREIF Open End Fund Index**
Universe	

Return Summary



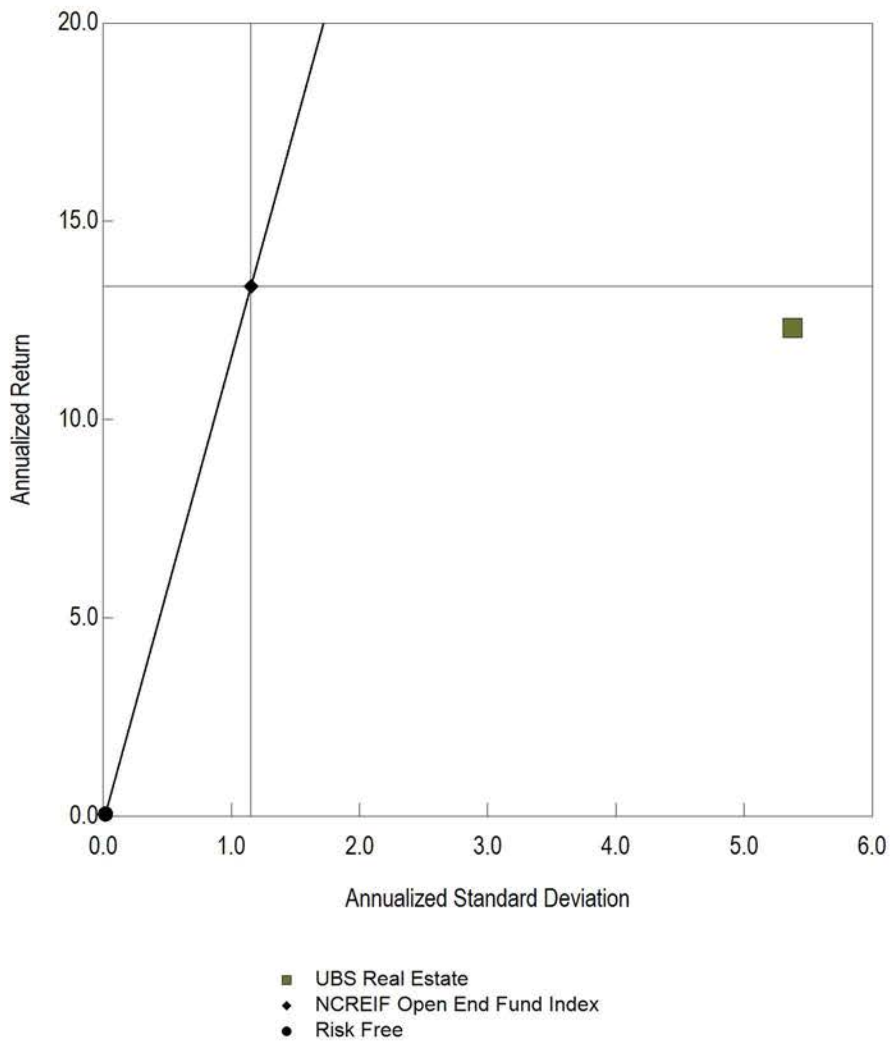
Quarterly and Cumulative Excess Performance



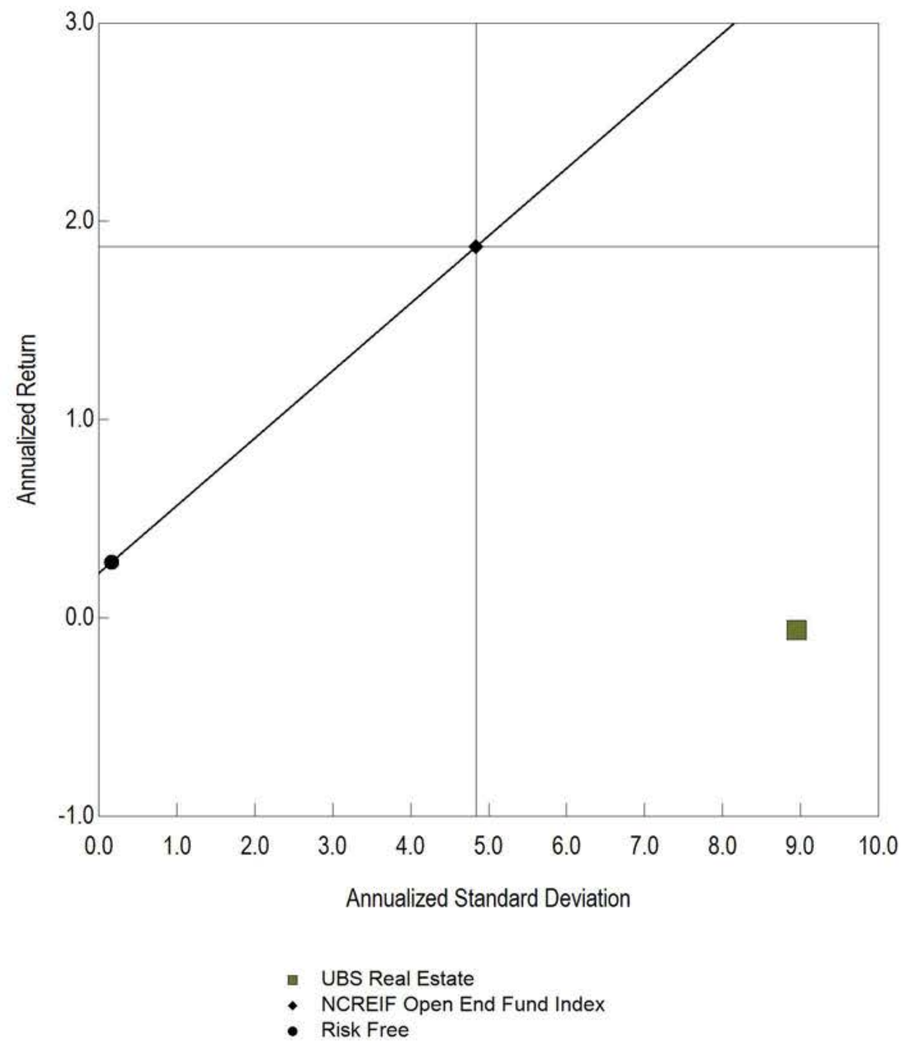
Risk Profile

Benchmark: NCREIF Open End Fund Index

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2012

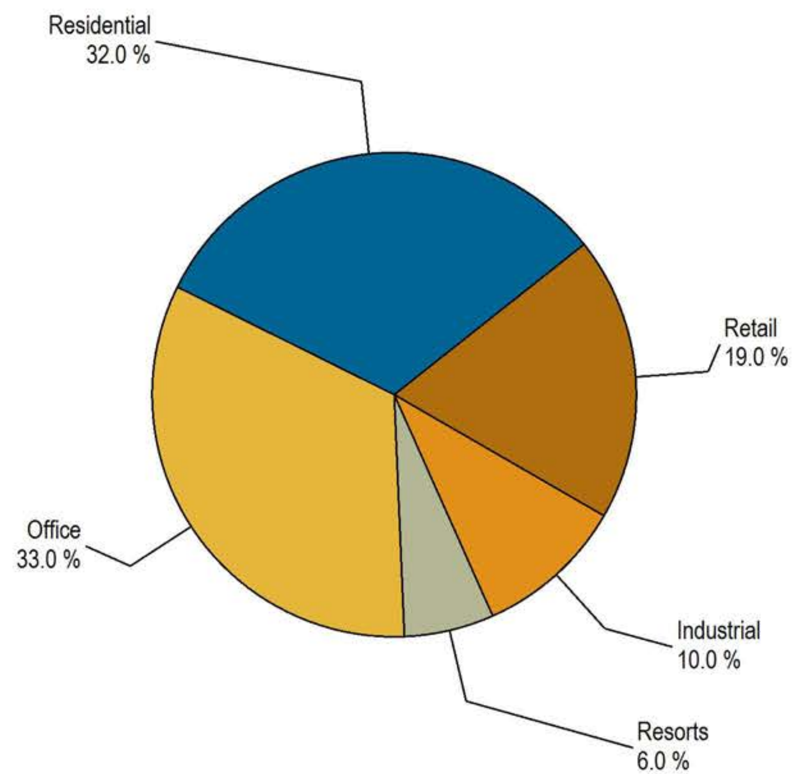


Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2012

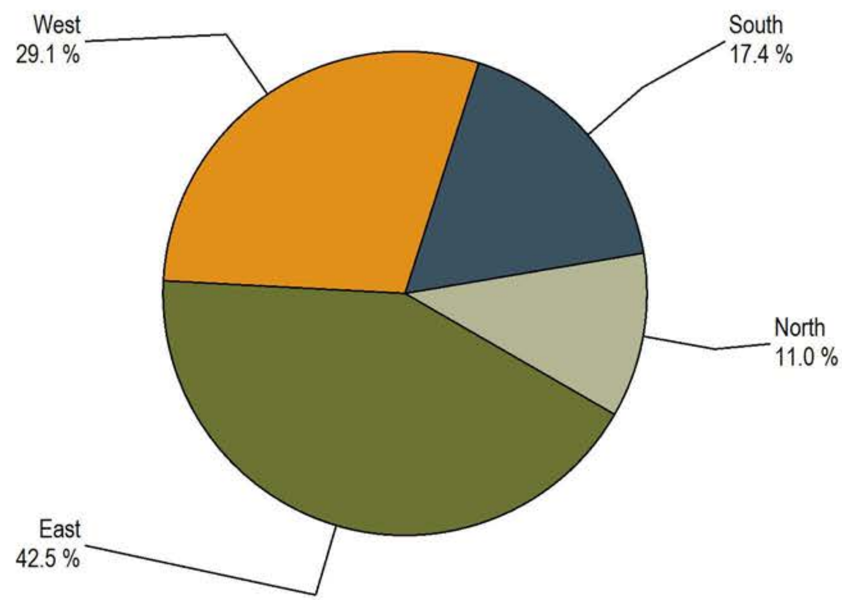


Manager Analysis

Property Type Allocation



Geographic Diversification



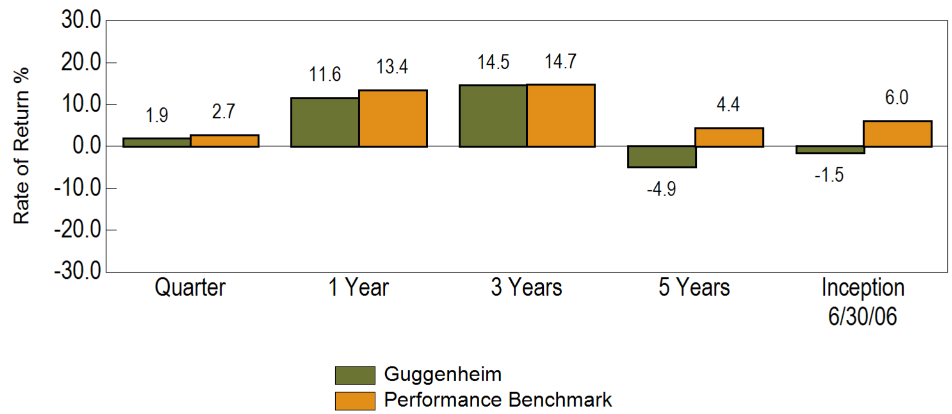
Manager Performance

Benchmark: Performance Benchmark

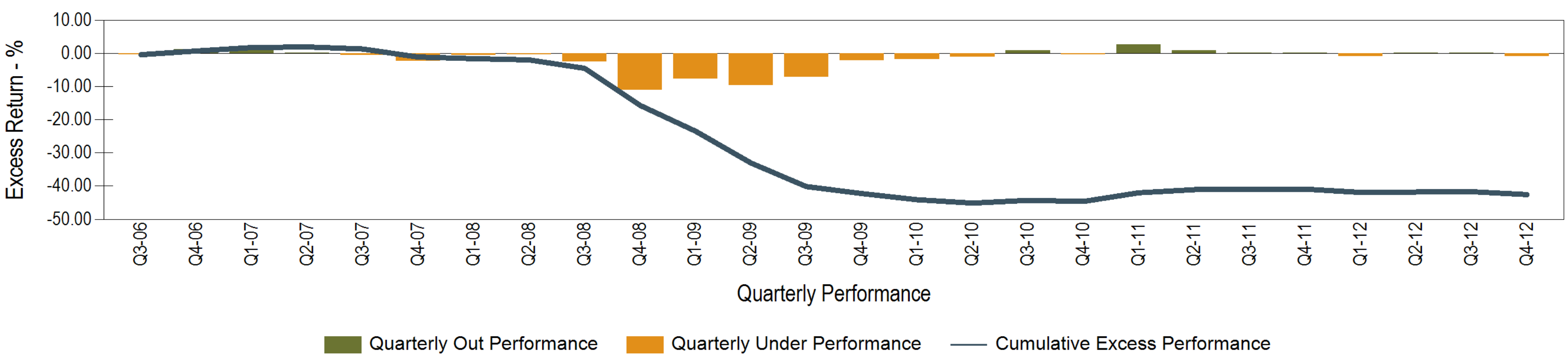
Account Information

Account Name	**Guggenheim**
Account Structure	**Other**
Investment Style	**Active**
Inception Date	**6/30/06**
Account Type	**Real Estate**
Benchmark	**Performance Benchmark**
Universe	

Return Summary



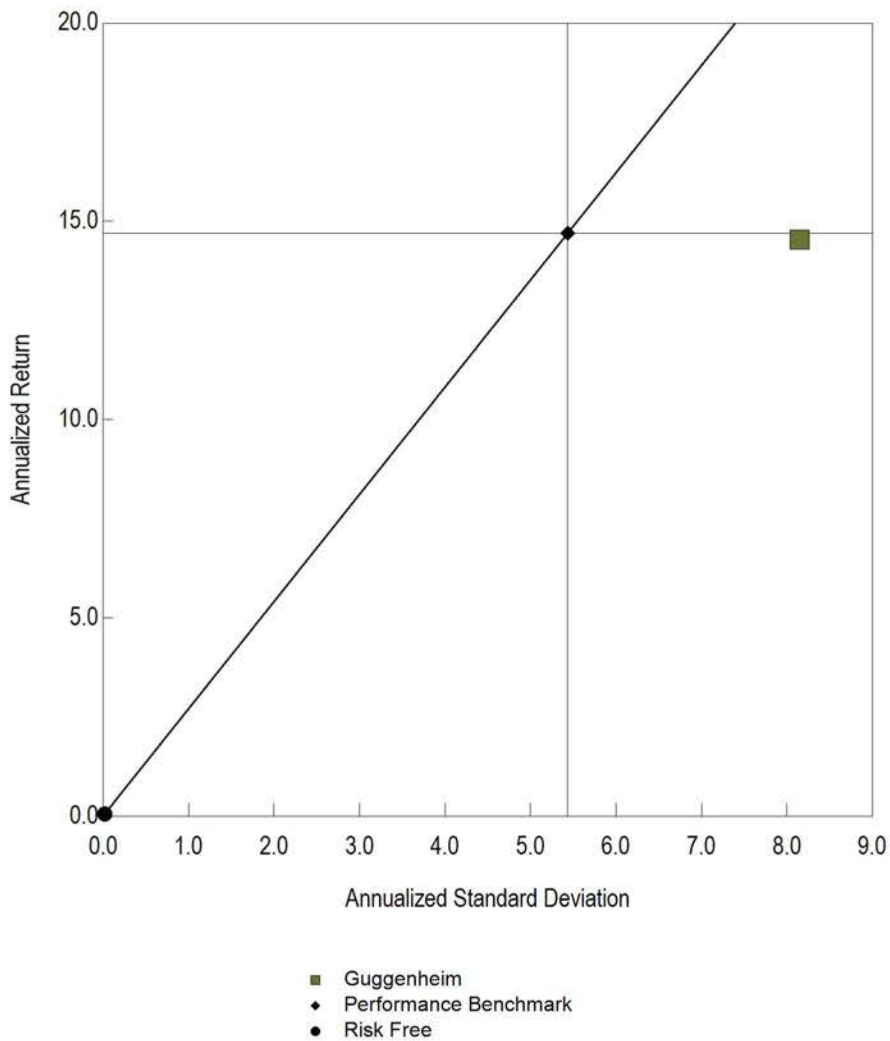
Quarterly and Cumulative Excess Performance



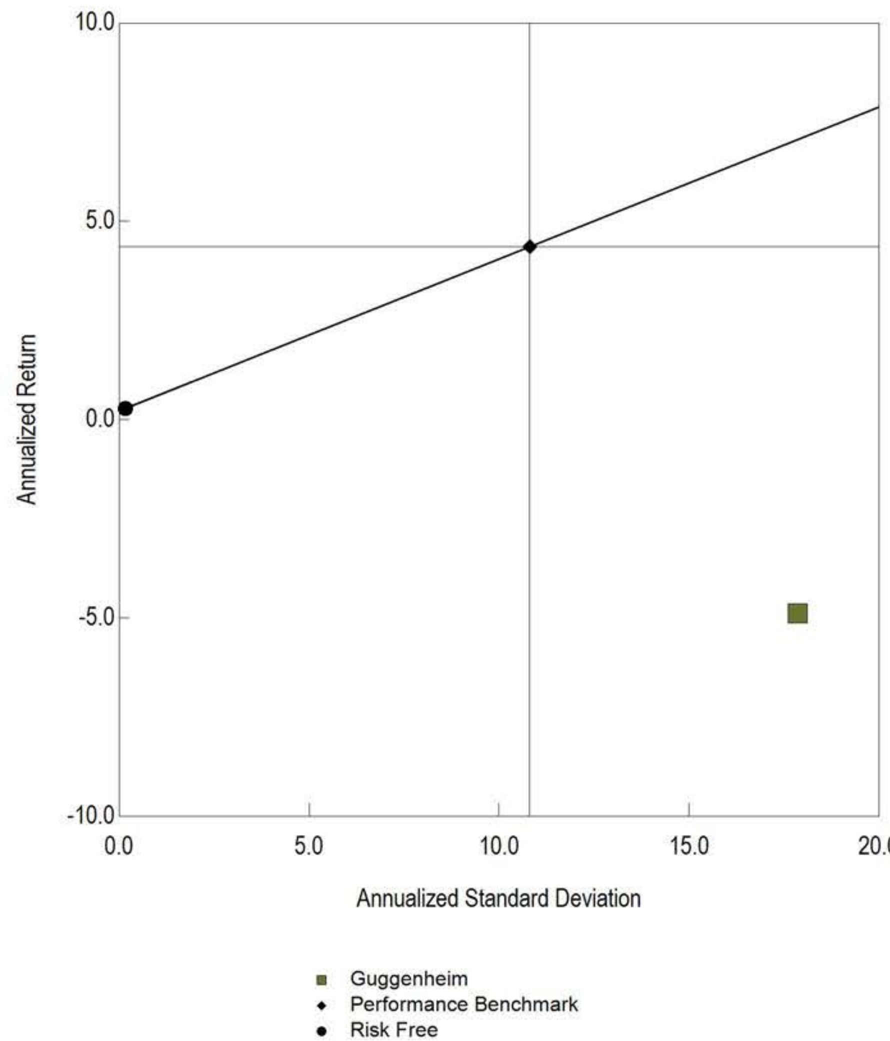
Risk Profile

Benchmark: Performance Benchmark

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2012

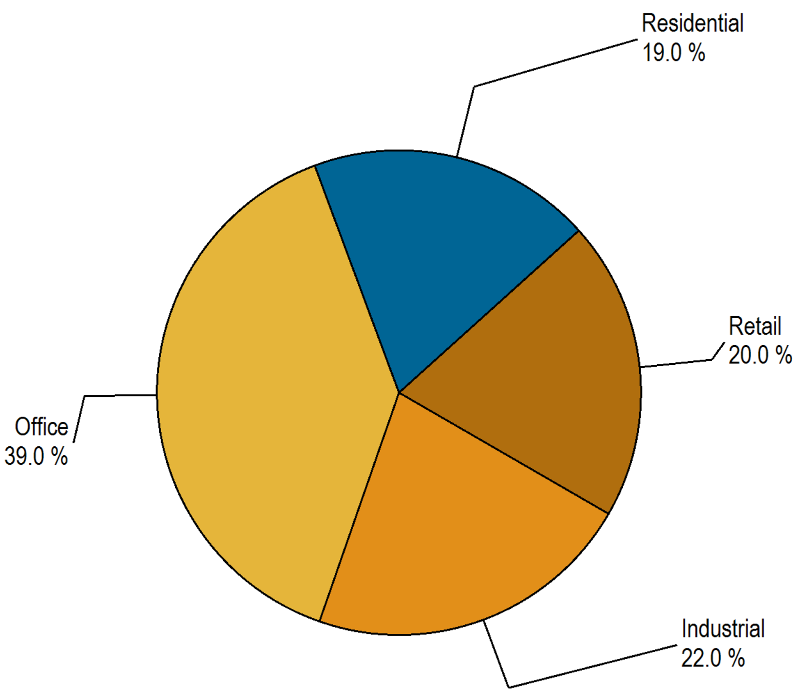


Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2012

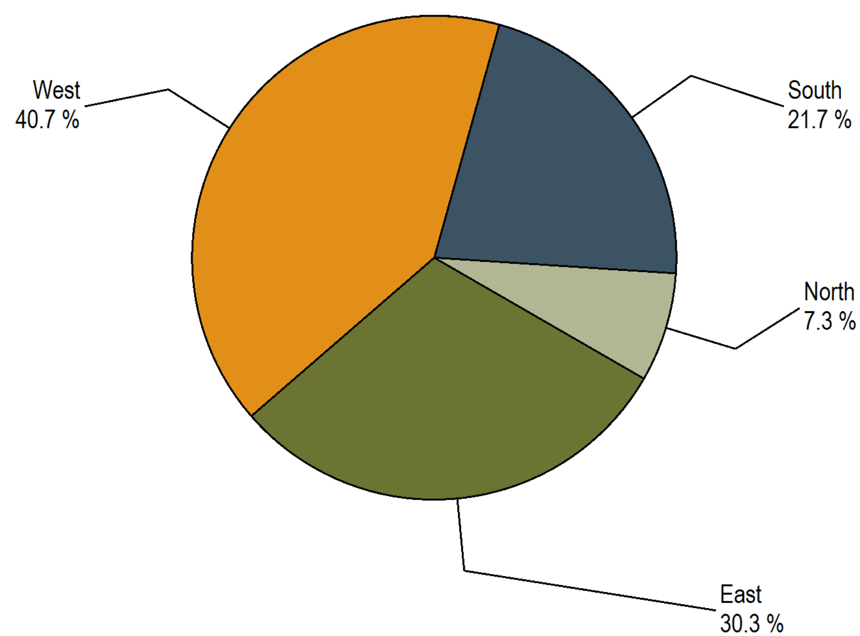


Manager Analysis

Property Type Allocation



Geographic Diversification



Note: Geographic Diversification figures are as of 03/31/2012 as 06/30/2012 data is not avaliable.

Manager Performance

Benchmark: NCREIF Open End Fund Index

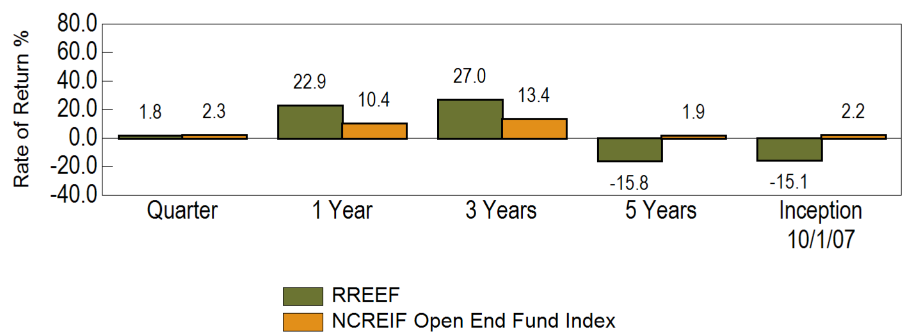
RREEF employs 600+ real estate investment professionals in 115 offices located in every major metropolitan market nationwide. RREEF America III (RA III) is a $600 million open-end private REIT that pursues value-added investment opportunities in the U.S. The RREEF research process, dubbed the Market Profile Process, is led by Asieh Mansour, Ph. D and is roughly 65% bottom up asset-specific fundamental research and 25% top down market and demographic research. The remainder focuses on the investment performance of real estate in both public market and private market settings. This process is executed by the 17 members of the full-time research staff.

RA III has a target total fund size of $1-2 billion, which RA III management expects to reach over a five year period. RREEF expects RA III to produce more than one-half of its total return from realized and unrealized gains resulting from the improvements it makes in the fund's assets. RA III investments will include income-producing properties, properties requiring re-positioning, and speculative development. The fund is scheduled to have a 15-year life and will commence an orderly liquidation of assets on January 22, 2016. RA III shareholders and the Board of Directors are considering a proposal to extend product life. As a REIT, oversight of RA III is maintained by an independent board that approves: the investment plan, dispositions, financing, and quarterly valuations.

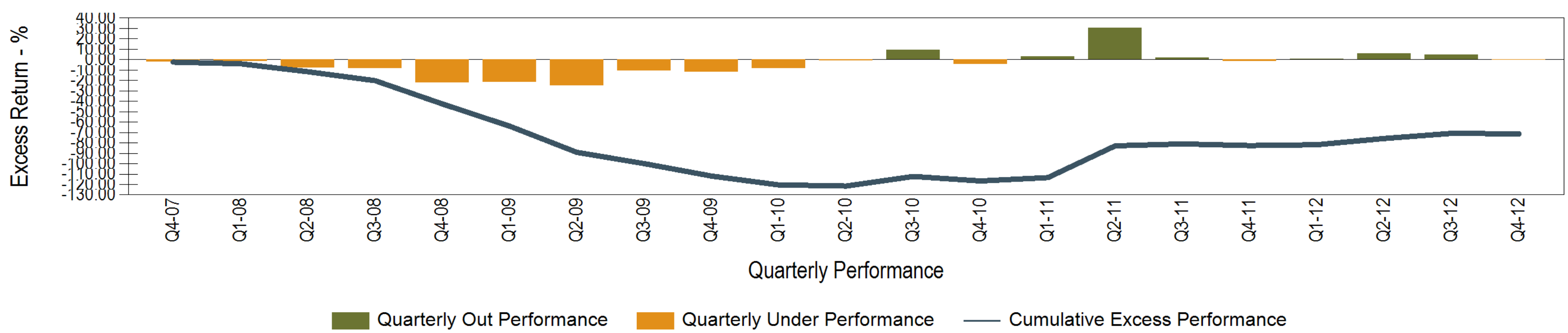
Account Information

Account Name	**RREEF**
Account Structure	**Other**
Investment Style	**Active**
Inception Date	**10/01/07**
Account Type	**Real Estate**
Benchmark	**NCREIF Open End Fund Index**
Universe	

Return Summary



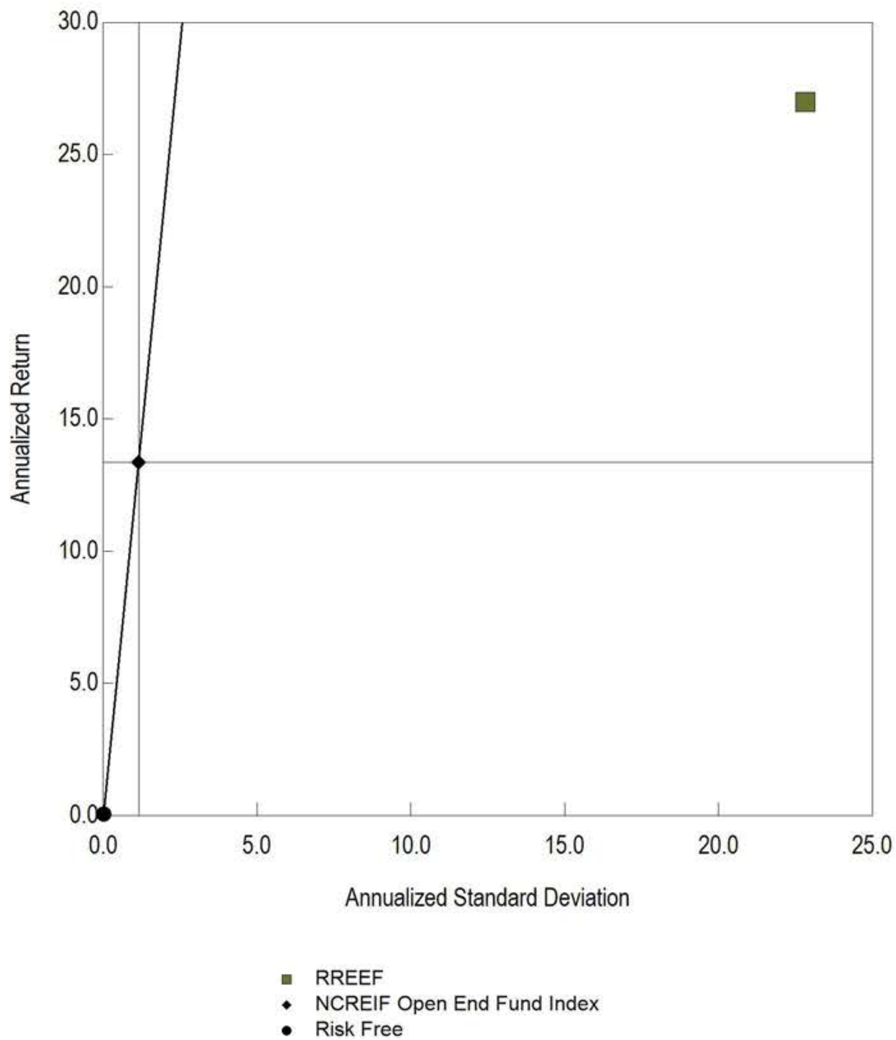
Quarterly and Cumulative Excess Performance



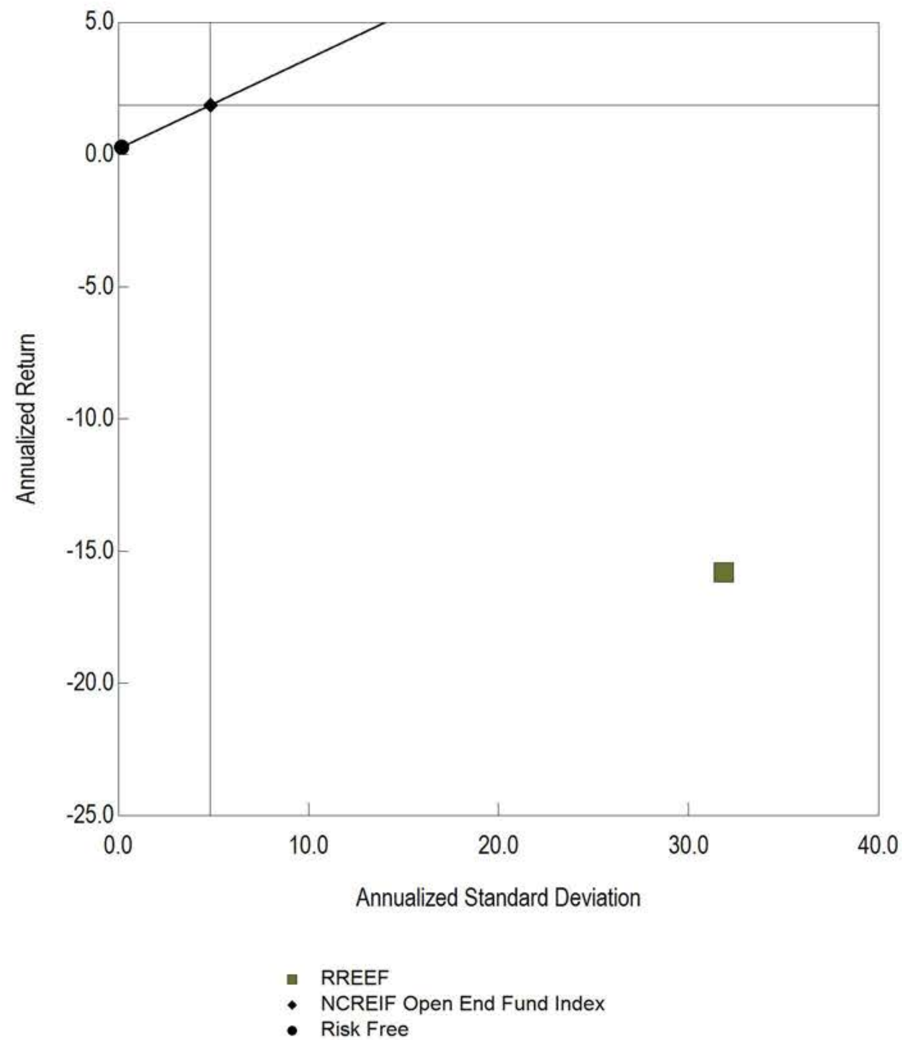
Risk Profile

Benchmark: NCREIF Open End Fund Index

Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2012

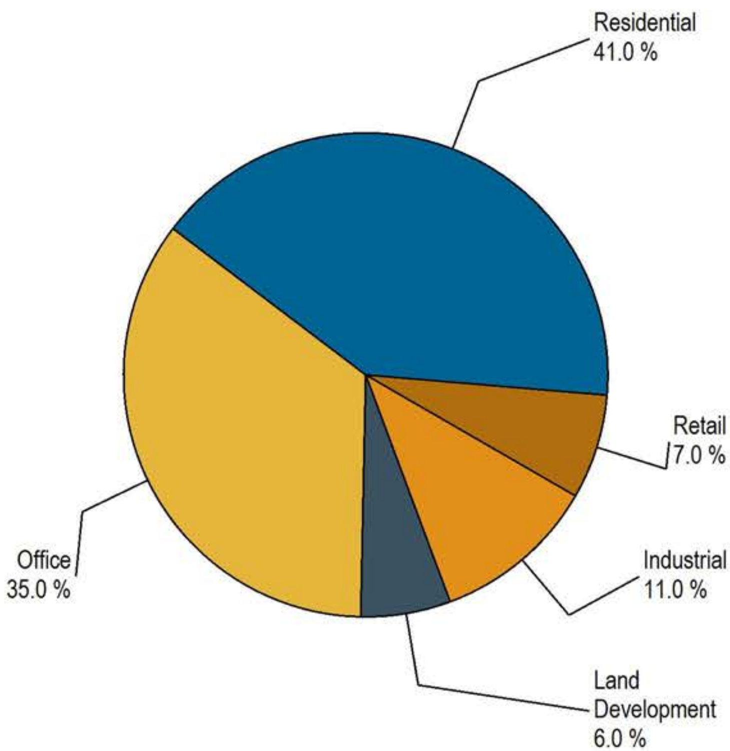


Annualized Return vs. Annualized Standard Deviation
5 Years Ending December 31, 2012

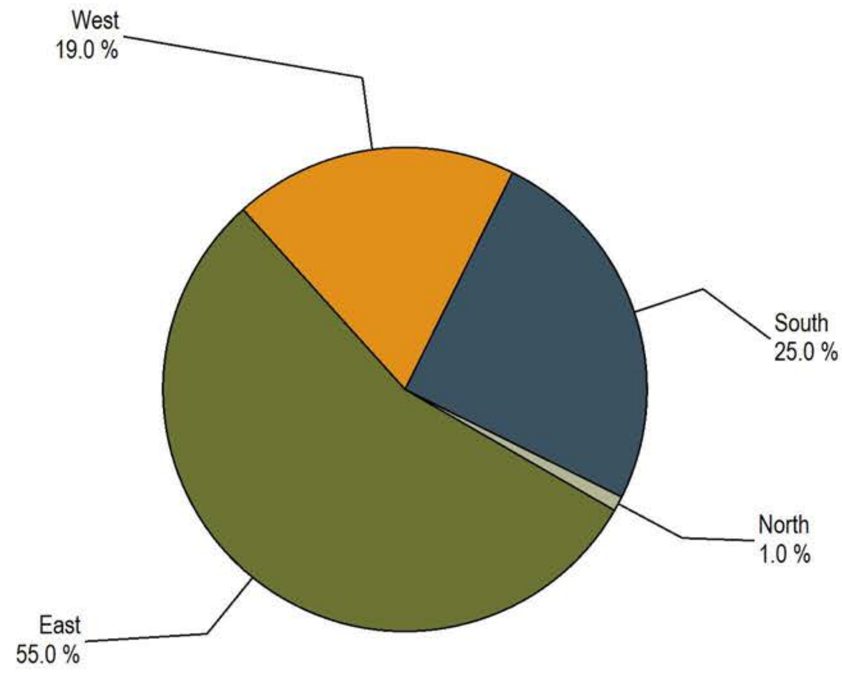


Manager Analysis

Property Type Allocation



Geographic Diversification



Private Equity

Overview

Adams Street Partnership

	As of 09/30/2012
Inception Date	May 2010
Capital Committed	$85.0 million
Capital Called	$26.99 million
Distributions	$2.55 million
Carrying Values	$25.16 million
Fee %	1.00%
Fee	$850,000
Net IRR Since Inception*	21.4%

Pantheon Ventures

	As of 09/30/2012
Inception Date	January 2010
Capital Committed	$15.0 million
Capital Called	$5.70 million
Distributions	$0.90 million
Carrying Values	$6.20 million
Fee %	1.00%
Fee	$150,000
Net IRR Since Inception**	23.6%

*Due to the relatively short investment period of the Pension's investments, the internal rate of return (IRR) is might not be meaningful.

**Due to the relatively short investment period of the Pension's investments, returns are not shown. An internal rate of return (IRR) will be calculated for this investment once a meaningful level of capital has been invested for an appropriate period of time.

Appendix

Fee Schedule

Account	Fee Schedule	Market Value As of 12/31/2012	% of Portfolio	Estimated Annual Fee ($)	Estimated Annual Fee (%)
Total U.S. Equity	**No Fee**	**$1,276,182,749**	**36.5%**	**--**	**--**
BlackRock Extended Equity Index Fund	0.08% of First $50.0 Mil, 0.06% of Next $50.0 Mil, 0.04% Thereafter	$31,301,869	0.9%	$25,041	0.08%
Western U.S. Index Plus	0.15% of Assets	$120,495,859	3.4%	$180,744	0.15%
BlackRock Equity Market Fund	0.03% of First $250.0 Mil, 0.02% Thereafter	$1,124,385,022	32.1%	$249,877	0.02%
Total Non-U.S. Equity	**No Fee**	**$647,654,157**	**18.5%**	**--**	**--**
BlackRock ACWI ex-U.S. Index	0.12% of First $100.0 Mil, 0.10% Thereafter	$340,033,761	9.7%	$360,034	0.11%
Sprucegrove	0.90% of First $5.0 Mil, 0.65% of Next $10.0 Mil, 0.55% of Next $25.0 Mil, 0.50% of Next $35.0 Mil, 0.25% of Next $225.0 Mil, 0.20% Thereafter	$157,961,770	4.5%	$629,904	0.40%
Hexavest	0.60% of First $10.0 Mil, 0.50% of Next $30.0 Mil, 0.40% of Next $40.0 Mil	$66,667,819	1.9%	$316,671	0.47%
Walter Scott	1.00% of First $50.0 Mil, 0.85% of Next $25.0 Mil, 0.60% Thereafter	$82,990,807	2.4%	$760,445	0.92%
Total Global Equity	**No Fee**	**$302,669,288**	**8.7%**	**--**	**--**
GMO Global	0.65% of Assets	$173,381,937	5.0%	$1,126,983	0.65%
BlackRock Global MSCI ACWI Equity Index	No Fee	$129,287,351	3.7%	--	--
Total Real Estate	**No Fee**	**$294,588,180**	**8.4%**	**--**	**--**
Total Prudential Real Estate	0.81% of Assets	$82,992,279	2.4%	$672,237	0.81%
UBS Real Estate	0.96% of Assets	$178,706,026	5.1%	$1,715,578	0.96%
Guggenheim	0.60% of First $20.0 Mil, 0.50% Thereafter	$22,664,017	0.6%	$133,320	0.59%
RREEF	0.30% of Assets	$10,225,857	0.3%	$30,678	0.30%

Fee Schedule

Account	Fee Schedule	Market Value As of 12/31/2012	% of Portfolio	Estimated Annual Fee ($)	Estimated Annual Fee (%)
Total U.S. Fixed Income	**No Fee**	**$933,216,037**	**26.7%**	**--**	**--**
Western	0.30% of First $100.0 Mil, 0.15% Thereafter	$279,705,407	8.0%	$569,558	0.20%
BlackRock U.S. Debt Fund	0.06% of First $100.0 Mil, 0.04% of Next $400.0 Mil, 0.02% Thereafter	$133,640,955	3.8%	$73,456	0.05%
Reams	0.20% of First $200.0 Mil, 0.15% Thereafter	$244,977,987	7.0%	$467,467	0.19%
Loomis Sayles	0.50% of First $20.0 Mil, 0.40% of Next $30.0 Mil, 0.30% Thereafter	$106,379,087	3.0%	$389,137	0.37%
Total Global Fixed Income	**No Fee**	**$168,512,600**	**4.8%**	**--**	**--**
Loomis Sayles Global Fixed Income	0.30% of First $100.0 Mil, 0.20% Thereafter	$68,011,337	1.9%	$204,034	0.30%
PIMCO Global Fixed Income	0.35% of First $100.0 Mil, 0.30% Thereafter	$100,501,263	2.9%	$351,504	0.35%
Private Equity	**No Fee**	**$33,594,286**	**1.0%**	**--**	**--**
Adams Street Partners	$850,000 Annually	$27,248,128	0.8%	$850,000	3.12%
Pantheon Ventures	$150,000 Annually	$6,346,158	0.2%	$150,000	2.36%
Clifton Group	0.15% of First $25.0 Mil, 0.10% of Next $75.0 Mil, 0.40% Thereafter	$10,854,144	0.3%	$16,281	0.15%
Investment Management Fee		**$3,498,758,840**	**100.0%**	**$9,272,950**	**0.27%**

Note: Western's fees for both U.S. and Fixed Income products are calculated together. The first $100 million of the combined assts is billed at 30bps, all assets thereafter are billed at 15 bps. Additionally, the Estimated Annual Fee does include the Private Equity asset class fees of $1 million as detailed on page 121.

Market Returns

	Fourth Quarter	1-Year	3-Year	5-Year	10-Year	15-Year
		Annualized Periods Ending 12/31/12				
Domestic Stock Indices:						
Dow Jones US Total Stock Index	0.2	16.4	11.4	2.2	7.9	4.9
S&P 500 Index	-0.4	16.0	10.9	1.7	7.1	4.5
Russell 3000 Index	0.2	16.4	11.2	2.0	7.7	4.8
Russell 1000 Value Index	1.5	17.5	10.9	0.6	7.4	5.3
Russell 1000 Growth Index	-1.3	15.3	11.4	3.1	7.5	3.6
Russell MidCap Value Index	3.9	18.5	13.4	3.8	10.6	8.0
Russell MidCap Growth Index	1.7	15.8	12.9	3.2	10.3	6.1
Russell 2000 Value Index	3.2	18.0	11.6	3.5	9.5	7.2
Russell 2000 Growth Index	0.4	14.6	12.8	3.5	9.8	4.0
Domestic Bond Indices:						
Barclays Capital Aggregate Index	0.2	4.2	6.2	5.9	5.2	6.0
Barclays Capital Govt/Credit Index	0.4	4.8	6.7	6.1	5.2	6.0
Barclays Capital Long Govt/Credit Index	0.4	8.8	13.6	10.2	8.0	8.0
Barclays Capital 1-3 Year Govt/Credit Index	0.2	1.3	1.9	2.9	3.1	4.3
Barclays Capital U.S. MBS Index	-0.2	2.6	4.7	5.7	5.1	5.8
Barclays Capital High Yield Index	3.3	15.8	11.9	10.3	10.6	7.1
Barclays Capital Universal Index	0.6	5.5	6.7	6.2	5.6	6.1
Real Estate Indices:						
NCREIF Property Index	2.5	10.5	12.6	2.1	8.4	9.2
NCREIF ODCE Index	2.1	9.8	13.3	-2.0	5.7	7.1
Dow Jones Real Estate Securities Index	2.3	17.1	17.9	4.9	11.6	8.8
FTSE NAREIT US Real Estate Index	3.1	19.7	18.4	5.7	11.8	8.9
Foreign/Global Stock Indices:						
MSCI All Country World Index	2.9	16.1	6.6	-1.2	8.1	4.5
MSCI All Country World IMI	3.0	16.4	7.0	-0.7	8.6	5.0
MSCI All Country World ex-U.S. Index	5.8	16.8	3.9	-2.9	9.7	5.3
MSCI All Country World ex-U.S. IMI	5.7	17.0	4.2	-2.6	10.2	5.7
MSCI All Country World ex-U.S. Small Cap Index	4.9	18.5	6.5	-0.4	13.2	8.0
MSCI EAFE Index	6.6	17.3	3.6	-3.7	8.2	4.4
MSCI EAFE IMI	6.5	17.6	4.0	-3.4	8.6	4.8
MSCI EAFE Index (in local currency)	7.5	17.3	2.6	-4.3	5.4	2.5
MSCI Emerging Markets IMI	5.5	18.7	4.6	-0.7	16.6	7.9
Foreign Bond Indices:						
Citigroup World Gov't Bond Index	-2.4	1.5	3.9	5.2	6.4	5.9
Citigroup Hedged World Gov't Bond Index	1.2	5.5	4.0	4.5	4.3	5.3
Cash Equivalents:						
Treasury Bills (30-Day)	0.0	0.0	0.1	0.3	1.4	2.2
Hewitt EnnisKnupp STIF Index	0.1	0.2	0.3	0.8	2.0	2.9
Inflation Index:						
Consumer Price Index	-0.8	1.7	2.1	1.8	2.4	2.4

Total Fund

Policy Portfolio- As of April 2010, the return is based on a combination of 37% DJ U.S. Total Stock Market Index, 27% Barclays Aggregate Bond Index, 18% MSCI All Country World Ex-U.S. Index, 10% MSCI All Country World Index and 8% NCREIF Real Estate Index. Prior to April 2010, the return was based on a combination of 40% DJ U.S. Total Stock Market Index, 27% Barclays Aggregate Bond Index, 18% MSCI All Country World Ex-U.S. Index, 7% MSCI All Country World Index and 8% NCREIF Real Estate Index. Prior to June 2008, the return was based on a combination of 47% DJ U.S. Total Stock Market Index, 27% Barclays Aggregate Bond Index, 14% MSCI All Country World Ex-U.S. Index, 4% MSCI All Country World Index and 8% NCREIF Real Estate Index. Prior to October 2007, the return was based on a combination of 47% DJ U.S. Total Stock Market Index, 29% Barclays Aggregate Bond Index, 14% MSCI All Country World Ex-U.S. Index, 4% MSCI All Country World Index and 6% NCREIF Real Estate Index. Prior to June 2005, the return was based on a combination of 49% Russell 3000 Index, 29% Barclays Aggregate Bond Index, 16% MSCI All Country World Ex-U.S. Index and 6% NCREIF Real Estate Index. Prior to April 2003, the return was based on a combination of 49% Russell 3000 Index, 32% Barclays Aggregate Bond Index, 16% MSCI All Country World Ex-U.S. Index and 3% NCREIF Real Estate Index. Prior to May 2002 the return was based on a combination of 49% Russell 3000 Index, 32% Barclays Aggregate Bond Index, 16% MSCI EAFE Index and 3% NCREIF Real Estate Index. Prior to April 2002 the return was based on a combination of 53% Russell 3000 Index, 32 Barclays Aggregate Bond Index, 12% MSCI Europe, Australasia and Far East (EAFE) Index and 3% NCREIF Real Estate Index. Prior to October 2001, the policy portfolio consisted of a combination of 53% Russell 3000, 22% Barclays Aggregate Bond Index, 12% MSCI Europe, Australasia and Far East (EAFE) Index, 3% NCREIF Real Estate Index, and 10% Solomon Brothers World Government Bond Index Hedged. Historically, the policy return is based on the historic policy allocations provided by the VCERA staff.

Public Fund Universe - An equal-weighted index that is designed to represent the average return earned by U.S. public pension funds. The index is calculated based on a universe of 112 funds compiled by BNY Mellon Performance & Risk Analytics, LLC as of 12/31/2012.

Total U.S. Equity

Benchmark. The DJ U.S. Total Stock Market Index.

Universe. A universe of 1,310 domestic stock portfolios compiled by eVestment as of 12/31/2012.

BlackRock Extended Equity Index Fund

Benchmark. The DJ U.S. Completion Total Stock Market Index.

Universe. A universe 124 small-mid cap stock portfolios compiled by eVestment as of 12/31/2012.

Western U.S. Index Plus

Benchmark. The S&P 500 Index.

Universe. A universe of 1,310 domestic stock portfolios compiled by eVestment as of 12/31/2012.

BlackRock Equity Market Fund

Benchmark. The DJ U.S. Total Stock Market Index.

Universe. A universe of 1,310 domestic stock portfolios compiled by eVestment as of 12/31/2012.

Total Non-U.S. Equity

Benchmark. The Morgan Stanley Capital International All Country World ex-U.S. Free Index. Prior to May 2002, the Morgan Stanley Capital International EAFE-Free Stock Index.

Universe. A universe of 149 international stock portfolios compiled by eVestment as of 12/31/2012.

BlackRock ACWI ex U.S.

Benchmark. The MSCI All Country World ex-U.S. IMI Index

Universe. A universe of 149 international stock portfolios compiled by eVestment as of 12/31/2012.

Sprucegrove

Benchmark. The Morgan Stanley Capital International EAFE-Free Stock Index.

Universe. A universe of 149 international stock portfolios compiled by eVestment as of 12/31/2012.

Hexavest

Benchmark. The Morgan Stanley Capital International EAFE-Free Stock Index.

Universe. A universe of 149 international stock portfolios compiled by eVestment as of 12/31/2012.

Walter Scott

Benchmark. The Morgan Stanley Capital International All Country World ex-U.S. Free Index.

Universe. A universe of 149 international stock portfolios compiled by eVestment as of 12/31/2012.

Total Global Equity

Benchmark. The Morgan Stanley Capital International All Country World Index.

Universe. A universe of 241 global stock portfolios compiled by eVestment as of 12/31/2012.

Grantham Mayo Van Otterloo (GMO)

Benchmark. The Morgan Stanley Capital International All Country World Index.

Universe. A universe of 241 global stock portfolios compiled by eVestment as of 12/31/2012.

BlackRock All Country World Index

Benchmark. The Morgan Stanley Capital International All Country World Index.

Universe. A universe of 241 global stock portfolios compiled by eVestment as of 12/31/2012.

Total Fixed Income

Benchmark. The BlackRock Aggregate Bond Index.

Universe. A universe of 591 fixed income stock portfolios compiled by eVestment as of 12/31/2012.

Western Asset Management

Benchmark. The BlackRock Aggregate Bond Index.

Universe. A universe of 591 fixed income stock portfolios compiled by eVestment as of 12/31/2012.

BlackRock U.S. Debt Index Fund

Benchmark. The BlackRock Aggregate Bond Index.

Universe. A universe of 591 fixed income stock portfolios compiled by eVestment as of 12/31/2012.

Reams

Benchmark. The BlackRock Aggregate Bond Index.

Universe. A universe of 591 fixed income stock portfolios compiled by eVestment as of 12/31/2012.

Loomis Sayles

Benchmark. 60% of the BlackRock Aggregate Bond Index and 40% of the BlackRock High Yield Index.

Universe. A universe of 591 fixed income stock portfolios compiled by eVestment as of 12/31/2012.

Total Global Fixed Income

Benchmark. The Barclays Global Aggregate Bond Index.

Universe. A universe of 1,675 fixed income stock portfolios compiled by eVestment as of 12/31/2012.

Loomis Sayles Global Fixed Income

Benchmark. The Barclays Global Aggregate Bond Index.

Universe. A universe of 1,675 fixed income stock portfolios compiled by eVestment as of 09/30/2012.

PIMCo Global Fixed Income

Benchmark. The Barclays Global Aggregate Bond Index.

Universe. A universe of 1,675 fixed income stock portfolios compiled by eVestment as of 12/31/2012.

Total Real Estate

Benchmark. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund. Prior to January 2006, the NCREIF Property Index.

Prudential Real Estate

Benchmark. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund. Prior to January 2006, the NCREIF Property Index.

UBS RESA

Benchmark. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund.

Guggenheim

Benchmark. 70% of the National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund and 30% of the NAREIT Index.

Benchmark Descriptions

RREEF

Benchmark. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund.

Total Alternatives

Benchmark. London Interbank Offered Rate (LIBOR) + 3%

Russell 3000 Index- A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.

S&P 500 Index- A capitalization-weighted index representing the 500 largest publicly traded U.S. stocks.

MSCI Europe, Australasia, Far East (EAFE) Foreign Index- A capitalization-weighted index of 20 stock markets in Europe, Australia, Asia and the Far East.

MSCI All Country World Index - An index of major world stock markets, including the U.S., representing countries according to their approximate share of world market capitalization. The weights are adjusted to reflect foreign currency fluctuations relative to the U.S. dollar.

BlackRock Aggregate Bond Index- A market value-weighted index consisting of the Barclays Corporate, Government and Mortgage-Backed Indices. This index is the broadest available measure of the aggregate U.S. fixed income market.

NCREIF Open End Fund Index- A capitalization-weighted index of privately owned investment grade income-producing properties representing approximately $89 billion in assets.

Description of Terms

Rank - A representation of the percentile position of the performance of a given portfolio, relative to a universe of similar funds. For example, a rank of 25 for a given manager indicates outperformance by that manager of 75% of other funds in that same universe.

Universe - A distribution of the returns achieved by a group of funds with similar investment objectives.

U.S. Stock Universe - The rankings are based on a universe that is designed to represent the average equity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by eVestment Alliance and includes 1,310 funds.

Non-U.S. Equity Universe - The rankings are based on a universe that is designed to represent the average international equity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by eVestment Alliance and includes 149 funds.

Global Equity Universe - The rankings are based on a universe that is designed to represent the average global equity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by eVestment Alliance and includes 241 funds.

Fixed Income Universe - The rankings are based on a universe that is designed to represent the average fixed income return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by eVestment Alliance and includes 591 funds.

Global Fixed Income Universe - The rankings are based on a universe that is designed to represent the average fixed income return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by eVestment Alliance and includes 1,675 funds.

Ratio of Cumulative Wealth Graph - An illustration of a portfolio's cumulative, unannualized performance relative to that of its benchmark. An upward sloping line indicates superior fund performance. Conversely, a downward sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

Risk-Return Graph - The horizontal axis, annualized standard deviation, is a statistical measure of risk, or the volatility of returns. The vertical axis is the annualized rate of return. As most investors generally prefer less risk to more risk and always prefer greater returns, the upper left corner of the graph is the most attractive place to be. The line on this exhibit represents the risk and return tradeoffs associated with market portfolios or index funds.

Style Map -This illustration represents the manager's style compared to that of the broadest stock index (the DJ U.S. Total Stock Market Index). Any manager falling above the axis is referred to as large-cap and any manager falling below the axis is considered to be medium- to small-cap.

Ventura County Employees' Retirement Association

Monthly Manager Performance Report
January 2013

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MONTHLY INVESTMENT UPDATE

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

January 2013

Market Highlights

- January started the year with a great start. The S&P 500 Index was up 5.2 percent, and the Dow Jones Total Stock Market climbed 5.5 percent. The perceived successful resolution of the "fiscal cliff" sparked the best January equity market performance since 1997. The beaten-down energy sector led markets upward, while the technology sector lagged. The S&P 500 ended the month only about 2 percent below its 2007 peak, having posted double-digit returns in three of the past four years.
- Within the U.S. equity market, small cap stocks outperformed their large cap counterparts, while growth stocks underperformed value stocks across the large, mid, and small cap asset classes.
- International markets kept pace with U.S. markets, as the MSCI EAFE Index returned 5.3 percent, but the MSCI Emerging Markets Index posted a return of 1.4 percent. It appears continued economic recovery and a reduction in political uncertainty has made developed markets more attractive on a relative basis.
- Bonds lost ground over the month, as investors moved out of lower-risk assets. The 10-year Treasury began January at 1.7 percent; by month-end, it had increased to 2.0 percent. Though still extremely low, Treasury yields are at their highest levels since last April. The Barclays Aggregate Bond Index declined 0.7 percent for January.

Preliminary Manager Highlights

- The Total Fund's preliminary January return of 3.1 percent beat the Policy Portfolio return of 3.0 percent. The Fund's international and global equity asset classes hurt results versus their respective benchmarks, while domestic equity matched its benchmark performance. Global and domestic fixed income outperformed their benchmarks by over 20 and 50 basis points, respectively.
- During the month, the Fund's U.S. equity portfolio returned 5.5 percent, matching its benchmark's return of 5.5 percent. BlackRock Extended Equity and BlackRock Equity Market Fund matched their respective benchmarks, while Western slightly outperformed its benchmark.
- The international equity component returned 3.8 percent, underperforming the 4.1 percent return of its benchmark. Sprucegrove's outperformance was attributable to stock selection in Information Technology and Industrials. Hexavest's overweight cash position and overweight in French equities continued to hurt results, as they underperformed by 1.2 percent. Walter Scott returned 3.3 percent versus 4.1 percent for the benchmark. Much of this underperformance was attributable to the overweight position in the Consumer Staples sector. BlackRock's international equity index fund tracked its benchmark.
- The collective return of the Fund's global equity component was 4.2 percent, lagging the benchmark return of 4.6 percent. GMO's return of 3.9 percent underperformed the benchmark return of 4.6 percent during the month, as several sub-strategies trailed their respective benchmarks for the month. The BlackRock MSCI ACWI Equity account continued to perform as expected, tightly tracking its benchmark and returning 4.6 percent.
- In January, the Fund's U.S. fixed income component returned -0.2 percent, declining less than the Barclays Aggregate Bond Index return of -0.7 percent. All managers outperformed, with Loomis as the sole positive absolute return generator. Reams was aided by its allocation and security selection in investment grade credit and ABS sectors. Loomis also benefitted from overweighting the investment grade and non-US dollar sectors. Western's return of -0.3 percent outperformed the index return of -0.7 percent. BlackRock's fixed income index fund tracked its benchmark.
- The Loomis Sayles Global Fixed Income account outperformed the benchmark by 30 basis points. The PIMCO Global Fixed Income account beat the benchmark by 20 basis points, as their exposure to the Euro and Mexican peso aided returns. The Total Fund's aggregate high yield exposure is currently 9.6%.

Key: Positive Mixed/Cautionary Alert Informational

Performance Summary

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Period Ending 1/31/2013

	January	Year-to-Date	Fiscal Year-to-Date	1 Year Ending 1/31/2013	3 Years Ending 1/31/2013	5 Years Ending 1/31/2013	10 Years Ending 1/31/2013	Since Inception	Inception Date
BlackRock Extended Equity	**6.9**	**6.9**	**16.0**	**17.7**	**17.4**	**6.9**	**11.8**	**11.5**	**10/31/02**
Dow Jones U.S. Completion Total Stock Market Index	6.9	6.9	15.7	17.2	16.9	6.9	11.8	11.4	
Western U.S. Index Plus	**5.5**	**5.5**	**13.9**	**21.0**	**17.4**	**1.2**	**--**	**-1.9**	**5/31/07**
S&P 500 Index	5.2	5.2	11.4	16.8	14.1	4.0	--	1.8	
BlackRock Equity Market Fund	**5.5**	**5.5**	**12.4**	**17.0**	**14.9**	**--**	**--**	**4.3**	**5/31/08**
Dow Jones U.S. Total Stock Market Index	5.5	5.5	12.2	16.9	14.7	--	--	4.2	
Total U.S. Equity	**5.5**	**5.5**	**12.6**	**17.4**	**15.1**	**4.0**	**8.2**	**8.1**	**12/31/93**
Performance Benchmark**	5.5	5.5	12.2	16.9	14.7	4.6	8.7	8.5	
BlackRock All Country World ex-U.S.	**4.1**	**4.1**	**18.3**	**14.0**	**7.4**	**0.4**	**--**	**0.6**	**3/31/07**
MSCI All Country World ex-U.S. IM Index	4.1	4.1	18.4	13.8	7.2	0.3	--	0.5	
Sprucegrove	**3.3**	**3.3**	**15.7**	**15.6**	**9.4**	**1.6**	**10.7**	**8.5**	**3/31/02**
MSCI EAFE Index	5.3	5.3	20.0	17.3	6.9	-0.8	9.2	6.3	
MSCI All Country World ex-U.S. Index	4.1	4.1	18.3	13.9	7.0	-0.1	10.6	7.6	
Hexavest	**4.1**	**4.1**	**14.1**	**13.1**	**--**	**--**	**--**	**3.6**	**12/31/10**
MSCI EAFE Index	5.3	5.3	20.0	17.3	--	--	--	4.0	
Walter Scott	**3.3**	**3.3**	**14.8**	**18.9**	**--**	**--**	**--**	**6.0**	**12/31/10**
MSCI All Country World ex-U.S. Index	4.1	4.1	18.3	13.9	--	--	--	2.3	
Total International	**3.8**	**3.8**	**16.9**	**15.3**	**7.8**	**0.1**	**10.0**	**6.8**	**3/31/94**
MSCI All Country World ex-U.S. Index	4.1	4.1	18.3	13.9	7.0	-0.1	10.6	5.4	
GMO Global Fund	**3.9**	**3.9**	**13.0**	**15.0**	**10.4**	**2.9**	**--**	**6.4**	**4/30/05**
MSCI All Country World Index	4.6	4.6	15.0	14.8	9.8	1.5	--	5.6	
BlackRock MSCI ACWI Equity Index	**4.6**	**4.6**	**15.0**	**--**	**--**	**--**	**--**	**15.0**	**6/30/12**
MSCI All Country World Index	4.6	4.6	15.0	--	--	--	--	15.0	
Total Global Equity	**4.2**	**4.2**	**13.9**	**14.3**	**9.9**	**0.6**	**--**	**4.6**	**4/30/05**
MSCI All Country World Index	4.6	4.6	15.0	14.8	9.8	1.5	--	5.6	

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Performance Summary (continued)

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (Continued)
Period Ending 1/31/2013

	January	Year-to-Date	Fiscal Year-to-Date	1 Year Ending 1/31/2013	3 Years Ending 1/31/2013	5 Years Ending 1/31/2013	10 Years Ending 1/31/2013	Since Inception	Inception Date
Loomis Sayles Global Fixed Income*******	**-0.6**	**-0.6**	**3.4**	**--**	**--**	**--**	**--**	**3.4**	**6/30/12**
Barclays Capital Global Aggregate Bond Index	-0.9	-0.9	1.8	--	--	--	--	1.8	
PIMCO Global Fixed Income********	**-0.7**	**-0.7**	**-1.2**	**--**	**--**	**--**	**--**	**-1.2**	**9/30/12**
Barclays Capital Global Aggregate Bond Index	-0.9	-0.9	-0.2	--	--	--	--	-0.2	
Total Global Fixed Income	**-0.7**	**-0.7**	**2.8**	**--**	**--**	**--**	**--**	**2.8**	**6/30/12**
Barclays Capital Global Aggregate Bond Index	-0.9	-0.9	1.8	--	--	--	--	1.8	
Western	**-0.3**	**-0.3**	**4.1**	**7.7**	**8.5**	**6.6**	**6.3**	**6.9**	**12/31/96**
Barclays Capital Aggregate Bond Index	-0.7	-0.7	1.1	2.6	5.4	5.4	5.1	6.1	
BlackRock U.S. Debt Fund	**-0.6**	**-0.6**	**1.3**	**2.8**	**5.5**	**5.6**	**5.2**	**6.1**	**11/30/95**
Barclays Capital Aggregate Bond Index	-0.7	-0.7	1.1	2.6	5.4	5.4	5.1	6.0	
Reams	**-0.2**	**-0.2**	**4.0**	**7.0**	**8.6**	**9.1**	**7.5**	**7.0**	**9/30/01**
Barclays Capital Aggregate Bond Index	-0.7	-0.7	1.1	2.6	5.4	5.4	5.1	5.4	
Loomis Sayles******	**1.4**	**1.4**	**10.9**	**14.0**	**11.2**	**9.1**	**--**	**8.3**	**7/31/05**
Performance Benchmark***	-0.1	-0.1	3.5	5.8	7.2	7.0	--	6.5	
Total U.S. Fixed Income	**-0.2**	**-0.2**	**4.2**	**7.2**	**8.4**	**7.9**	**6.8**	**6.8**	**2/28/94**
Barclays Capital Aggregate Bond Index	-0.7	-0.7	1.1	2.6	5.4	5.4	5.1	6.2	
Total Real Estate***	**--**	**--**	**2.1**	**7.4**	**12.4**	**-3.9**	**5.0**	**7.4**	**3/31/94**
NCREIF Open End Fund Property Index*****	--	--	5.0	9.5	13.2	1.8	8.1	9.1	
Total Fund	**3.1**	**3.1**	**10.1**	**12.9**	**11.3**	**3.8**	**8.0**	**8.0**	**3/31/94**
Policy Portfolio	3.0	3.0	10.0	11.8	10.6	4.0	8.0	8.0	3/31/94
Total Fund (ex-Private Equity)	**3.1**	**3.1**	**9.9**	**12.4**	**--**	**--**	**--**	**--**	**3/31/94**
Total Fund (ex-Clifton)	**3.0**	**3.0**	**9.9**	**12.7**	**11.2**	**3.8**	**7.9**	**8.0**	**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 1/31/2013
($ 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	$33,475						$33,475	0.9%		
Western Index Plus	$112,452						$112,452	3.1%		
BlackRock Equity Market Fund	$1,186,404						$1,186,404	33.0%		
Total U.S. Equity	**$1,332,332**						**$1,332,332**	**37.1%**	**36.0%**	**34.0%**
BlackRock ACWI ex-U.S. Index		$354,005					$354,005	9.9%		
Sprucegrove		$163,237					$163,237	4.5%		
Hexavest		$69,457					$69,457	1.9%		
Walter Scott		$85,816					$85,816	2.4%		
Total Non-U.S. Equity		**$672,514**					**$672,514**	**18.7%**	**18.0%**	**16.0%**
GMO Global Equity	$82,654	$97,420	$0				$180,075	5.0%		
BlackRock MSCI ACWI Equity Index	$62,603	$72,609	$0				$135,212	3.8%		
Total Global Equity	**$145,257**	**$170,029**	**$0**				**$315,286**	**8.8%**	**10.0%**	**10.0%**
Western			$278,904				$278,904	7.8%		
BlackRock U.S. Debt Fund			$132,890				$132,890	3.7%		
Reams			$244,523				$244,523	6.8%		
Loomis Sayles Global			$67,631				$67,631	1.9%		
Loomis Sayles			$107,931				$107,931	3.0%		
PIMCO Global			$99,677				$99,677	2.8%		
Total Fixed Income			**$931,556**				**$931,556**	**25.9%**	**27.0%**	**25.0%**
Prudential Real Estate				$82,992			$82,992	2.3%		
UBS Real Estate				$178,706			$178,706	5.0%		
Guggenheim				$22,664			$22,664	0.6%		
RREEF				$10,226			$10,226	0.3%		
Total Real Estate				**$294,588**			**$294,588**	**8.2%**	**8.0%**	**10.0%**
Adams Street Partners					$27,439		$27,439	0.8%		
Pantheon Ventures					$6,496		$6,496	0.2%		
Total Private Equity					**$33,936**		**$33,936**	**0.9%**	**1.0%**	**5.0%**
Clifton Group						$12,938	$12,938	0.4%		
Total Cash						**$12,938**	**$12,938**	**0.4%**	**0.0%**	**0.0%**
Total Assets	**$1,477,589**	**$842,543**	**$931,556**	**$294,588**	**$33,936**	**$12,938**	**$3,593,150**	**100.0%**	**100.0%**	**100.0%**
Percent of Total	**41.1%**	**23.4%**	**25.9%**	**8.2%**	**0.9%**	**0.4%**	**100.0%**			

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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

- **Sprucegrove** – As previously announced, Peter Clark retired at the end of 2012. Shirley Woo, Portfolio Manager, has replaced Peter on the Board of Directors. Two senior investment analysts, Arjun Kumar and Alanna Marshall Lizzola were promoted to Assistant Portfolio Manager.

- **Loomis** - Effective February 1, 2013, Brian Kennedy will become an investment strategist for the Full Discretion team and will be added as a portfolio manager to the Core Plus Full Discretion strategy. Todd Vandam will also join the Full Discretion team as a high yield strategist, and will be added as a portfolio manager to the US High Yield strategy. In addition, Fred Sweeney was named product manager for the Full Discretion suite of products effective January 1, 2013.

  Both Kennedy and Vandam were hired in 1994 and have spent the majority of their careers at Loomis.

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Tactical Rebalancing Update

- January Medium Term Views remain unchanged
- Asset classes remained within their band ranges
- No rebalancing was performed this month

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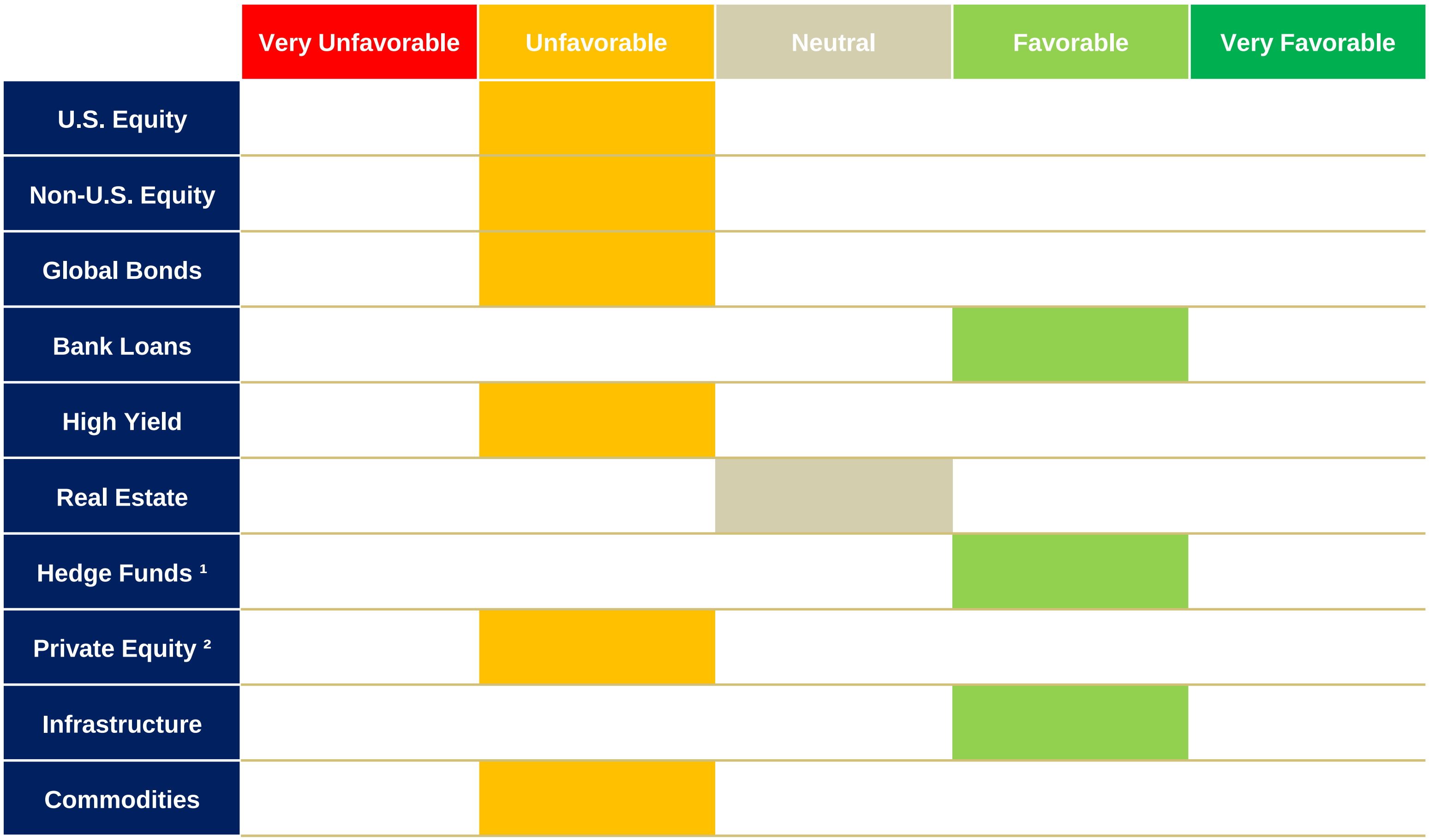
Ventura County MTV Monitor

Date **1/25/2013**
Total Assets **$3,613,948,635**

		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%	64.7%	2,681,530,884	66.0%	2,388,360,708	No	(293,170,176)		2,681,530,884	74.3%	Above
	Bonds	20.0%	27.0%	37.0%	25.8%	932,417,752	23.8%	861,257,346	No	(71,160,405)		932,417,752	25.8%	No
	Tier 2 - Minor Asset Classes													
	US Equity	30.0%	36.0%	40.0%	37.4%	1,348,510,734	36.0%	1,301,021,509	No	(47,489,225)		1,348,510,734	37.4%	No
	Non-US Equity	15.0%	19.0%	21.0%	18.7%	674,298,804	19.0%	686,650,241	No	12,351,437		674,298,804	18.7%	No
	Global Equity	7.0%	10.0%	13.0%	8.7%	315,674,595	11.0%	397,534,350	No	81,859,754		315,674,595	8.7%	No
	US Bonds	18.0%	22.0%	26.0%	21.2%	764,255,610	19.8%	715,561,830	No	(48,693,780)		764,255,610	21.2%	No
	Global Bonds	2.0%	5.0%	8.0%	4.7%	168,162,141	4.0%	144,557,945	No	(23,604,196)		168,162,141	4.7%	No
	Real Estate	5.0%	8.0%	10.0%	8.0%	289,346,462	9.3%	336,097,223	No	46,750,761		289,346,462	8.0%	No
	Private Equity	0.0%	0.0%	5.0%	1.0%	37,247,455	1.0%	37,305,248	No	57,793		37,247,455	1.0%	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%**	**3,608,349,946**	**100.1%**	**3,618,728,345**		**10,378,399**	**-**	**3,608,349,946**	**100.0%**	
	Tier 3 - Managers													
US Equity	BlackRock Extended Equity Index Fund	0.5%	1.0%	2.0%	0.9%	32,619,559	1.0%	36,139,486	No	3,519,927		32,619,559	0.9%	No
	Western U.S. Index Plus	2.0%	3.0%	4.0%	3.5%	127,727,448	3.0%	108,418,459	No	(19,308,989)		127,727,448	3.5%	No
	BlackRock Equity Market Fund	28.0%	32.0%	36.0%	32.9%	1,188,163,727	32.0%	1,156,463,563	No	(31,700,164)		1,188,163,727	32.9%	No
ACWI ex US	BlackRock ACWI ex-U.S. Index	8.0%	10.0%	12.0%	9.8%	352,576,054	10.0%	361,394,864	No	8,818,810		352,576,054	9.8%	No
	Sprucegrove	3.0%	4.0%	6.0%	4.5%	163,903,491	4.0%	144,557,945	No	(19,345,545)		163,903,491	4.5%	No
	Hexavest	1.0%	2.0%	3.0%	2.0%	70,795,016	2.0%	72,278,973	No	1,483,957		70,795,016	2.0%	No
	Walter Scott	1.5%	3.0%	4.0%	2.4%	87,024,243	3.0%	108,418,459	No	21,394,216		87,024,243	2.4%	No
ACWI	GMO Global	3.0%	5.0%	7.0%	5.0%	180,492,897	5.0%	180,697,432	No	204,535		180,492,897	5.0%	No
	BlackRock MSCI ACWI Equity Index	3.0%	5.0%	7.0%	3.7%	135,181,699	5.0%	180,697,432	No	45,515,733		135,181,699	3.7%	No
US Bonds	Western	6.0%	8.0%	10.0%	7.7%	278,679,717	8.0%	289,115,891	No	10,436,174		278,679,717	7.7%	No
	BlackRock U.S. Debt Fund	3.0%	4.0%	6.0%	3.7%	133,003,522	4.0%	144,557,945	No	11,554,423		133,003,522	3.7%	No
	Reams	6.0%	7.0%	9.0%	6.8%	244,411,466	7.0%	252,976,404	No	8,564,939		244,411,466	6.8%	No
	Loomis Sayles	2.0%	3.0%	4.0%	3.0%	108,160,906	3.0%	108,418,459	No	257,553		108,160,906	3.0%	No
Global Bonds	PIMCO Global	2.0%	3.0%	4.0%	2.8%	100,447,534	3.0%	108,418,459	No	7,970,925		100,447,534	2.8%	No
	Loomis Sayles Global	1.0%	2.0%	4.0%	1.9%	67,714,608	2.0%	72,278,973	No	4,564,365		67,714,608	1.9%	No
Real Estate	Prudential Real Estate	2.0%	3.0%	4.0%	3.1%	113,621,716	3.0%	108,418,459	No	(5,203,257)		113,621,716	3.1%	No
	UBS Real Estate	3.0%	3.8%	5.0%	4.9%	175,724,746	3.8%	135,523,074	No	(40,201,672)		175,724,746	4.9%	No
	Guggenheim	0.5%	1.0%	2.0%	0.0%	-	1.0%	36,139,486	Below	36,139,486		-	0.0%	Below
	RREEF	0.1%	0.3%	1.0%	0.0%	-	0.3%	9,034,872	Below	9,034,872		-	0.0%	Below
Private Equity	Adams Street Partners	0.0%	0.0%	4.0%	0.7%	25,697,455	0.0%	-	No	(25,697,455)		25,697,455	0.7%	No
	Pantheon Ventures	0.0%	0.0%	4.0%	0.3%	11,550,000	0.0%	-	No	(11,550,000)		11,550,000	0.3%	No
Other/Alts	Clifton	0.0%	0.0%	0.0%	0.5%	16,452,833	0.0%	-	Above	(16,452,833)		16,452,833	0.5%	Above
	Total				**100.0%**	**3,613,948,635**	**100.0%**	**3,613,948,635**		**(0)**	**-**	**3,613,948,635**	**100.0%**	

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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Memo

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

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

Date: February 25, 2013

Re: **Loomis Unconstrained Bond Mandate**

Background

As the Board is concerned about the impact rising interest rates might have on the Plan's fixed income portfolio, HEK has been evaluating current investment managers' ability to protect against this potential outcome, and perhaps even profit from it.

To this end, we have evaluated the Loomis Sayles Strategic Alpha program as compared to the existing Multi-Sector fund mandate. While Strategic Alpha performance has lagged that of the Multi-Sector fund over most relevant periods, the former strategy does provide considerable hedging ability and lower volatility; namely due to the fact that they can vary duration from -2 to + 5 years, as opposed to the current mandate that can only go from 0 to +5 years from the Barclays US Government/Credit Index. The Strategic Alpha fund also has the ability to short certain bond holdings from time to time.

We suggest the board consider one of three options:

1. Maintain the current Multi-Sector portfolio;
2. Move all or some of the Multi-Sector portfolio to the Strategic Alpha fund; or
3. Move all or some of the Multi-Sector to Reams.

We look forward to discussing this with the Board at the February 25 meeting.

Loomis Sayles Product Features for VCERA

February 15, 2013

The information contained herein is not an offer to sell securities of any Loomis Sayles Fund, which will only be made through a confidential private placement memorandum to qualified investors. All information contained herein with respect to any Fund is qualified in its entirety by the confidential offering documents.
This presentation is a supplement to the complete presentation books for each proposed strategy.

For VCERA Only. Not for Further Distribution.

One Financial Center Boston, Massachusetts 02111 617 482-2450 www.loomissayles.com
BOSTON CHICAGO DETROIT SAN FRANCISCO WASHINGTON DC LONDON SINGAPORE

product positioning

OUR FIXED INCOME PRODUCT RANGE

By Approach

Broad Less Constrained (Credit-oriented)	Broad Relative Value	Absolute Return Oriented	Global	Sector Specific (Credit-oriented)
• **Multisector Full Discretion** • Core Plus Full Discretion	• Core Disciplined Alpha • Core • Int. Duration • Core Plus	• Credit Long/Short • **Strategic Alpha** • Multi Asset Real Return	• Global Credit • Global Bond • Emerging Markets • Global Equity Opportunities	• High Yield FD • High Yield Cons. • Long Duration Corporate Bond • Int. Corporate • Investment Grade Corporate • Credit Asset Fund • Bank Loans

By Theme

Rising Rates	Real Return/Inflation	Liability Matching	Alternative
• Bank Loans • Securitized • Floating Rate • **Strategic Alpha**	• Multi-Asset Real Return	• Long Duration Corporate Bond • Long Duration Government Credit • Long Duration Liability Matched	• **Strategic Alpha** • Multi Asset Real Return

product descriptions

Strategic Alpha

- Extension of Loomis Sayles' fixed income capabilities
- Absolute return in nature, seeks participation in up-markets while limiting exposure in down markets
- Long term view coupled with tactical ability to capture short term opportunities
- Actively manages beta exposure
  - Curve positioning (-2 to +5 year duration)
  - Credit spreads
  - Currencies
- Alpha opportunities
  - Security selection long and short
  - Sector allocation long and short
  - Currency allocation long and short
  - Interest rate decisions and term structure positioning
- Broad ability to implement exposures through derivatives
- Aims to achieve greater of LIBOR + 2-4% over market cycle; managed to a 4-6% volatility target*

Multi-sector Full Discretion

- Value driven "long only" approach built around fundamental bottom-up research
- Opportunistic, "go anywhere" style
- Long term investment horizon
- Seeks to be a "provider of liquidity" when value is perceived to exist
- Typically seeks to maintain a yield advantage over the index
- Typically seeks to maximize specific risk and minimize market risk
- Greater long-term total return expectation than Strategic Alpha, along with higher associated volatility

There is no guarantee that the strategy is going to satisfy any investment objective or generate any positive return. All numbers are approximate and based on normal market conditions.

**Although the fund actively manages to a 4-6% standard deviation level, there is no guarantee that the Fund will always be able to maintain its targeted risk level.*

product positioning

	Strategic Alpha Composite	Multi-Sector Full Discretion Composite
Return Objective	Greater of 3 month LIBOR +2-4% or 7% over market cycle	Excess return of 350-450 bps vs. Barclays Gov/Credit over market cycle
Risk Objective over a market cycle[1]	4-6% volatility target	No stated volatility target; historically between 7-9%
Duration Objective	-2 to 5 years	+/-5 yrs vs. Barclays US Gov/Credit Index
High Yield	<50%	<50%
Non-US Dollar	<50% (including emerging markets)	<50%
Emerging Market	Net: <20%	<40%
Equity	Net: <5% (excluding preferred stock)	<5%
Commodities	Not applicable	Not applicable
Shorting?	Yes	No
Derivatives?	Yes	No
Tactical/ Strategic	Tactical	Strategic

There is no guarantee that the strategy is going to satisfy any investment objective or generate any positive return. All numbers are approximate and based on normal market conditions.
An investor should consider the relevant Fund's investment objectives, risks, charges and expenses carefully before investing. This and other important information about the Funds can be found in the Funds' Confidential Offering Documents. Please read it carefully before investing. Please see slides 17-19 for key risks & hedge fund disclosures 1 - Although the Investment Manager actively seeks to manage risk within a range as indicated, there is no guarantee that the portfolio will be able to maintain that risk level. 2 - The Fund may temporarily fall outside of these limits due to changes in market values, portfolio investment activity or inflows and outflows. The Fund's use of futures, options and Treasury securities for hedging purposes is not subject to these limits. 3 - Total long or short exposure will not exceed 400% short and 400% long of invested

characteristics

AS OF 12/31/2012

	Loomis Sayles Strategic Alpha Composite	Multi-sector Full Discretion Composite
Yield	4.10	4.26
Interest Rate Sensitivity		
Average effective duration	3.47	6.26
Correlation: Barclays US Treasury 7-10 Yr	-0.50	-0.45
Credit Sensitivity		
Average credit quality	BBB (Long) AA (Short)	Baa2
Correlation: Barclays High Yield	0.90	0.93
Currency		
Non-USD exposure	14.40 (Gross)*	19.8
Equity & Convertibles		
Equity and Convertible exposure	3.77 (net)	11.77

Source: Loomis Sayles, Barclays and Bloomberg. ***Credit Quality*** *reflects the highest credit rating assigned to individual holdings of the fund among Moody's, S&P or Fitch; ratings are subject to change. Disclosure Statement at the end of this presentation for additional information on the Loomis Sayles Strategic Alpha,. Due to active management, characteristics will evolve over time.*

All correlation calculations are realized based on monthly data from March 2011 – January 2013

**Gross Non-USD currency exposure for Strategic Alpha gross of long and short positions*

Please see pages 6 and 7 for Standard Performance.

Past performance is no guarantee of future results.

product overview

DESCRIPTION

Non-Traditional Fixed Income Portfolio

- Current Return Objective*: Greater of 3-month US LIBOR plus 200-400 basis points or 7% over a market cycle

Employs long and short positioning to generate alpha and manage beta exposure

- Total exposure may be 100% short and 100% long, although the portfolio may temporarily exceed limits**
- Does not use prime brokerage or borrow money to invest

Utilizes an active risk management process that focuses on absolute volatility and drawdown rather than risk relative to a traditional market benchmark

- Risk Objective: Annualized standard deviation of 400 to 600 basis points***

Historically low correlation profile with other fixed income asset classes

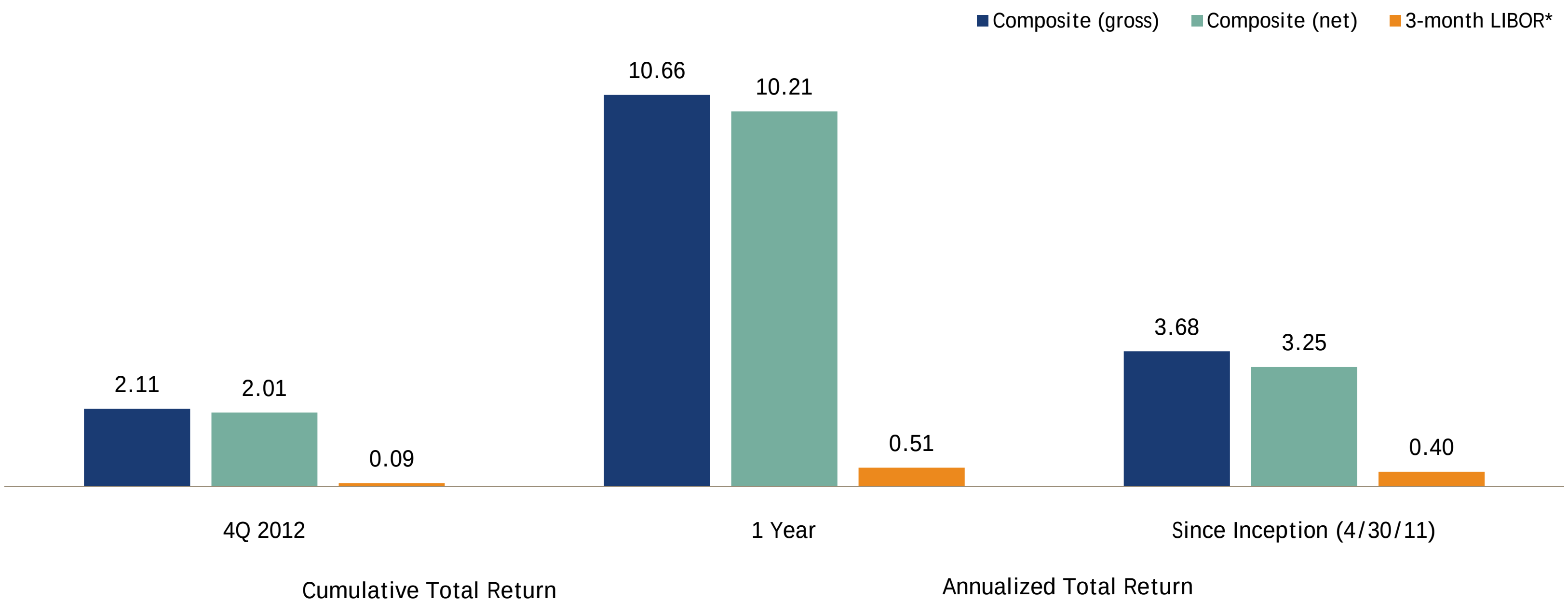
- Historical correlation of -0.04 with Barclays U.S. Aggregate Index****

**There is no guarantee that any investment or return objective will be realized or that the strategy will be able to generate any positive or excess return. (Return objective is based on risk volatility of the strategy.)*
*** As a % of capital, excluding the use of derivatives for duration, interest rate or yield curve management and cash and cash equivalents.*
****Although the portfolio actively manages risk for a 4% to 6% standard deviation level, there is no guarantee that the portfolio will always be able to maintain its targeted risk level.*
***** Based on monthly returns from 01/01/2011 to 8/31/2012*

Strategic Alpha

portfolio review

STRATEGIC ALPHA COMPOSITE PERFORMANCE AS OF 12/31/2012 (%)



Data Source: State Street Bank, Bloomberg and Loomis Sayles

Performance for multi-year periods is annualized. Total return assumes reinvestment of dividends and capital gains distributions. Gross returns are net of administrative costs and trading costs. Net returns are gross returns less management fees for the period.

Performance data shown represents past performance and is no guarantee of future results. Investment return and value will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than shown.

**The Strategy's investment objective is to provide absolute returns in excess of the greater of (1) 3-month US LIBOR plus 200-400 basis points or (2) 7% over a market cycle. The 3-month LIBOR is not the benchmark for the Strategy.*

Please see Disclosure Statement at the end of this presentation for a complete description of the Loomis Sayles Strategic Alpha Composite.

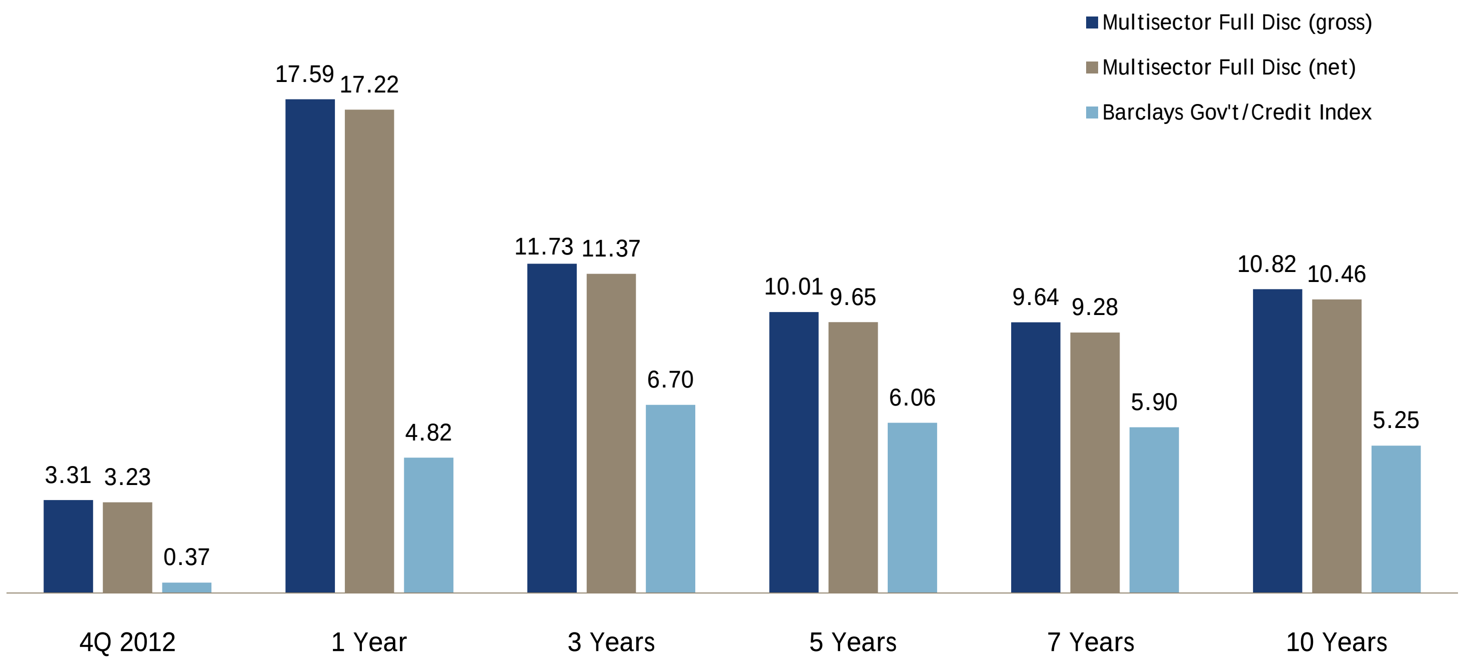
Past performance is no guarantee of future results.

investment performance

MULTISECTOR FULL DISCRESTION COMPOSITE AS OF 12/31/2012 (%)

Multisector Full Discretion

Trailing returns



Excess return (gross)	+2.94	+12.77	+5.03	+3.95	+3.74	+5.57

Data Source: Loomis Sayles and Barclays. Returns for multi-year periods are annualized. Gross returns are net of trading costs. Net returns are gross returns less effective management fees. Please see Disclosure Statement at the end of this presentation for a complete description of the Loomis Sayles Multisector Full Discretion Composite.

Past performance is no guarantee of future results.

appendix

COMPOSITE DISCLOSURE STATEMENT as of 12/31/2012

Firm Loomis, Sayles & Company, L.P. ("Loomis Sayles") is an autonomous investment advisory firm registered under the Investment Advisers Act of 1940. Registration does not imply a certain level of skill or training.

Selection Criteria for the Multisector Full Discretion Composite ("Composite") The Composite includes all discretionary accounts with market values greater than $5 million managed by Loomis Sayles with the objective of maximizing absolute total rate of return. It consists of accounts that are considered fully discretionary (i.e. allow non-dollar, Yankees, emerging markets, no substantial duration restrictions) and allow 30-50% in high yield. Tracking error is not explicitly targeted for this product, however, historically these portfolios have exhibited an annualized tracking error of approximately 700 to 800 basis points. Strategic allocation to higher yielding credit sensitive sectors employing Loomis Sayles security level research and significant allocation to non-index sectors are primary sources of return for this product. Yield curve and duration management provide additional tactical tools for the portfolio management team. The Composite, which is a subcomposite of the Medium Grade Composite, was created in 2003.

Loomis Sayles claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Loomis Sayles has been independently verified for the periods January 1, 1999 through December 31, 2011. The verification reports are available upon request.

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. Verification does not ensure the accuracy of any specific composite presentation.

Effective July 1, 2002, Loomis Sayles adopted a significant cash flow policy where portfolios are removed from the Composite when net monthly cash flow exceeds 30% of the portfolio's beginning market value.

Some of the accounts in this composite may from time to time employ the use of interest rate futures and options on interest rate futures, primarily for the purpose of managing interest rate and yield curve exposure.

Benchmark The benchmark for the Composite is the Barclays Government Credit ("Index"). The Index includes securities in the Barclays Government and Credit Indices. The Barclays Government Index includes treasuries and agencies. The Credit Index includes publicly issued U.S corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

Calculation Methodology Accounts are valued daily. Monthly account returns are obtained by linking the daily account returns. Gross of fee account returns are time-weighted rates of return, net of commissions and transaction costs. Net of fee account returns are the gross returns less the effective management fee for the measurement period. The effective fee for an account is derived by using beginning of measurement period assets and the specific fee schedule for each account to calculate an annual fee amount. The fee amount is divided by the assets for an annual effective fee. The monthly effective fee is based on 1/12 of the annual effective fee. Composite returns are calculated monthly.

All performance results are expressed in US dollars and are net of foreign withholding taxes. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Loomis Sayles' advisory fees are presented below and may also be found in Part II of Form ADV.

Annual rates applied to assets under management: 0.50% on the first $20 million; 0.40% on the next $30 million; 0.30% on value over $50 million
Minimum account size: $50 million; Minimum annual fee: $220,000

appendix

COMPOSITE DISCLOSURE STATEMENT as of 12/31/2012

Multisector Full Discretion Composite

Period	Composite Gross Return (%)	Composite Net Return (%)	Barclays Govt/Credit Index (%)	Composite 3-Yr St Dev* (%)	Benchmark 3-Yr St Dev* (%)	Number of Portfolios in Composite End of Period	Internal Dispersion of Returns** (%)	Composite Total Assets End of Period (USD M)	Total Firm Assets End of Period (USD M)
2012	17.59	17.22	4.82	6.76	2.96	36	2.24	7,376	186,115
2011	4.05	3.72	8.74	8.68	3.42	38	1.35	6,804	162,606
2010	13.98	13.61	6.59	13.34	5.26	40	0.90	6,821	151,550
2009	39.36	38.90	4.52	13.16	5.14	41	4.20	6,486	142,308
2008	-17.12	-17.39	5.70	11.25	4.91	43	2.91	4,723	106,039
2007	6.91	6.56	7.23	4.03	3.11	40	1.75	4,893	129,903
2006	10.58	10.23	3.78	4.53	3.68	34	0.69	3,970	96,583
2005	3.90	3.57	2.37	6.65	4.98	32	0.67	4,170	74,528
2004	11.32	10.97	4.19	7.57	5.30	27	0.74	3,411	63,054
2003	26.82	26.40	4.67	8.29	5.20	29	2.63	3,561	53,688

** The three-year annualized standard deviation measures the variability of the gross composite returns and the benchmark returns over the preceding 36-month period.*

***The internal dispersion of returns presented reflects the annual equal weighted standard deviation and is calculated as the average dispersion from the mean return of all accounts included in the Composite for the entire year.*

The firm's list of composite descriptions is available upon request.

Past performance is no guarantee of future results.

appendix

COMPOSITE DISCLOSURE STATEMENT as of 12/31/2012

Firm Loomis, Sayles & Company, L.P. ("Loomis Sayles") is an autonomous investment advisory firm registered under the Investment Advisers Act of 1940. Registration does not imply a certain level of skill or training.

Selection Criteria for the Strategic Alpha Composite ("Composite") The Composite, which includes all accounts managed by Loomis Sayles with assets over $25 million, with guidelines that allow it to invest long and short, and employ up to a maximum of 100% gross on a notional basis, primarily in the corporate, sovereign, asset-backed, currency and interest rate markets and employs the use of derivatives that may include interest rate futures and swaps, credit default swaps, commodity futures, options, and currency futures and forwards. Potential primary alpha sources are expected to fall in the credit, interest rate and currency categories. The Composite was created in 2011.

Loomis Sayles claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Loomis Sayles has been independently verified for the periods January 1, 1999 through December 31, 2011. The verification reports are available upon request.

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. Verification does not ensure the accuracy of any specific composite presentation.

Effective July 1, 2002, Loomis Sayles adopted a significant cash flow policy where portfolios are removed from the Composite when net monthly cash flow exceeds 30% of the portfolio's beginning market value.

Some of the accounts in this composite may from time to time employ the use of interest rate futures and options on interest rate futures, primarily for the purpose of managing interest rate and yield curve exposure.

Benchmark The benchmark for the Composite is the 3-month LIBOR ("Index"). The 3-Month LIBOR, or the London InterBank Offered Rate, represents the average rate a leading bank, for a given currency (in this case, US dollars), can obtain unsecured funding, and is representative of short-term interest rates.

Calculation Methodology Accounts are valued daily. Monthly account returns are obtained by linking the daily account returns. Gross of fee account returns are time-weighted rates of return, net of commissions and transaction costs. Net of fee account returns are the gross returns less the effective management fee for the measurement period. The effective fee for an account is derived by using beginning of measurement period assets and the specific fee schedule for each account to calculate an annual fee amount. The fee amount is divided by the assets for an annual effective fee. The monthly effective fee is based on 1/12 of the annual effective fee. Composite returns are calculated monthly.

All performance results are expressed in US dollars and are net of foreign withholding taxes. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Loomis Sayles' advisory fees are presented below and may also be found in Part II of Form ADV.

Annual rates applied to assets under management: 0.47% on the first $100 million; 0.40% on value over $100 million
Minimum account size: $100 million; Minimum annual fee: $470,000

Strategic Alpha

appendix

COMPOSITE DISCLOSURE STATEMENT as of 12/31/2012

Strategic Alpha Composite

Period	Composite Gross Return* (%)	Composite Net Return* (%)	3-month LIBOR* (%)	Composite 3-Yr St Dev** (%)	Benchmark 3-Yr St Dev** (%)	Number of Portfolios in Composite End of Period	Internal Dispersion of Returns*** (%)	Composite Total Assets End of Period (USD M)	Total Firm Assets End of Period (USD M)
2012	10.66	10.21	0.51	N/A	N/A	≤ 5	N/M	528	186,115
2011*	-4.02	-4.30	0.16	N/A	N/A	≤ 5	N/M	406	162,606

**Since inception = 4/30/11.*
***The three-year annualized standard deviation measures the variability of the gross composite returns and the benchmark returns over the preceding 36-month period.*
****The internal dispersion of returns presented reflects the annual equal weighted standard deviation and is calculated as the average dispersion from the mean return of all accounts included in the Composite for the year.*
N/M -Measures of internal dispersion with five or fewer accounts for the entire period are not considered meaningful.
Currently, only one account is assigned to this Composite.

The firm's list of composite descriptions is available upon request.
Effective 09/28/2012, the Composite, formerly known as Absolute Strategies Composite, changed its name.

Past performance is no guarantee of future results.

Highlights and Research

Ventura County Employees' Retirement Association

February 2013

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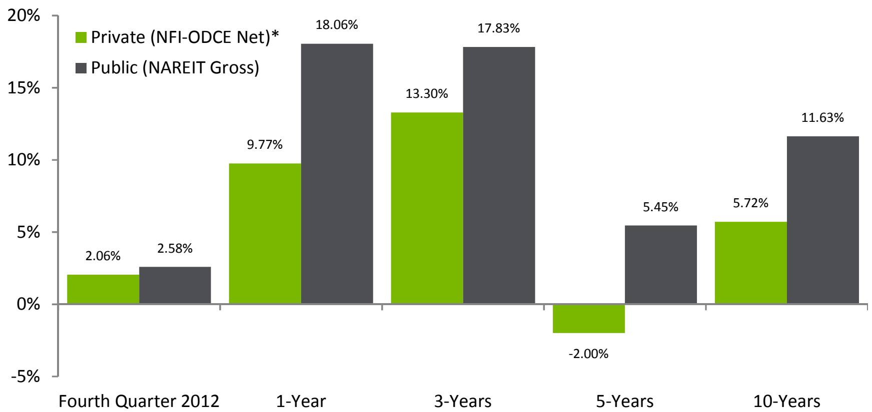
An Aon Company

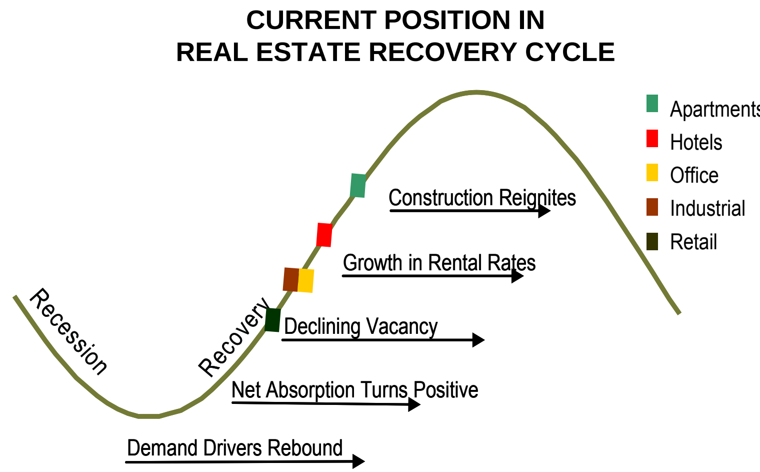
Table of Contents

Real Estate Update

U.S. Real Estate Markets



*Fourth quarter returns are preliminary
Sources: NCREIF, NAREIT



2013 U.S. Real Estate Outlook:

- The U.S. economy is expected to remain in a slow-growth mode for much of 2013. While still supporting a continuation of measured improvements in real estate fundamentals (e.g. net absorption, occupancies, and now more broadly some rent growth), the pace of improvement is expected to remain modest.
- Real Estate returns are expected to continue their path of moderation given the sector's robust pricing rebound over the past few years. Consensus forecast range for the NPI is 6–9% (Core real estate), which is still generally in line with the sector's long-term average.
  - If Core buyers accept lower yields for real estate absent attractive income alternatives in other asset classes, returns could reach the high end of the range. On the flip side, policies meant to address long term government fiscal issues could deliver a short term economic shock placing returns at the lower end of the range, at best.
- Uncertainty stemming from the negative scenarios that could play out through multiple macro economic/political issues will likely keep investors cautious in early 2013. Thus we expect growth in transaction volumes to remain muted versus typical rebound periods. We anticipate the market will continue to seek the safety of current yield provided by Core, which remains historically attractive relative to other asset classes.
  - The current low interest rate environment continues to support price recovery/growth and this is expected to persist as the U.S. Federal Reserve has indicated it will support a low interest rate environment until sustained economic growth is evident.
- New supply is expected to become more noticeable in 2013, first entering through the apartment sector, though select industrial development has also begun. As an asset class, however, new deliveries are still well restrained.
  - The ramp up in multifamily supply is expected to slow that segment's positive momentum in 2013, though not derail it—selective pruning of apartment holdings in high supply markets should be up for consideration.

Reams Investment Guidelines

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

Objectives

The objective of the fixed income portfolio is to maximize risk-adjusted total return by systematically pursuing relative value opportunities throughout all sectors of the fixed income market. The targeted annual return in times of lower volatility is LIBOR plus 300 basis points per annum while minimizing the probability of a negative absolute return in any calendar year. In times of higher volatility, the targeted annual return will increase in correlation with relative value opportunities.

The fixed income portfolio will 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 Association of Investment Management 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
Average portfolio duration shall be within a range of -3 to 8 years. There is no restriction on individual holdings.

Security Type Qualifications
Swaps, including credit default swaps, 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.

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

Credit Quality
Bonds may be rated investment grade or below investment grade by either Moody's, Fitch, or Standard & Poor's without limitation. 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.

Non-U.S. Dollar Exposure
Non-U.S. dollar holdings shall not exceed 30% of the total portfolio at purchase, including positions hedged and unhedged.

Additional Sector and Position Limits
The portfolio is limited to a maximum of 10% outstanding issuer at purchase.

No single credit industry shall exceed 25% of the portfolio at purchase.
Emerging market securities shall not exceed 30% of the portfolio at purchase.

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.

The manager will meet with staff as often as determined necessary by the Board, and will meet with the Board at least annually.

Reporting Requirements

Monthly – Fund 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 of Retirement of Ventura County Employees' Retirement Association and its investment consultant by the 10th of the following month. A discussion of the portfolio's recent strategy and expected future strategy and demonstration of compliance with guidelines will also be included.

The manager will meet with staff as often as determined necessary by the 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 the Board of Retirement and the investment manager will be submitted to and received by the Retirement Office at least seven business days in advance of these meetings.

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

The manager will keep Ventura County Employees' Retirement Association 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.

Manager Fees

VCERA Investment Manager Fee Schedules
(as of January 2013)

Adams Street Partners:

Schedule of Carried Interest <u>With Respect to the Subscription Amount</u>
Pursuant to the Partnership Agreement of each of the Fund of Funds, Adams Street Partners and/or an affiliate of Adams Street Partners (collectively, the “Carried Interest Partners”) will receive an aggregate carried interest with respect to each such Fund of Funds in an amount equal to 10% of all net profits on investments in secondary interests in private equity partnerships and/or their portfolio companies made by each such Fund of Funds. Such carried interest with respect to each Fund of Funds will be distributable to the Carried Interest Partners in accordance with the terms and conditions of the applicable Partnership Agreements of such Fund of Funds.

Pursuant to the Partnership Agreement of the Direct Fund, the Direct Fund General Partner will receive a carried interest equal to 20% of all net profits on portfolio company investments made by the Direct Fund. Such carried interest with respect to the Direct Fund will be distributable to the Direct Fund General Partner in accordance with the terms and conditions of the Direct Fund Partnership Agreement.

No carried interest shall be payable by a subscriber that is an entity established by Adams Street Partners to permit the members and employees of Adams Street Partners to invest in the Partnerships (each, an “Employee Investment Vehicle”).

Schedule of Investment Management Fees <u>With Respect to the Subscription Amount</u>
The Direct Fund will pay the Direct Fund General Partner or an affiliate of the Direct Fund General Partner an annual management fee for management and administrative services. The annual management fee will be equal to 2% of the aggregate committed capital of the limited partners of the Direct Fund, other than any limited partner that is an Employee Investment Vehicle. The management fee of the Direct Fund will be paid quarterly in arrears. After the sixth anniversary of the initial closing of the Direct Fund, the management fee will be reduced annually by 10% of the original annual management fee (i.e., 90% of the regular fee in year seven of a subscription, 80% in year eight, etc.). Each limited partner of the Direct Fund, other than an Employee Investment Vehicle, shall be allocated a portion of the management fee expense of the Direct Fund with respect to its subscription amount that is allocated to the Direct Fund. For avoidance of doubt, each Employee Investment Vehicle that invests in the Direct Fund shall not be allocated any portion of the management fee expense of the Direct Fund. The fee payable by the Direct Fund will be reduced by any fees received by the Direct Fund General Partner, Adams Street Partners or their respective affiliates from portfolio companies, as well as by any break-up fees and litigation proceeds from broken deals. Any such fees and/or proceeds received will reduce the management fee payable by the Direct Fund in the quarter immediately following receipt. In the event that the amount of such fees received exceeds the management fee payable by the Direct Fund for such following quarter, the excess will be applied to reduce management fees payable by the Direct Fund in future quarters. Any reimbursement by a portfolio company of out-of-pocket expenses incurred by the

Direct Fund General Partner, Adams Street Partners or their respective affiliates will not be offset against the management fee payable by the Direct Fund.

Each limited partner of each of the Fund of Funds, other than an Employee Investment Vehicle, shall be allocated a portion of the management fee expense with respect to its subscription amount that is allocated to each such Fund of Funds, respectively, in an annual amount as set forth below. For avoidance of doubt, each Employee Investment Vehicle that invests in a Fund of Funds shall not be allocated any portion of the management fee expense of such Fund of Funds. The management fee expense shall be allocated to each partner's capital account in accordance with the terms and conditions of the applicable Program Entity Agreement.

Computation of Management Fee Expense of each Fund of Funds.[1]
The portion of the annual management fee expense of a Fund of Funds that is allocated to a limited partner's capital account (the "Management Fee Assessment") shall be computed as follows:

Subscription Amount[2]	Annual Rate (as percentage of Subsciption Amount
On first $25 million	1.00%
On amounts over $25 million and up to $50 million	0.90%
On amounts over $50 million and up to $150 million	0.75%
On amounts over $150 million	0.50%

If, as of the termination of the Investment Period (as defined in each of the Fund of Funds Partnership Agreements), a Fund of Funds has committed less than 100% of the aggregate subscription amounts of all partners to such Fund of Funds to entities meeting the investment objectives of such Fund of Funds, then the Subscriber's Subscription Amount, solely for purposes of calculating the Management Fee Assessment for all future periods, shall be deemed to be an amount equal to the Subscriber's Subscription Amount multiplied by a fraction, the numerator of which shall be such Fund of Funds' aggregate investments in such entities, including any unfunded commitments thereto, and the denominator of which shall be the aggregate subscription amounts of all partners to such Fund of Funds. In addition, the Management Fee assessment will be further reduced as of January 1 with respect to each of the calendar years below as follow:

For calendar year 2017, the fee will be 90% of the regular annual rate;
For calendar year 2018, the fee will be 80% of the regular annual rate;
For calendar year 2019, the fee will be 70% of the regular annual rate;
For calendar year 2020, the fee will be 60% of the regular annual rate;

[1] Management fee expense will be incurred by each of the U.S. Fund, the Non-U.S. Developed Markets Fund and the Non-U.S. Emerging Markets Fund. The Management Fee Assessment with respect to each such Partnership will be calculated, beginning the first day of the month in which each such Partnership makes its first commitment. For example: If the U.S. Fund makes its first investment commitment on February 15, 2010, the Management Fee Assessment with respect to the U.S. Fund will be calculated beginning February 1, 2010.
[2] Calculated as the portion of the Subscriber's Subscription Amount allocated to the U.S. Fund, the Non-U.S. Developed Markets Fund, the Non-U.S. Emerging Markets Fund.

For calendar year 2021, the fee will be 50% of the regular annual rate;
For calendar year 2022, the fee will be 40% of the regular annual rate;
For calendar year 2023, the fee will be 30% of the regular annual rate;
For calendar year 2024, the fee will be 20% of the regular annual rate; and
For calendar year 2025, the fee will be 10% of the regular annual rate.

The Subscriber will not be allocated a Management Fee Assessment with respect to any period after December 31, 2025.

<u>Adjustment of Management Fee Assessment.</u> If the Subscriber previously subscribed for an interest in one or more of the entities constituting (i) the Adams Street Partnership Fund – 2007 U.S. Fund, L.P., the Adams Street Partnership Fund – 2007 Non-U.S. Fund, L.P. and/or the Adams Street 2007 Direct Fund, L.P. (the “2007 Subscription”), (ii) the Adams Street Partnership Fund – 2008 U.S. Fund, L.P., the Adams Street Partnership Fund – 2008 Non-U.S. Fund, L.P, and/or the Adams Street 2008 Direct Fund, L.P. (the “2008 Subscription”) and/or (iii) the Adams Street Partnership Fund – 2009 U.S. Fund, L.P., the Adams Street Partnership Fund – 2009 Non-U.S. Emerging Markets Fund, L.P., the Adams Street Partnership Fund – 2009 Non-U.S. Developed Markets Fund, L.P., and/or the Adams Street 2009 Direct Fund, L.P. (the “2009 Subscription”), the Management Fee Assessment with respect to such Subscriber’s Subscription Amount will be adjusted as follows:

<u>Description.</u> An amount equal to 25% of the 2007 Subscription (if any) plus 50% of the 2008 Subscription (if any) plus 75% of the 2009 Subscription (if any) shall be defined as the “2010 Credit Amount”. For purposes of computing the Management Fee Assessment on such Subscriber’s Subscription Amount, and for this purpose only, the 2010 Credit Amount shall be added to the Subscription Amount and applied against the schedule for computing the Management Fee Assessment set out above. No additional fee shall be payable on the 2010 Credit Amount for purposes of the Management Fee Assessment computation on the Subscription Amount, and the fees payable on the 2007 Subscription (if any), 2008 Subscription (if any) and 2009 Subscription (if any) shall not be increased or decreased.

<u>Examples.</u> The following examples illustrate the computation of the Management Fee Assessment for the Subscription Amount when there is a 2010 Credit Amount:

1. Subscriber has a 2007 Subscription of $15 million, a 2008 Subscription of $15 million, a 2009 Subscription of $30 million and a new subscription amount with respect to the ASP Fund Program for 2010 of $10 million. The 2010 Credit Amount is $33.75 million. The 2010 Credit Amount is deemed to “use up” the first $33.75 million of the Management Fee Assessment schedule. The result is that the entire new subscription amount with respect to the ASP Fund Program for 2010 is charged a Management Fee Assessment at 90 basis points. The fee computations for the 2007 Subscription, 2008 Subscription and 2009 Subscription each remain unchanged.
2. Subscriber has a 2008 Subscription of $30 million, a 2009 Subscription of $30 million and a new subscription amount with respect to the ASP Fund Program for 2010 of $30 million. The 2010 Credit Amount is $37.50 million. The 2010 Credit Amount is deemed to “use up” the first $37.50 million of the Management Fee

Assessment schedule. The result is that the first $12.50 million of the new subscription amount with respect to the ASP Fund Program for 2010 is charged a Management Fee Assessment of 90 basis points and the remaining $17.50 million of such new subscription amount is charged a Management Fee Assessment at 75 basis points, for an effective rate on the new subscription amount with respect to the ASP Fund Program for 2010 of 81.25 basis points. The fee computations for the 2008 Subscription and 2009 Subscription each remain unchanged.

BlackRock:

Extended Equity Market Fund:

	Portfolio Assets	Annual Fee Expressed as a Percentage of Portfolio Value
First	$50,000,000	0.080%
Next	$50,000,000	0.060%
Above	$100,000,000	0.040%

U.S. Equity Market Fund:

	Portfolio Assets	Annual Fee Expressed as a Percentage of Portfolio Value
First	$250,000,000	0.030%
Above	$250,000,000	0.020%

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

	Portfolio Assets	Annual Fee Expressed as a Percentage of Portfolio Value
First	$100,000,000	0.120%
Above	$100,000,000	0.100%

U.S. Debt Index Fund:

	Portfolio Assets	Annual Fee Expressed as a Percentage of Portfolio Value
First	$100,000,000	0.080%
Next	$400,000,000	0.040%
Above	$500,000,000	0.020%

BlackRock MSCI ACWI Equity Index Fund:

	Portfolio Assets	Annual Fee Expressed as a Percentage of Portfolio Value
First	$100,000,000	0.060%
Above	$100,000,000	0.040%

Clifton Group:

	Overlay Portfolio Assets	Annual Fee Expressed as a Percentage of Overlay Portfolio Value
First	$ 25,000,000	0.150%
Next	$ 75,000,000	0.100%
Above	$100,000,000	0.040%

Minimum Annual Fee: $ 50,000

Overlay Portfolio Assets can include:

- Cash held by Investment Manager and invested in synthetic index contracts.
- Synthetic index contract exposure used to commit fund cash balances.
- Synthetic index contract exposure required to rebalance overall fund to target allocation.

Grantham, Mayo, Van Otterloo & Co:

Global Equity Allocation Fund:
The Global Equity Allocation Fund carries a Net Aggregate Expense ratio of 56 bps, which is automatically deducted from the daily NAV of the fund. The fund also carries a Purchase Premium and Redemption Fee of 12 bps, each. Regardless of AUM, there is no other fee structure available for the fund.

Real Return Global Balanced Strategy (RRGBAL) ***

Fee Options:

1. Performance based:
   a. 65 bps Base + 15% incentive on alpha over the Blended Benchmark (10% World/20% Barclays Agg/20% Cash); or

2. Base Fee Only:

	Portfolio Assets	Annual Fee Expressed as a Percentage of Portfolio Value
First	$ 100,000,000	1.000%
Above	$ 100,000,000	0.900%

**** Please note the Real Return Global Balanced Strategy is being evaluated by HEK as of January 2013 and VCERA is not currently invested in this fund.*

Guggenheim:

	Portfolio Assets	Annual Fee Expressed as a Percentage of Portfolio Value
Up to	$20,000,000	0.60%
Over	$20,000,000	0.50%

Incentive Fee

- The incentive fee is 20% of the gross return over the *PLUS* benchmark.
- The *PLUS* Benchmark is 70% NCREIF Property Index and 30% FTSE NAREIT Equity REITs Index (this is our view of the institutional universe and our neutral public/private allocation).
- The incentive fee is calculated on gross portfolio returns before fund level expenses and investment management fees (time-weighted calculation). In this way, the measurement is directly comparable to the benchmark, which is calculated pre-fee.
- The incentive fee is paid quarterly based on the previous four quarters (essentially 5% [20% / 4] of last four quarters outperformance is paid quarterly).
- For new investors, payment of the incentive fee is deferred until the end of the fourth full quarter that the investment is in the fund and is based on the performance of the investor's initial four quarters. For subsequent investments from current investors, payment of the incentive fee is deferred until the end of the

fourth quarter that the subsequent investment amount is in the fund and is based on the performance of that investment amount's initial four quarters.

For Guggenheim *PLUS* L.P. and Guggenheim Real Estate *PLUS* Trust, investors will pay the incentive as a fee. For Guggenheim *PLUS* II L.P., the incentive fee will be structured as a profits participation.

Hexavest:

	Portfolio Assets	Annual Fee Expressed as a Percentage of Portfolio Value
First	$10,000,000	0.600%
Next	$30,000,000	0.500%
Above	$40,000,000	0.400%

The fee is determined based on the average market value of Ventura's assets in the fund at the end of each month of the quarter and is payable quarterly in arrears.

Loomis Sayles:

<u>Loomis Sayles Global:</u>
Flat fee of 30 basis points. Please note quarterly fees are based on the fund's Average Daily Net Asset Value.

<u>Loomis Sayles Medium Grade Multisector Full Discretion:</u>

	Portfolio Assets	Annual Fee Expressed as a Percentage of Portfolio Value
First	$20,000,000	0.500%
Next	$30,000,000	0.400%
Above	$50,000,000	0.300%

Please note: Quarterly fees are now based on Average Daily Net Asset Value

Pantheon:

Annual rate 07/02/2010 – 12/31/2015 ………………………………………………... 1.00%
Starting 01/01/2016 – 90% of management fee for prior year

PIMCO:

	Portfolio Assets	Annual Fee Expressed as a Percentage of Portfolio Value
First	$100,000,000	0.350%
Next	$100,000,000	0.300%
Above	$200,000,000	0.250%

Fees are payable quarterly in arrears and are computed based on the market value of the investment portfolio as reported on the Manager's statement computed by averaging the month end market values for each month at the end of the billing period. Market value for the portfolio will be determined by aggregating the market value for each asset in the portfolio using the last sale price on the principal exchange on which the security is listed as reported in the financial press. If such sale price is not readily available, the market price shall be determined in good faith by or at the direction of the Manager.

Fees shall be prorated on a daily basis when the investment portfolio is under the supervision of the Manager for a portion of any quarter.

The investment portfolio is comprised of all funds and assets, including cash, cash accruals, additions, substitutions and alterations that are subject to advice by the Manager.

Prudential:

PRISA Ratio – The ratio of each contract's account balance to the total PRISA net assets, determined quarterly.

PRISA Fee Schedule

Base Management Fee is determined quarterly by applying the following quarterly scaled percentage charge to your portion of the Determined Cost of PRISA as determined by your PRISA Ratio.

0.1875% on first …………………………………………………………… $10 million
0.1625% on next …………………………..……………………………… $15 million
0.1500% on next ……………………………...………………………… $25 million
0.1375% on next …………………………………………………………..… $50 million
0.1250% on the excess of ………………………………………………… $100 million

Incentive Fee is determined quarterly as a percentage of PRISA's Net Operating Cash Flow, as contractually defined. This operating cash flow is split into tiers and is charged quarterly in the following way to your portion, as determined by your PRISA Ratio.

6% of Tier 1 Operating Cash Flow ………………….. Applies to the first $100 million
5% of Tier 2 Operating Cash Flow …………... Applies to the excess of $100 million

<u>Cash Management Fee</u> is determined quarterly by applying the following quarterly percentage charge to your portion of PRISA's Cash and Cash Equivalents, determined by your PRISA Ratio.

0.025% ………………………………………………………………………………… on all

<u>Annual Maximum Fee</u> is determined annually each December 31 by applying the maximum fee percentage to your average outstanding balance.

1.20% on …………………………………………………………….… $0 to $25 million
1.15% on …………………………………………………………… $25 to $50 million
1.10% on ………………………………………………………….. $50 to $100 million
1.05% on ……………………………………………………..…. $100 to $200 million
1.00% on ……………………………………………………..…. $200 million and over

Management Fees will vary for investors with account balances in excess of $150 million on June 30, 2005.

Reams Asset Management:

	Portfolio Assets	Annual Fee Expressed as a Percentage of Portfolio Value
First	$150,000,000	0.2000%
Above	$150,000,000	0.1500%

RREEF:

- The revised fee structure was approved at the RREEF January 30, 2013 meeting
- The board believes the structure takes into account the investor input by
    - o Creating a definable retention pool for the specific members of the RAR III management team
    - o Establishing some performance based compensation and
    - o Establishing the start date as of January 1, 2013
- In summary the approved fee is:
    - o 125 bps on NAV
    - o 105 bps on NAV will be paid currently
    - o 10 bps on NAV will be accrued and paid upon the sale of the final asset. This component of compensation will be reserved for the four primary direct team members or their replacements as may be necessary.
    - o 10 bps will be paid upon the Fund achieving a 9% IRR from 1/1/2013 through the final disposition of assets. The starting value for the calculation of the 9% IRR will be the 12/31/2012 NAV.
    - o The start date will be 1/1/2013

Sprucegrove:

	Portfolio Assets	Annual Fee Expressed as a Percentage of Portfolio Value
First	$5,000,000	0.900%
Next	$10,000,000	0.650%
Next	$25,000,000	0.550%
Next	$35,000,000	0.500%
Next	$225,000,000	0.250%
Above	$300,000,000	0.200%

UBS:

Advisory Fees
UBS Trumbull Property Fund ("UBS-TPF")

Base Fee
The Base Fee for each quarter is calculated with respect to each Investor by multiplying the Investor's Annual Applicable Base Fee Percentage (as set forth below, pro rated on a quarterly basis) times the Investor's share of average Net Asset Value for the quarter. An Investor's "**Annual Applicable Base Fee Percentage**" is a blended percentage rate derived by reference to the annual Base Fee percentage set forth in the following table and based upon the Investor's share of Net Asset Value in the Fund as of the beginning of the quarter:

Investor's share of Net Asset Value in the Fund	**Annual Applicable Base Fee Percentage**
First USD 10 million of investment	95.5 bps
Next USD 15 million	82.5 bps
Next USD 25 million	80.5 bps
Next USD 50 million	79.0 bps
Next USD 150 million	67.0 bps
Above USD 250 million	60.0 bps

Notwithstanding the foregoing, if an Investor invests in more than one UBS Realty sponsored fund designated by the Advisor from time to time (collectively, the "**Designated Real Estate Funds**"), the Annual Applicable Base Fee Percentage shall be calculated based upon the total net asset value of the Investor's investments in the Fund and in other Designated Real Estate Funds.

To illustrate the calculation of the Base Fee with respect to an Investor in other Designated Real Estate Funds, if the Investor were to invest in the Fund and other Designated Real Estate Funds such that the Investor's net asset value in Designated Real Estate Funds equaled $20 million at the beginning of the quarter, then the Investor's Annual Applicable Base Fee Percentage would be 0.890% (i.e., first $10 million at 0.955% and next $10 million at 0.825% equals a blended percentage rate of 0.890%).

Therefore, the Base Fee applicable to the Investor for the quarter would equal 0.890% (pro-rated for the quarter) times the Investor's share of average Net Asset Value in the Fund for the quarter.

To the extent that average cash and cash equivalents held by the Fund for a quarter exceed 7.5% of the Fund's average Net Asset Value, the Base Fee with respect to such excess will be reduced from the Annual Applicable Base Fee Percentage otherwise payable to 20 basis points (pro-rated for the quarter).

Incentive Fee

The Incentive Fee for each quarter is calculated with respect to each Investor by multiplying the Incentive Fee Percentage (as set forth below, pro rated on a quarterly basis) times the Investor's share of average Net Asset Value for the quarter. The "**Incentive Fee Percentage**" is set at a fulcrum point of 0.15%, and ranges from a minimum of 0% to a maximum of 0.25%. The Incentive Fee Percentage increases or decreases ratably from the fulcrum point at a rate of 0.075% for each 1%, or portion thereof, that the Fund's gross return is above or below the Absolute Return Objective. The "**Absolute Return Objective**" is CPI plus five percent (5%) per annum. The applicable Incentive Fee Percentage for a quarter is determined using gross return and CPI values for the rolling four-quarter period ending on the last day of the prior quarter.

To illustrate the calculation of the Incentive Fee Percentage, if the CPI for the applicable rolling four-quarter period was 3.0%, the Absolute Return Objective would be 8.0% (3.0% plus 5.0%). If the Fund's gross return for the same period were 8.5%, then the return would exceed the Absolute Return Objective by 0.5% (8.5% minus 8.0%). Since 0.5% is ½ of 1%, then the Incentive Fee Percentage would be 0.1875% (0.15% + ½ x 0.075%)) on an annual basis.

Walter Scott:

	Portfolio Assets	Annual Fee Expressed as a Percentage of Portfolio Value
First	$ 50,000,000	1.000%
Next	$ 25,000,000	0.850%
Above	$75,000,000	0.600%

Western Asset Management:

	Portfolio Assets	Annual Fee Expressed as a Percentage of Portfolio Value
First	$100,000,000	0.300%
Above	$100,000,000	0.150%

Aggregation of Fees: Accounts managed by Western Asset on behalf of the Client will be used and a pro-rata amount of the aggregate fee will be applied to each account based on the account's market value.

Timing: Management Fees will be calculated quarterly in arrears. The "Fee Calculation Dates" will be the calendar quarter ends; March 31, June 30, September 30 and December 31.

Account Valuation: The account values used to calculate fee will be the month end values of the Account as prepared by the Custodian.

Billing Methodology: The Management Fee will be one quarter of Annual Fee Rate multiplied by the average of the Account Valuations in the quarter to which fees apply.

Partial Periods: If the account funds on a date other than the beginning of the quarter or terminates on a date other than the end of the quarter, the Investment Manager will be entitled to charge a proportionate part of the fee for the quarter.

Contributions and Withdrawals: Contributions and Withdrawals during the quarter will not be prorated for purposes of the fee calculation.

Payment Due Date: Payments for Management Fees are due upon receipt of invoice, subject to Client's agreement of fee amount.

BlackRock Securities Lending Update

Hewitt ennisknupp
An Aon Company

Memo

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

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

Date: February 25, 2013

Re: **BlackRock Securities Lending Update**

Background

At the December 17, 2012 Board Meeting, HEK presented a detailed report about the BlackRock Securities Lending program currently in place. There was a question raised about the competitiveness of the VCERA program.

After contacting and reviewing the responses from three other large players in the industry, we believe BlackRock's program is competitive, although at the lower end of the spectrum. After speaking with BlackRock, we learned that they are only willing to negotiate a higher split if VCERA had considerably more in aggregate assets with the firm.

Please see the following splits for other securities lending agents. BlackRock's split of 50% is on the low end relative to its peers, but is still competitive. Since it is a commingled vehicle, the split is generally fixed and the same for all investors.

SSgA - 70% to client
Northern Trust – 60 to 65% to client
BNY Mellon - 50% to client

At this time, we are comfortable maintaining our current allocations with BlackRock. If VCERA decides to increase the mandates with BlackRock, we will revisit the securities lending split arrangement with them at that time.

We look forward to discussing this with the Board at the February 25 meeting.

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

Walter Scott Update

Hewitt ennisknupp
An Aon Company

Memo

To:	**Staff and Board** **Ventura County Employees' Retirement Association**
From:	Russ Charvonia, ChFC, CFP®, Esq. Kevin Chen
Date:	February 25, 2013
Re:	**Walter Scott Update**

Background

On February 11, 2013, Walter Scott announced that Ian Clark has stepped down as a main board Executive Director of Walter Scott and Partners Limited. According to Walter Scott, Ian Clark will retain the title of 'Founder', health dependent.

Based on our discussions with Walter Scott, Ian's decision to step down was largely driven by his health. We believe transition planning appears to have been well executed with Jane Henderson and Rodger Nisbet effectively managing the business since 2010. We continue to believe that Walter Scott has a well resourced, high quality investment team highly capable of implementing its process driven by deep fundamental research to find high quality companies.

At this time, we are comfortable maintaining our position with Walter Scott and continue to rate the strategy a Buy.

We look forward to discussing this with the Board at the February 25 meeting.

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

AON Hewitt

Flash Report

Global Investment Management

Walter Scott

February 11, 2013

Ian Clark, Executive Director to step down

On February 11, 2013, Walter Scott announced that Ian Clark has stepped down as a main board Executive Director of Walter Scott and Partners Limited. According to Walter Scott, Ian Clark will retain the title of 'Founder', health dependent.

Conclusion and Ratings

Based on our discussions with Walter Scott, Ian's decision to step down was largely driven by his health. We believe transition planning appears to have been well executed with Jane Henderson and Rodger Nisbet effectively managing the business since 2010. We continue to believe that Walter Scott has a well resourced, high quality investment team highly capable of implementing its process driven by deep fundamental research to find high quality companies. We maintain a Buy rating on the Walter Scott Global Equity strategy.

Disclaimer

This document has been produced by the Global Investment Management Team of Aon Corporation. Nothing in this document should be treated as an authoritative statement of the law on any particular aspect or in any specific case. It should not be taken as financial advice and action should not be taken as a result of this document alone. Consultants will be pleased to answer questions on its contents but cannot give individual financial advice. Individuals are recommended to seek independent financial advice in respect of their own personal circumstances.

Aon plc
8 Devonshire Square
London
EC2M 4PL

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Hexavest Update

Hewitt ennisknupp
An Aon Company

Memo

To:	**Staff and Board**
	Ventura County Employees' Retirement Association
From:	Russ Charvonia, ChFC, CFP®, Esq.
	Kevin Chen
Date:	February 25, 2013
Re:	**Hexavest Update**

Background

Hexavest performance has been lagging recently and our researchers met with key portfolio team members earlier this month in their offices for an update.

Overall, Hexavest remains firmly on our Buy list. The firm boasts a strong culture and leadership, a relatively unique strategy that is used for all strategies/alpha sources, and strong risk management. The strategy was positioned relatively conservatively and stock/security selection especially in the gold sector hurt. We believe all the attributes that make this a buy are intact.

The portfolio beta has typically been below market and the fund has tended to underperform during strong market periods. Portfolio managers mentioned that last year was extremely frustrating for the team. At the end of 2011, the group was right on the economy and earnings growth but there was a disconnect between fundamentals and performance as liquidity continued to drive markets.

The overweight in gold stocks really hurt even though the call on the underlying commodity was good. Sector selection really hurt performance especially in the last quarter as they were overweight gold stocks and underweight base metals and cyclicals. A higher cash weighting also detracted from performance as markets rallied. Country and currency selection provided enough added value to offset the cost of almost 8% in cash.

Hexavest finished the year at $13.7 billion in AUM. It appears that the EV relationship has been working well. Hexavest still does not rely on EV for anything other than marketing support (no systems, compliance, etc). The firm is still completely run autonomously. The marketing relationship has especially helped in the US and Australia – Hexavest won a large (nearly $1 bill) account in Australia. Assets from Canadian clients are at roughly 40% now.

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

After meeting with Hexavest management, we remain convinced the manager is poised to outperform for the long-term. We firmly believe all pillars are intact but will continue to monitor them closely and report to the Board any significant news.

We look forward to discussing this with the Board at the February 25 meeting.

Liquid Alternatives Update

Memo

To:	**Staff and Board**
	Ventura County Employees' Retirement Association
From:	Russ Charvonia, ChFC, CFP®, Esq.
	Kevin Chen
Date:	February 25, 2013
Re:	**Liquid Alternatives (GTAA/Risk Parity) Update**

Background

At the January Board meeting, HEK was tasked with identifying finalists to be considered at the April 15 meeting.

At first glance, we initially stated Wellington would be the second finalist to Bridgewater, but after thorough review we have decided their GTAA product is a stronger candidate and better potential fit for the portfolio. Therefore, we are proposing to bring in Bridgewater and BlackRock for the risk parity presentations.

On the GTAA side, we propose having Wellington present along with the previously mentioned GMO and PIMCO. The following slide shows the characteristics of the five candidates we are proposing for the April Board meeting, two for risk parity and three for GTAA.

We look forward to discussing this with the Board at the February 25 meeting.

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

	Black Rock	Bridgewater	GMO	PIMCO	Wellington
Product Name	Market Advantage	All Weather II	Real Return Global Balanced Asset Allocation (RRGB)	All Asset All Authority	Real Total Return
Inception Date	April 2009	June 1996	July 2004	November 2003	January 2007
Strategy	Risk Parity	Risk Parity	GTAA	GTAA	GTAA
Strategy Size	$5.6 billion	$63 billion	$3.7 billion	$24.0 billion	$437 million
Return Objective	Cash + 5.0%	Cash + 6.5%	Benchmark + 3%– 4%	CPI + 6.5%	CPI + 5%
Risk Objective	10%	10%	4% - 5%	8-10%	6-10%
Benchmark (as indicated by manager)	Cash + 5.0%	Cash + 6.5%	60% MSCI World Index, 20% Barclays Aggregate Bond Index, and 20% Citigroup 3-Month T-Bill Index	CPI + 6.5%	Cash + 5.0%
Underlying Investments	Various asset classes that can include inflation-linked debt, developed sovereign debt, invest grade debt, emerging sovereign debt, high yield debt, developed equity, developed small cap equity, emerging equity, property, commodities	Equities, nominal bonds, inflation linked bonds, commodities, emerging market debt spreads	GMO strategies across asset classes and includes U.S and global equities, bonds, currencies, timber, emerging market debt, absolute return, commodities, and REIT strategies	PIMCO funds which cover global bonds, global equities, real estate, commodities, and internal ETFs	Wellington funds which include global bonds, inflation liked bonds, emerging market debt, commodities, currencies, global equities, and real estate
Use of Derivatives	Yes, extensive use.	Yes, extensive use.	Not at the fund level, but does use in underlying strategies	Yes	Yes, extensive use
Use of Leverage	Yes, low leverage used, up to 2x-3x capital	Yes, moderate leverage used, up to 3.5x capital	Not at the fund level, but does use in underlying strategies	Yes, may use up to 33.3% leverage (on a gross basis)	Yes (implicit only)

Ability to short	Yes – used for risk-reduction and cost management purposes, and to access a particular risk premium in a efficient manner	No	Yes, some underlying strategies can short	Yes, may make a short equity allocation to PIMCO's StocksPLUS Short Strategy Fund of up to 20% of capital	Yes, underlying funds may take short positions in various investments with the exception of taking short position in equity securities of individual companies
Investment Vehicles Available	Cayman Fund, Commingled Trust Fund, Separate Account	Commingled Fund and Separate Account	Separate Account	Mutual Fund	Commingled Fund
Account Minimum	$25 million	$100 million for commingled fund with investor having over $3 billion in total assets, $200 million for separate account	$10 million	$1 million	$5 million
Fee Schedule	Tiered fee schedule: 0.50% on first $100 mm, 0.45% on next $400 mm, and 0.40% over $500 mm	Tiered fee schedule: 0.50% on first $100 mm, 0.35% on next $150 mm, and 0.25% thereafter. Approx. 7bps in administrative fees	Asset based and performance based options: Asset based: 1.0% for accounts less than $100 million, 0.90% for accounts great than $100 million Perf-based: Flat annual fee of 0.65% plus performance fee of 15% of outperformance. Redemption fee may apply	0.98% for institutional share class	Asset based and performance based options: Asset based: 0.80% plus operating expense capped at 3 basis points Perf-based : Flat annual fee of 0.40% plus performance fee of 15% over CPI
Liquidity	Daily	Monthly with 5 days notice	Monthly with 14 calendar days' notice	Daily	Daily

	BlackRock	Bridgewater	GMO	PIMCO	Wellington	CPI + 5%	CPI + 6.5%	GMO Benchmark
2003	--	16.7%	--	--	--	6.9%	8.4%	--
2004	--	17.7%	--	11.9%	--	8.3%	9.8%	--
2005	--	15.5%	8.1%	6.7%	--	8.4%	9.9%	5.8%
2006	--	1.2%	13.3%	3.1%	--	7.6%	9.1%	13.7%
2007	--	11.8%	7.6%	10.0%	--	9.1%	10.6%	7.9%
2008	--	-15.3%	-11.4%	-6.9%	3.6%	5.1%	6.6%	-25.2%
2009	--	19.6%	13.0%	19.3%	15.5%	7.7%	9.2%	19.2%
2010	12.9%	18.4%	5.0%	10.7%	8.2%	6.5%	8.0%	8.9%
2011	2.0%	17.8%	3.2%	3.0%	8.3%	8.0%	9.5%	-1.7%
2012	12.8%	15.3%	10.7%	17.7%	7.4%	6.8%	8.3%	10.4%
Trailing 3 Years	9.1%	17.2%	6.2%	10.3%	7.9%	7.3%	8.8%	5.7%
Trailing 5 Years	--	10.3%	3.7%	8.3%	8.5%	6.8%	8.3%	1.1%

HEK Client Webcasts

View on Mobile Phone | View as Web page

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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.

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Aon Hewitt
4 Overlook Point
Lincolnshire, IL 60069

Economic Data Points

First Quarter 2013
Economic Data Points

National Budget, Governmental Debt, Taxes, GDP, & US Treasury Investors

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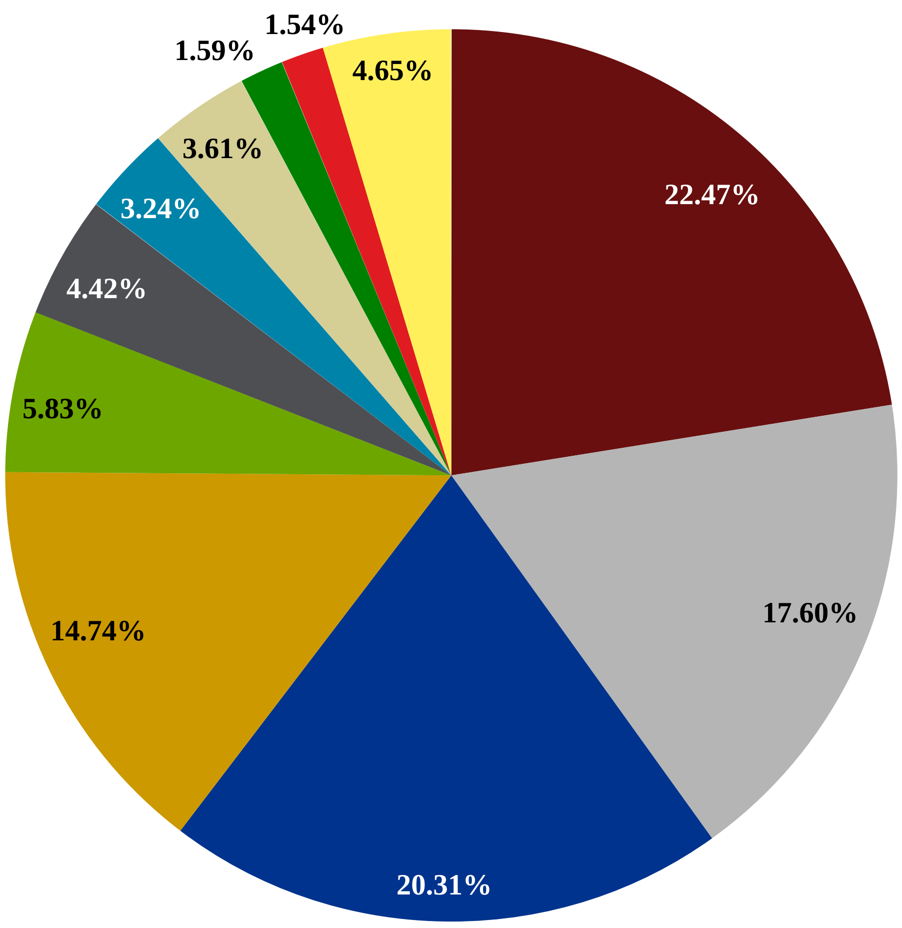
Components of the Fiscal Year 2012 Budget



	Discretionary Spending	Mandatory Spending	Total
Healthcare	1.63%	20.84%	22.47%
National Defense	17.42%	0.18%	17.60%
Social Security	0.15%	20.17%	20.31%
Income Security	1.59%	13.14%	14.74%
Net Interest	0.00%	5.83%	5.83%
Education & Job Training	2.40%	2.02%	4.42%
Veterans Benefits & Services	1.53%	1.71%	3.24%
Transportation	0.77%	2.83%	3.61%
International Affairs	1.43%	0.16%	1.59%
Administration of Justice	1.33%	0.21%	1.54%
Other	2.84%	1.81%	4.65%

Source: US Government Printing Office

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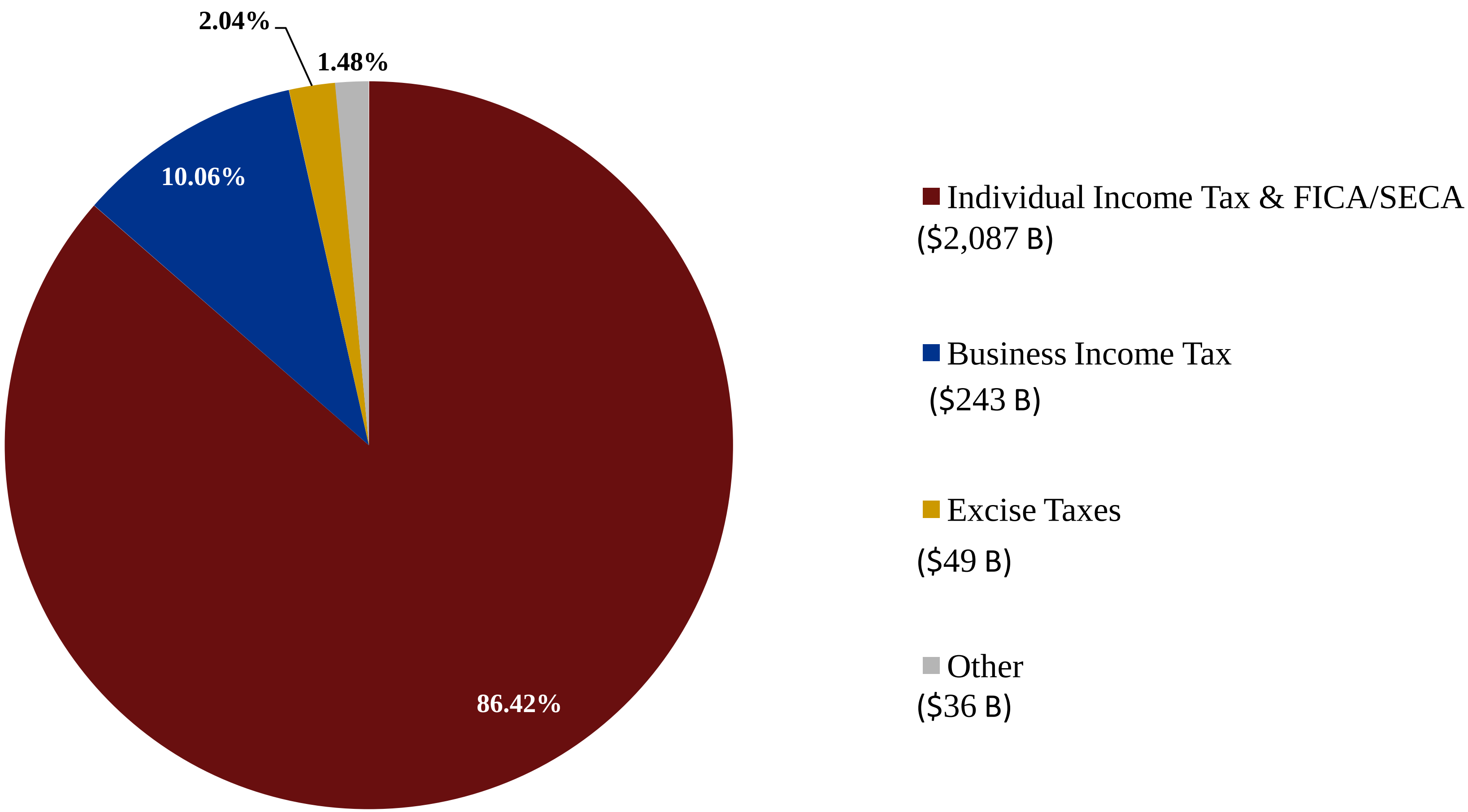
Percentage of Total Revenue by Tax Type, FY 2011



*Collections are gross of refunds
Source: Internal Revenue Service

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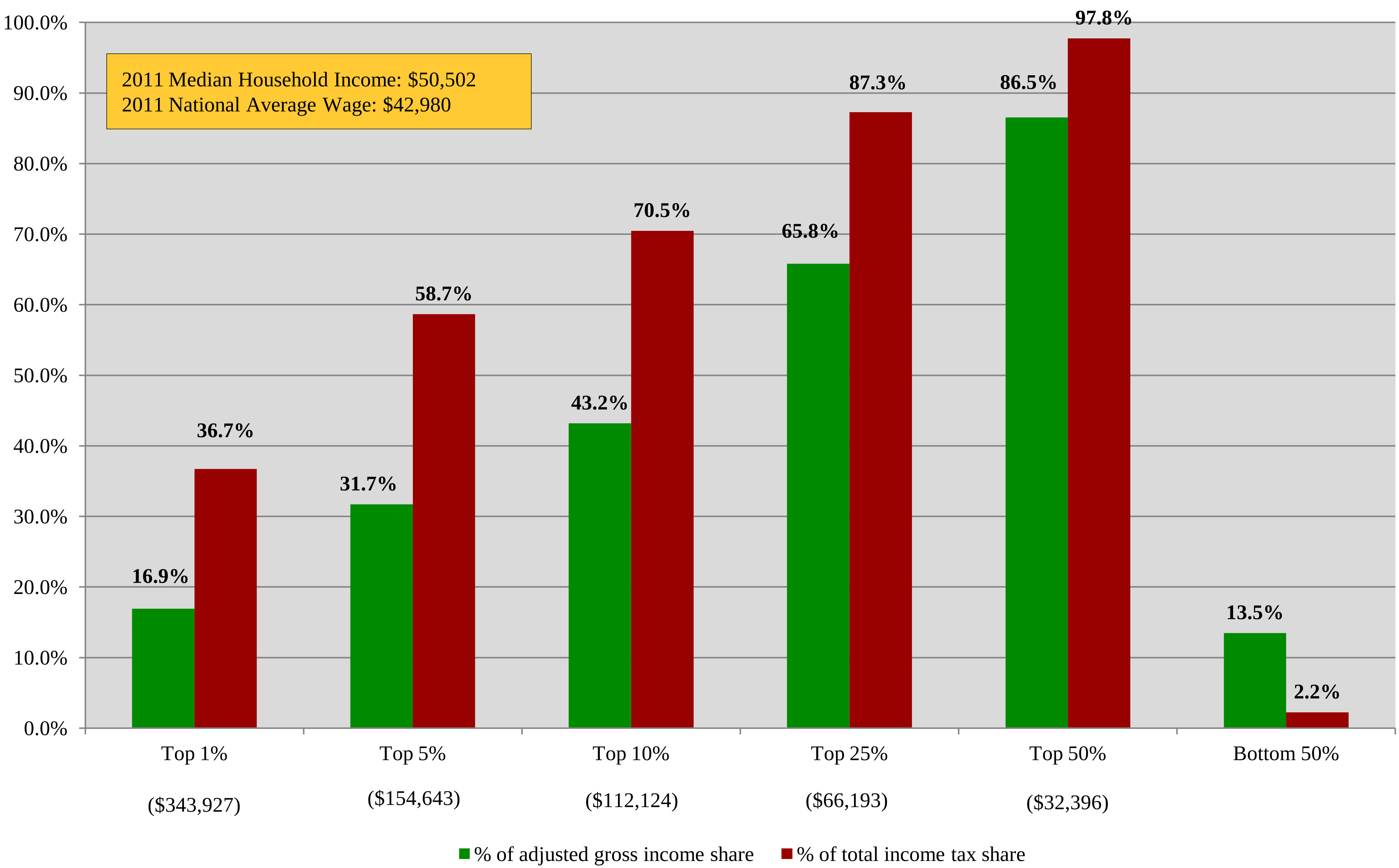
2009 Percentage of Wages Earned Versus Percentage of Income Taxes Paid



*Figures calculated using adjusted gross incomes
**Incomes in parentheses are the adjusted gross income floors on the percentiles
Sources: Internal Revenue Service, U.S. Census Bureau, Social Security Administration

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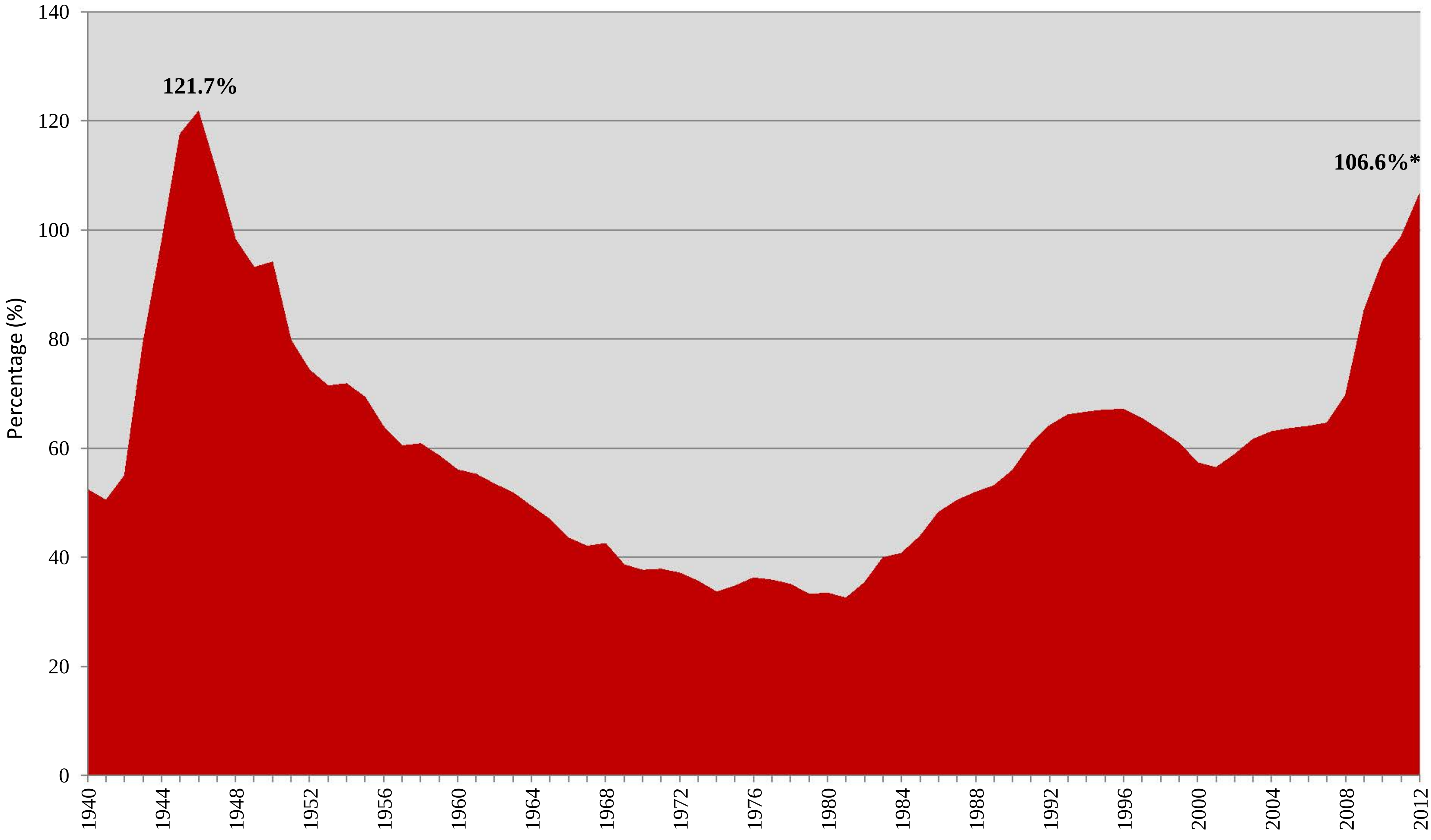
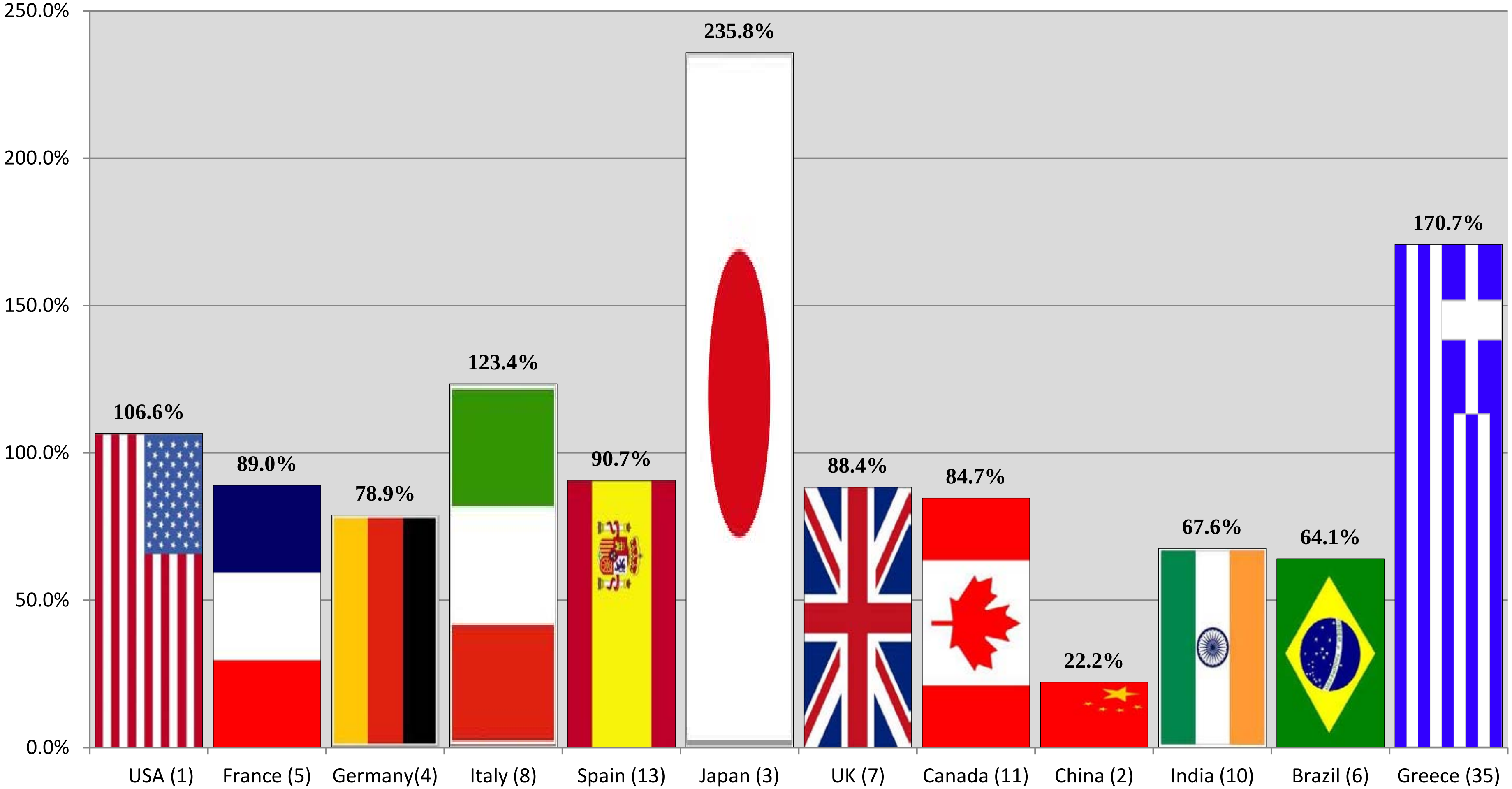
U.S. Debt to GDP



* 2012 is estimated using the International Monetary Fund's calculation. The US Government Printing Office calculates this number as 104.8%.
Source: US Government Printing Office, International Monetary Fund

2012 Governmental Gross Debt as a Percentage of GDP



S&P Rating	AA+	AA+	AAA	BBB+	BBB-	AA-	AAA	AAA	AA-	BBB-	A-	B-
10-Year Gov Yield	1.86	2.14	1.53	4.16	4.95	0.82	2.04	1.94	3.68	7.88	9.27	11.75

*Debt to GDP is calculated using estimated projections from the IMF
*Country debt rating is by S&P's calculations
*The number in Parentheses is the world economy rank according to IMF

Sources: International Monetary Fund, S&P, Trading Economics

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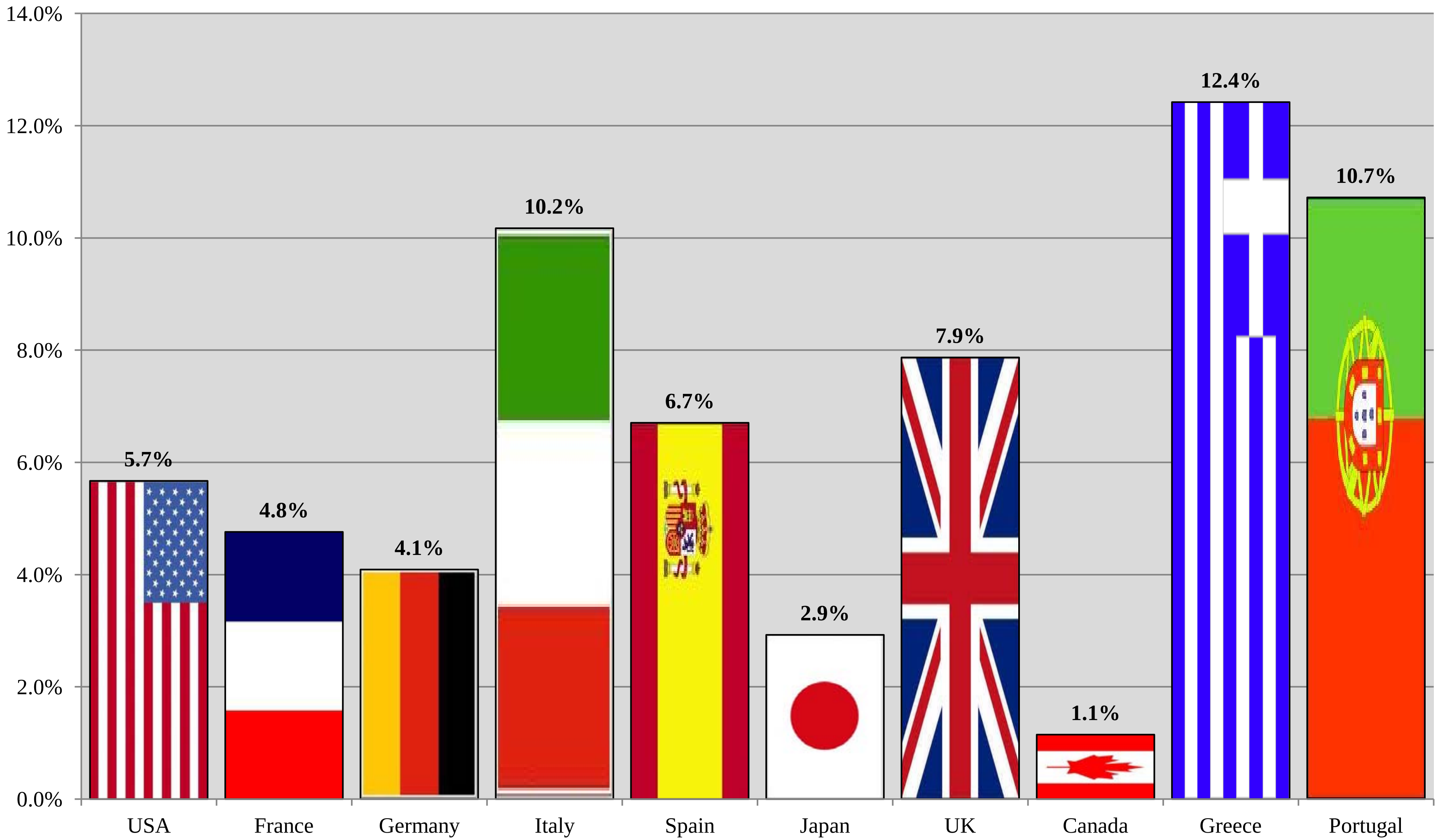
2012 Net Interest Payments as a Percentage of Government Revenue



*USA and Japan are calculated using IMF projections for total government revenue
Sources: OECD , International Monetary Fund

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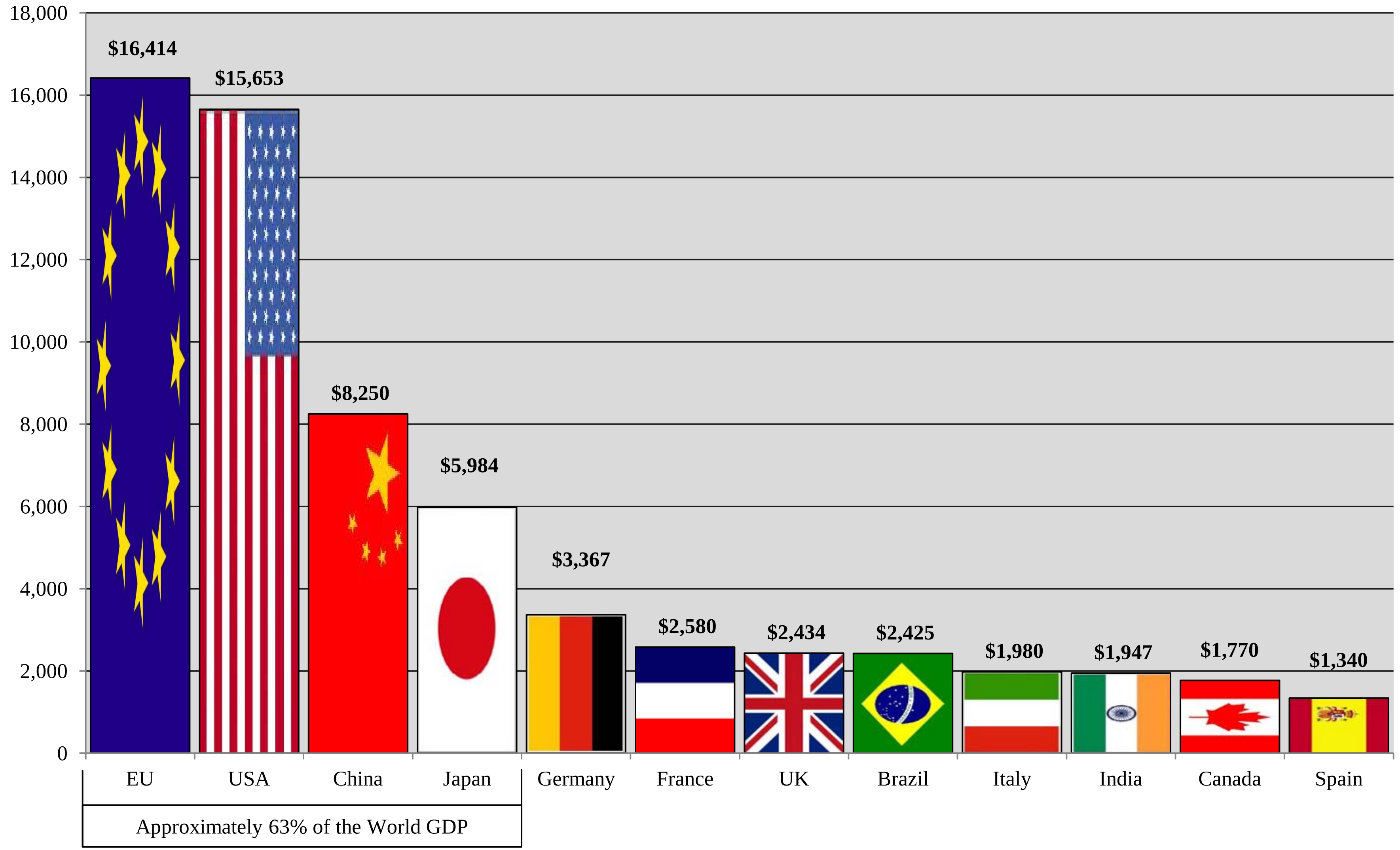
2012 Gross Domestic Product (In Billions of U.S. Dollars)



Source: Estimates from the International Monetary Fund
*EU countries include: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom. Underlined nations are Eurozone members.

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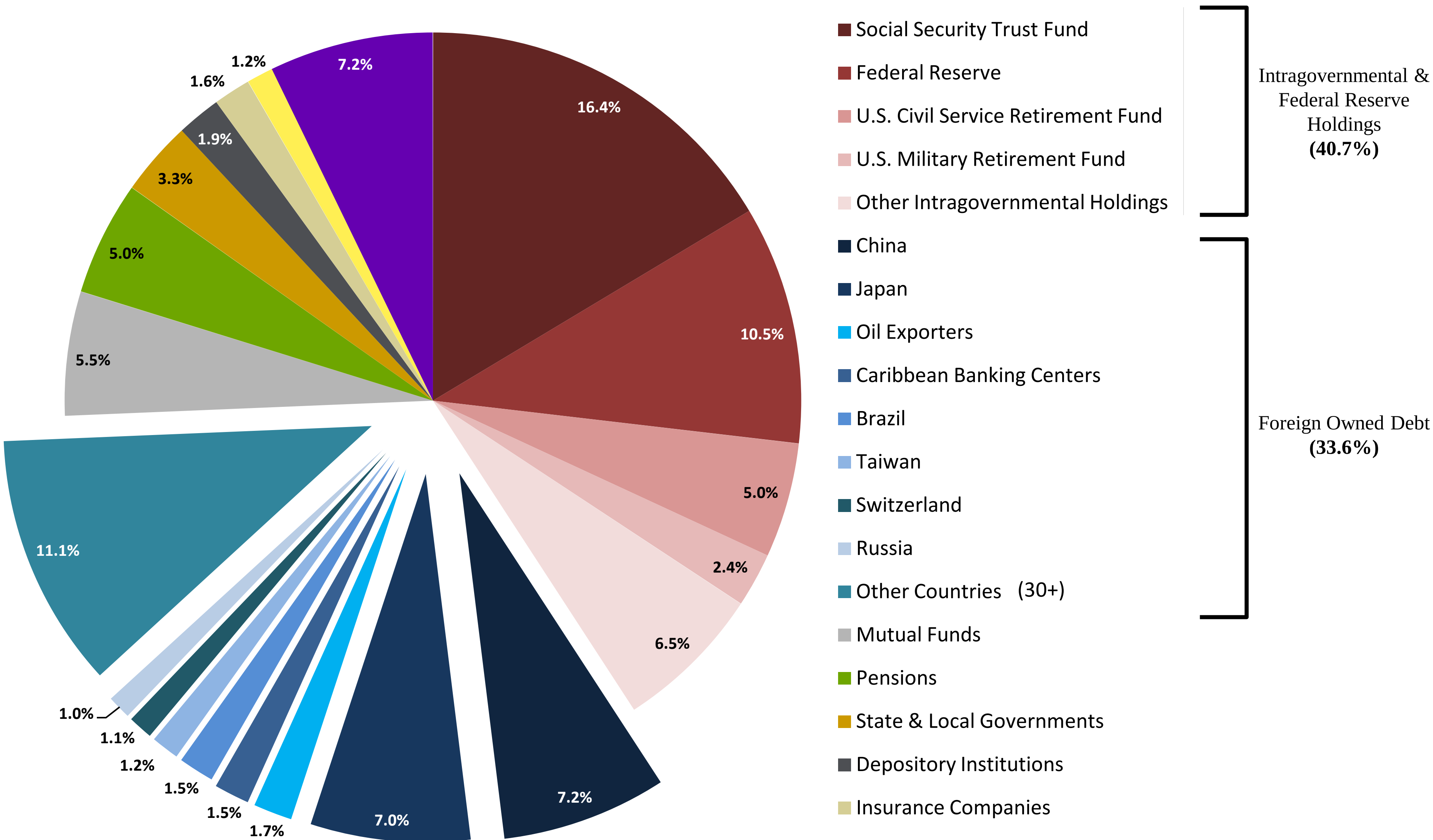
Owners of US Treasuries as of June 2012



Source: US Treasury

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Monthly Summary of Medium Term Views – U.S.

January 2013

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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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Relative Equity Medium Term Views

U.S. Equity

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
U.S. Equity			January 2013, 1 month ago, 1 year ago			Non-U.S. Developed
Large Cap	1 year ago	January 2013 , 1 month ago				Small Cap
Value			January 2013, 1 month ago,	1 year ago		Growth

Non-U.S. Equity

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
Developed		1 year ago	January 2013, 1 month ago			Emerging
Large Cap	January 2013, 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.		**January 2013,** 1 month ago	1 year ago			**Non-U.S.**
Intermediate duration		**January 2013,** 1 month ago, 1 year ago				**Long duration**
Government				**January 2013,** 1 month ago	1 year ago	**Credit**
U.S. Investment Grade	1 month ago	**January 2013**	1 year ago			**High Yield**
U.S. Bonds		**January 2013,** 1 month ago, 1 year ago				**Emerging Market Debt**
U.S. TIPS		1 month ago, 1 year ago	**January 2013**,			**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	**January 2013,** 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.

Equity Market Views

Asset Class	Medium Term View	Rationale
Equity Market	Gains now more difficult to sustain	Fiscal cliff worries have been set aside, and Eurozone issues have also looked less troubling. Equities are in a reasonable place versus bonds, but we regard some of the underlying economic difficulties as still unresolved, and profits growth likely to be disappointing. This will keep equity gains modest.
U.S. Large vs. Small Cap	Prefer U.S. Large Cap	The markets' embrace of risk has led to another burst of small cap outperformance. However, valuations are such that small cap could be ahead of itself, and we expect some reversion as sentiment weakens again on how strong the broader economic environment is likely to be.
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	Recent US underperformance has still not been sufficient to cause a change of view on the relative attractions of non US markets. On a currency hedged view, still right to favor non-US markets, but the valuation discount of non-US markets is unlikely to narrow fully.
U.S. Growth vs. Value Stocks	Neutral stance between growth versus value	As we have suspected, the growth-value dichotomy has become much less marked 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	Emerging markets have been outperforming, but not by a particularly large margin, as there remain significant obstacles in the way of a strong emerging economy recovery story, and some markets have country-specific drags to performance.

Bond Market Views

Asset Class	Medium Term View	Rationale
Global Government Bonds	Negative view	Some firming in core global government bond yields is noticeable, but the road to normal yields is a long and winding one. Some doubts have crept in about how much official support to low bond yields is forthcoming from central banks. Such low yields carry with them significant risk, so that duration must be carefully managed.
Global Corporate Bonds	Prefer to government bonds	We still prefer credit to government bonds, but valuations are now not far above neutral. Returns remain vulnerable in both a positive story (rising government bond yields insufficiently offset by spread compression given how low the latter are), or a relapse in economic conditions (economic conditions worsen again) There is a major inconsistency between spreads and underlying government yields.
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	European yields are the greater risk, given relative credit risk in corporate bonds. Prefer US corporate bonds to government bonds.
U.S. High Yield vs. U.S. Investment Grade Corporate Bonds	Prefer investment grade	High yield is still holding firm at expensive levels and flows remain strong as risk appetites recover further. Our view is that at such low yields and given the mixed economic environment, high yield is likely to be tested later this year.
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	Neutral versus fixed interest	Break-even inflation rates have risen further, as fixed interest yields have risen some while TIPS yields have remained largely unchanged. Longer-term upward bias to inflation risks from current policy environment suggests that inflation protection is important. Valuations now re neutral between fixed and TIPS. Standalone TIPS investment remain too expensive with real yields still stuck at recent record lows.

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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

Capital Market Assumptions

First Quarter 2013

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Outline

- Background
- Methodology
- Current (First Quarter 2013) Assumptions

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Capital Market Assumptions

- What are they?
  - Aon Hewitt's asset class return, volatility and correlation assumptions
  - Long-term (10-year), forward-looking assumptions
  - Best estimates (50/50 better or worse)
  - Market returns: no active management value added or fees (other than hedge funds and private equity, where traditional passive investments are not available)
  - Produced quarterly by Global Asset Allocation Team
  - Justifiable, credible and market-leading

Coverage

Equities	Bonds	Alternatives	Macro Indicators
All major regions covered including emerging markets	Nominal U.S. and non-U.S. government bonds	Hedge funds (7 single strategies; funds of hedge funds; and broad hedge funds)	Inflation
U.S. large and small cap	Inflation-linked government bonds	Real estate (total market, core and U.S. REITs)	Currency movements
Non-U.S. developed and emerging markets	Corporate bonds	Private equity	
Global equity	High yield	Infrastructure	
	Emerging market sovereign debt (local and USD) and Emerging market Corporate debt (USD)	Commodities	
	Bank Loans		

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Key Attributes

- Assumptions are globally consistent
  - Same assumptions used by Aon Hewitt clients wherever they are located
  - All regional assumptions modelled in consistent manner (no “home country bias”)
- Ability to model diverse range of asset classes and portfolios
- Based on consensus expectations rather than extreme subjective views
- Forward-looking and reflect current market pricing/levels
- Assumptions for alternative asset classes incorporate input from specialist research teams (Global Private Equity, Global Real Estate, Liquid Alternatives)

Equities

Earnings Yield x Sustainable Payout Ratio + Real EPS Growth + Inflation → Equity Return

Equities (cont'd)

- Using normalized dividend payout ratios, we establish future "payouts" to investors
  - Differs from use of current dividend yield to forecast income component in that it establishes a linkage to forecasted earnings and sustainable payout ratios, and includes the impact of share buybacks
  - Inclusion of buybacks shifts expected returns on equities moderately upward
- We forecast future earnings growth using consensus inputs and in-house fundamental analysis (profit and margin trends, geographical exposure)
- We then establish the discount rate which equates the discounted value of the cash flows to current market prices; this is the expected (real) return
- We do not normally make adjustments for the future revaluation of equity markets. However, we would do so if valuations were very far from historic norms
- The process generates real (after inflation) terms. To generate nominal returns we incorporate expected inflation.
- This process results in local currency returns. We also produce returns in a range of currencies with currency movements assumed to be related to inflation differentials

Government Bonds

- We start from the current yield curve for government bonds
- Using a simulation model, we combine the current yield curve with an assumption on the long-term behavior of the yield curve to derive how yields are expected to evolve over time
- Total return assumptions are then derived from the forward looking yield curves
- A similar methodology is followed for inflation-linked bonds but based on real yields and incorporating our inflation assumptions

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Corporate Bonds and Aggregate Index

- Our corporate bond expected return is made up of three components:
  - Government yield
  - Corporate spread
  - Expected losses from defaults and downgrades
- All three are modeled using a wide range of simulation scenarios
- Government yield modeling is as described previously
- We assume that corporate spreads revert over time from current levels to our estimate of fair value
- The expected losses from defaults and downgrades developed using a simulation model

Aggregate bond index returns are modeled as a combination of government and corporate bonds

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Real Estate

- Methodology similar to equities:

Rental Yield + Real Rental Growth - Costs + Inflation = Real Estate Return

- Starting point is the rental yield each market is offering
- Real rental growth incorporates both a short term cyclical and long term aspect
  - We assume rents increase in line with consensus expectations over short term
  - In the long-term we assume rents grow in line with inflation
- Allow for unavoidable costs of direct real estate investment
- A real return assumption is calculated as the internal rate of return (IRR) of the projected cash flows (discounted cash flow analysis similar to equities)
- Nominal return is then calculated using our expected inflation

Alternative Asset Classes

- Private Equity
  - Return assumptions are formulated for each strategy (sub-sector) based on an analysis of the exposure of each strategy to various market factors with associated risk premiums.
  - Strategies include leveraged buyouts (LBOs), venture capital, mezzanine, and distressed investments
  - Assumptions for a diversified (broad) private equity portfolio is aggregation of assumptions for these underlying strategies
- Hedge Funds
  - Returns formulated by factor analysis of underlying building blocks of 7 individual hedge fund strategies. For example, equity long/short has net long position in equity markets
  - Unlike most other asset classes, manager skill (alpha) is allowed for. We also make allowance for fees
  - Fund of Hedge Funds assumptions is aggregation of assumptions for these 7 individual strategies (allowing for additional fees charged by Fund of Hedge Funds).
- We also produce assumptions for infrastructure, commodities, high yield debt, bank loans and emerging market debt (sovereign local and USD; corporate USD)

Volatility and Correlation

- We take a forward-looking view when setting volatility assumptions as opposed to using purely historic averages. The credit crisis demonstrated the dangers of relying solely on historical values.
- We consider:
  - Implied volatilities priced into option contracts of various terms
  - Historical volatility levels
  - The broad economic/market environment
- We assume that volatilities are not constant over time; we assume that the volatility of "risky" asset classes such as equities will be at historically high levels in the next few years before declining over time.
- For illiquid asset classes such as real estate, de-smoothing techniques are employed when assessing historic volatility levels.
- Correlation assumptions are formulated with reference to historic experience over different time periods and during different economic conditions
  - We take into account the fact that correlations are highly unstable over time and, in particular, we take into account the fact that correlations are very different in stressed environments

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Fees

- Objective is to develop return assumptions that reflect the cost of implementing an investment program
- Liquid, publicly traded asset classes are investable passively at very low cost
  - Fee assumption is zero
- For asset classes such as emerging market debt which cannot be invested in passively at very low cost, it is assumed for modeling purposes that manager alpha is offset by fees
- For real estate there is an allowance for the unavoidable costs associated with investing in a real estate portfolio. These include property management costs, trading costs and investment management expenses.
- For hedge funds, private equity and infrastructure, explicit fee assumptions are subtracted from expected returns; include base and performance-based fee/carry as appropriate

Q1 U.S. Equity Assumption

- US equity 10-year assumption 7.7%, increased slightly from last quarter primarily as a result of lower returns, over the past quarter and increased near term earnings/inflation outlook
- Earnings yield is expected to be around 3.6% which includes dividend payments based on sustainable payout ratio and stock buybacks
- Long term real earnings growth assumed to be 2.2%, which includes benefit of exposure to emerging markets at constituent (company) level
- Inflation component was unchanged at 2.3%

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Q1 Non-U.S. Equity Assumptions

	UK	Europe ex UK	Japan	Canada	Emerging Markets
Real returns (local currency)	6.1%	5.3%	5.2%	5.5%	6.1%
Inflation	2.3%	1.9%	1.0%	2.0%	2.6%
Nominal returns (local currency)	8.5%	7.3%	6.3%	7.6%	8.9%
Nominal returns (US dollar terms)	8.5%	7.7%	7.6%	7.9%	8.9%

- EAFE return in US dollar = 8.0%, Global Equity return in US dollar = 8.1%

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Q1 U.S. Fixed Income Assumptions

- Treasury return assumptions are 1.7% for 5-year duration and 2.5% for 10-year duration. These are both above the current yields to maturity
- AA-rated corporate bond return assumptions are 2.4% for 5-year duration and 3.1% for 10-year duration.
- This leads to a 10-year return assumption of 2.0% for core U.S. fixed income (5-year duration)
- TIPS 10-year return assumptions are 1.7% for both 5-year duration and for 10-year duration

Intermediate (5-year Duration) Government Bond Return Assumption

Return Component*	***Dec 31***	***Sep 30***	***Change***	
Initial Yield	0.8%	0.6%	0.2%	Higher initial yield offers higher current income
Capital Gain/Loss	-0.8%	-0.8%	0.0%	Similar projected yield increases relative to last quarter result in similar projected capital loss
Increase/Decrease in Yield (Income)	1.3%	1.3%	0.0%	Similar projected yield increases result in similar/slightly higher projected increase in income over 10 years
Roll Return	0.6%	0.6%	0.0%	When yield curve slopes upward, as bonds approach maturity, Yields falls and prices rise. Flatter yield curve reduces this beneficial effect.
Median Effect*	-0.2%	-0.2%	0.0%	--
Total 10-Year Return Assumption	***1.7%***	***1.5%***	***0.2%***	**--**

* Components do not sum perfectly to the total because they are medians, which are not additive. All figures are rounded.

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Intermediate (5-year Duration; AA Rated) Corporate Bond Return Assumption

Return Component*	***Dec 31***	***Sep 30***	***Change***	
Intermediate Gov't Bond Return	1.7%	1.5%	0.2%	See previous slide
Initial Spread	0.9%	1.0%	-0.1%	Lower initial spread offers lower current income
Increase/Decrease due to Spread	-0.2%	-0.2%	--	Spreads are assumed to revert to fair value in the long run. (Projected) narrowing/widening of credit spreads relative to last quarter result in decline/increase of income
Capital Gain/Loss (from spread)	0.2%	0.2%	--	(Projected) narrowing/widening of credit spreads relative to last quarter result in projected capital gain/loss
Roll Return	0.3%	0.3%	--	When yield curve slopes upward, as bonds approach maturity, yields falls and prices rise. Flatter yield curve reduces this beneficial effect.
Defaults & Downgrades	-0.4%	-0.4%	--	Expected default and downgrade losses depend on the probability of a bond defaulting or being downgraded, and will vary over time
Median Effect*	-0.1%	-0.1%	--	--
Total 10-Year Return Assumption	***2.4%***	***2.3%***	***0.1%***	--

* Components do not sum perfectly to the total because they are medians, which are not additive. All figures are rounded.

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Core Fixed Income (5-year Duration) Return Assumption

Return Component*	***Dec 31***	***Sep 30***	***Change***
Intermediate Gov't Bond Return	1.7%	1.5%	0.2%
Initial Spread	0.4%	0.5%	-0.1%
Increase due to Spread	-0.1%	-0.1%	--
Capital Gain (from spread)	0.1%	0.1%	--
Roll Return	0.2%	0.2%	--
Defaults & Downgrades	-0.2%	-0.2%	--
Median Effect*	-0.1%	-0.1%	--
Total 10-Year Return Assumption	***2.0%***	***1.9%***	***0.1%***

* Components do not sum perfectly to the total because they are medians, which are not additive. All figures are rounded.

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Q1 U.S. Real Estate Assumptions

Core	***December 31***	***September 30***
Rental Yield	5.8%	5.9%
Real Rental Growth	0.1	0.1
Management Costs	-2.0	-2.0
Inflation	2.3	2.3
Total 10-Year Return Assumption	**6.3%**	**6.4%**

Total Market	***December 31***	***September 30***
Rental Yield	6.9%	6.8%
Real Rental Growth	0.3	0.2
Management Costs	-2.0	-2.0
Inflation	2.3	2.3
Total 10-Year Return Assumption	**7.5%**	**7.4%**

Q1 Private Equity Assumptions

Expected Return	*December 31*	*September 30*
Venture Capital	11.6%	11.4%
Buyouts	9.5%	9.2%
Distressed Debt	9.4%	9.3%
Mezzanine	8.4%	8.4%
Total Private Equity	**9.9%**	**9.7%**

Q1 2013 Assumptions (10-Year): Expected Returns and Risks

	Nominal Return	Nominal Volatility
Large Cap U.S. Equity	7.7%	21.0%
Small Cap U.S. Equity	7.9%	27.0%
Global Equity	8.1%	22.0%
International Equity	8.0%	22.5%
Emerging Markets Equity	8.9%	31.5%
Gov Cash	1.4%	1.0%
LIBOR Cash	1.8%	1.0%
TIPS	1.7%	4.5%
Core Fixed Income (Market Duration)	2.0%	3.0%
Long Duration Bonds – Gov't / Credit	3.0%	9.0%
Long Duration Bonds – Credit	3.3%	11.0%
Long Duration Bonds – Gov't	2.6%	9.0%
High Yield Bonds	3.9%	14.0%
Bank Loans	4.2%	7.0%
Non-US Developed Bond (0% Hedged)	2.6%	10.0%
Non-US Developed Bond (50% Hedged)	2.3%	5.5%
Non-US Developed Bond (100% Hedged)	1.7%	2.5%
Emerging Market Bonds	3.7%	12.0%
Hedge Funds Universe[1]	5.3%	8.0%
Real Estate	7.5%	16.0%
Core Real Estate	6.3%	14.0%
REITs	6.7%	22.5%
Commodities	4.1%	21.5%
Private Equity	9.9%	28.5%
Infrastructure	8.4%	18.5%
Inflation	2.3%	1.5%
Corporate Emerging Market Bonds	4.2%	12.0%
Local Emerging Market Bonds	5.5%	14.0%
Broad Hedge Funds[2]	6.8%	8.0%

1) *Fund of hedge funds*
2) *Diversified portfolio of Direct hedge fund investments*

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Q1 2013 Assumptions (10-Year): Expected Nominal Correlations

Correlations

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
1	Large Cap U.S. Equity	1.00	0.92	0.95	0.81	0.79	0.07	0.06	-0.05	0.04	0.00	0.09	-0.11	0.50	0.39	-0.03	-0.03	-0.01	0.43	0.47	0.39	0.38	0.68	0.26	0.61	0.35	0.05	0.40	0.47	0.46
2	Small Cap U.S. Equity		1.00	0.78	0.67	0.67	0.07	0.07	-0.05	0.03	-0.01	0.09	-0.11	0.48	0.39	-0.02	-0.02	-0.03	0.39	0.43	0.39	0.37	0.57	0.13	0.61	0.35	0.06	0.37	0.42	0.42
3	Global Equity			1.00	0.94	0.91	0.07	0.07	-0.04	0.04	0.00	0.10	-0.11	0.51	0.39	0.17	0.14	-0.01	0.45	0.46	0.40	0.39	0.65	0.32	0.59	0.33	0.07	0.42	0.51	0.46
4	International Equity				1.00	0.85	0.05	0.05	-0.03	0.04	0.00	0.08	-0.09	0.44	0.34	0.35	0.29	-0.01	0.40	0.41	0.38	0.36	0.57	0.34	0.51	0.29	0.08	0.37	0.46	0.41
5	Emerging Markets Equity					1.00	0.08	0.08	-0.03	0.05	0.01	0.11	-0.11	0.51	0.40	0.23	0.19	0.01	0.47	0.41	0.36	0.35	0.55	0.30	0.50	0.29	0.08	0.44	0.53	0.41
6	Gov Cash						1.00	0.94	0.48	0.53	0.23	0.21	0.25	0.16	-0.06	0.19	0.36	0.63	0.20	0.20	0.11	0.12	0.07	0.24	0.06	0.08	0.51	0.14	0.14	0.20
7	LIBOR Cash							1.00	0.45	0.50	0.22	0.20	0.23	0.17	-0.06	0.18	0.33	0.59	0.20	0.20	0.10	0.11	0.07	0.22	0.06	0.08	0.48	0.14	0.14	0.19
8	TIPS								1.00	0.32	0.13	0.12	0.13	0.11	-0.05	0.11	0.17	0.24	0.10	0.07	0.01	0.02	-0.02	0.24	-0.03	0.02	0.48	0.06	0.06	0.07
9	Core Fixed Income (Market Duration)									1.00	0.85	0.83	0.80	0.42	-0.04	0.22	0.39	0.64	0.58	0.21	0.05	0.06	0.04	0.05	0.03	0.05	0.09	0.41	0.34	0.21
10	Long Duration Bonds – Gov't / Credit										1.00	0.97	0.96	0.36	-0.04	0.19	0.32	0.52	0.58	0.14	0.01	0.01	0.00	-0.08	0.00	0.01	-0.15	0.40	0.31	0.14
11	Long Duration Bonds – Credit											1.00	0.85	0.56	0.20	0.18	0.30	0.48	0.69	0.22	0.05	0.05	0.07	-0.06	0.07	0.05	-0.14	0.51	0.43	0.22
12	Long Duration Bonds – Gov't												1.00	0.12	-0.31	0.19	0.32	0.52	0.40	0.04	-0.04	-0.03	-0.07	-0.10	-0.08	-0.03	-0.15	0.24	0.16	0.04
13	High Yield Bonds													1.00	0.69	0.13	0.17	0.19	0.76	0.42	0.22	0.21	0.35	0.24	0.36	0.21	0.11	0.67	0.66	0.41
14	Bank Loans														1.00	-0.03	-0.05	-0.08	0.45	0.32	0.18	0.16	0.27	0.06	0.29	0.16	0.01	0.43	0.44	0.31
15	Non-US Developed Bond (0% Hedged)															1.00	0.96	0.38	0.18	0.05	0.01	0.01	-0.01	0.31	0.00	0.01	0.16	0.13	0.16	0.05
16	Non-US Developed Bond (50% Hedged)																1.00	0.63	0.24	0.08	0.02	0.02	-0.01	0.28	-0.01	0.01	0.20	0.17	0.19	0.08
17	Non-US Developed Bond (100% Hedged)																	1.00	0.31	0.14	0.04	0.05	0.00	0.06	-0.01	0.02	0.21	0.20	0.17	0.14
18	Emerging Market Bonds																		1.00	0.36	0.20	0.19	0.30	0.12	0.30	0.17	0.01	0.75	0.75	0.36
19	Hedge Funds Universe [1]																			1.00	0.25	0.24	0.34	0.16	0.33	0.21	0.10	0.31	0.33	0.99
20	Real Estate																				1.00	0.95	0.51	0.08	0.30	0.17	0.07	0.18	0.21	0.25
21	Core Real Estate																					1.00	0.49	0.08	0.29	0.16	0.08	0.18	0.20	0.24
22	REITs																						1.00	0.17	0.43	0.25	0.05	0.28	0.33	0.33
23	Commodities																							1.00	0.10	0.07	0.46	0.09	0.20	0.15
24	Private Equity																								1.00	0.27	0.05	0.28	0.32	0.33
25	Infrastructure																									1.00	0.06	0.16	0.19	0.21
26	Inflation																										1.00	0.01	0.06	0.10
27	Corporate Emerging Market Bonds																											1.00	0.67	0.31
28	Local Emerging Market Bonds																												1.00	0.33
29	Broad Hedge Funds [2]																													1.00

1) *Fund of hedge funds*
2) *Diversified portfolio of Direct hedge fund investments*

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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

February 25, 2013

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

SUBJECT: REVIEW AND APPROVAL OF THE CONTRIBUTION RATES FOR CalPEPRA FORMULAS FOR THE 2013/2014 FISCAL YEAR

Dear Board Members:

Background

On January 28, 2013, your Board acknowledged the receipt of the attached Contribution Rates for CalPEPRA Formulas for the 2013/2014 fiscal year in a letter by Segal dated January 16, 2013. 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.

Letters from Stephen Silver of Silver, Hadden, Silver, Wexler & Levine

On February 7 & 20, 2013, staff received the attached letters, so dated, from Stephen Silver of Silver, Hadden, Silver, Wexler & Levine regarding the contribution rates for new members with one issue being the application of rounding, which results in new member contribution rates slightly above 50% of the normal cost, and the other issue an outstanding contract with the Ventura County Deputy Sheriff's Association and how the rates that the Board will adopt should not affect the group of employees until the expiration of that contract.

To the first concern, staff and Board Counsel disagree. The Actuary has accurately applied the law in its entirety with the rounding of the member contribution rates to the nearest 0.25%, and as the Actuary has said, this will result in member contribution rates in some tiers being slightly above 50% of normal cost and some tiers slightly below, as are the rates in the CalPEPRA Safety Tier for the period of January 1, 2013 to June 30, 2013.

Staff is aware of one system, San Diego County Employees' Retirement Association, that has adopted rates that do not round to the nearest 0.25%, and it could be argued whether or not they are in compliance with the law. Also, at staff's request Segal has prepared the attached letter, dated February 15, 2013, listing the contribution rates with and without rounding. Staff does not recommend that the Board adopt rates that are not rounded per the law; however, rates have been provided should the Board desire to do so, as well as to document the marginal nature of the differences.

To the second concern, staff and Board Counsel interpret the law to require that the employee contribution rates for new members be 50% (adjusted for rounding to nearest 1/4 of 1%), and applied to individual members, just as Segal has done. Then the employee contribution rates should be further adjusted for any pick-ups that are specified in an applicable labor agreement at the plan sponsor (i.e. County payroll) level.

Mr. Silver clarifies in his February 20, 2013 letter his understanding of the law and which rates should be used. If his interpretation is meant to mean that the Safety Tier Rate be used for the CALPEPRA Safety Tier, his interpretation is in conflict with staff and Board Counsel's interpretation of the law. Mr. Silver has also asked that this item be taken out of order, such that he can make another commitment that day. John Monroe, of Segal, had already been provided an approximate hearing time of 11:30 for this item in order to plan his travel from Oakland. You may move the item to the front of the agenda, during agenda review, and hear the item without Mr. Monroe's attendance or take comments on the item from Mr. Silver at the beginning of the meeting without moving it. We will have many travelers to the meeting who have planned their trips based on the usual and customary structure of the meeting.

Lastly, Board Counsel has also prepared the attached legal analysis memo for contribution rates for new members under CalPEPRA.

CalPEPRA Tier 2 Normal Cost Calculation

In a letter by Segal, dated January 25, 2013, Segal explains how the negotiated 2.63% employee funding of the COLA in Tier II is applied to the Normal Cost of that tier. Staff received inquiries from the Service Employees International Union (SEIU) and Trustee Art Goulet and the additional information contained in the letter benefits the understanding of all.

Conclusion

In conclusion, given the increasing interest in the contribution rates for CalPEPRA formulas for the 2013/2014 fiscal year, staff arranged for our actuary to be present at the February 25, 2013 Board meeting to discuss the CalPEPRA contribution rates, and any questions you might have. Staff recommends your receipt and filing of item VI. A. 1. – 4. and the adoption of the contribution rates for CalPEPRA formulas for the 2013/2014 Fiscal Year as presented in the letter prepared by Segal dated January 16, 2013.

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

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachments

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

VIA EMAIL and USPS

January 25, 2013

Mr. Donald Kendig
Retirement Administrator
Ventura County Employees' Retirement Association
1190 S. Victoria Avenue, Suite 200
Ventura, CA 93003-6572

Re: Ventura County Employees' Retirement Association
CalPEPRA Tier 2 COLA Normal Cost Calculations

Dear Donald:

This letter provides information on the calculation of the Normal Cost contribution rates for General Tier 2 members with COLA covered under the new CalPEPRA formulas.

Background

In our CalPEPRA new tier study report dated December 10, 2012, we provided the employer and member Normal Cost contribution rates for the period from January 1, 2013 to June 30, 2013 for members who become covered under the CalPEPRA formulas.[1] We have been asked to clarify the calculation of the Normal Cost contribution rates for CalPEPRA General Tier 2 members with COLA.

The CalPEPRA Normal Cost contribution rates in that study for General Tier 2 members with COLA (before reflecting the negotiated 2.63% member COLA rate) were as follows:

	Employer Rate	Member Rate	Total Rate
Basic	6.37%	6.55%	12.92%
COLA	0.93%	0.95%	1.88%
Total	7.30%	7.50%	14.80%

This shows that the total (employer plus member) Normal Cost rate for the CalPEPRA formula with no COLA (i.e., Basic) is equal to 12.92% of compensation while the Normal Cost rate to provide a 2% COLA is equal to 1.88% of compensation.

[1] Our separate letter dated January 16, 2013 provided the contribution rates for the period from July 1, 2013 to June 30, 2014 and is not the focus of this letter, however, the same methodology was applied.

The MOU between the County and SEIU provides that members will be charged 2.63% of compensation to fund a 2% COLA for future service.

Since PEPRA provides for the provisions of a current MOU to continue for PEPRA members until expiration[2], it would appear reasonable to have the 2.63% rate replace the 0.95% COLA member rate shown in the previous table. Note that the 2.63% member COLA rate is greater than the total COLA Normal Cost of 1.88% so it would actually provide an offset of 0.75% (i.e., 1.88% - 2.63%) to the employer Normal Cost rate. Since the MOU does not appear to address the cost breakdown of the Basic Normal Cost rate between the employer and the member, the Basic Normal Cost rates shown above are unchanged when the 2.63% member COLA rate is reflected.

On that basis, the CalPEPRA Normal Cost contribution rates for General Tier 2 members with COLA (after reflecting the 2.63% member COLA rate) are as follows:

	Employer Rate	Member Rate	Total Rate
Basic	6.37%	6.55%	12.92%
COLA	-0.75%	2.63%	1.88%
Total	5.62%	9.18%	14.80%

Note that the total Basic and the total COLA Normal Cost rates after reflecting the 2.63% member COLA rate are unchanged from those before reflecting the 2.63% member COLA rate. Only the COLA employer and member rate components are changed. Ultimately, the total (employer plus member) Basic and COLA Normal Cost rates should remain unchanged, so that the only change is in the allocation of the total COLA rate between the employer and member.

Please let us know if you have any questions.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President & Actuary

John Monroe, ASA, MAAA, EA
Vice President & Associate Actuary

MYM/bqb

[2] Please note that this reflects our understanding of the effect of PEPRA in an MOU situation. As we are not a law firm and cannot give legal advice, all our statements on the effect of PEPRA should be reviewed by legal counsel.

SILVER, HADDEN, SILVER, WEXLER & LEVINE
A PROFESSIONAL LAW CORPORATION

STEPHEN H. SILVER
WILLIAM J. HADDEN
SUSAN SILVER
ROBERT M. WEXLER
RICHARD A. LEVINE
KEN YUWILER
ELIZABETH SILVER TOURGEMAN
HOWARD A. LIBERMAN
JACOB A. KALINSKI

1428 SECOND STREET
SANTA MONICA, CALIFORNIA 90401
MAILING ADDRESS
POST OFFICE BOX 2161
SANTA MONICA, CALIFORNIA 90407-2161
TELEPHONE (310) 393-1486
TELEPHONE (323) 870-0900
FACSIMILE (310) 395-5801

WORKERS' COMPENSATION
OF COUNSEL
STEVEN E. KAYE

RECEIVED
FEB 11 2013
VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

February 7, 2013

Donald C. Kendig, CPA, Retirement Administrator (Via mail and email)
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, California 93003

Re: CONTRIBUTION RATES FOR NEW MEMBERS

Dear Mr. Kendig:

I reviewed the letter from the Retirement Board's actuary to the Board dated January 16, 2013, which your office forwarded to me by email on January 29, 2013. The actuary's communication purported to set forth the employer and member contribution rates for both current employees and new members.

My initial examination of the contents of that letter as applied to new safety members reveals that the members are being required to contribute a slightly larger amount than the one-half of the normal cost rate mandated by the Public Employees Pension Reform Act ("PEPRA") and particularly new Government Code section 7522.30(a). The proposed member contribution rate of 15% of pensionable income is more than one-half of the total normal cost which is 29.50% of pensionable income. While Subsection (e) allows for member contributions to exceed one-half of the normal cost rate, according to the legislation that result only can occur if it has been agreed to through the collective bargaining process.

Of even greater significance is the fact that the rates assessed to the new members represented by the Ventura County Deputy Sheriff's Association ("VCDSA") contravene the terms of the existing Memorandum of Agreement between the County and VCDSA which provide for a lower contribution rate for members. In that regard, Government Code section 7522.30(f) provides that if, such an agreement would be "impaired by any provision of this section, that provision shall not apply to the public employer and public employees subject to that contract until the expiration of that contract". Therefore, the contribution rate of new members represented by VCDSA cannot exceed that prescribed for current members in the existing agreement contract between VCDSA and the County.

Your prompt attention to this matter will be sincerely appreciated. If you have any questions or other thoughts you would like to convey, please do not hesitate to contact me.

Sincerely,

Stephen H. Silver
STEPHEN H. SILVER

SHS:pls

cc: VCDSA (via email)
Lori A. Nemiroff, Assistant County Counsel (via email)
Catherine Rodriguez, Assistant County Executive Officer (via email)
VCPFA (via email)

07507-ltr-Kendig.wpd

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

February 15, 2013

Donald C. Kendig, CPA
Retirement Administrator
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572

Re: Ventura County Employees' Retirement Association
CalPEPRA Normal Cost Contribution Rate Calculations

Dear Donald:

This letter provides information on the calculation of the breakdown of the Normal Cost contribution rates between the employer and the member for those covered under the new CalPEPRA formulas.

In our CalPEPRA new tier study report dated December 10, 2012 and subsequent letter dated January 16, 2013, we provided the employer and member Normal Cost contribution rates for the periods from January 1, 2013 to June 30, 2013 and from July 1, 2013 to June 30, 2014 for members who become covered under the CalPEPRA formulas. You have asked us to comment on the breakdown of the Normal Cost contribution rates between the employer and the member, and provide Normal Cost rates that do not reflect the CalPEPRA rounding rules.

<u>Breakdown of Normal Cost</u>
The first step is to determine the total Normal Cost contribution rate as a percentage of payroll. The total Normal Cost contribution rate is then split 50:50 between the employer and the member. The <u>total</u> member rate is then rounded to the nearest quarter percent per Section 7522.30(c) of CalPEPRA as follows:

7522.30(c) New employees employed on and after January 1, 2013, by those public employers defined in paragraphs (2) and (3) of subdivision (i) of Section 7522.04, the California State University, and the judicial branch who participate in a defined benefit plan shall have an initial contribution rate of at least 50 percent of the normal cost rate for that defined benefit plan, <u>rounded to the nearest quarter of 1 percent</u>, or the current contribution rate of similarly situated employees, whichever is greater. This contribution shall not be paid by the employer on the employee's behalf. [Emphasis Added]

After the member rate has been rounded, the employer rate is then adjusted so that the total Normal Cost contribution rate remains unchanged. Note that the Basic and COLA rate components are adjusted so that they sum to the total employer and member rates.

Normal Cost Rates that do not Reflect the CalPEPRA Rounding Rules

The Normal Cost contribution rates before rounding **for the period from January 1, 2013 to June 30, 2013** for members covered under the CalPEPRA formulas are as follows:

	Employer Rate	Member Rate	Total Rate
General Tier 1			
Basic	3.71%	3.71%	7.42%
COLA	1.45%	1.45%	2.90%
Total	5.16%	5.16%	10.32%
General Tier 2 w/o COLA			
Basic	6.46%	6.46%	12.92%
COLA	0.00%	0.00%	0.00%
Total	6.46%	6.46%	12.92%
General Tier 2 w/ COLA*			
Basic	6.46%	6.46%	12.92%
COLA	0.94%	0.94%	1.88%
Total	7.40%	7.40%	14.80%
Safety			
Basic	9.73%	9.73%	19.46%
COLA	3.83%	3.83%	7.66%
Total	13.56%	13.56%	27.12%

* *Before reflecting the 2.63% member COLA rate found in current bargaining agreements.*

The General Tier 2 Normal Cost contribution rates for members with COLA before rounding but after reflecting the 2.63% member COLA rate are as follows:

	Employer Rate	Member Rate	Total Rate
General Tier 2 w/COLA			
Basic	6.46%	6.46%	12.92%
COLA	-0.75%	2.63%	1.88%
Total	5.71%	9.09%	14.80%

Normal Cost Rates that Reflect the CalPEPRA Rounding Rules

The Normal Cost contribution rates after rounding for the same period are as follows:

	Employer Rate	Member Rate	Total Rate
General Tier 1			
Basic	3.65%	3.77%	7.42%
COLA	1.42%	1.48%	2.90%
Total	5.07%	5.25%	10.32%
General Tier 2 w/o COLA			
Basic	6.42%	6.50%	12.92%
COLA	0.00%	0.00%	0.00%
Total	6.42%	6.50%	12.92%
General Tier 2 w/ COLA*			
Basic	6.37%	6.55%	12.92%
COLA	-0.75%	2.63%	1.88%
Total	5.62%	9.18%	14.80%
Safety			
Basic	9.77%	9.69%	19.46%
COLA	3.85%	3.81%	7.66%
Total	13.62%	13.50%	27.12%

* *After reflecting the 2.63% member COLA rate found in current bargaining agreements. Please see our January 25, 2013 letter for a derivation of the General Tier 2 w/ COLA rates after reflecting both the CalPEPRA rounding and the 2.63% rate.*

Normal Cost Rates that do not Reflect the CalPEPRA Rounding Rules

The Normal Cost contribution rates before rounding **for the period from July 1, 2013 to June 30, 2014** for members covered under the CalPEPRA formulas are as follows:

	Employer Rate	Member Rate	Total Rate
General Tier 1			
Basic	4.01%	4.01%	8.02%
COLA	1.65%	1.65%	3.31%
Total	5.66%	5.66%	11.33%
General Tier 2 w/o COLA			
Basic	7.36%	7.36%	14.72%
COLA	0.00%	0.00%	0.00%
Total	7.36%	7.36%	14.72%
General Tier 2 w/ COLA*			
Basic	7.36%	7.36%	14.72%
COLA	1.10%	1.10%	2.20%
Total	8.46%	8.46%	16.92%
Safety			
Basic	10.62%	10.62%	21.24%
COLA	4.33%	4.33%	8.66%
Total	14.95%	14.95%	29.90%

* *Before reflecting the 2.63% member COLA rate found in current bargaining agreements.*

Note: Results may not add due to rounding.

The General Tier 2 Normal Cost contribution rates for members with COLA before rounding but after reflecting the 2.63% member COLA rate are as follows:

	Employer Rate	Member Rate	Total Rate
General Tier 2 w/COLA			
Basic	7.36%	7.36%	14.72%
COLA	-0.43%	2.63%	2.20%
Total	6.93%	9.99%	16.92%

Normal Cost Rates that Reflect the CalPEPRA Rounding Rules

The Normal Cost contribution rates after rounding for the same period are as follows:

	Employer Rate	Member Rate	Total Rate
General Tier 1			
Basic	3.95%	4.07%	8.02%
COLA	1.63%	1.68%	3.31%
Total	5.58%	5.75%	11.33%
General Tier 2 w/o COLA			
Basic	7.47%	7.25%	14.72%
COLA	0.00%	0.00%	0.00%
Total	7.47%	7.25%	14.72%
General Tier 2 w/ COLA*			
Basic	7.33%	7.39%	14.72%
COLA	-0.43%	2.63%	2.20%
Total	6.90%	10.02%	16.92%
Safety			
Basic	10.58%	10.66%	21.24%
COLA	4.32%	4.34%	8.66%
Total	14.90%	15.00%	29.90%

* *After reflecting the 2.63% member COLA rate found in current bargaining agreements.*

Conflict Between 50% Cost Sharing and Rounding Provisions of CalPEPRA

We note that, from a simple mathematical perspective, the rounding rule in the statute means that, on average, half the time the member rate will be slightly more than exactly one-half of the normal cost, and half the time it will be slightly less. While we are not attorneys, we do not see how to implement the clear text of the statute (first take 50% of the normal cost and then round it to the nearest quarter percent) without sometimes having the member rate be higher than exactly 50%. If the statute intended that the member rate never be higher than exactly 50% of the Normal Cost then it should have read "rounded to the next lower quarter of 1 percent".[1] However, it does not say that so again, mathematically, we get to the "rounded" result shown above.

Note that, except for the Tier 2 member COLA contribution rate of 2.63% of compensation, these rates have not been adjusted to reflect the applicable requirements, if any, regarding current bargaining agreements. The rates also exclude employer contribution rates for the Unfunded Actuarial Accrued Liability (UAAL) which are unaffected by rounding and are the same as in the previous documents.

Please let us know if you have any questions.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA	John Monroe, ASA, MAAA, EA
Senior Vice President & Actuary	Vice President & Associate Actuary

MYM/kek

[1] A similar argument could be made for the intention that the employer rate never be higher than exactly 50%.

MEMORANDUM
COUNTY OF VENTURA
COUNTY COUNSEL'S OFFICE

February 20, 2013

TO: Members, Board of Retirement
Ventura County Employees' Retirement Association

FROM: Lori A. Nemiroff, Assistant County Counsel *LAN*

RE: CONTRIBUTION RATES FOR NEW MEMBERS UNDER PEPRA

The purpose of this memorandum is to provide to your Board a legal analysis of the provisions governing the setting of employee contribution rates under the California Public Employees Pension Reform Act ("PEPRA"), and to address the concerns raised by attorney Stephen Silver in his letter dated February 7, 2013, regarding the actuary's proposed rates for new members.

BACKGROUND

By letter dated January 16, 2013, Segal, as the Board's actuary, provided to your Board the recommended contribution rates for Ventura County Employees Retirement Association ("VCERA") members who will be covered under the new PEPRA formulas in the 2013/2014 fiscal year. For General Tier 2 members (without COLA), the total normal cost rate is 14.72 percent of payroll, with the member rate set at 7.25 percent, and the employer rate (normal cost) is 7.47 percent. For safety members, the total normal cost is 29.50 percent of payroll, with the member rate set at 15.00 percent and the employer rate (normal cost only) set at 14.90 percent. By letter dated February 7, 2013, Mr. Silver raises two issues. The first issue concerns the recommendation to set the safety member contribution rate at just over 50 percent of the total normal cost rate. Mr. Silver suggests that the safety member rate, being just over 50 percent of total normal cost, is not in compliance with section 7522.30, subdivision (e),[1/] which authorizes employee contribution rates to exceed 50 percent of normal cost only if agreed to through the collective bargaining process. The second issue concerns the fact that the recommended rates do not reflect the pick-up provisions in the current Memorandum of

---

[1/] All further statutory references are to the Government Code.

Understanding between the County of Ventura and the Ventura County Deputy Sheriffs' Association ("VCDSA").

Upon receipt of Mr. Silver's letter, we asked Segal to confirm that the reason for the employee rates being just under or over 50 percent of total normal cost was due to the provision in PEPRA that requires rounding of the employee contribution rate to the nearest one-quarter of 1 percent. Segal has confirmed that this is the case, and has explained its application of the rate calculation process in a letter to your Board, dated February 15, 2013, presented with your agenda materials.

LEGAL ANALYSIS

We have reviewed the relevant code provisions and confirm that Segal has properly applied the PEPRA provisions regarding employee contribution rates.

Section 7522.30, subdivision (a), sets forth the legislative intent that "[e]qual sharing of normal costs between public employers and public employees shall be the standard." This subdivision continues with the policy statement that, "The standard shall be that employees pay at least 50 percent of normal costs and that employers not pay any of the required employee contribution."

Section 7522.30, subdivision (c), sets forth the general rule for setting the employee contribution rate for new members and provides, in pertinent part, "New employees employed on and after January 1, 2013, . . . who participate in a defined benefit plan shall have an initial contribution rate of at least 50 percent of the normal cost rate for that defined benefit plan, rounded to the nearest quarter of 1 percent, or the current contribution rate of similarly situated employees, whichever is greater."

Section 7522.30, subdivision (e), authorizes an employer to require that employees pay more than one half the normal cost rate if agreed to through employee bargaining. Impasse procedures are not permitted. Section 7522.30, subdivision (e), provides, in pertinent part, "Notwithstanding subdivision (c), employee contributions may be more than one-half of the normal cost rate if the increase has been agreed to through the collective bargaining process, subject to [certain specified] conditions."

Section 7522.30, subdivision (f), allows new members to receive a pick-up of contributions if the member is part of a labor organization that had a pick-up provision in place in a contract, including a memorandum of understanding ("MOU"), prior to December 31, 2012, until such time as that MOU expires. Section 7522.30, subdivision (f), provides, in pertinent part, "If the terms of a contract . . . would be impaired by any provision of this section, that provision shall not apply . . . until the expiration of that contract." The section to which this subdivision refers is section 7522.30, governing the setting of the employee contribution rate for the applicable PEPRA benefit formula, which is mandated by sections 7522.20 and 7522.25. Note that there is no provision in either of the benefit formula sections that defers to existing provisions in labor contracts.

We read section 7522.30, subdivision (c), as requiring that the actuary first determine the normal cost rate for each defined benefit plan of the employer, expressed as a percentage of payroll. (§ 7255, subd. (b).) The next step is to determine the member contribution rate by taking 50 percent of the total normal cost rate for that plan, and rounding "to the nearest quarter of 1 percent." (§ 7255, subd. (c).) The next step is to determine whether the contribution rate of "similarly situated" employees is greater, and if so, the greater rate shall be applied. Here, there is no established contribution rate for similarly-situated PEPRA plan employees, so the applicable rate is 50 percent of normal cost, rounded to the nearest one-quarter of 1 percent.

It should be noted that the pending urgency legislation in Senate Bill 13 contains language clarifying that this provision applies only to new members, that the higher contribution rate would apply only if such rate has been agreed to through collective bargaining, and that the actuarial valuation may include any elements that impact the actuarial determination of the normal cost, including, but not limited to, automatic cost of living adjustments and ancillary benefits. Although the content of the proposed legislative amendment does not address the "rounding" issue, the comments in the Legislative Counsel's Digest mirror the statutory language on rounding. The Digest states, in pertinent part, "On and after January 1, 2013, PEPRA requires new employees of specified public employers . . . who participate in a defined benefit plan to have an initial contribution rate of at least 50% of the normal cost rate for that defined benefit plan, rounded to the nearest 1/4 of 1%, or the current contribution rate of similarly situated employees, whichever is greater." (Legis. Counsel's Dig., Sen. Conc. Amends to Assem. Bill No. 13 (2012-2013 Reg. Sess.).)

Mr. Silver's position is that the member contribution rate cannot exceed one-half the normal cost rate, which is 29.50 percent of payroll unless agreed to through collective bargaining, based on the language in subdivision (e). Of note, the Ventura County Auditor-Controller has also asked for confirmation that PEPRA authorizes an employer normal cost rate in excess of 50 percent, given the language in subdivision (a) that requires new members to pay "at least 50 percent of normal costs" for that defined benefit plan. This inquiry was prompted by the fact that the employee rate for some PEPRA groups, such as Tier 2 general members, is less than 50 percent.

While both Mr. Silver's interpretation and the Auditor-Controller's inquiry have some legal basis when reading each subdivision in isolation, we are required to harmonize each of the subdivisions in order to give meaning to each, and to defer to the more specific provision over a general one. Applying these rules of statutory construction, we interpret section 7522.30, subdivision (a), as setting forth the general policy that employees pay at least one half of the normal cost, and 7522.30 as requiring VCERA to specifically set the contribution rate for new members at one-half the normal cost rate, rounded to the nearest one quarter of 1 percent. According to Segal's letter, this rate will be just over 50 percent of the normal cost rate about one half of the time, meaning the employee rate will be just over 50 percent, and this rate will be just under 50 percent of the normal cost rate one half of the time, meaning the employee rate will be just under 50 percent. Under section 7522.30, subdivision (e), we then consider whether this rate is subject to increase above 50 percent (rounded), pursuant to a labor management agreement. None applies here, so we do not increase the employee rate over the 50 percent (rounded) rate.

As to the second concern raised by Mr. Silver, we note that the actuarial valuation contains the employer and employee contribution rates for each plan and tier for the upcoming fiscal year, but does not take into consideration the current individual pick-up provisions in each of the County's labor management agreements and management resolutions. Application of pick-ups is done at the County payroll level and will be reflected in each employee's individual contribution rate in effect at the time contributions are made. We do not find any provision under County Employees Retirement Law of 1937 or PEPRA that requires the retirement system to calculate the "ultimate" individual member rates after application of all the existing contractual pick-up provisions in the labor agreements between the plan sponsors and the employees.

In conclusion, we have determined that Segal's calculation of member contribution rates for new members complies with PEPRA and may be adopted by your Board.

LAN:se

Donald Kendig - Re: VCDSA _ LTR TO KENDIG RE CONTRIBUTION RATES FOR NEW MEMBERS

From: Donald Kendig<Donald.Kendig@ventura.org> (Donald Kendig)
To: shsilver@shslaborlaw.com
Date: 2/19/2013 6:38 PM
Subject: Re: VCDSA _ LTR TO KENDIG RE CONTRIBUTION RATES FOR NEW MEMBERS
CC: Mahon, Chris; Nemiroff, Lori; Rodriguez, Catherine; Shimmel, Rick

Dear Mr. Silver:

I apologize for the delay in a formal response and hope you are doing well.

I will be placing your letter on our February 25 agenda along with the CalPEPRA rates for 2013-14. I have also asked the actuary to prepare tables showing rates that are not rounded for comparison purposes and will present that to the Board at that time as well.

Regarding the effects of rounding, staff and Board Counsel disagree with your interpretation of the law and believe the Actuary has accurately applied it, and the rounding, to the proposed rates as required.

Regarding the MOA, staff and Board Counsel interpret the law to require that the employee contribution rates for new members be 50% (adjusted for rounding to the nearest 1/4 of 1%) and applied to individual members, just as Segal has done. Then the employee contribution rates should be further adjusted for any pick-ups that are specified in an applicable labor agreement at the plan sponsor level. Here, I am not sure if we are in disagreement or not.

I look forward to seeing you at the meeting and hope the sharing of our position helps in your preparations.

Best,

Donald

Donald C. Kendig, CPA | Retirement Administrator
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200 | Ventura, CA 93003
Direct: 805.339.4262 | Direct Fax: 805.658.4544
Main Line: 805.339.4250 | Department Fax: 805.339.4269
Donald.Kendig@ventura.org | www.ventura.org/VCERA
A model of excellence for public pension plans around the World.
>>> <shsilver@shslaborlaw.com> 2/7/2013 5:45 PM >>>
Please see attached letter.

Stephen H. Silver
SILVER, HADDEN, SILVER, WEXLER & LEVINE
1428 Second Street

P.O. Box 2161
Santa Monica, CA 90407-2161
(310) 393-1486
(310) 395-5801 (fax)

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A PROFESSIONAL LAW CORPORATION

STEPHEN H. SILVER
WILLIAM J. HADDEN
SUSAN SILVER
ROBERT M. WEXLER
RICHARD A. LEVINE
KEN YUWILER
ELIZABETH SILVER TOURGEMAN
HOWARD A. LIBERMAN
JACOB A. KALINSKI

1428 SECOND STREET
SANTA MONICA, CALIFORNIA 90401
MAILING ADDRESS
POST OFFICE BOX 2161
SANTA MONICA, CALIFORNIA 90407-2161
TELEPHONE (310) 393-1486
TELEPHONE (323) 870-0900
FACSIMILE (310) 395-5801

WORKERS' COMPENSATION
OF COUNSEL
STEVEN E. KAYE

February 20, 2013

<u>Sent via E-mail Only</u>

Donald C. Kendig, CPA, Retirement Administrator
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura CA 93003

Re: *Contribution Rates for New Members*

Dear Mr. Kendig:

I am responding to the email you sent me dated February 19, 2013. I will try to state my position as clearly and concisely as possible with respect to the contribution rates for new members who are hired between January 1, 2013 and the date a Memorandum of Agreement (MOA) then in existence expires.

According to new Government Code Section 7522.30(f) the contribution rate for new members hired during that time period should be no greater than would have been the case had those individuals been hired during December 2012. In addition, these individuals would also be entitled to the same County "pickup" as that provided to employees hired prior to January 1, 2013. Section 7522.30(f) clearly states that the requirement in sub-section (c) of that section that new members pay one-half the normal cost etc. of their defined benefit plan does not apply until that MOA expires.

I am planning to attend your meeting on February 25, 2013. However, I have to be in downtown Los Angeles at noon for another engagement. Therefore, I would appreciate if you could cause this subject to be addressed as close to the beginning of the meeting as possible so that I will be able to leave in time to honor my other commitment. I do not believe that the discussion regarding this subject should take very long.

Naturally, if you or any other representative of the County or VCERA would like to discuss this matter with me prior to that time, please feel free to contact me.

Sincerely,
SILVER, HADDEN, SILVER, WEXLER & LEVINE

STEPHEN H. SILVER

SHS:mrj
cc. VCDSA (via email)
Lori A. Nemiroff, Assistant County Counsel (via email)
Catherine Rodriguez, Assistant County Executive Officer (via email)
VCPFA (via email)
CJAAVC (via email)
SPOVAC (via email)
07532-ltr

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

February 25, 2013

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

SUBJECT: REQUEST FOR PROPOSAL (RFP) ACTUARIAL AUDIT SERVICES

Dear Board Members:

Segal has suggested to staff that an actuarial audit is in order. Upon review of the attached Government Finance Officers Association (GFOA) best practice: *Sustainable Funding Practices of Defined Benefit Pension Plans*, staff would agree. Recommendation four, on page two, suggests that VCERA should have a comprehensive audit of the plan's actuarial valuations performed by an independent actuary at least once every five to eight years in order to provide an independent critique of the reasonableness of the actuarial methods and assumptions in use and the validity of the resulting actuarially computed contributions and liabilities.

Given that the Board approved Segal's first Actuarial Services Agreement on April 21, 2003, an audit is overdue. Also, given that we have implemented changes in the calculation of normal cost, adopted an actuarial funding policy, and implemented four new CalPEPRA tiers, now is a good time to audit our most recent actuarial valuations.

An actuarial audit that includes a full independent replication of the key valuation results costs approximately $50,000 to $80,000 and a limited number of firms provide the service. Staff recommends an actuarial audit and proposes delegating the RFP review and contracting process to either the Retirement Administrator, or the ad-hoc RFP Committee, currently conducting the investment consulting services RFP process.

Staff has prepared the attached RFP based on a model provided by Marin County Employees' Retirement Association (MCERA) and asks that either your Board approve the RFP as presented, or as modified, or delegate final approval to the ad-hoc RFP Committee, if the RFP process is to be delegated to it and a decision cannot be made today.

A timeline, assuming the process is delegated to staff, is as follows:

February 25 BOR	Approve the proposed RFP as presented or as modified, publish on the VCERA website, and solicitation of proposals
March 4	Deadline for submission of questions concerning the RFP
March 6	Responses to RFP questions published
March 11	Deadline for submission of proposals
By April 1	Proposals evaluated
April 8	Follow-up responses due, if applicable
By April 15	Vendor selected and notifications sent
By April 24	Contract negotiations complete and contract commences

Staff looks forward to the Board's decision on this matter, and I would be happy to answer any questions you may have and welcome any discussion of potential variances or modifications to staff's recommendation.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachments

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

VCERA
Ventura County Employees' Retirement Association

REQUEST FOR PROPOSAL (RFP)

RFP 2013-001

ACTUARIAL AUDIT SERVICES

Issued February 25, 2013

A model of excellence for public pension plans around the World.

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SECTION 1: GENERAL INFORMATION

1.1 INTRODUCTION

This Request for Proposal (RFP) 2013-001 is issued by the Ventura County Employees' Retirement Association (VCERA) for the purpose of soliciting proposals from qualified actuarial firms (ACTUARY or RESPONDENT) to provide actuarial auditing services to the VCERA Board and VCERA staff. It is VCERA's intent to obtain the services of one firm for actuarial consulting services and a separate firm for actuarial audit services. VCERA has engaged The Segal Company (Segal) for actuarial consulting services since April 21, 2003.

VCERA is a cost-sharing multiple-employer defined benefit pension plan covering the employees of the County of Ventura and other participating agencies pursuant to the County Employees Retirement Law of 1937, California Government Code Section 31450, et seq. VCERA operates as an independent governmental entity separate and distinct from the County of Ventura. VCERA issues separate audited financial reports as a pension trust fund.

1.2 ESTIMATED SCHEDULE FOR PROCUREMENT ACTIVITIES

Request for Proposal (RFP) issued:	February 25, 2013
RFP Inquiries Deadline:	March 4, 2013
Responses to RFP Questions Published:	March 6, 2013
Proposal Submission Due Date:	March 11, 2013
Proposal Evaluation:	April 1, 2013
Follow-up Responses Due:	April 8, 2013
Vendor Selection Notification:	April 15, 2013
Contract Negotiations Complete and Estimated Contract Commencement	April 24, 2013

VCERA reserves the right to revise the above schedule.

1.3 PROPOSAL SUBMISSION

RESPONDENTS must submit one (1) original and one (1) digital copy (CD ROM or USB Drive) of their proposal, **no later than March 11, 5:00 p.m. PST,** to:

Donald Kendig
Retirement Administrator
Ventura County Employees' Retirement Association
1190 S Victoria Avenue, Suite 200
Ventura, CA 93003-6572

No telegraphic, fax, email or telephone responses will be accepted. Any proposal received after the due date will not be considered. Any late proposals will be returned, unopened, to the RESPONDENT, upon request, within thirty (30) days of filing.

1.4 CONTRACT PRICING

The RESPONDENT shall provide a "not to exceed" price for the actuarial audit. If incidental costs are included in the "not to exceed" bid, such costs shall be clearly identified and segregated from actual engagement related costs. The RESPONDENT shall provide hourly rates for Actuary staff for the time and material consulting portion of the engagement. The proposed fee should include administrative, third party, travel, and all other costs.

1.5 MODIFICATIONS OR WITHDRAWALS OF OFFERS

Responses to this RFP may be modified or withdrawn in writing or by fax notice if received prior to the date specified for submission of proposals.

Modifications to or withdrawal of a proposal received after the date specified for submission of proposals will not be considered.

1.6 ERRORS AND OMISSIONS

If a RESPONDENT discovers any ambiguity, conflict, discrepancy, omission or other error in this RFP, please immediately notify VCERA of such error by e-mail at Donald.Kendig@ventura.org and request clarification or modification of the document.

If it becomes necessary to revise any part of this RFP or if a more exact interpretation of provisions of this RFP are required prior to the due date for proposals, a supplement will be posted by VCERA on its website no later than March 6, 2013. If such addenda issuance is necessary, VCERA reserves the right to extend the due date of proposals to accommodate such interpretations or additional data requirements.

If the RESPONDENT fails to notify VCERA of a known error or an error that reasonably should have been known prior to the final filing date for submission, the RESPONDENT shall assume the risk. If awarded the contract, the RESPONDENT shall not be entitled to additional compensation or time by reason of the error or its late correction.

1.7 CONFIDENTIALITY

All responses to this RFP become the property of VCERA and will be kept confidential until such time as recommendation for award of a contract has been announced. Thereafter, submittals are subject to public inspection and disclosure under the California Public Records Act. If a RESPONDENT believes that any portion of its submittal is exempt from public disclosure, such portion may be marked "confidential."

VCERA will use reasonable means to ensure that such confidential information is safeguarded but will not be held liable for inadvertent disclosure of such materials, data and information. Submissions marked "confidential" in their entirety will not be honored as such and VCERA will not deny public disclosure of all or any portion of submittals so marked.

By submitting information with portions marked "confidential", the ACTUARY represents it has a good faith belief that such material is exempt from disclosure under the California Public Records Act and agrees to reimburse VCERA for, and to indemnify, defend and hold harmless VCERA, its officers, fiduciaries, employees and agents from and against any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs and expenses including, without limitation, attorneys' fees, expenses and court costs of any nature whatsoever (collectively, "Claims") arising from or relating to VCERA's non-disclosure of any such designated portions of a proposal if disclosure is deemed required by law or court order.

1.8 RFP RESPONSE COSTS

VCERA accepts no obligations for costs incurred by RESPONDENTS in preparing responses to this request.

1.9 TAXES

VCERA is exempt from federal, state and local taxes. VCERA will not be responsible for any taxes levied on the Actuary as a result of any contract resulting from this RFP.

1.10 DISCUSSION FORMAT

VCERA reserves the right to conduct discussions, either oral or written, with those RESPONDENTS determined by VCERA to be potential finalists. VCERA also reserves the right to clarify minor issues with potential finalists.

1.11 DISCLOSURE

Submission of information indicates acceptance by the submitting firm of the terms and conditions contained in this request for information, unless exceptions are clearly and specifically noted in the submittal. If the RESPONDENT objects to any term(s) in the RFP, or wishes to modify or add terms to a subsequent contract, the submittal must identify each objection, propose language for each modification and include the reasons for the modification. VCERA reserves the right to modify the contract prior to execution.

SECTION 2: PROPOSAL PROCEDURES

2.1 CONTACTS

Inquiries are not to be directed to board members, staff or consultants of VCERA except as outlined in Section 1. Any contact relating to the RFP with any VCERA board member, staff or consultant shall be grounds for disqualification. A list of current Board of Trustees and Staff is provided in Attachment 1. VCERA reserves the right to discuss any part of any response for the purpose of clarification. RESPONDENTS will be given equal access to any communications regarding the RFP that take place between VCERA and other RESPONDENTS.

2.2 RFP INQUIRIES

Any inquiries concerning the request for proposals must be submitted via email to Donald.Kendig@ventura.org. All questions must identify the RFP section and page number to which the question refers. Questions and responses thereto will be posted on the VCERA web site. Written questions to the above e-mail address will be accepted until 5:00 p.m. on Friday, March 4, 2013.

2.3 ADDITIONAL INFORMATION REQUESTS

During the evaluation process, VCERA may request additional information or clarifications from RESPONDENTS.

2.4 RESPONDENT SITE VISITS

VCERA may request a site visit to a RESPONDENT'S main office of business to conduct due diligence to support the evaluation of the RESPONDENT.

2.5 AWARDING OF CONTRACT

The qualifying proposal determined to be the most advantageous to VCERA, taking into account all of the selection criteria (as outlined in Section 7), may be selected by VCERA for further action, such as a contract award. If, however, VCERA decides that no proposal is sufficiently advantageous to VCERA, VCERA may take whatever further action is deemed best in its sole discretion, including making no contract award. If, for any reason, a proposal is selected and it is not possible to consummate a contract with the RESPONDENT, VCERA may begin contract discussions with the next qualified RESPONDENT or determine that it does not wish to award a contract pursuant to this RFP, at its sole discretion.

VCERA reserves the right to reject any or all proposals received, or to award, without discussions or clarifications, a contract on the basis of the proposals received. Therefore, each proposal should contain the RESPONDENT'S best price and the highest evidence of technical proficiency.

At the point of contract, a final detailed agreement concerning services and performance expectations, substantially in the form of the Model Actuarial Audit Services Agreement ("Model Agreement") that is attached hereto as Attachment 3, will be agreed upon between VCERA and the successful firm. The terms of the final contract between VCERA and the successful firm will be binding and supersede this RFP. However, this RFP and the successful firm's proposal will be incorporated into the contract.

As set forth in the Model Agreement, the successful firm will be required to acknowledge, in writing, that it is a fiduciary with respect to VCERA.

SECTION 3: ENTITY DESCRIPTION

3.1 BACKGROUND INFORMATION

VCERA covers the employees of the County of Ventura and other participating agencies pursuant to the County Employees Retirement Law of 1937, California Government Code Section 31450, et seq. Participating agencies include the County of Ventura, Ventura County Courts, Air Pollution Control District, and the Ventura Regional Sanitation District.

VCERA was established in 1947, to provide retirement, disability, death and survivor benefits for covered employees. While VCERA is technically a multiple-employer local government fund, unified valuations and investigations are performed for the primary plan sponsor, the County of Ventura, and the three participating agencies.

The VCERA Board of Retirement includes eleven members, four are appointed by the County's Board of Supervisors, four are elected by the members of VCERA including two alternates and the Ventura County Treasurer-Tax Collector serves an ex-officio member. As of June 30, 2012, VCERA's membership included approximately 10,180 active and deferred members and approximately 5,658 retirees and beneficiaries. Net assets totaled approximately $3.2 billion as of June 30, 2012.

3.2 ACTUARIAL INFORMATION

VCERA engages an independent actuarial firm, Segal, to conduct an annual valuation to monitor funding status. Segal completed a valuation as of June 30, 2012. The funded ratio of the actuarial assets to the actuarial accrued liability was 77.7% as of June 30, 2012. The valuation assets totaled $3.40 billion and the actuarial accrued liability was $4.37 billion. Summary information and assumptions are outlined below.

Valuation Date:	June 30, 2012
Actuarial Cost Method:	Entry-age normal actuarial cost method
Amortization Method:	Level percentage of payroll (4.00% payroll growth assumed)
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.
Investment Rate of Return:	7.75%
Projected Salary Increase:	4.50% - 12.50% varying by service. (includes inflation, "across the board" increases of 0.75%, plus merit and longevity increases)
Cost-of-Living (COLA 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.
Inflation:	3.25%

Actuarial valuations are performed annually to monitor funded status. Triennially, VCERA conducts an investigation of the appropriateness of all economic and non-economic assumptions, an Actuarial Experience Study. Recommendations are presented to the Board of Retirement for consideration. An Analysis of Actuarial Experience covering the period from July 1, 2008 to June 30, 2011 was completed in April 2012.

VCERA currently provides its actuarial firm with data files for the purpose of performing actuarial services.

3.3 PLAN INFORMATION

VCERA is a cost-sharing multiple-employer defined benefit plan. Unified valuations and investigations are performed for the four plan sponsors: County of Ventura, Ventura County Courts, Air Pollution Control District, and the Ventura Regional Sanitation District. Benefits vest after five years of service.

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. With the passage of the California Public Employees' Pension Reform Act (CalPEPRA), VCERA provides four additional CalPEPRAtiers for "new" employees hired on or after January 1, 2013. Employees hired on or after January 1, 2013 that are not considered new are placed in the Safety plan or General Tier II plans.

Service Retirement Benefit

Classic/Legacy Plans
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. Safety member benefits are calculated pursuant to the provisions of California Government Code Section 31664. The monthly allowance is equal to 1/50th 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 1/90th of the first $350 of final compensation, plus 1/60th 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 adjustments (COLA), 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 and Safety 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.

CalPEPRA Plans
On December 17, 2012 VCERA adopted a special study in compliance with the CalPEPRA establishing four new tiers mirroring the COLA provisions of the existing tiers, yet providing notably different benefits. Under Cal PEPRA, any "new" safety member is eligible to retire with 5 or more years of retirement service credit and upon reaching 50 years of age and a new general member is eligible to retire with 5 or more years of retirement service credit and upon reaching 52 years 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.

Safety member benefits are calculated pursuant to the provisions of California Government Code Section 7522.25. The monthly allowance is equal final compensation times years of accrued retirement service credit times age factor from section 7522.25(d).

General member benefits for Tier I and Tier II are calculated pursuant to the provisions of section 7522.20. The monthly allowance is equal to final compensation times years of accrued retirement service credit times age factor from section 7522.20(a).

The maximum monthly retirement allowance is 100% of final compensation.

Final average compensation consists of the highest 36 consecutive months for a safety or general member, and final compensation is not to exceed $113,700 (the Social Security Taxable Wage Base for 2013), applicable to general employees, or 120% of this amount ($136,440) if not enrolled in Social Security, applicable to safety employees.

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 adjustments (COLA), 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 and Safety 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.

Withdrawal Benefit

A Member is eligible for a Withdrawal Benefit upon termination of employment.

The Withdrawal Benefit is a refund of the Member's accumulated Contributions with interest. Upon receipt of the Withdrawal Benefit the Member forfeits all Credited Service. Alternatively, the Member can leave contributions on deposit and retire upon attaining eligibility.

The Withdrawal Benefit is paid in a lump sum upon election by the Member.

Deferred Vested Benefit

A Member is eligible for a Deferred Vested Benefit upon termination of employment after earning five years of Credited Service, including reciprocal service from another system. The Member must leave his or her Member Contributions with interest on deposit with the Plan.

The Deferred Vested Benefit is computed in the same manner as the Service Retirement Benefit, but it is based on Credited Service and Final Compensation on the date of termination.

Reciprocal Benefit

A Member is eligible for a Reciprocal Benefit upon termination of employment and entry, within a specified period of time, into another retirement system recognized as a reciprocal system by the Plan. In addition, the Member must leave his or her Member Contributions with interest on deposit with the Plan.

The Reciprocal Benefit is computed in the same manner as the Service Retirement Benefit, but it is based on Credited Service on the date of termination and Final Compensation on the date of retirement; Final Compensation is based on the highest of the Compensation earned under this Plan or the reciprocal plan.

Death Benefit

A Member's survivors are eligible to receive different Death Benefits dependent on the Member's cause of death and retirement eligibility.

Before Retirement
In the event the Member's death resulted from injury or illness sustained in connection with the Member's duties, the Death Benefit payable to a surviving spouse or domestic partner will be 100% of the monthly service-connected disability retirement allowance to which the member would have been entitled. In the event the Member was eligible for Service Retirement or Non-service-Connected Disability, the Death Benefit payable to the survivor will be 60% of the survivor benefit based on benefit due on the Member's date of death.

In all other cases, the eligible survivor will receive a refund of the Member's contributions with interest plus one month of Final Compensation for each year of service to a maximum of six years.

The Service-Connected Death Benefit will be paid monthly beginning at the Member's death and for the life of the surviving spouse or to the age of majority of dependent minor children if there is no spouse.

COLA adjustments (as described for the Service Retirement benefit) are also available.

After Retirement
When a Member dies after retirement, a lump sum benefit of $5,000 will be payable to the retiree's designated beneficiary or to their estate. If the retirement was for Service or Non-service-Connected Disability and the member chose the unmodified benefit or one of the options with a survivor benefit, their surviving spouse or minor children will receive a continuing monthly allowance in an amount based on their option. If the retirement was for Service-Connected Disability, their spouse or minor children will receive a 100% continuance of their retirement allowance.

Disability Benefits

Service-Connected Disability
Members are eligible for Service-Connected Disability Retirement benefits at any age, with no minimum service requirement, if they are permanently disabled as a result of injuries or illness sustained during employment.

The Service-Connected Disability Retirement Benefit payable to Members is equal to the greater of 50% of their Final Compensation or – if the Member is eligible at disability for a Service Retirement Benefit – the Service Retirement Benefit accrued on the date of disability.

The Service-Connected Disability Retirement Benefit will be paid monthly beginning at the effective date of disability retirement and for the life of the Member; after the Member dies, 100% of the benefit will continue for the life of the Member's spouse or to the age of majority of dependent minor children if there is no spouse. In the event there is no surviving spouse or minor children, any unpaid remainder of the Member's accumulated contributions will be paid to the Member's designated beneficiary.

Actuarially equivalent optional benefit forms and COLA adjustments (as described for the Service Retirement benefit) are also available. A lump sum benefit of $5,000 will be payable upon the death of the member.

Non-service-Connected Disability
Members are eligible for Non-service-Connected Disability Retirement benefits if they are permanently incapacitated from performing the usual duties of their position at any age after earning five years of Credited Service.

The Non-service-Connected Disability Retirement Benefit payable to Miscellaneous Members is equal to the greatest of:

- 1.5% of Final Compensation at disability multiplied by years of Credited Service at disability;
- 1.5% of Final Compensation at disability multiplied by years of Credited Service projected to age 65, but not to exceed one-third of Final Compensation; or
- If the Member is eligible at disability for a Service Retirement Benefit, the Service Retirement Benefit accrued on the date of disability.

The Non-service-Connected Disability Retirement Benefit payable to Safety Members is equal to the greatest of:

- 1.8% of Final Compensation at disability multiplied by years of Credited Service at disability;
- 1.8% of Final Compensation at disability multiplied by years of Credited Service projected to age 55, but not to exceed one-third of Final Compensation; or
- If the Member is eligible at disability for a Service Retirement Benefit, the Service Retirement Benefit accrued on the date of disability.

The Non-service-Connected Disability Retirement Benefit will be paid monthly beginning at the effective date of disability retirement, and for the life of the Member; in the event of the Member's death, 60% of the benefit will continue for the life of the Member's spouse or to the age of majority of dependent minor children if there is no spouse. In the event there is no surviving spouse or minor children, any unpaid remainder of the Member's accumulated contributions will be paid to the Member's designated beneficiary.

Actuarially equivalent optional benefit forms and COLA adjustments (as described for the Service Retirement benefit) are also available. A lump sum benefit of $5,000 will be payable upon the death of the member.

SECTION 4: DURATION OF CONTRACT

The contract term shall be for a period of one year beginning on the date of final contract execution and ending on or about April 24, 2014.

SECTION 5: MINIMUM REQUIREMENTS

To be considered for the engagement described in the RFP the firm must meet the following minimum requirements:

1. The firm must be a professional actuarial services firm that provides actuarial valuations, experience investigations, actuarial audits, and pension consulting services.

2. The actuarial firm must acknowledge in writing that it will serve as a "fiduciary" to VCERA as defined in Section 3(21)(A) of the Employee Retirement Income Security Act of 1974 ("ERISA").

3. The Actuary performing the work must be a Fellow of the Society of Actuaries and an enrolled actuary. Any Supporting Actuary must either be a Fellow, enrolled, or have ten years of pension consulting experience.

4. The Actuary performing the services under the Contract must have a minimum of ten years of experience as an actuary providing pension consulting services, experience analysis, valuation assignments, and actuarial audit assignments for multiple-employer public retirement plans.

5. The actuarial firm must agree to disclose all potential conflicts of interest and annually disclose all sources of its revenue and affiliations.

SECTION 6: PROPOSAL PREPARATION INSTRUCTIONS

6.1 GENERAL

A standard format for proposal submission is provided herein. All RESPONDENTS are required to format their proposals in a manner consistent with this format, as follows:

1. Each item must be addressed in the RESPONDENT'S Proposal or the Proposal may be rejected.

2. The Proposal must be organized under and provide responses in accordance with request outlined in Section 6.2, Exhibit A and Exhibit B.

3. VCERA may, at its discretion, allow all RESPONDENTS five (5) business days, from date of submission, to correct errors or omissions to their proposals. Should this necessity arise, VCERA will contact each RESPONDENT affected. Each RESPONDENT must submit written corrections to the proposal within five (5) business days of such notification. The intent of this option is to allow proposals with only minor errors or omissions to be corrected. Major errors or omissions, such as the failure to include prices, will not be considered by VCERA and will result in disqualification of the proposal from further evaluation.

4. Hard copy submission of a Letter of Submittal (with the information in Section 6.2).

5. Hard copy submission with responses to the items described in Exhibits A and B.

6. One (1) original and one (1) (1) digital copy (CD ROM or USB Drive) of all submitted materials.

6.2 LETTER OF SUBMITTAL

The Letter of Submittal and the Certifications and Assurances form (Exhibit B) must be signed or certified and dated by a person authorized to legally bind the Consultant to a contractual relationship, e.g., the President or Executive Director if a corporation, the managing partner if a partnership, or the proprietor if a sole proprietorship. Along with introductory remarks, the Letter of Submittal is to include by attachment the following information about the Consultant and any proposed subcontractors:

1. Name, address, principal place of business, telephone number, fax number and e-mail address of legal entity or individual with whom contract would be written.

2. Name, address, and telephone number of each principal officer (President, Vice President, Treasurer, Chairperson of the Board of Directors, etc.).

3. Legal status of the Consultant (sole proprietorship, partnership, corporation, etc.) and the year the entity was organized to do business, as the entity now substantially exists.

4. Federal Employer Tax Identification number or Social Security number and the business identification number issued by the California Employment Development Department. If the consultant does not have a business identification number they must agree to become licensed by California within thirty calendar days of being selected as the apparently successful bidder.

5. Location of the facility from which the Consultant would operate.

6. Identify any Ventura County employees or former Ventura County employees who are employed or on the firm's governing board as of the date of the proposal. Include their position and responsibilities within the Consultant's organization. If, following a review of this information, it is determined by VCERA that a conflict of interest exists, the Consultant may be disqualified from further consideration for the award of a contract.

7. Explain the Actuary's willingness and ability to meet the requirements set forth in Exhibit C, Scope of Services and address in detail how it intends to complete each task.

SECTION 7: EVALUATION PROCEDURES

VCERA reserves the right to award this contract to the firm which, in its sole judgment, will provide the best match with the requirements outlined in the RFP. VCERA is not required, and will not be obligated, to award this contract to the firm with the lowest cost proposal. This RFP does not obligate VCERA to contract for services specified herein.

VCERA reserves the right to reject RESPONDENTS due to their noncompliance with the requirements of this RFP.

VCERA reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

Submittals will be evaluated by a panel of VCERA staff. Staff recommendations will be presented to the Board of Retirement, or its designated committee. One or more of the RESPONDENTS may be requested to make an oral presentation to VCERA staff and/or the Board of Retirement or Committee.

The weighted factors below will be considered by VCERA when evaluating the submittals.

Evaluation Criteria	Weight
Experience and Capabilities	30%
Methodology and Work Plan	30%
Professional Staffing	20%
Fee Proposal	20%

EXHIBIT A: QUESTIONNAIRE

EXPERIENCE AND CAPABILITIES

1. Describe the background and ownership of the firm. Describe any material changes in organization structure or ownership that have occurred in the past five years.

    a) Year firm was formed and began providing actuarial consulting services to institutional clients.

    b) The ownership structure. Indicate all entities that have an ownership stake in the firm (name and percentage).

    c) Affiliated companies or joint ventures.

    d) Recent or planned changes to the ownership or organization structure.

    e) Transition plans for retirement of key executives.

    f) Importance of actuarial consulting services to your parent company's (if applicable) or your firm's overall business strategy.

    g) Percentage of parent company's (if applicable) or your firm's revenues from actuarial consulting services.

2. Provide an organization chart that diagrams the ownership of your firm and any interrelationships between the parent-subsidiary, affiliate, and joint venture entities.

3. Provide an organization chart that depicts the structure of the actuarial consulting group and that identifies this group's key people and the people that will be involved in providing direct services to VCERA.

4. List the locations of each of the firm's offices from which actuarial consulting services are provided. For each office, provide the function(s) performed and the number of professionals in that office. Indicate which office would be primarily responsible for servicing the VCERA account.

5. Provide the latest two years' audited financial reports for your firm. Provide any additional information necessary to demonstrate financial stability, including total revenue, net income/(loss), assets, liabilities, and net worth for each year.

6. Describe the firm's objectives with respect to future growth. What products/services will be emphasized or de-emphasized in the future? What are the firm's expectations for its products, and how does it plan to manage the future growth of these products? Discuss how the firm plans to make sure that future growth does not compromise the quality of your existing actuarial consulting services. Include in your answer how you plan to manage growth in your client/actuarial consultant ratio.

7. Discuss in general the firm's competitive advantage over other firms in the actuarial consulting industry and in the actuarial audit service area. Why should VCERA hire your firm?

8. Over the past five years, has your organization or any officer or principal been involved in any business litigation or other legal proceedings related to any actuarial consulting activities or actuarial auditing services? If so, provide a brief explanation and indicate the current status.

9. Has your firm, within the last ten years, been censured or fined by any regulatory body? If so, please indicate the dates and describe the situation.

10. Is the firm affiliated with any other firm(s) offering non-actuarial services that could represent conflicts of interest? If yes, briefly describe your firm's policies and procedures for doing business with these affiliates while safeguarding against conflicts of interest.

11. Do you, your parent company, or any affiliated company have any business relationships with Segal (VCERA's consulting actuary)? If so, describe that relationship.

12. List and describe any professional relationship your firm or any of your actuarial consulting group staff have with any member of the VCERA Retirement Board, VCERA staff, or the VCERA plan sponsor (County of Ventura).

13. Has anyone in your firm provided any gifts, travel expenses, entertainment, or meals to any member of the VCERA Retirement Board or VCERA staff in the last twelve months? If yes, describe the expense and the purpose.

14. Does your firm use internal or external legal expertise, or both? If external is used, state its source and nature.

15. What investments has the firm made in information technology?

16. Do you have plans/arrangements in place for alternative work sites should either your headquarters facility or the facility that will primarily provide services to VCERA become inoperative because of fire, earthquake, etc.? Briefly describe your emergency and disaster recovery plans. Include in your description your disaster recovery plans related to client data files.

17. Please describe the levels of coverage for errors and omissions insurance and any fiduciary or professional liability insurance your firm carries. Is the coverage on a per-client basis, or is the dollar figure applied to the firm as a whole? List the insurance carriers.

18. How does the firm monitor and measure client satisfaction?

19. Complete the following table, reporting only those client relationships where actuarial auditing services similar to this mandate have been or are being provided.

	As of: 6/30 or 12/31				
	2006	2007	2008	2009	2010
Total number of actuarial audit clients					
Total number of public pension plan actuarial audit clients					

20. For all current public pension plan clients, state the client's name, the first year of your initial Contract with the plan, and their asset and membership size as of June 30, 2012, if available. Designate by asterisk which of these clients are multiple-employer plans.

21. Provide the name, title, address, and telephone number for three client references for whom your firm has provided either full service actuarial consulting or actuarial audit services similar to this mandate, for example a California 1937 Act county pension fund, as specified in each item below:

    a) The client for whom your firm most recently completed an actuarial audit.

    b) The client with the longest full-service actuarial consulting relationship with your firm.

    c) A full-service actuarial consulting client that has been assigned for at least two years to the Primary Actuary proposed for the VCERA account.

22. Provide the names of all public pension plan clients for whom you have performed actuarial audits within the last five years.

23. List all pension plan clients that have terminated their actuarial service contracts with your firm in the last five years. Include the client firm's name, size (number of pension plan members and annuitants), date of contract termination, and reason(s) for contract termination.

24. Within the last five years, has your firm been notified by any actuarial consulting services client that your firm is in default of its contract, or that conditions exist endangering continuation of that contract? If so, state the client firm's name, year the notice was received, reasons for the notice, and resolution or current status of the relationship.

25. Have your firm's actuarial consulting service products been audited by another actuarial firm within the last five years? If so, state the number of such audits and whether any resulted in revisions to your clients' annual valuation results, actuarial assumptions, or actuarial cost methods.

METHODOLOGY AND WORK PLAN

26. Describe the specific methodology to be used for the required Scope of Services identified in Exhibit C of this RFP.

27. Provide a timeline for completion of the work identified in Exhibit C of this RFP. Include proposed dates for each key stage or event of the project, indicate dates by which your firm must have specific input data from VCERA or its consulting actuary, and indicate points in the project when your firm would plan to meet with VCERA staff at our office. Describe the extent of involvement required of VCERA staff, outlining the amount of time, skills and knowledge needed in order for the Actuary to meet the deliverables.

28. Describe your firm's theory and methodology used in recommending an appropriate actuarial cost method for a public pension fund.

29. Describe your firm's theory and methodology for development of actuarial (economic and demographic assumptions). How may this methodology differ from client to client?

30. Describe your firm's approach to recommendations regarding the amortization of unfunded liabilities.

31. Describe your approach to measuring funded status and funding progress in order to facilitate the assessment of trends over several valuations of a client.

32. Describe the capabilities of your valuation system(s) and your computer system support.

33. Describe your quality control processes for cost, timeliness and quality of the actuarial audit reports and recommendations?

34. Provide one recent actuarial audit report developed for an existing client.

PROFESSIONAL STAFFING

35. How many actuaries does your firm employ?

36. Describe in general the background of the professionals in the firm's actuarial consulting services group:

    a) Are they brought in from outside of the firm or promoted to their positions from within the organization?

b) For those recruited from the outside, what prior experience and educational credentials are generally sought?

c) What percentage are currently Fellows of the Society of Actuaries? Enrolled actuaries?

d) What ongoing educational programs are economically supported and/or required? If economic support is offered, state the extent of this.

37. For the key executives and professionals in the actuarial consulting group, including the Primary Actuary and all Secondary Actuaries that would be assigned to VCERA, provide a table that identifies the following information:

    a) Name

    b) Title

    c) Responsibilities within the firm - if a person has multiple responsibilities, indicate the percentage of time spent on each function in a footnote to the table

    d) Years of relevant experience

    e) Years with the firm

    f) Degrees and professional designations

    g) Institution awarding each degree and designation

    h) Publications authored

38. How long has the current group of key executives and professionals in your actuarial consulting group been together?

39. Provide biographies for the Primary and Secondary Actuaries that will directly provide services to VCERA.

40. For the Primary Actuary and all Secondary Actuaries, state the length of time these individuals have all worked together as a team.

41. For the Primary Actuary and all Secondary Actuaries, list their actuarial audit assignments for the past five years. Include for each assignment the date of the final audit report, whether the Actuary served as the primary or secondary Actuary, and the client's name and size (number of pension plan members and annuitants).

42. For the Primary Actuary and all Secondary Actuaries that will directly provide services to VCERA, state the role each would play in providing the required VCERA services.

43. State for the Primary Actuary and each Secondary Actuary the total number of clients currently assigned to these individuals; describe whether the assignment is for general actuarial services or actuarial audit services.

44. For the Primary Actuary and all Secondary Actuaries, state whether any of these individuals are affiliated with any other business entity or activity that could pose a potential conflict of interest with their VCERA assignments. If so, provide details on the entity or activity.

45. Describe your compensation and incentive program for actuaries in your firm. How are actuaries evaluated and rewarded? What incentives are provided to attract and retain superior individuals? Identify the percentage of compensation which is:

    a) Base salary

    b) Performance bonus

    c) Equity incentives

    d) Other

    e) Do you offer direct ownership, stock, profit sharing, and/or performance bonus?

    f) Who is eligible to participate?

    g) On what basis are these incentives determined—is compensation tied to success factors such as client base growth, performance, or other factors? Please list and indicate the weight of each in determining total compensation.

    h) How does your compensation structure/levels compare with other firms in the industry?

46. Discuss the causes and impact of any executive and professional staff turnover (departures or hiring/promotions) in the actuarial consulting group that has occurred in the last five years. Provide a table listing all of the professionals that have departed from that group over the past five years. For each individual, provide the following information:

    a) Date of departure

    b) Name

    c) Title

    d) Responsibilities

    e) Years with the firm

    f) Reason for leaving the firm

g) Name of replacement

47. Does the firm have a transition plan to deal with the possible sudden departure of key professionals within the group? Describe the plan.

FEE PROPOSAL

48. The RESPONDENT should submit a fixed fee proposal for all services outlined in the Scope of Services. Describe how fees are determined for your firm's actuarial auditing services.

49. Does your firm propose to use any subcontracts in the provision of the required VCERA services? If so, describe the specific services that would be subcontracted, the name of the subcontractor, the cost to your firm of these services, and how you would control the quality of services provided.

50. Provide the following responses as they relate to your fee proposal.

DOLLAR COST BID – PART 1
NOT TO EXCEED MAXIMUM PRICE

Hours to perform all work	____________
Actuarial Audit Services	$___________
Other Costs	$___________
Total Cost	$___________

DOLLAR COST BID – PART 2
SCHEDULE OF HOURS AND RATES

	Hours	Hourly Rate
Principal	______	______
Consultant	______	______
Staff	______	______
Other (specify):	______	______

EXHIBIT B: CERTIFICATIONS AND ASSURANCES

I/we make the following certifications and assurances as a required element of the proposal understanding that the truthfulness of the facts affirmed here and the continuing compliance with these requirements are conditions precedent to the award of the related contract(s):

1. I/we declare that all answers and statements made in the proposal are true and correct.

2. The prices and/or cost data have been determined independently, without consultation, communication, or agreement with others for the purpose of restricting competition. However, I/we may freely join with other persons or organizations for the purpose of presenting a single proposal.

3. The attached proposal is a firm offer for a period of 60 days following receipt, and it may be accepted by VCERA without further negotiation (except where obviously required by lack of certainty in key terms) at any time within the 60-day period.

4. In preparing this proposal, I/we have not been assisted by any current or former employee of VCERA whose duties relate (or did relate) to this proposal or prospective contract, and who was assisting in other than his or her official, public capacity.

5. I/we understand that VCERA will not reimburse me/us for any costs incurred in the preparation of this proposal. All proposals become the property of VCERA, and I/we claim no proprietary right to the ideas, writings, items, or samples, unless so stated in this proposal.

6. I/we agree that submission of the attached proposal constitutes acceptance of the RFP contents and all terms of the attached Model Agreement. If there are any exceptions to the RFP or Model Agreement, I/we have described those exceptions in detail on a page attached to this document.

7. No attempt has been made or will be made by the Proposer to induce any other person or firm to submit or not to submit a proposal for the purpose of restricting competition.

8. I/we grant VCERA the right to contact references and others, who may have pertinent information regarding the prior experience and ability of the Proposer and the lead staff person to perform the services contemplated in this procurement.

9. I/we warrant that ACTUARY is willing and able to comply with State of California and other laws that govern VCERA and those who contract with it.

On behalf of the proposer submitting this proposal, my name below attests to the accuracy of the above statements.

Signature of Proposer ____

Name of Proposer (Printed) ____

Title ____

Date ____

EXHIBIT C: SCOPE OF SERVICES

VCERA seeks one qualified actuarial firm to perform a full actuarial audit of assumptions, methods, calculations and experience used in VCERA's June 30, 2012 actuarial valuation and the California Public Employees' Pension Reform Act (CalPEPRA) Contribution Rates for fiscal year 2013-14.

1. Parallel Valuation
   The successful firm shall conduct a parallel valuation (independent reproduction of the detailed valuation results) of VCERA's June 30, 2012 actuarial valuation. ACTUARY shall consult with VCERA's consulting actuary and staff in the course of the engagement. VCERA's consulting actuary will supply both "scrubbed" and raw data to the ACTUARY from the current valuation period. Such audit shall include but not be limited to:

   a) Evaluation of the available data for the performance of such valuation, the degree to which such data is sufficient to support the conclusions of the valuation, and the use and appropriateness of any assumptions made regarding such data.

   b) Evaluation of the reasonableness of the recommended economic and non-economic assumptions as presented in VCERA's consulting actuary's Review of Economic Actuarial Assumptions and Actuarial Experience Study.

   c) Perform parallel valuation as of June 30, 2012 using the assumptions, methodologies and funding method used by VCERA's consulting actuary in their performance of the June 30, 2012 valuation. ACTUARY shall reproduce all work and not rely on the work of VCERA's consulting actuary.

   d) Evaluation of the parallel valuation results and reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and/or adjustments of the ACTUARY and VCERA's consulting actuary.

   e) It is VCERA's intent that parallel valuation results and the reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and or adjustments be communicated to the consulting actuary so that the consulting actuary may consider such adjustments and recommendations for inclusion in the June 30, 2013 actuarial valuation.

   f) Evaluation of the reasonableness of the CalPEPRA contribution rates for fiscal year 2013-14.

ATTACHMENT 1: BOARD OF TRUSTEES/STAFF

Board of Trustees

William W. Wilson, Chair, Appointed Member
Tracy Towner, Vice Chair, Safety Member
Judge Steven Hintz, Treasurer-Tax Collector, Ex-officio Member
Peter Foy, Board of Supervisors, Appointed
Albert G. Harris, Appointed
Joseph Henderson, Appointed
Vacant, Third Position, General Member
Tom Johnston, General Member
Arthur E. Goulet, Retired Member
Chris Johnston, Safety Alternate Member
Will Hoag, Retired Alternate Member

VCERA Staff

Donald C. Kendig, Retirement Administrator
Glenda Jackson, Program Assistant and Clerk of the Board
Henry Solis, Chief Financial Officer
Julie Stallings, Operations Manager
Ruth Tabarez, Benefits Manager
Christina Stevens, Fiscal Manager
Deborah Downey, Technology Services Manager
Vacant, Accounting Officer
Office Assistants:
- Stephanie Caiazza
- Chris Ayala

Benefits Specialists:
- Douglas Arnett
- Donna Edwards
- Charles Fleming
- Chantell Garcia
- Michelle Hernandez
- Linda Pappas Diaz
- Roseann Regalado
- Angela Tolentino
- Rebekah Villalobos
- Kathleen Webb

Benefit Specialists (fixed term):
- Gina Simonelli
- Chris Webb

ATTACHMENT 2: ANNUAL REPORTS

Available at http://portal.countyofventura.org/portal/page/portal/VCERA/Publications:

- Actuarial Valuation as of June 30, 2012
- CalPEPRA Contribution Rates for fiscal year 2013-14.
- Actuarial Experience Study (July 1, 2008 through June 30, 2011)
- Economic Assumptions for June 30, 2012
- Actuarial Funding Policy
- Audited Financial Statements as of June 30, 2012

ATTACHMENT 3: MODEL AUDITING ACTUARY SERVICES AGREEMENT

See attached document.

MODEL ACTUARIAL AUDIT SERVICES AGREEMENT

This ACTUARIAL AUDIT SERVICES AGREEMENT (this "Agreement") is made and entered into by and between the VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ("VCERA") and ________________ ("Auditing Actuary").

RECITALS

A. WHEREAS, VCERA is a public agency created pursuant to the County Employees Retirement Law of 1937 (Cal. Gov't Code Sections 31450, *et seq*.) and is administered by its Board of Retirement (the "Board");

B. WHEREAS, pursuant to Gov't Code Section 31453 and other applicable provisions, the Board has a duty to engage the services of an actuary;

C. WHEREAS, Auditing Actuary represents that it is an "enrolled actuary" under Sections 1241 and 1242 of Title 29 of the United States Code and meets the standards of a qualified actuary under the Employee Retirement Income Security Act of 1974, and is specifically qualified and experienced thereunder and desires to perform the actuarial services as contemplated herein; and

D. WHEREAS, the Board has determined that it is in the best interest of VCERA to (i) retain and engage the services of Auditing Actuary and (ii) assign to Auditing Actuary the duties and responsibilities as more particularly set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants of the parties set forth herein, IT IS HEREBY AGREED AS FOLLOWS:

1. Description of Actuarial Audit Services

a. Auditing Actuary shall provide the auditing actuarial services (the "Services") more particularly set forth in VCERA's Request for Proposals (RFP) 2013-001 to Provide Actuarial Audit Service dated April ___, 2013, which is incorporated into this Agreement by this reference and is attached hereto Exhibit A. Auditing Actuary agrees that the Supervising Auditing Actuary under this Agreement shall be ____[insert name]_____, and that the Supporting Auditing Actuary shall be ____[insert name]_____. All professional actuarial services for VCERA, actuarial certificates, final reports, presentation of assumptions and similar technical documentation from Auditing Actuary must be approved and signed by the Supervising Auditing Actuary as lead Auditing Actuary. These roles shall not be re-assigned without prior written consent of VCERA.

b. All Exhibits shall be subject to the terms of this Agreement, and to the extent the terms of any Exhibit and this Agreement are in direct conflict, the terms of this Agreement shall govern unless the applicable Exhibit expressly provides otherwise by explicit reference to this Section 1.B. Unless otherwise expressly specified in writing, the terms and conditions of each Exhibit shall not be affected by and shall have no effect upon, the terms and conditions of any other Exhibit.

2. Standards of Performance

a. Auditing Actuary shall deliver to VCERA the Services and deliverables in such form and manner and at such times as are specified in the applicable Exhibits. VCERA acknowledges that such time frames represent Auditing Actuary's good faith estimate of the periods required to perform the Services and further, that any such estimated time frame is contingent upon VCERA providing to Auditing Actuary any necessary information and/or performing any necessary action in a timely fashion.

b. Auditing Actuary shall perform the Services in accordance with the following standards:

(1) Auditing Actuary shall perform the Services in the highest professional manner, and shall assign staff that, in Auditing Actuary's judgment, has sufficient education, training or experience to perform the tasks assigned to them.

(2) At all times the Auditing Actuary shall be required to conduct its affairs with VCERA with due regard to its fiduciary responsibility to VCERA for the actions of the Auditing Actuary in performing its duties herein described. Auditing Actuary shall work under the supervision of the Retirement Administrator and report to the results of their work to the VCERA Board of Trustees.

(3) Members of the assigned project team, while working "on-site" at VCERA premises, shall conduct themselves in accordance with VCERA' policies and procedures respecting the conduct of VCERA' s own employees, which such policies and procedures shall be communicated in advance to the assigned project team.

(4) The Services and deliverables provided to VCERA in connection with the performance of the Services shall not infringe on any intellectual property right of any third party.

(5) Auditing Actuary shall maintain in force and effect, and in performing the Services shall comply with, all quality assurance procedures detailed in its Proposal to Provide Actuarial Audit Services to Response to VCERA, dated March ___, 2013 (attached hereto as Exhibit B), which procedures are incorporated herein by this reference. Auditing Actuary shall notify VCERA in advance of making any material changes in such procedures.

(6) Auditing Actuary shall comply at all times with all federal, state and local laws applicable to it and to VCERA, and shall obtain from the appropriate authorities all registrations, permits, licenses and indemnities required for the conduct of Auditing Actuary's business and the provision of Services and deliverables pursuant to this Agreement.

(7) Auditing Actuary agrees as part of this Agreement to provide all historical information regarding the Retirement System to VCERA's current consulting actuary, Segal, and to any successor actuary retained by the Retirement Board.

3. <u>Term and Termination</u>

a. The Agreement shall become effective on the date of the last signature ("Effective Date") hereon, and shall remain in effect, unless terminated earlier pursuant to this Section, until April ___, 2014.

b. If the Auditing Actuary fails to meet, comply with or perform any of the Auditing Actuary obligations under this Agreement for any reason other than a breach of Agreement by VCERA, then VCERA may, by giving ten (10) days prior written notice to the Auditing Actuary, terminate this Agreement, or any project described in the Scope of Work, and exercise any other right or remedy afforded to it by law. If VCERA fails to meet, comply with or perform any of its obligations under this Agreement for any reason other than the breach of this Agreement by the Auditing Actuary, then the Auditing Actuary may, by giving ten (10) days prior written notice to the VCERA Retirement Administrator, terminate this Agreement. Prior to invoking this section both parties will make a good faith effort to resolve any issues that relate to the failure to comply with the obligations under this agreement

c. Upon termination, VCERA shall pay the Auditing Actuary for work-in-progress, Services and expenses incurred prior to the effective date of termination (on a pro-rata basis), the parties shall return Confidential Information received from the other, and all finished documents and other written materials prepared by Auditing Actuary pursuant to this Agreement shall be delivered to the Retirement Board.

4. <u>Fees and Payment</u>

a. VCERA shall pay the Auditing Actuary, in consideration for the Services provided to VCERA, such fees as are set forth on <u>Exhibit C</u> hereto. Auditing Actuary shall prepare and deliver to VCERA all invoices, as and when specified in the applicable Exhibits; each such invoice shall include (i) a detailed list of the Services rendered to VCERA by Auditing Actuary, and (ii) the charges therefor. Unless otherwise specified in the applicable Exhibit, payment thereunder will be due and payable to Auditing Actuary within thirty (30) days of VCERA's receipt of Auditing Actuary's invoice.

b. The fees set forth in the Agreement shall be in place for the entire duration of the Agreement. No fee changes will be permitted without prior written consent of the VCERA Board of Retirement. The Auditing Actuary agrees that tax will not be included in fees as VCERA is a tax exempt entity. Payment by VCERA shall be due within 30 days of receipt of the Auditing Actuary's invoices.

5. <u>Client Information and Property</u>

a. VCERA shall provide Auditing Actuary with all such direction, materials, information and access to VCERA representatives as may be necessary for Auditing Actuary to render the Services. Auditing Actuary shall not be responsible for verifying the accuracy or completeness of any information supplied to Auditing Actuary by VCERA. If any such information is inaccurate or incomplete, written notice shall be given to VCERA of the nature of the inaccurate or incomplete information. VCERA and the Auditing Actuary will mutually agree upon any material time or expense required to correct the information including whether additional service falls outside of the relevant Scope of Work, and, as provided by Section 4 above, any increased authorized expense would require prior written consent of the Board of Retirement.

b. The Retirement Board shall have the exclusive and unrestricted authority to publish, disclose, distribute, and otherwise use in whole or in part in the normal course of business, any reports, data or other materials, except computer software, prepared under this Agreement crediting the Auditing Actuary as the source. All reports, data and other materials, except computer software, prepared directly and exclusively under this Agreement shall be the exclusive property of the VCERA Retirement Board.

6. <u>Confidential Information</u>

a. <u>Definition</u>. The term "Confidential Information" shall mean any and all information that is disclosed to Auditing Actuary verbally, electronically, visually, or in a written or other tangible form that is either identified or should be reasonably understood to be confidential or proprietary, including members' records as provided by law. The term Confidential Information shall not include any information that (1) was in the possession of, or was rightfully known by Auditing Actuary without an obligation to maintain its confidentiality prior to receipt from VCERA; (2) is or becomes generally known to the public through no fault of Auditing Actuary; (3) is obtained by Auditing Actuary in good faith from a third party having the right to disclose it without any obligation of confidentiality; (4) is independently developed by Auditing Actuary without the use of or reference to any of VCERA's Confidential Information and without violating any of Auditing Actuary's obligations under this Paragraph 5; or (5) is required to be disclosed by court order or applicable law, provided notice is promptly given to VCERA and, provided further, that diligent efforts are undertaken to limit such disclosure.

b. VCERA's Confidential Information shall be treated as strictly confidential by Auditing Actuary and shall not be disclosed by Auditing Actuary to any third party, except to those third parties operating under non-disclosure provisions no less restrictive than those set forth in this Section and who have a justified "need to know" in connection with the conduct of VCERA's business.

c. The terms of this Section 6 shall survive termination of this Agreement.

7. Indemnification

Auditing Actuary shall indemnify, defend and hold harmless VCERA, its Retirement Board, its present and former members, its trustees, employees, agents and the County of Marin, its elected representatives, officers, agents, and employees from any and all actions, claims, damages, losses costs or expenses, including payment of attorney's fees (collectively, “Claims”), which may be asserted by any person arising out of any act or omission of the Auditing Actuary in the performance of this assignment and which are caused in whole or in part by any negligent or willful act or omission or a breach of duty by Auditing Actuary, regardless of whether caused in part by a party indemnified hereunder. In the event the Retirement Board or VCERA is partly responsible for the act or omission, the liability of Auditing Actuary shall be calculated in accordance with the principles of comparative fault. Upon receipt of any claim for which the Retirement Board or VCERA intends to seek indemnification hereunder, such party shall promptly notify Auditing Actuary in writing. The terms of this Section 7 shall survive termination of this Agreement.

8. Audit

At any time during the term of this Agreement and for a period of two (2) years after the date a final invoice is delivered to VCERA in respect of any Services, VCERA shall have the right to review, upon reasonable notice, any and all records relating to the Services and the charges incurred for the Services provided under the Scope of Work, except for the confidential or proprietary information or trade secrets of Auditing Actuary, or as otherwise provided by law with respect to any third party. Auditing Actuary shall retain all such records for so long as necessary to perform its obligations hereunder. Upon the exercise by VCERA of this right, Auditing Actuary shall make available such records as determined by Auditing Actuary to be necessary to enable VCERA to audit the services rendered and the entire amounts charged to VCERA under a Scope of Work. VCERA shall compensate Auditing Actuary for reasonable time expended by Auditing Actuary and shall reimburse Auditing Actuary for any reasonable expenses incurred in connection with said review, which review shall be conducted at mutually convenient times and locations, and in a manner that does not disrupt Auditing Actuary’s or VCERA’s business operations.

Any information disclosed to VCERA in the course of the review, if designated in writing as confidential by Auditing Actuary, shall be treated as confidential information of the Auditing Actuary and shall not be disclosed by VCERA to any third party, except to those third parties operating under non-disclosure provisions no less restrictive than those set forth in this Agreement and who have a justified business "need to know", or pursuant to a court order. Notwithstanding the foregoing, to the extent VCERA engages a third party to assist it in conducting a review contemplated by this provision, no such third party may participate in the review without the prior reasonable consent of the Auditing Actuary. It shall not be considered reasonable for Auditing Actuary to refuse to consent to allow a third party that provides similar services as Auditing Actuary to participate on behalf of VCERA in the audit review process, except Auditing Actuary may decline to disclose to such a third party its confidential, proprietary information or trade secrets. The terms of this Section 7 shall survive termination of this Agreement for the period provided by this Section.

9. <u>Insurance</u>

During the term of this Agreement and any Scope of Work, and for so long thereafter as necessary to cover events occurring during such term and the consequences therefrom, Auditing Actuary shall maintain insurance policies relating to professional liability, statutory minimum workers' compensation and general liability in amounts that are reasonable and customary for Auditing Actuary's business activities. Notwithstanding the foregoing, Auditing Actuary shall secure one or more insurance policies from insurer(s) with A.M. Best ratings satisfactory to VCERA, for Professional Errors and Omissions ("E&O Insurance") with coverage of at least five million dollars ($5,000,000) in the aggregate and per occurrence during any single year, which such E&O Insurance shall cover all Auditing Actuary's officers, directors, owners, members, partners, employees and agents performing Services and rendering deliverables pursuant to this Agreement. All policies, except for the Workers' Compensation and E&O Insurance, shall contain additional endorsements naming VCERA and its officers, trustees, and employees as additional named loss payees with respect to liabilities arising out Auditing Actuary's performance in connection with this Agreement. All policies required by this Section shall be primary and non-contributory with any insurance or self-insurance programs carried or administered by VCERA. Auditing Actuary shall furnish certificates of insurance to VCERA evidencing such insurance coverage, including endorsements, prior to the commencement of performance of Services hereunder, and shall be responsible for furnishing updated certificates as timely and appropriate.

10. <u>Independent Contractor</u>

All Services provided by Auditing Actuary shall be rendered in Auditing Actuary's capacity as an independent contractor. None of the terms set forth in this Agreement shall be interpreted to create any agency, master-servant, employment or any other relationship between VCERA and Auditing Actuary.

11. Changes and Delays

a. Changes in scope of the Services dictated by VCERA and changing conditions of law or schedule delays or other events beyond the Auditing Actuary's reasonable control, including events described below, may require date of performance revisions to be agreed upon by both parties. In the event that performance on the part of either party is delayed or suspended as a result of circumstances beyond its reasonable control such as Acts of God or other force majeure event, and without its fault or negligence, then the period of performance and term of this Agreement shall be extended to the extent of any such delay and neither party shall incur any liability to the other party as a result of such delay or suspension.

b. The Auditing Actuary's performance hereunder is contingent upon the cooperation of VCERA, including the supply to the Auditing Actuary of adequate resources and information as mutually agreed upon pursuant to this Agreement. If any delays in the Auditing Actuary's performance occur as a result of failure or untimely performance by VCERA and/or vendors, the term of this Agreement shall be extended to a mutually agreed upon date. The Auditing Actuary shall not incur any liability to VCERA as a result of such delay.

12. Delegation

The Auditing Actuary shall not delegate or assign its duties in this Agreement without prior written consent of VCERA. Any such delegation or assignment without prior written consent of VCERA shall result in termination of this Agreement.

13. Severability

If any term or provision of this Agreement is held to be invalid or unenforceable, the remaining terms or provisions of this Agreement shall not be affected thereby.

14. Discrimination Prohibited

The Auditing Actuary shall not engage in any unlawful employment practices on the basis of race, sex, religion, color, national origin, age, ancestry, sexual orientation, or disability.

15. Governing Law and Venue

This Agreement and all transactions contemplated herein shall be governed by and construed in accordance with the laws of the State of California as applied to domiciliaries thereof. Any litigation arising out of this Agreement shall be brought in Ventura County, California.

16. Entire Agreement

This Agreement, including all Exhibits, constitute the entire understanding between the parties with respect to the subject matter hereof and may only be amended or modified by a writing signed by a duly authorized representative of each party.

17. Counterparts

This Agreement and each Exhibit may be executed in counterparts, each of which shall be deemed an original.

18. Notices

Except as may be otherwise required by law, any notice to be given shall be written and shall be either personally delivered, sent by facsimile transmission or sent by first class mail, postage prepared and addressed as follows:

Board:
Ventura County Employees' Retirement Association
Donald C. Kendig, Retirement Administrator
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572

Auditing Actuary:

[INSERT NAME, ADDRESS]

19. Waivers

The failure of either party to insist on strict compliance with any provision of this Agreement shall not be considered a waiver of any right to do so, whether for that breach or any subsequent breach. The acceptance by either party of either performance or payment shall not be considered to be a waiver of any preceding breach of this Agreement by the other party.

20. Audited Financial Statements

During the term of this Agreement, Auditing Actuary shall furnish VCERA's Retirement Administrator copies of Auditing Actuary's most recent audited annual financial statements (or if none, financial statements certified as true and correct by Auditing Actuary's Chief Executive Officer) as soon as they become available to Auditing Actuary in the ordinary course.

VCERA shall treat such statements as the confidential information of Auditing Actuary and will not make them part of its public records. The Retirement Administrator shall disclose such information only to the Board and staff members of VCERA to the extent he deems it necessary to the administration of the retirement system.

IN WITNESS WHEREOF, the parties hereby agree to all of the above terms and have executed this Agreement as of the Effective Date.

[INSERT NAME OF AUDITING ACTUARY FIRM]:

_____________________ DATE: ________, 2013

Ventura County Employees' Retirement Association:

____________________________________ DATE: ________, 2013
Donald C. Kendig, Retirement Administrator

EXHIBIT A – Scope of Actuarial Audit Services

Services to be provided under the Agreement are all those Services described in Exhibit C of the Attached Request for Proposals for Actuarial Audit Services (“RFP”).

The Auditing Actuary’s final report shall be provided both in writing and through an in-person presentation to the Board. A prior in-person meeting with VCERA staff and/or VCERA’s consulting actuary shall also be provided, upon VCERA’s request.

The written Audit Report (25 copies) shall be delivered to VCERA, by the Auditing Actuary, in compliance with the Timeline set forth in the Attached RFP.

EXHIBIT B – Proposal (RFP) to Provide Auditing Actuary Services

EXHIBIT C – Fees for Services

Auditing Actuary's fees and rates for the services to be provided under this Agreement are shown below.

BEST PRACTICE

Sustainable Funding Practices of Defined Benefit Pension Plans (1994, 2005, 2008 and 2009) (CORBA)

Background. The fundamental financial objective of a public employee defined benefit (DB) pension plan is to fund the long-term cost of benefits promised to the plan participants. It is widely acknowledged that the appropriate way to attain reasonable assurance that pension benefits will remain sustainable is for a government to accumulate resources for future benefit payments in a systematic and disciplined manner during the active service life of the benefitting employees.

Long-term funding is accomplished through contributions from the employer and employee, and from investment earnings, which typically provide the largest component of funding. Contributions are often expressed as a percentage of active member payroll, which should remain approximately level from one year to the next. Principles of accrual accounting require that the total cost of employee services be recognized in the period in which those services are rendered. A plan's funding policy codifies the pension system's commitment to fund benefit promises based on regular actuarial valuations. Creating a funding policy that embodies these accounting and funding principles is a prudent governance practice and helps achieve intergenerational equity among those who are called on to financially support the plan, thereby avoiding the transfer of costs to future generations.

Recommendation. The Government Finance Officers Association (GFOA) recommends that state and local government officials ensure that the costs of the benefits promised in public employee DB plans are properly measured and reported, in accordance with generally accepted accounting principles (GAAP)[1]. The GFOA believes sustainability requires that governments that sponsor or participate in a defined benefit pension plan contribute the full amount of their actuarially determined annual required contribution (ARC) each year. Failing to fund the ARC during recessionary periods impairs investment returns by depriving the fund of its opportunity to invest when stock prices are low. Long-term investment performance will suffer and ultimately require higher contributions.

In pursuing these standards and criteria, public officials and retirement system trustees should, at a minimum, adhere to the following best practices:

1. Adopt a funding policy targeting a 100 percent or more funded ratio (full funding). The funding policy should provide for a stable amortization period over time[2], with parameters provided for making changes that are based on specific circumstances. Establish a period for amortization of unfunded actuarial accrued liabilities that does not exceed the parameters established by GAAP[3] and that is consistent with the funding policy of the plan.

2. Discuss the funding and amortization methods with your actuary, and select the one that most closely aligns with the funding policy. The actuarial funding method selected is a key component of the funding

---

[1] The Governmental Accounting Standards Board (GASB) currently sets GAAP for state and local governments.
[2] Public officials and retirement system trustees should exercise extreme caution when considering the use of "open amortization" since this method can delay full amortization indefinitely, and could even result in the amount to be amortized increasing rather than decreasing.
[3] GASB standards set a maximum amortization period of no longer than 30 years.

policy of the plan[4]. Some funding methods may result in more variations in the ARC (the portion of the present value of projected benefits that is attributable to the current period) than others. Governments should take measures to reduce the volatility in the ARC in order to create a more predictable operating budget and enhance their ability to meet funding obligations.

3. The funding policy should stipulate that employer and employee contributions are to be made at regular intervals, with the contribution amount determined by the results of a recent actuarial valuation of the system. To ensure that this objective can be achieved, the funding policy should be integrated with investment and asset allocation policies. Reductions or postponements in collecting the ARC would typically be inconsistent with the assumptions made in computing the ARC. When contributions fall below the ARC, the board of trustees should prepare a report that analyzes what effect the underfunding has on the system and distribute the report to all stakeholders.

4. Have an actuarial valuation prepared at least biennially by a qualified actuary in accordance with generally accepted actuarial principles applied in a manner consistent with GAAP. Each valuation should include a gain/loss analysis that identifies the magnitude of actuarial gains and losses, based on variations between actual and assumed experience for each major assumption. Have a comprehensive audit of the plan's actuarial valuations performed by an independent actuary at least once every five to eight years. The purpose of such a review is to provide an independent critique of the reasonableness of the actuarial methods and assumptions in use and the validity of the resulting actuarially computed contributions and liabilities.

5. Actuarial assumptions should be carefully reviewed by retirement system staff, discussed with outside experts (including investment advisors), and explicitly approved by trustees. Assumptions that should be carefully reviewed include the long-term return on assets, salary growth, inflation, mortality tables, age eligibility, and any anticipated changes in the covered population of plan participants. Have an actuarial experience study performed at least once every five years, and update actuarial assumptions as needed.

6. Prepare and widely distribute a comprehensive annual financial report (CAFR) covering retirement system activity, and distribute summary information to all plan participants. The CAFR should be prepared following the guidance provided by the GFOA for the preparation of a public employee retirement system CAFR.

GFOA recommends the following options to reduce ARC volatility:

1. *Smoothing returns on assets.* Smoothing investment returns over several years recognizes that the system's investment portfolio performance does fluctuate, and only by coincidence will it exactly equal the assumed actuarial rate of return for any given year. This approach reduces the volatility within the calculation of the ARC. A smoothing period is used to balance the need for a longer-term investment horizon with the short-term market fluctuations in the value of plan assets. While the smoothing period is typically about five years, it can be longer, if controls are in place to assure that any variation between the market value and actuarial value of assets does not become too large. A common approach is to establish corridors around market value of assets to stipulate the maximum percentage by which the actuarially smoothed value will be allowed to deviate from the actual market value (pension funds commonly limit the actuarial value of assets to no less than 80 percent of market value and no more than 120 percent). Once a smoothing method is established, the retirement board should adhere to it and avoid making arbitrary changes to the methodology.

2. *Diversifying the investment portfolio to reduce volatility in investment returns.* Diversifying assets across and within asset classes is a fundamental risk management tool that also has the effect of reducing the fluctuations in ARC volatility. Although annual changes in the ARC are affected by numerous factors, the

[4] The use of projected unit credit method (one of six actuarial cost allocation methods permitted by GAAP) typically would *not* be consistent with the goal of level funding.

most significant is usually investment return. It is recommended that retirement systems periodically conduct asset-liability studies for use in reviewing their asset allocation policies. (See GFOA's Best Practice, *Asset Allocation Guidance for Defined Benefit Plans,* 2009).

3. *Managing investment returns long term*. Because the investment return assumption is an average long-term expected rate of return, excess earnings in any one year will likely be offset by lower-than-expected rates of return in a future year. Thus, any program that is derived from an excess-earnings concept is detrimental to the funded status of the plan.

4. *Managing growth in liabilities.* Managing growth in liabilities should also be done long term. All benefit increases for members and beneficiaries should be carefully considered and appropriately approved, and be consistent with all Internal Revenue Service requirements. Whether cost of living adjustments (COLAs), benefit formula enhancements, or post-retirement benefit increases, a clear strategy should be developed that integrates benefit enhancements with the funding policy of the plan. Further, all benefit enhancements and COLAs should be actuarially valued and presented to the Board of Trustees, plan sponsor and appropriate legislative body before they are adopted so the effect of the benefit enhancements on the fund's actuarial accrued liability, funded ratio, and contribution rates is fully understood. This step will help ensure that the goal of fully funding member benefits is achieved, and the financial condition of the retirement system remains sustainable. If a benefit enhancement is being considered, a source of funding should be identified that can support the enhancement over the long term.

5. *Maintaining vigilance against ethical violations and benefit calculation abuse.* While affecting only a small percentage of retirement systems, and often only in select instances in these systems, headline-grabbing abuses of retirement benefit enhancements such as salary spiking can create negative public perceptions that are harmful to all retirement systems and can adversely affect the sustainability of the system. Policies to safeguard against these abuses or undesired outcomes should be considered.

Resources.

- *Financing Retirement System Benefits*, Richard G. Roeder, GFOA, 1987.
- *Pension Accounting and Reporting, Second Edition*, William R. Schwartz, GFOA, 1995.
- *Guidelines for the Preparation of a Public Employee Retirement System Comprehensive Annual Financial Report*, Stephen Gauthier, GFOA, 1996.
- *An Elected Officials Guide to Public Retirement Plans*, Cathie G. Eitelberg, GFOA, 1997.
- *A Guide for Selecting Pension Actuarial Consultants: Writing RFPs and Evaluating Proposals*, Robert Pam, GFOA, 1999.
- *Public Pension Systems – Operational Risks of Defined Benefit and Related Plans and Controls Investment Policy Checklist for Pension Fund Assets*, GFOA, May 2003.
- GFOA Best Practice, *Asset Allocation Guidance for Defined Benefit Plans*, 2009.

Approved by the GFOA's Executive Board, October, 2009.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

February 25, 2013

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

SUBJECT: REQUEST FOR AUTHORIZATION TO TRAVEL, PROPOSED SITE VISITS – STATE STREET GLOBAL ADVISORS', PANTHEON AND RREEF MARCH 21, 2013 (reconsideration)

Dear Board Members:

On January 28, 2013, your Board approved the proposed site visit 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 by Henry Solis, VCERA CFO; Lori Nemiroff, Board Counsel; Art Goulet, Trustee; Chris Johnston, Trustee; and any other interested Trustees, with Russ Charvonia, of HEK, accompanying.

This is a very tight schedule allowing for approximately two hours per manager and no wiggle room for any additional interaction or travel anomalies. Trustee Chris Johnston asks that the Board consider authorizing proposed site visits on March 20 and 21, 2013 to allow for more in depth three hour meetings and the opportunity to take longer, if needed, depending on the nature and flow of each visit.

In light of his request, staff suggests an afternoon meeting on March 20 of State Street Global Advisors' (SSgA's) custodial operations in Sacramento, traveling to San Francisco that evening and staying at the hotel, with the negotiated rate by Manatt. Russ will be unavailable for this meeting, but can provide questions ahead of time with Henry Solis leading VCERA's efforts at that site.

If approved, Russ Charvonia would join up with VCERA site visitors the morning of March 21 and meet with one manager scheduled in the morning and one scheduled in the afternoon (with either RREEF or Pantheon starting the day).

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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February 25, 2013

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

SUBJECT: PENSIONABLE COMPENSATION UNDER THE CALIFORNIA PUBLIC EMPLOYEES' PENSION REFORM ACT (CalPEPRA)

Dear Board Members:

Background

This matter was brought to the Board on December 3, 2012, and after hearing comment from interested parties and having Board discussion, the item was tabled to December 17, 2012. At the December 17, 2012 meeting, the Board tentatively adopted Board Counsel interpretation option 2 pending a sixty (60) day waiting period. Option 2 is an interpretation of Government Code (GC) Section 7522.34 that includes skills-based and service-based pay items, on top of base pay, that are not specifically excluded per subdivision (c) of GC Section 7522.34.

The waiting period was utilized to allow time for CalPERS to issue a position or regulations on interpretation of the term "pensionable compensation" as used in the new law and that most closely resembled Public Employees' Retirement Law (PERL) as opposed to County Employees Retirement Law (CERL). This also provided time for the County to review its own interpretation and to evaluate its various options. In addition, in the event that there was urgency legislation, VCERA would have the benefit of waiting for clearer guidance, before initiating intense corrective measures or making a decision that could be challenged through costly and detractive litigation.

While the waiting period expired February 15, 2013, and the tentative decision is considered now effective, staff has not taken any action, and would have suggested a seventy (70) day waiting period to allow for formal Board direction at this meeting. Staff does therefore ask for Board direction on the matter of pensionable compensation.

Discussion

Attached is a letter from Michael Powers, Ventura County CEO, asking for an additional extension of time to evaluate how it might adjust its salary resolution to include certain types of compensation in base pay. His letter asks for an additional extension of sixty (60) days, and given the problem of a specific number of days, staff suggests extending the Board's adopted interpretation of pensionable compensation until April 15, 2013, whereby it would become effective.

An extension is warranted because urgency legislation is currently being circulated under Senate Bill 13, which could lend clarity to the correctness of the tentative decision and subsequent actions to impose it, though the current version of the bill does not yet address pensionable compensation. CalPERS has announced that it will be issuing additional regulations concerning its interpretation of "publicly available pay schedules" as used in the definition of "pensionable compensation" within the next 30 to 60 days; in turn, indirectly providing guidance to staff as to how to specifically implement and impose the tentative decision once it becomes final. The County's adjustment of its salary resolution could bring it into conformity with VCERA's interpretation of Pensionable Compensation, even though the two agencies might still fundamentally disagree on the definition.

On the other hand, the law became effective January 1, 2013, and the County is out of compliance with the Board's interpretation of the law (provided that the County has hired "new" employees since January 1, 2013) and some would argue that VCERA has the duty to compel compliance, as the contributions being submitted by the County are based on less pensionable compensation than for which the Board's interpretation of the law provides, and as of this writing, staff has not received written assurance from the County that it will make additional employer and member contributions to the retirement system on those additional pay items, retroactive to January 1, 2013. Staff needs a final decision before commencing a major rewrite of its member materials, and uncertainty will remain until the final decision is imposed.

As an aside, It is staff's understanding the Ventura County Regional Sanitation District (VRSD) has not hired any "new" employees and only has two codes (both for stand-by) that are potentially pay for services rendered outside normal working hours, that are in question.

It is recommended that your Board adopt an extension of the tentative interpretation of pensionable compensation until April 15, 2013, or direct staff to begin imposing the Board's interpretation on the plan sponsors.

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

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachment

county of ventura

COUNTY EXECUTIVE OFFICE
MICHAEL POWERS
County Executive Officer

J. Matthew Carroll
Assistant County Executive Officer

Paul Derse
Assistant County Executive Officer/
Chief Financial Officer

Catherine Rodriguez
Assistant County Executive Officer/
Labor Relations & Strategic Development

Kelly Shirk
Director Human Resources

February 8, 2013

William Wilson, Chair
Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Ave
Ventura, CA 93003

RE: Pensionable Compensation Under the Public Employees' Pension Reform Act –Request for Postponement

Dear Chair Wilson and Board Members,

At the VCERA Board meeting of December 17, 2012, our office notified your Board that the County Executive Office has recommended to our Auditor-Controller, based upon County Counsel's Opinion, that Pensionable Compensation reported to the Ventura County Employees' Retirement Association be the normal rate of pay or base pay pursuant to the Ventura County Salary Resolution or such publicly available pay schedules. Our office also requested your Board adopt the same legal interpretation.

Your Board subsequently adopted an interpretation of Pensionable Compensation that includes skills-based and service-based supplemental payments. You also elected to postpone VCERA's implementation of this interpretation for sixty days to allow for time to obtain additional information.

Our position remains that Pensionable Compensation is comprised of base pay pursuant to the Ventura County Salary Resolution. Nevertheless, since this meeting, our office and the County Counsel's office have been evaluating information, including the information presented at your Board meeting, to determine whether the Salary Resolution should be adjusted to include certain types of compensation.

To allow additional time for this evaluation, our office requests that your Board postpone implementation of the proposed interpretation of Pensionable Compensation for at least another sixty days. The evaluation is ongoing and may eventually require negotiations with certain unions and amendments to those union contracts. This process will most

Hall of Administration L # 1940
800 South Victoria Avenue, Ventura, CA 93009 • (805) 654-2681 • FAX (805) 658-4500

likely take longer than sixty days, however such an extension would allow us to return to your Board during that time to provide an update on the progress of our evaluation.

Thank you for considering this request. If you have any questions, please contact Paul Derse at 662-6792 or me at 654-2681.

Sincerely,

Michael Powers

C: Steve Bennett, Supervisor, District 1
Peter Foy, Supervisor, District 4
Kathy I. Long, Supervisor, District 3
Linda Parks, Supervisor, District 2
John C. Zaragoza, Supervisor, District 5
Donald C. Kendig, Retirement Administrator
Leroy Smith, County Counsel
Paul Derse, Assistant County Executive Officer/ Chief Financial Officer
Catherine Rodriguez, Assistant County Executive Officer/ Labor Relations/ Strategic Development

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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http://www.ventura.org/vcera

February 25, 2013

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

SUBJECT: REINSTATEMENT OF ACTIVE MEMBERSHIP; SANDRA LOZANO

Dear Board Members:

Staff recommends that our retired member, Sandra Lozano, be reinstated to active membership pursuant to Government Code Sections 31680.4 & 31680.5.

Pursuant to section 31680.4, Ms. Lozano has submitted her application for reinstatement, a medical determination that she is not incapacitated for the duties assigned, and a letter indicating her offer of full-time employment, thereby qualifying Ms. Lozano to be an active member of VCERA.

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

RECEIVED

FEB 11 2013

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

February 11, 2013

Ventura County Employee's Retirement Association
1190 South Victoria Ave, STE 200
Ventura, CA 93003-6572

Dear VCERA Retirement Board,

Please accept this letter as a request to be reinstated into the Ventura County retirement system as an active member. I am currently a retired member from the Account Executive II, WIA, BESD program. I am seeking restatement into the retirement system and have received a job offer from the WIA, BESD program.

Enclosed with this letter is my doctors release form stating that I am physically able to perform the required duties for the Account Executive II position.

Thank you for your time and consideration for my reinstatement.

Respectfully,

Sandra Lozano

Sandra Lozano
(805) 402-2155

RECEIVED

FEB 11 2013

VENTURA COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

Jody Balloch M.D., Inc
3801 Las Posas Rd. Ste 106
Camarillo Ca 93010
Ph # 805-482-1416 Fax # 805-389-3047

February 8, 2013

RE: Lozano, Sandra
DOB: 10/01/1961

To Whom It May Concern:

I am the primary care physician for Sandra Lozano. She does not have any medical conditions that would prevent her from performing the activities and functions of an account executive.

Sincerely,

Jody Balloch M.D.

Barry L. Zimmerman
Director

February 13, 2013

Sandra Lozano
787 Helsam Avenue,
Oxnard, CA 93036

Dear Ms. Lozano,

While it is not the practice of Human Services Agency to issue a written job offer letter, Julie Stallings, VCERA, advised that it is a mandatory requirement of the retirement board to review a written job offer letter for a retiree who is requesting amendment to pension receipt.

This is to confirm a verbal contingent job offer was extended to you on February 6, 2013, by Christy Norton, Human Services Agency, for a Fixed-term Account Executive position. The effective date of the position is yet to be determined based upon successfully passing all pre-employment processes.

Human Services Agency
Human Resources

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
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February 25, 2013

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

SUBJECT: REQUEST TO ATTEND THE ANNUAL ADAMS STREET PARTNERS CLIENT CONFERENCE – JUNE 5, 2013

Dear Board Members:

Mr. Tracy Towner is requesting authorization to attend the Annual Adams Street Partners Client Conference. The conference is scheduled for June 5, 2013 in Chicago.

Please consider Mr. Towner's request, 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

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February 25, 2013

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

SUBJECT: PROPOSED BUDGET ADJUSTMENTS FOR BOARD APPROVED REQUESTS

Dear Board Members:

During the current fiscal year, your Board took action to approve several staff requests listed in the attached schedule based on events that transpired after the budget was adopted. While those items were approved by your Board, budgetary adjustments were not included or authorized. Therefore, staff is recommending the following budgetary adjustments to establish appropriations for those items previously approved:

DECREASE - Salaries & Employee Benefits	$ 94,700
INCREASE - Service & Supplies	$ 59,500
INCREASE - Information Technology	$484,750
DECREASE – Contingency	$449,550

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

Sincerely,

Henry C. Solis, CPA
Chief Financial Officer

Attachment

Ventura County Employees' Retirement Association
Schedule of Budget Adjustments Required for Board Approved Requests
Fiscal Year 2012-13

Board Letter Description	Date	Agenda Item	Account	Amount	FY 2012-13	Future Years
MBS Master Service Agreement	9/10/2012	VI.A.1 & 2	Information Technology	$ 431,712	$ 207,700	$ 224,012
MBS Master Service Agreement	9/10/2012	VI.A.1 & 2	Salaries & Employee Benefits	(282,000)	(94,700)	(187,300)
MBS Master Service Agreement	9/10/2012	VI.A.1 & 2	Contingency		(113,000)	36,712
Quarterly PAS (VCERIS) Report	10/15/2012	VI.A.	Information Technology	$ 358,750	$ 261,100	$ 97,650
Quarterly PAS (VCERIS) Report	10/15/2012	VI.A.	Contingency		(261,100)	
Limited Duration Programming for CalPEPPRA	12/3/2012	VII.E.	Information Technology	$ 22,950	$ 22,950	
Limited Duration Programming for CalPEPPRA	12/3/2012	VII.E.	Contingency		(22,950)	
Quarterly PAS (VCERIS) Report	2/4/2013	V.A	Information Technology	$ (101,300)	$ (7,000)	$ (94,300)
Quarterly PAS (VCERIS) Report	2/4/2013	V.A	Contingency		7,000	
RFP Investment Consultant - Cortex	2/4/2013	V.B.	Service & Supplies	$ 29,500	$ 29,500	
RFP Investment Consultant - Cortex	2/4/2013	V.B.	Contingency		(29,500)	
Disability Process Review - Annette Paladino	2/4/2013	V.C	Service & Supplies	$ 30,000	$ 30,000	
Disability Process Review - Annette Paladino	2/4/2013	V.C	Contingency		(30,000)	
Total Adjustments Requested			**Salaries & Employee Benefits**		**$ (94,700)**	
			Service and Supplies		**59,500**	
			Information Technology		**484,750**	
			Contingency		**(449,550)**	

-

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February 25, 2013

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

SUBJECT: MID-YEAR BUDGET UPDATE FOR FISCAL YEAR 2012-13

Dear Board Members:

With respect to the adopted budget, over fifty percent of the FY is complete and consequently, we have a reasonable estimate of the financial status for the year ending June 30, 2013. The attached Budget Summary reflects actual expenditures through January 31, 2013, as well as year-end projected expenditures based on staff's best estimates. In addition, the Budget Summary reflects the proposed budget adjustments requested in the previous letter for Board approved requests in the current fiscal year.

Salaries & Employee Benefits: Overall Salaries and Employee Benefits are projected to be slightly under budget at approximately $72,000. Savings were realized due to vacancies, primarily the unfilled Accounting Officer IV position, with an increase in the use of extra-help to help manage workload until filling the positions.

Services & Supplies: Overall Services & Supplies is projected to exceed the budget by approximately $77,000. The primary contributors to the budget overrun are Telephone Services ($19,680), Professional Services ($108,840), and Facilities Charges ($6,400). More specifically, Telephone (Telecommunication) Services is projected to be higher due to the omission of $9,600 in IT Service charges for network connectivity service contracts in the original budget; overall monthly telecommunication (phone and network access) recurring charges are approximately $300 higher than budgeted due to a variance from the estimate that was initially provided to VCERA; and $6,300 in charges associated with the network cabling of additional office space secured for the PAS project. The network cabling charges are mostly offset by $5,000 savings in Furniture that was budgeted, but not utilized, to furnish the new suite. Staff was able to secure all the furniture for the new suite from County surplus at no cost to VCERA.

Professional Services will exceed budget by $108,840 primarily due to actuarial services provided by our Actuary, which is projected to exceed the budgeted amount by $112,000. Included in the adopted budget were appropriations to cover the actuarial valuation and quarterly retainer. Services provided but not budgeted were asset liability study assistance to our investment consultant HEK, CalPEPRA (AB340) including calculating new contribution rates, IRS 415 limit screening and calculations and updating the VCERA VRAP calculator. The remaining services within the Professional services will offset each other with no material variances projected by year end.

Facilities Charges are projected to exceed budget by approximately $6,400. This is due primarily to the cost of installing the electronic door readers to limit access and protect the safety of staff. The actual cost will be higher than what was included in the budget due to the actual cost exceeding the county vendor's original estimate.

VCERA anticipates savings of approximately $44,000 from several accounts due to charges being less than anticipated or Management's decision to defer planned expenditures to create savings. The more significant expenditure line items where savings will be realized are Conference, Seminar and Travel and Postage.

Information Technology: The Information Technology budget is projected to exceed budget by approximately $28,000. This difference is due primarily to the purchase of a server (hardware) for approximately $14,000 to be shared by PAS and VCERA operations that was not anticipated until future fiscal years and implementation of the accounting software upgrade due to the current versions report writer incompatibility with the current operating system standards of $5,000 that was not budgeted. The PAS-related budget will be reduced in future years to reflect the timing of the hardware purchase.

Overall, these variances provide little flexibility should unanticipated expenditures occur through the remainder of the fiscal year. That being said, staff recommends that no further budgetary adjustments be made at this time with respect to Salaries & Employee Benefits and Services & Supplies as any excess in Service & Supplies can be absorbed with savings in Salaries & Employee Benefits. Staff will return to your Board in May with an update and any appropriation proposed adjustments. With respect to Information Technology, staff recommends an adjustment of $50,000 from Contingency to cover the projected shortfall and to allow flexibility for any unplanned expenditures for the remainder of the fiscal year.

Recommendation:

Authorize Staff to process the following Budgetary Adjustments:

INCREASE - Information Technology	$50,000
DECREASE – Contingency	$50,000

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

Sincerely,

Henry C. Solis, CPA
Chief Financial Officer

Attachment

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BUDGET SUMMARY FISCAL YEAR 2012-2013
January 2013 - 58.00% of Fiscal Year Expended and Year End Projection

EXPENDITURE DESCRIPTIONS	2012/2013 Adopted Budget	2012/2013 Adjusted Budget	Year to Date Expended	Projected @ Year End	Available Balance	Percent Expended
Salaries & Employee Benefits:						
Regular Salaries	$ 1,623,400.00	$ 1,558,900.00	$ 780,308.31	$ 1,508,670.00	$ 50,230.00	96.78%
Extra-Help	25,000.00	25,000.00	25,200.01	40,200.00	(15,200.00)	160.80%
Overtime	7,600.00	7,600.00	839.06	1,840.00	5,760.00	24.21%
Supplemental Payments	49,300.00	47,000.00	23,146.23	45,240.00	1,760.00	96.26%
Vacation Redemption	71,700.00	71,700.00	51,613.80	66,610.00	5,090.00	92.90%
Retirement Contributions	363,600.00	350,200.00	169,413.85	325,530.00	24,670.00	92.96%
OASDI Contributions	82,600.00	79,000.00	46,993.01	93,580.00	(14,580.00)	118.46%
FICA-Medicare	25,400.00	24,400.00	12,092.76	22,990.00	1,410.00	94.22%
Management Retiree Health Benefit	15,600.00	15,600.00	9,138.72	13,030.00	2,570.00	83.53%
Group Insurance	159,800.00	152,700.00	75,348.00	148,820.00	3,880.00	97.46%
Life Insurance/Mgmt	900.00	900.00	486.05	950.00	(50.00)	105.56%
Unemployment Insurance	2,500.00	2,400.00	1,157.55	2,280.00	120.00	95.00%
Management Disability Insurance	4,100.00	3,900.00	1,887.77	3,730.00	170.00	95.64%
Worker' Compensation Insurance	10,200.00	9,800.00	5,242.84	9,760.00	40.00	99.59%
401K Plan Contribution	41,500.00	39,400.00	14,333.48	32,990.00	6,410.00	83.73%
Total Salaries & Employee Benefits	$ 2,483,200.00	$ 2,388,500.00	$ 1,217,201.44	$ 2,316,220.00	$ 72,280.00	96.97%
Services & Supplies:						
Telephone Services - ISF	$ 21,400.00	$ 21,400.00	$ 24,727.57	$ 41,080.00	$ (19,680.00)	191.96%
General Insurance - ISF	9,600.00	9,600.00	4,796.00	9,590.00	10.00	99.90%
Office Equipment Maintenance	1,000.00	1,000.00	503.79	1,500.00	(500.00)	150.00%
Membership and Dues	9,700.00	9,700.00	7,870.00	8,720.00	980.00	89.90%
Education Allowance	6,000.00	6,000.00	2,000.00	2,000.00	4,000.00	33.33%
Cost Allocation Charges	(34,100.00)	(34,100.00)	(17,074.00)	(34,100.00)	-	100.00%
Printing Services - Not ISF	5,500.00	5,500.00	804.39	1,300.00	4,200.00	23.64%
Books & Publications	2,500.00	2,500.00	780.82	1,580.00	920.00	63.20%
Office Supplies	18,000.00	18,000.00	8,846.22	15,250.00	2,750.00	84.72%
Postage & Express	55,000.00	55,000.00	24,719.25	43,020.00	11,980.00	78.22%
Printing Charges - ISF	12,000.00	12,000.00	5,335.17	7,340.00	4,660.00	61.17%
Copy Machine Services - ISF	5,900.00	5,900.00	3,039.54	6,890.00	(990.00)	116.78%
Board Member Fees	11,500.00	11,500.00	5,500.00	10,500.00	1,000.00	91.30%
Professional Services	828,400.00	887,900.00	534,494.85	996,740.00	(108,840.00)	112.26%
Storage Charges	3,200.00	3,200.00	2,082.67	3,540.00	(340.00)	110.63%
Minor Equipment	18,500.00	18,500.00	13,319.90	13,320.00	5,180.00	72.00%
Office Lease Payments	164,600.00	178,600.00	86,876.86	177,480.00	1,120.00	99.37%
Private Vehicle Mileage	8,000.00	8,000.00	5,985.01	8,840.00	(840.00)	110.50%
Conference, Seminar and Travel	60,000.00	60,000.00	21,526.63	42,750.00	17,250.00	71.25%
Furniture	2,000.00	7,000.00	647.00	650.00	6,350.00	9.29%
Facilities Charges	15,000.00	15,000.00	2,856.76	21,400.00	(6,400.00)	142.67%
Total Services & Supplies	$ 1,223,700.00	$ 1,302,200.00	$ 739,638.43	$ 1,379,390.00	$ (77,190.00)	105.93%
Total Administrative Budget	$ 3,706,900.00	$ 3,690,700.00	$ 1,956,839.87	$ 3,695,610.00	$ (4,910.00)	100.13%
Information Technology:						
Computer Hardware	$ 20,000.00	$ 20,000.00	20,769.15	$ 26,270.00	$ (6,270.00)	131.35%
Computer Software	8,800.00	8,800.00	11,213.74	14,210.00	(5,410.00)	161.48%
Data Processing and Maintenance	416,400.00	416,400.00	216,968.60	411,280.00	5,120.00	98.77%
Special Project - New Pension System	2,089,200.00	2,573,950.00	1,510,843.10	2,595,040.00	(21,090.00)	100.82%
Total Information Technology	$ 2,534,400.00	$ 3,019,150.00	$ 1,759,794.59	$ 3,046,800.00	$ (27,650.00)	100.92%
Contingency	$ 596,600.00	$ 128,050.00	$ -	$ -	$ -	0.00%
Total Current Year	$ 6,837,900.00	$ 6,837,900.00	$ 3,716,634.46	$ 6,742,410.00	$ 95,490.00	98.60%