

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

March 4, 2013

AGENDA

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

TIME: 9:00 a.m.

ITEM:

- | | Master Page No. |
|---|-----------------|
| I. <u>INTRODUCTION OF MEETING</u> | |
| II. <u>APPROVAL OF AGENDA</u> | 1 - 3 |
| III. <u>APPROVAL OF MINUTES</u> | 4 - 13 |
| A. Business Meeting of February 25, 2013. | |
| IV. <u>CONSENT AGENDA</u> | 14 - 98 |
| A. Reams Investment Manager Guidelines update. | |
| V. <u>M^{cube} GOVERNANCE APPLICATION PRESENTATION</u> | |
| VI. <u>PENDING DISABILITY APPLICATION STATUS REPORT</u> | 99 - 148 |
| VII. <u>APPLICATIONS FOR DISABILITY RETIREMENT</u> | |
| A. Application for Service Connected Disability Retirement;
Linda M. Boggess, Case No. 11-011. | |
| 1. Summary of Evidence, Findings of Fact, Conclusions
of Law and Recommendation, Submitted by Hearing
Officer Louis M. Zigman, dated December 28, 2012. | |

VII. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

- A. Application for Service Connected Disability Retirement;
Linda M. Boggess, Case No. 11-011. (continued)
 - 2. Respondent's reply to Recommendation of Hearing Officer, Submitted by Stephen D. Roberson, Attorney at Law, dated January 9, 2013.
 - 3. Hearing Notice.

- B. Application for Service Connected Disability Retirement; 155 - 176
Patricio C. Caliboso, Case No. 12-010.
 - 1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Deborah Z. Wissley, dated December 1, 2012.
 - 2. Applicant's Objection to Recommendation of Hearing Officer, Submitted by Patricio C. Caliboso, dated December 24, 2012.
 - 3. Respondent's reply to Recommendation of Hearing Officer, Submitted by B. Derek Straatsma, Attorney at Law, dated December 28, 2012.
 - 4. Hearing Notice.

- C. Application for Service Connected Disability Retirement; 177 - 217
Joyce Houde, Case No. 11-009.
 - 1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Paul Crost, dated January 10, 2013.
 - 2. Applicant's Objection to Recommendation of Hearing Officer, Submitted by Anthony R. Strauss, Dated January 22, 2013.
 - 3. Respondent's reply to Applicant's Written Objections to Recommendation of Hearing Officer, Submitted by B. Derek Straatsma, Attorney at Law, dated January 31, 2013.

VII. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

Application for Service Connected Disability Retirement;
Joyce Houde, Case No. 11-009. (continued)

4. Supplement to Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Paul Crost, dated February 2, 2013.

5. Hearing Notice.

D. Application for Non-Service and Service Connected Disability Retirement; Michael Wheat, Case No. 11-017. 218 - 260

1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Richard C. Anthony, dated January 29, 2013.

2. Applicant's Objection to Recommendation of Hearing Officer, Submitted by Steven R. Pingel, Dated January 29, 2013.

3. Respondent's Objection to Applicant's Objections to Recommendation of Hearing Officer, Submitted by B. Derek Straatsma, Attorney at Law, dated February 1, 2013.

4. Hearing Notice.

VIII. NEW BUSINESS

A. SACRS 2013 Spring Conference Information. 216 - 264

IX. PUBLIC COMMENT

X. BOARD MEMBER COMMENT

XI. ADJOURNMENT

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

FEBRUARY 25, 2013

MINUTES

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

DIRECTORS None.
ABSENT:

STAFF Donald C. Kendig, Retirement Administrator
PRESENT: 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 February 25, 2013, to order at 9:00 a.m. Mr. Towner arrived at 9:01 a.m. Mr. Wilson announced the passing of former Trustee Hansen and asked for a moment of silence.

II. **APPROVAL OF AGENDA**

Mr. Goulet requested that item VII.A. Actuarial Information be moved to allow Mr. Stephen Silver to make a public comment. Mr. Wilson stated Mr. Silver could make his public comment after item V. Consent Agenda and that the item will stay as agendized for others who might arrive more closely to the time it is positioned for.

Staff requested that the Agenda be modified to include a replacement presentation for item VI.B. Annual Investment Presentation, UBS Real Estate (Master Page No. 117) and the addition of a Letter of Assurance provided by Ventura County's County Counsel for item VIII.B.2.

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

Motion passed unanimously. Mr. C. Johnston voting.

III. **CERTIFICATION OF THE VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (VCERA) BOARD OF RETIREMENT GENERAL MEMBER ELECTION**

Oath of Office for the Third Position of the Board of Retirement to be Administered by Mark Lunn, County Clerk.

Mark Lunn, County Clerk, administered the Oath of Office to Deanna McCormick.

MOTION: Mr. Goulet moved, seconded by Mr. Harris, to receive and file the Certification of Election results.

Motion passed unanimously.

IV. **APPROVAL OF MINUTES**

A. Business Meeting of January 28, 2013.

MOTION: Judge Hintz moved, seconded by Mr. Goulet, to approve the minutes of January 28, 2013.

Motion passed unanimously.

IV. **APPROVAL OF MINUTES (continued)**

B. Disability Meeting of February 4, 2013.

MOTION: Mr. Harris moved, seconded by Mr. T. Johnston, to approve the minutes of February 4, 2013.

Motion passed unanimously.

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.

- A. Regular and Deferred Retirements and Survivors Continuances for the Month of January 2013.
- B. Report of Checks Disbursed in January 2013.
- C. Asset Allocation as of January 2013.
- D. Budget Summary – Year to Date as of January 2013, Fiscal-Year 2012-13.
- E. Conference Report, CALAPRS Board Leadership Institute: Advanced Principles in Governance, January 29-31, 2012 – Trustee Art Goulet.
- F. Conference Report, CALAPRS Trustees' Round Table, February 8, 2012 – Trustee Art Goulet.

MOTION: Mr. Henderson moved, seconded by Mr. Harris, to approve the Consent Agenda.

Motion passed unanimously.

END OF CONSENT AGENDA

Received public comment from Mr. Stephen Silver on item VII.A. Review and Approval of the Contribution Rates for CalPEPRA Formulas for the 2013-14 Fiscal Year.

No Action Taken.

VI. INVESTMENT INFORMATION

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

Mark Oczkus was present on behalf of Prudential-PRISA to present their annual investment presentation.

No Action Taken.

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

An updated presentation was provided due to the omission of an important section in the original submission.

Thomas C. Klugherz and David Lawson were present on behalf of UBS Real Estate to present their annual investment presentation.

No Action Taken.

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

David Martinelli and Kirk Huddles were present on behalf of Harvest for an MLP finals presentation.

No Action Taken.

- 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).

Andrew Goldsmith, Abel Mojica and James Mick were present on behalf of Tortoise for an MLP finals presentation.

It was communicated at the meeting by Tortoise that VCERA's fee for the \$105 million initial investment is 62.5 bps and will remain at this level even if market action causes the total value to drop below the \$100 million threshold and that the fee would only increase if VCERA were to make withdrawals that take the account below \$100 million.

No Action Taken.

VI. INVESTMENT INFORMATION (continued)

E. MLP Funding Decision.

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

MOTION: Judge Hintz moved, seconded by Mr. Harris, to adopt a three percent (\$105 million) allocation to Tortoise, based on a total fund balance of \$3.5 billion.

Motion passed unanimously.

F. Hewitt EnnisKnupp, Russ Charvonja, ChFC, CFP, Esq. and Kevin Chen.

1. Fourth Quarter 2012 Performance Report.
2. Monthly Manager Performance Report for January 2013.

MOTION: Mr. Henderson moved, seconded by Mr. Harris, to receive and file the Fourth Quarter 2012 Performance Report and the Monthly Manager Performance Report, January 2013.

Motion passed unanimously.

3. Fixed Income Update.

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

MOTION: Mr. Henderson moved, seconded by Judge Hintz, to transfer \$40 million from the Loomis Multi-Sector portfolio to the Loomis Strategic Alpha fund.

Motion passed unanimously.

4. Highlights and Research, February 2013.
 - a. Real Estate Update
 - b. Reams Investment Guidelines
 - c. Manager Fees
 - d. BlackRock Securities Lending Update
 - e. Walter Scott Update
 - f. Hexavest Update
 - g. Liquid Alternatives Update
 - h. HEK Client Webcasts
 - i. Economic Data Points

VI. INVESTMENT INFORMATION (continued)

4. Highlights and Research, February 2013. (continued)
 - j. Medium Term Views
 - k. Capital Market Assumptions

MOTION: Mr. Henderson moved, seconded by Mr. T. Johnston, to receive and file the Highlights and Research Report for February 2013.

Motion passed unanimously.

Mr. Goulet will work with Hewitt EnnisKnupp on the Reams Investment Guidelines under item VI.F.b.

VII. ACTUARIAL INFORMATION

- A. Review and Approval of the Contribution Rates for CalPEPRA Formulas for the 2013-2014 Fiscal Year.
 1. January 16, 2013 Segal Letter; Contribution Rates for CalPEPRA Formulas for the 2013-2014 Fiscal Year.
 2. January 25, 2013 Segal Letter; CalPEPRA Tier 2 COLA Normal Cost Calculations.
 3. February 7, 2013 Silver, Hadden, Silver, Wexler & Levine Letter; Contribution Rates for New Members.
 4. February 15, 2013 Segal Letter; CalPEPRA Normal Cost Contribution Rate Calculations.
 5. February 20, 2013 Board Counsel Memo.
 6. February 19, 2013 Retirement Administrator Email Response to Stephen Silver Letter dated February 7, 2013
 7. February 20, 2013 Stephen Silver Letter; Contribution Rates for New Members

Received public comment from Ramon Rubalcava, SEIU Local #721; and Catherine Rodriguez, County Executive Office, County of Ventura.

VII. ACTUARIAL INFORMATION (continued)

- A. Review and Approval of the Contribution Rates for CalPEPRA Formulas for the 2013-2014 Fiscal Year. (continued)

Following discussion by the Board, the following motion was made:

MOTION: Mr. Goulet moved, seconded by Mr. Henderson, to approve the contribution rates for CalPEPRA formulas for the 2013-14 fiscal year.

Motion passed. Mr. T. Johnston voting no.

After further discussion, the following motion was made:

MOTION: Mr. Henderson moved, seconded by Mr. Harris, to receive and file items VII.A.1-7.

Motion passed unanimously.

- B. Request for Proposal (RFP) for Actuarial Audit Services.
1. Proposed RFP and Model Services Agreement.
 2. Government Finance Officers Association (GFOA) Best Practice: Sustainable Funding Practices of Defined Benefit Pension Plans.

Following discussion by the Board, the following motion was made:

MOTION: Mr. Goulet moved, seconded by Judge Hintz, to continue item B. Request for Proposal (RFP) for Actuarial Audit Services to the next fiscal year.

Motion passed unanimously.

Mr. Goulet will work with staff on refining the Request for Proposal and Model Service Agreement.

VIII. OLD BUSINESS

- A. 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. (reconsideration)

Following discussion by the Board, the following motion was made:

MOTION: Mr. Towner moved, seconded by Mr. T. Johnston, to approve an overnight stay for the due diligence trip on March 20 & 21, 2013.

Motion passed unanimously.

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

1. February 8, 2013 County of Ventura Letter; Request for Postponement.
2. Letter of Assurance.

Received public comment from Ramon Rubalcava, SEIU Local #721. The Board called Catherine Rodriguez, County Executive Office, County of Ventura, to the table to respond to Board questions.

Following discussion by the Board, the following motion was made:

MOTION: Judge Hintz moved, seconded by Mr. Foy, to adopt a 60-day extension, from February 25, of the implementation of the Board's Interpretation of Pensionable Compensation with acknowledgment of the Letter of Assurance provided by Ventura County's County Counsel.

Motion passed. Mr. Foy, Mr. Harris, Mr. Henderson, Judge Hintz, Mr. Wilson voting yes. Mr. Goulet, Ms. McCormick, Mr. T. Johnston, Mr. Towner voting no.

IX. NEW BUSINESS

- A. Request for Reinstatement to Active Membership; Sandra Lozano.
1. Application for Reinstatement.
 2. Medical Determination.
 3. Letter Offering Full Time Employment.

IX. NEW BUSINESS (continued)

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

MOTION: Mr. Goulet moved, seconded by Mr. Harris, to approve the Request for Reinstatement to Active Membership by Sandra Lozano.

Motion passed unanimously.

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

MOTION: Mr. Goulet moved, seconded by Mr. Harris, to approve Mr. Towner's request to attend the annual Adams Street Partners Client Conference on June 5, 2013.

Motion passed unanimously.

- C. Proposed Budget Adjustments for Board Approved Requests.

MOTION: Mr. Henderson moved, seconded by Mr. T. Johnston, to approve the proposed budget adjustments for Board approved requests.

Motion passed unanimously.

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

MOTION: Mr. Goulet moved, seconded by Mr. Henderson, to receive and file the mid-year budget update and to approve the proposed budgetary adjustments.

Motion passed unanimously.

X. PUBLIC COMMENT

Staff reported that 1) Mr. Solis, Chief Financial Officer, will be administering the March 4, 2013 Disability Meeting as part of succession planning practice and to allow for the attendance of the CALAPRS General Assembly by the Retirement Administrator, 2) The ad hoc RFP Committee will be meeting on either March 8, 11, or 14 to review and approve the draft RFP, and 3) Annette Paladino is reviewing VCERA's disability process and is off to a great start.

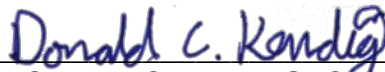
XI. BOARD MEMBER COMMENT

None.

XII. ADJOURNMENT

The meeting was adjourned at 12:40 p.m.

Respectfully submitted,



DONALD C. KENDIG, CPA, Retirement Administrator

Approved,

WILLIAM W. WILSON, Chairman

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>

March 4, 2013

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

SUBJECT: REAMS INVESTMENT MANAGER GUIDELINES UPDATE

Dear Board Members:

On February 25, 2013 your Board received and filed proposed Reams Investment Manager Guidelines. Additional edits needed to be made and Mr. Goulet worked with Hewitt EnnisKnupp to make those changes.

Please adopt the attached updated Reams Investment Manager Guidelines. Once adopted, staff will re-post the investment policy manual containing the investment policy statement on our website.

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

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator

Attachments

Investment Policy Manual

*Ventura County Employees' Retirement Association
January 2013*

CONTENTS

1	Total Fund Investment Policy Statement
2	BlackRock
3	Sprucegrove Investment Management
4	Hexavest
5	Walter Scott
6	Grantham, Mayo, Van Otterloo & Co. (GMO)
7	Loomis, Sayles & Company
8	Reams Asset Management Company
9	Western Asset Management Company
10	Pacific Investment Management Company LLC (PIMCo)
11	Prudential Financial, Inc.
12	UBS Realty Investors
13	RREEF
14	Adams Street Partners
15	Pantheon
16	Clifton Group

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

**December 2002
(Revised January 2013)**

I. INTRODUCTION

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

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

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

- Solely in the interest of, and for the exclusive purpose of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.
- With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like aims.
- Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

MANAGER GUIDELINES

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

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

II. INVESTMENT POLICY

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

- The overall goal of VCERA's investment assets is to provide plan participants with retirement, disability, and death and survivor benefits as provided for under the County Employees' Retirement Law of 1937.
- VCERA's assets will be managed on a total return basis. While VCERA recognizes the importance of the preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns.
- VCERA's Investment Policy has been designed to produce a total portfolio, long-term (as defined by rolling 10-year periods) real (above inflation) return of 4%. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification to meet this goal. Investment strategies are considered primarily in light of their impact on total plan assets subject to any restrictions set forth in the County Employees' Retirement Law of 1937, and shall at all times comply with applicable state and federal regulations.
- All transactions undertaken will be for the sole benefit of VCERA's participants and their beneficiaries and for the exclusive purpose of providing benefits to them, minimizing employer contributions to the System, and defraying reasonable administrative expenses of the System.
- VCERA has a long-term investment horizon generally described as a time period greater than 10 years, and utilizes an asset allocation that encompasses a strategic, long-run perspective of capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the Association's investment performance.
- Investment actions are expected to comply with "prudent person" standards.
- Invest funds in accordance with asset allocation targets established by the Board.

III. INVESTMENT OBJECTIVES OF THE TOTAL FUND

- Produce a total portfolio, long-term (as defined by rolling 10-year periods) real (above inflation) return of 4%;
- Exceed a weighted index of its asset allocation policy and component benchmarks over rolling five year periods.

IV. ASSET ALLOCATION

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

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

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

- The actuarially projected liabilities and benefit payments and the cost to both covered employees and employers;
- Historical and expected long-term capital market risk and return behavior;
- The perception of future economic conditions, including inflation and interest rate levels;
- The risk tolerance of the Board; and
- The relationship between current and projected assets of the Plan and its actuarial requirements.

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

MANAGER GUIDELINES

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

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

Background

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

Rebalancing Policy

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

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

- At the beginning of each month, the retirement staff shall review the Fund's overall asset allocation. Rebalancing efforts will first focus on normal cash flows and then second through the re-allocation among asset and sub asset classes. Taking into account HEK's MTVs, overweighted asset categories/managers may be used as a source of funds for that month's expenditure requirements and to bring the underweighted asset categories/managers in line with their targeted strategic asset allocation. HEK's MTVs range from very unfavorable to very favorable at the extreme bands. The other ratings are unfavorable, neutral, and favorable. Working with HEK, staff shall re-allocate within a range of +/- 1% for unfavorable/favorable outlooks and +/- 2% for very unfavorable/favorable outlooks based on HEK's recommendation. A report will be submitted by staff to the Board, and the investment consultant retained by the Board, summarizing monthly asset rebalancing activity if such activity is necessary as described in this policy.
- Notwithstanding the first item, the retirement staff shall, at the beginning of each month, determine the amount of cash necessary to meet that month's expenditure requirements. A withdrawal of the

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

entire amount of cash needed will be made from the one manager whose portfolio value exceeds their targeted allocation by the greatest amount or, based on HEK's MTVs, the manager with the least favorable outlook.

- The retirement staff shall monitor its cash position on a regular basis. If it is projected at any time that there will not be a sufficient amount of cash available to meet expenditure requirements, staff is authorized to take action consistent with the intent of this policy to raise additional cash.
- Every attempt will be made by staff to cause the least amount of disruption to the Fund's investment management team when withdrawing assets or making contributions.
- This policy shall not be applied to the Fund's real estate or private equity allocations.
- A monthly report on all rebalancing transactions that have been completed will be provided by HEK.
- HEK and/or Clifton Advisors will provide an annual report to the Board measuring the impact of this Rebalancing Policy.

V. ROLE OF ASSET CLASSES

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

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

Stocks –

- **Core Stocks** – This portfolio will provide broadly diversified, core exposure to the U.S. equity market, primarily through holdings in large capitalization companies.
- **Small Stocks** – Small cap stocks are those with market capitalizations below \$1.0 billion. Although more volatile than larger capitalization stocks, small stocks are generally characterized by faster growth and (historically) higher long-term returns. Low correlation between small caps and large caps leads to portfolio diversification. Small stocks tend to outperform large caps at the onset of economic recoveries, and outperform over time due to the higher risk premium associated with earnings uncertainty.
- **International Equities** – This portfolio provides access to major equity markets outside the U.S. and consequently plays a significant role in diversifying VCERA's equity portfolio. This segment will provide exposure to developed non-U.S. markets, whose growth and returns are not necessarily

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

synchronized with those of the U.S. This core international segment will concentrate on larger companies in established non-U.S. equity markets. Limited discretion will be provided to active managers deemed to have an appropriate level of expertise to invest opportunistically in emerging markets.

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

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

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

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

Private Equity – The role of private equity, in general, is to provide a superior risk adjusted rate of return compared to other asset classes and to provide prudent portfolio diversification consistent with risk and return objectives. This portfolio diversification is due to private equity's low correlation with returns of equity and fixed income. Private Equity investments shall consist of a broad range of investment opportunities and may include leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.

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

- Domestic Equities
 - Composite – the DJ U.S. Total Stock Market Index
- International Equities
 - Composite – the MSCI All-Country World Ex-US Index

MANAGER GUIDELINES

- Global Equities
 - Composite – the MSCI All Country World Index
- Fixed Income
 - Composite – Barclays Capital Aggregate Index, Barclays Capital Global Aggregate Bond Index
- Real Estate
 - Composite – NCREIF Open-End Fund Property Index
- Total Fund
 - Weighted Benchmark based on asset allocation

VI. INVESTMENT MANAGEMENT POLICY

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

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

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

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

Selection Criteria for Investment Managers

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

MANAGER GUIDELINES

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

Criteria for Investment Manager Termination

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

- Failure to comply with the guidelines agreed upon for management of the portfolio, including holding restricted issues.
- Failure to achieve performance objectives in the manager's guidelines.
- Significant deviation from manager's stated investment philosophy and/or process
- Loss of key personnel.
- Evidence of illegal or unethical behavior by the investment management firm.
- Lack of willingness to cooperate with reasonable requests by the Association for information, meetings or other material related to its portfolios.
- Loss of confidence by the Board in the investment manager.
- A change in the asset allocation program that necessitates a shift of assets to a different investment style.

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

MANAGER GUIDELINES

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

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

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

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

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

VII. GENERAL GUIDELINES

Custody of Assets

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

Derivatives

VCERA's investment managers may be permitted through individual investment guidelines to use derivative instruments to control or manage portfolio risk. Derivatives are contracts or securities whose returns are derived from the returns of other securities, indices or derivative. While this definition includes collateralized mortgage obligations, the most common type of derivatives, it is also intended to include (but not be limited to) futures, forwards, options, options on futures, swaps, swap options, etc.

MANAGER GUIDELINES

VCERA's managers are not to utilize derivatives for speculative purposes (for example, by taking a position greater than 100% or less than 0% of underlying asset exposure). In no circumstances can derivatives lever any positions in VCERA's portfolio. No derivatives positions can be established that create portfolio characteristics outside of current portfolio guidelines. Examples of appropriate applications of derivative strategies include hedging interest rate and currency risk, and maintaining exposure to a desired asset class while effecting asset allocation changes.

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

Securities Lending

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

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

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

- A description of the allocation queuing system used.
- The number of brokers involved and a list of the brokers used.
- The appropriate percentage of asset types for loans outstanding.
- Provision for indemnification in case of broker default.
- Provisions for the selection/elimination of brokers from the program by the lending agent and/or the Board.
- The securities to be included in the program.
- Provisions for the elimination of securities from the securities lending program by either the lending agent or the Board.
- The collateral to be used for each security and provisions for the adjustment of collateral when it fails.

MANAGER GUIDELINES

- The lending agent/VCERA split on the securities lending income.
- Provisions for termination of a loan.
- The requirement for a securities lending report which details the securities loaned, the collateral used, the broker used and the income and fees received. The report should break out intrinsic and reinvestment income when reporting revenues.
- Disclose potential conflicts with existing clients.
- Collateralization limits (102% for U.S. and 105% for non-U.S. holdings)
- The collateral pool should be invested conservatively in high quality short maturity fixed income instruments. Leverage shall not be allowed in the collateral pool.

Voting of Proxies

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

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

PUBLIC MARKET EQUITY OBJECTIVES AND GUIDELINES

Domestic Equities

- No securities shall be purchased on margin or sold short.
- American Depositary Receipts (ADRs) are permissible investments.
- Managers shall not purchase stock (or securities convertible into stock) of any issuer if the purchase would cause this portfolio to include more than 5% of the outstanding voting stock, or more than 5% in (market) value of all outstanding securities of a single issuer (assuming all shares are converted).

Prohibited Transactions

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

- Physical commodities, including gold;
- Tax exempt securities, either state or federal;
- Options including the purchase, sale or writing of options;
- Speculative or leveraged use of derivatives;
- Warrants;
- Margin buying;
- Short selling;
- Reverse repurchase agreements; and

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

- Transactions that involve a broker acting as a "principal," where such broker is also the investment manager who is making the transaction. Any exemption from these guidelines requires prior written approval from the Board of Retirement.

International Equities

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

Global Equity

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

VIII. FIXED INCOME OBJECTIVES AND GUIDELINES

U.S. Fixed Income

- The total portfolio's minimum rating will be AA or better by Moody's, AA by Standard & Poor's, or AA by Fitch. Although any individual manager may be less.
- No more than 5% of the market value of any single portfolio will be invested in any one issuer, with the exception of U.S. Treasury or Federal Agency issues.
- U.S. dollar-denominated issues of foreign governments, international organizations and U.S. subsidiaries of foreign corporations are permitted up to 10% of the market value of any single portfolio.
- No securities shall be purchased on margin or sold short.
- Limited investments in mortgage interest only (IO) or principal only (PO) securities or derivatives based on them that have uncertain or volatile duration or price movements.
- Bonds rated investment grade by either Moody's or Standard and Poor's must comprise at least 90% of the total portfolio.

MANAGER GUIDELINES

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

Global Fixed Income

- At least 80% of the Fund's Market Value must be invested in investment-grade securities
- Below investment grade rated securities cannot exceed 20% of the portfolio when combining High Yield securities and below investment grade rated Emerging Market Securities.
- No more than 5% of the market value of any single portfolio will be invested in any one issuer, with the exception of the United States, Canada, United Kingdom, Germany, France, Australia, New Zealand and Japan or securities issued or guaranteed by A- or better rated supranational entities.
- Limited investments in mortgage interest only (IO) or principal only (PO) securities or derivatives based on them that have uncertain or volatile duration or price movements.

IX. MANAGEMENT CONTROL PROCEDURES – RESPONSIBLE PARTIES

Duties of the Board

Procedures concerning the oversight of VCERA include the following:

- The Board shall have discretion to develop and execute VCERA's investment program. Only the Board in its sole discretion can delegate its decision-making authority regarding the investment program. Staff will be responsible for the timely implementation and administration of these decisions.
- A formal review of VCERA's investment structure, asset allocation and financial performance will be conducted annually or more frequently as the need arises. The review will include recommended adjustments to the long-term, strategic asset allocation plan to reflect any changes in pension fund regulations, long-term capital market assumptions or VCERA's financial condition.

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

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

- The Board, with the assistance of Staff and consultants, shall be responsible for taking appropriate action if investment objectives are not being met or if policies and guidelines are not being followed. Reviews for separate portfolios managed by external managers will focus on:
 - Manager adherence to the Policy guidelines.
 - Material changes in the managers' organizations, such as investment philosophy, personnel changes, acquisitions or losses of major accounts, etc. The managers will be responsible for keeping VCERA advised of any material changes in personnel, investment strategy, or other pertinent information potentially affecting performance.
- The Board shall be responsible for selecting a qualified custodian.
- The Board shall administer VCERA's investments in a cost-effective manner. These costs include, but are not limited to, management, trustee, consulting and custodial fees, transaction costs and other administrative costs chargeable to VCERA.

Duties of the Retirement Administrator

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

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

Duties of the Custodian

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

- Provide complete global custody and depository services for the designated accounts.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

- Provide a Short Term Investment Fund (STIF) for investment of any cash not invested by managers, and to ensure that all available cash is invested.
- Provide for timely settlement of securities transactions.
- Collect all income and principal realizable and properly report it on the periodic statements.
- Provide monthly and fiscal year-end accounting statements for the portfolio, including all transactions; these should be based on accurate security values for both cost and market. These reports should be provided within 15 days from the end of the month.
- Report to VCERA situations where accurate security pricing, valuation and accrued income is either not possible or subject to considerable uncertainty.
- Provide assistance to the Association to complete such activities as the annual audit, transaction verification or unique issues as required by the Board.
- Manage a securities lending program to enhance income as directed by the Board.
- Provide other services, as required, that assist with the monitoring of managers and investments

Duties of the Investment Managers

The Investment Managers shall:

- Provide the Association with written agreement to invest within the guidelines established in the Investment Plan.
- Provide the Association with proof of liability and fiduciary insurance coverage.
- Be SEC-Registered Investment Advisors recognized as providing demonstrated expertise over a number of years in the management of institutional, tax-exempt assets and a defined investment specialty.
- Adhere to the investment management style, concepts and principles for which they were retained, including, but not limited to, developing portfolio strategy, performing research, developing buy, hold and sell lists, purchasing securities and voting proxies.
- Execute all transactions for the benefit of the Association with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to the Association, and, where appropriate, facilitate the recapture of commissions on behalf of the Association.

MANAGER GUIDELINES

- Reconcile every quarter accounting, transaction and asset summary data with custodian valuations, and communicate and resolve any significant discrepancies with the custodian.
- Maintain frequent and open communication with the Board through Investment Consultant on all significant matters pertaining to the Investment Plan, including, but not limited to, the following:
 - Major changes in the Investment Manager's investment outlook, investment strategy and portfolio structure;
 - Significant changes in ownership, organizational structure, financial condition or senior personnel;
 - Any changes in the Portfolio Manager or other personnel assigned to the VCERA;
 - Each significant client which terminates its relationship with the Investment Manager, within 45 days of such termination;
 - All pertinent issues which the Investment Manager deems to be of significant interest or material importance.

Manager Reporting Requirements

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

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

Duties of the Investment Consultant(s)

The Investment Consultant(s) shall:

- Make recommendations to the Board and the Staff regarding investment policy and strategic asset allocation.
- Assist the Association in the selection of qualified investment managers, and assist in the oversight of existing managers, including monitoring changes in personnel and the investment process.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

- Assist in the selection of a qualified custodian, if necessary.
- Prepare a quarterly performance report on the Association's managers, including a check on guideline compliance and adherence to investment style and discipline.
- Provide topical research and education on investment subjects that are relevant to VCERA.
- Deliver a monthly performance update.

APPENDIX A

Asset Allocation Policy

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

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

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

**BlackRock (“Manager”)
Investment Guidelines**

Extended Equity Market Fund

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

U.S. Debt Index Fund

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

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

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

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

collective funds that seek to provide returns consistent with such fund's goal of approximating the return of the MSCI ACWI ex-U.S. IMI IndexSM. The BlackRock MSCI ACWI ex-U.S. IMI Index Fund will not engage in speculative futures transactions.

U.S. Equity Market Fund

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

BlackRock MSCI ACWI Equity Index Fund

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

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

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

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

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

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

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

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

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

**Sprucegrove ("Manager")
Investment Objectives and Policies**

I. General

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

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

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

II. Investment Objectives

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

To outperform the EAFE Index over a full market cycle.

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

There is no assurance that these objectives will be achieved.

1. Investment Policies

Asset Mix

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

Investments may be selected from the following asset categories:

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

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

2. Diversification

Equities

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

a. Region

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

Europe

Austria
Belgium
Denmark
Finland
France
Germany
Holland
Ireland
Italy
Norway
Spain
Sweden
Switzerland
United Kingdom

Pacific Basin

Australia
Hong Kong
Japan
Malaysia
New Zealand
Singapore
Thailand

b. Country

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

EAFE Countries

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

Non-EAFE Countries

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

c. Sector

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

Sectors

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

d. Company Holdings

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

e. Other

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

Short-Term

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

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

MANAGER GUIDELINES

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

3. Philosophy

Equities

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

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

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

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

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

4. Conflict of Interest

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

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

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

MANAGER GUIDELINES

- (b) the receipt of payments, gifts, entertainments or other favors which might be regarded as placing them under some obligation to a third party dealing or desiring to deal with Sprucegrove or its clients;
- (c) any outside employment, position, activities or businesses relationships which may compete or conflict to a significant extent with the interests of Sprucegrove and its clients.

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

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

5. Delegation of Voting Rights

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

6. Securities Lending

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

7. Review of Policy Statement

This policy statement will be reviewed no less than annually.

MANAGER GUIDELINES

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

Investment Objectives of the Fund

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

Asset Classes Eligible for Investment

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

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

Performance Objectives

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

Benchmark

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

MANAGER GUIDELINES

Constraints

All guidelines and constraints are based on market value.

Asset Allocation by Class

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

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

Regional, Country and Sector Asset Allocation (equity exposure)

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

Maximum deviation by region:

Region weight of MSCI EAFE® +/- 15%

Maximum deviation by country:

Country weight of MSCI EAFE® +/- 15%

Maximum deviation by MSCI Sector (Level 1):

Sector weight of MSCI EAFE® +/- 10%

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

Cash, Cash Equivalents & Currencies

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

Other

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

**Walter Scott & Partners ("Manager") Limited Group Trust - International Fund ("Fund")
Investment Guidelines**

Investment Objectives

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

Guidelines

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

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

Borrowing

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

Cash Positions

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

MANAGER GUIDELINES

Securities Lending

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

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

Investment Objective

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

Overview

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

Methodology

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

Portfolio Construction

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

Risks

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

- **Market Risk – Equity Securities** – The market price of equity investments may decline due to factors affecting the issuing companies, their industries, or the economy and equity markets generally. If an underlying Fund purchases equity investments at a discount from their value as determined by the Manager, the Fund runs the risk that the market prices of these investments will not appreciate to or decline from that value for a variety of reasons, one of which may be the Manager's overestimation of the value of those investments. An underlying Fund also may purchase equity investments that typically trade at higher multiples of current earnings than other securities, and the market prices of these investments often are more sensitive to changes in future earnings expectations than those other securities. Because the Fund and the underlying Funds normally do not take temporary defensive positions, declines in stock market prices generally are likely to reduce the net asset value of the Fund's shares.
- **Management and Operational Risk** – The Fund runs the risk that GMO's investment techniques will fail to produce desired results. The Fund's portfolio managers may use quantitative analyses and models, and any imperfections or limitations in those analyses and models could affect the ability of the portfolio managers to implement the strategies they wish to pursue. By necessity, these analyses and models make simplifying assumptions that limit their efficacy. Models that appear to explain prior market data can fail to predict future market events. Further, the data used in models may be inaccurate and may not include the most recent information about a company or a security. The Fund also runs the risk that GMO's fundamental assessment of an investment may be wrong or that deficiencies in GMO's or another service provider's internal systems or controls will cause losses for the Fund or impair Fund operations.
- **Non-U.S. Investment Risk** – The market prices of many non-U.S. securities fluctuate more than those of U.S. securities. Many non-U.S. markets are less stable, smaller, less liquid, and less regulated than U.S. markets, and the cost of trading in those markets often is higher than in U.S. markets. Non-U.S. portfolio transactions generally involve higher commission rates, transfer taxes, and custodial costs than similar transactions in the U.S. In addition, the Fund may be subject to non-U.S. taxes, including potentially on a retroactive basis, on (i) capital gains it realizes or dividends or interest it receives on non-U.S. securities,

MANAGER GUIDELINES

(ii) transactions in those securities and (iii) the repatriation of proceeds generated from the sale of those securities. Also, many non-U.S. markets require a license for the Fund to invest directly in those markets, and the Fund is subject to the risk that it could not invest if its license were terminated or suspended. In some non-U.S. markets, prevailing custody and trade settlement practices (e.g., the requirement to pay for securities prior to receipt) expose the Fund to credit and other risks with respect to participating brokers, custodians, clearing banks or other clearing agents, escrow agents and issuers.

Further, adverse changes in investment regulations, capital requirements or exchange controls could adversely affect the value of the Fund's investments. These and other risks (e.g., nationalization, expropriation or other confiscation of assets of non-U.S. issuers) tend to be greater for investments in companies tied economically to emerging countries, the economies of which tend to be more volatile than the economies of developed countries.

- **Liquidity Risk** – Low trading volume, lack of a market maker, large position size, or legal restrictions may limit or prevent the Fund or an underlying Fund from selling particular securities or unwinding derivative positions at desirable prices.
- **Derivatives Risk** – The use of derivatives involves the risk that their value may not move as expected relative to the value of the relevant underlying assets, rates, or indices. Derivatives also present other risks, including market risk, liquidity risk, currency risk and counterparty risk.
- **Fund of Funds Risk** – The Fund is indirectly exposed to all of the risks of an investment in the underlying Funds in which it invests, including the risk that those Funds will not perform as expected. Because the Fund bears the fees and expenses of the underlying Funds in which it invests, a reallocation of the Fund's investments to underlying Funds with higher fees or expenses will increase the Fund's total expenses. The fees and expenses associated with an investment in the Fund are less predictable than those associated with an investment in funds that charge a fixed management fee.
- **Smaller Company Risk** – Smaller companies may have limited product lines, markets, or financial resources, may lack the competitive strength of larger companies, or may lack managers with experience or depend on a few key employees. The securities of small- and mid-cap companies often are less widely held and trade less frequently and in lesser quantities, and their market prices often fluctuate more, than the securities of companies with larger market capitalizations.
- **Natural Resources Risk** – To the extent an underlying Fund concentrates its assets in the natural resources sector, the value of its portfolio is subject to factors affecting the natural resources industry and may fluctuate more than the value of a portfolio that consists of securities of companies in a broader range of industries.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

- **Commodities Risk** – Commodities prices can be extremely volatile and exposure to commodities can cause the price of the Fund's shares to decline and fluctuate more than the price of shares of a fund with a broader range of investments.
- **Currency Risk** – Fluctuations in exchange rates can adversely affect the market value of non-U.S. currency holdings and investments denominated in non-U.S. currencies. In addition, hedging a non-U.S. currency can have a negative effect on performance if the U.S. dollar declines in value relative to that currency.
- **Leveraging Risk** – The use of reverse repurchase agreements and other derivatives and securities lending creates leverage. Leverage increases the magnitude of the Fund's losses when the value of its investments (including derivatives) declines.
- **Counterparty Risk** – The Fund runs the risk that the counterparty to an over-the-counter (OTC) derivatives contract or a borrower of the Fund's securities will be unable or unwilling to make timely settlement payments or otherwise honor its obligations.
- **Real Estate Risk** – To the extent an underlying Fund concentrates its assets in real estate-related investments, the value of its portfolio is subject to factors affecting the real estate industry and may fluctuate more than the value of a portfolio that consists of securities of companies in a broader range of industries.
- **Market Disruption and Geopolitical Risk** – Geopolitical and other events may disrupt securities markets and adversely affect global economies and markets. Those events, as well as other changes in non-U.S. and U.S. economic and political conditions, could adversely affect the value of the Fund's investments.
- **Short Sales Risk** – The Fund runs the risk that an underlying Fund's loss on a short sale of securities that the underlying Fund does not own is unlimited.
- **Market Risk – Fixed Income Investments** – The market price of a fixed income investment can decline due to a number of market-related factors, including rising (or, in some limited cases, declining) interest rates and widening credit spreads, or decreased liquidity that reflect the market's uncertainty about the value of a fixed income investment (or class of fixed income investments).
- **Market Risk – Asset-Backed Securities** – The market price of fixed income investments with complex structures, such as asset-backed securities, can decline due to a number of factors, including market uncertainty about their credit quality and the reliability of their payment streams. Payment streams associated with asset-backed securities held by the Fund depend on many factors (e.g., the cash flow

MANAGER GUIDELINES

generated by the assets backing the securities, the deal structure, the credit worthiness of any credit-support provider, and the reliability of various other service providers with access to the payment stream) and a problem in any one of these areas can lead to a decrease in the payment stream expected by the Fund at the time it purchased the asset-backed security.

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

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

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

Objectives

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

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

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

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

Guidelines

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

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

Restrictions

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

Security Type Qualifications

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

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

Credit Quality

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

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

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

Non-U.S. Exposure

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

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

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

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

Additional Sector and Position Limits

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

Mortgage-backed securities that a manager classifies as exhibiting unusually high interest rate sensitivity relative to typical U.S. Government agency mortgage pass-through issues shall not exceed 5% of the total

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

portfolio. Examples of securities likely to qualify as “highly interest rate sensitive” include IOs, POs and inverse floaters.

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

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

Bonds not receiving an investment-grade rating from either Fitch, Moody's or Standard & Poor's¹ (not to exceed the 35% maximum allocation noted above)

Bonds issued by non-U.S. entities

Privately placed debt, excluding 144(a) securities

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

Compliance Monitoring

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

Performance Measurement

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

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

Reporting Requirements

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

¹ Any nationally recognized rating agency is acceptable.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

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

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

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

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

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

Investment Objective and Policies

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

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

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

SECURITIES AND INVESTMENT PRACTICES

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

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

The Fund's investment in such vehicles that are registered under the U.S. Investment Company Act of 1940, as amended (the "U.S. Investment Company Act"), is limited under the provisions of that Act.

Minimum Credit Quality. At least 80% of the Fund's Market Value must be invested in investment-grade securities rated BBB- or higher by Standard & Poor's Ratings Group ("S&P"), Baa3 or higher by Moody's Investors Services, Inc. ("Moody's"), or BBB- or higher by Fitch Investor Services, Inc. ("Fitch"), as determined at the time of purchase, counting cash and cash equivalents toward such percentage.

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

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

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

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

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

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

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

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

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

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

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

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

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

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

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

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

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

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

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

**Reams Asset Management Company ("Manager")
Core Plus Fixed Income ("Fund")
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 CFA Institute Code of Ethics and Standards of Professional 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	Derivative mortgage-backed securities
U.S. Agencies	Bonds of developed non-U.S. issuers
U.S. corporate bonds	Bonds of emerging non-U.S. issuers
Mortgage-backed securities	Fixed income and currency futures, options, forward contracts and swaps
Asset-backed securities	Private placement bonds
Municipal bonds	Rule 144(a) securities
Structured notes	Commercial mortgage-backed securities
Cash equivalents	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.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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 (Board) of VCERA 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 shall also be included.

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

The Manager shall ensure that all documents, exhibits and written materials that will be used during the annual meeting between the Board of Retirement and the Manager shall 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 with proof of liability and fiduciary insurance coverage of at least \$5 million, in writing, on an annual basis.

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

Objectives

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

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

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

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

Guidelines

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

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

Restrictions

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

Duration

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

Security Type Qualifications

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

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

Credit Quality

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

Bonds rated investment grade by either Moody's, Fitch, or Standard & Poor's¹ must comprise at least 70% of the total portfolio.

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

Non-U.S. Exposure

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

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

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

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

Additional Sector and Position Limits

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

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

¹ Any nationally recognized rating agency is acceptable.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

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

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

Bonds issued by non-U.S. entities

Privately placed debt, excluding 144(a) securities

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

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

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

Reporting Requirements

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

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

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

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

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

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

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

Objectives

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

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

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

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

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

Guidelines

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

1. Obligations issued or guaranteed by the U.S. Federal Government, U.S. Federal agencies or U.S. government-sponsored corporations and agencies;
2. Obligations of U.S. and non-U.S. corporations such as mortgage bonds, convertible and non-convertible notes and debentures, preferred stocks, commercial paper, certificates of deposit and bankers acceptances issued by industrial, utility, finance, commercial banking or bank holding company organizations;
3. Mortgage-backed and asset-backed securities (including CDOs, CBOs & CLOs);
4. Obligations, including the securities of emerging market issuers, denominated in U.S. dollars or foreign currencies of international agencies, supranational entities and foreign governments (or their subdivisions or agencies), as well as foreign currency exchange-related securities, warrants, and forward contracts;

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

5. Obligations issued or guaranteed by U.S. local, city and state governments and agencies;
6. Swaps, forwards, options on swaps, options on forwards;
7. Securities defined under Rule 144A and Commercial Paper defined under Section 4(2) of the Securities Act of 1933;
8. Swaps, futures and options on commodity indices; and
9. Bank Loans

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

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

Duration Exposure

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

Credit Quality

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

1. Rated Securities: At least 90% of the portfolio will be of "investment grade", i.e. rated as high as or higher than the following standards or their equivalent by one or more nationally recognized statistical rating organizations (NRSRO):
 - i. Standard & Poor's BBB-, or A-2, or
 - ii. Moody's Baa3, or Prime-2, or
 - iii. Fitch BBB-, or D-2
2. Other Unrated Securities: Securities not covered by the standards in (1) above will normally be, in the judgment of Western Asset Management, at least equal in credit quality to the criteria implied in those standards
3. Downgraded Securities: In the event downgraded securities cause a breach of the maximum percentage allocation permitted in below investment grade, the client will be consulted on the appropriate course of action
4. Securities Inside 270 Days: For securities with legal final maturities of 270 days or less, Western Asset Management may use the underlying credit's short term ratings as proxy for establishing the minimum credit requirement

Diversification

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

1. Maturity: Securities covering the full range of available maturities are acceptable.
2. Sector: The portfolio will at all times be diversified among the major market sectors, subject to the following limitations:

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

Marketability

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

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

Performance Measurement

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

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

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

Performance Objectives

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

Reporting Requirements

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

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

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

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

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

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

PIMCO ("Manager") Global Bond (unhedged) ("Fund") Investment Guidelines Ventura County Employees' Retirement Association Manager Account # 7384

The investment objectives of the Fund are as stated below.

Performance Objective

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

Risk Objective

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

Investment Guidelines

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

Risk Limits

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

Transaction Types

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

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

Credit Quality Minimums

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

Minimum Average Portfolio Quality:	A+ Rating
Minimum Issue Quality:	B- Rating
Minimum Commercial Paper Quality:	A2/P2

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

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

Leverage

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

Asset Types and Investment Vehicles

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

Prohibited Investments

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

PIMCO Funds Private Account Portfolio Series

Portfolio

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

Concentration Limits

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

Concentration Limits to Issuers:

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

Concentration Limits to Sectors or Security Types:

- High Yield Securities (rated below BBB-) 10%
- Emerging Market Securities: 20%
- PIMCO uses World Bank definition for emerging markets which is based on GNP per capita calculation.
- Below investment grade rated securities cannot exceed 20% of the portfolio when combining High Yield securities and below investment grade rated Emerging Market Securities.
- Private Placements (excluding 144As): 10%
- Mortgage Derivatives 10%
- Structured Notes 5%
- Preferred Securities 5%
- Bank Loans 10%

Compliance Monitoring

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

Reporting Requirements and Transaction Types

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

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

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

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

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

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

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

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

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

Legal Structure

PRISA is a separate account product offered through a group insurance annuity contract issued by The Prudential Insurance Company of America.

Vehicle Life

Open-end fund

General Description

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

Property Type Focus: The fund will make equity investments in all major property types including office, residential, retail, industrial, hotel, and self-storage properties.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

Regional Focus: Investments are made in various US markets.

Leverage: As of 3/31/09, the leverage was 35.5%.

Reporting

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

Investment Objective and Performance

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

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

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

1. Joint ventures, partnerships or limited liability companies, which own real estate and involve a third party, including in connection with developmental projects, will not exceed 50% of total gross assets.
2. Mortgage loans, including construction loans, will not exceed 30% of total gross assets; a construction loan may only be made in connection with the prospective acquisition of a property on a wholly-owned or partnership, joint venture or limited liability company basis or in connection with a conventional or participating mortgage. Construction loans will not exceed 10% of total gross assets.
3. Publicly-traded REITs, other real estate securities, and collateralized mortgage obligations will not exceed 5% of total gross assets.
4. No one NCREIF property type will exceed 50% of total gross assets.
5. Total investment in any one NCREIF geographic region will not exceed 50% of total gross assets.
6. Total investment in any local market (CBSA)¹ will not exceed 20% of total gross assets.
7. No single new investment shall exceed 10% of total gross assets (applies separately to each non-contiguous investment in a portfolio transaction).
8. Mortgage debt will generally not exceed 20% of total gross assets.
9. Short-term borrowing or a line of credit generally will not exceed 15% of total gross assets.
10. All investments shall be located in the United States.
11. Equity interests (including through joint ventures, partnerships and limited liability companies) in office, apartment, retail, industrial and hotel properties will constitute at least seventy percent (70%) of Gross Asset Value.
12. Cash and cash equivalents will be invested primarily in short-term fixed-income securities such as US government obligations, high quality commercial paper, repurchase agreements, and certificates of deposit, the average maturity of which will be generally 25-65 days and the maximum maturity of which will be generally limited to 185 days.

¹ Core-Based Statistical Area formerly Metropolitan Statistical Area

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

UBS Realty, as the advisor, may permit temporary and/or immaterial deviations from these guidelines from time to time, in its discretion, if UBS Realty believes that such deviations are in the best interest of TPF, UBS Realty may make prospective changes to the Investment Guidelines at any time, including altering or eliminating existing guidelines or adding new ones, provided that VCERA is given written notice of any material changes at least 90 days before such changes before effective.

**RREEF ("Manager") America REIT III, Inc. ("Fund")
Investment Plan**

This plan presents a continuing strategy for managing and increasing the real estate assets of RREEF America REIT III, Inc. (the Fund or RAIII). RAIII is a private real estate investment trust (REIT) that seeks to provide shareholders with leveraged value added investment returns above those available from unleveraged, income-producing "core" properties. The Fund achieves these returns by upgrading the physical condition, occupancy and operating characteristics of the properties in which it invests, enhancing their income streams and market values. Fund activities include the acquisition, physical improvement, market repositioning, active management, and sale of well-located apartment, industrial, office, and retail properties in major metropolitan markets across the continental United States. The Fund also invests in new speculative development projects.

RAIII is overseen by an independent Board of Directors and managed by RREEF America L.L.C. (RREEF), a wholly-owned subsidiary of DB Real Estate, the real estate investment management arm of Deutsche Bank Asset Management. RREEF is a major global real estate investment advisor to institutional clients established in 1975.

This Investment Plan (Plan) serves as RREEF's operating guide in building and managing the Fund's portfolio during the 2008 Plan year. RREEF operates on a discretionary basis within the parameters of the Plan. Any investment decisions or actions that fall outside of Plan guidelines require specific, prior approval by the Fund's Board of Directors. The Plan is updated and approved annually. It may be modified at any point during the year in response to changes in real estate markets and performance prospects or in the Fund's investment needs.

Investment Objectives

RAIII seeks to generate nominal, leveraged total returns of 12.0% to 16.0% over the long term from a combination of current income and capital appreciation².

In addition the Fund seeks to provide:

- Property acquisitions significantly below replacement cost providing downside protection
- Total returns (leveraged) 300 to 500 basis points over core returns
- Opportunistic property sales
- Quarterly dividend distributions
- Speculative development opportunities where higher potential returns are commensurate with the risk

² Targeted returns in this Investment Plan are Time-Weighted Rates of Returns, as required per the Association for Investment Management and Research (AIMR), are before the deduction of any investment management fees, and are calculated as follows:

$$\text{Income (Loss) + Appreciation (Depreciation)}$$

$$\text{Beginning Net Asset Value + Time-Weighted Contributions - Time-Weighted Distributions}$$

Income (Loss) represents all operating income of the investment (i.e. rents, interest and other income from day-to-day investment activities) less operating expenses, determined on an accrual basis in accordance with generally accepted accounting principles, but without regard to debt service, capital expenditures (including leasing commissions), and non-cash expenditures such as depreciation and amortization of intangibles.

Appreciation (Depreciation) represents all realized and unrealized gains and losses on an investment, based on fair market value as determined by the Fund's Board of Directors.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

Overall leveraged targeted returns for the Fund are as follows:

Income Return:	2.00% - 4.00%
Appreciation Return:	6.00% - 8.00%
Total Expected Return:	8.00% - 12.00%
Dividend Yield:	1.00% - 2.50%

Fund Life

The Fund is an infinite life vehicle. No investment strategy should be subject to limits based upon the life of the vehicle.

Use of Leverage

Moderate leverage up to a maximum of 60 percent of the market value of assets held by the Fund will be used when deemed prudent and advantageous to Fund performance. This leverage may be achieved either through the assumption of existing debt or the placement of new financing. As a general rule, leverage will only be employed if it positively contributes to Fund performance. Under some circumstances, however, properties may be acquired with unfavorable loans in place if (1) management feels they will be attractive investments despite the existing debt, and (2) expected returns meet minimum performance thresholds.

Individual assets may be leveraged up to a maximum of 80 percent of their market value, provided the Fund's overall debt cap is not exceeded.

During 2008 there are 3 loans of \$18 million expiring. We are actively working with our capital markets group to renegotiate or replace these loans. The following chart details the Fund's future debt expirations:

% Debt Expiring in 2013 and beyond:	36%
-------------------------------------	-----

Types of Property to be Acquired

Since this investment is in "wind-down" mode, no further property acquisitions will be made.

Control

The Fund will acquire controlling equity interests in the properties it acquires, either directly or in joint venture with a local partner. In a majority of cases, it will acquire full equity ownership. Direct ownership by the Fund provides management with maximum control and operating flexibility over each asset. However, consideration of joint ventures with carefully selected partners is likely to provide attractive investment opportunities.

Individual Investment Sizes

Equity investment in individual properties will range in size from \$20 million to 10% of the Fund's gross market value. Properties may be acquired through portfolio acquisitions provided the individual properties meet the Fund's size and other criteria. Smaller sized individual property investments of less than \$20 million may be undertaken where the proposed acquisition will complement the existing portfolio.

Property Holding Periods

Individual property assets may be sold at any time in order to maximize their value to the Fund. Management expects that most will be held for a four to eight year period in order to complete the planned value-adding activity, lease or stabilize the asset, maximize the tax advantages of the REIT structure, and sell on the most favorable terms.

Sustainability

New acquisitions, development, and the existing portfolio will be reviewed in the context of their sustainability and “green” attributes. Where economically justified, a LEED designation will be sought. Early results indicate that environmentally green properties are also more economical to operate and create better value in the long term.

Geographic Focus

Property investments are made in major metropolitan areas within the continental United States, recommended by RREEF's Research Department and where RREEF has an established market presence, superior local knowledge, access to potential investments, and the ability to provide effective property management and leasing. Target markets vary by property type as noted in the property strategy sections.

All the metropolitan areas targeted for investment are large and economically diverse and have a history of attracting institutional investment. Economic and real estate market conditions vary widely from city to city, between the different property types within each metropolitan area and individual submarkets. These differences are carefully reflected in the initial financial underwriting of each investment, in its price, and in the management plan and operating decisions for each property.

At this mid-stage of the economic and property market cycles, market selectivity is more important than was the case in the earlier recovery stages of the cycles. As a result, primary consideration should be given to those metropolitan areas where economic growth should be the strongest, based on above-average activity in international financial services, defense, trade, medical and high-tech (see Map below). RREEF Research believes these sectors will be the strongest for the US economy during the next several years. These “Globally-Linked” locations should achieve particularly strong economic growth and should be primary targets for investment. This economic growth will continue to produce broad-based activity and increases in space demand. These markets also typically provide above-average household education and income, reflecting their “knowledge-based” foundation.

In the final section of this Plan, investment strategies have been delineated for the four major property sectors, industrial, office, apartment and retail. Target market designations, as shown for each investment style (pp 27-30), are based on both demand and supply conditions.

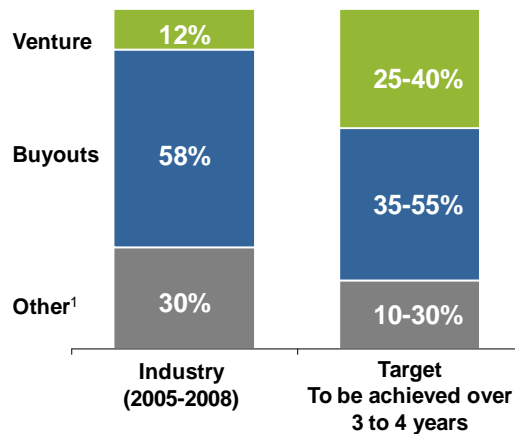
Investments in specific submarkets of other larger metropolitan areas are considered if economic and market conditions in the submarket are sound and the specific investment opportunities are appropriate to RAIII's investment strategy. Based on gross value, 86 percent of existing RAIII investments are located in “globally linked” markets.

**The Adams Street (“Manager”) Partnership Fund Program - U.S. Fund (“Fund”)
 Portfolio Guidelines**

The portfolio guidelines of the U.S. Fund are subject to the Trade Allocation Policy and are as follows:

- Each participant’s subscription to the U.S. Fund will be allocated to private equity partnership investments that in turn invest a substantial portion of their assets in North American companies typically over three to four years;
- No more than 10% of a participant’s subscription to the U.S. Fund will be allocated to any single partnership investment;
- Up to 40% of each participant’s subscription to the U.S. Fund may be used to opportunistically purchase secondary interests in private equity partnerships and /or their portfolio companies; and
- Adams Street anticipates 15-30 North American private equity partnership investments will be made during each year of the U.S. Fund’s investment period. Adams Street Partners will target a participant’s subscription to the U.S. Fund to be diversified by subclass asset forth in the chart below.

Over a typical three- to four-year commitment period, the U.S. Fund is targeted to invest as follows:



¹ Includes mezzanine/subordinated debt, restructuring/distressed debt and special situations partnerships
 Source: Venture Economics

**Pantheon ("Manager" Global Secondary Fund IV (PGSF) ("Fund")
Portfolio Guidelines**

Objective

Fund IV's objective is to generate superior risk-adjusted returns for its investors. It aims to achieve this through investing in portfolios of private equity assets, encompassing leveraged/management buyout, venture capital, development capital and mezzanine funds, as well as direct portfolios of private equity assets and other privately negotiated transactions in the secondary market.

Portfolio Diversification

Pantheon will seek to diversify Fund IV's assets by vintage year, sector, industry, stage and geography, as appropriate.

Global Portfolios

Local presence and depth of resources in the major private equity markets worldwide enable Pantheon to maximize its competitive advantage in global transactions.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

**Clifton PIOS INVESTMENT GUIDELINES
PIOS® SUMMARY DESCRIPTION AND DEFINED TERMS
Updated January 2013**

These PIOS® Guidelines form an integral part of that certain Investment Management Agreement dated January 28, 2008 between the Ventura County Employees' Retirement Association ("Client") and The Clifton Group Investment Management Company as Investment Manager (herein after referred to as "Clifton").

Clifton's PIOS® program is an overlay investment strategy that seeks to provide for the disciplined maintenance of target asset allocations. PIOS® uses financial products to overlay the selected assets of a fund (the underlying "manager portfolio(s)" which are managed by a manager chosen solely by Client) to seek to bring about a more exact match with target allocations. PIOS® can be broken down into six components:

PIOS® PROGRAM ELEMENT	CHECK BOX IF UTILIZED	PROGRAM ELEMENT SUMMARY DESCRIPTION
<u>Invest Unallocated Cash</u>	<input checked="" type="checkbox"/>	Clifton monitors a fund's overall positions daily and synthetically invests unallocated cash using financial futures contracts. Cash will be invested synthetically as directed by Client.
<u>Invest Manager Cash</u>	<input checked="" type="checkbox"/>	Clifton monitors manager cash positions daily and synthetically invests uninvested portions using financial futures contracts. Client will communicate to Clifton which manager's cash positions are to be included in the overlay. Cash will be invested synthetically as directly by Client.
<u>Manage Transitions</u>	<input checked="" type="checkbox"/>	Client will be responsible for contacting Clifton as transition events arise. Each transition issue will be reviewed individually with the objectives of maintaining a seamless transition to target market exposure (no market timing) and minimizing transition costs. Transition events include, but are not limited to, an impending transition of: a) a Custodian, b) manager, c) asset allocations between or among manager portfolios, d) changes in asset allocation targets, e) "bridging" cash positions in alternative asset classes, or f) this program to another manager or termination of program.
<u>Maintain Target Allocation</u>	<input checked="" type="checkbox"/>	A fund's actual allocation is calculated and compared to targets. If actual allocations differ from targets by more than the client's predetermined tolerance level, the fund is synthetically rebalanced on an overlay basis using futures. Target allocations and variance bands as provided by Client are set forth in Addendum A.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

- Alpha Transport [] It is possible to separate alpha and beta and capture them independent of one another. In doing so a fund may be able to more efficiently manage specified objectives by targeting a combination of alpha and beta that represents a desired risk/return profile. Alpha can be taken from an asset class where a manager has outperformed the benchmark and “transported” back to the base asset class through the use of futures and/or swaps. The Index and exposure to be maintained as well as the “embedded” beta of the manager portfolio(s) provided by Client are set forth in **Addendum A**.
- Duration Modification [] The fund’s duration may be modified, subject to the duration constraints of the fund, by using exchange traded futures and/or OTC contracts on fixed income securities to lengthen or shorten effective duration. Established targets and related ranges as provided by Client are set forth in **Addendum A**.

In addition to the use of futures or other financial products as stated in the Product Element Summary Description above, Clifton may utilize other or additional financial products such as Exchange Traded Funds or options or other financial products as limited and subject to the authority Client has granted Clifton.

EACH PROGRAM ELEMENT IS DESCRIBED IN FURTHER DETAIL BELOW

OBJECTIVES

PIOS® seeks to achieve three key objectives: increase returns, improve tracking relative to target allocations and improve portfolio efficiency and flexibility. PIOS®’s impact on Client’s fund is dependent in part upon the extent to which each PIOS® component is utilized.

PORTFOLIO MONITORING

On a regular basis (which will be, utilizing reasonable efforts, a daily basis, however in no case less than monthly, and depending upon availability), Clifton will seek to obtain all information from State Street (“Custodian”) regarding the market value of the Client’s manager portfolios (“Information”). In the case of commingled funds (e.g. mutual funds) or other assets where a “download” of Information is not available, a portfolio value tracking methodology will be established for each holding as set forth in **Addendum B**. This may involve manually retrieving fund values on a regular basis from the manager for such holdings. In addition, each manager’s portfolio holdings will be further broken down defining the specific allocation to equity, fixed income, cash or any other asset class which is to be overlaid by PIOS®.

Subject to the foregoing, where electronic interfacing is reasonably available for the purposes set forth herein, Clifton will be responsible for establishing a communication link and electronic interface methodology enabling the transfer of Information from the Custodian. From time to time such communication link may be unavailable due to

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

system outages or other technical issues outside of Clifton's reasonable control, which include, but are not limited to internet problems, or hardware or software issues.

In the event that Information cannot be transferred on any given day, regardless of the reason, Clifton will attempt to receive Information through an alternative method, such as fax. Client will reasonably assist Clifton in obtaining Information. If Information is ultimately not received by Clifton, an adjustment to the previous day's portfolio value will be made using benchmark index total returns as a proxy. Regardless of the method by which Clifton obtains or is to obtain Information (which may include but is not limited to electronic download, manual retrieval or benchmark index proxy), Client acknowledges and agrees that Clifton will rely on Information provided by these methods without further investigation or confirmation.

In the event that the aggregate fund value changes by more than 1% in a day, Clifton will seek to identify the origin of change (e.g. markets) and contact Client if the reason is not clearly identifiable. If an individual manager portfolio's value changes by more than 3%, a similar process will be followed.

INDEX REPLICATION

Each index replication portfolio will be periodically rebalanced based on the methodology described for each index replication portfolio.

Client's index replication information is set forth in Addendum A.

DOMESTIC EQUITY

When acquiring (long) or removing (short) domestic equity exposure for Client, financial products including but not limited to equity index futures contracts will be used individually or in combination to seek to replicate the benchmark index(es) designated by Client. The replication approach utilized by Clifton will seek to minimize tracking error after giving consideration to trading costs.

INTERNATIONAL EQUITY

When acquiring (long) or removing (short) international equity exposure for Client, financial products including but not limited to international equity index and currency futures will be used individually or in combination to seek to replicate benchmark index(es) as designated by Client. The replication approach utilized by Clifton will seek to minimize tracking error after giving consideration to trading costs.

MANAGER GUIDELINES

DOMESTIC FIXED INCOME

When acquiring (long) or removing (short) domestic fixed income exposure for Client, financial products including but not limited to US fixed income futures will be used individually or in combination to seek to replicate the benchmark index(es) as designated by Client. The replication approach utilized by Clifton will seek to minimize tracking error after giving consideration to trading costs.

MANAGER ASSET CLASS ASSIGNMENTS

See daily PIOS® report posted on the company's web site. Client is responsible for informing Clifton, at its earliest opportunity, of any changes in managers or when class assignments are revised.

PIOS® PROGRAM ELEMENT DESCRIPTIONS

INVEST UNALLOCATED CASH

If the Invest Unallocated Cash program element is utilized by Client, this section will apply.

Unallocated fund cash is generally defined as:

1. **Cash balances for the PIOS® overlay pool.** A cash overlay pool will be established with the Custodian to provide the margin necessary for PIOS® positions. The size of the margin pool will be a function of the size of PIOS® overlay positions as well as Client's desire to increase the level of overall fund liquidity. Clifton is responsible for providing Client's representative with an estimate of variation and initial margin required, as well as margin pool adequacy/sensitivity reports for the PIOS® program on a daily basis via Clifton's website at www.thecliftongroup.com. Clifton will attempt to contact Client's representative if the margin pools move to a level requiring the addition or variation margin or when excess margin is present in the margin pool.
2. **Cash held at the fund level in excess of target allocations.** For example, this may be cash from a terminated manager waiting for a new manager to be selected and funded or other fund level cash balances as designated by Client. Cash held at the fund level will be synthetically invested as directed by Client's representative.

The overlay targets for the unallocated cash exposure are set forth in Addendum A.

INVEST MANAGER CASH

If the Invest Manager Cash program element is utilized by Client, this section will apply.

Cash held by equity managers. Cash held by equity managers (including estimated cash in commingled accounts as designated by Client) will be deployed synthetically in the manager's benchmark index or as requested by Client.

Cash held by fixed income managers. Cash held by fixed income managers will not be deployed synthetically unless otherwise requested by Client.

Cash held by other managers. Cash held by other managers may be deployed as requested by Client.

On a daily basis, uninvested or unallocated manager cash is identified and invested via an overlay in the appropriate asset class(es). It is Client's responsibility to establish and revise from time to time the asset class categories and weights and communicate any such revisions to Clifton.

Invest Manager Cash information is provided in Addendum A.

MANAGE TRANSITIONS

If the Manage Transitions program element is utilized by Client, this section will apply.

The Client's PIOS® program representative will be responsible for contacting Clifton with as much advance notice as practicable as transition events arise. Client must provide Clifton with information as specified by Clifton, and in a reasonable time period as so deemed solely by Clifton. Clifton will provide transition management services as provided herein on a best efforts basis, based upon information provided by Client. Minimal information requirements of Clifton may be obtained from Clifton and may be provided on a document or otherwise, posted on Clifton's website.

Each transition issue will be reviewed individually with the objectives of: 1.) minimizing imbalances in actual asset class positions, 2.) maintaining a seamless transition to target market exposure (no market timing), and 3.) minimizing transaction costs.

Clifton acknowledges that there may be transition events that do not require the use of Clifton's services.

SPECIAL CONSIDERATIONS AND RISKS

Tracking Error: Over the term of the PIOS® program for Client, Clifton believes there may be tracking error between the actual overlay portfolio and target allocations described in these Guidelines. For example, futures contract may not exist for certain indices. To attempt to replicate such index results, a blend of futures contracts on securities of various maturities is utilized. This blend of futures contracts may or may not replicate the performance of the actual index. This is a form of tracking error. Tracking error could be material. Other sources for tracking error may include, among others:

- Execution value versus previous day's closing index value
- Transaction costs
- Change in relative futures premiums
- Index replication variances and differences
- Mid-day information flows

Leverage: Leverage introduces special risks and will change the volatility of Client's underlying assets (manager portfolios). Margin is a form of leverage. Adverse moves in the futures positions can require Client to post additional margin beyond those amounts initially deposited. Failure to maintain sufficient margin may result in the closing out of futures positions in a manner not consistent with the Guidelines. Leverage in the form of portfolio volatility or margin requirements may result in a loss to Client.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

Futures: Client understands that the use of futures entails risks. These risks include:

- **Market Risk** – The potential that the market moves in a manner adverse to the futures position causing a mark-to-market loss of capital.
- **Liquidity Risk** – To the extent the futures position generates a loss in excess of margin available, the fund will require liquid assets to satisfy any outstanding commitments or experience liquidation of positions.
- **Collateral Risk** – The fund may experience losses on the underlying designated assets in addition to potential losses on the index market exposure overlaying these assets.
- **Information Risks** – As described above under “Portfolio Monitoring”, Clifton will maintain index market exposures based on designated asset values provided by one or more third party(ies). Clifton cannot verify these values but will rely on this information as being reflective of true fund values. If actual fund values are different from the values provided by such third parties, losses may result from over or under exposure to the desired index.
- **Leverage Risk** – Notional exposure in excess of portfolio capital or fund collateral may produce a significant loss of capital to the fund.

EXECUTION GUIDELINES

In accordance with these policy guidelines, Clifton has the authority to execute trades which are intended to achieve program objectives and are consistent with the structure as described herein.

A daily tracking report will be generated by Clifton using fund data downloaded from the custodian bank, subject to the limitations regarding availability of daily data as set forth in the Portfolio Monitoring section above. The tracking report will generally be completed near the opening of the U.S. market enabling necessary transactions to be completed at the open of the domestic markets. If trades required by the PIOS® policy are not executed due to uncontrollable events (e.g. trading halts) Clifton will contact Client to discuss alternatives. Clifton will implement order execution for all Guidelines based transactions in a manner to seek to avoid having the net synthetic index exposure greater than the underlying total fund cash amount for which exposure, maintenance or rebalancing is sought. In certain instances, such as fixed income and international equity synthetic index exposure, the notional amount of futures contracts utilized may be more or less than the specific exposure sought, but the net synthetic index exposure would remain less than the underlying total fund cash amount, which is unleveraged from a market exposure standpoint.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

For example, removing fixed income duration through futures contracts does not typically require sale of a notional amount of contracts equal to the notional amount of underlying fixed income securities held (e.g., \$10 in fixed income holdings with a duration of 5 can become "zero" duration cash through the sale of \$5 in treasury futures with a duration of 10). An opposite example occurs for gaining international equity exposure in that for every dollar of aggregate exposure desired, one dollar of foreign stock index futures contracts are needed plus one dollar of foreign currency futures contracts are needed (e.g., to gain \$10 in FTSE index exposure, \$10 in FTSE futures are required plus \$10 in British pound futures). This is because foreign stock index futures alone do not include exposure to the US \$.

In each of the foregoing examples, it is the synthetic index exposure which remains unleveraged. By combining the foregoing two principles, the concept of not introducing leverage within the PIOS® program is illustrated:

Assume under the PIOS® program a client fund ("Fund X") has \$100 in total assets consisting of \$30 in large cap equity securities at a manager with a S&P 500 benchmark, \$50 in fixed income securities with a duration of 5 at a manager with a Barclays Aggregate Index benchmark, \$10 in international equity exposure with a EAFE Index benchmark and \$10 in cash. Fund X desires to be fully invested 40% in large cap, 40% in fixed income with a duration of 5, and 20% in international equity. Under the PIOS® program, Clifton would purchase \$10 in S&P 500 futures contracts, sell \$5 in fixed income futures contracts with a duration of 10 and purchase \$10 in foreign stock index futures and \$10 in foreign currency futures to bring Fund X into compliance with its asset allocation targets.

The net notional amount of contracts outstanding would be \$25 (long \$10 in S&P index futures minus \$5 short in treasury futures for the fixed income exposure reduction plus \$20 in foreign stock index and currency futures to gain the international equity exposure). Yet the position is neutral from a market exposure stand point because the synthetic index exposure of \$10 in long S&P futures, \$10 in short Barclays index exposure and \$10 in long EAFE index exposure (net of \$10 long) does not exceed the then cash amount of \$10 in Fund X.

Notwithstanding the foregoing discussion of leverage, the use of margin, which is a form of leverage, has special consideration as described above under the caption "Special Considerations and Risks".

REPORTING AND COMMUNICATION

Clifton will provide the following to Client:

1. A tracking report summarizing actual fund allocations, manager holdings (to the extent available), actual PIOS® positions and key program parameters. This report is available daily (in normal circumstances) via Clifton's web site (www.thecliftongroup.com).
2. A program summary report describing the performance of the program relative to the predetermined benchmarks (produced monthly).
3. An accounting report containing transaction details, position values, etc. (produced quarterly).

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

4. All Clifton employees, including portfolio managers, are accessible to answer questions or clarify activity.
5. In the event market conditions warrant a change to these Guidelines, Clifton will initiate contact with the Client's contact person to discuss any recommended changes.
6. In person performance reviews with a portfolio manager are anticipated to be conducted annually, or more often if requested by Client. Client may request that other personnel from Clifton or its consultants are present for such performance reviews.

There is no assurance the Client will achieve its objective through the use of the PIOS® program. Past performance does not guaranty future results. Clifton does not warrant any particular rate of return, level of tracking error or index replication reliability.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MANAGER GUIDELINES

Addendum A

Client will select the assets to be overlaid by Clifton's PIOS® program. Specifically, that portion shall consist of those funds designated by Client as cash reserves at its custodian as well as cash held from time to time by other investment managers for Client (the manager portfolio(s)).

The asset class allocation targets and associated benchmark indexes are as follows:

<u>Asset Class</u>	<u>Target %</u>	<u>Benchmark Index</u>
Domestic Equity	34.00%	Wilshire 5000
Global Equity	10.00%	MSCI ACWI (including US)
International Equity	16.00%	MSCI ACWI (ex US)
Fixed Income	25.00%	Barclays Aggregate
Private Equity*	5.00%	N/A
Real Estate*	10.00%	NCREIF Property
Cash	<u>0.00%</u>	N/A
Total:	100.00%	

*For PIOS® Program purposes, target exposure will be equated with actual exposure with the difference allocated proportionally to the four replicable asset classes - Domestic Equity, Global Equity, International Equity and Fixed Income. For example, if the actual allocation to Private Equity is 4.00% and the long-term allocation is 5.00%, and the actual allocation to Real Estate is 9.00% and the long-term allocation is 10.00%, the difference of 2.00% is allocated as follows:

<u>Asset Class</u>	<u>Target %</u>	<u>Proportional Adjustment</u>	<u>Adjusted Target Allocation</u>
Domestic Equity	34.00%	0.80%	34.80%
Global Equity	10.00%	0.23%	10.23%
International Equity	16.00%	0.38%	16.38%
Fixed Income	25.00%	0.59%	25.59%

It is Client's responsibility to establish and revise as necessary the asset class categories.

INVEST UNALLOCATED CASH AND MANAGER CASH COMPONENT

Unallocated cash and manager cash will be synthetically invested as follows: Clifton will overlay cash balances on an ongoing basis to seek to reduce the overall fund's deviation from the targets. Initially, cash will be securitized in a manner which seeks to reduce the fund's deviation from the adjusted target allocations as defined above. On an ongoing basis, as cash levels change, futures contracts will be added or removed with an objective of reducing imbalances relative to the adjusted target allocation.

MAINTAIN TARGET ALLOCATION COMPONENT

Clifton will monitor fund asset allocation relative to the following variation bands:

<u>Asset Class</u>	<u>Variation Band %*</u>	<u>Rebalancing Approach</u>
Domestic Equity	28% – 38%	Futures Based
Global Equity	7% - 13%	Futures Based
International Equity	12% - 18%	Futures Based
Fixed Income	20% - 30%	Futures Based

*Client will be notified if a variation band has been exceeded.

Rebalancing will occur only upon written direction of Client.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**MANAGER GUIDELINES****Addendum B****OVERLAID ASSETS FOR WHICH VALUES ARE NOT RECEIVED FROM THE CUSTODIAN**

It will be the responsibility of Clifton to request regular updates on the value of the overlaid assets for which values are not received from the Custodian. Because Clifton does not control these managers, it is possible that Clifton will not receive information in a timely manner from such managers. It is also possible that this information will not be accurate. Client agrees that Clifton may rely on such information as provided by the source without further investigation or confirmation.

<u>Managers</u>	<u>Frequency*</u>	<u>Method of Update**</u>	<u>Index Used</u>	<u>Index Btick</u>
BlackRock MSCI ACWI Equity Index	Monthly	Henry Solis's Monthly Reports	MSCI ACWI	JETAX
BlackRock MSCI ACWI ex. US	Monthly	Henry Solis's Monthly Reports	MSCI ACWI ex. US	NDUEACWZ
BlackRock Wilshire 5000	Monthly	Henry Solis's Monthly Reports	Wilshire 5000	DWCF
Extended Equity	Monthly	Henry Solis's Monthly Reports	Wilshire 5000	DWCF
In-House Cash	Daily	Henry Solis's email		
Sprucegrove	Monthly	Henry Solis's Monthly Reports	MSCI ACWI ex. US	NDUEACWZ
Western Asset	Daily	MyStateStreet Daily NAV spreadsheet	Wilshire 5000	DWCF

As more managers are added, it will be Client's responsibility to contact Clifton and assist in developing a method for updating values for each new manager.

Approved and Confirmed Changes to the Guidelines

<u>Date</u>	<u>Guidelines / Change</u>	<u>Verified by</u>
06/02/2008	Portfolio targets and Unallocated Cash targets have been updated.	Email sent on 6/2/2008 by Tim Thonis to Megan Zhou, titled "RE: Ventura PIOS® Guidelines updated with new targets"
07/28/2008	Addendum B has been updated.	
12/03/2008	Addendum B has been updated	
01/05/2009	Addendum B has been updated	
01/20/2009	Addendum A target allocations revised and Maintain Target Allocation Component added	
10/02/2009	Addendum B has been updated.	
11/20/2009	Addendum B has been updated.	
05/26/2010	Addendum B has been updated.	
01/31/2011	Addendum B has been updated, Tim Thonis replaced by Henry Solis.	
06/13/2011	Addendum A has been updated	Email sent on 05/25/2011 to Alex Gomelsky/TCG from Henry Solis titled, "RE: VCERA Cash – Week of May 25 th "
08/22/2011	Addendum A: asset class allocation targets and associated benchmark indexes have been updated	Conference call on August 19, 2011 between Ben and Team PIOS and representatives from Hewitt EnnisKnupp and Client.
06/18/2012	Addendum A: Asset classes revised as well as targets, adjustments and allocations. Revised body of Guidelines regarding Invest Manager Cash.	Conference calls with Client.

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>

March 4, 2013

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

SUBJECT: STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS (SACRS) 2013 SPRING CONFERENCE ITEMS

Dear Board Members:

Submitted for your consideration are the following items for the upcoming SACRS Spring Conference taking place May 13-17, 2013 in Napa:

- Transportation Information
- Conference Information
- SACRS Proxy Voting Information

While the complete agenda is not final, SACRS has scheduled three Pre-Conference Workshops on Monday, May 13, 2013. The workshops focus on training for New Trustees, Advanced Trustees and Staff. (Ethics Certification will continue to be held on Tuesday of the conference; pre-registration is required.)

Monday Workshops:

- New Trustee Workshop, 8:30 a.m. – 10:00 a.m.
- Advanced Trustee Workshop, 8:30 a.m. – 10:00 a.m.
- Communications Workshop, 10:15 a.m. – Noon

The conference will be held at: Napa Valley Marriott Hotel & Spa
3425 Solano Avenue, Napa, CA 94558
www.napavalleymarriott.com 707.253.8600
SACRS room rate \$189 per night (excluding tax & service fees)

A registration form will be provided to attendees in the near future. Please designate a delegate and alternate voting delegate.

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

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator

Attachments

A model of excellence for public pension plans around the World.



TRANSPORTATION INFORMATION

FROM SAN FRANCISCO

- **AIRPORT:** SAN FRANCISCO INTERNATIONAL AIRPORT - SFO
- **DRIVING DIRECTIONS:**
TAKE HWY 101 N. TO 80 E. CROSS BAY BRIDGE. FOLLOW SIGNS TO SACRAMENTO. EXIT ONTO HWY 37. TURN RIGHT ON HWY 29 N. TURN LEFT AT REDWOOD RD. TURN RIGHT ON SOLANO AVE.
- **ALTERNATE TRANSPORTATION:**
EVANS AIRPORT SERVICE; FEE: 45 USD (ONE WAY); RESERVATION REQUIRED

FROM OAKLAND

- **AIRPORT:** OAKLAND INTERNATIONAL AIRPORT – OAK
- **DRIVING DIRECTIONS:**
TAKE HWY 880 N. TO 980 TO 580 W. TO 80 E. (SACRAMENTO). EXIT HWY 37. TURN RIGHT ON HWY 29 N. TURN LEFT ONTO REDWOOD RD. TURN RIGHT ON SOLANO AVE.
- **ALTERNATE TRANSPORTATION:**
EVANS SHUTTLE SERVICE; FEE: 45 USD (ONE WAY); RESERVATION REQUIRED

FROM SACRAMENTO

- **AIRPORT:** SACRAMENTO INTERNATIONAL AIRPORT - SMF
- **DRIVING DIRECTIONS:**
TAKE HWY 5 S. TO 80 W. TO HWY 12 W. TURN RIGHT ON HWY 29 N. TURN LEFT AT REDWOOD RD. TURN RIGHT ON SOLANO AVE.



CONFERENCE REGISTRATION INFORMATION

CONFERENCE REGISTRATION FEE:

System Members (Trustees & Staff) \$120.00 per attendee

CONFERENCE REGISTRATION:

Online registration is now open; please visit the SACRS.ORG website to register your System's attendees. Conference brochures will be mailed to your System; you may also complete a paper form for each attendee and mail along with payment to – SACRS, Attn: Sulema Peterson 1415 L Street, Suite 1000, Sacramento, CA 95814.

CANCELLATION:

- **Conference Cancellation Policy**

In order to receive a Conference Registration refund, you must cancel your registration by April 1, 2013. Please email cancellation to: Sulema@sacrs.org

- **Hotel Cancellation Policy**

Any Hotel Room cancellations made within 21 days of the conference will incur a fee of \$50 per cancellation. Name changes between same system staff/trustees will not incur the fee nor will medically necessary cancellations. If you need to cancel any of your room nights at any time, please contact SLGS at (916) 441-1850 rather than the hotel. Your room(s) will be given to other SACRS members who are on our waiting list. Cancellations must be received via email.

CONFERENCE ATTIRE:

All sessions and social functions at SACRS Spring Conference 2013 are business casual.

WEATHER:

The average temperature for the Napa area in May 2013, attendees should plan on cool mornings, sunny afternoon and temperature drop in the evenings.

- Daytime Highs: 75F – 78F
- Evening Lows: 47F – 51F



SACRS VOTING PROXY FORM

The following are authorized by the _____ County Retirement Board to vote on behalf of the County Retirement System at the upcoming SACRS Conference (*if you have more than one alternate, please attach the list of alternates in priority order*):

_____ Voting Delegate

_____ Alternate Voting Delegate

These delegates were approved by the Retirement Board on ____ / ____ / ____.

The person authorized to fill out this form on behalf of the Retirement Board:

Signature: _____

Print Name: _____

Position: _____

Date: _____

Please send your system's voting proxy by **April 1, 2013** to:

SACRS
Attn: Sulema H. Peterson, SACRS Administrator
1415 L Street, Suite 1000
Sacramento, CA 95814
Tel: (916) 441-1850 / FAX: (916) 441-6178 / E-mail: sacrs@sacrs.org