VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

June 17, 2013

AGENDA

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

TIME: 9:00 a.m.

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

ITEM:

I.	**INTRODUCTION OF MEETING**	Master Page No.
II.	**APPROVAL OF AGENDA**	1 - 4
III.	**APPROVAL OF MINUTES**	
	A. Disability Meeting of June 3, 2013.	5 - 10
IV.	**CONSENT AGENDA**	

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

A.	Regular and Deferred Retirements and Survivors Continuances for the Month of May 2013.	11 - 12

IV. <u>CONSENT AGENDA</u> (continued)

<u>END OF CONSENT AGENDA</u>

V. <u>CALPEPRA</u>

VI. <u>INVESTMENT INFORMATION</u>

VI. INVESTMENT INFORMATION (continued)

E. Authorize Chair to Execute Loomis Sayles Strategic Alpha NHIT Subscription Agreement, and any Other Documents Necessary, for Funding by Month End. 252

VII. OLD BUSINESS

A. Disability Retirement Process Review and Educational Presentation (Part III). (30 minutes) 253 - 302

1. Receive the Disability Retirement Process Review and Educational Presentation – Hearings and Hearing Officers.

2. Review and Approval of the Hearing Officer Information Packet.

3. Review and Approval of the Hearing Officer Evaluation Kit.

B. Receive and File FY 2013-14 Adopted Budget. 303 - 328

C. Review and Approval of Updated Board Policies. 329 - 349

1. Annual Administrative Budget Policy and Previous Limitation on Annual Administrative Budget Policy.

2. Education and Travel Policy.

3. Conflict of Interest Code Policy.

4. Trustee Communications Policy.

VIII. NEW BUSINESS

A. Authorize Ad Hoc RFP Committee Members to Conduct Due Diligence Site Visits. 350

B. Review and Approval of Contract for Annette Paladino. 351 - 359

1. Contract – Annette Paladino

C. Review and Approval of Hearing Officers and Hearing Officer Contract Template. 360 - 363

VIII. NEW BUSINESS (continued)

D. Conference Report: Adams Street Client Conference – Trustee Towner. 364 - 365

IX. PUBLIC COMMENT

X. BOARD MEMBER COMMENT

XI. ADJOURNMENT

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

June 3, 2013

MINUTES

DIRECTORS PRESENT:	William W. Wilson, Chair, Public Member Tracy Towner, Vice Chair, Safety Employee Member Steven Hintz, Treasurer-Tax Collector Peter C. Foy, Public Member Tom Johnston, General Employee Member Deanna McCormick, General Employee Member Arthur E. Goulet, Retiree Member Chris Johnston, Alternate Safety Employee Member Will Hoag, Alternate Retiree Member
DIRECTORS ABSENT:	Joseph Henderson, Public Member Mike Sedell, Public Member
STAFF PRESENT:	Donald C. Kendig, Retirement Administrator Henry Solis, Chief Financial Officer Lori Nemiroff, Assistant County Counsel Glenda Jackson, Program Assistant Angie Tolentino, Retirement Benefits Specialist
PLACE:	Ventura County Employees' Retirement Association Second Floor Boardroom 1190 South Victoria Avenue Ventura, CA 93003
TIME:	9:00 a.m.

ITEM:

I. INTRODUCTION OF MEETING

Chairman Wilson called the Disability Meeting of June 3, 2013, to order at 9:00 a.m.

II. APPROVAL OF AGENDA

Staff noted that Agenda item VII.A. Review and Adoption of the Fiscal Year 2013-14 Proposed Budget had been updated and the green budget pages were on top of the Trustee folders.

MOTION: Judge Hintz moved, seconded by Mr. Goulet, to approve the Agenda with the noted updates.

Motion passed unanimously. Mr. Henderson and Mr. Sedell absent.

III. APPROVAL OF MINUTES

A. Business Meeting of May 20, 2013.

MOTION: Mr. Goulet moved, seconded by Judge Hintz, to approve the Minutes.

Motion passed unanimously. Mr. Henderson and Mr. Sedell absent.

IV. PENDING DISABILITY APPLICATION STATUS REPORT

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

Motion passed unanimously. Mr. Henderson and Mr. Sedell absent.

V. APPLICATIONS FOR DISABILITY RETIREMENT

A. Application for Service Connected Disability Retirement; Wayne Maynard; Case No. 10-039.

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

2. Hearing Notice.

Paul Hilbun was present representing the County of Ventura Risk Management. Anthony R. Strauss, Attorney at Law, was present representing the applicant. The applicant, Wayne Maynard, was present.

After statements by both parties, during which Mr. Strauss informed the Board that Mr. Maynard’s catheter ablation was unsuccessful and he continues to suffer atrial fibulation incidents, the following motion was made:

MOTION: Mr. Goulet moved, seconded by Mr. C. Johnston, to grant a service connected disability retirement.

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

A. Application for Service Connected Disability Retirement; Wayne Maynard; Case No. 10-039. (continued)

Motion passed unanimously. Mr. Henderson and Mr. Sedell absent. Mr. C. Johnston voting in the case of a firefighter retirement per Government Code Section 31520.1(b).

The parties agreed to waive preparation of findings of fact and conclusions of law.

VI. OLD BUSINESS

A. Disability Process Review and Educational Presentation.

1. Review and Approval of the Updated Proposed Application Packet for Disability Retirement.

Annette Paladino provided a presentation on the updated application packet for disability retirement.

After discussion by the Board and Staff, the following motion was made:

MOTION: Mr. Goulet moved, seconded by Judge Hintz, to adopt the updated proposed application packet for disability retirement as modified for the addition of "current permanent" before "assignment" in two places on the cover page and the modification of the authorization revocation paragraph on page 19 of the packet with verbiage to be approved by Board Counsel.

Motion passed unanimously. Mr. Henderson and Mr. Sedell absent.

Mr. Goulet requested that the application be made available online as a “fillable pdf.”

The Board directed staff to make the form electronically fillable and post it on the VCERA website noting the office phone number to call with any questions. Members will be encouraged to make an appointment for counseling and this packet will be differentiated from the service retirement application packet.

VI. <u>OLD BUSINESS</u> (continued)

A. Disability Process Review and Educational Presentation.

2. Receive and File the Disability Retirement 101: Legal Standards Presentation (30 minutes).

   Annette Paladino provided a presentation on Legal Standards.

   No action taken.

3. Disability Procedures Proposals.

   a. Review and Approval of the Independent Medical Examination (IME) Cover Letter Template.

   After discussion by the Board and Staff, the following motion was made:

   <u>MOTION:</u> Judge Hintz moved, seconded by Ms. McCormick, to approve the IME cover letter template and requested that Risk Management use all, or applicable portions, of the template in their IME process.

   Motion passed unanimously. Mr. Henderson and Mr. Sedell absent.

   After further discussion, the following motion was made:

   <u>MOTION:</u> Mr. Goulet moved, seconded by Ms. McCormick, to direct Risk Management to report back which parts of the IME cover letter template they are using.

   Motion passed unanimously. Mr. Henderson and Mr. Sedell absent.

   a. Review and Approval of the Board Report Template.

   After discussion by the Board and Staff, the following motion was made:

   <u>MOTION:</u> Judge Hintz moved, seconded by Ms. McCormick, to approve the recommended Board Letter Template as amended for the striking of “Confidential” from the page footers and deletion of the Deputy County Counsel signature line on the last page of the template, Master Page Number 335.

   Motion passed unanimously. Mr. Henderson and Mr. Sedell absent.

   Angie Tolentino left the meeting.

VII. NEW BUSINESS

Henry Solis entered the meeting deliberations.

A. Review and Adoption of the Fiscal Year 2013-14 Proposed Budget.

1. 2013-14 Proposed Budget Schedules.

Henry Solis, Chief Financial Officer, provided an overview of the proposed budget to the Board.

After discussion by the Board and Staff, the following motion was made:

MOTION: Mr. T. Johnston moved, seconded by Ms. McCormick, to approve and adopt the Fiscal Year 2013-14 Proposed Budget along with the five budget enhancement requests.

Motion passed unanimously. Mr. Henderson and Mr. Sedell absent.

Staff will return with a final budget document on June 17 for the Board to receive and file with corrections noted by staff and format changes requested by the Board, along with a Budget Policy.

B. Set Dates and Designate Participants for Fall Due Diligence Planning.

After discussion, the Chair designated Mr. Towner and Chair Wilson, with Ms. McCormick as an alternate, to participate in the due diligence trip with site visit dates of either October 9 or 10 and a return date of October 11.

Staff will also check with Hewitt EnnisKnupp to determine if Walter Scott is proposed for consolidation.

C. Review and Approval of Request to Attend SACRS Public Pension Investment Management Program 2013.

After discussion, the following motion was made:

MOTION: Judge Hintz moved, seconded by Mr. Towner, to authorize the attendance of Mr. Goulet, Mr. T. Johnston and Ms. McCormick at the SACRS Public Pension Investment Management Program 2013 in Berkeley, CA, from July 28 – July 31.

Motion passed unanimously. Mr. Henderson and Mr. Sedell absent.

VII. NEW BUSINESS (continued)

D. 2013 SACRS Spring Conference Oral Reports.

The Board discussed the SACRS Spring Conference.

No action taken.

VIII. PUBLIC COMMENT

Staff reported that the Ad Hoc RFP Committee would meet ten minutes after the adjournment of the Disability meeting and that there would likely be an extension of the finals presentations to the September 9 Disability meeting in order to provide more time for submission review and due diligence. Mr. Goulet added that finalists would not be selected at this meeting.

IX. BOARD MEMBER COMMENT

None.

X. ADJOURNMENT

The meeting was adjourned at 12:21 p.m.

Respectfully submitted,

Donald C. Kendig

DONALD C. KENDIG, Retirement Administrator

Approved,

WILLIAM W. WILSON, Chairman

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

REPORT OF REGULAR AND DEFERRED RETIREMENTS AND SURVIVORS CONTINUANCES

MAY 2013

FIRST NAME	LAST NAME	G/S	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
REGULAR RETIREMENTS:							
Antonio	Chico	G	8/19/1990	22.60		Sheriff's Department	03/30/13
Jacalyn L.	Cohen	G	11/11/1979	33.51	B=0.092	CEO	04/23/13
Kevin	Farrell	G	4/11/1977	24.09		Child Support Services	04/27/13
Anthony	Flores	G	9/6/1998	12.73		Harbor	03/27/13
Judith	Gergis	G	1/16/1994	19.28		Health Care Agency	05/01/13
Marcia O.	Howard	G	5/7/2001	10.70		Health Care Agency	05/10/13
						(From Deferred)	
John J.	Lonergan	G	2/22/1998	1.21		District Attorney	03/28/13
						(From Deferred)	
Luz	Martinez	G	10/29/1990	21.00		Health Care Agency	04/28/12
						(NSC Disability granted)	
Kathryn J.	McDonald	G	5/7/2006	15.50	A=9.29	Health Care Agency	03/30/13
Phil	McEvoy	G	6/29/1986	39.15	D=12.44	Assessor	04/19/13
Lorita	Meeks	G	10/29/2000	12.24		Health Care Agency	04/10/13
Mark	Millan	S	11/17/1985	27.48	B=0.0070	Probation Agency	03/30/13
John B.	Mullins	G	10/1/1989	23.65		General Services Agency	04/27/13
Dawn	Oatman	S	12/19/2006	6.77		Fire Protection District	05/01/13
						(Nonmember Spouse)	
						(From Deferred)	
Violeta B.	Palmer	G	5/4/1997	14.57		Health Care Agency	03/30/13
Herman A.	Ragsdale	G	10/01/1978	34.49		Air Pollution Control Distict	04/13/13
Tamara	Rompal	S	2/22/2011	5.48		Sheriff's Department	05/01/13
						(Nonmember Spouse)	
						(From Deferred)	
Jamie	Russell-Ortiz	S	9/26/1982	31.70	B=1.20090	Probation Agency	03/30/13
Teresa	Sapp	G	3/7/1999	20.79	A=6.61890	Human Services Agency	03/29/13
					B=0.1170		
John	Southwood	G	12/19/1993	19.20		General Services Agency	04/13/13
Eugenia	Spraggins	G	11/25/2001	11.47		Health Care Agency	05/04/13
Matthew D.	Taylor	G	11/17/1985	19.39		Human Services Agency	05/11/13
Ronald	Topolinski	S	02/02/1981	32.09		Fire Protection District	03/27/13

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

REPORT OF REGULAR AND DEFERRED RETIREMENTS AND SURVIVORS CONTINUANCES

MAY 2013

FIRST NAME	LAST NAME	G/S	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
DEFERRED RETIREMENTS:							
Becky J.	Battleson	G	05/02/2000	6.71		Agricultural Department	04/14/13
Mary C.	Beauvior	G	11/07/2004	7.34		Library Services Agency	05/03/13
Joel C.	Bennett	G	11/19/2006	6.35		Information Services Departme	04/26/13
Laura L.	Bermudez	S	12/30/2007	4.80	C=0.3066	Probation Agency	04/26/13
Joyce L.	Cheney	G	02/15/2004	6.70		Probation Agency	04/27/13
Cheryl M.	Collart	G	01/21/2001	12.65	B=0.4174	CEO	04/15/13
J.D.	Couch	G	11/21/2004	8.35		Health Care Agency	04/19/13
Evangelina H.	Diaz	G	10/11/1999	13.36		Human Services Agency	04/15/13
Kathryn E.	Drewry	G	07/11/1999	12.68		Fire Protection District	05/06/13
Michael W.	Drewry	G	02/11/1996	17.23		Fire Protection District	05/06/13
Sara Ann	Hellenbrand	G	04/20/2008	5.01		Public Works Agency	04/26/13
Steven D.	Jacobsen	G	04/19/2013	6.77	D=1.6722	Human Services Agency	04/19/13
Karen A.	Kee	G	05/23/1993	16.68		Health Care Agency	03/31/13
Ceferino C.	Munoz	G	08/07/2006	6.69		Public Works Agency	04/12/13
Ramzi A.	Raad	G	09/24/2006	6.57		Sheriff's Department	04/19/13
Jennier S.	Rayhill	G	11/06/2011	1.28	C=6.5928	Health Care Agency	04/10/13
Lucia B.	Shanahan	G	08/19/2007	5.22		Human Services Agency	03/31/13
Eugenia V.	Spraggins	G	11/11/2001	11.50		Health Care Agency	05/03/13
Deanna L.	Utley	G	03/09/2008	5.03		Health Care Agency	04/11/13
SURVIVORS' CONTINUANCES:							
Missie D.	Amiott						
Elizabeth S.	Bergh						
Sandra	Bullard						
Leslie D.	Gutierrez						
Joyce K.	Holifield						

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

Ventura County Retirement Assn

Check Register - Standard

Period: 11-13 As of: 6/3/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
Company:	**VCERA**										
Acct / Sub:	1002		00								
020637	VC	5/7/2013	VSP VISION SERVICE PLAN - (CA)	11-13	11-13	015498	VO	INSURANCE	2/6/2012	0.00	-4,150.93
									Check Total		**-4,150.93**
020638	-	022277	Missing								
022278	CK	5/2/2013	CA SDU CALIFORNIA STATE	11-13		017066	VO	CRT ORDERED PMT	5/2/2013	0.00	1,005.01
022279	CK	5/2/2013	CHILD5 STATE DISBURSEMENT UNIT (SI	11-13		017067	VO	CRT ORDERED PMT	5/2/2013	0.00	511.00
022280	CK	5/2/2013	CHILD9 SHERIDA SEGALL	11-13		017069	VO	CRT ORDERED PMT	5/2/2013	0.00	260.00
022281	CK	5/2/2013	CHILD21 OREGON DEPT OF JUSTICE	11-13		017070	VO	CRT ORDERED PMT	5/2/2013	0.00	171.74
022282	CK	5/2/2013	SPOUSE2 KELLY SEARCY	11-13		017071	VO	CRT ORDERED PMT	5/2/2013	0.00	1,874.00
022283	CK	5/2/2013	SPOUSE3 ANGELINA ORTIZ	11-13		017072	VO	CRT ORDERED PMT	5/2/2013	0.00	250.00
022284	CK	5/2/2013	SPOUSE4 CATHY C. PEET	11-13		017073	VO	CRT ORDERED PMT	5/2/2013	0.00	550.00
022285	CK	5/2/2013	SPOUSE5 SUZANNA CARR	11-13		017074	VO	CRT ORDERED PMT	5/2/2013	0.00	829.00
022286	CK	5/2/2013	FTBCA3 FRANCHISE TAX BOARD	11-13		017075	VO	GARNISHMENT	5/2/2013	0.00	77.11
022287	CK	5/2/2013	IRS6 INTERNAL REVENUE SERVICE	11-13		017076	VO	GARNISHMENT	5/2/2013	0.00	321.00
022288	CK	5/2/2013	CALPERS CALPERS LONG-TERM	11-13		017077	VO	INSURANCE	5/2/2013	0.00	19,495.37

Ventura County Retirement Assn

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Period: 11-13 As of: 6/3/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
022289	CK	5/2/2013	CVMP COUNTY OF VENTURA	11-13		017078	VO	INSURANCE	5/2/2013	0.00	568,454.15
022290	CK	5/2/2013	SEIU SEIU LOCAL 721	11-13		017079	VO	DUES	5/2/2013	0.00	320.50
022291	CK	5/2/2013	VCDSA VENTURA COUNTY DEPUTY	11-13		017080	VO	INSURANCE	5/2/2013	0.00	247,341.22
022292	CK	5/2/2013	VCPFF VENTURA COUNTY PROFESSIO	11-13		017081	VO	INSURANCE	5/2/2013	0.00	73,352.88
022293	CK	5/2/2013	VCREA RETIRED EMPLOYEES' ASSOCIA	11-13		017082	VO	DUES	5/2/2013	0.00	4,276.50
022294	CK	5/2/2013	VRSD VENTURA REGIONAL	11-13		017083	VO	INSURANCE	5/2/2013	0.00	5,822.12
022295	CK	5/2/2013	VSP VISION SERVICE PLAN - (CA)	11-13		017084	VO	INSURANCE	5/2/2013	0.00	6,061.49
022296	CK	5/2/2013	103719 COUNTY OF VENTURA	11-13		017085	VO	PENSION PAYMENT	5/2/2013	0.00	26,931.00
022297	CK	5/2/2013	F3070B1 ANNETTE SEELOS	11-13		017086	VO	DEATH BENEFIT	5/2/2013	0.00	700.50
022298	CK	5/2/2013	F0150B1 FIDELITY CORP ROLLOVER DEP	11-13		017087	VO	DEATH BENEFIT	5/2/2013	0.00	5,493.94
022299	CK	5/2/2013	F5555S MORGAN STANLEY	11-13		017088	VO	DEATH BENEFIT	5/2/2013	0.00	4,897.65
022300	CK	5/2/2013	F3481 DENNIS M DANAHER	11-13		017089	VO	PENSION PMT	5/2/2013	0.00	2,219.90
022301	CK	5/2/2013	106347 DEBRA L. WOLFE	11-13		017090	VO	REFUND T2 COL	5/2/2013	0.00	6,372.51
022302	CK	5/2/2013	107162 GARY KENNEDY	11-13		017091	VO	REFUND T2 COL	5/2/2013	0.00	14,162.92

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
022303	CK	5/2/2013	103762 CLEO F. OLAGUE	11-13		017092	VO	REFUND T2 COL	5/2/2013	0.00	13,589.98
022304	CK	5/2/2013	104735 TERESA ANN SAPP	11-13		017093	VO	REFUND	5/2/2013	0.00	8,872.44
022305	CK	5/2/2013	120112 ROBERT P. RANGEL	11-13		017094	VO	REFUND	5/2/2013	0.00	10,024.28
022306	CK	5/2/2013	120673 SHAMEKA D. NEWSON	11-13		017095	VO	REFUND	5/2/2013	0.00	8,610.06
022307	CK	5/2/2013	122130 ERIC ANDREW LYKE	11-13		017096	VO	REFUND	5/2/2013	0.00	1,085.10
022308	CK	5/2/2013	121800 MARTHA CHAVEZ	11-13		017097	VO	REFUND	5/2/2013	0.00	2,375.82
022309	CK	5/2/2013	119308 HENRI COHEN	11-13		017098	VO	REFUND	5/2/2013	0.00	731.82
022310	CK	5/2/2013	119420R THRIFT SAVINGS PLAN	11-13		017099	VO	ROLLOVER	5/2/2013	0.00	11,351.15
022311	CK	5/2/2013	119420 TARALIN N. EISENHARD	11-13		017100	VO	REFUND	5/2/2013	0.00	3,080.77
022312	CK	5/2/2013	ENNIS HEWITT ENNIS KNUPP, INC	11-13		017101	VO	INVESTMENT FEES	5/2/2013	0.00	61,050.00
022313	CK	5/2/2013	TOWERS TOWERS WATSON PENNSYLVAN	11-13		017102	VO	ADMIN EXP	5/2/2013	0.00	20,000.00
022314	CK	5/2/2013	VOLT VOLT	11-13		017103	VO	ADMIN EXP	5/2/2013	0.00	2,832.02
022315	CK	5/2/2013	990004BM WILL HOAG	11-13		017104	VO	BRD MEM FEES	5/2/2013	0.00	100.00

Ventura County Retirement Assn

Check Register - Standard

Period: 11-13 As of: 6/3/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
022316	CK	5/2/2013	CORPORATE STAPLES ADVANTAGE	11-13		017105	VO	ADMIN EXP	5/2/2013	0.00	5,059.43
022317	CK	5/2/2013	COUNTY COUNTY COUNSEL	11-13		017106	VO	LEGAL FEES	5/2/2013	0.00	24,887.50
022318	ZC	5/9/2013	VSP VISION SERVICE PLAN - (CA)	11-13	11-13	015498	VO	INSURANCE	2/6/2012	0.00	4,150.93
022318	ZC	5/9/2013	VSP VISION SERVICE PLAN - (CA)	11-13	11-13	017107	AD	CANCEL	5/7/2013	0.00	-4,150.93
									Check Total		**0.00**
022319	CK	5/9/2013	F0495B1 NATALIA APPLEN	11-13		017116	VO	DEATH BENEFIT	5/9/2013	0.00	4,160.66
022320	CK	5/9/2013	F3859S JOYCE KEEFE HOLIFIELD	11-13	11-13	017117	VO	DEATH BENEFIT	5/9/2013	0.00	3,012.57
022320	VC	5/14/2013	F3859S JOYCE KEEFE HOLIFIELD	11-13	11-13	017117	VO	DEATH BENEFIT	5/9/2013	0.00	-3,012.57
									Check Total		**0.00**
022321	CK	5/9/2013	F3000B1 ELAINE LOUISE BOYLE TRUST A	11-13		017118	VO	DEATH BENEFIT	5/9/2013	0.00	502.72
022322	CK	5/9/2013	F1022B1 JOHN JEFFRYES	11-13		017119	VO	DEATH BENEFIT	5/9/2013	0.00	2,093.16
022323	CK	5/9/2013	F1022B2 JANICE R. JEFFRYES	11-13		017120	VO	DEATH BENEFIT	5/9/2013	0.00	2,093.15
022324	CK	5/9/2013	F0583B1 LANA K. HORTON	11-13		017121	VO	DEATH BENEFIT	5/9/2013	0.00	96.97
022325	CK	5/9/2013	F0583B2 LARRY A. DIAL	11-13		017122	VO	DEATH BENEFIT	5/9/2013	0.00	96.97
022326	CK	5/9/2013	121047 JESSE D. HESTER	11-13		017123	VO	REFUND	5/9/2013	0.00	11,930.84
022327	CK	5/9/2013	122692 GERADO REY ENCINAS	11-13		017124	VO	REFUND	5/9/2013	0.00	347.30

Ventura County Retirement Assn

Check Register - Standard

Period: 11-13 As of: 6/3/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
022328	CK	5/9/2013	120608 SOCORRO Y. BERNAL	11-13		017125	VO	REFUND	5/9/2013	0.00	3,519.52
022329	CK	5/9/2013	104473R FIDELITY INVESTMENTS	11-13		017126	VO	ROLLOVER	5/9/2013	0.00	45,446.84
022330	CK	5/9/2013	104473 JASON A. ANDERSON	11-13		017127	VO	REFUND	5/9/2013	0.00	124.24
022331	CK	5/9/2013	F8391 INESE A. TETERIS	11-13		017128	VO	PENSION PAYMENT	5/9/2013	0.00	3,719.55
022332	CK	5/9/2013	BARNEY ABU COURT REPORTING INC	11-13		017108	VO	ADMIN EXP	5/9/2013	0.00	945.00
022333	CK	5/9/2013	102661 LORI NEMIROFF	11-13		017109	VO	TRAVEL REIMB	5/9/2013	0.00	598.64
022334	CK	5/9/2013	INCENTIVE INCENTIVE SERVICES	11-13		017110	VO	ADMIN EXP	5/9/2013	0.00	80.63
022335	CK	5/9/2013	SBS SBS GROUP	11-13		017111	VO	ADMIN EXP	5/9/2013	0.00	2,523.50
022336	CK	5/9/2013	COMPUWAVE COMPUWAVE	11-13		017112	VO	ADMIN EXP	5/9/2013	0.00	203.26
022337	CK	5/9/2013	WALTER WALTER SCOTT & PARTNERS LI	11-13		017113	VO	INVESTMENT FEES	5/9/2013	0.00	194,798.56
022338	CK	5/9/2013	LOOMIS LOOMIS, SAYLES & COMP, LP	11-13		017114	VO	INVESTMENT FEES	5/9/2013	0.00	149,278.80
022339	CK	5/9/2013	SPRUCE SPRUCEGROVE INVESTMENT M	11-13		017115	VO	INVESTMENT FEES	5/9/2013	0.00	53,898.21
022340	ZC	5/16/2013	F3859S JOYCE KEEFE HOLIFIELD	11-13	11-13	017117	VO	DEATH BENEFIT	5/9/2013	0.00	3,012.57
022340	ZC	5/16/2013	F3859S JOYCE KEEFE HOLIFIELD	11-13	11-13	017129	AD	CANCEL	5/14/2013	0.00	-3,012.57
									Check Total		**0.00**

Ventura County Retirement Assn

Check Register - Standard

Period: 11-13 As of: 6/3/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
022341	CK	5/16/2013	BLACKROCK BLACKROCK INSTL TRUST CO, N	11-13		017130	VO	INVESTMENT FEES	5/16/2013	0.00	191,713.03
022342	CK	5/16/2013	WESTERN WESTERN ASSET MANAGEMENT	11-13		017131	VO	INVESTMENT FEE	5/16/2013	0.00	181,417.54
022343	CK	5/16/2013	122180 DONALD C KENDIG	11-13		017132	VO	TRAVEL REIMB	5/16/2013	0.00	141.99
022344	CK	5/16/2013	108287 LIA PHILIPS	11-13		017133	VO	TRAVEL REIMB	5/16/2013	0.00	242.34
022345	CK	5/16/2013	105703PC GLENDA JACKSON- PETTY CASH	11-13		017134	VO	ADMIN EXP	5/16/2013	0.00	149.78
022346	CK	5/16/2013	ELECTIONS ELECTIONS DIVISION	11-13		017135	VO	ADMIN EXP	5/16/2013	0.00	5,012.12
022347	CK	5/16/2013	ADP ADP INC	11-13		017136	VO	ADMIN EXP	5/16/2013	0.00	10,575.75
022348	CK	5/16/2013	PALADINO ANNETTE A. PALADINO	11-13		017137	VO	ADMIN EXP	5/16/2013	0.00	5,325.00
022349	CK	5/16/2013	PRIHAR MICHAEL PRIHAR	11-13		017138	VO	ADMIN EXP	5/16/2013	0.00	3,640.87
022350	CK	5/16/2013	VOLT VOLT	11-13		017139	VO	ADMIN EXP	5/16/2013	0.00	1,727.94
022351	CK	5/16/2013	HARRIS HARRIS WATER CONDITIONING	11-13		017140	VO	ADMIN EXP	5/16/2013	0.00	99.50
022352	CK	5/16/2013	COMPUWAVE COMPUWAVE	11-13		017141	VO	ADMIN EXP	5/16/2013	0.00	17.18
022353	CK	5/16/2013	LINEA LINEA SOLUTIONS	11-13		017142	VO	ADMIN EXP	5/16/2013	0.00	6,063.75
022354	CK	5/16/2013	MEGAPATH MEGAPATH INC.	11-13		017143	VO	ADMIN EXP	5/16/2013	0.00	192.41

Ventura County Retirement Assn

Check Register - Standard

Period: 11-13 As of: 6/3/2013

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022355	CK	5/16/2013	AT&T AT & T MOBILITY	11-13		017144	VO	ADMIN EXP	5/16/2013	0.00	814.80
022356	CK	5/16/2013	TWC TIME WARNER CABLE	11-13		017145	VO	ADMIN EXP	5/16/2013	0.00	38.02
022357	CK	5/16/2013	BOFA BANK OF AMERICA	11-13		017146	VO	ADMIN EXP	5/16/2013	0.00	3,611.95
022358	CK	5/16/2013	103370 PHIL MCEVOY	11-13		017147	VO	REFUND T2 COL	5/16/2013	0.00	6,394.27
022359	CK	5/16/2013	104442 ANTHONY L. FLORES	11-13		017148	VO	REFUND T2 COL	5/16/2013	0.00	8,633.04
022360	CK	5/16/2013	104532 AMOS NESSIM	11-13		017149	VO	REFUND	5/16/2013	0.00	15,117.35
022361	CK	5/16/2013	122043 WILLIAM L. PRESSAS	11-13	11-13	017150	VO	REFUND	5/16/2013	0.00	359.27
022361	VC	5/16/2013	122043 WILLIAM L. PRESSAS	11-13	11-13	017150	VO	REFUND	5/16/2013	0.00	-359.27
									Check Total		**0.00**
022362	CK	5/16/2013	105254 EVANGELINA H. DIAZ	11-13		017151	VO	REFUND	5/16/2013	0.00	49,563.07
022363	CK	5/16/2013	120492R BANK OF AMERICA, NA	11-13		017152	VO	ROLLOVER	5/16/2013	0.00	15,692.67
022364	CK	5/16/2013	120492 ANDREW S. BASSUK	11-13	11-13	017153	VO	REFUND	5/16/2013	0.00	5,090.09
022364	VC	5/16/2013	120492 ANDREW S. BASSUK	11-13	11-13	017153	VO	REFUND	5/16/2013	0.00	-5,090.09
									Check Total		**0.00**
022365	CK	5/16/2013	122043 WILLIAM L. PRESSAS	11-13		017150	VO	REFUND	5/16/2013	0.00	359.27
022366	CK	5/16/2013	120492 ANDREW S. BASSUK	11-13		017153	VO	REFUND	5/16/2013	0.00	5,090.09

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
022367	CK	5/23/2013	F2210E ELIZABETH S. BERGH	11-13		017154	VO	DEATH BENEFIT	5/23/2013	0.00	3,755.07
022368	CK	5/23/2013	F3859S JOYCE KEEFE HOLIFIELD	11-13		017155	VO	DEATH BENEFIT	5/23/2013	0.00	3,012.27
022369	CK	5/23/2013	F0128S MISSIE D. AMIOTT	11-13		017156	VO	DEATH BENEFIT	5/23/2013	0.00	3,542.23
022370	CK	5/23/2013	F0417B1 M.C. & M.J. CHAPMAN FAMILY TI	11-13		017157	VO	DEATH BENEFIT	5/23/2013	0.00	5,529.36
022371	CK	5/23/2013	F3876S LESLIE D. GUTIERREZ	11-13		017158	VO	DEATH BENEFIT	5/23/2013	0.00	3,241.58
022372	CK	5/23/2013	102055 LUZ MARTINEZ	11-13		017159	VO	REFUND T2 COL	5/23/2013	0.00	9,143.29
022373	CK	5/23/2013	116655 JOE BANUELOS	11-13		017160	VO	REFUND T2 COL	5/23/2013	0.00	6,847.41
022374	CK	5/23/2013	116893 STEPHANIE C. RUIZ	11-13		017161	VO	REFUND	5/23/2013	0.00	17,395.40
022375	CK	5/23/2013	103006 KAREN A. KEE	11-13		017162	VO	REFUND	5/23/2013	0.00	57,799.17
022376	CK	5/23/2013	121272 JESSICA D. PREDOVIC	11-13		017163	VO	REFUND	5/23/2013	0.00	382.99
022377	CK	5/23/2013	121272R NAVY FEDERAL CREDIT UNION	11-13		017164	VO	ROLLOVER	5/23/2013	0.00	7,796.64
022378	CK	5/23/2013	122767 SHERI BLACK	11-13		017165	VO	REFUND	5/23/2013	0.00	794.98
022379	CK	5/23/2013	120814 BENSON FONG	11-13		017166	VO	REFUND	5/23/2013	0.00	8,823.34
022380	CK	5/23/2013	113061R FIDELITY INVESTMENTS	11-13		017167	VO	ROLLOVER	5/23/2013	0.00	5,995.97

Ventura County Retirement Assn

Check Register - Standard

Period: 11-13 As of: 6/3/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
022381	CK	5/23/2013	113061 PATRICIA COVARRUBIAS LOPEZ	11-13		017168	VO	REFUND	5/23/2013	0.00	3,427.30
022382	CK	5/23/2013	HEXAVEST HEXAVEST INC	11-13		017169	VO	INVESTMENT FEES	5/23/2013	0.00	82,373.00
022383	CK	5/23/2013	CLIFTON THE CLIFTON GROUP / PARAME	11-13		017170	VO	INVESTMENT FEES	5/23/2013	0.00	8,569.00
022384	CK	5/23/2013	SEGAL THE SEGAL COMPANY	11-13		017171	VO	ADMIN EXP	5/23/2013	0.00	29,450.00
022385	CK	5/23/2013	BARNEY ABU COURT REPORTING INC	11-13		017172	VO	ADMIN EXP	5/23/2013	0.00	315.00
022386	CK	5/23/2013	YORK ACCESS INFORMATION MANAGE	11-13		017173	VO	ADMIN EXP	5/23/2013	0.00	301.44
022387	CK	5/23/2013	CORPORATE STAPLES ADVANTAGE	11-13		017174	VO	ADMIN EXP	5/23/2013	0.00	1,279.08
022388	CK	5/23/2013	VITECH VITECH SYSTEMS GROUP INC	11-13		017175	VO	ADMIN EXP	5/23/2013	0.00	2,500.00
022389	CK	5/23/2013	CMP CMP & ASSOCIATES, INC	11-13		017176	VO	ADMIN EXP	5/23/2013	0.00	16,127.50
022390	CK	5/23/2013	LINEA LINEA SOLUTIONS	11-13		017177	VO	ADMIN EXP	5/23/2013	0.00	74,806.20
022391	CK	5/23/2013	MBS MANAGED BUSINESS SOLUTION	11-13		017178	VO	ADMIN EXP	5/23/2013	0.00	30,114.07
022392	CK	5/23/2013	COUNTY COUNTY COUNSEL	11-13		017179	VO	LEGAL FEES	5/23/2013	0.00	37.50
022393	CK	5/23/2013	VOLT VOLT	11-13		017180	VO	ADMIN EXP	5/23/2013	0.00	5,184.45

Ventura County Retirement Assn

Check Register - Standard

Period: 11-13 As of: 6/3/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
022394	CK	5/23/2013	119663 DEBBIE DOWNEY	11-13		017181	VO	TRAVEL REIMB	5/23/2013	0.00	98.39
022395	CK	5/23/2013	103763 ROSEANN R. REGALADO	11-13		017182	VO	TRAVEL REIMB	5/23/2013	0.00	100.97
022396	CK	5/23/2013	990005BM WILLIAM W WILSON	11-13		017183	VO	BRD MEM FEES	5/23/2013	0.00	200.00
022397	CK	5/23/2013	990003BM JOSEPH HENDERSON	11-13		017184	VO	BRD MEM FEES	5/23/2013	0.00	200.00
022398	CK	5/23/2013	990004BM WILL HOAG	11-13		017185	VO	BRD MEM FEES	5/23/2013	0.00	200.00
022399	CK	5/23/2013	990003 JOSEPH R. HENDERSON	11-13		017186	VO	TRAVEL REIMB	5/23/2013	0.00	1,241.26
022400	CK	5/23/2013	990006BM MICHAEL SEDELL	11-13		017187	VO	BRD MEM FEES	5/23/2013	0.00	100.00
022401	CK	5/23/2013	990002BM ARTHUR E GOULET	11-13		017188	VO	BRD MEM FEES	5/23/2013	0.00	200.00
022401	CK	5/23/2013	990002BM ARTHUR E GOULET	11-13		017189	VO	TRAVEL REIMB	5/23/2013	0.00	965.39
022401	CK	5/23/2013	990002BM ARTHUR E GOULET	11-13		017190	VO	MILEAGE REIMB	5/23/2013	0.00	38.42
									Check Total		**1,203.81**
022402	CK	5/23/2013	104238 TRACY TOWNER	11-13		017191	VO	TRAVEL REIMB	5/23/2013	0.00	295.40
022403	CK	5/23/2013	100748 CHRIS JOHNSTON	11-13		017192	VO	TRAVEL REIMB	5/23/2013	0.00	1,132.67
022404	CK	5/30/2013	CALPERS CALPERS LONG-TERM	11-13		017193	VO	INSURANCE	5/30/2013	0.00	19,354.09
022405	CK	5/30/2013	CVMP COUNTY OF VENTURA	11-13		017194	VO	INSURANCE	5/30/2013	0.00	572,715.64

Ventura County Retirement Assn

Check Register - Standard

Period: 11-13 As of: 6/3/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
022406	CK	5/30/2013	SEIU SEIU LOCAL 721	11-13		017195	VO	DUES	5/30/2013	0.00	318.50
022407	CK	5/30/2013	VCDSA VENTURA COUNTY DEPUTY	11-13		017196	VO	INSURANCE	5/30/2013	0.00	252,945.26
022408	CK	5/30/2013	VCPFF VENTURA COUNTY PROFESSIO	11-13		017197	VO	INSURANCE	5/30/2013	0.00	74,559.82
022409	CK	5/30/2013	VCREA RETIRED EMPLOYEES' ASSOCIA	11-13		017198	VO	DUES	5/30/2013	0.00	4,278.00
022410	CK	5/30/2013	VRSD VENTURA REGIONAL	11-13		017199	VO	INSURANCE	5/30/2013	0.00	5,822.12
022411	CK	5/30/2013	VSP VISION SERVICE PLAN - (CA)	11-13		017200	VO	INSURANCE	5/30/2013	0.00	6,061.00
022412	CK	5/30/2013	FTBCA3 FRANCHISE TAX BOARD	11-13		017201	VO	GARNISHMENT	5/30/2013	0.00	77.11
022413	CK	5/30/2013	IRS6 INTERNAL REVENUE SERVICE	11-13		017202	VO	GARNISHMENT	5/30/2013	0.00	321.00
022414	CK	5/30/2013	CA SDU CALIFORNIA STATE	11-13		017203	VO	CRT ORDERED PMT	5/30/2013	0.00	1,005.01
022415	CK	5/30/2013	CHILD5 STATE DISBURSEMENT UNIT (SI	11-13		017204	VO	CRT ORDERED PMT	5/30/2013	0.00	511.00
022416	CK	5/30/2013	CHILD9 SHERIDA SEGALL	11-13		017205	VO	CRT ORDERED PMT	5/30/2013	0.00	260.00
022417	CK	5/30/2013	CHILD21 OREGON DEPT OF JUSTICE	11-13		017206	VO	CRT ORDERED PMT	5/30/2013	0.00	171.74
022418	CK	5/30/2013	SPOUSE2 KELLY SEARCY	11-13		017207	VO	CRT ORDERED PMT	5/30/2013	0.00	1,874.00
022419	CK	5/30/2013	SPOUSE3 ANGELINA ORTIZ	11-13		017208	VO	CRT ORDERED PMT	5/30/2013	0.00	250.00

Ventura County Retirement Assn

Check Register - Standard

Period: 11-13 As of: 6/3/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
022420	CK	5/30/2013	SPOUSE4 CATHY C. PEET	11-13		017209	VO	CRT ORDERED PMT	5/30/2013	0.00	550.00
022421	CK	5/30/2013	SPOUSE5 SUZANNA CARR	11-13		017210	VO	CRT ORDERED PMT	5/30/2013	0.00	829.00
022422	CK	5/30/2013	MF M.F. DAILY CORPORATION	11-13		017211	VO	ADMIN EXP	5/30/2013	0.00	15,434.00
022423	CK	5/30/2013	COMPUWAVE COMPUWAVE	11-13		017212	VO	ADMIN EXP	5/30/2013	0.00	213.93
022424	CK	5/30/2013	PRUDENTIAL PRUDENTIAL REAL ESTATE	11-13		017213	VO	INVESTMENT FEES	5/30/2013	0.00	175,764.99
022425	CK	5/30/2013	STATE STATE STREET CORPORATION	11-13		017214	VO	INVESTMENT FEES	5/30/2013	0.00	16,230.19
022426	CK	5/30/2013	COUNTY COUNTY COUNSEL	11-13		017215	VO	LEGAL FEES	5/30/2013	0.00	26,426.00
022427	CK	5/30/2013	TOWERS TOWERS WATSON PENNSYLVAN	11-13		017216	VO	ADMIN EXP	5/30/2013	0.00	40,000.00
022428	CK	5/30/2013	SBS SBS GROUP	11-13		017217	VO	ADMIN EXP	5/30/2013	0.00	43.75
022429	CK	5/30/2013	CINTAS CINTAS DOCUMENT MANAGEME	11-13		017218	VO	ADMIN EXP	5/30/2013	0.00	183.77
022430	CK	5/30/2013	CORPORATE STAPLES ADVANTAGE	11-13		017219	VO	ADMIN EXP	5/30/2013	0.00	339.02
022431	CK	5/30/2013	VOLT VOLT	11-13		017220	VO	ADMIN EXP	5/30/2013	0.00	1,439.44
022432	CK	5/30/2013	102661 LORI NEMIROFF	11-13		017221	VO	TRAVEL REIMB	5/30/2013	0.00	1,032.88

Ventura County Retirement Assn

Check Register - Standard

Period: 11-13 As of: 6/3/2013

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
022433	CK	5/30/2013	990004 WILL HOAG	11-13		017222	VO	TRAVEL REIMB	5/30/2013	0.00	1,130.34
022434	CK	5/30/2013	100730 TOM JOHNSTON	11-13		017223	VO	TRAVEL REIMB	5/30/2013	0.00	711.21

Check Count: 161

Acct Sub Total: **3,763,512.75**

Check Type	Count	Amount Paid
Regular	155	3,776,125.61
Hand	0	0.00
Electronic Payment	0	0.00
Void	4	-12,612.86
Stub	0	0.00
Zero	2	0.00
Mask	0	0.00
Total:	**161**	**3,763,512.75**

Company Disc Total **0.00** **Company Total** **3,763,512.75**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ASSET ALLOCATION
As of 05/31/2013

Mandate	$ Actual	% of Actual	$ Target	% Target	Permissible Min	Permissible Max	Outside Permissible	Calculated Adjustments	Proposed Adjustments	Closing Balance	Proposed Allocation	After Rebalancing
BlackRock Extended Equity Index Fund	**36,585,836**	0.99%	36,785,558	1.00%	0.5%	2.0%	OK	199,722		36,585,836	0.99%	OK
Western U.S. Index Plus	**105,930,793**	2.88%	110,356,675	3.00%	2.0%	4.0%	OK	4,425,882		105,930,793	2.88%	OK
BlackRock Equity Market Fund	**1,166,368,435**	31.71%	956,424,513	26.00%	22.0%	30.0%	HIGH	(209,943,922)		1,166,368,435	31.71%	HIGH
Total U.S. Equities	1,308,885,064	35.58%	1,103,566,746	30.00%	24.5%	36.0%	**OK**	(205,318,318)	-	1,308,885,064	35.58%	**OK**
BlackRock ACWI ex-U.S. Index	**357,145,000**	9.71%	220,713,349	6.00%	4.0%	8.0%	HIGH	(136,431,651)		357,145,000	9.71%	HIGH
Sprucegrove	**166,698,597**	4.53%	147,142,233	4.00%	3.0%	6.0%	OK	(19,556,364)		166,698,597	4.53%	OK
Hexavest	**72,153,077**	1.96%	73,571,116	2.00%	1.0%	3.0%	OK	1,418,039		72,153,077	1.96%	OK
Walter Scott	**86,822,654**	2.36%	73,571,116	2.00%	1.5%	4.0%	OK	(13,251,538)		86,822,654	2.36%	OK
Total Non-U.S. Equities	682,819,328	18.56%	514,997,815	14.00%	9.5%	21.0%	**OK**	(167,821,513)	-	682,819,328	18.56%	**OK**
GMO Global	**187,813,003**	5.11%	183,927,791	5.00%	3.0%	7.0%	OK	(3,885,212)		187,813,003	5.11%	OK
BlackRock MSCI ACWI Equity Index	**141,659,101**	3.85%	183,927,791	5.00%	3.0%	7.0%	OK	42,268,690		141,659,101	3.85%	OK
Total Global Equities	329,472,104	8.96%	367,855,582	10.00%	6.0%	14.0%	**OK**	38,383,478	-	329,472,104	8.96%	**OK**
Total Equities	2,321,176,496	63.10%	1,986,420,142	54.00%	44.0%	64.0%	**OK**	(334,756,354)	-	2,321,176,496	63.10%	**OK**
Western	**255,657,043**	6.95%	220,713,349	6.00%	3.0%	9.0%	OK	(34,943,694)	-	255,657,043	6.95%	OK
BlackRock U.S. Debt Fund	**132,606,353**	3.60%	110,356,675	3.00%	3.0%	6.0%	OK	(22,249,678)		132,606,353	3.60%	OK
Reams	**247,976,391**	6.74%	257,498,907	7.00%	6.0%	9.0%	OK	9,522,516		247,976,391	6.74%	OK
Loomis Sayles	**109,399,834**	2.97%	110,356,675	3.00%	2.0%	4.0%	OK	956,841		109,399,834	2.97%	OK
Total Domestic Fixed Income	745,639,621	20.27%	698,925,606	19.00%	14.0%	28.0%	**OK**	(46,714,015)	-	745,639,621	20.27%	**OK**
PIMCO Global	**96,778,665**	2.63%	110,356,675	3.00%	2.0%	4.0%	OK	13,578,010		96,778,665	2.63%	OK
Loomis Sayles Global	**66,428,205**	1.81%	73,571,116	2.00%	1.0%	4.0%	OK	7,142,911		66,428,205	1.81%	OK
Total Global Fixed Income	163,206,870	4.44%	183,927,791	5.00%	3.0%	8.0%	**OK**	20,720,921	-	163,206,870	4.44%	**OK**
Total Fixed Income	908,846,491	24.71%	882,853,397	24.00%	17.0%	36.0%	**OK**	(25,993,094)	-	908,846,491	24.71%	**OK**
Prudential Real Estate	**85,830,543**	2.33%	110,356,675	3.00%	2.0%	4.0%	OK	24,526,132		85,830,543	2.33%	OK
UBS Real Estate	**178,507,512**	4.85%	137,945,843	3.75%	3.0%	6.0%	OK	(40,561,669)		178,507,512	4.85%	OK
Guggenheim	**-**	0.00%	-	0.00%	0.0%	0.0%	OK	-	-	-	0.00%	OK
RREEF	**10,228,167**	0.28%	9,196,390	0.25%	0.0%	1.0%	OK	(1,031,777)		10,228,167	0.28%	OK
Real Estate	274,566,222	7.46%	257,498,907	7.00%	5.0%	11.0%	**OK**	(17,067,315)	-	274,566,222	7.46%	**OK**
Adams Street Partners	**28,566,462**	0.78%	28,566,462	3.00%	1.0%	4.0%	LOW	-		28,566,462	0.78%	LOW
Pantheon Ventures	**7,957,667**	0.22%	7,957,667	0.25%	0.0%	2.0%	OK	-		7,957,667	0.22%	OK
HarbourVest	**5,174,455**	0.14%	-	1.75%	0.0%	2.0%	OK	(5,174,455)	-	5,174,455	0.14%	OK
Private Equity	41,698,584	1.13%	183,927,791	5.00%	1.0%	8.0%	**OK**	(5,174,455)	-	41,698,584	1.13%	**OK**
Bridgewater (See Note 1)		0.00%	-	7.00%	2.0%	8.0%	LOW	-		-	0.00%	LOW
Tortoise Capital Advisors	**108,000,691**	2.94%	110,356,675	3.00%	1.0%	5.0%	OK	2,355,984		108,000,691	2.94%	OK
Alternatives	108,000,691	2.94%	367,855,582	10.00%	3.0%	13.0%	LOW	2,355,984	-	108,000,691	*2.94%*	LOW
Clifton	**24,267,335**	0.66%	-	0.00%	0.0%	3.0%	OK	(24,267,335)		24,267,335	0.66%	OK
Other Assets	24,267,335	0.66%	-	0.00%	0.0%	3.0%	**OK**	(24,267,335)	-	24,267,335	0.66%	**OK**
Total Investment Portfolio	**3,678,555,819**	**100.00%**	**3,678,555,819**	**100.00%**				**(404,902,569)**	**-**	**3,678,555,819**	**100.00%**	

Note 1 - Bridgewater will not be funded until August 1, 2013, as they only allow funding on the first business day of each month. The documents are scheduled to be finalized at either the July 1, 2013, Board meeting. Funding is currently anticipated to come from BlackRock Equity Index/ACWI ex U.S. index and Plan Sponsor pre funded employer

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF PLAN NET ASSETS
APRIL 30, 2013

ASSETS

CASH & CASH EQUIVALENTS	**$126,007,656**
RECEIVABLES	
ACCRUED INTEREST AND DIVIDENDS	3,644,220
SECURITY SALES	11,499,573
MISCELLANEOUS	274,489
TOTAL RECEIVABLES	**15,418,282**
INVESTMENTS AT FAIR VALUE	
DOMESTIC EQUITY SECURITIES	86,815,296
DOMESTIC EQUITY INDEX FUNDS	1,174,671,804
INTERNATIONAL EQUITY SECURITIES	334,400,647
INTERNATIONAL EQUITY INDEX FUNDS	365,198,985
GLOBAL EQUITY	331,497,862
PRIVATE EQUITY	37,795,481
DOMESTIC FIXED INCOME - CORE PLUS	615,102,089
DOMESTIC FIXED INCOME - U.S. INDEX	135,015,834
GLOBAL FIXED INCOME	178,589,949
REAL ESTATE	280,495,962
ALTERNATIVES	93,660,165
CASH OVERLAY - CLIFTON	(4,514)
TOTAL INVESTMENTS	**3,633,239,559**
PENSION SOFTWARE DEVELOPMENT COSTS	**686,886**
TOTAL ASSETS	**3,775,352,383**

LIABILITIES

SECURITY PURCHASES PAYABLE	71,090,745
ACCOUNTS PAYABLE	2,225,775
PREPAID CONTRIBUTIONS	21,280,447
TOTAL LIABILITIES	**94,596,967**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**$3,680,755,416**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE TEN MONTHS ENDED APRIL 30, 2013

ADDITIONS	
CONTRIBUTIONS	
EMPLOYER	$117,903,844
EMPLOYEE	34,993,715
TOTAL CONTRIBUTIONS	**152,897,559**
INVESTMENT INCOME	
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	460,676,091
INTEREST INCOME	16,318,673
DIVIDEND INCOME	16,040,088
REAL ESTATE OPERATING INCOME, NET	10,805,067
SECURITY LENDING INCOME	255,754
TOTAL INVESTMENTS	**504,095,673**
LESS INVESTMENT EXPENSES	
MANAGEMENT & CUSTODIAL FEES	7,274,051
SECURITIES LENDING BORROWER REBATES	48,835
SECURITIES LENDING MANAGEMETN FEES	68,461
TOTAL INVESTMENT EXPENSES	**7,391,347**
NET INVESTMENT INCOME	**496,704,326**
TOTAL ADDITIONS	**649,601,886**
DEDUCTIONS	
BENEFIT PAYMENTS	169,743,964
MEMBER REFUNDS	3,537,779
ADMINISTRATIVE EXPENSES	5,181,933
TOTAL DEDUCTIONS	**178,463,677**
NET INCREASE	**471,138,209**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
BEGINNING OF YEAR	**3,209,617,207**
ENDING BALANCE	**$3,680,755,416**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENTS AND CASH EQUIVALENTS
APRIL 30, 2013

EQUITY		
DOMESTIC EQUITY		
WESTERN ASSET INDEX PLUS	$86,815,296	$12,596,452
TOTAL DOMESTIC EQUITY	**86,815,296**	**12,596,452**
DOMESTIC INDEX FUNDS		
BLACKROCK - US EQUITY MARKET	1,139,050,867	1
BLACKROCK - EXTENDED EQUITY	35,620,938	1
TOTAL EQUITY INDEX FUNDS	**1,174,671,804**	**2**
INTERNATIONAL EQUITY		
SPRUCEGROVE	169,640,606	0
HEXAVEST	73,950,035	0
WALTER SCOTT	90,810,006	0
TOTAL INTERNATIONAL EQUITY	**334,400,647**	**0**
INTERNATIONAL INDEX FUNDS		
BLACKROCK - ACWIXUS	365,198,985	0
TOTAL INTERNATIONAL INDEX FUNDS	**365,198,985**	**0**
GLOBAL EQUITY		
GRANTHAM MAYO AND VAN OTTERLOO (GMO)	189,695,316	0
BLACKROCK - GLOBAL INDEX	141,802,547	0
TOTALGLOBAL EQUITY	**331,497,862**	**0**
PRIVATE EQUITY		
ADAMS STREET	29,896,705	0
PANTHEON	7,898,776	0
TOTAL PRIVATE EQUITY	**37,795,481**	**0**
FIXED INCOME		
DOMESTIC		
LOOMIS SAYLES AND COMPANY	105,350,170	4,590,509
REAMS	244,837,834	19
WESTERN ASSET MANAGEMENT	264,914,084	19,694,061
TOTAL DOMESTIC	**615,102,089**	**24,284,589**
DOMESTIC INDEX FUNDS		
BLACKROCK - US DEBT INDEX	135,015,834	0
TOTAL DOMESTIC INDEX FUNDS	**135,015,834**	**0**
GLOBAL		
LOOMIS SAYLES AND COMPANY	68,327,963	0
PIMCO	110,261,986	1,330,565
TOTALGLOBAL	**178,589,949**	**1,330,565**
REAL ESTATE		
GUGGENHEIM REAL ESTATE	4,650,813	0
PRUDENTIAL REAL ESTATE	85,722,824	0
RREEF	10,228,167	0
UBS REALTY	179,894,156	0
TOTAL REAL ESTATE	**280,495,962**	**0**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENTS AND CASH EQUIVALENTS
APRIL 30, 2013

ALTERNATIVES		
TORTOISE (MLP's)	93,660,165	68,661,699
TOTAL ALTERNATIVES	**93,660,165**	**68,661,699**
CASH OVERLAY - CLIFTON GROUP	**(4,514)**	**15,595,123**
IN HOUSE CASH		**3,539,225**
TOTAL INVESTMENTS AND CASH	**$3,633,239,559**	**$126,007,656**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT MANAGEMENT FEES
FOR THE TEN MONTHS ENDED APRIL 30, 2013

EQUITY MANAGERS	
DOMESTIC	
BLACKROCK - US EQUITY	$179,376
BLACKROCK - EXTENDED EQUITY	9,442
WESTERN ASSET INDEX PLUS	160,377
TOTAL	**349,195**
INTERNATIONAL	
BLACKROCK - ACWIXUS	242,747
SPRUCEGROVE	464,824
HEXAVEST	230,011
WALTER SCOTT	563,771
TOTAL	**1,501,353**
GLOBAL	
GRANTHAM MAYO VAN OTTERLOO (GMO)	739,170
BLACKROCK - GLOBAL INDEX	38,298
TOTAL	**777,468**
PRIVATE EQUITY	
ADAMS STREET	632,812
PANTHEON	160,800
TOTAL	**793,612**
FIXED INCOME MANAGERS	
DOMESTIC	
BLACKROCK - US DEBT INDEX	70,022
LOOMIS, SAYLES AND COMPANY	303,437
REAMS ASSET MANAGEMENT	365,930
WESTERN ASSET MANAGEMENT	389,803
TOTAL	**1,129,192**
GLOBAL	
LOOMIS, SAYLES AND COMPANY	151,331
PIMCO	170,760
TOTAL	**322,091**
REAL ESTATE	
GUGGENHEIM	202,540
PRUDENTIAL REAL ESTATE ADVISORS	529,225
RREEF	63,000
UBS REALTY	1,309,860
TOTAL	**2,104,624**
CASH OVERLAY - CLIFTON	**50,353**
SECURITIES LENDING	
BORROWERS REBATE	48,835
MANAGEMENT FEES	68,461
TOTAL	**117,296**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT MANAGEMENT FEES
FOR THE TEN MONTHS ENDED APRIL 30, 2013

OTHER	
INVESTMENT CONSULTANT	180,550
INVESTMENT CUSTODIAN	65,613
TOTAL	**246,163**
TOTAL INVESTMENT MANAGMENT FEES	**$7,391,347**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BUDGET SUMMARY FISCAL YEAR 2012-2013
May 2013 - 91.67% of Fiscal Year Expended

EXPENDITURE DESCRIPTIONS	Adopted 2012/2013 Budget	Adjusted 2012/2013 Budget	May-13	Year to Date Expended	Available Balance	Percent Expended
Salaries & Employee Benefits:						
Regular Salaries	$ 1,623,400.00	$ 1,558,900.00	$ 178,202.98	$ 1,309,190.85	$ 249,709.15	83.98%
Extra-Help	25,000.00	25,000.00	5,049.65	40,034.06	(15,034.06)	160.14%
Overtime	7,600.00	7,600.00	0.00	1,160.56	6,439.44	15.27%
Supplemental Payments	49,300.00	47,000.00	5,485.24	39,215.10	7,784.90	83.44%
Vacation Redemption	71,700.00	71,700.00	7,463.63	62,512.36	9,187.64	87.19%
Retirement Contributions	363,600.00	350,200.00	38,713.74	282,321.03	67,878.97	80.62%
OASDI Contributions	82,600.00	79,000.00	11,564.02	80,498.97	(1,498.97)	101.90%
FICA-Medicare	25,400.00	24,400.00	2,704.48	19,928.81	4,471.19	81.68%
Management Retiree Health Benefit	15,600.00	15,600.00	1,351.56	14,544.96	1,055.04	93.24%
Group Insurance	159,800.00	152,700.00	17,199.00	126,672.00	26,028.00	82.95%
Life Insurance/Mgmt	900.00	900.00	108.99	814.75	85.25	90.53%
Unemployment Insurance	2,500.00	2,400.00	268.02	1,949.58	450.42	81.23%
Management Disability Insurance	4,100.00	3,900.00	431.30	3,169.24	730.76	81.26%
Worker' Compensation Insurance	10,200.00	9,800.00	1,153.71	8,610.19	1,189.81	87.86%
401K Plan Contribution	41,500.00	39,400.00	3,334.78	23,803.37	15,596.63	60.41%
Total Salaries & Employee Benefits	$ 2,483,200.00	$ 2,388,500.00	$ 273,031.10	$ 2,014,425.83	$ 374,074.17	84.34%
Services & Supplies:						
Telephone Services - ISF	$ 21,400.00	$ 21,400.00	$ 3,199.77	$ 37,459.02	$ (16,059.02)	175.04%
General Insurance - ISF	9,600.00	9,600.00	0.00	8,029.00	1,571.00	83.64%
Office Equipment Maintenance	16,000.00	1,000.00	85.00	1,478.79	(478.79)	147.88%
Membership and Dues	9,700.00	9,700.00	0.00	8,740.00	960.00	90.10%
Education Allowance	6,000.00	6,000.00	0.00	2,000.00	4,000.00	33.33%
Cost Allocation Charges	(34,100.00)	(34,100.00)	0.00	(34,148.00)	48.00	100.14%
Printing Services - Not ISF	5,500.00	5,500.00	0.00	3,034.82	2,465.18	55.18%
Books & Publications	2,500.00	2,500.00	0.00	1,225.31	1,274.69	49.01%
Office Supplies	18,000.00	18,000.00	6,827.31	18,662.89	(662.89)	103.68%
Postage & Express	55,000.00	55,000.00	3,076.90	44,308.72	10,691.28	80.56%
Printing Charges - ISF	12,000.00	12,000.00	4.40	9,776.10	2,223.90	81.47%
Copy Machine Services - ISF	5,900.00	5,900.00	0.00	4,146.21	1,753.79	70.27%
Board Member Fees	11,500.00	11,500.00	1,000.00	9,700.00	1,800.00	84.35%
Professional Services	828,400.00	887,900.00	143,661.29	828,130.18	59,769.82	93.27%
Storage Charges	3,200.00	3,200.00	301.44	3,415.56	(215.56)	106.74%
Minor Equipment	18,500.00	18,500.00	0.00	13,319.90	5,180.10	72.00%
Office Lease Payments	164,600.00	178,600.00	15,349.00	162,141.10	16,458.90	90.78%
Private Vehicle Mileage	8,000.00	8,000.00	1,441.35	7,546.99	453.01	94.34%
Conference, Seminar and Travel	60,000.00	60,000.00	9,270.66	46,491.04	13,508.96	77.49%
Furniture	2,000.00	7,000.00	0.00	647.00	6,353.00	9.24%
Facilities Charges	0.00	15,000.00	286.82	4,019.82	10,980.18	26.80%
Total Services & Supplies	$ 1,223,700.00	$ 1,302,200.00	$ 184,503.94	$ 1,180,124.45	$ 122,075.55	90.63%
Total Administrative Budget	$ 3,706,900.00	$ 3,690,700.00	$ 457,535.04	$ 3,194,550.28	$ 496,149.72	86.56%
Information Technology:						
Computer Hardware	$ 20,000.00	$ 32,500.00	$ (921.65)	21,398.59	$ 11,101.41	65.84%
Computer Software	8,800.00	21,300.00	0.00	11,658.73	9,641.27	54.74%
Data Processing and Maintenance	416,400.00	416,400.00	28,758.06	375,187.17	41,212.83	90.10%
Special Project - New Pension Syster	2,089,200.00	2,598,950.00	121,577.78	2,167,728.70	431,221.30	83.41%
Total Information Technology	$ 2,534,400.00	$ 3,069,150.00	$ 149,414.19	$ 2,575,973.19	$ 493,176.81	83.93%
Contingency	$ 596,600.00	$ 78,050.00	$ -	$ -	$ -	0.00%
Total Current Year	$ 6,837,900.00	$ 6,837,900.00	$ 606,949.23	$ 5,770,523.47	$ 1,067,376.53	84.39%

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

June 17, 2013

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

SUBJECT: CalPEPRA PENSIONABLE COMPENSATION UPDATE

Dear Board Members:

Background

This matter was brought to the Board on December 3, 2012, and after hearing comment from interested parties and having Board discussion, the item was tabled to December 17, 2012. At the December 17, 2012 meeting, the Board tentatively adopted Board Counsel interpretation option 2 pending a sixty (60) day waiting period. Option 2 is an interpretation of Government Code (GC) Section 7522.34 that includes skills-based and service-based pay items, on top of base pay, that are not specifically excluded per subdivision (c) of GC Section 7522.34.

On February 25, 2013, the Board extended the implementation of the Board's interpretation another 60 days with the acknowledgement of the letter of assurance provided by Ventura County's County Counsel that it would make corrections to pensionable compensation calculations and contributions, if necessary. The waiting period and extension were utilized to allow time for CalPERS to issue a position, or regulations, on the interpretation of the term "pensionable compensation" as a potential guidepost of legislative intent, and to allow the County more time to review its pay codes to determine which pay items could be rolled into base pay, and to evaluate its various options.

On April 15, 2013 the Board continued the item to the May 20, 2013 Business meeting in order to allow interested parties time to review the letter VCERA received from the County of Ventura CEO dated April 15, 2013 in which it reconfirmed the County's interpretation of pensionable compensation and the Board directed that staff clearly identify the agenda item as "Pensionable Compensation: Review of the County of Ventura CEO Letter and Review of What Consists of Pensionable Compensation." Given that the Board did not take action to extend its interpretation, the tentative interpretation became effective April 26, 2013.

On May 20, 2013 the Board directed staff to post information on the VCERA website, drafted by Board Counsel, outlining the present status of CalPEPRA as it relates to pensionable compensation and the Chair directed staff to place an item at the beginning of the June Business meeting agenda with an update on any developments surrounding Pensionable Compensation.

Discussion

There have been no further public updates since the May 20, 2013 Board meeting. Items posted publicly after the drafting of this letter and prior to the Board meeting will be discussed orally by either Board Counsel or staff.

Please receive and file the attached proposed pensionable compensation legal notice that that will be posted on VCERA's website.

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

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachment

NOTICE TO MEMBERS
PENSIONABLE COMPENSATION FOR NEW MEMBERS
UNDER PEPRA

On September 12, 2012, the Governor signed into law Assembly Bill 340 ("AB 340") and Assembly Bill 197 ("AB 197"), also known as the California Public Employees' Pension Reform Act of 2013 ("PEPRA" or "the Act"). The provisions of the Act became effective January 1, 2013. New members of any California Public Retirement System, as defined by PEPRA, will be subject to a lower benefit formula, higher minimum retirement age, cap on the amount of pensionable compensation used to calculate retirement benefits and new provisions for defining the type of compensation that is considered pensionable. The purpose of this notice is to provide members with information with regard to the status of the Board of Retirement's ("Board") interpretation and implementation of the new pensionable compensation definition in PEPRA.[1/]

A. PEPRA DEFINITION OF PENSIONABLE COMPENSATION

In order to qualify as "pensionable compensation" under PEPRA, an item of compensation must meet the following four criteria as provided under Government Code section 7522.34(a):

(1) Pay must be part of the normal monthly rate of pay or base pay of the member.

(2) Pay must be paid in cash to similarly situated members in the same grade or class of employment.

(3) Pay must be for services rendered on a full-time basis during normal working hours.

(4) Pay must be paid pursuant to publicly available pay schedules.

[1/] Calculation of retirement benefits for employees who were members prior to January 1, 2013, also referred to as "classic" or "legacy" members, is governed by the definition of "compensation earnable" in the County Employees Retirement Law ("CERL"). Although AB 197 amends the definition of compensation earnable for current employees, the amendments will not have an impact on compensation earnable for current members of the Ventura County Employees' Retirement Association ("VCERA"), except for those members who receive "stand-by pay," in which case, such pay may be excluded, subject to pending litigation.

B. PEPRA EXCLUSIONS FROM "PENSIONABLE COMPENSATION"

PEPRA contains both ***specific*** and ***general*** exclusions from "pensionable compensation."

1. Summary

The ***specific*** exclusions are items such as: termination or in-service cash-outs for unused vacation, sick leave or annual leave; housing, automobile or uniform allowance; standby pay; on-call and call-back pay for services rendered outside of normal working hours; conversion of in-kind benefits into cash during the final compensation measurement period; one-time or ad hoc payments, bonus payments, severance pay, and retirement incentive pay.

The ***general*** exclusions from "pensionable compensation" confer upon the VCERA Board broad authority to exclude any other form of compensation that the Board determines:

- Is paid to increase a member's retirement benefit (Gov. Code, § 7522.34(c)(1));
- Is inconsistent with the requirements of Government Code section 7522.34(a) (which defines "pensionable compensation") (Gov. Code, § 7522.34(c)(11)); or
- Is determined by the Board to not be pensionable compensation (Gov. Code, § 7522.34(c)(12)).

2. Complete List of Exclusions from Pensionable Compensation

A complete list of PEPRA's specific and general exclusions from pensionable compensation, under Government Code section 7522.34(c), is as follows:

(1) Any compensation determined by the Board to have been paid to increase a member's retirement benefit under that system.

(2) Compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member and which was converted to and received by the member in the form of a cash payment.

(3) Any one-time or ad hoc payments made to a member.

(4) Severance or any other payment that is granted or awarded to a member in connection with or in anticipation of a separation from employment, but is received by the member while employed.

(5) Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, regardless of when reported or paid.

(6) Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.

(7) Any employer-provided allowance, reimbursement, or payment, including, but not limited to, one made for housing, vehicle, or uniforms.

(8) Compensation for overtime work, other than as defined in section 207(k) of title 29 of the United States Code.

(9) Employer contributions to deferred compensation or defined contribution plans.

(10) Any bonus paid in addition to the compensation described in Government Code section 7522.34(a).

(11) Any other form of compensation a public retirement board determines is inconsistent with the requirements of Government Code section 7522.34(a).

(12) Any other form of compensation a public retirement board determines should not be pensionable compensation.

C. VCERA's INTERPRETATION OF "PENSIONABLE COMPENSATION"

At the December 3, 2012, meeting of the Board, Board Counsel presented a memorandum outlining two possible interpretations of the term "pensionable compensation" under Government Code section 7722.34. The first interpretation was limited to "base pay," as published on the County of Ventura, C.E.O./Human Resources Division PP 2012-19 Job Code & Salary Listing by Job Title ("Ventura County Salary Resolution"), as may be amended and updated from time to time. This interpretation applied the current California Public Employees' Retirement System ("CalPERS") statutes and regulations to the PEPRA terms, as such terms are the same. The second interpretation included base pay, plus certain other skills-based and service-based pay items that meet the above four criteria, and that are not specifically excluded pursuant to subdivision (c) of Government Code section 7522.34. Such additional pay items are denoted as "special compensation" under the Public Employees Retirement Law that governs CalPERS.

At its December 17, 2012, meeting, the Board tentatively adopted the second of the above two possible interpretations offered by Board Counsel, pending a 60-day waiting period, allowing for base pay plus certain other qualifying pay items to be included in pensionable compensation. The purpose of the waiting period was to allow time for CalPERS to announce its interpretation of the term "pensionable compensation," as the statutory mandates on "pensionable compensation" for new members under PEPRA apply to CalPERS as well as all CERL systems, including VCERA. On December 27, 2012, CalPERS published a Circular Letter to its participating employers, indicating that CalPERS intended to include certain "special compensation" pay items above base pay in calculating the pensionable compensation of its members under PEPRA, subject to regulations to be developed at a later time. Pending development of regulations, CalPERS continues to collect contributions on the pay items that are allowable for inclusion as pensionable compensation under the Circular Letter and that participating employers are reporting as pensionable compensation. In light of the information in CalPERS's Circular Letter, VCERA has taken no action to modify its interpretation of "pensionable compensation."

D. THE COUNTY'S INTERPRETATION OF "PENSIONABLE COMPENSATION"

The County of Ventura ("County") has interpreted "pensionable compensation" to mean base pay only, as set forth in the Ventura County Salary Resolution. The County has indicated to VCERA that for new members under PEPRA, the County will report to VCERA base pay only as pensionable compensation, and will pay retirement contributions on that basis. However, the County continues to review its various components of compensation to determine whether any such pay items should properly be "rolled into" base pay. Upon completion of the first round of review, the County identified five components of compensation that it considers part of "base pay" and that it will report to VCERA as pensionable compensation in addition to "base pay": (1) "Y-rate" (paid to employees whose job classification has been changed, but who retain the right to be paid according to a higher wage/salary range); (2) market-based premium pay;

(3) hard-to-recruit pay range extensions; (4) per diem pool flat rate extensions; and (5) longevity-based range extensions.

E. CURRENT STATUS

In recognition that the interpretation of "pensionable compensation" may be clarified by further legislation, regulations or resolutions authorized by legislation, or by case law resulting from litigation, the County has issued, at VCERA's request, a letter to VCERA acknowledging the County's legal responsibility to make retirement contributions to VCERA for all underpayments, attributable to both employer and employee contributions. This letter has been referred to, at times, as a letter of assurance. Employees may be responsible for reimbursement to the County for their share of retroactive employee contributions, and the terms of any such reimbursement will be worked out between the County and employees.

Once the definition of "pensionable compensation" is clarified, as is expected sometime in the coming year, VCERA will take any action necessary to implement the law, as clarified. For the time being, the Board has asked staff to hold off on reviewing the County's pay codes, and those of other plan sponsors such as the Ventura County Regional Sanitation District, the Ventura County Superior Court and the Air Pollution Control District, to determine which pay items meet the criteria in Government Code section 7522.34(a).

F. NO VESTED RIGHTS

VCERA's stated interpretation of the term "pensionable compensation" is a tentative interpretation, and remains subject to change based on clarifications through legislation, regulations or resolutions authorized by legislation, or through case law resulting from litigation. VCERA may determine that such modifications may be, or are required by law to be, implemented retroactive to January 1, 2013. The County will deduct from the pay of new members subject to PEPRA retirement contributions on base pay only. In publishing its interpretation of pensionable compensation, VCERA does not intend to create any vested rights in new members to have any pay items above base pay included in pensionable compensation, and new members should not rely on VCERA's interpretation in making any employment or financial decisions.

GMO

North America | Europe | Asia-Pacific

Ventura County Employees’ Retirement Association

June 17, 2013

John Allen
Edmund Bellord

Presenters

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

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

GMO Overview

GMO's Edge:

We blend proven traditional judgments with innovative quantitative methods to identify undervalued securities and markets.

Success Factors:

Discipline, value orientation, investment research, risk control, size limitation.

Motivation/Focus:

Private partnership founded in 1977; investment management is our only business.

Stability:

GMO has low turnover of investment professionals.

Current Scale:

$110 billion of assets under management, including:

Equities:	$75 billion
Fixed Income:	$10 billion
Natural Resources:	$2 billion*
Asset Allocation:	$48 billion**
Absolute Return:	$11 billion**

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

Note: The asset breakout above may not include all underlying assets and thus may not add up to the total AUM figure shown.
* Natural Resources include: 1) GMO Renewable Resources assets; and 2) assets of GMO's Resources Strategy.
** Relevant Asset Allocation and Absolute Return assets are also accounted for within Equities and Fixed Income strategies.
Assets managed by GMO Renewable Resources, a joint venture, is not part of the GIPS compliant firm, GMO. GMO Renewable Resources has assets under management of $1,732,054,733 as of 3/31/13.

Representative Clients – Worldwide

Endowments

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

Public Funds

Alaska Permanent Fund Corporation
CalPERS
Dallas Police & Fire Pension System
City of Fairfax, VA
Illinois Teachers' Retirement System
Massachusetts PRIM
Milwaukee County Empl. Ret. System
Orange County Empl. Ret. System
City of Richmond
San Diego City ERS
San Francisco City & County
Teacher Retirement System of Texas
Ventura County ERA
Virginia Retirement System
Washington State Investment Board

Sub-Advisory / Advisory

John Hancock
Marks & Spencer
Wells Fargo

Pension Funds

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

Defined Contribution

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

Foundations and Cultural Institutions

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

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

Source: GMO
As of 5/31/13

GMO Asset Allocation Investment Solutions

Real Return Global Balanced

Global Asset Allocation

Global Equity

U.S. Broad Market

U.S. Equities
- U.S. Core
- Intrinsic Value
- Growth
- Small/Mid Cap
- Real Estate
- U.S. Flexible Equities*[2]

Global Equities
- Quality

Int'l. Equity Market

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

Emerging Equities
- Emerging Markets
- Emerging Domestic Opportunities

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

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

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

* Strategy is closed to direct investors
[1] Strategy currently capacity constrained
[2] Privately offered and available only to qualified purchasers. Call GMO for further information.

Ventura County Employees' Retirement Association

Performance net of fees and expenses in USD - detail
Periods ending April 30, 2013

Investment	Month	YTD	Annualized 1 Year	3 Year	5 Year	*Since Inception	Market Value (M)	% of Account
Global Equity Allocation [1] **(11/30/2012)**	3.54 %	9.41 %	N/A	N/A	N/A	12.49 %	189,695	100.0 %
MSCI ACWI +	2.88	9.55	N/A	N/A	N/A	12.03		
Value Added	0.66	-0.14	N/A	N/A	N/A	0.46		
MSCI ACWI	2.88	9.55	N/A	N/A	N/A	12.03		
Value Added	0.66	-0.14	N/A	N/A	N/A	0.46		
Asset Allocation (11/30/2012)	**3.54**	**9.41**	**N/A**	**N/A**	**N/A**	**12.49**	**189,695**	**100.0**
Total Account (05/02/2005)	**3.54**	**9.41**	**16.47**	**10.10**	**3.52**	**6.77**	**189,695**	**100.0**
*Policy Benchmark ***	2.88	9.55	15.02	8.73	1.51	5.42		
Value Added	0.66	-0.14	1.45	1.37	2.01	1.35		

** Periods of less than a year are not annualized*
*** 100% MSCI ACWI*
Note:
[1] The Fund is generally priced as of the NYSE close. Among other potential adjustments, the Fund fair values non-U.S. securities to take into account general market movements and other events that occur after the non-U.S. markets close but before the close of the NYSE. The Fund's benchmark does not similarly adjust foreign market closing prices. Consequently, on any given day, the Fund's performance may be affected by the differing pricing methodologies. Please see the Fund's prospectus for further details.
The MSCI ACWI + is comprised of 75% S&P 500 Index and 25% MSCI ACWI ex USA Index from 5/31/1996 to 5/30/2008 and MSCI ACWI Index thereafter.

Global All Country Equity Allocation

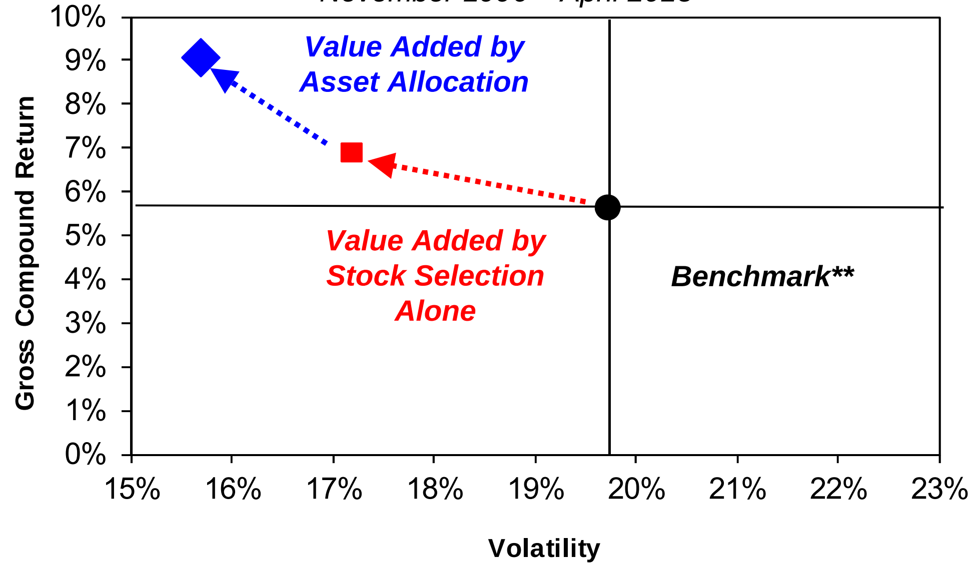
Investment Objectives – and Record

*GMO Global All Country Equity Allocation Strategy**

Objectives:

- Annualized excess returns of 2.5% to 3.5%, after fees, above the benchmark
- Expected tracking error of 5% to 7% per year
- Deliver positive *relative* returns, above the market, at lower risk

GMO Global All Country Equity Allocation Strategy*:
Gross value added by stock selection vs. asset allocation
November 1996 – April 2013



	Gross Compound Return	Annualized Volatility	Absolute Return Divided by Absolute Risk[1]
◆ GMO Global Equity Allocation Strategy	9.1%	15.7%	0.41
■ GMO Pure Implementation**†	6.9%	17.2%	0.25
● Benchmark*†	5.6%	19.7%	0.15

*† Global Equity Index; **† GMO strategies at benchmark w eights
[1] Sharpe ratio = (portfolio return less risk free rate) / volatility of annual returns

This information above is supplemental to the GIPS compliant presentation that was made available on GMO's website in October 2012. **Performance data quoted represents past performance and is not predictive of future performance.** Returns are presented gross of management fees, net of transaction costs, and include the reinvestment of dividends and other income. If management fees were deducted performance would be lower. For example, if the strategy were to achieve a 10% annual rate of return each year for ten years and an annual advisory fee of 0.75% were charged during that period, the resulting average annual net return (after the deduction of management fees) would be 9.25%. A GIPS compliant presentation of composite performance has preceded this report in the past 12 months or accompanies this presentation, and is also available at www.gmo.com. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's compliant presentation. *The above information is based on a representative account within the strategy selected because it has the least number of restrictions and best represents the implementation of the strategy. *†The GMO Global Equity Index is a composite benchmark computed by GMO. It consists of (i) the S&P 500 Index (an index of large capitalization U.S. stocks, independently maintained and published by Standard & Poor's) and (ii) the MSCI AC (All Country) World Index ex-U.S. Index (an international (excluding U.S. and including emerging countries) equity index, independently maintained and published by Morgan Stanley Capital International). The GMO Global Equity Index is comprised of 75% S&P 500 and 25% MSCI AC World ex-U.S. from 5/31/1996 to 5/30/2008 and 100% MSCI AC World thereafter. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder.

GMO Asset Allocation Investment Team

Responsible for $48 billion of client accounts

Global Asset Allocation

Asset Allocation

Jeremy Grantham, *Chief Strategist*	Chris Hudson
Ben Inker, *Co-Head of Asset Allocation*	James Montier
Sam Wilderman, *Co-Head of Asset Allocation*	Peter Chiappinelli
Nick Nanda	Ara Lovitt
Matt Kadnar	Kai Wu
Edward Chancellor	Jamie Lee
Edmund Bellord	Anna Chetoukhina
Erik Norton	Tariq Ali

Implementation

Tom Hancock, *Global Equities*	Tom Cooper, *Fixed Income*
David Cowan, *Global Equities*	Drew Spangler, *International Active*
Arjun Divecha, *Emerging Equities*	Jason Halliwell, *Systematic Global Macro*

Assets as of 3/31/13

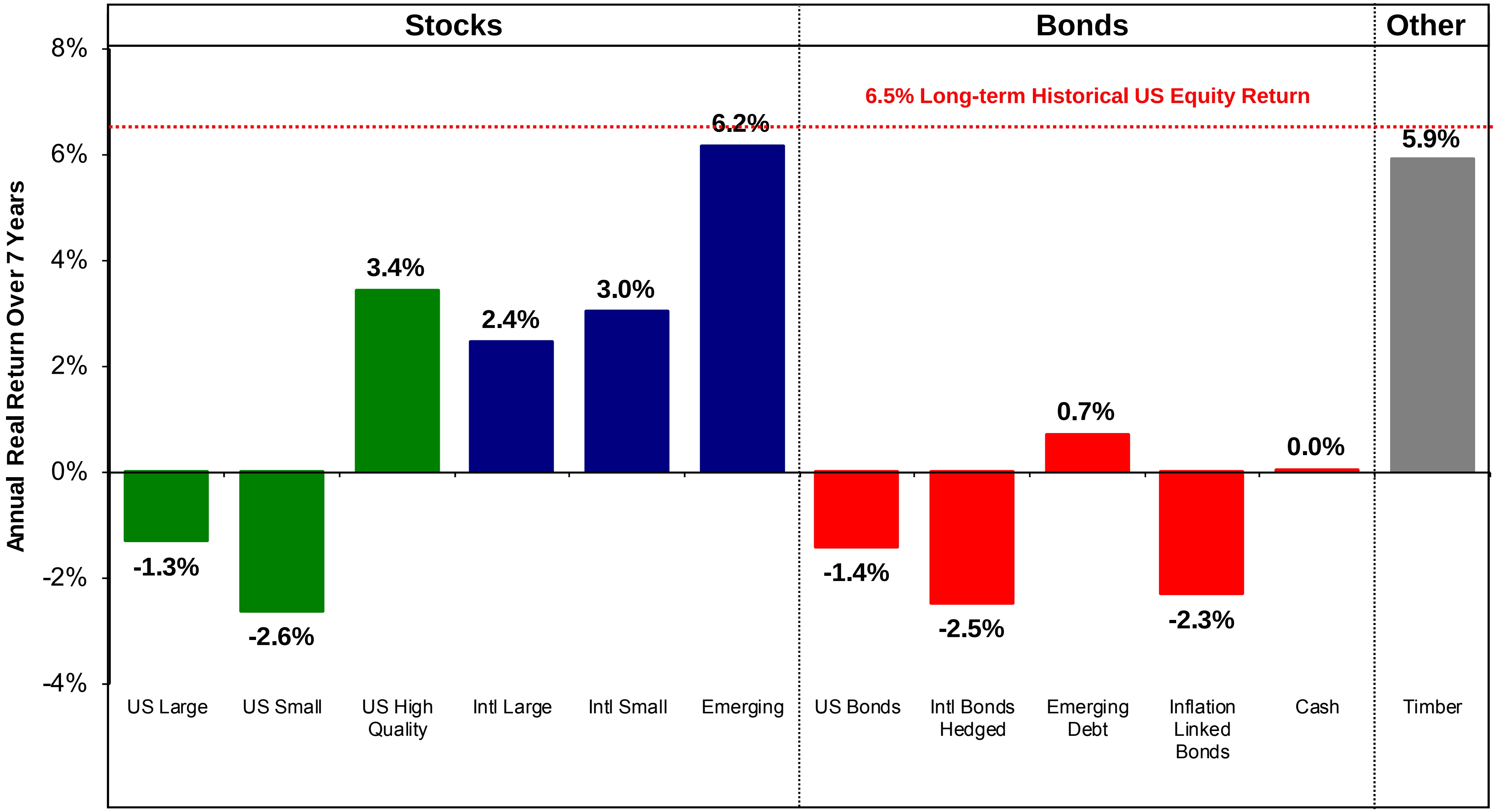
Asset Allocation

GMO core beliefs and competitive advantages

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

GMO 7-Year Asset Class Return Forecasts*

As of April 30, 2013

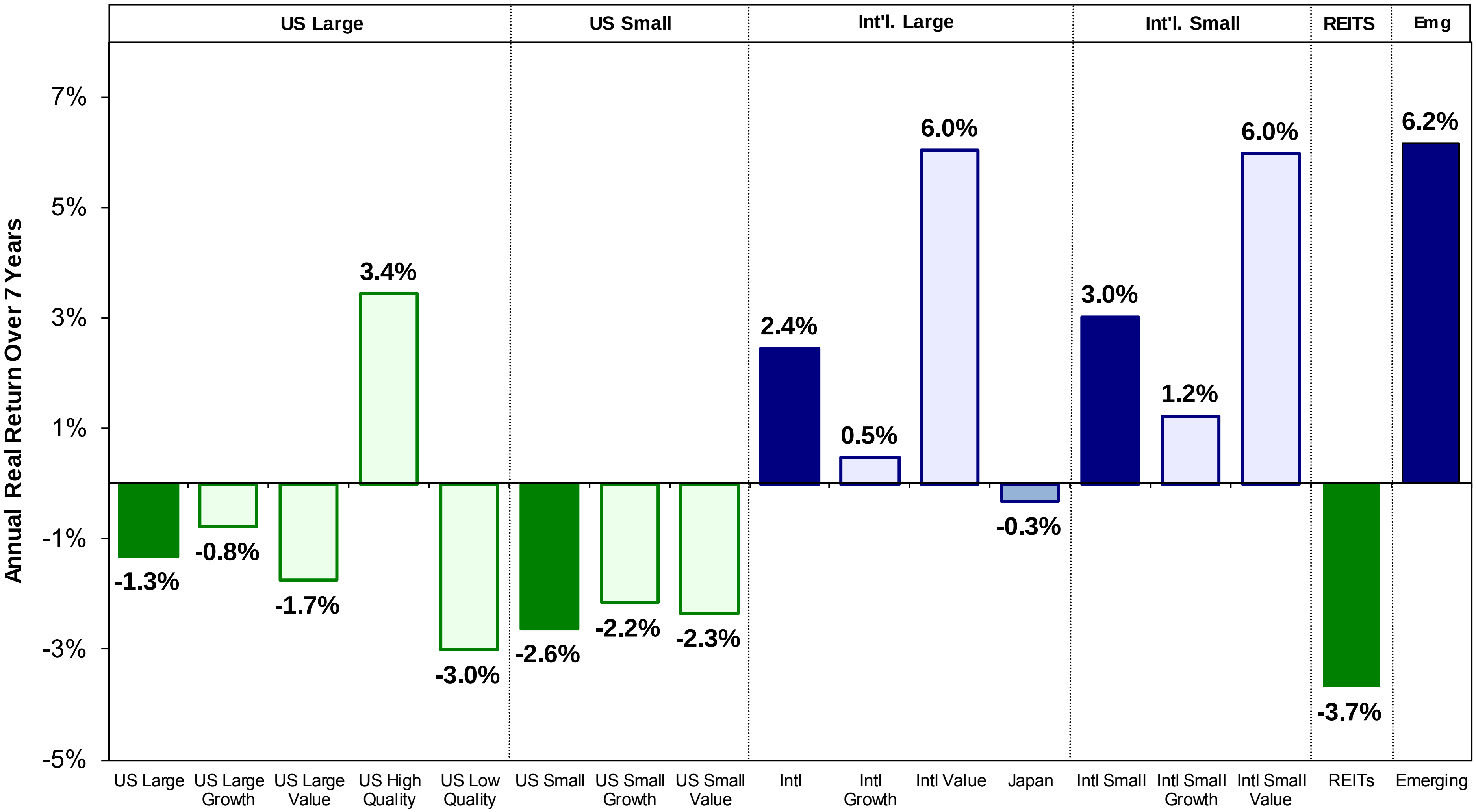


*The chart represents real return forecasts for several asset classes and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they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

Source: GMO

GMO 7-Year Global Equity Forecasts*

Value and growth within large and small stocks, and REITs, as of April 30, 2013

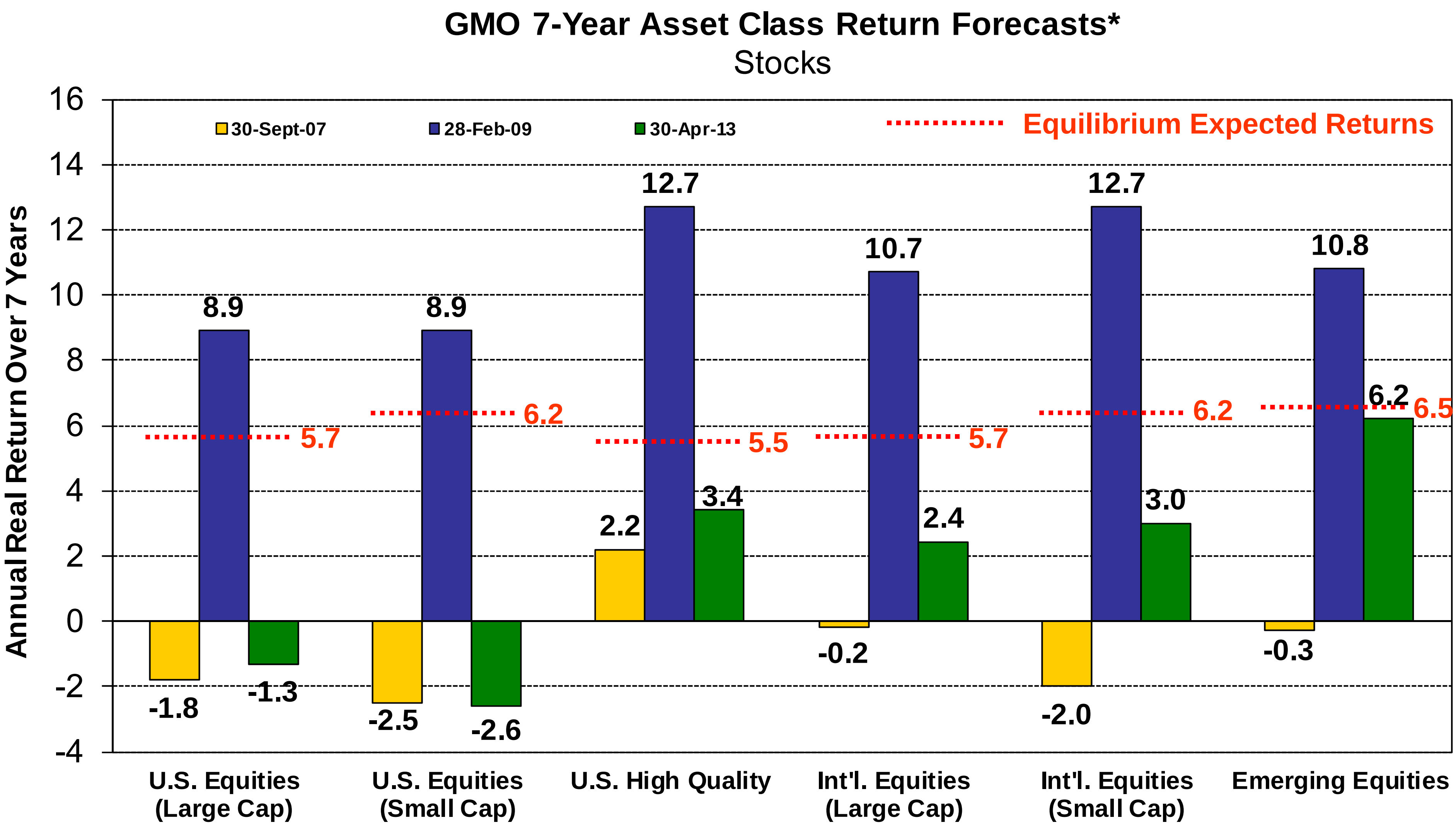


*The chart represents real return forecasts for several asset classes and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they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

Source: GMO

Evolution of Equity Valuations

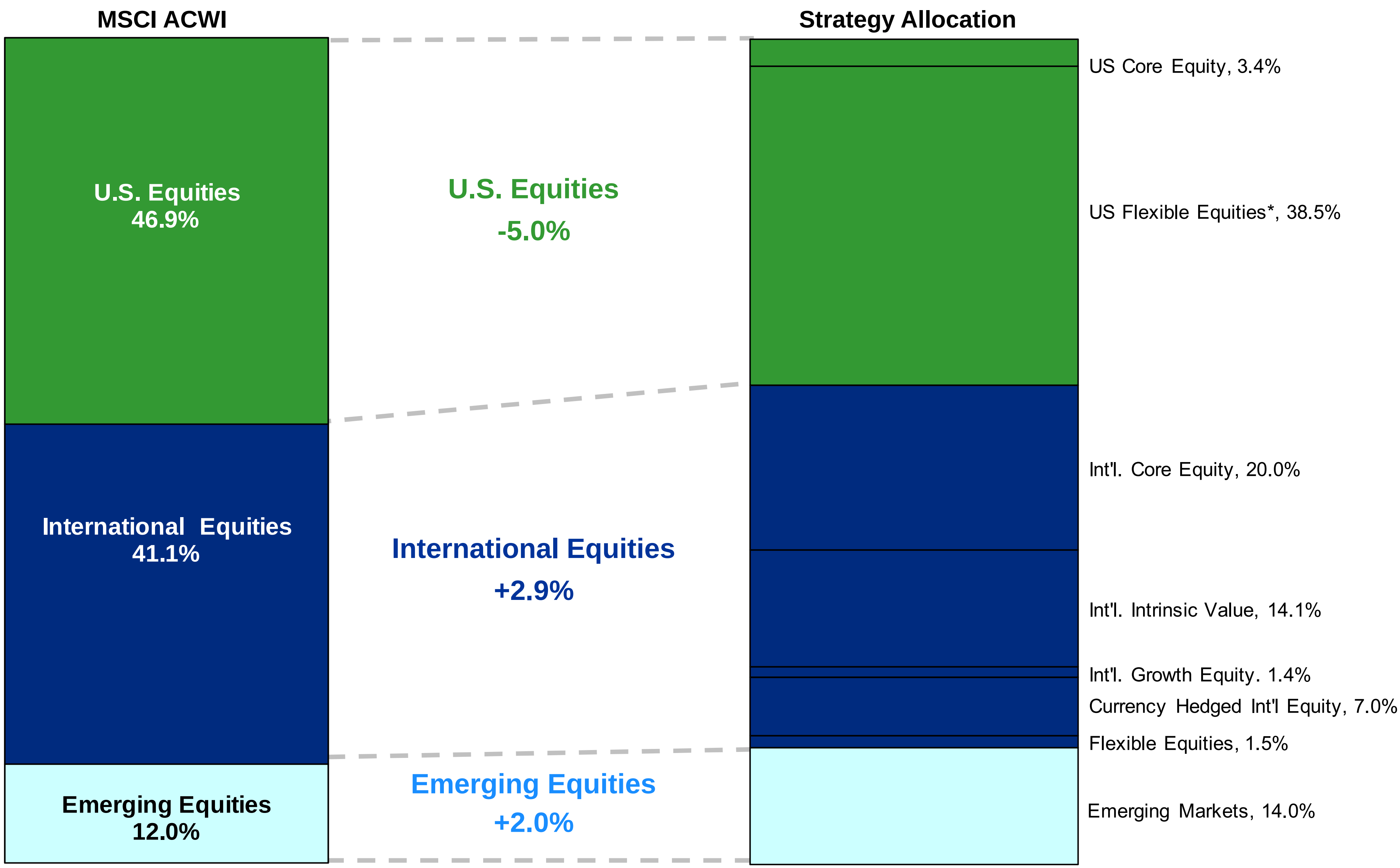
As of April 30, 2013



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

Source: GMO

GMO Global All Country Equity Allocation Strategy



Weightings are subject to change without notice. The above information is based on a representative account selected because it has the least number of restrictions and best represents the implementation of the strategy. The information above is supplemental to the GIPS compliant presentation that was made available on GMO's website in October 2012.

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

Note: Totals may not add due to rounding.

Global All Country Equity Allocation Strategy

Top 15 equity holdings as of March 31, 2013*

	Country	Sector	% of Equity
Johnson & Johnson	United States	Health Care	2.5 %
Google Inc. (Cl A)	United States	Information Technology	2.1
Coca-Cola Co.	United States	Consumer Staples	2.1
Pfizer Inc.	United States	Health Care	2.0
Oracle Corp.	United States	Information Technology	2.0
Microsoft Corp.	United States	Information Technology	2.0
Total S.A.	France	Energy	1.9
Cisco Systems Inc.	United States	Information Technology	1.8
Philip Morris International Inc.	United States	Consumer Staples	1.7
Sanofi-Aventis S.A.	France	Health Care	1.6
Chevron Corp.	United States	Energy	1.5
Procter & Gamble Co.	United States	Consumer Staples	1.5
International Business Machines Corp.	United States	Information Technology	1.4
Royal Dutch Shell PLC	United Kingdom	Energy	1.4
Hewlett-Packard Co.	United States	Information Technology	1.4
		Total	**26.9** %

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

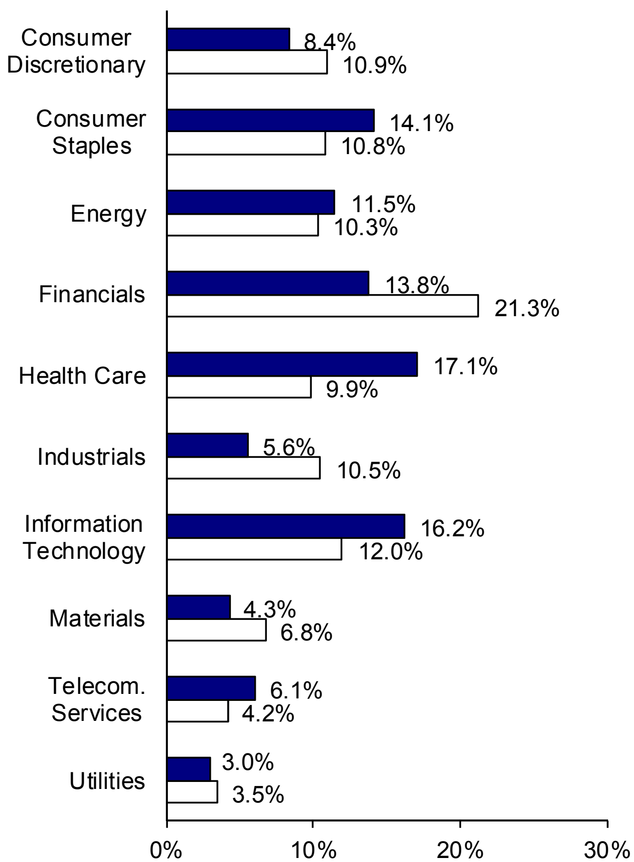
GMO
JA_VenturaCountyERS_6-13

Source: GMO

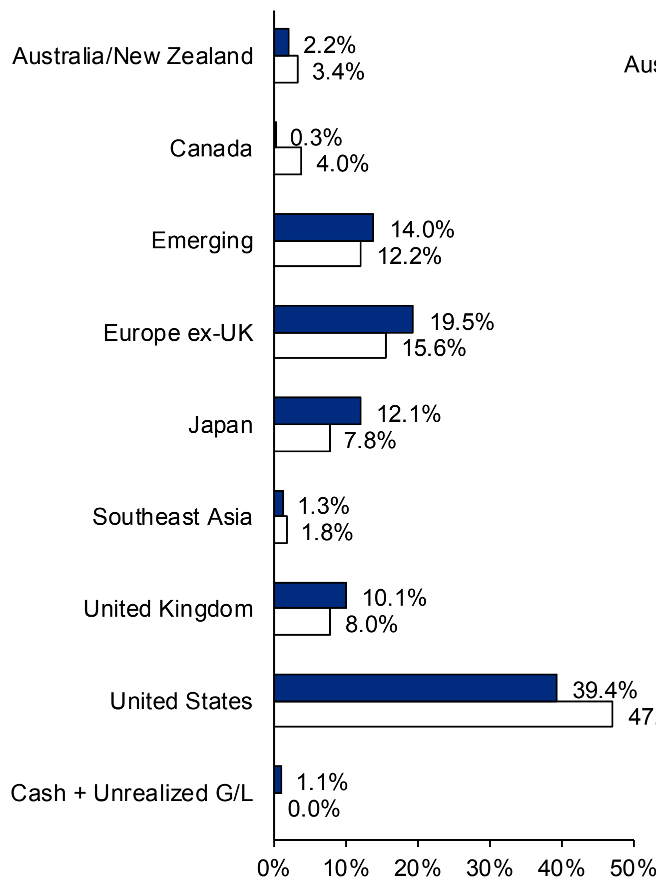
Global All Country Equity Allocation Strategy

Sectors, regions and currencies as of March 31, 2013*

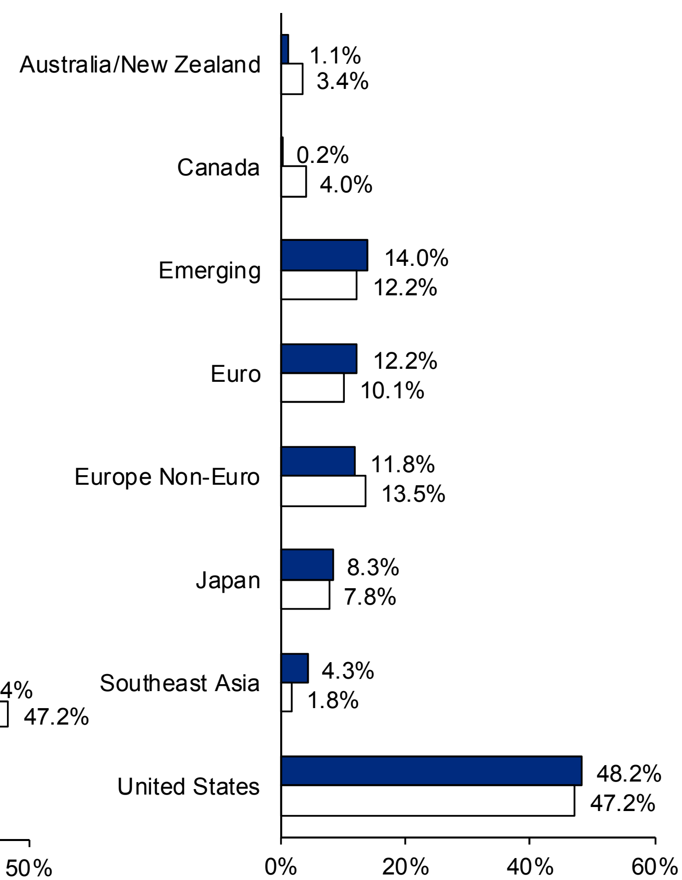
Sector Allocation



Regional Allocation



Currency Allocation



Global All Country Equity Allocation Strategy **MSCI AC World Index**

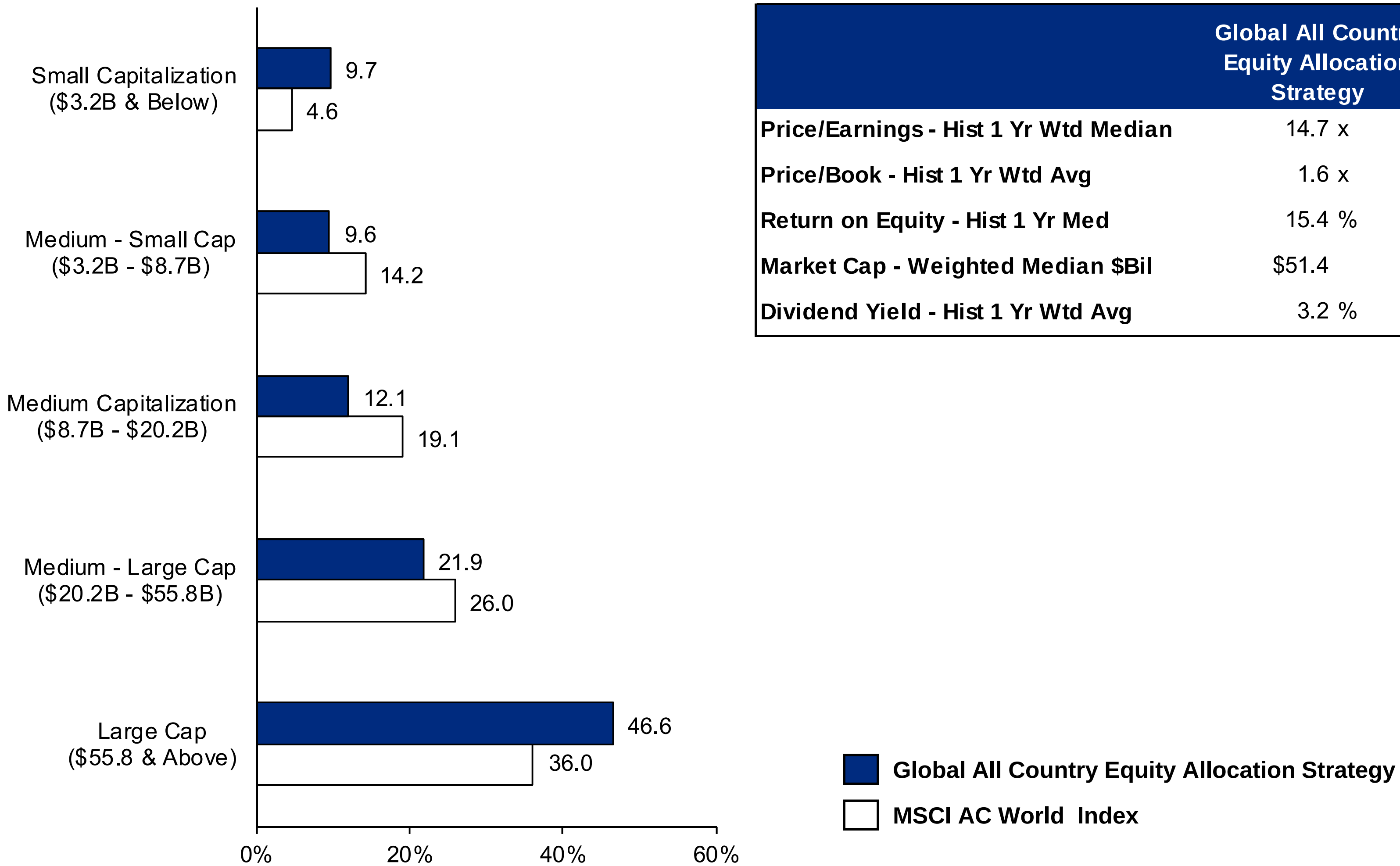
* The above information is based on a representative account selected because it has the least number of restrictions and best represents the implementation of the strategy. The information above is supplemental to the GIPS compliant presentation that was made available on GMO's website in October 2012.

Source: GMO, MSCI

Global All Country Equity Allocation Strategy

Portfolio characteristics as of March 31, 2013*

Cap Size Allocation



Valuation Measures

	Global All Country Equity Allocation Strategy	MSCI ACWI
Price/Earnings - Hist 1 Yr Wtd Median	14.7 x	17.2 x
Price/Book - Hist 1 Yr Wtd Avg	1.6 x	1.9 x
Return on Equity - Hist 1 Yr Med	15.4 %	13.7 %
Market Cap - Weighted Median $Bil	$51.4	$32.8
Dividend Yield - Hist 1 Yr Wtd Avg	3.2 %	2.6 %

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

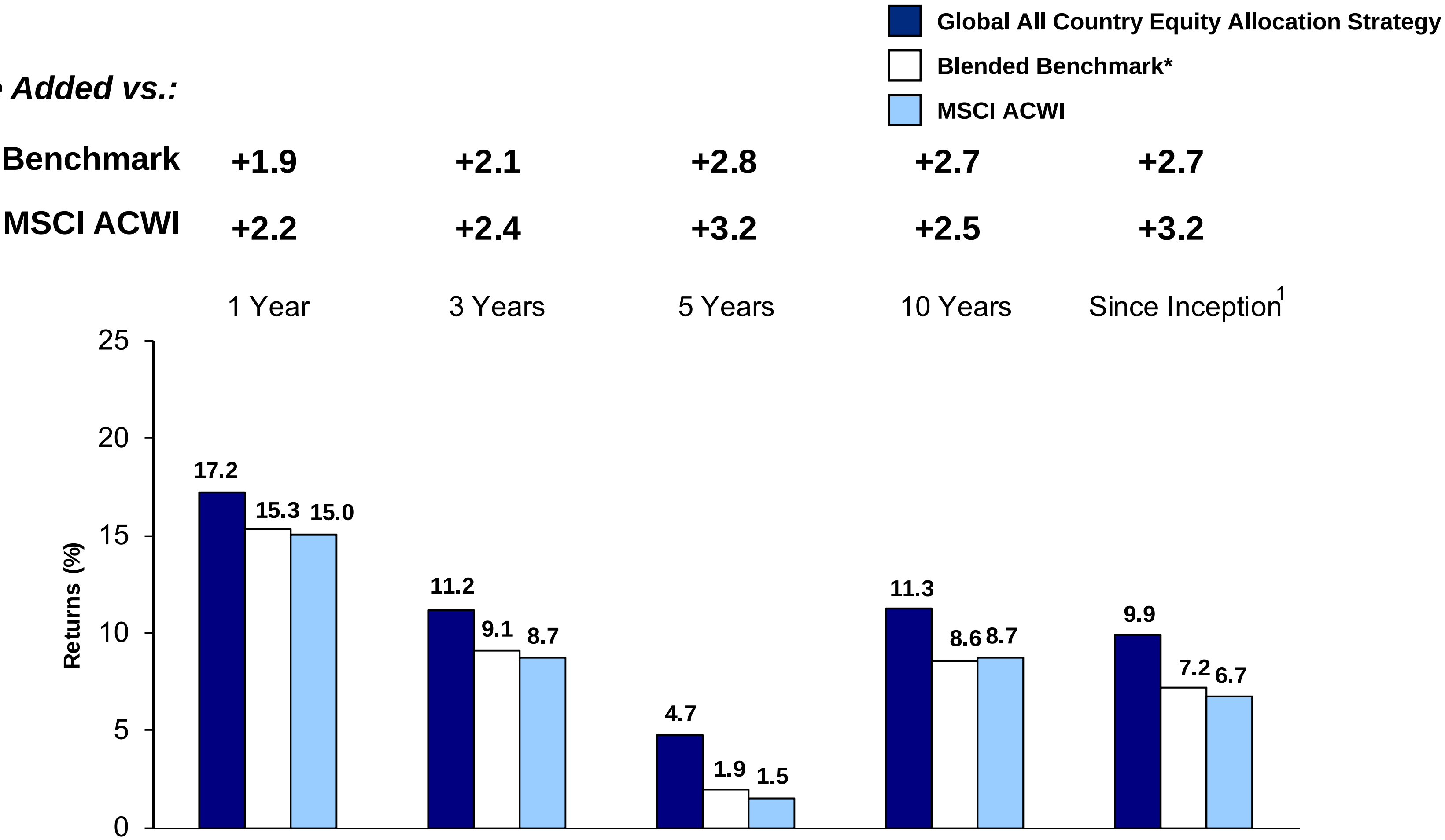
Source: GMO, MSCI

Global All Country Equity Allocation Strategy

Annualized performance (gross returns) periods ending April 30, 2013

GMO Value Added vs.:

	1 Year	3 Years	5 Years	10 Years	Since Inception[1]
Blended Benchmark	**+1.9**	**+2.1**	**+2.8**	**+2.7**	**+2.7**
MSCI ACWI	**+2.2**	**+2.4**	**+3.2**	**+2.5**	**+3.2**



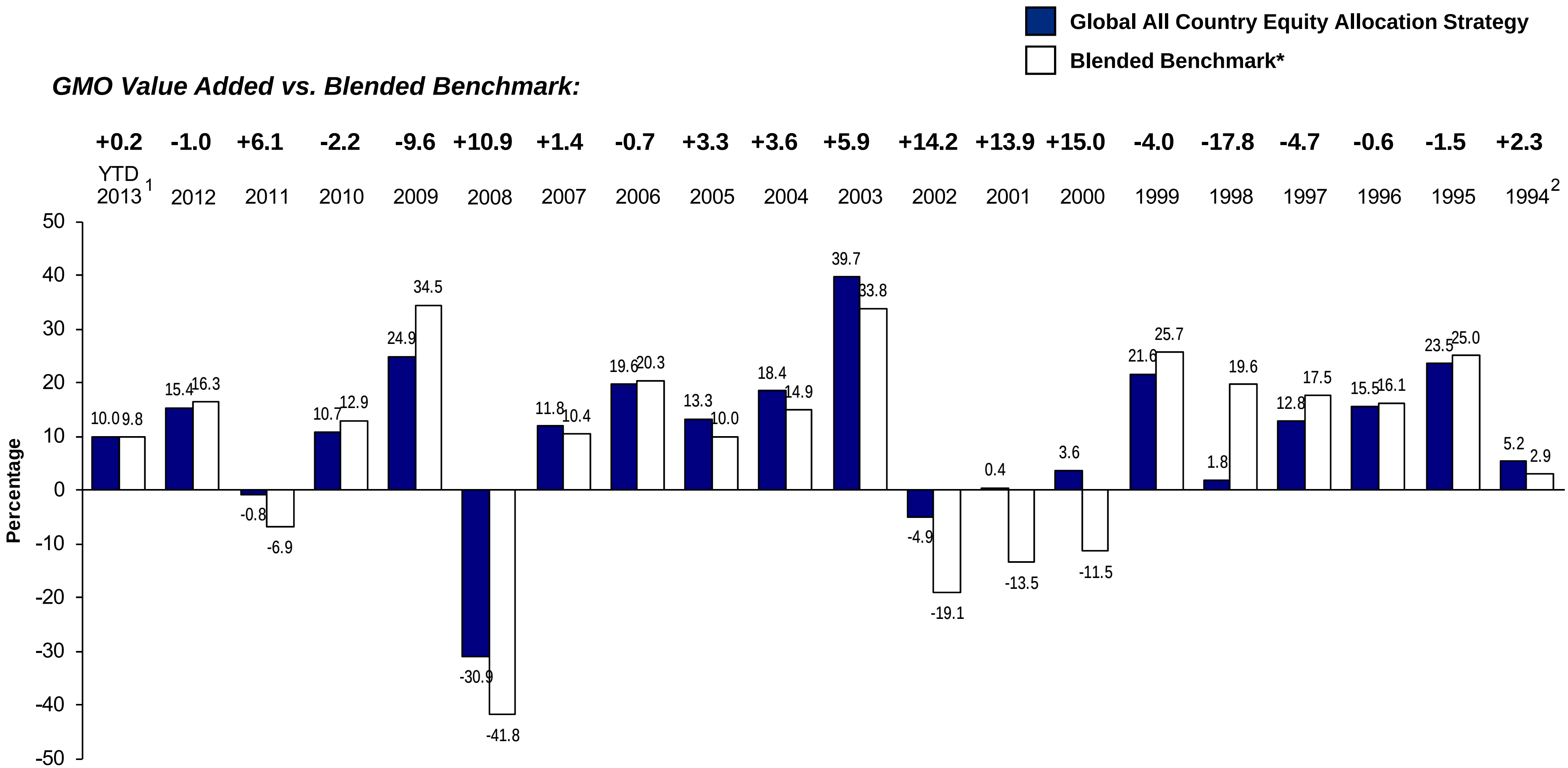
[1] Composite inception date: 12/31/93

This information above is supplemental to the GIPS compliant presentation that was made available on GMO's website in October 2012. **Performance data quoted represents past performance and is not indicative of future performance.** Returns are presented gross of management fees, net of transaction costs, and include the reinvestment of dividends and other income. If management fees were deducted performance would be lower. For example, if the strategy were to achieve a 10% annual rate of return each year for ten years and an annual advisory fee of 0.75% were charged during that period, the resulting average annual net return (after the deduction of management fees) would be 9.25%. A GIPS compliant presentation of composite performance has preceded this report in the past 12 months or accompanies this presentation, and is also available at www.gmo.com. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's compliant presentation.

* The blended Global All Country Equity Allocation Composite benchmark consists of a weighted average of account benchmarks; many of the account benchmarks consist of MSCI AC World or some like proxy for each market exposure they have. For each underlying account benchmark, the weighting of each market index will vary slightly. The index is internally blended by GMO and maintained on a monthly basis. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder.

Global All Country Equity Allocation Strategy

Annual performance (gross of fees)



[1] Through 4/30/13 [2] Composite inception date: 12/31/93

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

Performance data quoted represents past performance and is not indicative of future performance. Returns are presented gross of management fees, net of transaction costs, and include the reinvestment of dividends and other income. If management fees were deducted performance would be lower. For example, if the strategy were to achieve a 10% annual rate of return each year for ten years and an annual advisory fee of 0.75% were charged during that period, the resulting average annual net return (after the deduction of management fees) would be 9.25%. A GIPS compliant presentation of composite performance has preceded this report in the past 12 months or accompanies this presentation, and is also available at www.gmo.com. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's compliant presentation.

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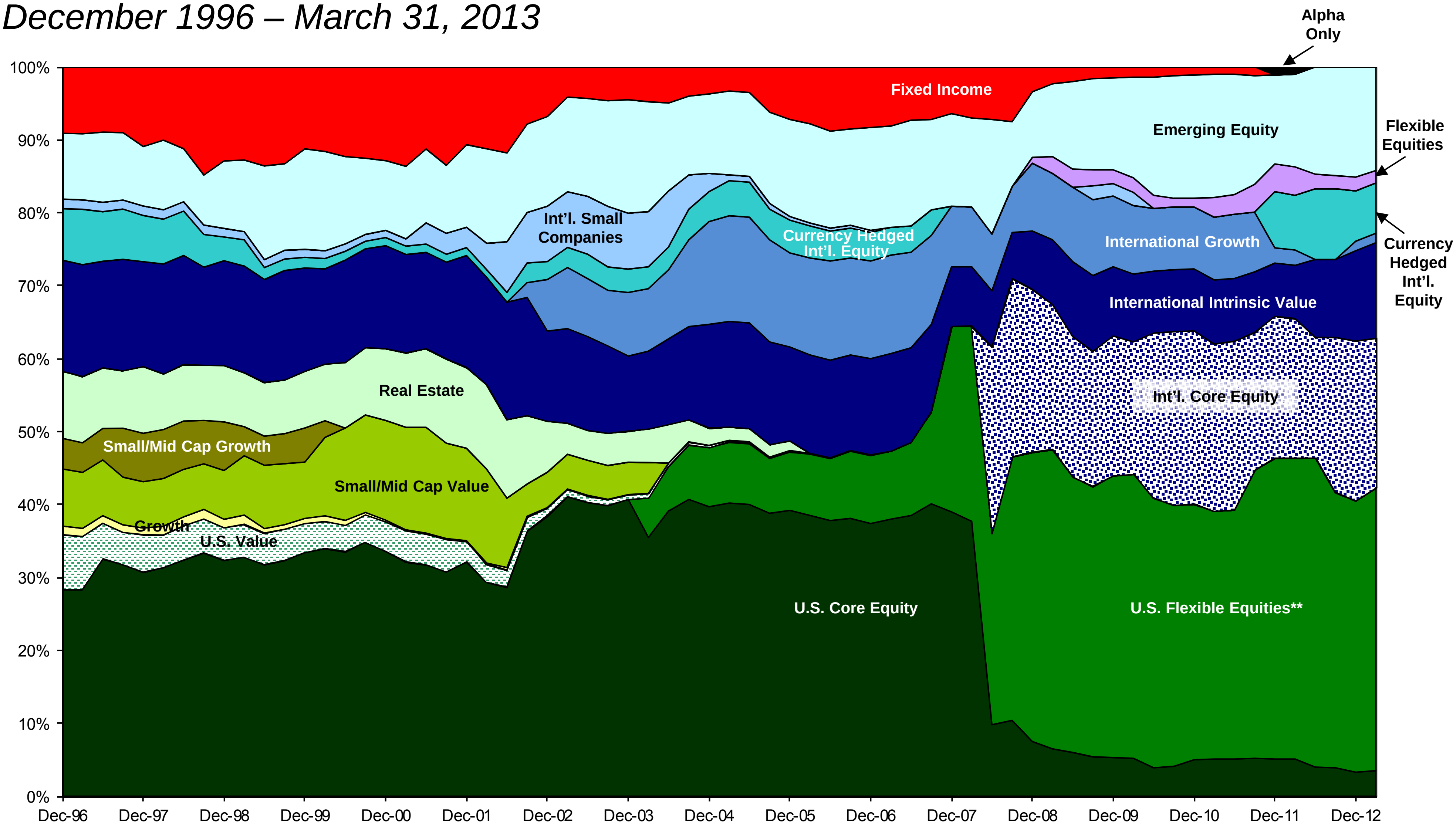
Appendix

GMO Global All Country Equity Allocation Strategy – Allocation History*

December 1996 – March 31, 2013



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

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

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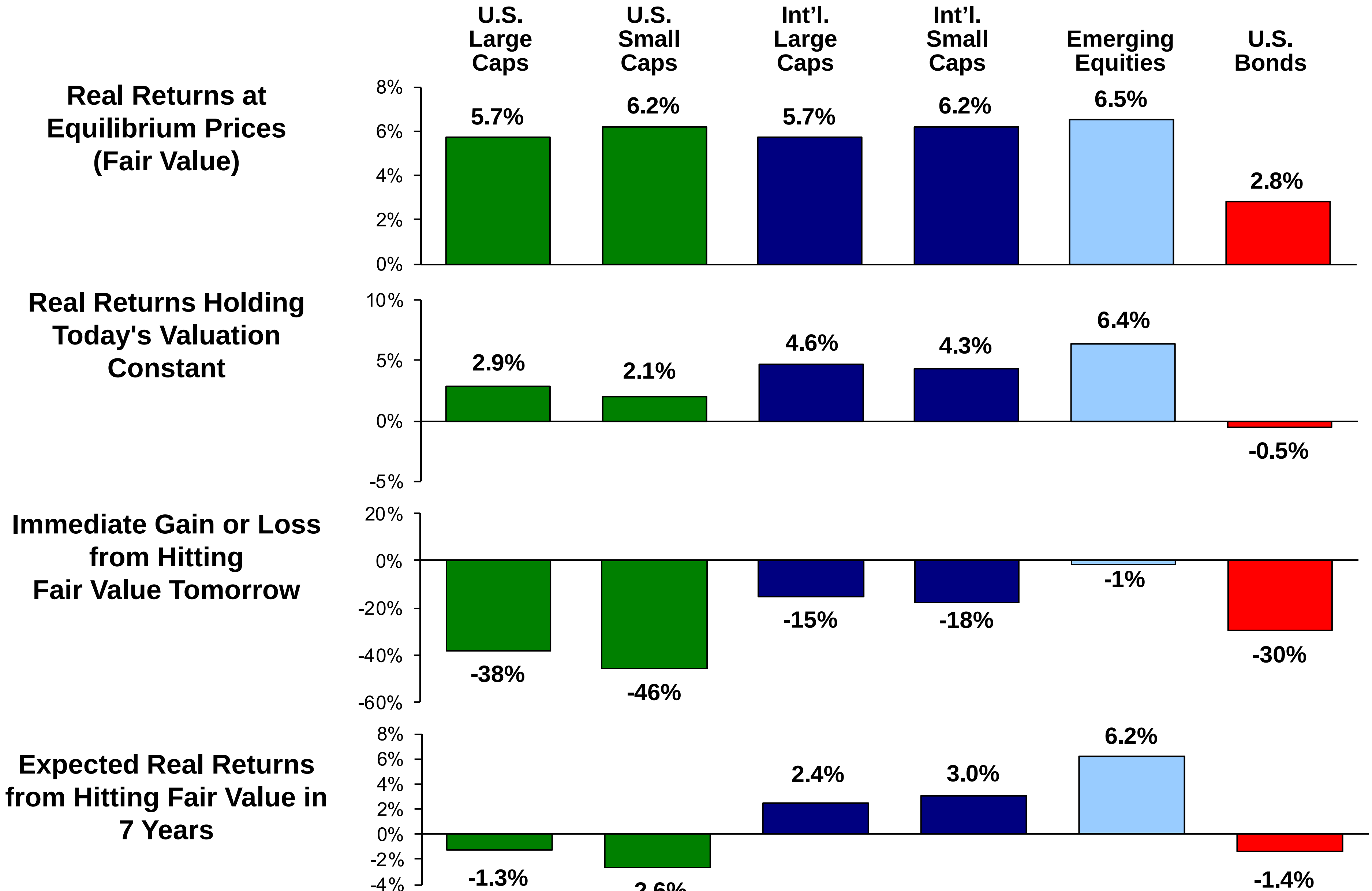
Source: GMO

Equilibrium Returns vs. GMO Forecasts



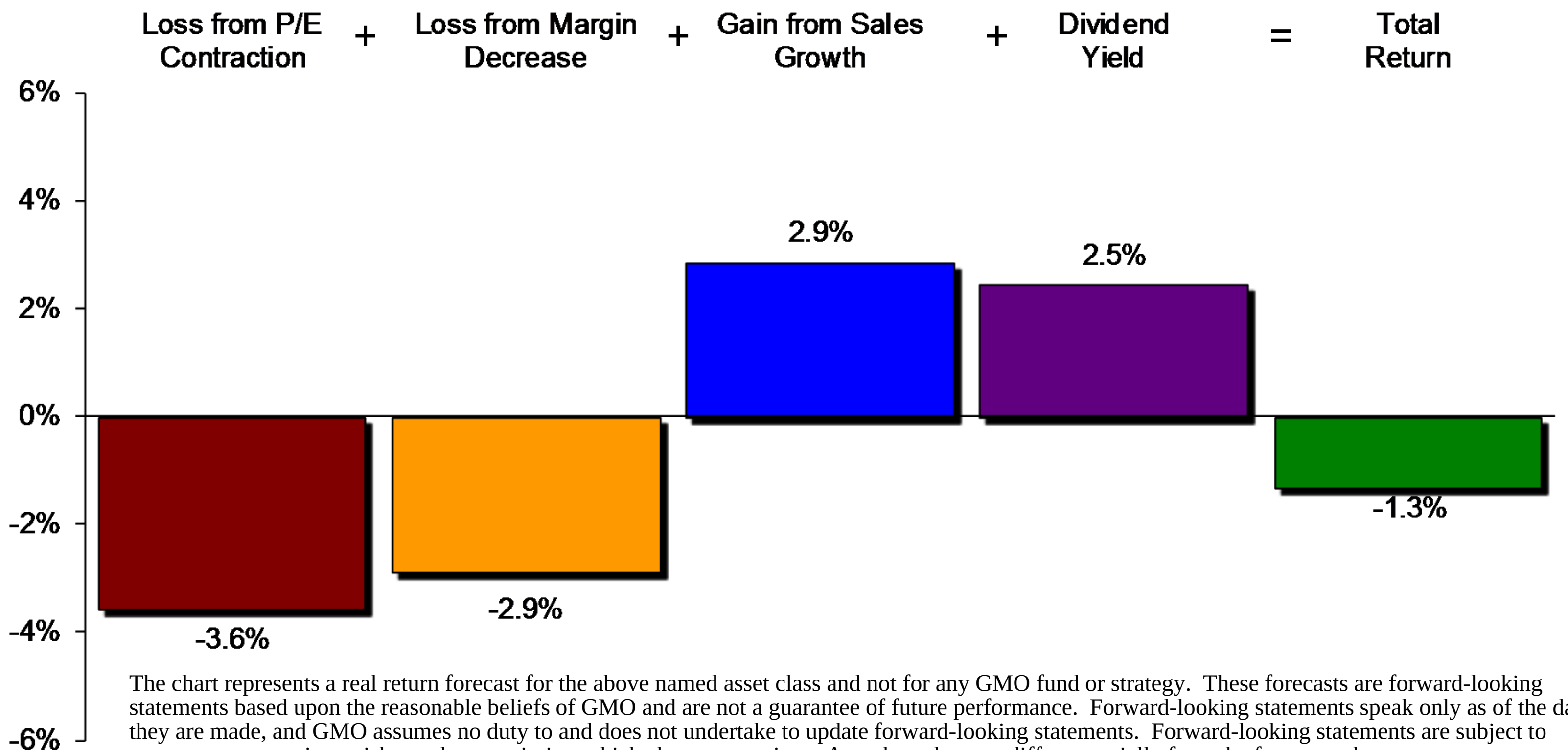
GMO Forecasts for asset classes are forward looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements.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

Source: GMO As of 4/30/13

S&P 500: Building a 7-Year Forecast

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

	P/E	Profit Margin	Real Sales per Share Growth	Dividend Yield
1926-1999 Averages	***14.0***	***4.9%***	***1.8%***	***4.3%***
Starting Levels	**19.3**	**7.4%**	**1.9%**	**2.1%**
Assumption for Next 7 Years	**15.0** (Terminal Value)	**6.1%** (Terminal Value)	**2.9%**	**2.5%**



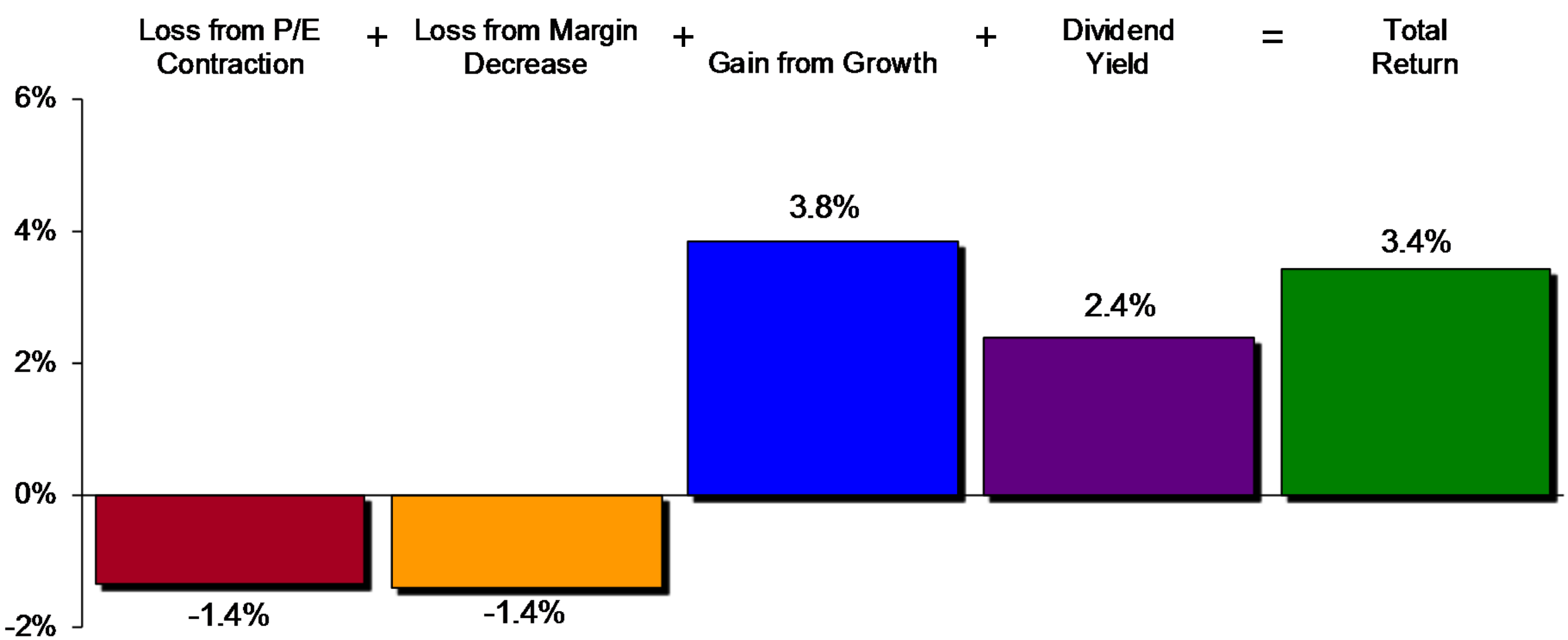
The chart represents a real return forecast for the above named asset class and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date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

Source: GMO As of 4/30/13

High Quality: Building a 7-Year Forecast

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

	P/E	Profit Margin*	Real Net Worth per Share Growth	Dividend Yield
Starting Levels	19.0	10.8%	1.9%	2.2%
Assumption for Next 7 Years	17.3 (Terminal Value)	9.8% (Terminal Value)	3.8%	2.4%



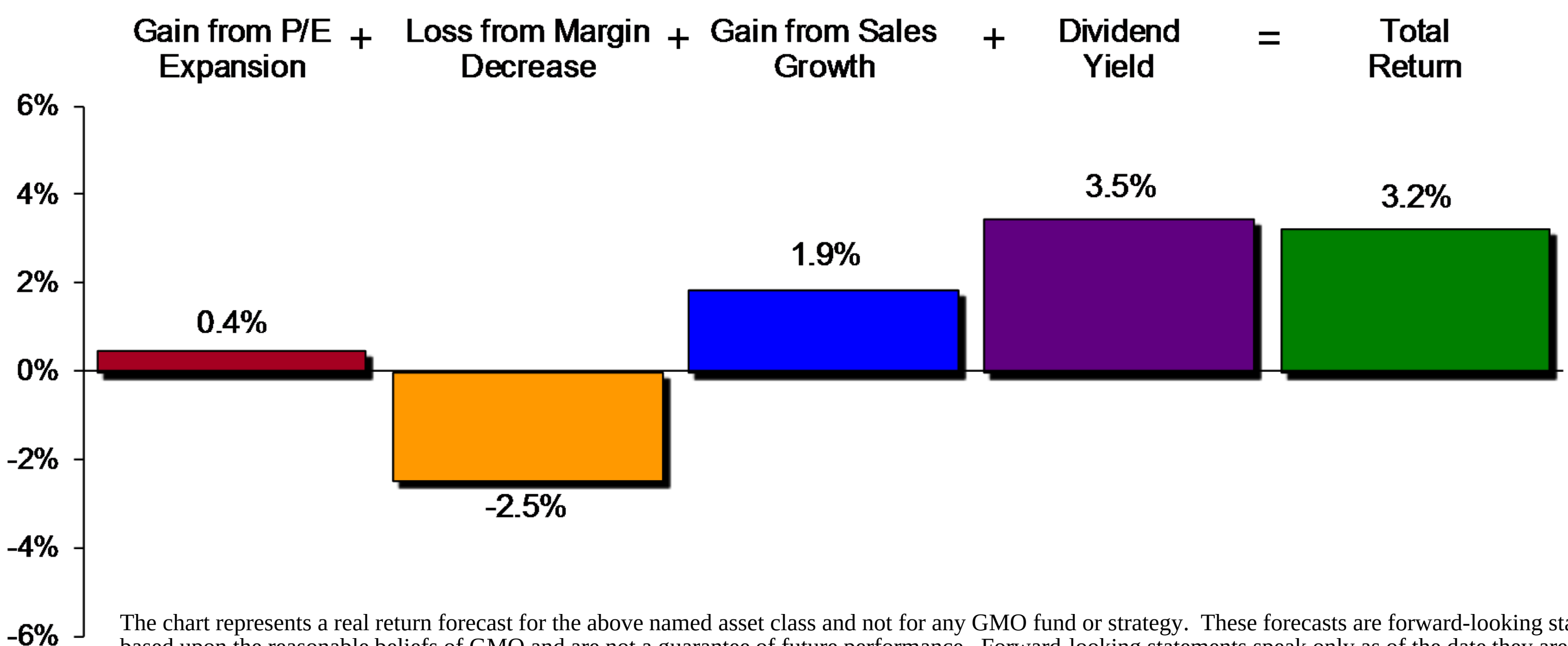
The chart represents a real return forecast for the above named asset class and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date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

*Return on equity as calculated by GMO.   High Quality: Top 250 stocks ranked by quality in the largest 1000.   Source: GMO   As of 4/30/13

International Equities: Building a 7-Year Forecast

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

	P/E	Profit Margin	Real Sales per Share Growth	Dividend Yield
Starting Levels	14.5	6.8%	0.7%	3.5%
Assumption for Next 7 Years	15.0 (Terminal Value)	5.7% (Terminal Value)	1.9%	3.5%

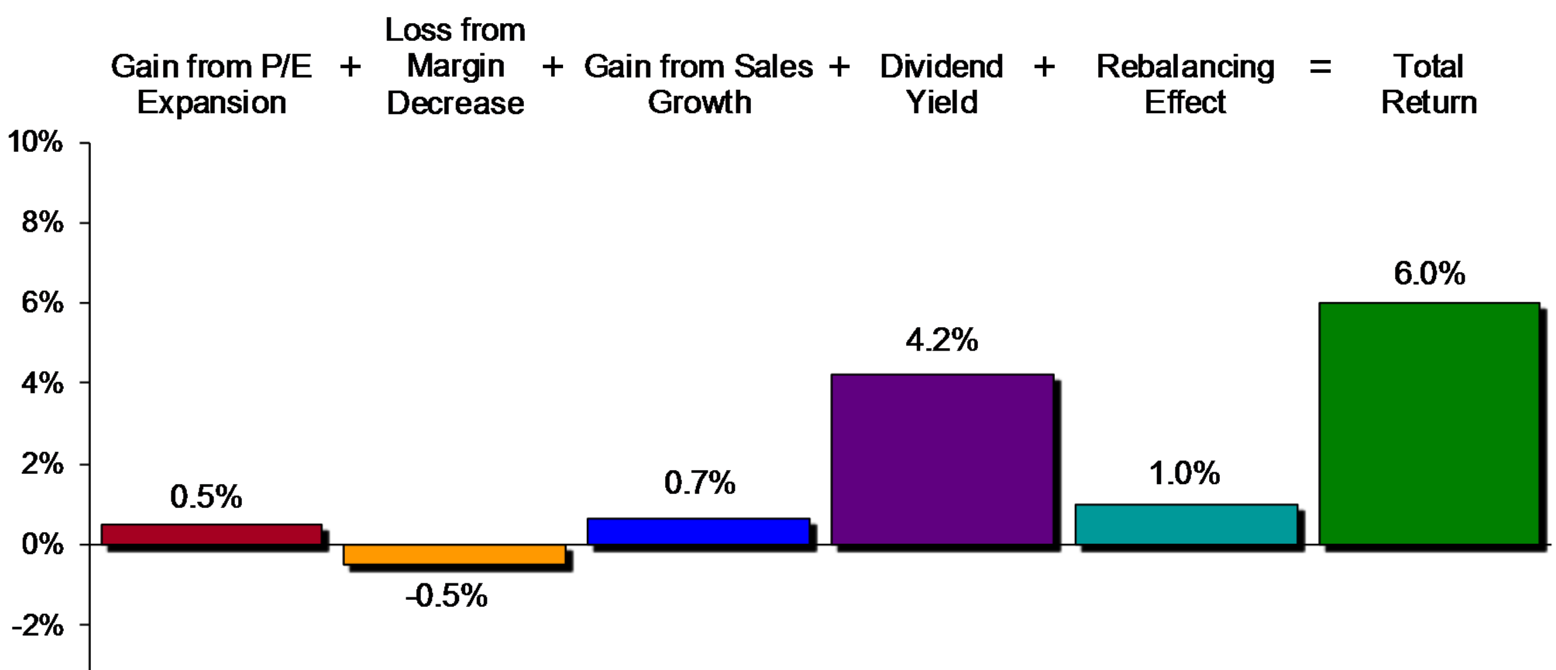


The chart represents a real return forecast for the above named asset class and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date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

International Value: Building a 7-Year Forecast

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

	P/E	Profit Margin	Real Sales per Share Growth	Dividend Yield	Rebalancing Effect
Starting Levels	12.5 ↓	5.2%	0.4%	4.3%	
Assumption for Next 7 Years	13.0 (Terminal Value)	5.1% (Terminal Value)	0.7%	4.2%	1.0%



-4%

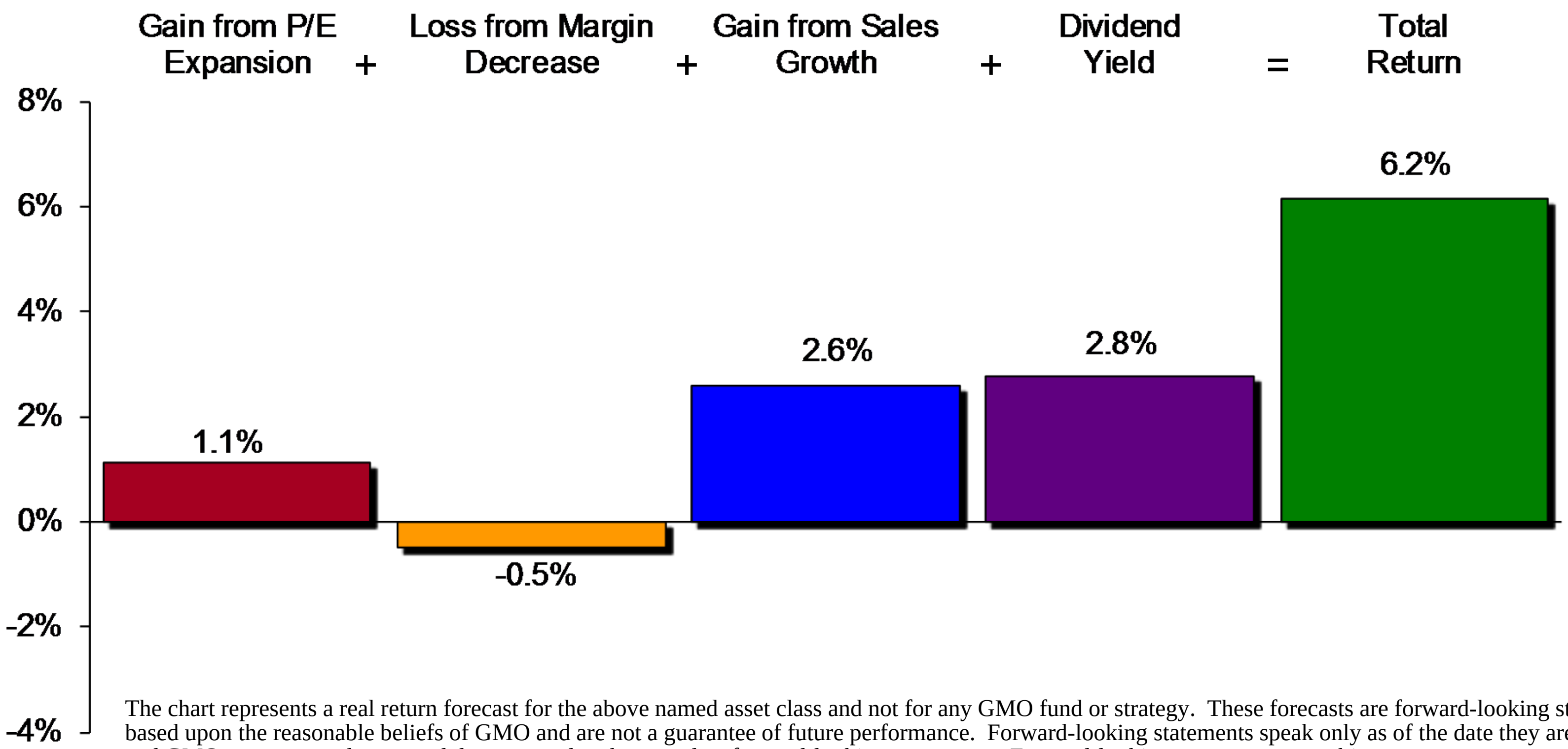
The chart represents a real return forecast for the above named asset class and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date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

Source: GMO   As of 4/30/13

Emerging Equities: Building a 7-Year Forecast

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

	P/E	Profit Margin	Real Sales per Share Growth	Dividend Yield
Starting Levels	12.3	7.4%		2.7%
Assumption for Next 7 Years	13.3 (Terminal Value)	7.1% (Terminal Value)	2.6%	2.8%



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

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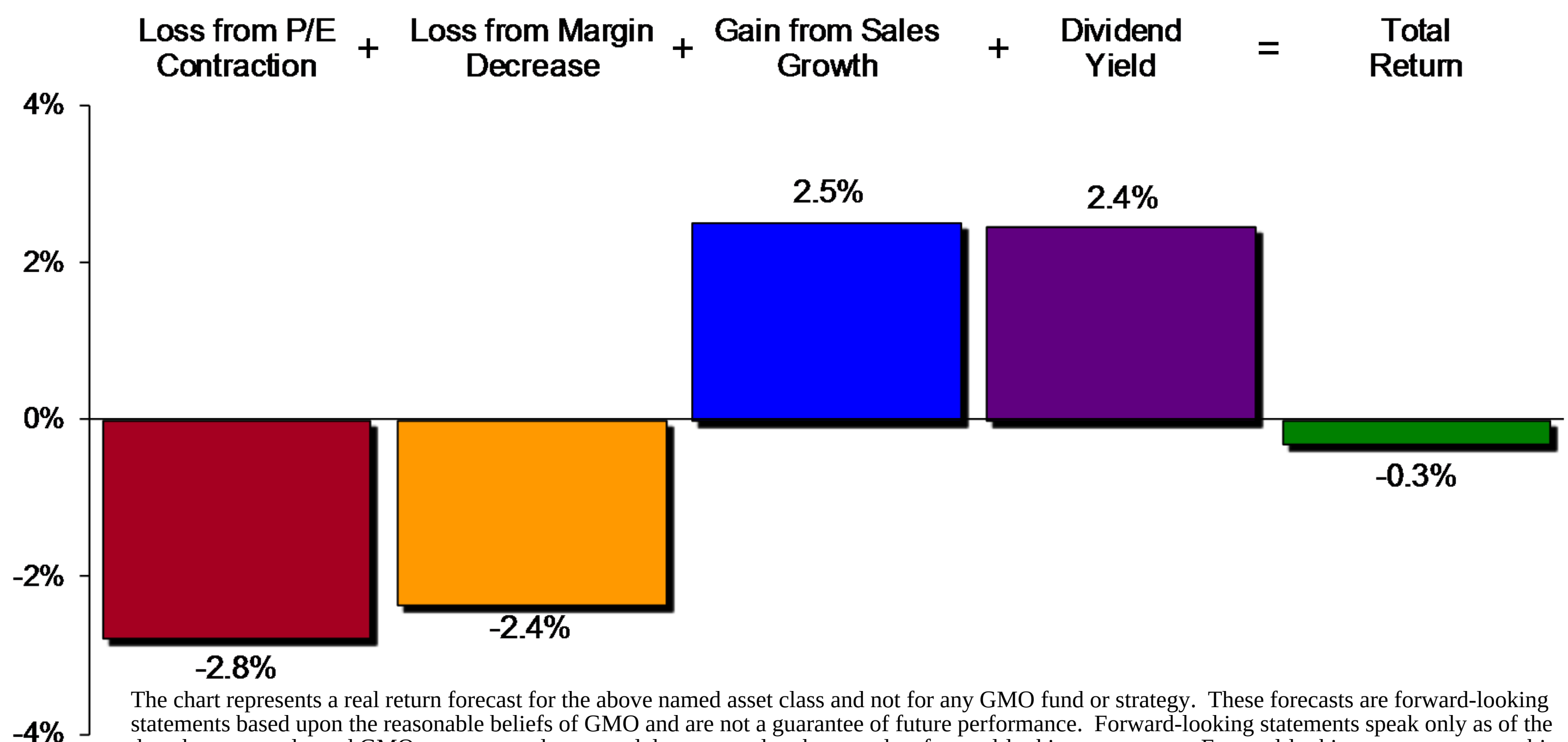
Source: GMO As of 4/30/13

Japan: Building a 7-Year Forecast

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

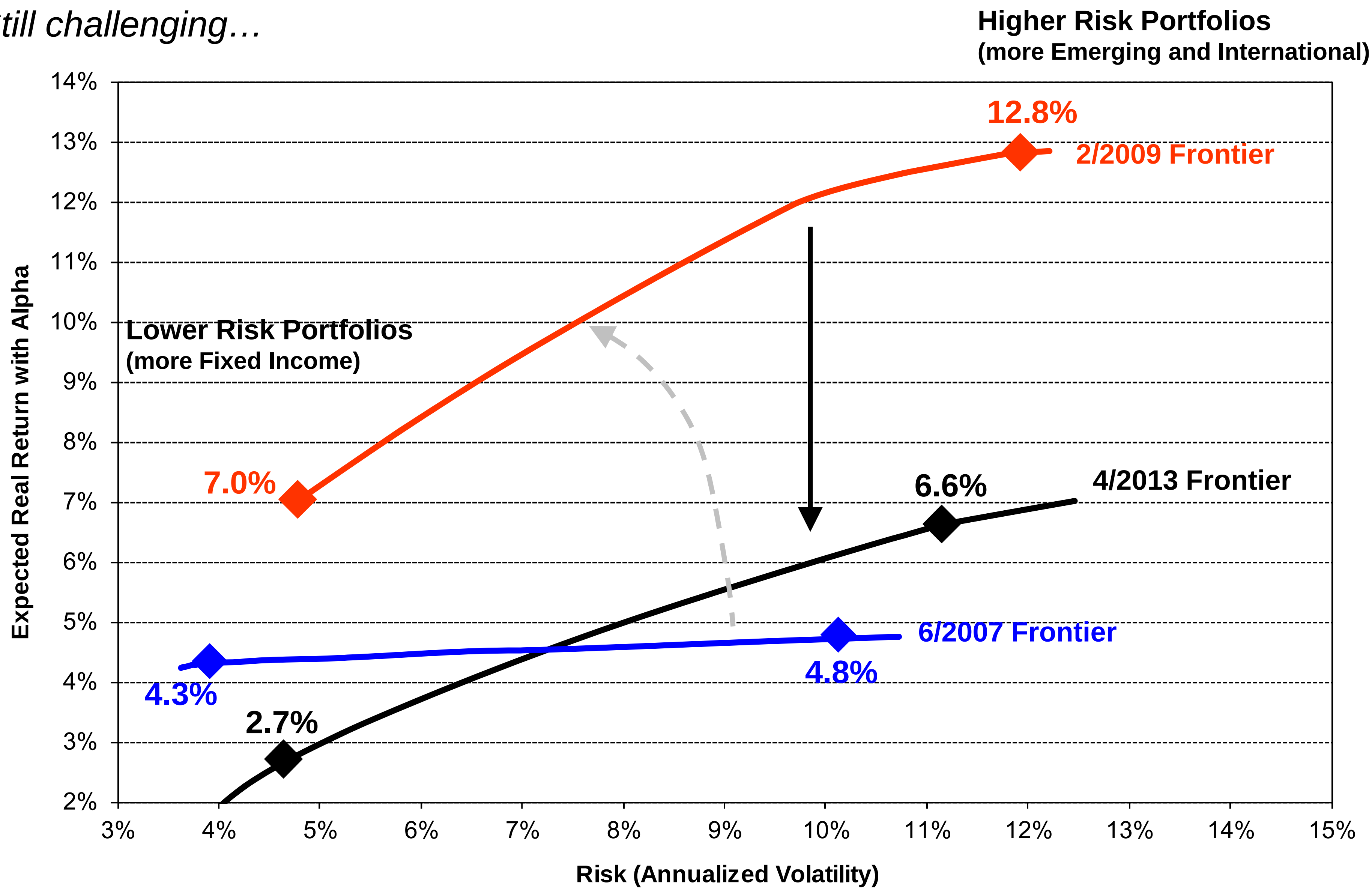
	P/E	Profit Margin	Real Sales per Share Growth	Dividend Yield
Starting Levels	18.3	3.6%	0.0%	1.7%
Assumption for Next 7 Years	15.0 (Terminal Value)	3.1% (Terminal Value)	2.5%	2.4%



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

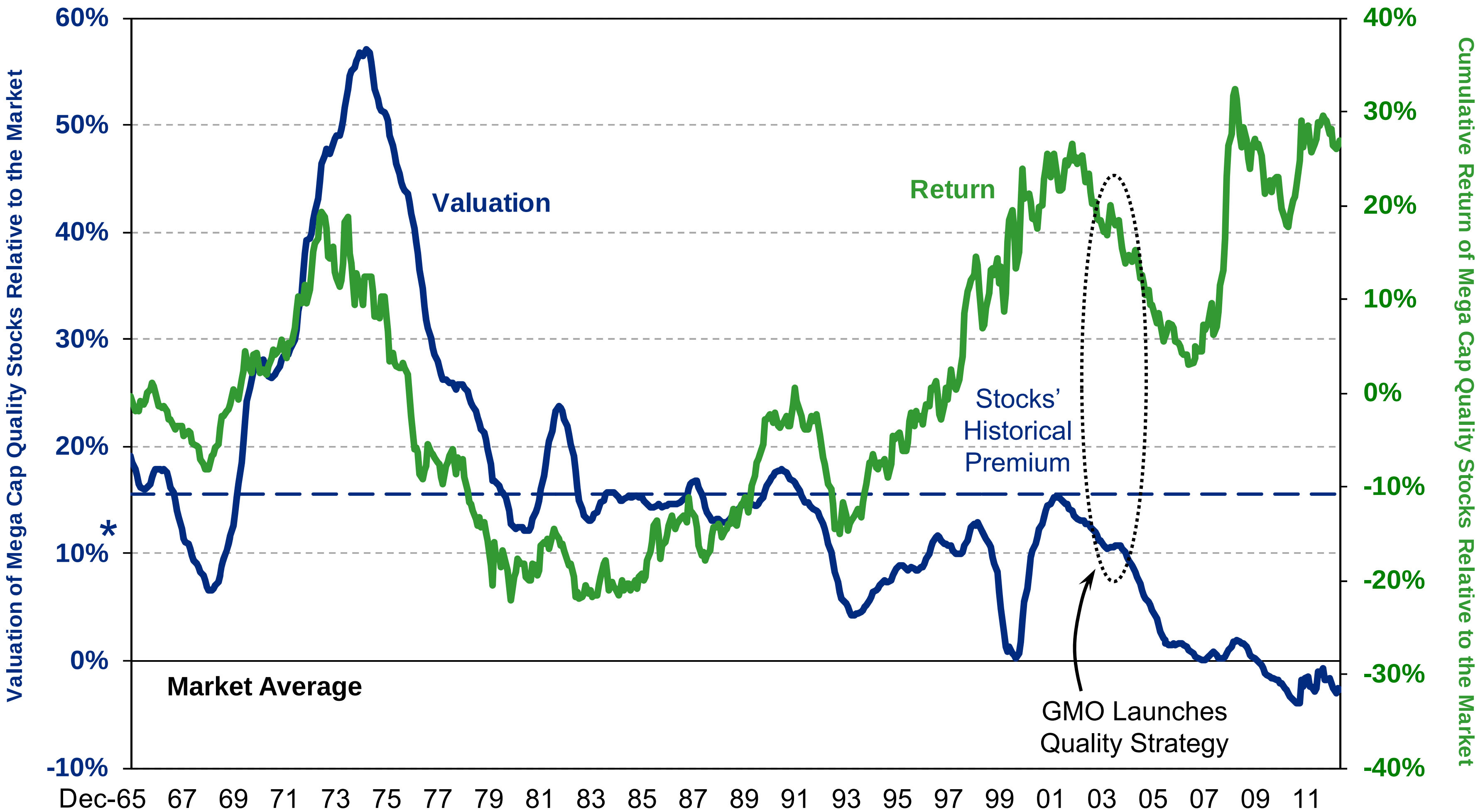
Absolute Return Portfolios over Time

Still challenging…



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

Price Also Matters

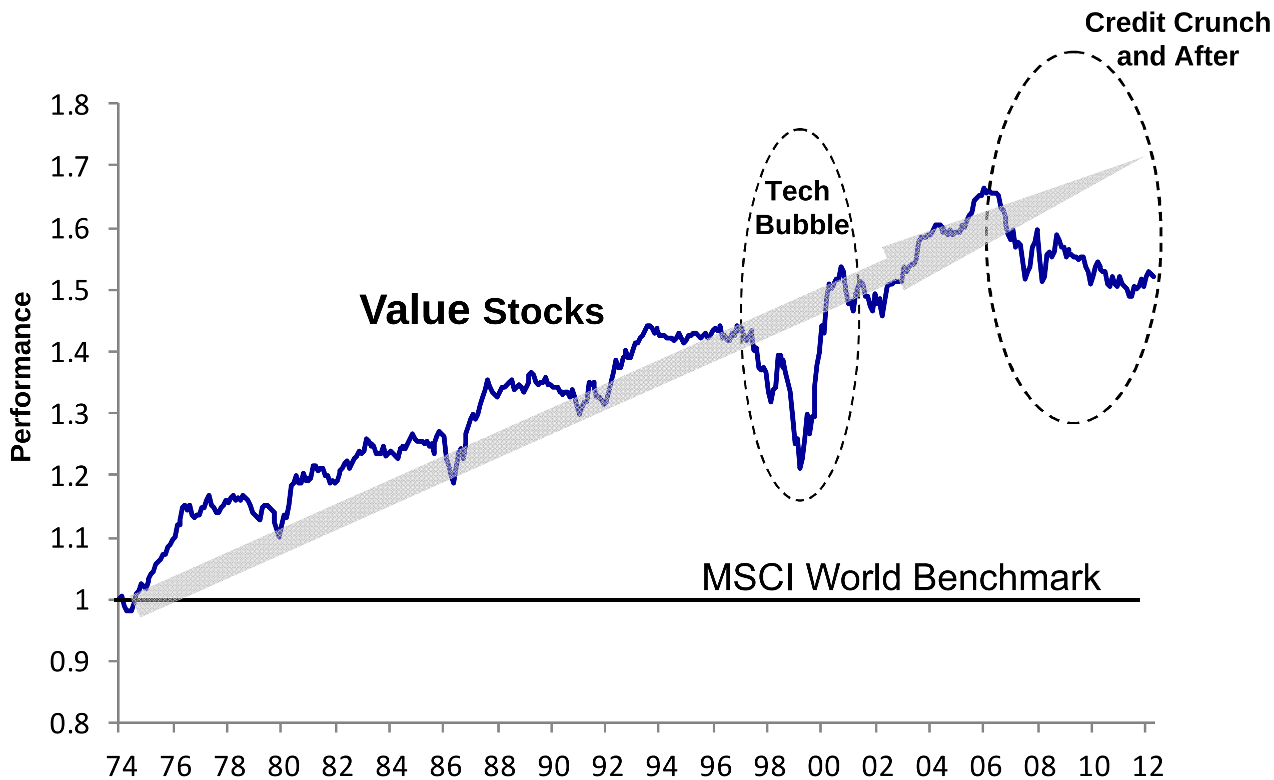


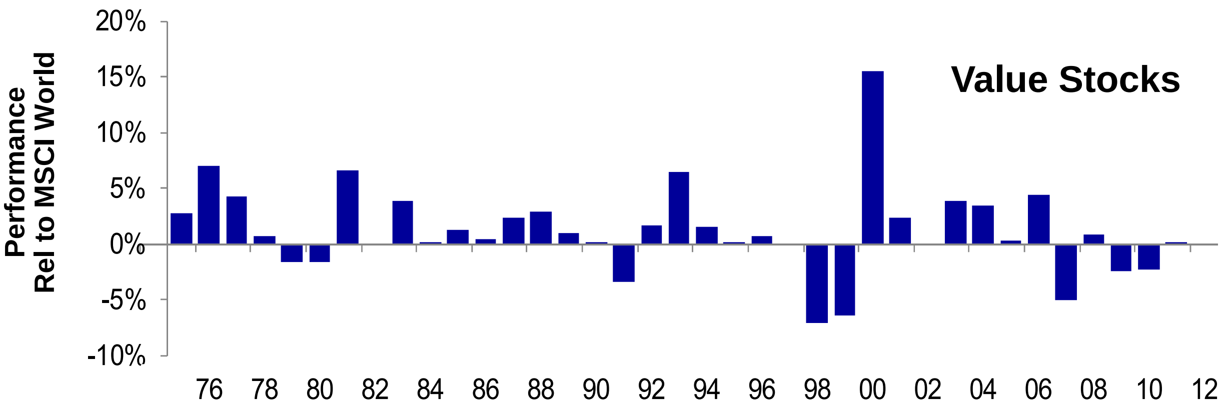
Source: GMO As of 3/31/13

* Stocks' historical premium valuation since 1980.

Note: GMO defines quality companies as those with high profitability, low profit volatility, and minimal use of leverage. The historical valuation is determined by our proprietary intrinsic valuation measure. Mega Cap Quality represents Quality companies within the largest 100 companies by market cap.

Long-Term Relative Performance of MSCI's Value Index





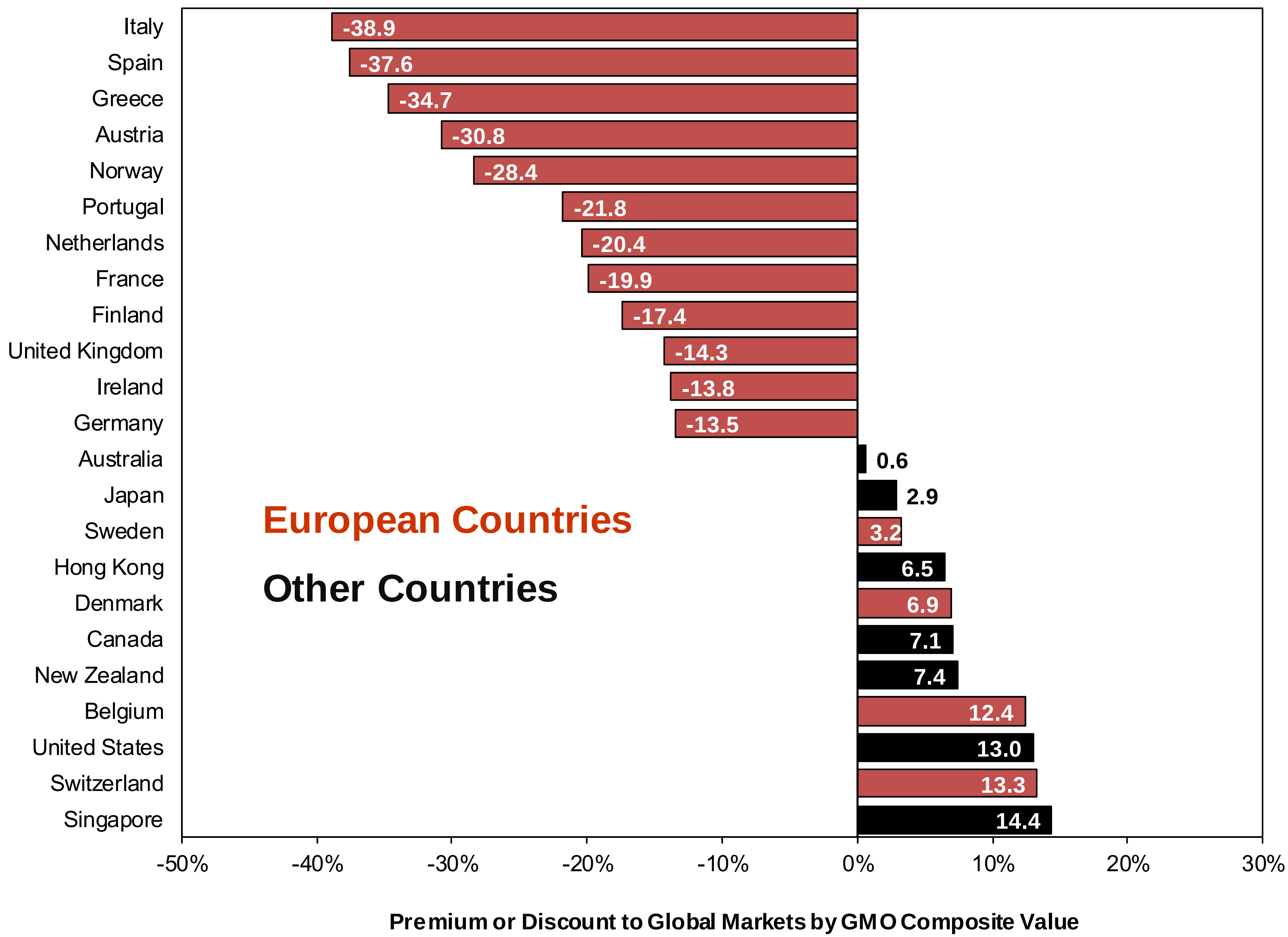
- The MSCI World Value Index has provided a return of 1.1% *p.a.* above the MSCI World Index since 1974.
- The recent period has been amongst the most challenging.
- Historically, periods of underperformance have been followed by the best relative returns for value investors.

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

Source: MSCI, GMO As of 3/31/13

Country Valuations Around the World

Europe is not burdened by high expectations



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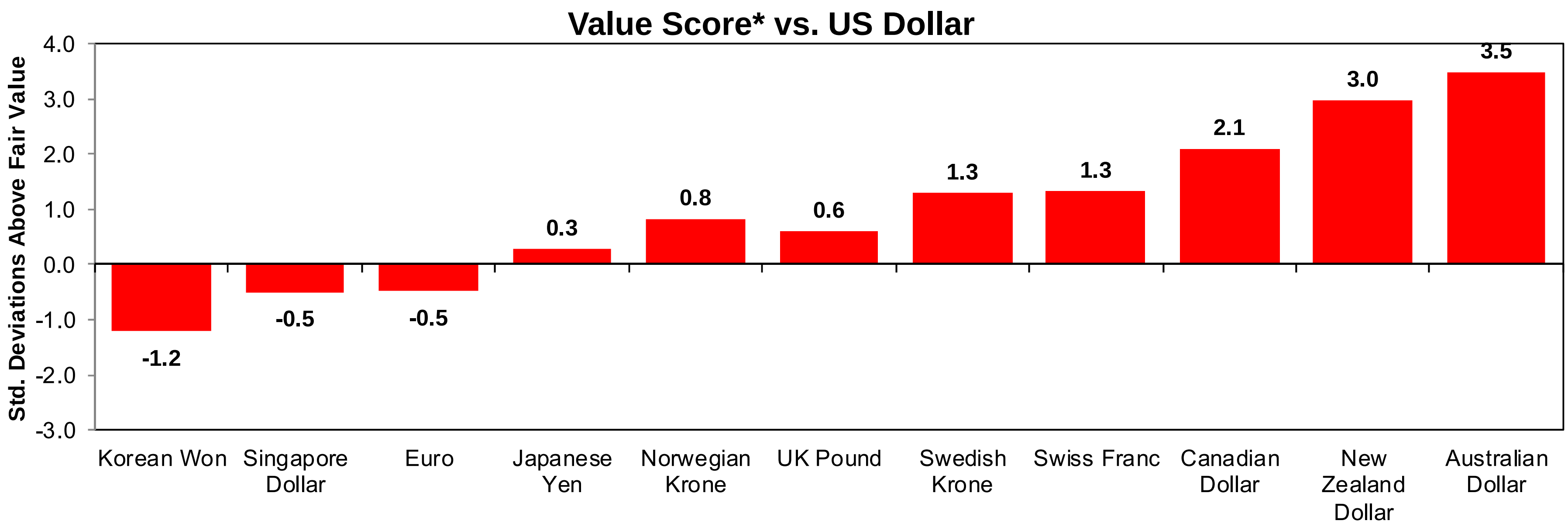
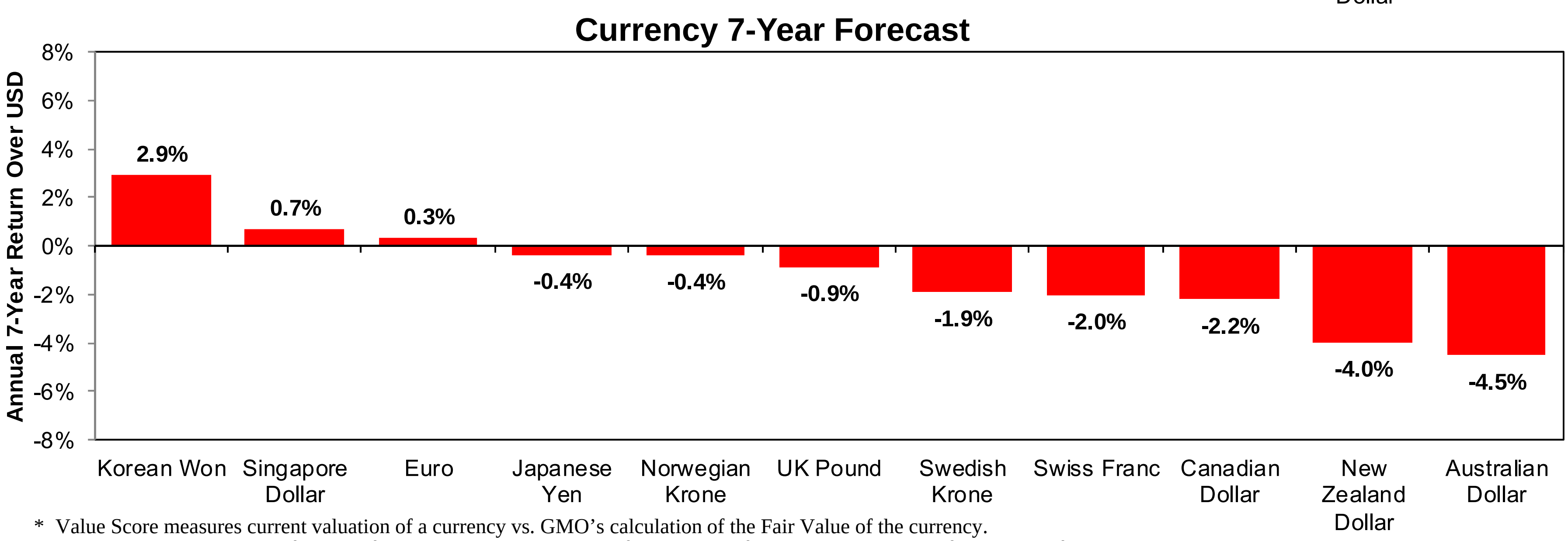
Source: GMO As of 3/31/13

Currency Forecasts





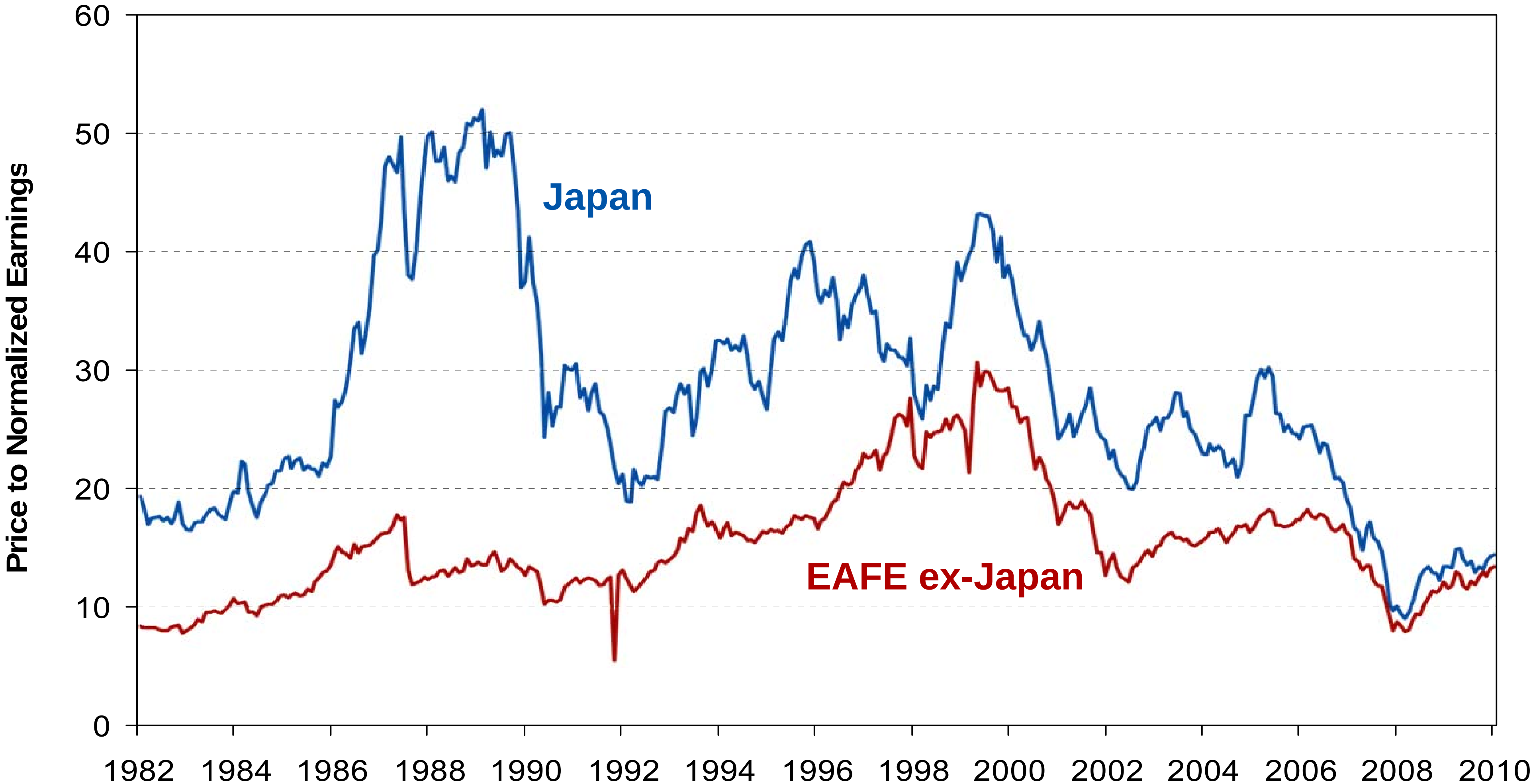
* Value Score measures current valuation of a currency vs. GMO's calculation of the Fair Value of the currency.

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

Source: GMO

Finally At Parity

Japan's valuation premium has disappeared



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Source: GMO

Flexible Equities Strategy

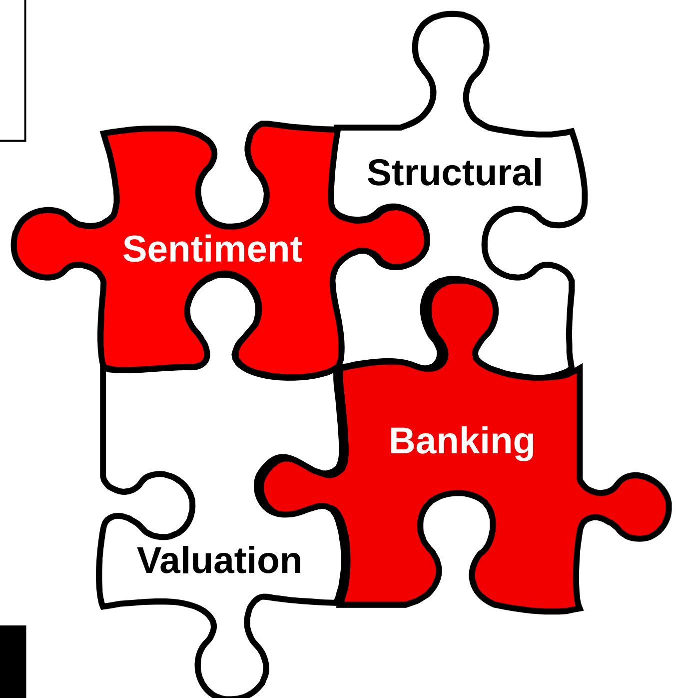
Current theme: Japan Equity — Combination of Global Equity, International Active, and Asset Allocation

Sentiment

- Unloved and under owned – even Jim Grant gave up*
- Reduced analyst coverage
- Economic aftershocks from Sendai/Fukushima

Structural

- Painful de-leveraging largely completed
- Unwinding of cross-holdings
- Better stewards of capital



Valuation

- Valuation premium completely vanished
- Price to Book at historic lows

Banking

- Down substantially from peak
- De-levered
- Benefit from a steeper yield curve

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*Barron's, September 17, 2011, "Gold Still Looks Good; Japan Still Doesn't"

Important Performance and Benchmark Disclosures

Performance data quoted represents past performance and is not predictive of future performance. Returns are presented gross of management fees and any incentive fees if applicable. Gross returns include transaction costs, commissions, withholding taxes on foreign income and capital gains and include the reinvestment of dividends and other income, as applicable. If management fees were deducted performance would be lower. For example, if the strategy were to achieve a 10% annual rate of return each year for ten years and an annual advisory fee of 0.75% were charged during that period, the resulting average annual net return (after the deduction of management fees) would be 9.25%. Actual fees are disclosed in Part 2 of GMO's Form ADV and are also available in each strategy's compliant presentation.

The GMO blended benchmark of Global All Country Equity Allocation Composite is comprised of a weighted average of account benchmarks; many of the account benchmarks consist of MSCI ACWI (All Country World Index) (MSCI Standard Index Series, net of withholding tax) or some like proxy for each market exposure they have. For each underlying account benchmark, the weighting of each market index will vary slightly. The index is internally blended by GMO and maintained on a monthly basis.

The MSCI ACWI (All Country World) Index (MSCI Standard Index Series, net of withholding tax) is an independently maintained and widely published index comprised of global developed and emerging markets.

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Certain information in this presentation is based on a representative account selected because it has the least number of restrictions and best represents the implementation of the strategy.

Some information contained in this presentation is supplemental to the GIPS compliant presentation of the strategy that was made available on GMO's website in April of 2011. GIPS compliant presentations of composite performance are available at www.gmo.com.

Capsule Biographies: Asset Allocation

Tariq Ali Mr. Ali is a member of GMO's Asset Allocation team. Prior to joining GMO full-time in 2011, he was an intern with the Asset Allocation team. Mr. Ali earned his B.A. in Government from the University of Texas, Austin.

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

Edward Chancellor Mr. Chancellor is a member of GMO's Asset Allocation team focusing on capital market research. He has worked as a financial commentator and consultant and has written for the Wall Street Journal, New York Times, Financial Times, and Institutional Investor, among others. He is the recipient of the 2007 George Polk Award for financial journalism. Mr. Chancellor is the author of several books including *Crunch Time for Credit* (2005) and *Devil Take the Hindmost: A History of Financial Speculation* (1999), a New York Times Notable Book of the Year. Prior to joining GMO in 2008, he worked as deputy U.S. editor for Breakingviews.com in New York and for Lazard Brothers. Mr. Chancellor earned his B.A. in History from Cambridge University, and his Master of Philosophy in Modern History from Oxford University.

Anna Chetoukhina Ms. Chetoukhina is a member of GMO's Asset Allocation team. Prior to joining GMO in 2011, Ms. Chetoukhina was a fixed income quantitative analyst for Wellington Management. Previously, she was a research associate for State Street Associates, LLC. Ms. Chetoukhina earned her B.S. in Economics from Voronezh State University in Russia, her B.A. in Mathematics and Economics from Huntingdon College and her M.S. in Applied Mathematics from Northeastern University. She is a CFA charterholder.

Peter Chiappinelli Mr. Chiappinelli is a member of GMO's Asset Allocation team. Prior to joining GMO in 2010, he was an institutional portfolio manager in the asset allocation group at Pyramis Global Advisors. Previously, he was the director of institutional investment strategy and research at Putnam Investments. Mr. Chiappinelli earned his MBA from The Wharton School at the University of Pennsylvania and his B.A. from Carleton College. He is a CAIA charterholder, and is the founder of the CAIA Boston chapter. He is a CFA charterholder.

Thomas Cooper Mr. Cooper is the head of GMO's Fixed Income team. Before joining GMO in 1993, he was a managing director at Boston International Advisors. Prior to joining Boston International, he worked at Goldman Sachs Asset Management, Western Asset Management and State Street Bank & Trust Co. Mr. Cooper received his MBA in Finance from the University of California (Berkeley) and earned a B.A. in Mathematics from Oberlin College. He is a CFA charterholder.

David Cowan Dr. Cowan is co-head of GMO's Global Equity team. Prior to joining GMO in 2006, he worked as a financial analyst and software developer for Nantahala Capital Management. Dr. Cowan earned his B.A. in Mathematics and Religion from Williams College, and his M.A. in Humanities from the University of Chicago. Additionally, he received his Ph.D. in Mathematics from Tufts University.

Capsule Biographies: Asset Allocation

Arjun Divecha Mr. Divecha is the head of GMO's Emerging Markets Equity team and Chairman of the GMO Board of Directors. Prior to joining GMO in 1993, he spent 12 years at BARRA directing software development, marketing, client service and emerging markets research and development. Mr. Divecha holds a Bachelor of Technology in Aeronautical Engineering from the Indian Institute of Technology, Bombay and an MBA in Finance from Cornell University.

Jeremy Grantham Mr. Grantham co-founded GMO in 1977 and is a member of GMO's Asset Allocation team, serving as the firm's chief investment strategist. Prior to GMO's founding, Mr. Grantham was co-founder of Batterymarch Financial Management in 1969 where he recommended commercial indexing in 1971, one of several claims to being first. He began his investment career as an economist with Royal Dutch Shell. He is a member of the GMO Board of Directors and has also served on the investment boards of several non-profit organizations. Mr. Grantham has been featured in Forbes, Barron's and Business Week and is routinely quoted by the financial press. He earned his undergraduate degree from the University of Sheffield (U.K.) and an MBA from Harvard Business School.

Jason Halliwell Mr. Halliwell is the head of GMO's Systematic Global Macro team. He joined GMO Australia in September 1999 from Westpac Investment Management where he spent three years in research and development of quantitative tactical asset allocation methods. Mr. Halliwell has an honours degree in Commerce/Law from Queensland University and has completed postgraduate studies in Financial Mathematics at the University of Technology in Sydney. He is a CFA charterholder.

Thomas Hancock Dr. Hancock is co-head of GMO's Global Equity team and lead manager for U.S. and EAFE portfolios. Prior to joining GMO in 1995, he was a research scientist at Siemens and a software engineer at IBM. Dr. Hancock holds a Ph.D. in Computer Science from Harvard University and B.S. and M.S. degrees from Rensselaer Polytechnic Institute.

Christopher Hudson Mr. Hudson is a member of GMO's Asset Allocation team. Prior to joining GMO in 2009, he worked at Bain Capital/Sankaty Advisors and DDJ Capital focusing on distressed and special situations investing. Mr. Hudson earned his A.B. in economics from Harvard University.

Ben Inker Mr. Inker is co-head of GMO's Asset Allocation team and a member of the GMO Board of Directors. He joined GMO in 1992 following the completion of his B.A. in Economics from Yale University. In his years at GMO, Mr. Inker has served as an analyst for the Quantitative Equity and Asset Allocation teams, as a portfolio manager of several equity and asset allocation portfolios, as co-head of International Quantitative Equities, and as CIO of Quantitative Developed Equities. He is a CFA charterholder.

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

Capsule Biographies: Asset Allocation

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

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

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

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

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

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

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

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

Capsule Biographies: Asset Allocation

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

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

GMO

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Ventura County Employees’ Retirement Association (VCERA)

Performance Review

June 17, 2013

About Parametric Portfolio Associates, LLC (Parametric):
Parametric, headquartered in Seattle, WA, is a leading global asset management firm, providing investment strategies and implementation services to institutions and individual investors around the world. Parametric offers a variety of rules-based, risk-controlled investment strategies, including alpha-seeking equity, alternative and options strategies, as well as implementation services, including customized equity, traditional overlay and centralized portfolio management. Parametric is a majority-owned subsidiary of Eaton Vance and offers these capabilities through investment centers in Seattle, WA, Minneapolis, MN and Westport, CT (home to Parametric affiliate Parametric Risk Advisors, LLC, a registered investment adviser).

The Clifton Group is a division of Parametric.

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The information provided is general information, even as it pertains to you, and does not take into account any investor's particular investment objectives, strategies, tax status, or investment horizon.

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We encourage you to consult with your legal and tax advisors regarding derivative instruments and their possible legal and tax issues.

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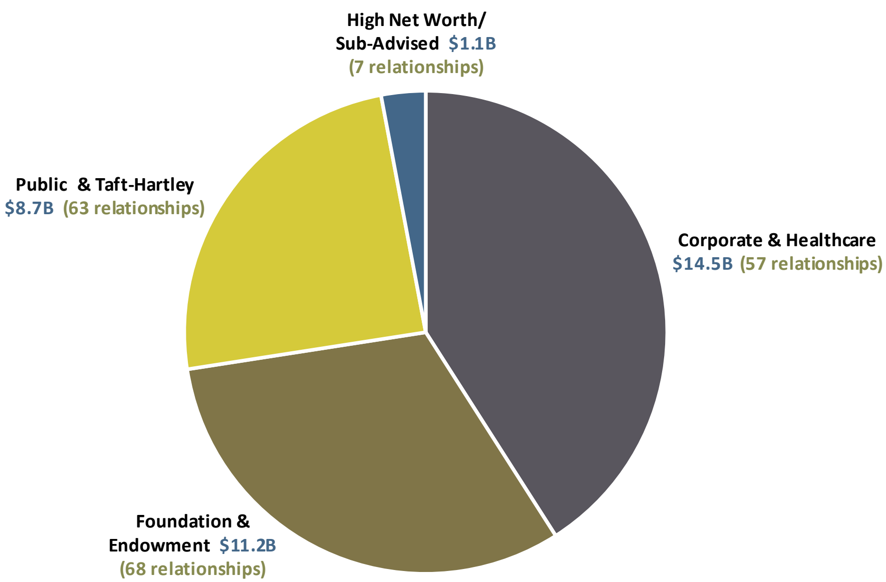
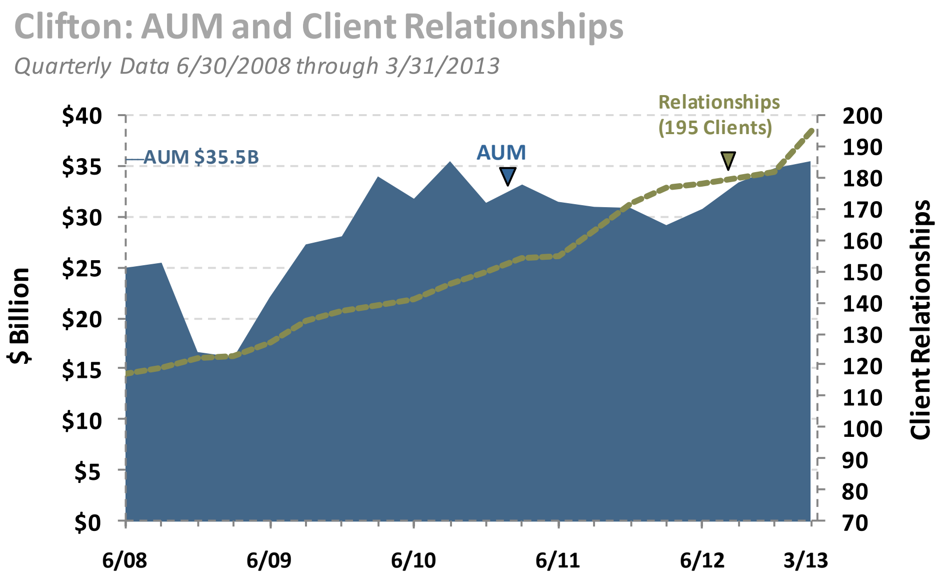
Table of Contents

The Clifton Group Update

Total Assets of Approximately $35.5 Billion

Consists of Funded and Overlay Assets as of 3/31/13





Over the years, we have grown our business primarily through referrals from satisfied clients and consultants

Note: For overlay services programs, the absolute value of futures and swap based synthetic index exposure is included as assets under management. For Enhancement/Risk Control programs, the notional hedge target value of the options positions held for clients is included in assets under management.

Source: The Clifton Group
Date created: April 15, 2013

Public

Fairfax County Employees' Retirement System
Houston Police Officers' Pension System
Manhattan and Bronx Surface Transit Operating Authority Pension Plan
Marin County Employees' Retirement Association
San Joaquin County Employees' Retirement Association
San Luis Obispo County
State of Wisconsin Investment Board

Endowments

Baylor University
Pepperdine University
Texas Christian University
University of Chicago
The University of Pittsburgh
University of St. Thomas

Corporate

Cargill, Inc.
Minnesota Mining and Manufacturing Company
Nestlé in the USA Pension Trust
Northeast Utilities
Target Corporation
Texas Instruments Employees' Pension Trust
United Technologies Corporation Master Retirement Trust

Healthcare

Advocate Health and Hospitals Corporation
Cook Children's Health Care System
Essentia Health
North Memorial Health Care
Rochester General Master Investment Trust
Trinity Health Corporation

Taft-Hartley

1199 SEIU Health Care Employees' Pension Fund
Central Laborers' Pension Fund
National Automatic Sprinkler Pension Fund
National Retirement Fund

Foundations

The California Endowment
Doris Duke Charitable Foundation
The John D. & Catherine T. MacArthur Foundation
Indiana University Foundation
The McKnight Foundation
The Minneapolis Foundation
University of Minnesota Foundation

Faith Based

Covenant Ministries of Benevolence
The Minister & Missionaries' Benefit Board of American Baptist Churches
Pension Fund of the Christian Church

Clifton's clients include institutional investors that span from Fortune 100 companies to charitable foundations

Performance was not a factor in developing this representative list.

Clifton 2013 Update

Organization Personnel Totals	Total
Investment Professionals	21
Marketing and Sales Support	8
Operations/Accounting	16
Information Technology	4
Total	**49**

New Client Relationships	Initiated YTD 2013
Traditional Overlay (PIOS®)	6
Commodities	2
Defensive Equity	8
Total	**16**

Clifton Highlights for 1st Quarter 2013

Assets under management were approximately $35.5 billion and we welcomed sixteen new clients including six clients to our Traditional Overlay strategy, two clients to our Commodities strategy, and eight clients to our Defensive Equity strategy.

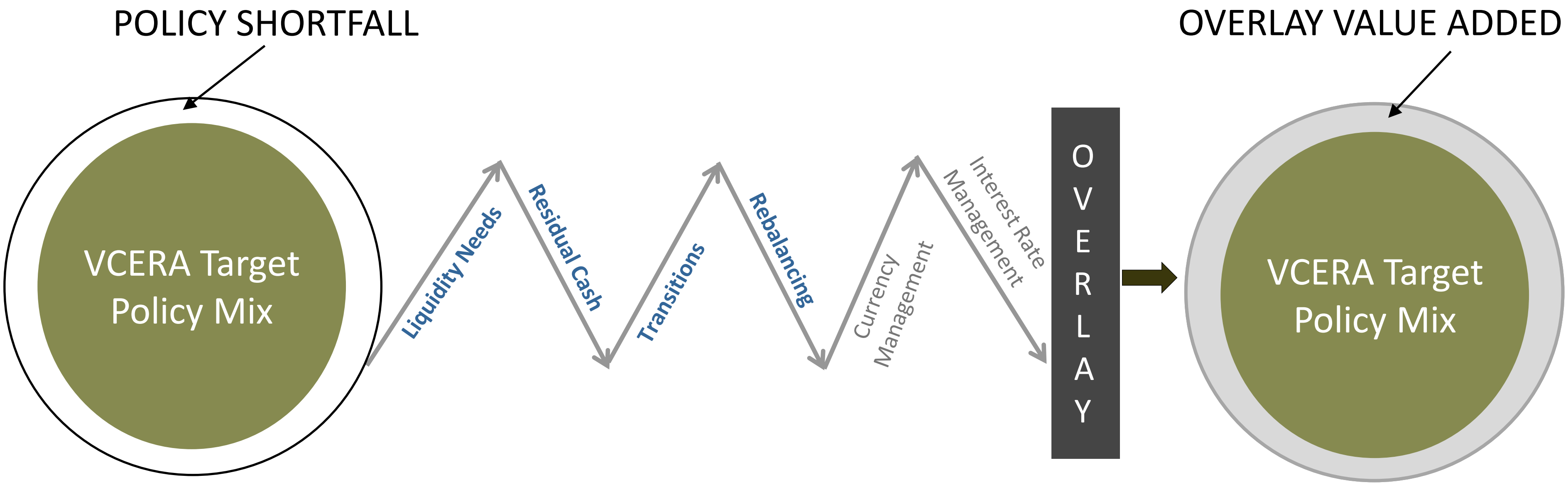
In the News: On December 31, 2012 Parametric Portfolio Associates LLC (Parametric), a subsidiary of Eaton Vance Corp. (NYSE: EV), and Clifton announced the completion of Clifton's purchase by Parametric.

Webcast: Visit our website *TheCliftonGroup.com* to view this quarter's webcast, Insurance Risk Premium, presented by Senior Portfolio Manager, Jay Strohmaier, CFA. Additional archived webcasts include: The Dollar/Yen Volatility Skew and TIPS breakeven.

Additional Research Portal: The website is updated on a regular basis with news, strategy updates, webcasts, and other timely content. We encourage our clients to visit our new "Additional Research" section to gain password protected access to personalized, interactive functionality as well as selected internal research. Clifton's additional research portal gives you access to: a PIOS® calculator, option matrices, fact sheets, monthly performance flashes, newsletters, white papers, and Clifton's risk dashboard.

PIOS® (Policy Implementation Overlay Service)

Program Review for VCERA



Each Client selects one, a combination, or all of the overlay components to best satisfy their specific needs. VCERA is currently using the highlighted components.

Program Results

Unwanted cash exposure was dramatically reduced.

Market environment through April 30, 2013 produced a synthetic index overlay return of $22,681,242 or 0.17% of fund assets since inception and $5,853,311 in 2013.

Increased liquidity and flexibility (e.g. transitions) in fund management.

Portfolio tracking working well with high level of confidence in portfolio reports.

The PIOS® program is in compliance with the current investment guidelines.

Please refer to disclosures on the last page.

Highlights

The securitization of manager cash was altered from utilizing the asset class benchmark to minimizing imbalances on June 20, 2012.

The number of managers which have their cash included in the overlay was reduced from 5 to 1 on August 22, 2012.

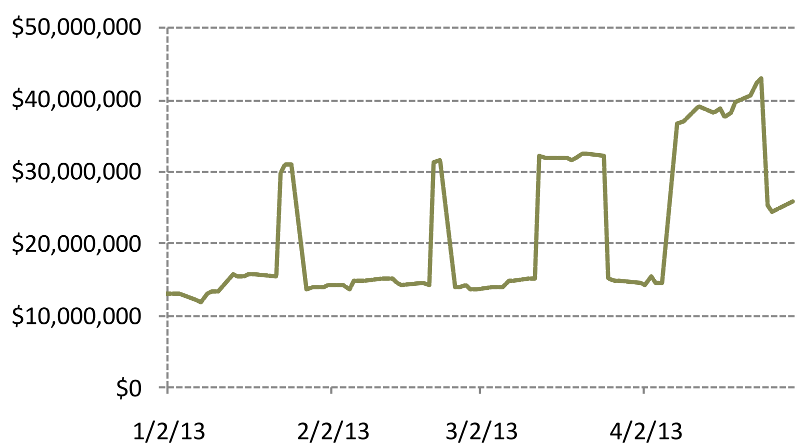
Clifton began utilizing the target asset allocation provided by Hewitt EnnisKnupp based on their medium term views on January 23, 2013.

Securitize Liquidity Needs

Challenge	Holding cash to facilitate liquidity needs results in tracking error relative to the investment policy and creates long-term expected performance drag
VCERA Implementation	Fund level cash balances are invested with the objective of reducing the Fund's deviation from the target asset allocation
Benefits	• Increase expected return • Increase day-to-day liquidity • Reduced transaction costs • Simplify the management of inflows and outflows resulting in time savings for staff

Fund Cash Year-to-Date* Results

Fund Level Cash Balance

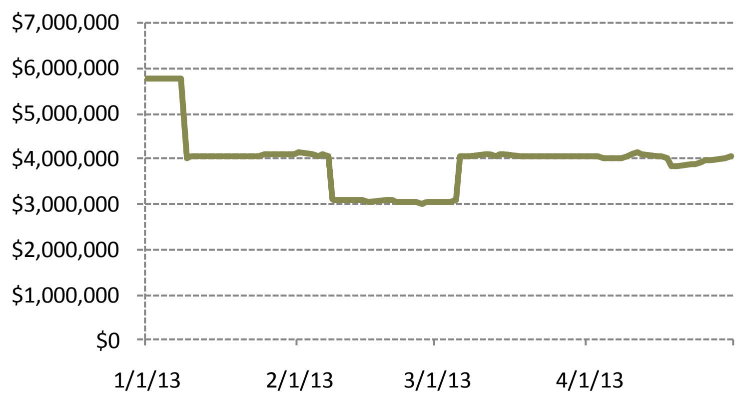


Gain/Loss

Incremental return of approximately $1.6 million year-to-date*

*Through 4/30/13
Source: The Clifton Group
Date created: May 28, 2013
Please refer to disclosures on the last page.

Securitize Residual Manager Cash

Challenge	Residual or transactional manager cash exposure (e.g. 1-3% of portfolio) creates an expected long-term performance drag
VCERA Implementation	Manager cash balances are invested with the objective of reducing the Fund's deviation from the target asset allocation
Benefits	• Increase expected return • Maintain exposure across multiple asset classes • Ability to customize cash overlay for each manager
Manager Cash Year-to-Date* Results	***Manager Cash Balance***  ***Gain/Loss*** Incremental return of approximately $0.3 million year-to-date*

*Through 4/30/13
Source: The Clifton Group
Date created: May 28, 2013
Please refer to disclosures on the last page.

Overlay Transition Management*

Challenge	Manager changes, manager reallocations, liquidation of illiquid holdings (e.g. hedge funds), change to target allocations, etc. which cause the fund to meaningfully deviate from target exposures
VCERA Implementation	Reduce or eliminate exposure gaps using index overlays or ETF's
Benefits	• Mitigation of exposure gaps which reduces performance risk • The manager termination point can be accelerated or new manager search period can be extended as long as needed without losing targeted market exposure
Year-to-Date Transition Results**	The Clifton Group bridged the exposure gap when $109 million was transitioned from the Blackrock Equity Fund to Tortoise Capital Advisors. Clifton carried Wilshire 5000 exposure during the two week transition. As a result, the overlay program generated an estimated $3.6 million in incremental gains.

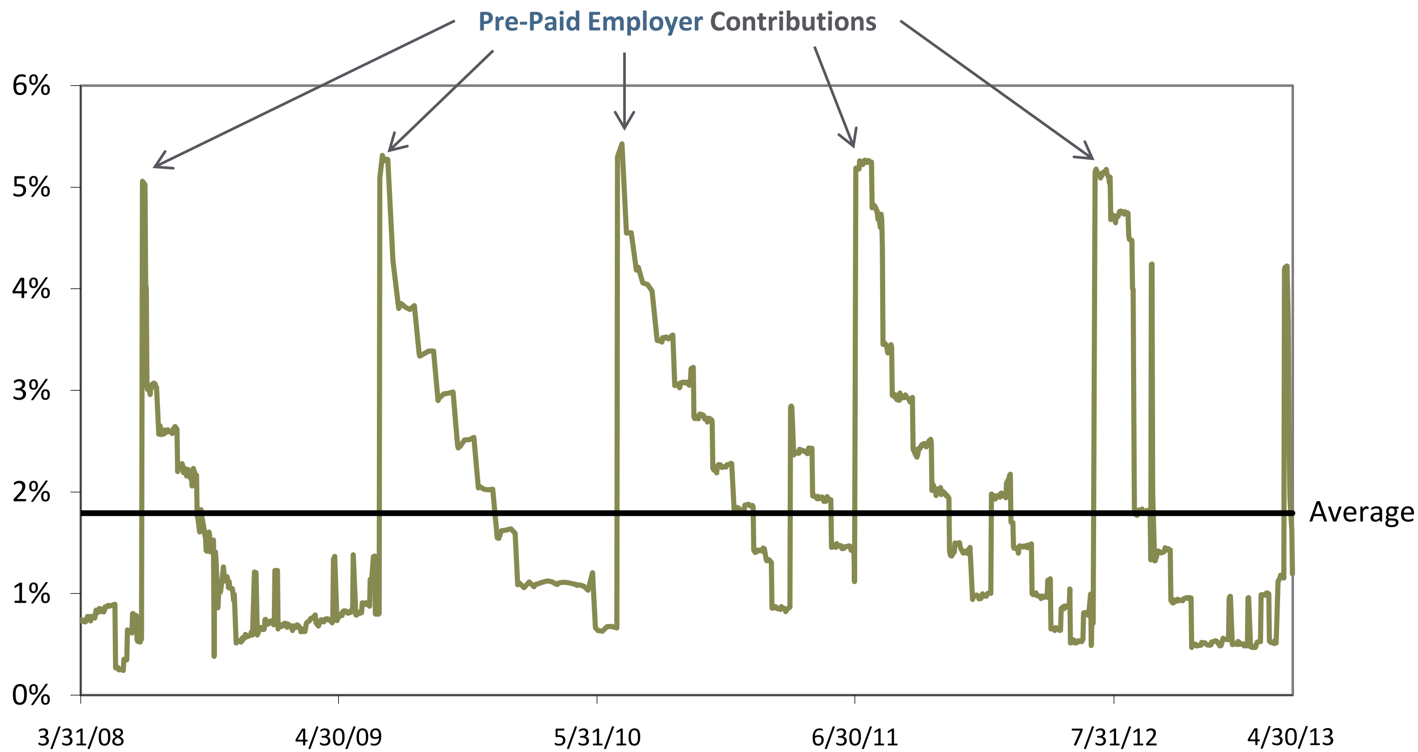
*Clifton works closely with transition service providers but does not transition physical portfolio holdings
**Through 4/30/13

Rebalancing

Challenge	Asset class exposures which deviate meaningfully from long-term policy targets or short-term tactical preferences results in unwanted exposures and increased tracking error
VCERA Implementation	In addition to using cash to move exposures closer to the Fund's target asset allocation, short futures positions can be utilized for rebalancing purposes. Additionally, if the Fund's exposures deviate from target by a predetermined threshold, a full rebalance trade is implemented.
Benefits	• Reduced transaction costs • Timely and efficient reallocation of portfolio exposures • Reduction of tracking error
Rebalancing Year-to-Date* Results	Rebalancing via the overlay program has added approximately $0.27 million year-to-date*

*Through 4/30/13

Actual Cash Exposure[1]



The Clifton Group Policy Implementation Overlay Service program eliminates residual fund cash exposure on a daily basis. The VCERA fund held an average cash balance of 1.79% with a high of 5.43% and low of 0.24%.

[1]Cash exposure illustrated is since VCERA inception February 29, 2008 through April 30, 2013

Market Returns

	Synthetic Wilshire 5000	Wilshire 5000	Synthetic ACWI ex. U.S.	ACWI ex. U.S.	Synthetic MSCI ACWI	MSCI ACWI	Synthetic BCA	BCA	LIBOR 3-Month
April	1.50 %	1.74 %	[illegible]	[illegible]	2.78 %	2.86 %	0.94 %	1.01 %	[illegible]
QTD	1.50 %	1.74 %	[illegible]	[illegible]	2.78 %	2.86 %	0.94 %	1.01 %	[illegible]
YTD	12.61 %	12.84 %	4.85 %	6.96 %	8.69 %	9.55 %	0.53 %	0.89 %	0.10 %
Inception	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

02/29/2008

PIOS Objectives

1. Securitize Fund Level Cash and Cash Equivalents
2. Securitize Manager Cash
3. Securitize Cash Associated with Manager Transitions
4. Maintain Target Allocation

PIOS Incremental Return (Inception to Date)

Average Target Overlay Balance	Domestic Equity	Global Equity	Fixed Income
4/1/2013 to 4/30/2013	15,556,480	45,089,963	-10,886,545

Clifton Group Portfolio Gain/Loss	Domestic Equity	International	Fixed Income	Interest	Total Gain/Loss	PIOS Only Gain/Loss	PIOS Only %
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.14%
QTD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.14%
YTD	4,645,427	1,273,609	65,765	5,917	5,859,728	5,853,311	0.16%
Inception	15,268,186	3,250,435	4,162,621	718,091	23,129,335	22,681,242	0.17%

Past performance is no guarantee of future results

Note 1: Linked monthly PIOS returns relative to total fund

Note 2: Source: Goldman Sachs, Bloomberg, and The Clifton Group

Note 3: ACWI returns start from 7/1/12

Risk	Description	How Clifton Mitigates
Market	Market performs in a way that was not anticipated. For example, cash outperforms capital markets.	Systematic market risk is an inherent part of the PIOS® program and can neither be diversified away nor mitigated. Client specific policy guidelines are established to clearly define desired market risk based on client asset allocation targets.
Communication/ Information	Overlay index exposures are maintained based on underlying investment values provided by one or more third parties. There are often delays in the receipt of updated information which can lead to exposure imbalance risks. Inadequate communication regarding cash flow moves into and out of fund and manager changes can lead to unwanted asset class exposures and loss.	Clifton establishes communication links with custodial, manager, and other sources to obtain and verify positions and cash flow data as soon as it is available. Suspect data may be researched and staff notified.
Margin/Liquidity	Potential that the market moves in a manner adverse to the overlay position causing a mark-to-market loss of capital to the fund and a resulting need to raise liquidity or to close positions; this situation could happen at a time when underlying fund or positions are also declining in value.	Clifton strives to be aware of potential collateral and cash requirements to reduce the risk of needing to remove positions. Additional margin requirements are communicated via electronic mail and margin adequacy is available to the client daily.
Tracking Error	Futures (synthetic) index returns do not perfectly track benchmark index returns. This divergence between the price behavior of a position or portfolio and the price behavior of a benchmark is tracking error and impacts performance.	Clifton seeks to minimize tracking error by utilizing liquid futures contracts with sufficient daily trading volume and open interest. All derivative contracts will have some tracking error that cannot be mitigated by an overlay manager.

G Appendices

Orison “Kip” Chaffee, CFA, *Managing Director*

Kip Chaffee joined The Clifton Group in 2008 as Managing Director. His responsibilities include formulating strategic direction and day to day management of the firm. Kip has held a number of executive positions within the financial services industry including VP of Corporate Strategy and Development for Ameriprise Financial Services and President and COO of Hantz Financial Services. Kip earned his BS in Economics from Harvard University and an MBA with a finance concentration from The Wharton School of Business. He is a CFA charterholder and a member of the CFA Society of Minnesota.

Jack Hansen, CFA, *Chief Investment Officer*

Jack Hansen joined The Clifton Group in 1985. As Chief Investment Officer, his responsibilities include the management of investment operations and portfolio management. Jack has managed futures, swaps, options, and other derivative based programs since 1986. Jack earned a BS degree in finance and economics from Marquette University and a MS in finance from the University of Wisconsin, Madison. A CFA charterholder and member of the CFA Society of Minnesota, Jack writes and lectures on the use of derivatives in portfolio management.

Thomas Lee, CFA, *Senior Portfolio Manager*

Thomas Lee joined The Clifton Group in 1994. Tom has traded futures, swaps, and other contracts in the overlay program since starting with the firm. Tom heads up a Portfolio Management team that provides customized solutions for institutional investors’ risk management needs and is responsible for research required to manage the firm’s overlay portfolios. Tom has been instrumental in developing and enhancing synthetic fixed income strategies which track commonly referenced fixed income benchmarks. Prior to joining Clifton, he spent two years working for the Federal Reserve in Washington, D.C. In this position, he gained experience in modeling and forecasting interest rates and related monetary variables. Tom earned a BS in economics and an MBA in finance from the University of Minnesota. He is a CFA charterholder and a member of the CFA Society of Minnesota.

Jay Strohmaier, CFA, *Senior Portfolio Manager*

Jay Strohmaier returned to The Clifton Group in 2009. Jay has extensive experience with futures and options-based strategies and has been active in the investment industry since 1984. As a Sr. Portfolio Manager, Jay leads a team of investment professionals responsible for designing, trading and managing overlay portfolios with an emphasis on options-based strategies and hedging. Prior to rejoining Clifton, Jay worked for Cargill, Peregrine Capital Management, and Advantus Capital Management where his responsibilities included research, portfolio management, trading, marketing, and client service. He holds a BS degree in Agricultural Economics from Washington State University and MS in Applied Economics from the University of Minnesota. Jay is a CFA charterholder and a member of the CFA Society of Minnesota.

Justin Henne, CFA, *Senior Portfolio Manager*

Justin Henne joined The Clifton Group in 2004 as an Investment Analyst. In 2012, he was promoted to Senior Portfolio Manager and is a member of the Portfolio Management Team. He has overlay portfolio management responsibilities with an emphasis on international index and currency management strategies. He leads a team which continues to enhance overlay programs to meet clients ever changing risk management needs. Justin holds a BA in Financial Management from the University of St. Thomas. Prior to joining Clifton, he was a fixed income research analyst intern at Jeffrey Slocum & Associates. He is a CFA charterholder and a member of the CFA Society of Minnesota.

Daniel Wamre, CFA, *Portfolio Manager*

Daniel Wamre joined The Clifton Group in 1995 working part-time in the company's internship program and started full-time in 1998. As a Portfolio Manager, he is responsible for overlay trading with an emphasis on international index strategies and hedging. Dan earned a BS from North Dakota State University and an MBA in finance from the University of Minnesota. Prior to joining Clifton, Dan spent four years as a Platoon Commander/Executive Officer in the United States Marine Corps. Upon completion of graduate school, Dan spent ten months working as a commercial banking credit analyst for U.S. Bank in Minneapolis. He is a CFA charterholder and a member of the CFA Society of Minnesota.

Jeffrey Rodgers, CFA, *Portfolio Manager*

Jeffrey Rodgers joined The Clifton Group in 2004. Jeff has extensive experience in futures and options, as well as over-the-counter and exotic instruments. Jeff is dedicated to portfolio management in the areas of exposure and risk management programs, as well as Clifton's commodity strategies. In the exposure and risk management space, Jeff works closely with clients in order to fill gaps in each client's unique asset allocation as well as add or remove risks based on current market conditions. Additionally, Jeff functions as part of the team that developed and launched Clifton's commodity programs, including index strategies, custom solutions, and Clifton proprietary offerings. Jeff continues to manage Clifton's commodity offerings and works to build out additional solutions such as commodity curve strategies and asset allocation models. Jeff holds a BSB in Finance and Accounting from the University of Minnesota and is a CFA charterholder and member of the CFA Society of Minnesota.

Chris Haskamp, CFA, *Portfolio Manager*

Chris Haskamp joined The Clifton Group in 2006. Chris is dedicated to portfolio management and leading research projects in the area of risk management. Chris manages portfolios for the risk parity program as well as for the enhanced index programs. Chris functions as part of the team that developed and launched Clifton's risk parity strategy, Global Balanced Risk, and continues to manage and enhance the strategy. Prior to joining The Clifton Group, he spent three years as a scientist at the medical device firm Beckman Coulter Inc. Chris earned a BS in Biochemistry from the University of Minnesota and a MS in chemistry from the University of California, San Diego. Chris earned an MBA in finance from the University of Minnesota, Carlson School of Management in May of 2007 and started full time at The Clifton Group in June of 2007. He is a CFA charterholder and a member of the CFA Society of Minnesota.

Alex Zweber, CFA, *Portfolio Manager*

Alex Zweber joined The Clifton Group in 2006. As a Portfolio Manager, Alex is responsible for the design and implementation of Clifton's options-based risk management solutions, including the Defensive Equity strategy. Additionally, he works closely in the traditional overlay program (PIOS®), where his responsibilities include the trading of overlay portfolios and assisting in the management of commodity index strategies. He also works closely in the areas of option modeling and in the development of internal research. Alex holds a BA in Economics from Macalester College. He is a CFA charterholder and a member of the CFA Society of Minnesota.

Matthew Liebl, CFA, *Portfolio Manager*

Matthew Liebl joined The Clifton Group in May 2007 as an Investment Analyst. In 2012, he was promoted to Portfolio Manager working primarily in the Policy Implementation Overlay (PIOS®) program. His current responsibilities include designing, trading and managing overlay portfolios with an emphasis on international index strategies. He also assists in the currency and commodities areas as necessary. Mr. Liebl holds a BA in Finance from the University of Minnesota Duluth. He is a CFA charterholder and a member of the CFA Society of Minnesota.

Benjamin Lazarus, CFA, *Director, Institutional Relationships - Western North America*

Benjamin Lazarus joined The Clifton Group in 2004. He is responsible for developing, coordinating, and executing the business development and client services plan for Clifton's unique family of products with emphasis on the Western region of the United States and Canada. In addition, Ben works on developing new strategies for Clifton and has presented on the use of derivatives at different industry events. Prior to joining Clifton, he was the Director of Sales Strategy at Deluxe Corporation in St. Paul, Minnesota. Ben holds a BA in Psychology from the University of California, San Diego and an MBA in Marketing and Strategic Management from the University of Minnesota. He is a CFA charterholder and a member of the CFA Society of Minnesota.

Christopher Uhas, CFA, *Director, Institutional Relationships - Eastern North America*

Christopher Uhas joined The Clifton Group in 2007. He is responsible for developing, coordinating, and executing the sales and marketing strategies for Clifton's unique family of products with special emphasis on business development in the Eastern region of the United States and Canada. Prior to joining Clifton, Chris was involved in public and private equity portfolio management with a boutique asset management firm. Before entering the investment management field Chris served as the Director of New Product Launch for Seagate Technology, based in Singapore. Additionally, he spent five years as a nuclear-trained submarine officer in the United States Navy. Chris holds a BS in Electrical Engineering from the University of Notre Dame, and an MBA from the University of Chicago's Booth Graduate School of Business. He is a CFA charterholder and a member of the CFA Society of Minnesota.

Gregory Baranivsky, CFA, *Director, Institutional Relationships - Central and Southeast*

Greg Baranivsky joined The Clifton Group in 2010. He is responsible for developing, coordinating, and executing the sales and marketing strategies for Clifton's unique family of products in the Central and Southeastern sales territory. Prior to joining Clifton, Greg spent 12 years at First American Funds/FAF Advisors (now Nuveen Asset Management) in various sales, national accounts, and product management leadership roles. Before joining First American Funds in 1998, he spent over three years at Van Kampen Investments (today INVESCO) finishing in the product management department. Greg holds a BA from Benedictine University and an MBA from the Illinois Institute of Technology. Greg holds the Chartered Financial Analyst designation, is a member of the CFA Institute and the CFA Society of Minnesota where he previously served as a member of its board of directors.

Parametric Portfolio Associates, LLC, (D/B/A The Clifton Group ("Clifton")) is a registered investment adviser under the SEC Investment Advisers Act of 1940.

The material and commentary provided herein has been prepared for an institutional one-on-one client presentation and should not be further disseminated without compliance approval. The information represents holdings for a specific period, is a subset of the composite, and may only be presented as supplemental information for this report. This material may contain confidential and/or proprietary information, composite and/or account specific portfolio holdings, and/or assumptions based on client discussions, and/or dissimilar period comparisons, and may only be relied upon for this report. Returns presented were generated using Clifton's proprietary investment methodology as described in Form ADV Part 2A, are unaudited, and may not correspond to quarterly calculated performance for any other client account in the stated discipline. Detailed account inclusion/exclusion policies and complete composite information are available upon request. Perspectives, opinions, and testing data may change without notice. Decisions and information were based on available research at the time and as data may contain hypothetical results, returns may not be realized and specific action or lack of action is not known for certainty. No securities, sectors, industries, or other information mentioned herein may be considered as an offer to purchase or sell a firm product or security. Any positive comments regarding specific data may no longer be applicable and should not be relied upon for investment purposes. . Simulated performance is hypothetical in nature. Simulated performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between simulated performance results and the actual results subsequently achieved by any particular trading program.

One of the limitations of simulated performance results is that they are generally prepared with the benefit of hindsight. In addition, simulated trading does not involve financial risk, and no simulated trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of simulated performance results and all of which can adversely affect actual trading results. Because there are no actual trading results to compare to the simulated performance results, clients should be particularly wary of placing undue reliance on these simulated results.

No security, discipline or process is profitable all of the time. There is always the possibility of selling at a loss. Specific periods of returns are provided in direct response to and are not meant to imply that the portfolio would have been profitable had the client only invested in the market for this time period. Returns may be calculated gross of the management fee using the internal rate of return, reflect the reinvestment of dividends, interest, gains and other income, and brokerage commissions, but exclude account and custodial services fees, and do not take individual investor tax categories into consideration. Clients should realize that net returns would be lower and must be considered when determining absolute returns. Clients should contact Clifton for further details.

The currency used in these calculations is the USD. Currency exchange may negatively impact performance. The blended benchmark referenced in this material is Wilshire 5000, ACWI ex. U.S., MSCI ACWI and BCA. Deviations from the benchmark provided herein may include but are not limited to factors such as: the purchase of higher risk securities, over/under weighting specific sectors and countries, limitations in market capitalization, company revenue sources, and/or client restrictions. Global market investing, (including developed, emerging and frontier markets) also carries additional risks and/or costs including but not limited to: political, economic, financial market, currency exchange, liquidity, accounting, and trading capability risks. The use of derivatives such as swaps, futures, and options, increase portfolio exposure such as short selling, collateral, leverage, and counterparty risks. Future investments may be made under different economic conditions, in different securities and using different investment strategies. Clifton's proprietary investment process considers factors such as additional guidelines, restrictions, weightings, allocations, market conditions and other investment characteristics. Thus returns may at times materially differ from the stated benchmark and/or other disciplines and funds provided for comparison.

Charts, graphs and other visual presentations and text information were prepared for this specific presentation and derived from internal, proprietary, and/or service vendor technology sources and/or may have been extracted from other firm data bases. As a result, the tabulation of certain reports may not precisely match other published data. Data may have originated from various sources including but not limited to Bloomberg, MSCI/Barra, Barclay's Live, eVestment Alliance and/or other systems and programs. With regards to any materials accredited to MSCI/Barra: "Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent." Please refer to the specific service provider's web site for complete details on all indices. Furthermore, no other index owner makes any representation or endorsement concerning the accuracy or propriety of information presented. Clifton makes no representation regarding the accuracy or propriety of the information received from any other third party.

Fees are typically billed quarterly which produce a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) $1,000,000 investment, (b) portfolio return of 5% a year, and (c) 1.00% annual investment advisory fee would be $10,268,81 in year one, cumulative effects of $56,741.68 over five years and $129,160.05 over ten years. Actual fees vary for clients. To receive a copy of the firm's fee schedule, ADV and/or a description of Clifton's composites, please contact us at 3600 Minnesota Drive, Suite 325, Minneapolis, MN 55435, 1.612.870.8800 or visit our website, www.thecliftongroup.com.

Investments are subject to change without notice. Past performance is not indicative of future returns. All information is believed to be correct but accuracy cannot be guaranteed.

Ventura County Employees’ Retirement Association

Monthly Manager Performance Report
May 2013

Hewitt ennisknupp
An Aon Company

Hewitt ennisknupp
An Aon Company

MONTHLY INVESTMENT UPDATE

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

May 2013

Market Highlights

- May was another strong month for the equity markets, with a total gain of 2.3 percent for the S&P 500 Index, 2.2 percent for the Dow Jones Industrial Average, and 3.8 percent for the Nasdaq. Both the S&P 500 and the Dow notched new all-time highs.
- Within the U.S. equity market, small cap stocks outperformed their large cap counterparts, while growth stocks outpaced value stocks across the large, mid, and small cap asset classes.
- International stock markets significantly underperformed U.S. markets for the month, on both a relative and an absolute basis. The MSCI EAFE Index decreased -2.4 percent, and the MSCI Emerging Markets Index posted a decline of -2.6 percent. Of the major emerging market stock markets, Brazilian equities in particular struggled, losing -7.1 percent of their value.
- The Barclays Capital Aggregate Bond Index dipped -1.8 percent for the month. Longer-duration bonds performed quite well, as the 10-year U.S. Treasury yield fell, from 1.8 percent to 1.6 percent. Chairman Bernanke's comments caused volatility in the fixed income markets. The 10-year U.S. Treasury yields rose from 1.66 percent to 2.16 percent.

Preliminary Manager Highlights

- The Total Fund's preliminary May return of 0.0 percent beat the Policy Portfolio return of -0.1 percent. The Fund's domestic fixed income asset class aided results, while U.S. equity matched its benchmark performance. Global equity, international equity, and global fixed income underperformed their respective benchmarks.
- During the month, the Fund's U.S. equity portfolio returned 2.4 percent, matching its benchmark's return of 2.4 percent. BlackRock Extended Equity and BlackRock Equity Market Fund tightly tracked their respective benchmarks. Western Index Plus outperformed its benchmark by 20 basis points.
- The international equity component declined -2.4 percent, underperforming the -2.3 percent return of its benchmark. Sprucegrove returned -1.7 percent, outperforming by 60 basis points. Outperformance was attributable to stock selection in Energy and Industrials. Hexavest slightly underperformed its benchmark by 10 basis points. Walter Scott returned -4.5 percent versus -2.4 percent for the benchmark. Much of this underperformance was attributable to stock selection in the Consumer Cyclical sector. BlackRock's international equity index fund tracked its benchmark.
- The collective return of the Fund's global equity component was -0.6 percent, underperforming the benchmark return of -0.3 percent. GMO's return of -1.0 percent lagged the benchmark by 70 basis points. The BlackRock MSCI ACWI Equity account continued to perform as expected, slightly outperforming its benchmark and returning -0.1 percent.
- In May, the Fund's U.S. fixed income component returned -1.3 percent, beating the Barclays Aggregate Bond Index return of -1.8 percent. Reams was the sole account in the black for May, returning 1.3 percent. Loomis underperformed by 70 basis points, returning -2.1 percent. Western outperformed for the month of May, beating the benchmark by 10 basis points. BlackRock's fixed income index fund tracked its benchmark.
- The Loomis Sayles Global Fixed Income account outperformed the benchmark by 20 basis points. The PIMCO Global Fixed Income account lagged its benchmark by 60 basis points. Exposure to emerging market currencies, particularly the Brazilian real and the Mexican peso, detracted from returns.
- The Tortoise MLP account was funded during the month of April. In its first full month of performance, the Tortoise MLP account returned -0.8 percent, slightly underperforming the benchmark return of -0.6 percent.

Key: Positive Mixed/Cautionary Alert Informational

Performance Summary

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Period Ending 5/31/2013

	May	Year-to-Date	Fiscal Year-to-Date	1 Year Ending 5/31/2013	3 Years Ending 5/31/2013	5 Years Ending 5/31/2013	10 Years Ending 5/31/2013	Since Inception	Inception Date
BlackRock Extended Equity	2.7	16.9	26.8	30.9	17.4	7.5	11.0	12.0	10/31/02
Dow Jones U.S. Completion Total Stock Market Index	2.7	16.8	26.3	30.3	17.0	7.5	10.9	12.0	
Western U.S. Index Plus	2.5	16.1	25.4	30.9	19.7	4.3	--	-0.2	5/31/07
S&P 500 Index	2.3	15.4	22.2	27.3	16.9	5.4	--	3.3	
BlackRock Equity Market Fund	2.4	15.6	23.0	27.9	17.0	5.9	--	4.8	5/31/08
Dow Jones U.S. Total Stock Market Index	2.4	15.6	23.0	27.9	17.0	5.9	--	4.8	
Total U.S. Equity	2.4	15.1	22.7	27.6	17.1	5.7	7.7	8.4	12/31/93
Performance Benchmark**	2.4	15.6	23.0	27.9	17.0	5.9	8.2	8.9	
BlackRock All Country World ex-U.S.	-2.2	5.0	19.4	26.0	9.6	-1.1	--	0.7	3/31/07
MSCI All Country World ex-U.S. IM Index	-2.3	4.8	19.2	25.8	9.3	-1.2	--	0.6	
Sprucegrove	-1.7	5.3	18.0	24.6	11.3	0.9	9.6	8.4	3/31/02
MSCI EAFE Index	-2.4	7.9	23.0	31.6	11.0	-1.6	8.3	6.3	
MSCI All Country World ex-U.S. Index	-2.3	4.5	18.8	25.8	9.1	-1.6	9.4	7.4	
Hexavest	-2.5	8.0	18.3	25.2	9.8	1.2	--	0.8	12/31/10
MSCI EAFE Index	-2.4	7.9	23.0	31.6	11.0	-1.6	--	-2.0	
Walter Scott	-4.5	4.2	15.8	22.3	11.5	2.9	--	2.8	12/31/10
MSCI All Country World ex-U.S. Index	-2.3	4.5	18.8	25.8	9.1	-1.6	--	-1.9	
Total International	-2.4	5.4	18.7	25.4	10.1	-0.9	9.0	6.7	3/31/94
MSCI All Country World ex-U.S. Index	-2.3	4.5	18.8	25.8	9.1	-1.6	9.4	5.4	
GMO Global Fund	-1.0	8.3	17.9	24.5	13.8	3.1	--	6.7	4/30/05
MSCI All Country World Index	-0.3	9.2	20.1	26.0	12.3	1.2	--	5.9	
BlackRock MSCI ACWI Equity Index	-0.1	9.6	20.5	--	--	--	--	20.5	6/30/12
MSCI All Country World Index	-0.3	9.2	20.1	--	--	--	--	20.1	
Total Global Equity	-0.6	8.9	19.0	24.4	13.0	0.5	--	4.9	4/30/05
MSCI All Country World Index	-0.3	9.2	20.1	26.0	12.3	1.2	--	5.9	

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Performance Summary (continued)

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (Continued)
Period Ending 5/31/2013

	May	Year-to-Date	Fiscal Year-to-Date	1 Year Ending 5/31/2013	3 Years Ending 5/31/2013	5 Years Ending 5/31/2013	10 Years Ending 5/31/2013	Since Inception	Inception Date
Loomis Sayles Global Fixed Income	-2.8	-2.3	1.6	--	--	--	--	1.6	6/30/12
Barclays Capital Global Aggregate Bond Index	-3.0	-3.7	-1.0	--	--	--	--	-1.0	
PIMCO Global Fixed Income	-3.6	-3.6	--	--	--	--	--	-3.9	9/30/12
Barclays Capital Global Aggregate Bond Index	-3.0	-3.7	--	--	--	--	--	-3.0	
Total Global Fixed Income	-3.3	-3.2	0.2	--	--	--	--	0.2	6/30/12
Barclays Capital Global Aggregate Bond Index	-3.0	-3.7	-1.0	--	--	--	--	-1.0	
Western	-1.7	0.2	4.7	5.5	7.6	7.1	5.7	6.8	12/31/96
Barclays Capital Aggregate Bond Index	-1.8	-0.9	0.9	0.9	4.6	5.5	4.7	6.0	
BlackRock U.S. Debt Fund	-1.8	-0.8	1.0	1.1	4.7	5.6	4.7	5.9	11/30/95
Barclays Capital Aggregate Bond Index	-1.8	-0.9	0.9	0.9	4.6	5.5	4.7	5.9	
Reams	1.3	1.1	5.4	6.4	7.9	9.2	7.2	6.9	9/30/01
Barclays Capital Aggregate Bond Index	-1.8	-0.9	0.9	0.9	4.6	5.5	4.7	5.2	
Loomis Sayles	-2.1	2.7	12.3	13.6	10.8	9.4	--	8.1	7/31/05
Performance Benchmark***	-1.4	0.7	4.3	4.9	6.8	7.1	--	6.3	
Total U.S. Fixed Income	-1.3	0.0	4.4	5.2	7.4	8.2	6.3	6.7	2/28/94
Barclays Capital Aggregate Bond Index	-1.8	-0.9	0.9	0.9	4.6	5.5	4.7	6.1	
Prudential Real Estate	--	3.1	6.5	8.8	16.1	-2.7	--	2.9	6/30/94
NCREIF Open-End Fund Property Index	--	2.6	7.6	10.5	13.3	2.3	--	8.1	
UBS Real Estate	--	1.4	5.5	7.6	12.2	-0.1	6.7	6.7	3/31/03
NCREIF Open-End Fund Property Index	--	2.6	7.6	10.5	13.3	2.3	8.4	8.4	
Guggenheim	--	5.0	9.1	12.7	15.7	-4.2	--	-0.7	6/30/06
Performance Benchmark****	--	4.2	9.1	12.6	14.9	4.9	--	6.4	
RREEF	--	2.7	12.5	22.1	31.4	-15.3	--	-14.1	10/31/07
NCREIF Open-End Fund Property Index	--	2.6	7.6	10.5	13.3	2.3	--	3.0	
Total Real Estate*****	--	2.0	5.7	8.2	13.5	-3.4	4.9	7.5	3/31/94
NCREIF Open-End Fund Property Index******	--	2.6	7.6	10.5	13.3	2.3	8.4	9.2	
Tortoise Energy Infrastructure	-0.8	--	--	--	--	--	--	-0.8	4/30/13
Wells Fargo MLP Index	-0.6	--	--	--	--	--	--	-0.6	
Total Fund	0.0	7.6	15.0	18.8	12.6	4.4	7.4	8.1	3/31/94
Policy Portfolio******	-0.1	7.2	14.4	17.9	11.6	4.2	7.4	8.1	
Total Fund (ex-Private Equity)	0.0	7.6	14.7	18.0	--	--	--	--	
Total Fund (ex-Clifton)	0.0	7.4	14.7	18.4	12.4	4.3	7.3	8.1	

*Returns are preliminary and are net of investment management fees.
**Hybrid of the relative weights of U.S. Equity funds' benchmarks. Prior to May 2007, the Russell 3000 Index.
***A mix of 65% of the Barclays Capital Aggregate Bond Index, 30% of the Citigroup High Yield Market Index, and 5% of the J.P. Morgan Non-U.S. Hedged Bond Index.
****A of mix 70% of the National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund and 30% of the NAREIT Index.
*****Real Estate returns are based on market values and cash flows provided by managers.
******Prior to January 2006, the NCREIF Property Index.
*******Policy Porftfolio benchmark is currently 36% Dow Jones US Total Stock Market, 25% Barclays Aggregate Bond Index, 19 % MSCI ACWI ex-US, 10% MSCI ACWI, 2% Barclays Global Aggregate Bond Index, and 8 % NCREIF Real Estate Index
Note: Total Fund inception date is the longest time period that Hewitt EnnisKnupp has reliable historical monthly data.

Asset Allocation

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Period Ending 5/31/2013
($ in Thousands)

	U.S. Equity	Non-U.S. Equity	Fixed Income	Real Estate	Private Equity	Liquid Alternatives	Cash	Total	Percent of Total	Evolving Policy	Policy Target
BlackRock Extended Equity Index	$36,586							$36,586	1.0%		
Western Index Plus	$105,904							$105,904	2.9%		
BlackRock Equity Market Fund	$1,166,368							$1,166,368	31.5%		
Total U.S. Equity	$1,308,858							$1,308,858	35.4%	36.0%	36.0%
BlackRock ACWI ex-U.S. Index		$357,145						$357,145	9.7%		
Sprucegrove		$166,699						$166,699	4.5%		
Hexavest		$72,153						$72,153	2.0%		
Walter Scott		$86,823						$86,823	2.3%		
Total Non-U.S. Equity		$682,820						$682,820	18.5%	18.0%	19.0%
GMO Global Equity	$86,206	$101,607						$187,813	5.1%		
BlackRock MSCI ACWI Equity Index	$65,589	$76,072						$141,661	3.8%		
Total Global Equity	$151,795	$177,679						$329,474	8.9%	10.0%	10.0%
Western			$255,754					$255,754	6.9%		
BlackRock U.S. Debt Fund			$132,606					$132,606	3.6%		
Reams			$247,976					$247,976	6.7%		
Loomis Sayles Global**			$66,428					$66,428	1.8%		
Loomis Sayles			$109,400					$109,400	3.0%		
PIMCO Global			$96,779					$96,779	2.6%		
Total Fixed Income			$908,944					$908,944	24.6%	27.0%	25.0%
Prudential Real Estate				$85,723				$85,723	2.3%		
UBS Real Estate				$179,894				$179,894	4.9%		
Guggenheim				$23,797				$23,797	0.6%		
RREEF				$10,226				$10,226	0.3%		
Total Real Estate				$299,640				$299,640	8.1%	8.0%	10.0%
Adams Street Partners					$29,687			$29,687	0.8%		
Pantheon Ventures					$8,304			$8,304	0.2%		
Total Private Equity					$37,990			$37,990	1.0%	1.0%	0.0%
Tortoise Energy Infrastructure							$108,001	$108,001	2.9%		
Total Liquid Alternatives							$108,001	$108,001		0.0%	0.0%
Clifton Group							$24,267	$24,267	0.7%		
Total Cash							$24,267	$24,267	0.7%	0.0%	0.0%
Total Assets	$1,460,654	$860,498	$908,944	$299,640	$37,990		$24,267	$3,699,994	100.0%	100.0%	100.0%
Percent of Total	39.5%	23.3%	24.6%	8.1%	1.0%		0.7%	100.0%			

* Asset allocation reflects net exposure
* Private Equity reflects Market Values as of 12/31/2012 plus Capital Calls from 1/1/2013-5/31/2013
**Market Value data is preliminary

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Manager Watchlist and Updates

Manager "Watch" List

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

Manager Updates

- **Sprucegrove** – As previously announced, Peter Clark retired at the end of 2012. Shirley Woo, Portfolio Manager, has replaced Peter on the Board of Directors. Two senior investment analysts, Arjun Kumar and Alanna Marshall Lizzola were promoted to Assistant Portfolio Manager.

- **Loomis** - Effective February 1, 2013, Brian Kennedy will become an investment strategist for the Full Discretion team and will be added as a portfolio manager to the Core Plus Full Discretion strategy. Todd Vandam will also join the Full Discretion team as a high yield strategist, and will be added as a portfolio manager to the US High Yield strategy. In addition, Fred Sweeney was named product manager for the Full Discretion suite of products effective January 1, 2013.

  Both Kennedy and Vandam were hired in 1994 and have spent the majority of their careers at Loomis.

Tactical Rebalancing Update

- May Medium Term Views remain unchanged
- Asset classes remained within their band ranges
- No rebalancing was performed this month

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Medium Term Views Background

- **Definition: Medium term unexploited**
  - Over attention to the short term (tactical) and to the very long term (strategic) has left the medium term (~12 to 36 months) largely unexploited as a source of outperformance.
  - By not needing to focus unduly on week to week or even month to month performance we can add value from asset allocation in the medium term.
- **Opportunity: Capitalize on market dislocations**
  - We believe in mean reversion over the long term, but to parameters which change over time.
  - Our approach places considerable emphasis on valuations through taking advantage of excessive under or over valuation.
  - Beyond valuations, we carry out considerable fundamental and quantitative analysis, including on the major investment themes.
  - We use a range of timing and sentiment indicators to establish good entry and exit levels. Some of the best opportunities arise where/when we differ most from consensus.
- **Approach: Medium term views complement strategic allocations**
  - The following slides summarize our medium term views. These views are under continual review based on global economic and market developments, together with changes in market levels.
  - These views are quite separate from our long-term strategic assumptions. As such, clients should work with their consultant in determining how to capitalize on medium term opportunities in their particular portfolio.

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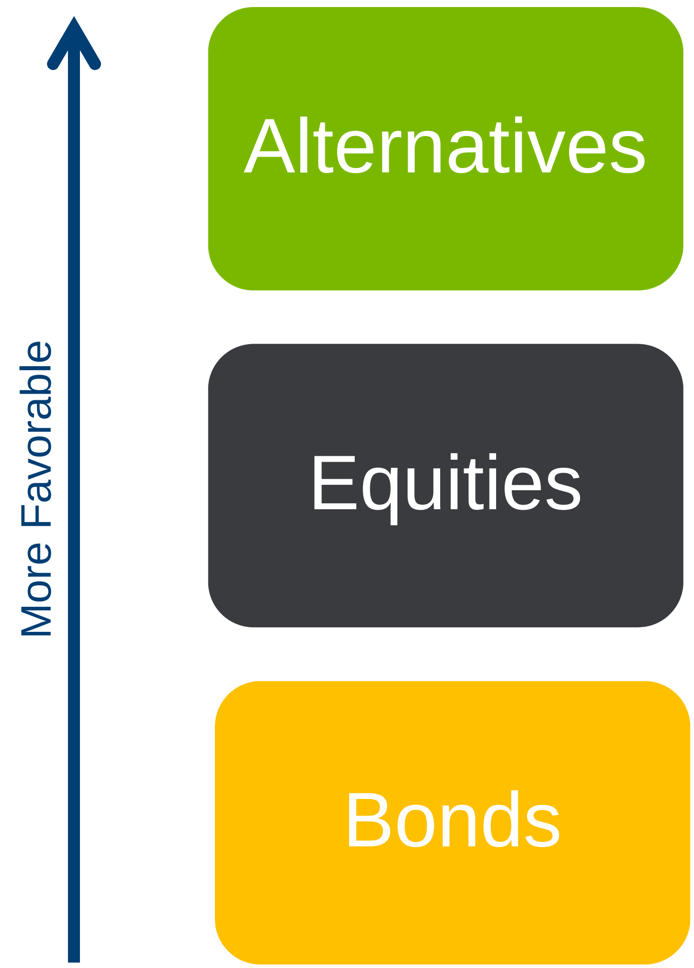
Relative Medium Term Views



Alternatives:

- We generally like alternatives, with a positive outlook on hedge funds and real estate in particular. We are still negative on the outlook for commodities.

Equities:

- We are 'neutral' on the outlook for equities on the view that the scope for gains is narrowing. Equities have moved to new highs and valuation supports are weaker, though liquidity is supportive.
- On a relative basis we prefer non-US equities on a currency hedged basis, and have recently moved to a positive stance on emerging market equities. We are agnostic on growth/value but prefer large cap.
- We continue to believe equities should outperform bonds over the medium-term.

Bonds:

- We remain negative on bonds from a valuation and duration standpoint.
- On a relative basis we are now more neutral on high yield versus investment grade and remain positive on local currency emerging market debt and bank loans.

Relative Equity Medium Term Views

- **Favored Equity Positions**
  - Large Cap
  - Emerging Market Equity
- **Neutral Equity Positions**
  - Growth
  - Value
  - Non-US Equity
  - US Equity
- **Less Favored Equity Positions**
  - Small Cap

Relative Equity Medium Term Views

U.S. Equity

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
U.S. Equity			May 2013, 1 month ago, 1 year ago			Non-U.S. Developed
Large Cap	1 year ago	May 2013 , 1 month ago				Small Cap
Value			May 2013, 1 month ago,	1 year ago		Growth

Non-U.S. Equity

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
Developed		1 year ago		May 2013, 1 month ago		Emerging
Large Cap	May 2013, 1 month ago, 1 year ago					Small Cap

Note: Historical perspective given by stating our view one month and one year ago, as well as the current month.

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Relative Fixed Income Medium Term Views

Favored Bond Positions
- EM Local Debt
- Bank Loans
- Short Duration
- TIPS over Treasuries

Neutral Bond Positions
- Investment Grade Credit
- High Yield
- EM Dollar Debt
- US Bonds

Less Favored Bond Positions
- Government Bonds
- Long Duration
- Non-US Bonds

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Relative Fixed Income Medium Term Views

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
U.S.		May 2013, 1 month ago	1 year ago			Non-U.S.
Intermediate duration		May 2013, 1 month ago, 1 year ago				Long duration
Government				May 2013, 1 month ago	1 year ago	Credit
U.S. Investment Grade	1 year ago		May 2013, 1 month ago			High Yield
U.S. Bonds		1 month ago, 1 year ago	May 2013			Emerging Market Debt
U.S. TIPS		May 2013, 1 month ago, 1 year ago				U.S. Treasuries

Note: Historical perspective given by stating our view one month and one year ago, as well as the current month.

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Relative Alternative Asset Class Views

- **Favored Alternatives Positions**
  - Hedge Funds[1]
  - Real Estate
- **Neutral Alternatives Positions**
- **Less Favored Alternatives Positions**
  - Commodities

[1]Global Macro strategy is favored.

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Relative Currency Medium Term Views

	Hedge	Consider Hedge Benefits	Unhedged	
Strong USD	**May 2013,** 1 month ago, 1 year ago			**Weak USD**

Note: Historical perspective given by stating our view one month and one year ago, as well as the current month.

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Equity Market Views

Asset Class	Medium Term View	Rationale
Equity Market	Gains now more difficult to sustain	Normalized valuations (MSCI World forward PE ratio at over 14x) and the lack of any more positive economic surprises are likely to cap market gains. Equities still reasonably supported versus bonds, and liquidity drivers are still holding firm. But earnings support for further gains is limited. Softer US economic phase post sequestration and tax hikes also constrain.
U.S. Large vs. Small Cap	Prefer U.S. Large Cap	Some reversion back to large cap has occurred after earlier strong small cap comeback. We expect lingering concerns about economic softness in the US to take some small cap support away. Valuations support for small cap on relative basis is still fairly weak, though small cap earnings have grown faster. If, as we expect, broader market gains level off, some reversion to large cap should occur.
Non-U.S. Large vs. Small Cap	Prefer Non-U.S. Large Cap	There is less relative valuation support than the U.S., but we continue to see investors favoring the global diversification and greater earnings predictability of large cap.
U.S. Equities vs. EAFE	Use U.S. outperformance to raise EAFE allocations	The US has outperformed in recent weeks, though underperforming EAFE over the past year. Relative valuations still favor non-US markets. Particularly on a currency hedged view, it is still right to favor non-US markets. Some US valuation premium should remain, albeit not of the 20% variety on earnings and book values as seen today.
U.S. Growth vs. Value Stocks	Neutral stance between growth versus value	Value has come back here for the past few months, reflecting in part the relative gains in financials relative to technology. We are still unconvinced that this is the turn of a durable 'value' cycle. We did acknowledge that growth was unlikely to perform last fall, but now see a choppy period when no style is dominant.
Developed vs. Emerging Markets	Raising to overweight stance versus developed markets	Emerging markets have discounted considerable amounts of bad news, particularly weakness in China and commodity prices. With relative valuations back to levels we last saw in 2008/9, there is room for a comeback versus developed markets over the medium-term.

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Bond Market Views

Asset Class	Medium Term View	Rationale
Global Government Bonds	Negative view	Yields have retraced some of the declines seen through April as confidence has grown in the economic recovery and Federal Reserve support to global bonds increasingly questioned. We expect yields to rise somewhat more and faster than forwards at present. The road to normal yields is a long and winding one. However, such low yields carry significant risk, so duration must be carefully managed.
Global Corporate Bonds	Prefer to government bonds	Spread valuations on corporate bonds have edged down again. Our preference for credit versus government bonds remains, but valuations are now closer to neutral. Spreads signal a relatively good economic environment but underlying government bond yields are too low relative to this scenario. This inconsistency carries risks.
Intermediate vs. Long Duration	Extend duration only to match liabilities	No change to view reflecting little change in markets recently. Intermediate credit spreads now unattractive. Accessing long credit with an underweight to duration would be a reasonable approach, if possible within the portfolio context.
U.S. vs. Non-U.S. Aggregate Bonds	Prefer the US	European yields are the greater risk, given relative credit risk in corporate bonds. Prefer US corporate bonds to government bonds.
U.S. High Yield vs. U.S. Investment Grade Corporate Bonds	Neutral	Our reworked high yield return projections do not show high yield trailing investment grade and interest rate risk in investment grade is greater. However, with yields down to very low levels, high yield is at risk of generating disappointingly low return much like investment grade.
U.S. Bonds vs. Emerging Market Debt	Prefer emerging market local currency bonds	Spreads have been somewhat wider and we now find emerging market dollar debt spreads look reasonable value versus US dollar bonds. However, given the unattractive yield, it is hard to like dollar EM debt on a full return basis. Local currency emerging market debt is more attractive than dollar-denominated debt.
Treasury Inflation Protected Securities	Prefer TIPS	Break-even inflation rates are moving lower to favor TIPS. The rise in real yields is particularly welcome even though only the longest duration TIPS are yielding significantly above 0. Our view of longer-term upward bias to inflation risks from the current policy environment suggests that inflation protection is important.

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Other Market Views / Investment Strategy

Asset Class	Medium Term View	Rationale
U.S. Commercial Real Estate	Good investment opportunity for the longer term investor	While Core returns are moderating, expected performance remains attractive versus other asset classes for both equity and debt vehicles. For Non-Core real estate, the bifurcation of the real estate recovery to date continues to drive attractive tactical opportunities in Value-Added and Opportunistic real estate due to the on-going recovery in underlying sector fundamentals and attractive risk premiums versus Core. Manager selection remains key.
Hedge Funds	Favored investment strategy	Weak upside prospects for equities alongside still fluid and volatile market conditions should allow hedge funds to add value. Selection of funds and strategies all important. Global macro strategy is favored with CTAs and a multi-strategy approach also worth considering.
Commodities	Unattractive	Commodities have lagged other risky assets, reflecting worries over global demand, and recent China news. Short-term rebound looks possible but our expectation of returns from this asset class are low.
U.S. Dollar	Gradual dollar strength against most developed market currencies	The dollar's advances against major currencies has speeded up a little of late, mainly reflecting lower interest rate support for a number of other currencies. The end of quantitatitve easing tilts currency markets in the dollar's favourr, but there are still a number of cross currents. Dollar appreciation likely to remain gradual.

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Highlights and Research

Ventura County Employees' Retirement Association

June 2013

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Table of Contents

Investment Structure Review Discussion

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Memo

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

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

Date: June 17, 2013

Re: **VCERA Structure Review**

Background

As a result of the addition of new mandates and additional managers, the Board tasked HEK with examining the manager structure of the VCERA program. As part of our review, we have completed an in-depth investment structure analysis and have identified opportunities for further efficiencies within the Plan's portfolio.

We believe that the overall structure of the portfolio can be improved by reducing the number of active managers used within both the non-U.S. equity and U.S. fixed income asset classes. Following our review, we have identified three managers for possible elimination.

On the international equity front, we have two managers that exhibit similar characteristics: Walter Scott and Sprucegrove. From an investment style perspective, the analysis indicates that Walter Scott and Sprucegrove have some overlapping holdings (11%). Both managers follow a bottom-up research process and conduct fundamental stock analysis to identify what they feel are high quality investments. Please note that we have a favorable view of both managers and are not dissatisfied with either of them. Both Sprucegrove and Walter Scott are rated Buy by our research team. We are recommending elimination of Walter Scott solely based on the higher relative fees and the potential desire of the Board to potentially reduce the number of managers.

In the domestic fixed income space, we are recommending the termination of Western Asset Management. Western has the lowest active risk of all of the active fixed income managers. Hewitt EnnisKnupp believes higher conviction, higher active risk managers that have demonstrated skill are more likely to add value over time. Western is rated "Hold" by Hewitt EnnisKnupp's Global Investment Management team while the Reams and Loomis Sayles strategies are both rated "Buy."

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Recommendations

HEK is recommending the elimination of Walter Scott and Western fixed income portfolios. For the international equity allocation, we are recommending the placement of the Walter Scott assets with Hexavest to bring the overall portfolio structure back to a more neutral/core stance. The result of this would increase the total Hexavest allocation to near $165 million, resulting in price breaks that would reduce the overall fees from $1.2 million between the two current managers to $700,000 annually (an annual savings of $500,000).

For the Western fixed income allocation, we recommend keeping the assets within the fixed income asset class, as the current level is close to the intended target. The assets could be evenly divided between domestic and global fixed income. As a result, each of the following four mandates would receive 25 percent (about $65 million) of Western's assets: Reams, Loomis Domestic, Loomis Global, and PIMCo Global. The resulting investment fees will be comparable to the current total aggregate fixed income fees.

We look forward to discussing this further with you at the June 17th Board meeting.

Investment Structure Review

June 2013

Prepared by Investment Policy Services

Presentation to Ventura County Employees' Retirement Association

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Contents

Section I: Executive Summary

Section I
Executive Summary

- The following slides are meant to help VCERA analyze the U.S. Equity, non-U.S. Equity, Global Equity, and Fixed Income manager structure
  - The intent is to identify managers that may merit a reduced or eliminated allocation based upon their contribution to the overall portfolio's risk/return profile
- Compared to peers and a broad universe of institutional investment programs, the overall active risk of the VCERA portfolio is low
- The fixed income allocation accounts for much of the portfolio's active risk
  - Much of the total portfolio's out/underperformance can be explained by the performance of the active fixed income managers
  - However, this analysis captures the performance of VCERA's fixed income managers during a period in which fixed income markets experienced tremendous dislocation
- We believe that the overall structure of the portfolio can be improved by reducing the reliance on equity risk and adding alternative investments

Section I
Executive Summary

- We believe that the overall structure of the portfolio can be improved in two ways:
  - Reduce the number of active managers used within the non-U.S. and U.S fixed income allocations
    - Within the non-U.S. allocation, we recommend the termination of either Walter Scott or Sprucegrove
      - From an investment style perspective, the analysis indicates that Walter Scott and Sprucegrove have some overlap
      - Both managers follow a bottom-up research process and conduct fundamental stock analysis to identify high quality investments
    - Within the fixed income allocation, we recommend the termination of Western Asset Management
      - Western has the lowest active risk of the active fixed income managers
        - Hewitt EnnisKnupp believes higher conviction, higher active risk managers that have demonstrated skill are more likely to add value over time
      - Western is rated "Hold" by Hewitt EnnisKnupp's Global Investment Management team while the Reams and Loomis Sayles strategies are rated "Buy"
  - Reduce the reliance on equity risk and add alternative investments to the investment program

Section II: Hewitt EnnisKnupp Risk Model and Style Analysis

Section II
Hewitt EnnisKnupp Active Risk Model

- The risk model analyzes the portfolio's active risk at a point in time
  - Active risk defines the range of expected returns of a fund relative to the return of its policy benchmark
    - Measured as the standard deviation of excess returns of a fund relative to the return of its policy benchmark
  - Analyze sources that contribute to active risk
    - Total fund level (ex illiquid)
    - Asset class level
    - Manager level
- Total active risk is comprised of two sources
  - Risk due to style biases or "misfit risk"
  - Risk due to active manager bets or "manager-specific risk"
- Misfit risk measures the volatility of manager benchmark returns relative to the asset class benchmark
- Manager-specific risk measures the volatility of manager returns relative to it style-specific benchmark

Section II
Hewitt EnnisKnupp Active Risk Model

- The VCERA active risk analysis focuses on publicly-traded security asset classes; excludes illiquid private market asset classes, such as real estate and private equity
  - Smoothed nature of returns of illiquid private market investments does not yield meaningful information on the actual risk associated with such investments
  - Policy target weights are normalized to reflect exclusion of private market asset classes
- Utilize 60 months of historical return data for the managers for modeling purposes
  - Use actual VCERA return history where available
  - For new managers/strategies or where sufficient history is not available, utilize relevant composite return information
- The active risk model does have limitations
  - Excludes illiquid investments
  - Structural changes in the market may result in forecasts based on historical tracking error that may understate risks
  - The historical tracking error of a fund may not be a good indicator of future tracking error if there have been changes to the portfolio management team
- The quantitative results of the active risk exercise must be analyzed with qualitative judgment

Section II
Factors That Influence the Contribution to Active Risk

- Contribution to active risk is determined by three factors:
  - Size of allocation
    - Larger allocations will have a larger contribution to active risk
  - Tracking error
    - Higher risk managers will have a larger contribution to active risk
  - Movement with other asset classes and managers (correlation)
    - Managers that are good diversifiers may have a negative contribution to active risk

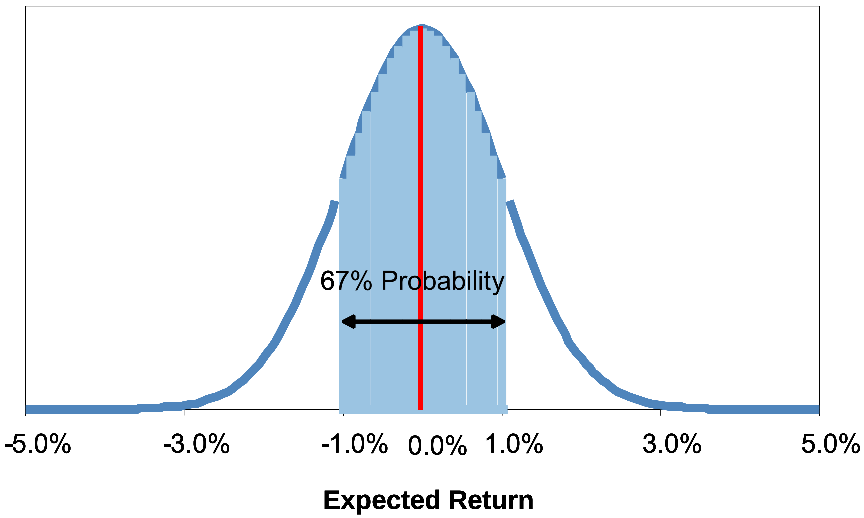
Section II
Total Portfolio Active Risk

Asset Class	Allocation		Active Risk	Active Risk Attribution		
	In Millions ($) (Values as of 12/31/2012)	Percent of Total		Manager Effect	Allocation Effect	Total
U.S. Equity	$1,276	40.4%	0.75%	20.6%	9.4%	30.0%
Non-U.S. Equity	$648	20.5%	2.41%	-1.8%	-3.9%	-5.7%
Global Equity	$303	9.6%	2.92%	-8.3%	-10.2%	-18.5%
Fixed Income	$765	24.2%	5.39%	86.2%	0.1%	86.2%
Global Fixed Income	$169	5.3%	2.49%	7.8%	0.3%	8.0%
Total	**$3,160**	**100.0%**	**1.27%**	**104.4%**	**-4.4%**	**100.0%**

- The current active risk of VCERA's portfolio is 1.27%
  - Active risk is relatively low do to the fact that a majority of the publicly traded equity and fixed income investments are passively managed
  - Utilizing passive management reduces investment management fees and tempers the overall active risk of the portfolio but reduces the probability that the portfolio will outperform its benchmark
- The U.S. fixed income allocation accounts for approximately 86% of the portfolio's total active risk
  - This means a majority of the portfolio's out/under performance can be explained by the managers used within the fixed income portfolio
- The portfolio's slight overweight allocation to U.S. equity (relative to Policy) contributed to overall active risk while the slight underweight to non-U.S. and global equity muted the portfolio's overall active risk

Section II
Total Portfolio Active Risk

- What does an active risk of 1.0% mean?
  - In two out of every three years, the Fund's return can be expected to lie within +/- 1.0 percentage point (one standard deviation) of the benchmark return



- An active risk level of 1.27% implies that the portfolio's return with be within +/- 1.27% in two out of every three years

Section II
How Does VCERA's Active Risk Compare to Others?

- Using a database of Hewitt EnnisKnupp client return data, we can compare how the active risk of the VCERA portfolio compares to peers
  - Using a peer group comprised of 13 public funds, the median public plan has an active risk of 2.3%
  - VCERA's active risk of 1.27% ranks in the bottom decile
- Compared to a variety of plan types,158 total plans, VCERA's level of active risk ranks in the bottom 11%
  - The highest level of active risk is 4.4%
  - The lowest level of active risk is 1.1%
- The table below displays VCERA's level of active risk by asset class, the median active risk for each asset class, and VCERA's active risk rank among peers

Asset Class*	Active Risk	Universe Median Active Risk (among all plan types)	VCERA Active Risk Percentile Rank (among all plan types)
U.S. Equity	0.75%	1.9%	18th
Non-U.S. Equity	2.41%	2.8%	36th
Global Equity	2.92%	3.3%	21st
U.S. Fixed Income	5.39%	3.3%	91st

** Hewitt EnnisKnupp database does not have separate universe data for U.S. fixed income and global fixed income managers*

Section II
U.S. Equity Managers

	Allocation (% of U.S. Equity Portfolio)	Annualized Active Risk (%)	Active Risk Attribution (%)
Manager			
BlackRock Extended Equity	2.5	0.6	8.4
Western U.S. Index Plus	9.4	8.1	92.8
BlackRock Equity Market Fund	88.1	0.1	-1.2
Total	**100.0**	**0.8**	**100.0**

- The Western U.S. Index Plus Fund accounts for almost all of the active risk within the U.S. equity allocation as Western is the only actively managed strategy in the U.S. equity allocation
  - The BlackRock equity strategies are passively managed and have low tracking error
  - The strategy of the Western fund is to invest cash in an actively managed short term bond portfolio and utilize derivatives to gain exposure to the S&P 500
- Western has delivered excess returns in periods of strong equity performance (2012, 2010 and 2009)
  - In 2009, the fund outperformed the S&P 500 Index by 15.5%

Section II
U.S. Equity Managers – Style Analysis

- The U.S. equity allocation's misfit risk is low, only 1.0%, indicating that the U.S. equity allocation is style neutral
  - Misfit risk measures the volatility of each manager's style-specific benchmark returns relative to the total asset class benchmark returns
- The BlackRock Extended Equity Index Fund has a slight growth bias

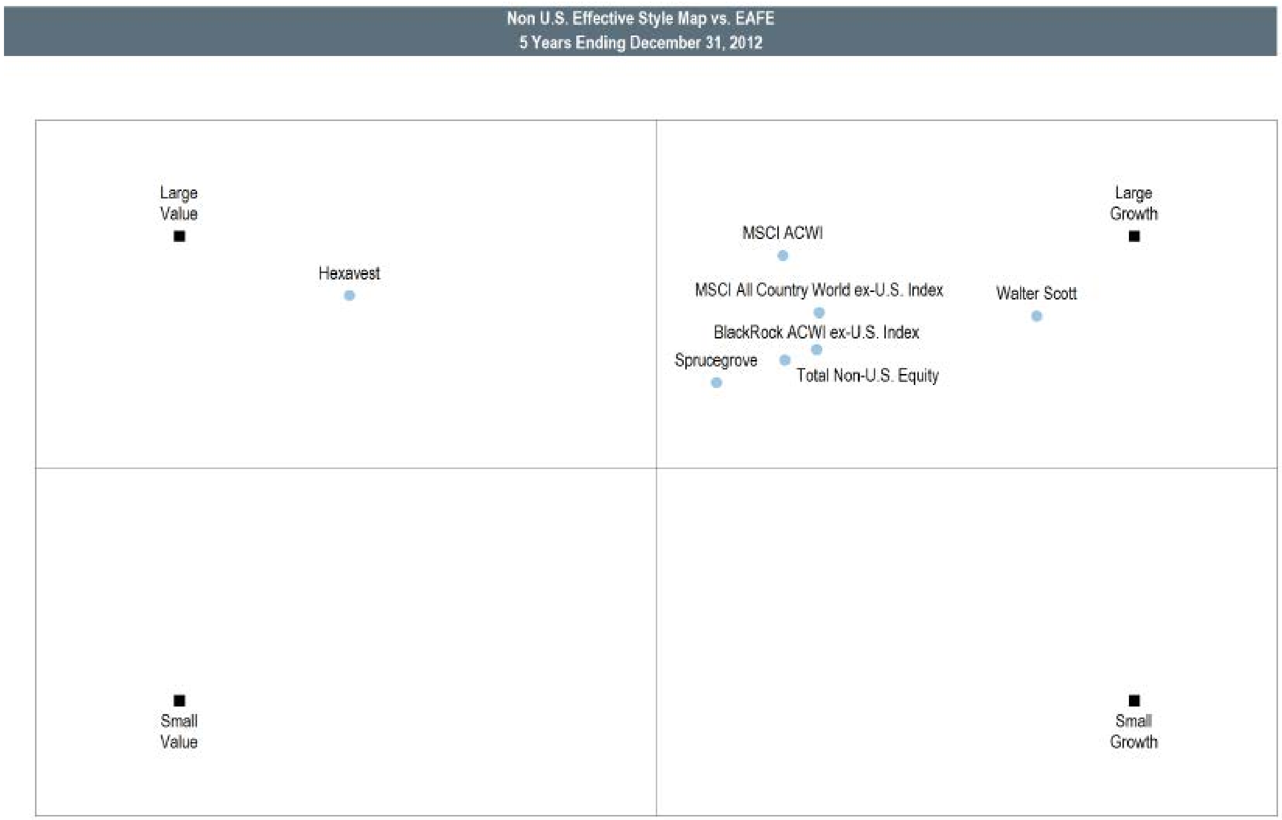
Section II
Non-U.S. Equity Managers

	Allocation (% of Non -U.S. Equity Portfolio)	Annualized Active Risk (%)	Active Risk Attribution (%)
Manager			
Sprucegrove	24.4	4.7	47.5
BlackRock ACW ex-US	52.5	0.3	0.7
Walter Scott	12.8	7.4	32.5
Hexavest	10.3	5.7	19.2
Total	100.0	2.4	100.0

- Sprucegrove and Walter Scott account for 80% of the non-U.S. equity risk budget
- Hexavest had 2.5 percentage points lower allocation than Walter Scott, but carried 40% less total active risk
  – This was mainly due to Hexavest's lower correlations with all other non-U.S. equity managers and benchmarks
  – Hexavest has particularly low correlations to Sprucegrove and the MSCI EAFE Index compared to Walter Scott

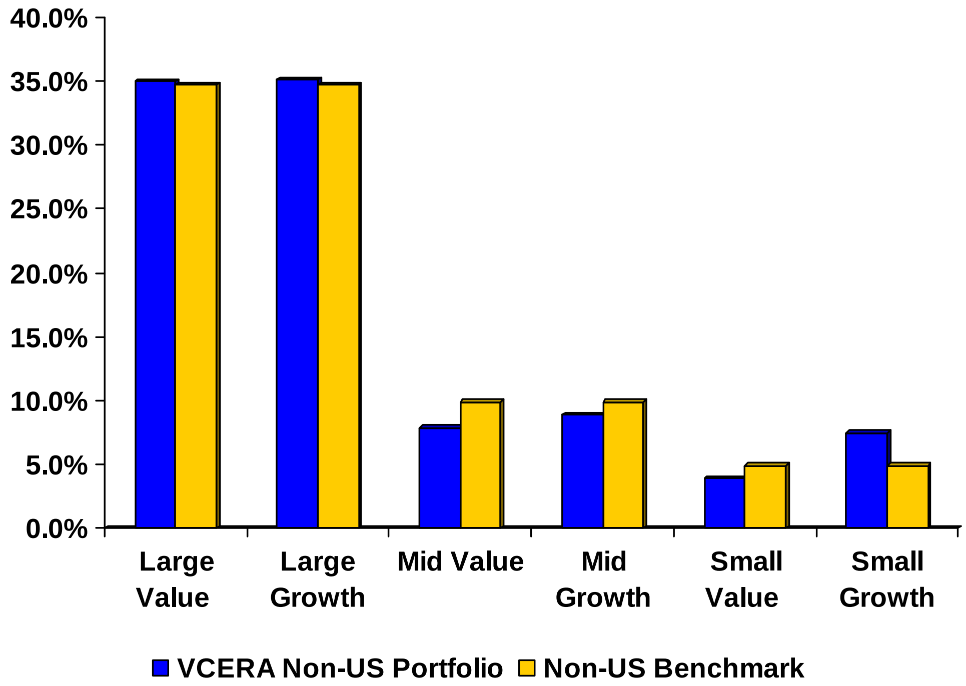
Section II
Non-U.S. Equity Managers – Returns Based Style Analysis

- The non-U.S. equity allocation's misfit risk is 20%, indicating that the non-U.S. equity allocation has a slight style bias
- A majority of the non-U.S. managers have a growth tilt, with the exception of Hexavest



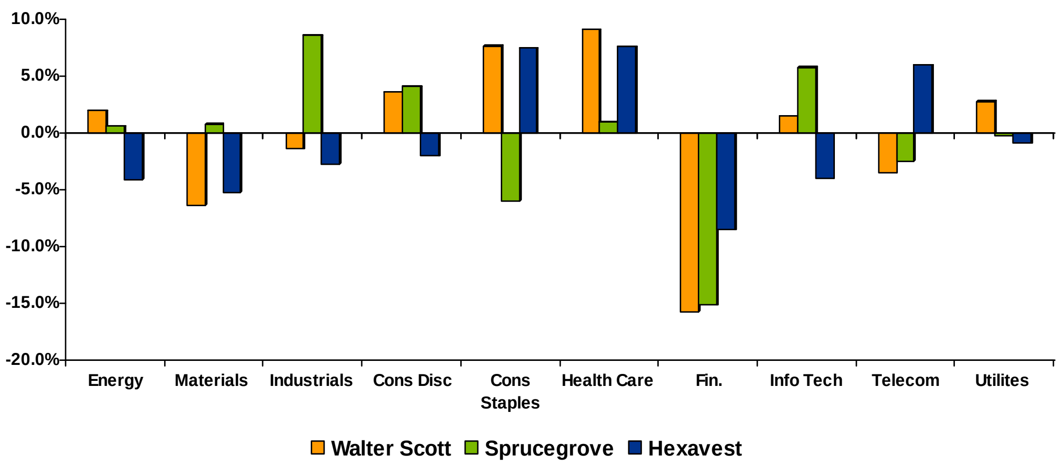
Section II
Non-U.S. Equity Managers – Holdings Based Style Analysis

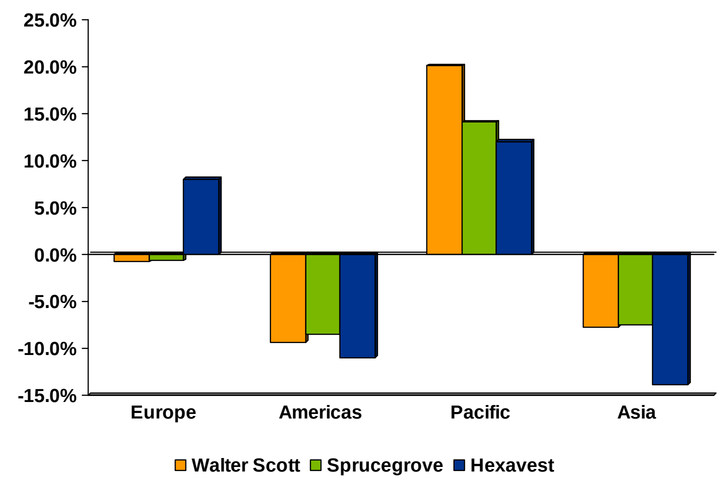
- The current VCERA non-U.S. equity portfolio is for the most part style - and market capitalization-neutral
  - The portfolio has a slight underweight to value stocks and a small bias toward small cap stocks
    - The allocation to Walter Scott provides large cap growth exposure
    - The allocation to Sprucegrove provides large cap value/growth and small cap growth exposure
    - The allocation to Hexavest provides mainly large cap value exposure



Section II
Non-U.S. Equity Managers – Holdings Based Style Analysis

- From a geographic allocation perspective, both Walter Scott and Sprucegrove have less exposure to Europe and greater exposure to Asia than Hexavest
- From a sector allocation perspective, the non-US allocation is well-diversified
  - Both Walter Scott and Hexavest have overweight allocations to Consumer Staples and Health Care while Sprucegrove has a large overweight to Industrials
  - All three managers have negative view on Financials





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Section II
Global Equity Managers

	Allocation (% of Global Equity Portfolio)	Annualized Active Risk (%)	Active Risk Attribution (%)
Manager			
BlackRock ACW Equity Index	42.7	0.1	0.1
GMO Global Fund	57.3	5.1	99.9
Total	**100.0**	**2.9**	**100.0**

- GMO accounts for all of the active risk within the global equity allocation as the BlackRock ACW Equity Fund is passively managed
- GMO is negatively correlated to the excess returns of the total portfolio moderating the impact of its active risk
- As of December 31, 2012, the performance of GMO has been strong:
  - The trailing 5 year return has exceeded the benchmark return by 1.9 percentage points
  - The trailing 3 year return has exceeded the benchmark return by 0.9 percentage points

Section II
Global Equity Managers – Style Analysis

- The global equity allocation has virtually no misfit risk
- The only active manager within the global equity allocation, GMO, has a slight growth bias

Section II
U.S. Fixed Income Managers

	Allocation (% of U.S. Fixed Income Portfolio)	Annualized Active Risk (%)	Active Risk Attribution (%)
Manager			
Western	36.6	4.2	25.3
BlackRock US Debt Fund	17.5	0.1	0.0
Reams	32.0	9.2	51.3
Loomis Sayles	13.9	6.8	23.5
Total	**100.0**	**5.3**	**100.0**

- Western, BlackRock, and Reams all have 0.0% misfit risk as they share the same benchmark as the total asset class (Barclays Capital Aggregate Bond Index)
- Reams has a 4.0 percentage point lower allocation than Western but accounts for twice as much risk
  - This is largely due to the fact that Reams' excess returns are twice as volatile as Western's
  - Larger risk has been accompanied with larger returns
    - Over the 5 year period ending December 31, 2012, Reams has outperformed its benchmark by 3.5 percentage
    - This is the best relative performance over the 5 year period among all of VCERA's U.S. fixed income managers
- Loomis Sayles has comparable total active risk to Western at 1/3 of the allocation

Section II
U.S. Fixed Income Managers

- The U.S. fixed income allocation has the greatest active risk of any asset class and uses 4 managers, which is greater than the other asset classes in the plan with the exception of non-U.S equity
- If the Board would like to reduce the fixed income allocation's active risk, reduce the number of equity managers, or both, we would recommend
  - Moving Western's allocation to the passively managed fund or,
  - Moving Western's allocation to one existing active manager or split between the two existing active managers in some fashion

	Total U.S. Fixed Income Active Risk
Current	5.3%

Recipient of Western Allocation	Total U.S. Fixed Income Active Risk
BlackRock	4.1%
Reams	7.4%
Loomis	7.5%
50% to Reams, 50% to Loomis	7.3%

	Total Fixed Income Active Risk
Western allocation split evenly between Global Bond managers *	6.4%

* If Western is terminated and assets are transferred to the global bond portfolio and split evenly between PIMCO and Loomis, the active risk of the global bond portfolio is estimated to be 2.6%.

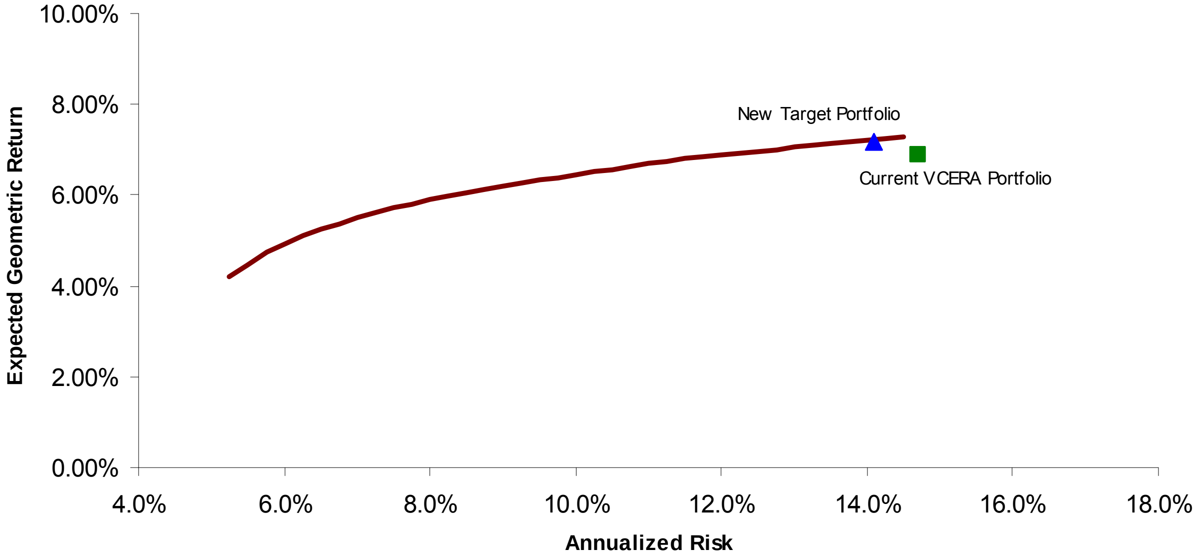
Section II
Global Fixed Income Managers

	Allocation (% of Global Fixed Income Portfolio)	Annualized Active Risk (%)	Active Risk Attribution(%)
Manager			
Loomis Sayles Global Fixed Income	40.4	3.3	50.9
PIMCO Global Fixed Income	59.6	2.2	49.1
Total	**100.0**	**2.4**	**100.0**

- The active risk of the global fixed income portfolio is approximately equal between Loomis and PIMCO
- Neither manager's total active risk is attributable to misfit risk

Section III:
Efficient Frontier and Capital Market Assumptions

Section III
Efficient Frontier Analysis



- The efficient frontiers consist of various allocations within return-seeking and risk-reducing assets
  – In creating the efficient frontier, we constrained US fixed income, global fixed income, and real estate to their current targets
- The current VCERA portfolio is slightly below what we would consider to be efficient, given the portfolio's current risk posture
- Reduction of reliance on equity risk is possible without sacrificing expected return
- Shifting to alternative investments can contribute meaningfully to portfolio risk reduction
  – We believe the Plan's strategy to add private equity, liquid alternatives and master limited partnerships will reduce the overall risk of the portfolio

Current and new target portfolio expected return and expected risk measures were developed using Hewitt EnnisKnupp's Q1 2013 10-year capital market assumptions

Section III
Current and Proposed Allocations

Asset Class	Current VCERA Portfolio (As of December 2012)	New Target Portfolio
Equity	**65.0%**	**54.0%**
U.S. Equity	36.0%	30.0%
Non-U.S. Equity	19.0%	14.0%
Global Equity	10.0%	10.0%
Fixed Income	**27.0%**	**24.0%**
U.S. Fixed Income	22.0%	19.2%
Global Fixed Income	5.0%	4.8%
Alternatives	**8.0%**	**22.0%**
Real Estate	8.0%	7.0%
Private Equity	0.0%	5.0%
Risk Parity	0.0%	7.0%
Infrastructure (MLPs)	0.0%	3.0%
Total	**100.0%**	**100.0%**

Expected Return	**6.9%**	**7.2%**
Expected Risk (Standard Deviation)	**14.7%**	**14.1%**
Sharpe Ratio	**0.373**	**0.410**

- As stated on the previous slide, we believe the Plan's strategy to add alternative investments will improve the risk-adjusted returns of the overall plan
- For illustrative purposes, the table above displays the current VCERA portfolio and the changes needed to achieve a more efficient portfolio; the proposed portfolio:
  - Diversifies the portfolio by adding private equity, infrastructure (MLPs) and risk parity to the alternatives allocation, which already contains core real estate

Current and new target portfolio expected return, expected risk and Sharpe Ratio measures were developed using Hewitt EnnisKnupp's Q1 2013 10-year capital market assumptions

Section III
Hewitt EnnisKnupp Capital Market Assumption: 10-year as of 1Q 2013

Asset Class	Expected Geometric Returns
Large Cap U.S. Equity	7.7%
Small Cap U.S. Equity	7.9%
Global Equity	8.1%
Developed Non-U.S. Equity	8.0%
Emerging Markets Equity	8.9%
TIPS	1.7%
Core U.S. Fixed Income	2.0%
Long Duration Gov't / Credit	3.0%
High Yield	3.9%
Non-US Developed Bond (Unhedged)	2.6%
Emerging Market Bonds	3.7%
Hedge Fund of Funds Universe	5.3%
Core Private Real Estate	6.3%
Commodities	4.1%
Private Equity	9.9%

* Developed by AonHewitt's Global Asset Allocation Team and represent the long-term capital market outlook (10 years) based on data at the end of the first quarter of 2013. The assumptions were developed using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets and consensus economics forecasts. Our long-term assumptions for other asset classes are based on historical results, current market characteristics and our professional judgment.

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Section III
Hewitt EnnisKnupp Capital Market Assumptions: Methodology

Frequency of updates	Quarterly
Time horizon	10 (and 30) years
Methodology	Building block
Building blocks (equities)	Earnings yield and normalized payout ratio, inflation, GDP growth, and valuation adjustment
Interest rate forecasting	Current market pricing and fair value
Inflation	Consensus forecasts and inflation risk premium
Volatility and correlations	Historical data, implied volatilities and judgment

AON Hewitt

InTotal

Global Investment Management

Walter Scott & Partners Ltd

International Equity

Review Date	Current Rating	Previous Rating
May 2013	Buy	No Change

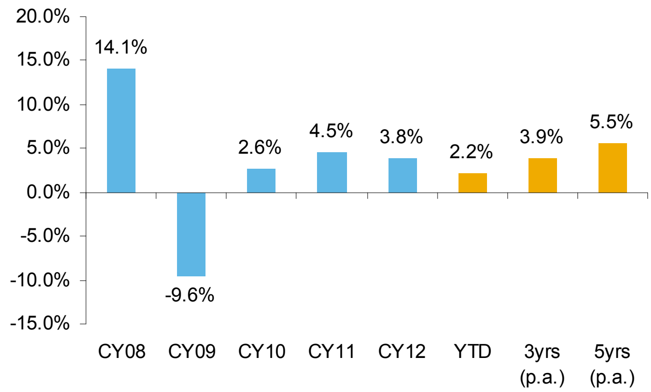
Overall Rating

We maintain a Buy rating on the Walter Scott International Equity strategy. We believe that the firm has adapted well to the change in ownership (in 2006) and the strong growth in assets in recent years. The core investment team remains intact and investment performance illustrates strong adherence to the philosophy and process. The process is driven by deep fundamental research focusing on identifying long term winners.

Component Ratings

	Rating	*Previous Rating*
Overall	**Buy**	*No Change*
Business	3	*No Change*
Staff	3	*No Change*
Process	3	*No Change*
Risk	2	*No Change*
ODD	Pass	*No Change*
Performance	4	*No Change*
T&C	2	*No Change*

Relative Performance to March 2013



Composite performance (USD) is gross of fees relative to MSCI AC World ex-US Index (GDR). CY = calendar year. Source: eVestment Alliance

Firm Summary

Head Office Location	Edinburgh, Scotland	**Parent Name**	BNY Mellon Asset Management
Firm AUM	$63.7 billion	**Investment Staff**	29
Equity AUM	$63.7 billion	**Equity Staff**	29

Portfolio Strategy Characteristics

Team Location	Edinburgh, Scotland	**Team Head**	Jane Henderson
Strategy Inception	January 1994	**Strategy Size**	$23.6 billion
Number of Holdings	40 – 60	**Annual Turnover**	10 – 20%
Benchmark	MSCI EAFE (NDR)		
Performance Objective	Real return of 7 – 10% p.a. gross of fees		
Risk Tolerance Target	No specific tracking error range is targeted		

Note: AUM and Staff numbers as at March 2013

Investment Manager Evaluation

Rating Sheet		
Factor	**Rating**	**Comments**
Business	3	Walter Scott & Partners Ltd ("Walter Scott") operates as an autonomous business within BNY Mellon Asset Management and we believe it is keen to retain the entrepreneurial culture of the firm. BNY Mellon has introduced a long term incentive plan which partly addresses the lack of direct employee ownership. The business is very profitable and assets under management have grown significantly over the years; albeit now in a more controlled manner.
Investment Staff	3	The investment team has been re-organized into geographic teams that integrate coverage of emerging markets which we view positively. In February 2013, Ian Clark stepped down as a main board Executive Director of Walter Scott. However, we note that Jane Henderson and Roger Nisbet appear to have effectively managed the day to day running of the business since 2010. The individuals that we have met in the investment team have been impressive and we believe that staff is generally of high quality. There is a strong preference for promotion from within the organization rather than external hires.
Investment Process	3	The investment process is driven by a focus on bottom-up stock selection. Investment ideas are subjected to disciplined peer group debate to ensure team buy-in and commitment to portfolio positions. A long term investment time horizon is taken, and the portfolio is relatively concentrated, which is consistent with the unconstrained, high conviction approach. Sector and country positions are monitored, but are largely an outcome of the stock selection process.
Risk Management	2	Risk is managed primarily through emphasis on investment risk at the stock level, based on an understanding of each company's business before investing. We would prefer the manager to have an independent risk team to enable independent challenge. We also believe that the amount of attention that the team devotes to understanding overall portfolio structure and common factor risk could be improved.
Operational Due Diligence	Pass	Walter Scott implemented new high quality accounting and trading systems in 2009, which have addressed previously highlighted control issues. These systems have increased the firm's overall compliance resources including the introduction of pre- and post-trade compliance. Additionally, the firm has no outstanding audit points.
Performance Analysis	4	Our detailed analysis of Walter Scott's longer term investment performance shows very strong long term results that are reflective of its unconstrained stock picking investment philosophy and process. The strong relative returns, particularly in difficult markets, bode well for the successful application of the focus on absolute returns. Clients should be aware that relative performance versus an equity index may be volatile.

Rating Sheet		
Factor	**Rating**	**Comments**
Terms & Conditions	2	To date, the manager's attention to, and quality of client service has generally been good, although we have occasionally experienced more inflexible service. Responses to client needs and reporting have been delivered in prompt fashion. Walter Scott's fees are above average and the performance related fee option is no longer offered. The manager is generally unwilling to negotiate fees. ESG issues are considered in a limited fashion within the fundamental research process.
Overall Rating	**Buy**	We maintain a Buy rating on the Walter Scott International Equity strategy. We believe that the firm has adapted well to the change in ownership (in 2006) and the strong growth in assets in recent years. The core investment team remains intact and investment performance illustrates strong adherence to the philosophy and process. The process is driven by deep fundamental research focusing on identifying long term winners.

Aon Hewitt

Manager Profile

Overview

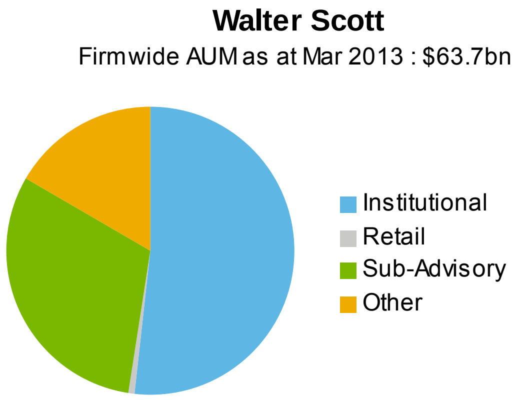
Walter Scott was established in 1983. Ownership had been privately held by three individuals (Walter Scott, Marilyn Harrison and Ian Clark), who co-founded the company. Walter Scott retired from the business in May 2007, and he was succeeded as chairman by Dr. Kenneth Lyall, who has been with the firm since its launch. In 2010, Jane Henderson, Managing Director, and Scott Nisbet, Deputy Chairman, took over the day to day running of the business. In February 2013, Ian Clark stepped down as a main board Executive Director of Walter Scott.

Ownership of the business changed in 2006 when Mellon Financial Corporation acquired Walter Scott in September 2006. In December 2006, Walter Scott's parent company, Mellon, merged with Bank of New York to create the Bank of New York Mellon Corporation. The asset management division of the Bank of New York Mellon Corporation was re-branded as BNY Mellon Asset Management, although the asset management business ownership structures remained intact. Walter Scott operates as a wholly owned, but autonomous asset management subsidiary of BNY Mellon Asset Management.

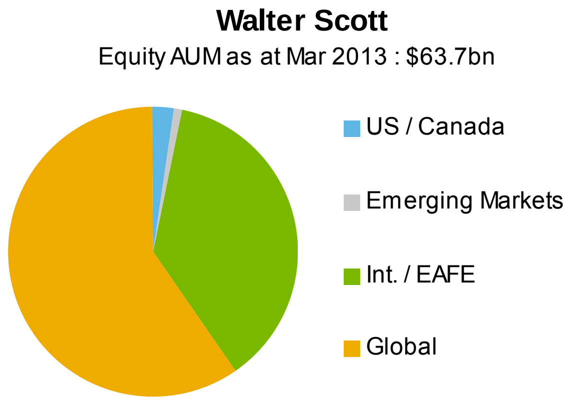
Business

- Walter Scott is based in Edinburgh, from where all activities are carried out. Walter Scott is a dedicated equity management house with more than 95% of the assets under management invested in 100 stocks.
- Growth in assets under management has been driven mainly by U.S. pension fund plans. Continued growth in this area and in Europe, combined with rapid success in the U.K. institutional market and positive equity market returns, led to assets under management rising to $63.7 billion at the end of March 2013. Walter Scott has recently been more cautious of the net number of new clients it adds each year.
- Everyone in the firm is eligible to participate in the firm's annual profit share, which is a fixed percentage of the firm's pre-incentive operating profits. In recent years every member of staff has participated and this is the sole source of incentive compensation.
- For senior staff, the majority of annual compensation is the profit share. An element of this is deferred (for three years) via a long-term incentive plan, largely invested in Walter Scott's global equity strategy with a smaller element invested in BNY Mellon stock.

Client Base



Data sourced from eVestment Alliance



Data sourced from eVestment Alliance

- Assets under management totaled $63.7 billion worldwide as of March 2013.
- The International Equity strategy had $23.6 billion as of March 2013.

Investment Staff

Key Staff	Position	Date Joined	Years of Experience
Jane Henderson	Director/CEO	1995	17
Roy Leckie	Director, Co-Head of Investment Management Group	1995	17
Rodger Nisbet	Deputy Chairman	1993	19
Charlie Macquaker	Director, Co-Head of Investment Management Group	1991	21

- The investment team generally has high tenure with Walter Scott. The majority of key investment professionals have spent their entire investment career with Walter Scott.
- The investment team is split into regional specialist groups covering the Americas, EMEA (Europe, Middle East & Africa) and Asia & Australasia. Coverage generally rotates between analysts every few years with the most recent rotation being effective from November 2011.

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Investment Process

Philosophy

Walter Scott's philosophy statement reads: "*the return earned from the ownership of equity shares is no more than the wealth created by the underlying companies*". The manager aims to achieve real returns (adjusted for inflation) of 7-10% per annum, by constructing a portfolio comprised of companies that Walter Scott believes are capable of growing by at least 20% per annum.

Process

Walter Scott does not use equity index benchmarks as drivers of the portfolio construction process. Potential investments are first screened on fundamental criteria from a global universe of over 3,000 companies. This is done by looking only at companies that the manager believes can grow either cash return on investment, return on equity or earnings per share on a consistent basis by 20% per annum or more.

Seven qualitative factors are then used to further examine companies with sustainable returns and acceptable valuation metrics.

These factors are:

- Product / Franchise
- Industry
- Competitive position
- Profitability
- Financial Model
- Management
- Marketability

The financial analysis uses a minimum of five years of accounts. Walter Scott standardizes data from different countries by using US GAAP accounting standards. A deep fundamental understanding of a company's business is critical to the research process, and Walter Scott will not buy a company if it has not met the company management. Stock views are clearly aired – "buy" decisions require collective agreement by the whole team, but only one dissenting voice amongst the team will lead to the sale of a position.

Portfolios generally have 40-60 stocks with low turnover levels that are typically 20% per annum or less. Stock positions normally start at 2% and can grow up to a maximum of 5% of the total portfolio at which time they are automatically reviewed.

Risk is mainly considered at the individual stock level in terms of the stability and reliability of the business, rather than at the overall portfolio level.

Risk Management

The primary focus of Walter Scott's risk control methodology is on the firm's research into stock they own. Its focus is on absolute and not relative risk with the intention of controlling stock specific risk. Walter Scott does not generally make use of third-party quantitative risk tools.

Walter Scott has the following broad guidelines that are used to control risk:

- Individual maximum stock weight: 5%
- Sector weights generally vary between 5% to 30%

- Generally no more than 15% is held in non-index countries

Walter Scott does not monitor or attempt to manage tracking error.

Operational Due Diligence

- The firm is registered with the SEC and FSA.
- Financial statements have never been qualified by the external auditor, KPMG.
- Compliance resources and systems are in-line with industry standards.
- Business insurance and disaster recovery plan are in place.

Terms & Conditions

BNY Mellon Long Term Global Equity fund (minimum of $5 million):

- All assets: 100 bps

Segregated accounts (minimum of $100 million):

- First $100 million: 75 bps
- Balance: 50 bps

Segregated accounts (in excess of $250 million):

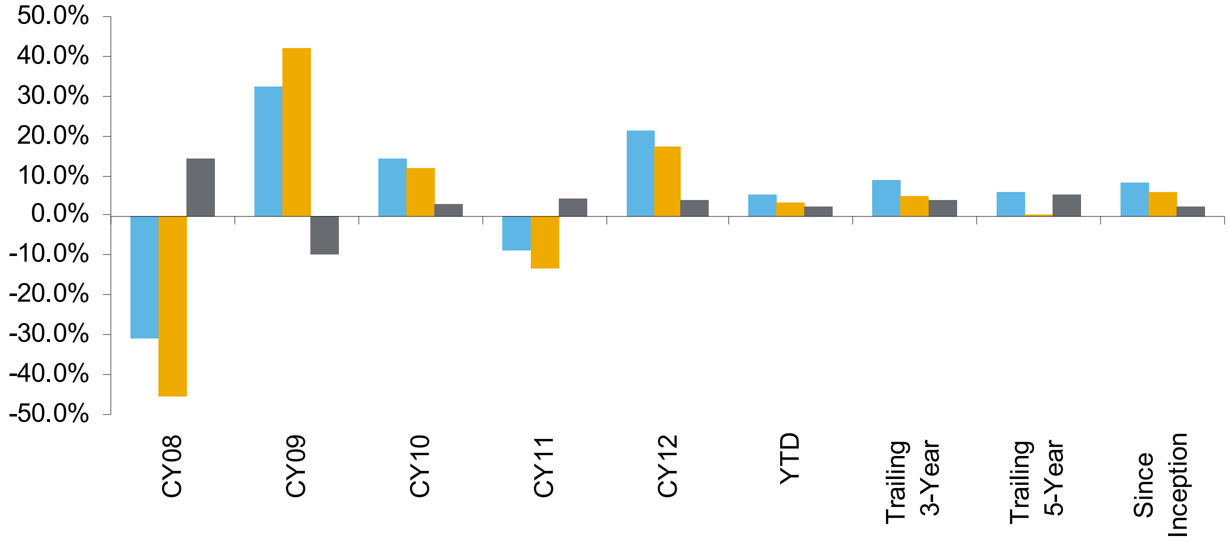
- First $250 million: 55 bps
- Next $250 million: 50 bps
- Next $250 million: 45 bps
- Next $250 million: 40 bps
- Balance: 35 bps

Mutual Fund (minimum of $1 million)

- Dreyfus International Stock Fund (DISRX): 93 bps

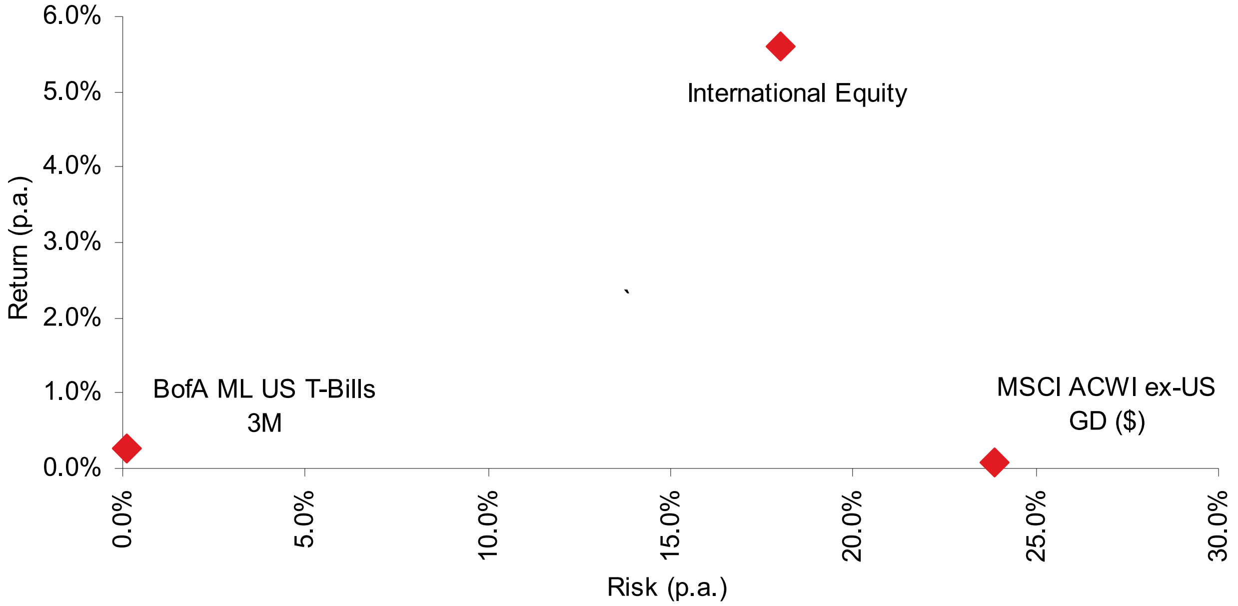
Performance and Risk Metrics

Historic Performance (Since January 1994)



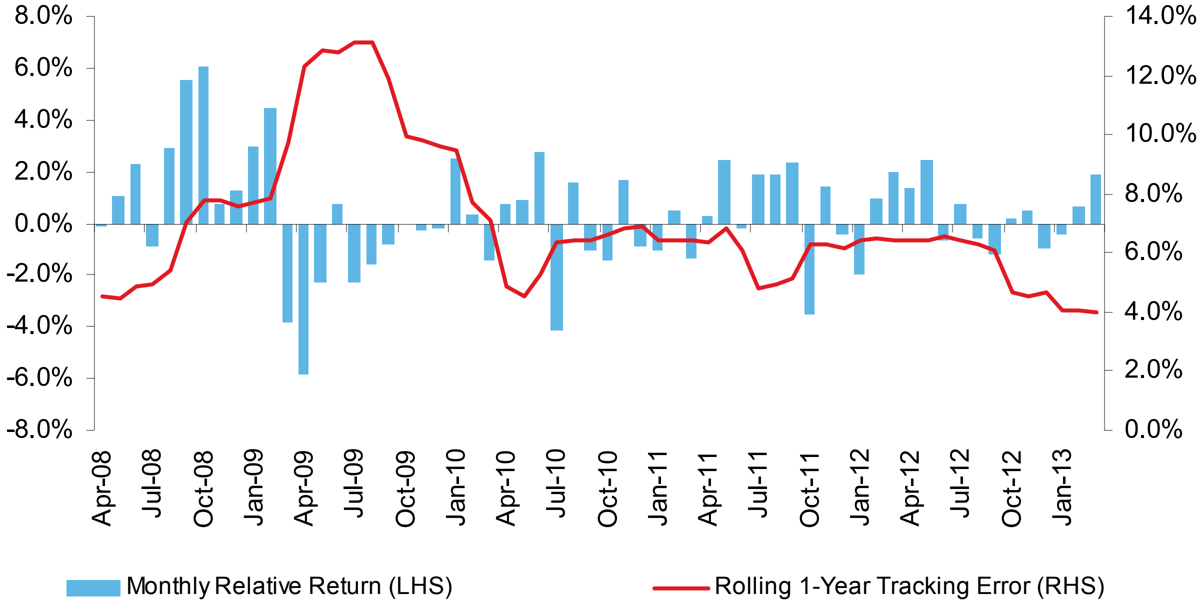
Risk – Return

5 Years Ending 3/31/2013

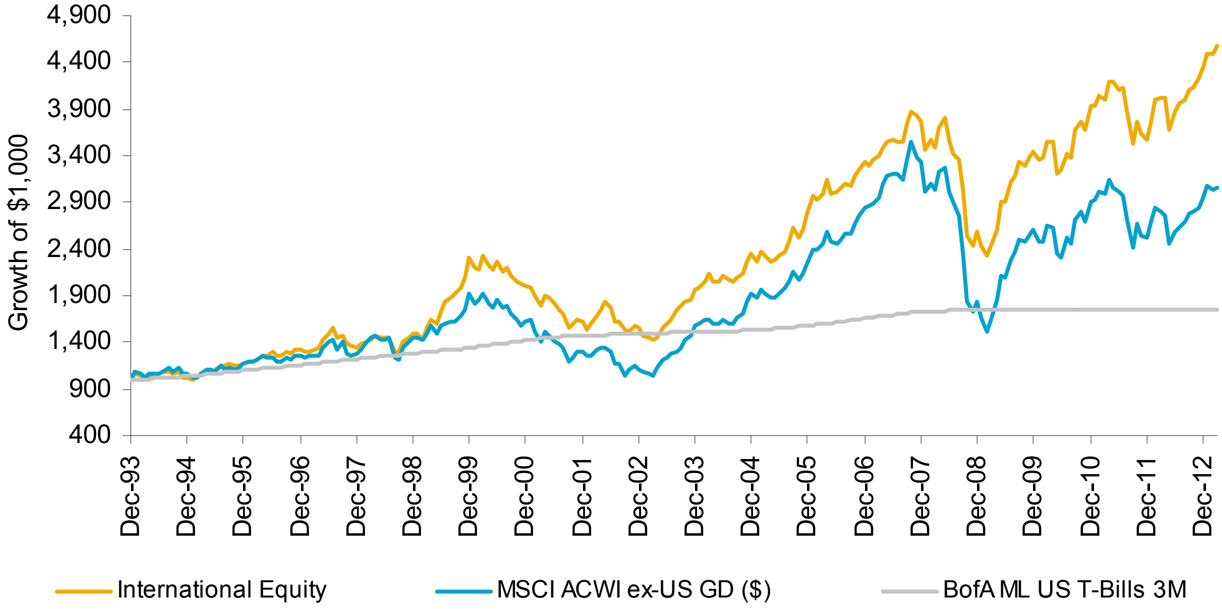


Monthly Return and 12-Month Rolling Tracking Error

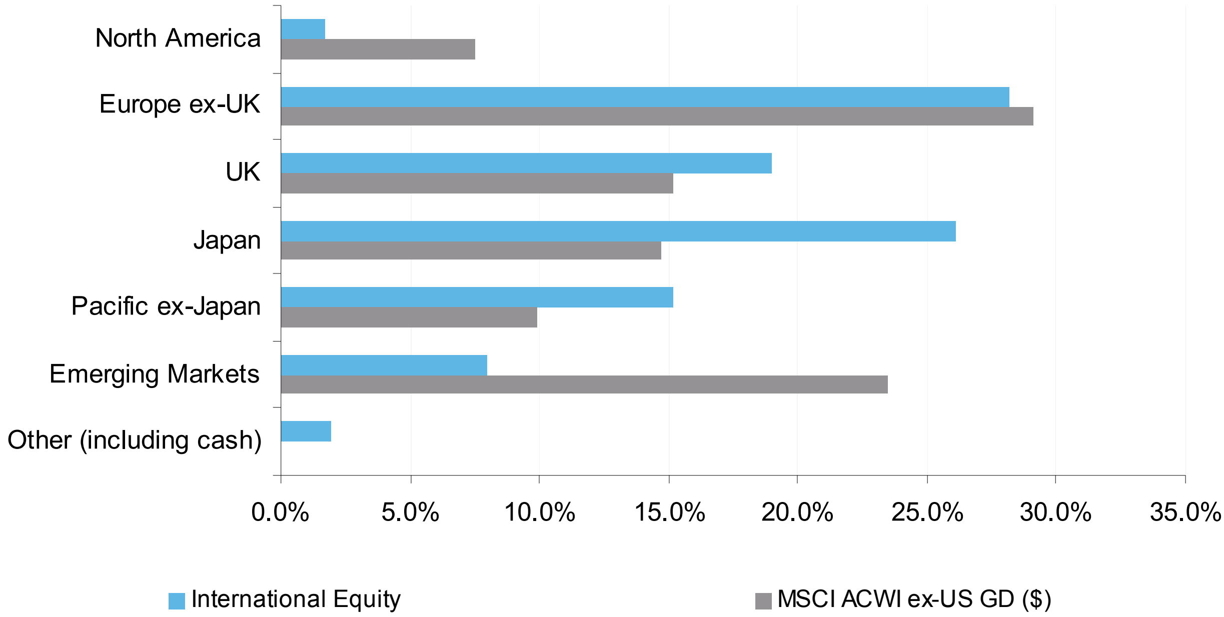
5 Years Ending 3/31/2013



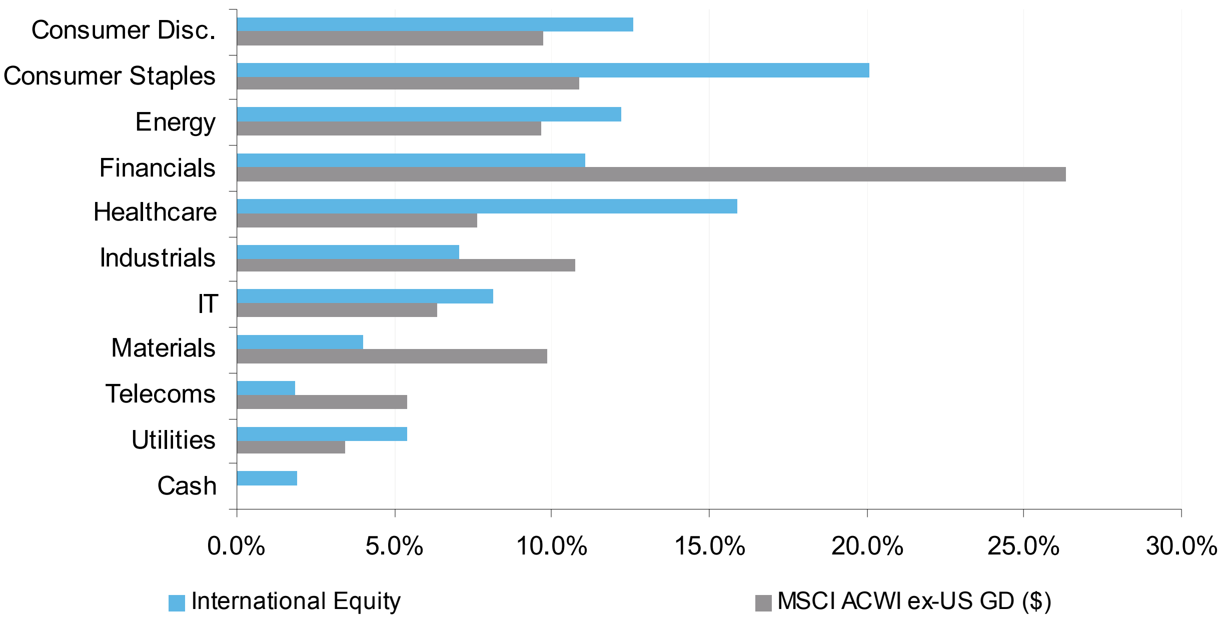
Growth of $1,000 (Since January 1994)



Regional Allocation Quarter Ending 3/31/2013



Sector Allocation Quarter Ending 3/31/2013



Notes Composite performance (USD) is gross of fees and sourced from eVestment Alliance.

Aon Hewitt

Ratings Explanation

Below we describe the criteria which we use to rate fund management organizations and their specific investment products. Each criterion, except for Operational Due Diligence ("ODD"), is individually rated from 1 to 4, where:

1 = Weak
2 = Average
3 = Above Average
4 = Strong

The ODD factor can be assigned a Pass, Conditional Pass, or Fail rating and can be interpreted as follows:

Pass – Our research indicates that the manager has acceptable operational controls and procedures in place.

Conditional Pass – We have specific concerns that the manager needs to address within a reasonable established timeframe.

Fail – Our research indicates that the manager has critical operational weaknesses and we recommend that clients formally review the appointment.

An overall rating is then derived for the product from the individual ratings. We do not assign a fixed weight to each criterion to establish the overall rating; instead we consider each case individually. The overall rating score can be interpreted as follows:

Buy	=	We recommend purchase of this investment product
Buy (Closed)	=	We recommend purchase of this investment product, however it is closed to new investors
Hold	=	We recommend client investments in this product are maintained
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In Review	=	The rating is under review as we evaluate factors that may cause us to change the current rating.

The comments and assertions reflect our views of the specific investment product and our opinion of its strengths and weaknesses.

Disclaimer

This document has been produced by the Global Investment Management Team of Aon plc. Nothing in this document should be treated as an authoritative statement of the law on any particular aspect or in any specific case. It should not be taken as financial advice and action should not be taken as a result of this document alone. Consultants will be pleased to answer questions on its contents but cannot give individual financial advice. Individuals are recommended to seek independent financial advice in respect of their own personal circumstances.

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London
EC2M 4PL

AON Hewitt

InTotal

Global Investment Management

Spruvegrove Investment Management Ltd.

International Value Equity

Review Date	Current Rating	Previous Rating
August 2012	Buy (Closed)	Buy

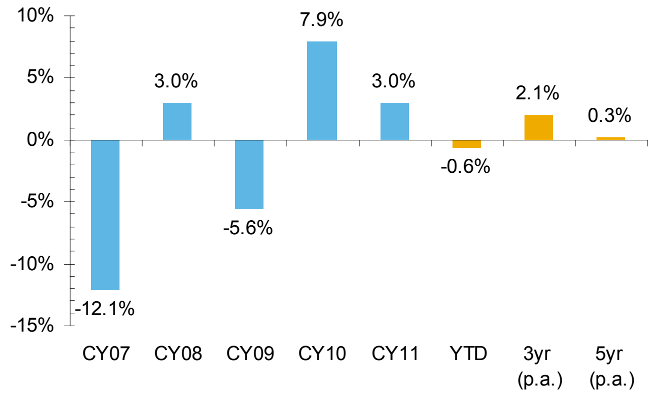
Overall Rating

Sprucegrove's International Value Equity strategy employs a bottom-up stock selection process which focuses on a company's valuation and quality. Portfolio managers and analysts focus the majority of their fundamental research on a working list of companies which meet specific quality criteria. These criteria include financial strength, Return On Equity (ROE) and a long track-record. Sprucegrove remains an independent 100% employee-owned firm. We rate this strategy a Buy (strategy is closed to new investors).

Component Ratings

	Rating	*Previous Rating*
Overall	**Buy (Closed)**	*Buy*
Business	4	*No Change*
Staff	3	*No Change*
Process	3	*No Change*
Risk	2	*No Change*
ODD	Pass	*No Change*
Performance	3	*No Change*
T&C	2	*No Change*

Relative Performance to March 2012



Composite performance (USD) is gross of fees relative to MSCI ACWI ex-US. CY = calendar year. Source: eVestment Alliance

Firm Summary

Head Office Location	Toronto, Ontario	**Parent Name**	100% Employee-owned
Firm AUM	$19.9 billion	**Investment Staff**	14
Equity AUM	$19.9 billion	**Equity Staff**	14

Portfolio Strategy Characteristics

Team Location	Toronto, Ontario	**Team Head**	Shirley Woo, Peter Ellement
Strategy Inception	October 1985*	**Strategy Size**	$8.3 billion
Number of Holdings	80 – 110	**Annual Turnover**	10% - 15%
Benchmark	MSCI ACWI ex-US Index*		
Performance Objective	1% - 2% outperformance over a full market cycle		
Risk Tolerance Target	Not actively targetted		

Note: AUM and Staff numbers as at March 2012. * Benchmark inception date is January 1988 – all since inception returns as of this date.

Investment Manager Evaluation

Rating Sheet		
Factor	**Rating**	**Comments**
Business	4	Sprucegrove Investment Management Ltd. ("Sprucegrove") was founded in 1993 by three former Confederation Life employees: John Watson, Ian Fyfe and Peter Clark. Both Watson and Fyfe have retired and Peter Clark has now moved into an advisory role – he has plans to retire at the end of 2012. Peter Ellement and Craig Merrigan, long time members of the firm, are now co-Presidents. The firm had communicated these plans well in advance and we do not expect any issues to arise. Sprucegrove is 100% employee owned and ownership is broadly distributed with the largest individual stake being 20%. The incentives of portfolio managers and analysts are aligned with the interests of their clients.
Investment Staff	3	The founding generation has mostly retired and the leadership for Sprucegrove is in transition to a second generation. This includes Peter Ellement, Craig Merrigan, and Shirley Woo. Each of them owns a low, double-digit percentage of the firm. The portfolio managers are of high quality and experienced. Sprucegrove prides itself on minimal employee turnover and prefers to hire analysts straight out of university. They then inculcate them with the company's philosophy and process. It generally takes more than a decade for an analyst to become a senior analyst and then a portfolio manager. The firm has only had one departure from the investment team for reasons other than retirement.
Investment Process	3	Sprucegrove's investment process focuses on two key characteristics, namely quality and value. Sprucegrove avoids low quality and has the flexibility to invest in higher-quality companies at slightly more expensive valuations. The manager's 25 year-old bottom-up fundamental process involves taking the investable universe and narrowing down the focus to a working list of investable companies. Multiple factors such as a record of high and consistent profitability, market leadership and competitive advantage, above average financial strength, and capable management are all taken into account. The working list is monitored in real time by a valuation system which tracks normalized P/E. Detailed modeling of companies is performed by analysts and portfolio managers.
Risk Management	2	Sprucegrove does not have a dedicated risk team. Instead, it monitors risk at the stock specific level and through typical portfolio constraints. The maximum position size is limited to 5% of the portfolio while sector exposures are limited to 30% of the portfolio and there must be exposure to 7 of 10 GICs sectors. Additionally, cash is limited to 10% of the overall portfolio and exposure to any one country is capped at 50%.
Operational Due Diligence	Pass	Sprucegrove is registered with both the Securities and Exchange Commission (SEC),the Ontario Securities Commission (OSC), and various other provincial regulators in Canada. It was last reviewed in 2008 by the OSC. The SEC last performed an audit in December 1997. Blake Murray, the Chief Operating Officer, monitors the firm's compliance. There is no outstanding litigation against Sprucegrove.

Rating Sheet		
Factor	**Rating**	**Comments**
Performance Analysis	3	Overall performance for this strategy has been favourable, with very strong recent performance. Historically, this strategy has offered adequate downside protection while not fully participating in market rallies. We have confidence in Sprucegrove’s ability to outperform its benchmark over a full market cycle.
Terms & Conditions	2	Client servicing has been good. Fees are average to slightly attractive, but this depends on the mandate size. In the past, Sprucegrove has not hesitated to close its strategies in order to protect the interests of their clients.
Overall Rating	**Buy (Closed)**	Sprucegrove's International Value Equity strategy employs a bottom-up stock selection process which focuses on valuation and quality. Experienced portfolio managers and analysts focus the majority of their fundamental research on a working list of companies which meet specific value criteria. This includes financial strength, ROE, and a long track record. Sprucegrove remains a 100% employee-owned firm based.

Manager Profile

Overview

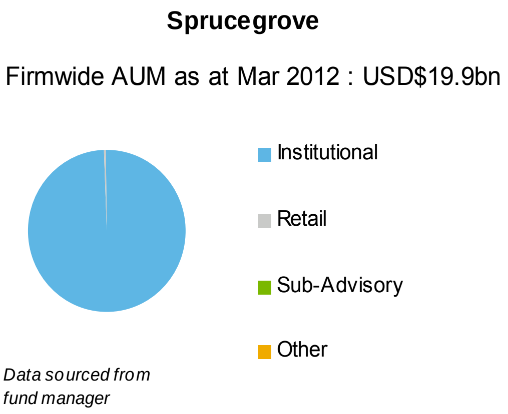
Sprucegrove Investment Management Ltd. was founded in 1993 by three investment professionals: Peter Clark, Ian Fyfe, and John Watson. All three had worked with each other at Confederation Life Investment Counselling prior to founding the firm. As such, the track record of some of Sprucegrove's strategies predate the firm's inception.

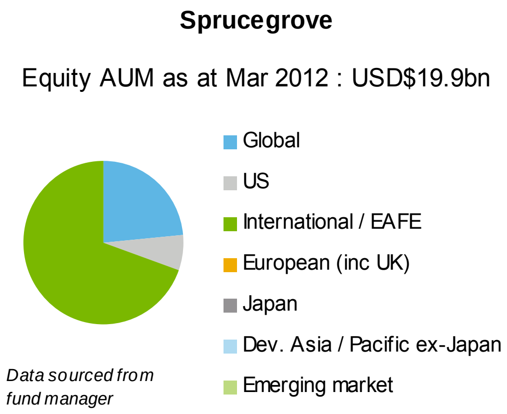
At inception, the Sprucegrove signed an agreement with Confederation Life to manage all of its international and global mandates for U.S. and Canadian clients. Included in the agreement, Shirely Woo, Sabu Mehta, and Peter Ellement joined Sprucegrove. Sprucegrove also obtained all stock files, working lists, and investment systems associated with the strategies. Sprucegrove exclusively invests in equities.

Business

- Two of the firm's founder, John Watson and Ian Fyfe, retired in 2008 and 2009 repsectively. These retirements were announced well in advance and the transition of responsibilities were clearly communicated. Peter Clark, the third founding member, has taken a consulting role within the firm and will retire at the end of 2012.
- Ownership is broadly distributed among members of the firm. All employees of the firm are able to eventually become shareholders as this priviledge is not strictly reserved for investment professionals. The firm is fully independent and wholly-owned by its employees.
- The firm's investment professionals are entirely focused on managing three equity strategies: International, Global, and U.S. Value Equities.
- Sprucegrove has been proactive in closing its strategies. Capacity constraints have less to do with fund size and liquidity constraints but instead are more predicated on the firm's ability to service its existing client base. Sprucegrove is currently only open to U.S. (pooled and separate accounts) and global equity pooled mandates. The International Equity strategy is again closed to new investors (June 2012).

Client Base





- Sprucegrove's assets are roughly evenly split between clients with separate accounts and clients invested through the firm's commingled funds. Nearly all of its clients are tax-exempt. The client base is entirely based in North America.

- Sprucegrove has always maintained that it only wants to manage money for a limited number of clients and as a result, the firm has been closed to new clients for a significant portion of its history.

Investment Staff

Key Staff	Position	Date Joined	Years of Experience
Shirley Woo	Portfolio Manager	1993	29
Peter Ellement	Co-President and Portfolio Manager	1993	20
Craig Merrigan	Co-President and Portfolio Manager	1998	28
Erik Pernoja	Portfolio Manager and Research Director	1994	18
Peter Clark	Business and Portfolio Advisor	1993	34

- Peter Clark was the firm's President but these duties have been transitioned to Peter Ellement and Craig Merrigan. Recently, Erik Pernoja was named as Sprucegrove's Director of Research, a role which was held by Shirley Woo. This position is expected to rotate amongst the senior members of the team.
- Several of the team members have worked together at Sprucegrove and its predecessor firm for more than two decades. The five portfolio managers average over 25 years of experience.
- Other than from retirements, the firm has only lost one investment team member since its inception. Sprucegrove also continues to hire junior staff.

Investment Process

Philosophy

Sprucegrove employs a value approach emphasizing a long term investment horizon. The firm focuses on individual stock selection using a bottom-up approach driven by independent research. Portfolio holdings must meet minimum standards of investment – leadership position (market share, low-cost producer, and/or technological advantage), a history of strong financial performance, reputable management, and a growth opportunity. Traditional valuation criteria analyzed by the managers include price-to-book and dividend yield but the major focus is on a stocks normalized price-earnings multiple.

Process

The investment team is responsible for idea generation. Members use various sources to try to identify candidates that meet the firm's criteria for an attractive stock (companies must have at least a 10-yr history of performance). These ideas are dicussed at the weekly investment team meetings where the group determines which candidates should be further researched and to set priorities. If preliminary analysis shows promise, the analyst is assigned to complete a full research report to ensure the company's inclusing onto the "working list" – universe of investible securities. The "working list" contains approximately 400 stocks globally which the team monitors closely. Sprucegrove, like many of the managers who originated from Confed Investment Counselling Ltd., uses an investment grade checklist to help determine the quality of a company. The checklist is used to assign companies a rating of 1 (best) to

5 (average). This also helps determine the weight at which the team is comfortable including a name.

Research is internally generated. Analysts build proprietary stock models with the purpose of determining a company's expected sustainable return-on-equity (3-5 years) and earnings. Assessing the quality of a company is the primary focus at Sprucegrove. More specifically, the firm defines the quality of a company as one with a history of above average return-on-equity, a strong balance sheet, sustainable competitive advantage, reasonable/attractive long term growth prospects, and business leadership that is conservative and shareholder-oriented.

Given all this and the stock's current price, the investment team can calculate a stock's price/normalized earnings multiple. The portfolio managers then focus their attention on buying businesses that exhibit above average returns-on-equity and expected returns along with low normalized price/earnings and price/book. The portfolio is constructed from the bottom up looking for names with a 50% discount to the estimated intrinsic value. Stocks are sold out of the portfolio when they become over-valued or when deteriorating fundamentals are observed.

Risk Management

Risk mananagement is embedded within the process. Sprucegrove does not employ an independent risk analytics team nor does it utilize any third party or proprietary risk systems. The team focuses solely on choosing high quality companies at a low valuation. Sprucegrove does monitor the valuation and quality (ROE and scores from the investment grade checklist) characteristics of the aggregate portfolio and compares it to that of the overall market.

The manager attempts to ensure appropriate diversification by investing in 80-110 stocks. The strategy has limits on stock and sector level concentrations. The portfolio also has guidelines restricting its concentration in regions/coutnries. The fund is subject to maximum ownership rules and can own the lesser of 5% the outstanding shares of a company or 10% of its free float.

Operational Due Diligence

- Sprucegorve has been registered with the Ontario Securities Commision (OSC) and Securities and Exchange Commission (SEC) as a portfolio manager since 1993. The firm is also registered in all the Canadian provinces with the exception of Prince Edward Island. It is also not registered with the three Canadian territories.
- Blake Murphy is the firm's Chief Operating and Chief Compliance Officer. He is assisted by Dale O'Connor who was hired in the role of Manager of Financial and Compliance Reporting in 2009. Murphy has been with Sprucegrove for over 15 years.
- Only the portfolio managers can initiate a trade and they are responsible for signing off on all executed trades daily. The Compliance Officer also reviews all trade executions.
- Sprucegrove's strategies typically exhibit low portfolio turnover and the firm has made very few trading errors historically.
- Sprucegrove uses SS&C Technologies as its order and portfolio management system. Business continuity plans are in place.

Terms & Conditions

Commingled Fund ($20 million minimum):

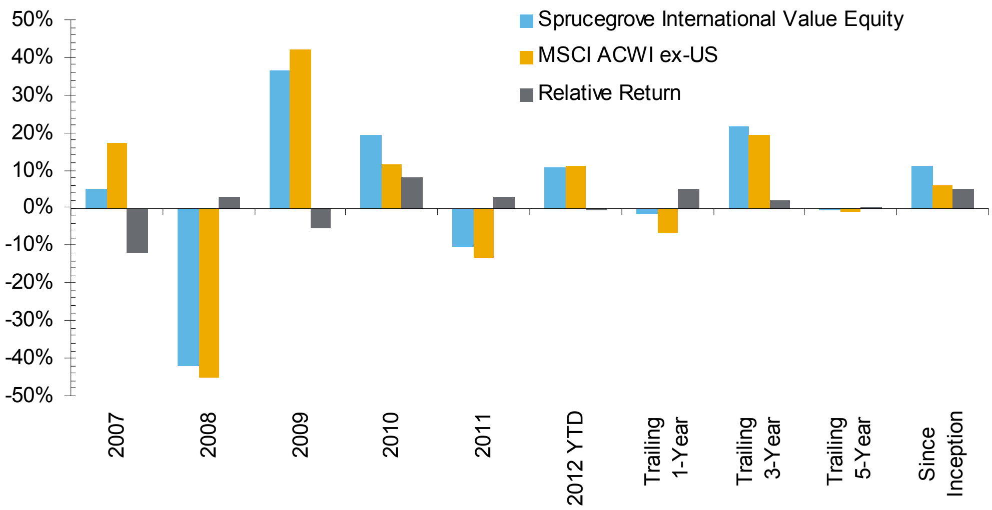
- First $5 million: 90 bps
- Next $10 million: 65 bps
- Next $25 million: 55 bps
- Next $35 million: 50 bps
- Next $225 million: 25 bps
- Balance: 20 bps

Separate Account ($100 million minimum):

- First $25 million: 70 bps
- Next $25 million: 60 bps
- Next $25 million: 50 bps
- Next $225 million: 25 bps
- Balance: 20 bps

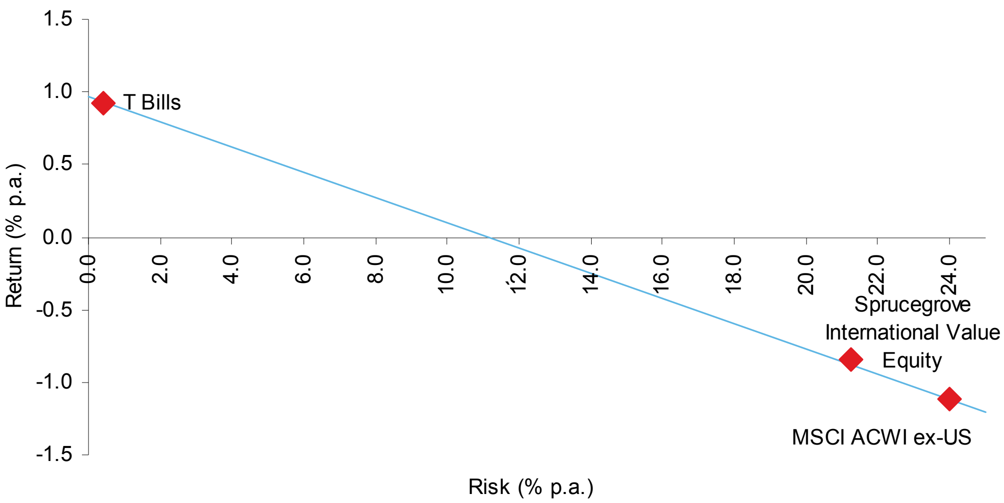
Performance and Risk Metrics

Historic Performance (Inception: January 1988)



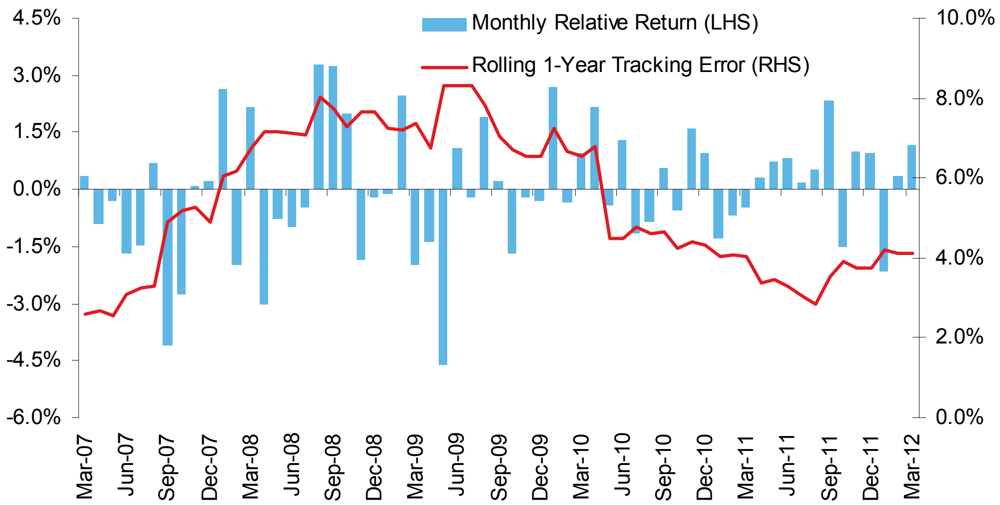
Risk – Return

5 Years Ending 3/31/2012

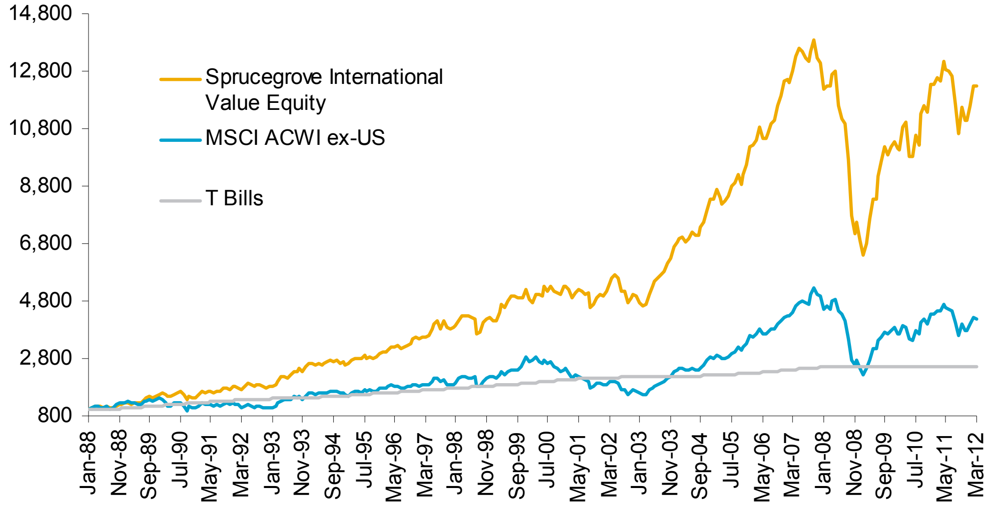


Monthly Return and 12-Month Rolling Tracking Error

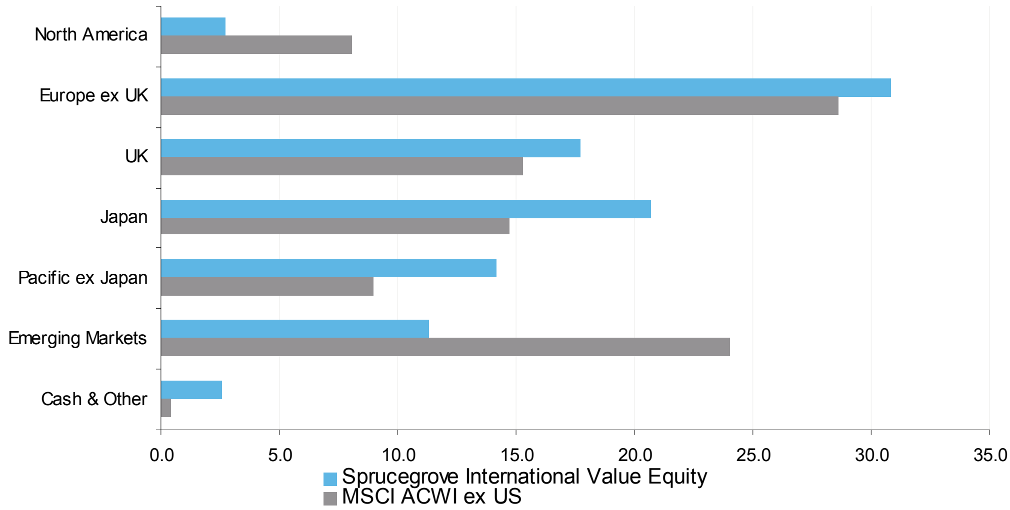
5 Years Ending 3/31/2012



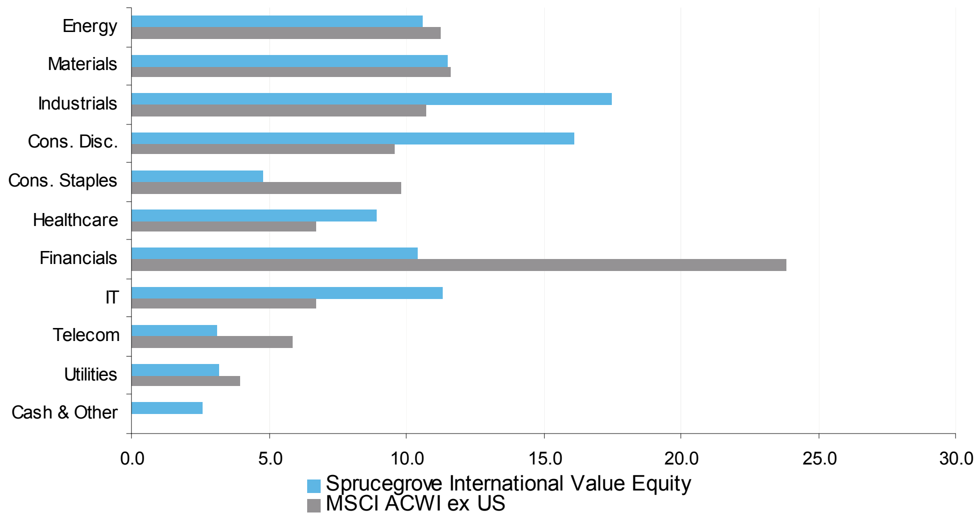
Growth of $1,000 (Inception: January 1988)



Regional Allocation Quarter Ending 3/31/2012



Sector Allocation Quarter Ending 3/31/2012



Notes

Composite performance (USD) is gross of fees and sourced from eVestment Alliance.

Ratings Explanation

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1 = Weak
2 = Average
3 = Above Average
4 = Strong

The ODD factor can be assigned a Pass, Conditional Pass, or Fail rating and can be interpreted as follows:

Pass – Our research indicates that the manager has acceptable operational controls and procedures in place.

Conditional Pass – We have specific concerns that the manager needs to address within a reasonable established timeframe.

Fail – Our research indicates that the manager has critical operational weaknesses and we recommend that clients formally review the appointment.

An overall rating is then derived for the product from the individual ratings. We do not assign a fixed weight to each criterion to establish the overall rating; instead we consider each case individually. The overall rating score can be interpreted as follows:

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Aon Corporation
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Chicago
Illinois 60601
USA

InBrief
Global Investment Management

Western Asset Management Co. — U.S. Core

Review Date	Current Rating	Previous Rating
March 2013	Hold	No Change

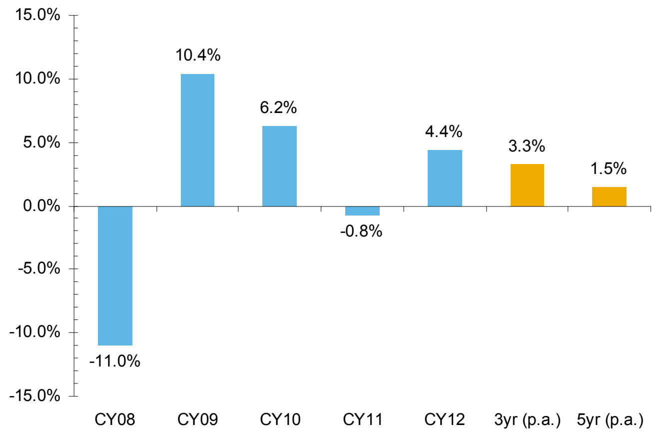
Overall Rating

Western is one of the largest fixed income asset managers in the world, with over $450 billion in firm-wide assets, all of which are in fixed income strategies. Western is defined by its diversified long-term value approach. The manager seeks to achieve balance between multiple sources of value-added – duration management, yield curve positioning, sector rotation, and security selection – by identifying investment opportunities in both the physical/cash pay and synthetic markets.

Component Ratings

	Rating	Previous Rating
Overall	**Hold**	*No Change*
Business	3	*No Change*
Staff	3	*No Change*
Process	3	*No Change*
Risk	2	*No Change*
ODD	Pass	*No Change*
Performance	2	*No Change*
T&C	3	*No Change*

Relative Performance to December 2012



Composite performance (USD) is gross of fees relative to Barclays U.S. Aggregate Index. CY = calendar year. Source: Manager

Firm Summary

Head Office Location	Pasadena, CA	**Parent Name**	Legg Mason, Inc.
Firm AUM	$461.9 billion	**Investment Staff**	126
Fixed Income AUM	$461.9 billion	**Fixed Income Staff**	126

Strategy Characteristics

Team Location	Pasadena, CA	**Team Head**	Carl Eichstaedt and Mark Lindbloom
Strategy Inception	February 1989	**Strategy Size**	$16.8 billion
Benchmark	Barclays U.S. Aggregate Index		
Performance Objective	75 bps		
Risk Tolerance Target	150 bps		
Typical Opportunity Set	Benchmark Assets, High Yield, EMD, Municipals, Convertibles, and Derivatives		

Note: AUM and Staff data as of December 31, 2012

Investment Manager Evaluation

Rating Sheet		
Factor	**Rating**	**Comments**
Business	3	Western Asset Management Company is a wholly-owned subsidiary of Legg Mason, Inc. that operates autonomously from its parent company. Western's ownership structure has been in place since 1986. Employee ownership is limited. Western has acquired divisions and teams from other asset management firms in an effort to enhance its capabilities and broaden the scope of the firm.
Investment Staff	3	Western boasts a culture of stability. The entire team sits on the trading desk where market developments are considered in real time by firm portfolio managers, analysts, and traders. The team is well seasoned and has broad backgrounds, which is a strength of the firm. Turnover increased during the credit crisis, but is still below average.
Investment Process	3	Western seeks value in bonds, which means that the manager seeks non-government bonds that have an adequate risk premium over Treasuries to compensate for liquidity and credit risk. Using this approach, Western is a classic "spread sector manager," which means that its process is predicated on underweighting government-related securities and emphasizing credit instruments: corporate bonds, mortgage-, and asset-backed securities.
Risk Management	2	Risk is integrated within the portfolio construction process and is monitored by a dedicated risk resource. Risk is overseen by the Global Investment Strategy Committee under the oversight of the Chief Investment Officer, utilizing reporting provided by the Risk Management Department. The firm has expanded their focus on risk in the past two years.
Operational Due Diligence	Pass	The systems at Western are comprehensive and allow for extensive compliance monitoring. Western utilizes Charles River Development's ComplianceMaster, which provides pre- and post-trade controls for positions and collateral management.
Performance Analysis	2	Western has a good long-term performance track record. The manager is willing to sacrifice short-term volatility to achieve superior returns if its research conviction is strong.
Terms & Conditions	3	Client feedback is strongly supportive of Western in this area. The firm has a Client Relationship Management package which ensures efficiency in dealing with clients requests. Fees at Western are somewhat competitive and tend to be negotiable. This strategy is available as a separate account, commingled trust or institutional mutual fund.

Rating Sheet		
Factor	**Rating**	**Comments**
Overall Rating	Hold	Western is one of the largest fixed income asset managers in the world, with over $450 billion in firm-wide assets, all of which are in fixed income strategies. Western is defined by its diversified long-term value approach. The manager seeks to achieve balance between multiple sources of value-added – duration management, yield curve positioning, sector rotation, and security selection – by identifying investment opportunities in both the physical/cash pay and synthetic markets.

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Sell	=	We recommend termination of client investments in this product
In Review	=	The rating is under review as we evaluate factors that may cause us to change the current rating.

The comments and assertions reflect our views of the specific investment product and our opinion of its strengths and weaknesses.

Disclaimer

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Memo

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

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

Date: June 17, 2013

Re: **September 26 Board Retreat Agenda Topics**

Background

The annual Board retreat provides the opportunity to examine in depth topics which board members and HEK feel may help to shape the overall direction of the investment portfolio.

Possible Topics

Infrastructure and/or water (Cadillac Desert); opportunistic buckets; San Diego's alpha engine; unconstrained active management mandates; dedicated small cap exposure; Board self-assessment

Next Steps

As the purpose of the annual retreat is to allow the Board sufficient time to become better educated about topics of interest, please let us know what other topics or speakers you wish to have considered for the September 26th retreat.

We look forward to discussing this further with you at the June 17th Board meeting.

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Memo

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

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

Date: June 17, 2013

Re: **August Onsite Due Diligence Meetings**

Background

VCERA has a policy of conducting onsite due diligence meetings with each of its investment managers and service providers roughly every three years. In order to keep travel expenses to a minimum, a trip has been scheduled for August 12 – 14 during which four managers/providers will be visited.

Schedule

Boston:

Monday, August 12 (9:00 A.M. to noon)	State Street (custodian)
Monday, August 12 (1:00 P.M. to 4:00 P.M.)	GMO (global equity)
Tuesday, August 13 (8:30 A.M. to 11:30 A.M.)	Loomis Sayles (fixed income)

Edina, MN

Wednesday, August 14 (9:00 A.M. to noon)	Clifton (portfolio overlay)

Next Steps

In order that we might maximize the value of the due diligent visits, please provide HEK with topics, concerns or questions you may have of any of the managers/providers listed above.

We look forward to discussing this further with you at the June 17th Board meeting.

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Date: 28 May 2013
Prepared for:
Prepared by: Global Asset Allocation Team

US – Five Year Economic Scenarios

Introduction

This report focuses on possible, although fairly extreme economic scenarios that are designed to have a significant impact on funding levels. It provides paths for how asset classes could evolve over the next one to five years.

For each scenario we describe how investors might see the outlook for inflation and various other economic and financial factors over the next five years, starting from market levels at 31 March 2013. For each scenario we provide the *level* of each variable over the five years.

- We provide year-on-year inflation assumptions over the five years, which is used to gauge short term inflation. We also provide breakeven inflation (defined as the difference between Treasury and TIPS yields) which is related to the long term inflation expectations, provided over a fifteen year period.
- For Treasury bonds and TIPS, we show the yields and returns of the five year as well as fifteen year duration bonds. For corporate bonds, we provide the credit spread over five year and ten year A rated corporate bonds versus fixed interest Treasury bonds, as well as their returns.
- We provide the total return for equities, commodities, real estate, hedge funds and cash.

It is important to stress that the central scenario does **not** reflect our Medium Term Asset Allocation views but reflects the outcomes within our Capital Market Assumptions, which drive long term strategic asset allocation[1]. All numbers are consistent with these assumptions.

We start out by providing a description of each scenario and then discuss the performance of each asset class/variable under the different scenarios. For modeling purposes, the underlying numbers for each scenario are presented in tables at the back of the report.

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[1] Our Capital Market Assumptions are based on consensus expectations embedded in markets as of 31 March 2013 (although we occasionally override the consensus when we think consensus expectations are implausible).

Description of Scenarios

Central Scenario

World events unfold in a fashion consistent with our Capital Market Assumptions.

The global recovery continues with slow, stable growth, as intensifying fiscal austerity continues to weigh on developed countries growth prospects and growth in emerging markets continues to be more sluggish than it was a few years ago, due to structural problems. The Euro-zone is expected to experience a period of very weak economic conditions over the next few years, due to high debt burdens in peripheral regions, low competitiveness and the constraint of the single currency, which limits policy options to improve competitiveness. Meanwhile, the US is only just beginning to attempt to reduce fiscal deficits, with tax rises and cuts to public expenditure of around $85.4bn in 2013.

The pace of recovery in the US remains weak over 2013 as a gradual improvement in economic fundamentals is offset by fiscal tightening and a broader slowdown in global growth. Over time, the US economy stays on a modest recovery path as the effects of the housing and financial crises continue to fade. The housing recovery remains firmly entrenched, with a marked upswing in housing construction (albeit from a very low starting level) and there is an increasing availability of credit, which helps to improve business investment levels. The rebound in real estate and stock prices, low borrowing costs and an improvement in employment growth improves household wealth and wage prospects, supporting modest growth in consumer expenditure. These factors remain supportive of growth over the five year period.

Subdued economic growth experienced during 2013 and stable energy and commodity prices mean that short term inflationary pressures ease and unemployment falls are modest during 2013. Over the first two years inflation remains close to the Federal Reserve’s 2% target, with the quantitative easing programme being phased out gradually. Inflation then gradually rises and stabilises over the remainder of the five year period, but inflation expectations remain anchored and interest rates gradually increase.

Blue Skies Scenario

The world economy grows strongly beating consensus expectations, while inflation remains subdued.

Global growth turns out to be considerably more robust than the central scenario. Policymakers in the Eurozone continue to make progress towards a fiscal and banking union, while making good on their promises to support the peripheral nations, with additional support from monetary policy and a longer, more balanced timescale for fiscal consolidation. This puts the Eurozone on a credible path towards financial stability and growth, restoring market confidence. Chinese policymakers announce further stimulus packages, which are substantial in scale and are undertaken quickly. These positive factors result in the world economy experiencing a sustained recovery at the cost of slightly higher inflation.

The US experiences a strong recovery. The Fed maintains an accommodative monetary policy until confidence in the economic recovery is fully established and only begins to tighten policy slowly in later years. Policymakers limit the extent of planned fiscal tightening over the five year period. Labour market conditions improve substantially (relative to the central scenario) and this allows private consumption to strengthen markedly. Business investment growth in the US accelerates, buoyed by improved consumer confidence and the availability of large cash surpluses in the non-financial corporate sector. The combined improvement in economic fundamentals spurs a virtuous cycle of economic growth, and the US enjoys a period of sustained growth above its long term growth potential.

The robust global recovery results in moderately higher inflation compared to the central scenario. However, wage growth remains modest and well-tuned monetary tightening in later years (involving an appropriate increase of the Fed funds rate) helps to keep inflationary pressures in check.

High Inflation Scenario

The world economy grows quicker than the central scenario but at the expense of much higher inflation.

Global energy and commodity prices surge due to loose monetary policy and an escalation of political problems in some oil-producing regions. A sustained period of elevated inflation causes businesses and households to expect inflation to remain at a high level in the medium to longer term, thus pushing up wages as well as prices further. These factors contribute to higher inflation.

Policymakers implement further fiscal stimuli, postpone (or limit) planned fiscal consolidation and loosen monetary policies, due to initial concerns over the strength of the economic recovery. This helps the US economy to maintain a stable growth path (which is slightly above growth observed in the central scenario) but with substantially higher inflation. The US Federal Reserve and other developed country policymakers continue to employ additional unconventional monetary policy stimulus (including quantitative easing) and only starts to raise interest rates after 2016.

Rising Yield Scenario

Concerns over reduced quantitative easing and growing concerns over public finances (which leads to a loss of confidence in the bond market) results in an increase in bond yields.

The US government deficit has recently been falling and is expected to hit 4% of GDP by September 2013, a 40% reduction in the deficit since the beginning of the year. The fall in the deficit has partly been driven by an increase in tax revenues and deep, automatic public spending cuts. A cyclical improvement in the housing market and economy is also helping to narrow the deficit. The improving deficit has helped to ease pressure on budget cuts and alleviated near term concern over sovereign debt levels.

Under this scenario, the improvement in the US economy, over the first half of 2013, gives rise to worries that the pace of quantitative easing will slow and will eventually be halted. This acts as a catalyst and bond yields start to rise, as investors anticipate a fall in demand for government bonds. Later in the year, concerns over sovereign debt levels reassert themselves as political wrangling over the federal budget and debt ceiling continues, with little progress being made in tackling the long term challenges of soaring expenditure on entitlements (such as Medicaid / Medicare) and social security benefits.

The improvement in US prospects proves to be ephemeral. The spending cuts and tax increases, agreed by Congress this year, combined with rising yields, acts as a partial brake on the recovery, preventing growth from accelerating to a more robust pace. Growth ends up being below growth in the central scenario. This results in higher debt levels than is currently expected and investor sentiment towards government bond markets worsens due to a loss of confidence.

Higher yields increase future funding costs as further action needs to be taken to tackle high debt levels. Lower economic growth leads to lower corporate profitability and more elevated levels of defaults on corporate bonds. Under this scenario, inflation is marginally weaker than the central scenario due to lower growth.

Ultra-Loose Monetary Policy Scenario

The UK and other developed economies keep monetary policy ultra-loose in order to offset the impact of fiscal austerity and boost economic activity.

With high levels of public debt, fiscal austerity continues to exert a negative drag. The economy remains vulnerable to external drags, such as renewed concerns over the Eurozone sovereign debt crisis and a slowdown in China. The world economy experiences a slow and fitful recovery, alternating between periods of slow and moderate growth.

The Fed keeps monetary policy ultra-loose and interest rates low for an extended period of time, partly to offset the impact of fiscal tightening. Fears over a double dip recession result in the US undertaking further substantial rounds of monetary stimulus (quantitative easing) as well as adopting other accommodative policies aimed at increasing liquidity and easing credit conditions.

Excess liquidity means all asset classes perform well for some time until investors become concerned with inflation. Treasury yields remain lower for longer, in part due to quantitative easing having a continued impact on Treasuries.

The fitful economic recovery implies that credit spreads find it more difficult to narrow further. Inflation remains moderate in the first few years, due to a fragile economy depressing wage inflation. However, when growth starts to look sustainable later in the five year period, inflation starts to rise and investors start to worry about future inflation given the extent of excess liquidity that has been pumped into the system.

Below Trend Growth

The US experiences a prolonged period of low economic growth but manages to avoid a recession.

The world economy continues to recover in 2013, but the growth rate remains sluggish and below trend as the detrimental effects of widespread austerity across developed regions, the ongoing European sovereign debt crisis and a structural slowdown across emerging markets, including China, are more pronounced than expected. However, the collective monetary policy action being undertaken around the world by policymakers manages to avoid a collapse in productivity.

The US economy weakens in the second half of 2013 on the back of fiscal adjustment, and then begins to gradually recover at a lacklustre pace. Real GDP growth remains below trend over the five year period, although the gap in the real GDP growth rate subsequently closes relative to the central scenario over the five year period. However, the level of real GDP growth remains permanently lower than in the central case.

Households engage in relatively more precautionary saving and therefore consumer expenditure therefore remains subdued, relative to the central scenario. Consumer confidence remains fragile and companies continue to hoard cash for longer than expected. This results in an environment of less risk-taking, which is reflected in higher yield spreads and lower returns on growth assets, when compared to the central scenario. Capital accumulation and productivity gains are therefore lower than under the central scenario, owing to the higher cost of borrowing, which subsequently lowers business investment.

The prolonged dislocation in the labour market hampers the typical long-term pattern of advances in worker productivity, as employees find fewer opportunities to develop their skills while in employment. The result is productivity growth below the long-run trend over the five year period. The unemployment rate stays higher than in the central case and real earnings remains depressed. Combined with the weak global growth outlook, inflation remains low.

Recession Scenario

The US economy slips back into recession in 2013.

Under the recession scenario, global growth is much slower than expected. The Eurozone experiences a deep recession, as fiscal austerity hits growth, and key emerging economies' growth slows. The US extends fiscal tightening, which acts as a drag on growth. However, public budget constraints and further disagreements in Congress over priorities prevent fiscal policy initiatives that might stem a downturn, adversely impacting confidence.

In the US, the deep recession in the Eurozone hurts the US external sector and US banks suffer from their exposure to banks within the Eurozone, which damages business confidence and restricts lending, limiting investment. The labour market remains weak and real wages continue to decline into 2014. A shortfall in labour productivity keeps unit labour costs high and firms begin to reduce their headcounts over the next few years. Continued private sector deleveraging coupled with a high level of unemployment pushes down private consumption. These factors, combined with continued fiscal austerity, push the US into a deep recession.

Inflation falls to low levels in 2014 as the recession deepens. It then stabilises in 2015 as fiscal tightening is eased and a recovery begins. Inflation starts to rise gradually as the recovery takes hold towards the end of the five year period.

Black Skies Scenario

A deep recession followed by a longer period of stagnant growth.

Policy measures prove to be ineffective and the global economy slips into a protracted, deep recession. The sheer size of excess debt that needs to be reduced and the global nature of the problem causes growth to remain low for many years after the recession.

Fragile global growth hinders efforts of peripheral economies in the Eurozone to improve public finances and core governments become reluctant to take further steps towards a fiscal and banking union, which limits willingness to make further concessions to peripheral economies and creates delays with the bond buying programme. The Eurozone crisis worsens markedly, resulting in a very deep slump, which causes US exports, business confidence and hiring to fall sharply. The US banking system faces major risks as a result of ties with Eurozone banks and credit availability shrinks.

The US fiscal cliff results in a standoff over the debt ceiling during 2013 and a partial government shutdown of services in late 2013. Fiscal policy initiatives that might stem a downturn are hampered by disagreements over tax cuts and spending priorities.

The recession results in severe levels of unemployment and substantial excess spare productive capacity. The deterioration in the global economy badly affects profits and firms curtail their business investment due to concerns over the economic outlook.

The sovereign debt problem is perpetuated, as the economies cannot grow their way out of the debt trap. The majority of growth assets perform poorly, with severe losses experienced during 2013 and 2014. Government bond yields fall further as weak economic growth cements expectations of super-loose monetary policy.

As a large degree of spare capacity builds up in the economy, the recession deepens and the US experiences a short period of negative inflation during 2014. Even as the global economy stabilises, inflation remains at low levels for the remainder of the five year period, depressed by falling commodity prices and weak labour bargaining power.

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Description of Asset Classes and Macro Factors

Inflation

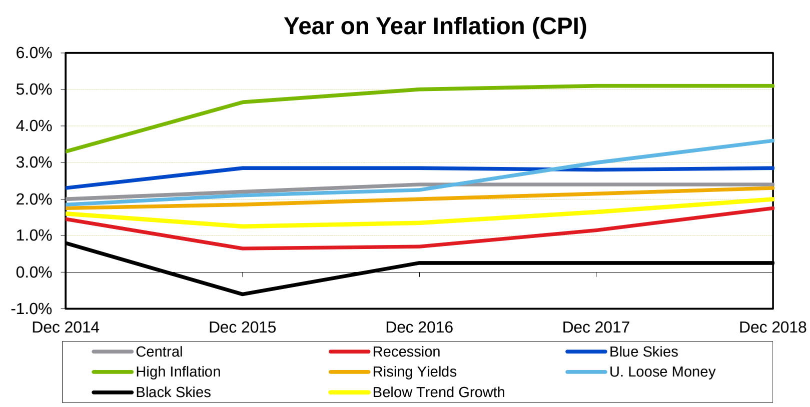
In the central scenario, a slow economic recovery results in stable inflation that remains close to the Federal Reserve's target of 2% over the first year. It then rises and stays above target for the remaining years as the global outlook improves. Under the high inflation scenario, inflation remains high over the five year period as commodity prices increase and central banks are slow to react to improving growth prospects.

The stronger economic growth envisaged in the blue skies scenario adds to inflationary pressure, albeit fairly modestly as the Fed successfully restrains higher inflation by gradually tightening monetary policy in later years.

The ultra-loose monetary policy scenario is characterised by a stable inflationary environment in early years, which is slightly below inflation experienced in the central scenario. Investors begin to worry about inflation and inflation increases in the later years of the five year horizon as monetary policy has proven to be too lax.

Under the rising yield and below trend growth scenarios, inflation is lower than the central scenario on the back of more muted growth.

The recession scenario results in inflation falling over the first few years; inflation starts to rise in 2015 as the economic recovery establishes itself. Because of the severity of the recession experienced in the black skies scenario, inflation falls into negative territory in 2014 while continued sluggish growth over the following years means that inflation stays close to zero.



Breakeven Inflation

Breakeven inflation reflects year-on-year inflation movements, although changes are more muted as breakeven inflation movements are based on long term inflation expectations over a fifteen year period. Breakeven inflation increases or reduces as investors become more or less worried about the inflationary outlook, even if their central expectation for inflation remains the same.

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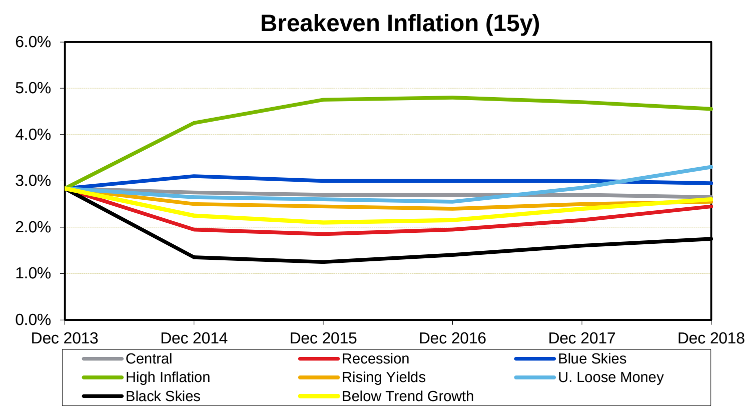
Under the high inflation scenario, long term inflation expectations are much higher than the other scenarios and this is reflected in higher levels of breakeven inflation. The blue skies scenario has slightly higher breakeven inflation than the central scenario due to stronger global growth.

The rising yield scenario experiences slightly lower breakeven inflation levels than under the central scenario, due to the negative impact of rising government yields on economic growth, which leads to lower inflation and lower breakeven inflation. The stagnant economic growth environment in the below trend growth scenario leads to even lower breakeven inflation levels.

Inflation breakevens under the ultra-loose monetary policy scenario fall slightly and then stabilise; they then begin to rise as investors' concerns over inflation push up inflation expectations and rising inflation feeds through in later years.

Breakeven inflation is lower in the recession scenario where inflation expectations are adjusted lower as the US economy goes back into recession. Prolonged low levels of inflation push down breakevens the most in the black skies scenario where they remain just above 1.5% for the first three years, and then gradually rise above 1.5% by March 2017, as the US economy begins to recover in later years.



Nominal Treasury Bond Yields

Since inflation is one of the main drivers of yields, we assume that Treasury yields broadly move in the same direction as changes in inflation for most scenarios. The high inflation scenario and the rising yield scenario both experience rises in yields but for different reasons.

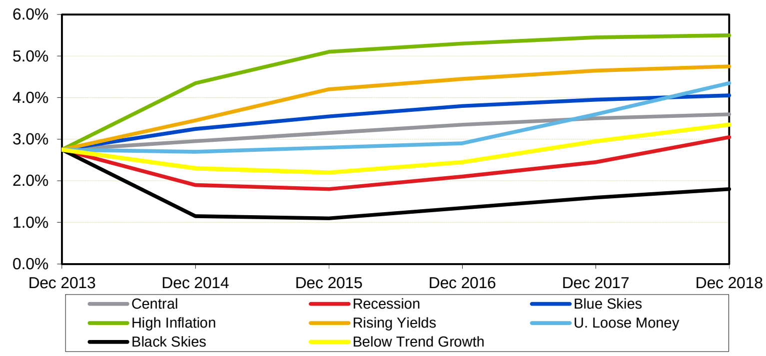
Persistent high inflation drives yields upwards under the high inflation scenario as concerns over future inflation rise. However under the rising yield scenario, there is less enthusiasm for safe havens and yields become more normal. Reduced quantitative easing lowers the demand for Treasuries.

The below trend growth scenario has lower yields than the central scenario due to a weak economic outlook and subdued inflation expectations.

The blue skies scenario has higher yields than the central scenario as stronger growth, moderately higher inflation and a moderate tightening of monetary policy all feed into higher long Treasury yields. Anaemic growth and quantitative easing under the ultra-loose monetary policy scenario push yields below those in the central scenario; in later years a rise in inflation results in convergence towards the central case, with yields eventually rising above those in the central scenario towards the end of the five year period.

Nominal yields fall in both the recession and black skies scenarios, where inflation falls to low levels as the economy slips into recession. The main difference is that yields gradually recover in the recession scenario in line with higher levels of growth while yields remain very low in the black skies scenario as the economy goes through a protracted period of low growth.

Nominal Treasury Bond Yields (15y)



TIPS Yields

In the below trend growth, recession and black skies scenarios, TIPS yields remain at low levels through 2015 due to concern over the economic growth outlook, whilst inflation remains low. However, real yields begin to rise towards the end of the projection period in the below trend growth and recession scenarios, while they remain low for all years under the black skies scenario, as economic growth does not manage to recover over the five year period.

Under the ultra-loose monetary policy scenario, the fragility of the economy results in purchases of bonds that keep real yields reasonably stable; as the economy recovers, real yields experience a sustained increase but outperform nominal Treasuries as inflation concerns rise.

Under the high inflation scenario, real yields rise at a slightly slower pace than the central scenario as upward pressure on yields from a rebound in the economy is offset by investors demanding inflation protection. Strong growth in the blue skies scenario leads to a rise in yields, outweighing the downward pressure on yields from higher demand for inflation protection.

In the rising yield scenario a reversal in safe haven flows, reduced quantitative easing and concerns over sovereign debt levels drive up both nominal and real yields.

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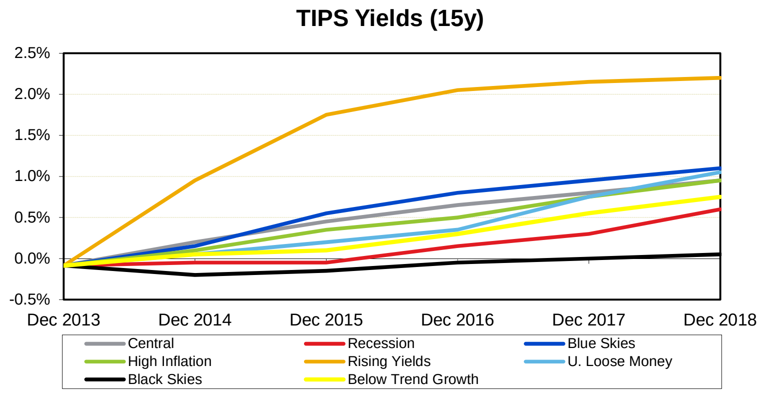
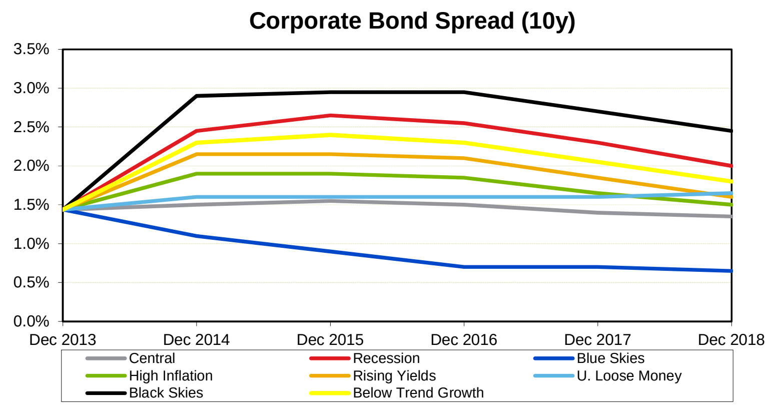


Long Corporate Bond Spreads

Under the below trend growth, recession and black skies scenarios, corporate spreads rise significantly because of the poor economic situation and increased risks of downgrades or defaults. Corporate spreads remain elevated but less so in the rising yield scenario, relative to the central scenario, due to concerns over debt.

Under the ultra-loose monetary policy scenario, corporate spreads remain broadly similar to the central scenario in the first few years and then start to rise relative to the central scenario in later years. A high inflation scenario means increased market uncertainty and an increase in risk aversion, which initially raises credit spreads; market uncertainty and risk aversion then subsequently subside and corporate spreads gradually become lower.

Corporate spreads come down the most under the blue skies scenario as credit conditions improve substantially due to robust global growth.



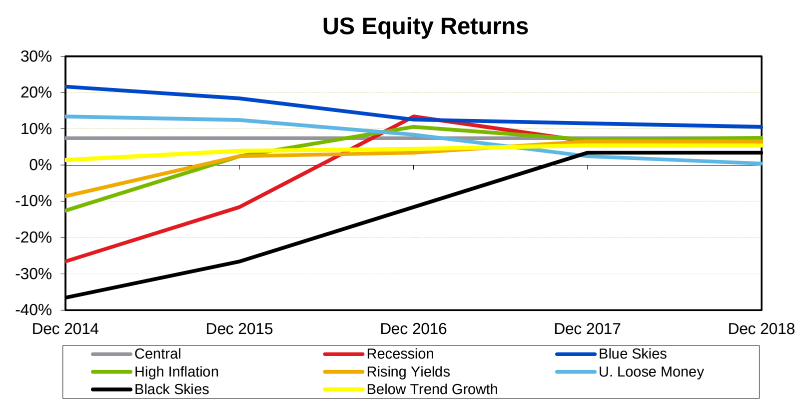
Equities

In the recession and black skies scenarios equities fall sharply as the US economy slips back into recession with growth weakening globally. As the economic environment improves in the recession scenario, equities respond with a relief rally and we assume a much higher than normal return in 2015, as investors observe a return to growth. In the case of the black skies scenario there is no pronounced bounce in growth and the economic situation remains poor for a long time, something that also weighs on equities.

Under the high inflation and rising yield scenarios, equities experience negative returns over the first twelve months. Under the high inflation scenario the initial decrease in equity prices is due to higher inflation squeezing profit margins and higher yields increasing borrowing costs; in the rising yield scenario, the lower growth environment and higher yields puts pressure on profit margins. In due course, equities outperform. Under the high inflation scenario, we assume that companies are able to eventually pass on higher inflation to consumers, which improves equity prices. While economic growth is modest in the ultra-loose monetary policy scenario, equity prices are, in later years, boosted by renewed monetary stimulus, the additional liquidity spilling over into asset prices; equity returns do worse relative to the central scenario in later years as the stimulus effect fades.

In the below trend growth scenario, equity returns remain at low levels due to weak economic growth. However, returns remain positive due to accommodative monetary policy.

In the blue skies case, equities naturally benefit from above trend economic growth, rising considerably over the first two years.



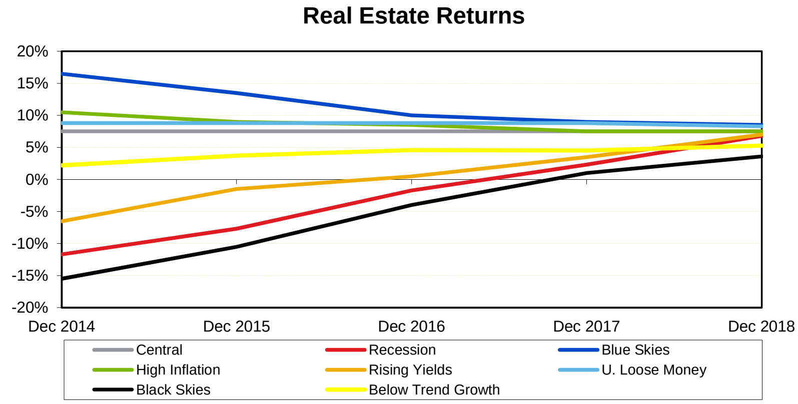
Real Estate

Real estate behaves very much like equities in many respects although we assume the moves are less extreme, as real estate benefits from a steady income component. In the recession and black skies scenarios, real estate returns fall as the US economy enters a recession period. As the economic environment improves, the real estate market recovers although the recovery is muted in the case of black skies.

In the below trend growth scenario, real estate returns remain at low, positive levels due to the weak economic backdrop. Losses on property are avoided because of a continued supportive monetary policy.

Under the rising yield scenario real estate experiences negative returns over the first two years, due to a revaluation of real estate as bond yields rise. Under the high inflation scenario, real estate does slightly better than the central scenario. This is due to real estate having a stronger inflation linkage than equities, as rentals are heavily influenced by inflation.

Real estate returns are boosted relative to the central scenario by renewed monetary stimulus in the ultra-loose monetary policy scenario, which offsets the weaker economic growth environment. In the blue skies scenario, real estate benefits from above trend growth and moderately higher inflation.



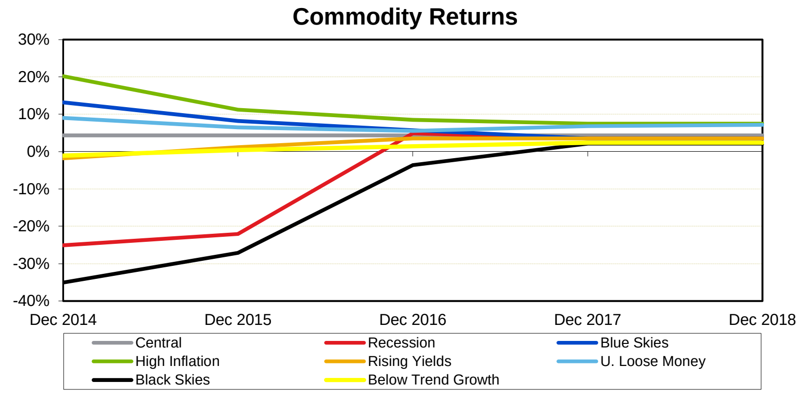
Commodities

Commodities follow a similar trajectory to equities in the black skies scenarios and then move to a low return level. In the below trend growth scenario and recession scenario commodity returns fall due to weak global growth; commodity returns then gradually improve as global economic conditions improve.

In the black skies scenario the extended period of low growth results in even sharper falls in commodity prices. Under the rising yield scenario, the drag on growth created by rising yields results in weaker commodity returns.

Additional monetary stimulus in the ultra-loose monetary policy scenario not only boosts equity prices but also helps to raise commodity prices.

The blue skies and high inflation scenarios are supportive of higher commodity returns in the first two years. In the latter case, rising commodities are a main cause of high inflation.

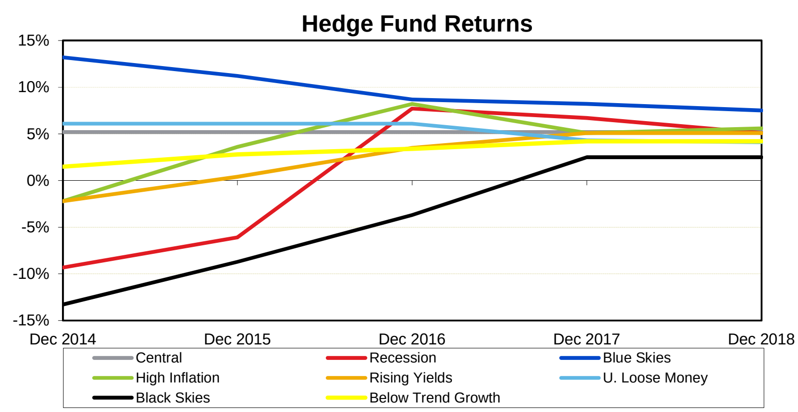


Hedge Funds

Hedge funds are not insulated from market movements and will, to a certain extent, follow the performance of other asset classes, especially equities. Under the recession and black skies scenarios most asset classes do poorly in the first few years and hedge funds experience lower returns than under other scenarios.

In contrast, most asset classes do well under the blue skies scenario, which results in hedge funds putting in a better performance in the first few years than under other scenarios. In the ultra-loose monetary policy scenario hedge funds benefit from the stimulus to growth assets; however, hedge funds generally target a benchmark based on LIBOR, which is low under this scenario and this dampens their returns relative to other growth assets.

Poor equity performance in the first two years dampens returns for hedge funds in the below trend growth, rising yield and high inflation scenarios but they subsequently recover as the environment normalises.



Private Equity

Private equity behaves very much like equities in many respects although we assume the moves to be more extreme on the upside and slightly less on the downside. The rationale for muted moves to the downside is that private equity investments are valued less frequently (as they are not mark to market), which provides additional time between valuations for investments to appreciate or public market comparables to recover.

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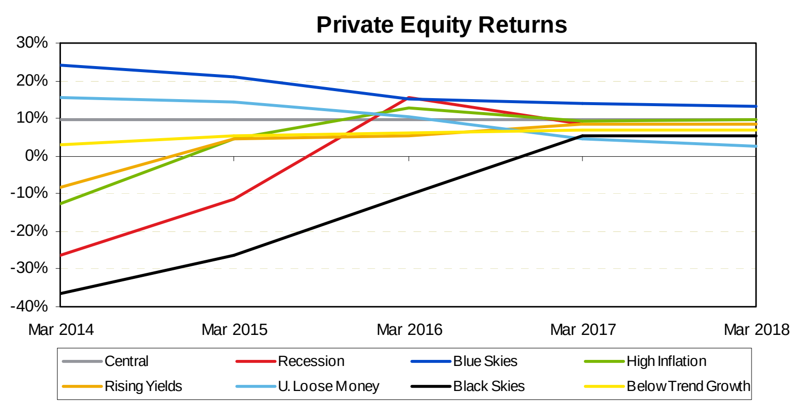
In the Blue Skies scenario, a strong upswing in the economic cycle results in strong equity markets, which allows private equity firms to exit investments in a high multiple/ valuation environment to strategic buyers or exit via the public markets (i.e. initial public offering) to generate returns higher than equity markets.

Under the High Inflation scenario private equity investments face challenges, as equity returns are initially negative, due to the adverse effect on corporate profitability and higher borrowing costs. However, as companies and households adjust to the higher inflation outlook, equities outperform, which in turn supports private equity returns.

A low interest rate environment, created by accommodative monetary policy under the Ultra Loose Monetary Policy. provides for a lower cost of debt and initially assists private equity performance, but is slightly offset by lower growth in the underlying private equity investments. In later years, high inflation squeezes profit margins and private equity returns are lower.

Under the Recession and Black Skies scenario, as GDP growth and consumer spending are adversely impacted, private equity investments experience a few years of negative returns as these investments encounter their own growth headwinds. Exit multiples across most industries soften, strategic buyers are less active (as they tend to their own corporate issues and declining public markets and are therefore less receptive to initial public offerings). The Below Trend Growth scenario experiences a less pronounced slowdown and avoids recession. Private equity investment returns offer lower returns than under the central scenario but manage to make gains each year.



Infrastructure

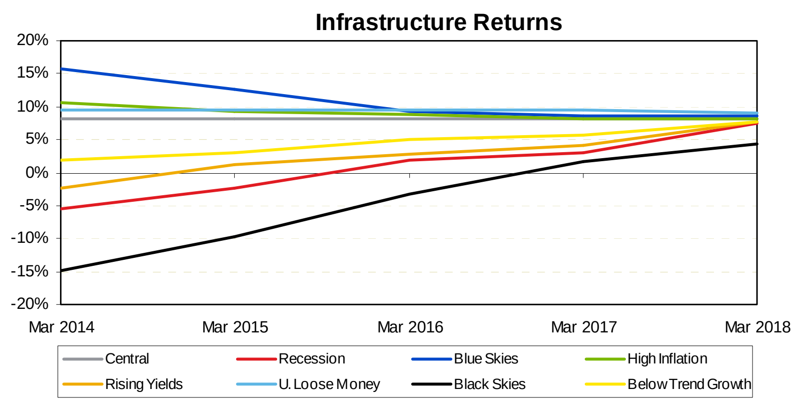
Infrastructure is affected by movements in the equity and bond markets, but will experience less extreme moves compared with equities, private equity or real estate as most infrastructure assets benefit from a strong cash flow profile and have long term contracts with inflation escalators.

In the Blue Skies scenario, the upswing in the economic cycle helps infrastructure generate strong returns as energy assets continue to perform and transportation assets experience higher volumes but with a lag to private equity and public equities.

In the High Inflation scenario, infrastructure assets continue to perform even though high inflation impacts consumer spending and GDP growth.

Under the Ultra Loose Monetary Policy scenario a low interest rate environment benefits new infrastructure transactions in the first few years with a lower cost of debt and existing infrastructure companies seek to refinance. In later years, inflation escalators help keep infrastructure returns above those experienced under the central scenario.

In the Recession and Black Skies scenarios, infrastructure experiences negative returns in the first few years, but to a lesser extent than many of the other asset classes. Though GDP growth and consumer spending are adversely affected, certain infrastructure investments continue to perform as many of these services are ‘essential’ (i.e. even when times are difficult, consumers still pay their electricity and water bills), while other infrastructure assets may be more sensitive to lower GDP growth (i.e. toll roads, ports and airports). As the economic environment improves, the infrastructure market recovers, although the recovery is muted in the case of black skies. The Below Trend Growth scenario experiences a less pronounced slowdown and infrastructure returns are not as badly impacted as in the Recession and Back Skies scenarios.



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Five Year Projection Numbers

Table 1. US Assumptions under Central Scenario

	As at 31 March 2013	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018
Treasury yield 5y	0.8%	1.1%	1.5%	1.9%	2.3%	2.6%
Long Treasury yield 15y	2.7%	3.0%	3.2%	3.4%	3.5%	3.6%
TIPS yield 5y	-1.6%	-1.1%	-0.6%	-0.2%	0.1%	0.4%
Long TIPS yield 15y	-0.1%	0.2%	0.5%	0.7%	0.8%	1.0%
Breakeven price inflation 15y	2.8%	2.8%	2.7%	2.7%	2.7%	2.7%
Corporate bond yield 5y	1.9%	2.1%	2.5%	2.8%	3.1%	3.4%
Long Corporate bond yield 10y	3.4%	3.8%	4.2%	4.4%	4.5%	4.7%
Corporate spread 5y	1.1%	1.0%	0.9%	0.9%	0.8%	0.8%
Long Corporate spread 10y	1.4%	1.5%	1.6%	1.5%	1.4%	1.4%

Expected nominal return on assets	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2016	Year to 31 March 2017	Year to 31 March 2018
Equity - US	7.4%	7.4%	7.4%	7.4%	7.4%
Equity - Global	8.1%	8.1%	8.1%	8.1%	8.1%
Corporate bonds 5y	0.9%	0.5%	0.9%	1.4%	1.7%
Long Corporate bonds 10y	-0.3%	0.4%	2.1%	2.7%	2.9%
Treasury bonds 5y	-0.5%	-0.5%	-0.1%	0.3%	1.1%
Long Treasury bonds 15y	0.0%	0.2%	0.4%	1.3%	2.1%
TIPS 5y	-1.9%	-0.7%	0.2%	1.0%	1.5%
Long TIPS 15y	-2.1%	-1.1%	0.0%	0.9%	1.1%
Real Estate	7.5%	7.5%	7.5%	7.5%	7.5%
Commodities	4.3%	4.3%	4.3%	4.3%	4.3%
Hedge funds	5.2%	5.2%	5.2%	5.2%	5.2%
Private Equity	9.5%	9.5%	9.5%	9.5%	9.5%
Infrastructure	8.2%	8.2%	8.2%	8.2%	8.2%
Cash	0.2%	0.3%	0.6%	1.0%	1.4%

Table 2. US Assumptions under Blue Skies Scenario

	As at 31 March 2013	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018
Treasury yield 5y	0.8%	1.6%	2.4%	2.9%	3.2%	3.3%
Long Treasury yield 15y	2.7%	3.3%	3.6%	3.8%	4.0%	4.1%
TIPS yield 5y	-1.6%	-0.9%	-0.3%	0.3%	0.6%	0.7%
Long TIPS yield 15y	-0.1%	0.2%	0.6%	0.8%	1.0%	1.1%
Breakeven price inflation 15y	2.8%	3.1%	3.0%	3.0%	3.0%	3.0%
Corporate bond yield 5y	1.9%	2.2%	2.7%	3.2%	3.6%	3.8%
Long Corporate bond yield 10y	3.4%	3.8%	4.1%	4.2%	4.4%	4.5%
Corporate spread 5y	1.1%	0.6%	0.3%	0.3%	0.4%	0.5%
Long Corporate spread 10y	1.4%	1.1%	0.9%	0.7%	0.7%	0.7%

Expected nominal return on assets	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2016	Year to 31 March 2017	Year to 31 March 2018
Equity - US	21.6%	18.4%	12.5%	11.5%	10.5%
Equity - Global	22.3%	19.1%	13.2%	12.2%	11.2%
Corporate bonds 5y	0.8%	0.1%	0.4%	1.7%	2.7%
Long Corporate bonds 10y	0.2%	0.9%	2.6%	2.3%	3.8%
Treasury bonds 5y	-2.5%	-1.3%	0.2%	1.9%	2.8%
Long Treasury bonds 15y	-4.0%	-0.9%	0.1%	1.7%	2.6%
TIPS 5y	-2.4%	-0.4%	0.4%	2.1%	3.0%
Long TIPS 15y	-1.1%	-2.6%	-0.1%	1.5%	1.7%
Real Estate	16.5%	13.5%	10.0%	9.0%	8.5%
Commodities	13.2%	8.2%	5.7%	3.5%	3.5%
Hedge funds	13.2%	11.2%	8.7%	8.2%	7.5%
Private Equity	24.0%	21.0%	15.1%	14.1%	13.1%
Infrastructure	15.7%	12.7%	9.2%	8.7%	8.7%
Cash	0.3%	0.5%	0.8%	1.2%	1.6%

Table 3. US Assumptions under Recession Scenario

	As at 31 March 2013	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018
Treasury yield 5y	0.8%	0.5%	0.6%	0.9%	1.4%	2.1%
Long Treasury yield 15y	2.7%	1.9%	1.8%	2.1%	2.5%	3.1%
TIPS yield 5y	-1.6%	-1.4%	-1.2%	-0.9%	-0.5%	0.0%
Long TIPS yield 15y	-0.1%	-0.1%	-0.1%	0.2%	0.3%	0.6%
Breakeven price inflation 15y	2.8%	2.0%	1.9%	2.0%	2.2%	2.5%
Corporate bond yield 5y	1.9%	2.4%	3.0%	3.1%	3.3%	3.7%
Long Corporate bond yield 10y	3.4%	3.9%	4.1%	4.3%	4.4%	4.8%
Corporate spread 5y	1.1%	1.9%	2.4%	2.2%	1.9%	1.6%
Long Corporate spread 10y	1.4%	2.5%	2.7%	2.6%	2.3%	2.0%

Expected nominal return on assets	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2016	Year to 31 March 2017	Year to 31 March 2018
Equity - US	-26.6%	-11.6%	13.4%	6.5%	6.5%
Equity - Global	-25.9%	-10.9%	14.1%	7.2%	7.2%
Corporate bonds 5y	-0.9%	-0.7%	1.5%	1.5%	1.1%
Long Corporate bonds 10y	-1.4%	1.0%	1.2%	2.0%	0.5%
Treasury bonds 5y	1.9%	0.3%	-0.8%	-1.1%	-1.4%
Long Treasury bonds 15y	15.4%	3.3%	-2.3%	-2.7%	-5.6%
TIPS 5y	-1.3%	-1.3%	-1.9%	-1.3%	-0.5%
Long TIPS 15y	0.8%	0.6%	-2.1%	-0.8%	-2.1%
Real Estate	-11.7%	-7.7%	-1.7%	2.3%	6.8%
Commodities	-25.1%	-22.1%	4.9%	3.5%	3.5%
Hedge funds	-9.3%	-6.1%	7.7%	6.7%	5.1%
Private Equity	-26.5%	-11.5%	15.5%	8.6%	8.6%
Infrastructure	-5.4%	-2.3%	2.0%	3.0%	7.5%
Cash	0.1%	0.2%	0.3%	0.6%	1.1%

Table 4. US Assumptions under High Inflation Scenario

	As at 31 March 2013	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018
Treasury yield 5y	0.8%	2.8%	3.5%	4.0%	4.4%	4.7%
Long Treasury yield 15y	2.7%	4.4%	5.1%	5.3%	5.5%	5.5%
TIPS yield 5y	-1.6%	-1.2%	-0.8%	-0.4%	0.1%	0.4%
Long TIPS yield 15y	-0.1%	0.1%	0.4%	0.5%	0.8%	1.0%
Breakeven price inflation 15y	2.8%	4.3%	4.8%	4.8%	4.7%	4.6%
Corporate bond yield 5y	1.9%	3.9%	4.5%	5.0%	5.3%	5.5%
Long Corporate bond yield 10y	3.4%	5.7%	6.5%	6.7%	6.8%	6.7%
Corporate spread 5y	1.1%	1.2%	1.1%	1.0%	0.9%	0.8%
Long Corporate spread 10y	1.4%	1.9%	1.9%	1.9%	1.7%	1.5%

Expected nominal return on assets	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2016	Year to 31 March 2017	Year to 31 March 2018
Equity - US	-12.6%	2.4%	10.5%	7.0%	7.5%
Equity - Global	-11.9%	3.1%	11.2%	7.7%	8.2%
Corporate bonds 5y	-6.0%	1.3%	2.5%	3.4%	4.5%
Long Corporate bonds 10y	-15.1%	-1.7%	3.9%	5.9%	6.9%
Treasury bonds 5y	-6.8%	0.0%	1.5%	2.2%	3.4%
Long Treasury bonds 15y	-17.3%	-5.6%	2.3%	3.2%	4.8%
TIPS 5y	-0.3%	1.8%	2.6%	3.1%	3.9%
Long TIPS 15y	0.5%	1.2%	3.2%	2.0%	3.0%
Real Estate	10.5%	9.0%	8.5%	7.5%	7.5%
Commodities	20.2%	11.2%	8.5%	7.5%	7.5%
Hedge funds	-2.2%	3.6%	8.2%	5.1%	5.6%
Private Equity	-12.5%	4.5%	12.6%	9.1%	9.6%
Infrastructure	10.7%	9.3%	8.9%	8.2%	8.2%
Cash	0.3%	0.7%	1.2%	1.9%	2.8%

Table 5. US Assumptions under Rising Yield Scenario

	As at 31 March 2013	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018
Treasury yield 5y	0.8%	2.0%	2.8%	3.4%	3.7%	3.8%
Long Treasury yield 15y	2.7%	3.5%	4.2%	4.5%	4.7%	4.8%
TIPS yield 5y	-1.6%	0.0%	0.9%	1.5%	1.6%	1.6%
Long TIPS yield 15y	-0.1%	1.0%	1.8%	2.1%	2.2%	2.2%
Breakeven price inflation 15y	2.8%	2.5%	2.5%	2.4%	2.5%	2.6%
Corporate bond yield 5y	1.9%	3.4%	4.3%	4.9%	5.1%	4.9%
Long Corporate bond yield 10y	3.4%	5.1%	5.9%	6.2%	6.2%	6.0%
Corporate spread 5y	1.1%	1.4%	1.5%	1.5%	1.4%	1.2%
Long Corporate spread 10y	1.4%	2.2%	2.2%	2.1%	1.9%	1.6%

Expected nominal return on assets	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2016	Year to 31 March 2017	Year to 31 March 2018
Equity - US	-8.6%	2.4%	3.4%	6.5%	6.5%
Equity - Global	-7.9%	3.1%	4.1%	7.2%	7.2%
Corporate bonds 5y	-4.2%	-0.7%	1.4%	3.6%	5.3%
Long Corporate bonds 10y	-10.9%	-2.6%	2.1%	5.6%	7.5%
Treasury bonds 5y	-3.8%	-1.2%	0.4%	2.2%	3.3%
Long Treasury bonds 15y	-6.6%	-6.5%	0.8%	1.7%	3.3%
TIPS 5y	-5.8%	-1.3%	0.5%	2.9%	2.9%
Long TIPS 15y	-11.7%	-7.7%	-0.3%	2.5%	3.0%
Real Estate	-6.5%	-1.5%	0.5%	3.5%	7.0%
Commodities	-1.8%	1.2%	3.5%	3.5%	3.5%
Hedge funds	-2.2%	0.4%	3.5%	5.1%	5.1%
Private Equity	-8.5%	4.5%	5.5%	8.6%	8.6%
Infrastructure	-2.3%	1.3%	2.9%	4.2%	7.7%
Cash	0.1%	0.2%	0.5%	0.9%	1.4%

Table 6. US Assumptions under Ultra-Loose Monetary Policy Scenario

	As at 31 March 2013	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018
Treasury yield 5y	0.8%	0.8%	1.0%	1.5%	2.4%	3.3%
Long Treasury yield 15y	2.7%	2.7%	2.8%	2.9%	3.6%	4.4%
TIPS yield 5y	-1.6%	-1.3%	-1.0%	-0.6%	-0.1%	0.5%
Long TIPS yield 15y	-0.1%	0.1%	0.2%	0.4%	0.8%	1.1%
Breakeven price inflation 15y	2.8%	2.7%	2.6%	2.6%	2.9%	3.3%
Corporate bond yield 5y	1.9%	1.9%	2.0%	2.5%	3.5%	4.6%
Long Corporate bond yield 10y	3.4%	3.6%	3.8%	4.0%	4.8%	5.7%
Corporate spread 5y	1.1%	1.1%	1.0%	1.0%	1.1%	1.3%
Long Corporate spread 10y	1.4%	1.6%	1.6%	1.6%	1.6%	1.7%

Expected nominal return on assets	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2016	Year to 31 March 2017	Year to 31 March 2018
Equity - US	13.4%	12.4%	8.4%	2.4%	0.4%
Equity - Global	14.1%	13.1%	9.1%	3.1%	1.1%
Corporate bonds 5y	1.7%	0.9%	-0.1%	-1.8%	-1.5%
Long Corporate bonds 10y	1.3%	1.3%	1.5%	-3.5%	-3.1%
Treasury bonds 5y	0.9%	-0.2%	-0.8%	-2.1%	-1.4%
Long Treasury bonds 15y	3.4%	1.3%	1.4%	-6.4%	-6.4%
TIPS 5y	-1.1%	-0.4%	-0.6%	0.6%	1.3%
Long TIPS 15y	-0.2%	0.0%	0.3%	-2.2%	0.1%
Real Estate	8.8%	8.8%	8.8%	8.8%	8.3%
Commodities	9.0%	6.5%	5.5%	6.8%	7.2%
Hedge funds	6.1%	6.1%	6.1%	4.3%	4.1%
Private Equity	15.5%	14.5%	10.5%	4.5%	2.5%
Infrastructure	9.5%	9.5%	9.5%	9.5%	9.0%
Cash	0.2%	0.3%	0.6%	1.1%	1.8%

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Table 7. US Assumptions under Black Skies Scenario

	As at 31 March 2013	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018
Treasury yield 5y	0.8%	0.2%	0.3%	0.4%	0.6%	1.0%
Long Treasury yield 15y	2.7%	1.2%	1.1%	1.4%	1.6%	1.8%
TIPS yield 5y	-1.6%	-1.5%	-1.3%	-1.2%	-1.1%	-0.8%
Long TIPS yield 15y	-0.1%	-0.2%	-0.2%	-0.1%	0.0%	0.1%
Breakeven price inflation 15y	2.8%	1.4%	1.3%	1.4%	1.6%	1.8%
Corporate bond yield 5y	1.9%	2.7%	3.0%	2.9%	2.9%	3.1%
Long Corporate bond yield 10y	3.4%	3.7%	3.8%	4.0%	4.0%	4.0%
Corporate spread 5y	1.1%	2.5%	2.7%	2.5%	2.3%	2.1%
Long Corporate spread 10y	1.4%	2.9%	3.0%	3.0%	2.7%	2.5%

Expected nominal return on assets	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2016	Year to 31 March 2017	Year to 31 March 2018
Equity - US	-36.6%	-26.6%	-11.6%	3.4%	3.4%
Equity - Global	-35.9%	-25.9%	-10.9%	4.1%	4.1%
Corporate bonds 5y	-2.3%	0.6%	2.4%	1.9%	1.2%
Long Corporate bonds 10y	-0.3%	2.1%	0.8%	2.9%	3.0%
Treasury bonds 5y	3.1%	0.0%	-0.1%	-0.4%	-1.0%
Long Treasury bonds 15y	28.0%	1.9%	-2.3%	-2.1%	-1.2%
TIPS 5y	-1.5%	-2.6%	-1.4%	-1.3%	-2.0%
Long TIPS 15y	2.3%	-1.5%	-1.3%	-0.5%	-0.4%
Real Estate	-15.5%	-10.5%	-4.0%	1.0%	3.6%
Commodities	-35.1%	-27.1%	-3.6%	2.1%	2.1%
Hedge funds	-13.3%	-8.7%	-3.7%	2.5%	2.5%
Private Equity	-36.5%	-26.5%	-10.5%	5.5%	5.5%
Infrastructure	-14.8%	-9.8%	-3.3%	1.7%	4.3%
Cash	0.1%	0.1%	0.1%	0.3%	0.5%

Table 8. US Assumptions under Below Trend Growth Scenario

	As at 31 March 2013	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018
Treasury yield 5y	0.8%	0.8%	0.9%	1.4%	1.9%	2.4%
Long Treasury yield 15y	2.7%	2.3%	2.2%	2.5%	3.0%	3.4%
TIPS yield 5y	-1.6%	-1.2%	-1.0%	-0.6%	-0.2%	0.2%
Long TIPS yield 15y	-0.1%	0.1%	0.1%	0.3%	0.6%	0.8%
Breakeven price inflation 15y	2.8%	2.3%	2.1%	2.2%	2.4%	2.6%
Corporate bond yield 5y	1.9%	2.4%	2.8%	3.2%	3.5%	3.7%
Long Corporate bond yield 10y	3.4%	4.1%	4.2%	4.4%	4.7%	4.8%
Corporate spread 5y	1.1%	1.7%	1.9%	1.8%	1.7%	1.4%
Long Corporate spread 10y	1.4%	2.3%	2.4%	2.3%	2.1%	1.8%

Expected nominal return on assets	Year to 31 March 2014	Year to 31 March 2015	Year to 31 March 2016	Year to 31 March 2017	Year to 31 March 2018
Equity - US	1.4%	3.9%	4.4%	5.4%	5.4%
Equity - Global	2.1%	4.6%	5.1%	6.1%	6.1%
Corporate bonds 5y	-0.8%	0.1%	0.8%	1.4%	2.0%
Long Corporate bonds 10y	-3.0%	1.7%	1.7%	1.5%	2.7%
Treasury bonds 5y	0.9%	0.2%	-0.9%	-0.6%	-0.1%
Long Treasury bonds 15y	9.2%	3.7%	-1.2%	-4.3%	-2.5%
TIPS 5y	-1.7%	-1.0%	-1.2%	-0.3%	0.4%
Long TIPS 15y	-0.4%	0.6%	-1.3%	-1.5%	-0.3%
Real Estate	2.2%	3.7%	4.6%	4.5%	5.3%
Commodities	-1.1%	0.4%	1.4%	2.4%	2.4%
Hedge funds	1.5%	2.8%	3.4%	4.2%	4.2%
Private Equity	3.0%	5.5%	6.0%	7.0%	7.0%
Infrastructure	1.9%	3.0%	5.1%	5.6%	7.8%
Cash	0.1%	0.2%	0.4%	0.8%	1.3%

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Capital Market Assumptions

Second Quarter 2013

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Outline

- Background
- Methodology
- Current (Second Quarter 2013) Assumptions

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Capital Market Assumptions

- What are they?
  - Aon Hewitt's asset class return, volatility and correlation assumptions
  - Long-term (10-year), forward-looking assumptions
  - Best estimates (50/50 better or worse)
  - Market returns: no active management value added or fees (other than hedge funds and private equity, where traditional passive investments are not available)
  - Produced quarterly by Global Asset Allocation Team
  - Justifiable, credible and market-leading

Coverage

Equities	Bonds	Alternatives	Macro Indicators
All major regions covered including emerging markets	Nominal U.S. and non-U.S. government bonds	Hedge funds (7 single strategies; funds of hedge funds; and broad hedge funds)	Inflation
U.S. large and small cap	Inflation-linked government bonds	Real estate (total market, core and U.S. REITs)	Currency movements
Non-U.S. developed and emerging markets	Corporate bonds	Private equity	
Global equity	High yield	Infrastructure	
	Emerging market sovereign debt (local and USD) and Emerging market Corporate debt (USD)	Commodities	
	Bank Loans		

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Key Attributes

- Assumptions are globally consistent
  – Same assumptions used by Aon Hewitt clients wherever they are located
  – All regional assumptions modelled in consistent manner (no “home country bias”)
- Ability to model diverse range of asset classes and portfolios
- Based on consensus expectations rather than extreme subjective views
- Forward-looking and reflect current market pricing/levels
- Assumptions for alternative asset classes incorporate input from specialist research teams (Global Private Equity, Global Real Estate, Liquid Alternatives)

Equities

Earnings Yield x Sustainable Payout Ratio + Real EPS Growth + Inflation → Equity Return

Equities (cont'd)

- Using normalized dividend payout ratios, we establish future "payouts" to investors
  - Differs from use of current dividend yield to forecast income component in that it establishes a linkage to forecasted earnings and sustainable payout ratios, and includes the impact of share buybacks
  - Inclusion of buybacks shifts expected returns on equities moderately upward
- We forecast future earnings growth using consensus inputs and in-house fundamental analysis (profit and margin trends, geographical exposure)
- We then establish the discount rate which equates the discounted value of the cash flows to current market prices; this is the expected (real) return
- We do not normally make adjustments for the future revaluation of equity markets. However, we would do so if valuations were very far from historic norms
- The process generates real (after inflation) terms. To generate nominal returns we incorporate expected inflation.
- This process results in local currency returns. We also produce returns in a range of currencies with currency movements assumed to be related to inflation differentials

Government Bonds

- We start from the current yield curve for government bonds
- Using a simulation model, we combine the current yield curve with an assumption on the long-term behavior of the yield curve to derive how yields are expected to evolve over time
- Total return assumptions are then derived from the forward looking yield curves
- A similar methodology is followed for inflation-linked bonds but based on real yields and incorporating our inflation assumptions

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Corporate Bonds and Aggregate Index

- Our corporate bond expected return is made up of three components:
  - Government yield
  - Corporate spread
  - Expected losses from defaults and downgrades
- All three are modeled using a wide range of simulation scenarios
- Government yield modeling is as described previously
- We assume that corporate spreads revert over time from current levels to our estimate of fair value
- The expected losses from defaults and downgrades developed using a simulation model

Aggregate bond index returns are modeled as a combination of government and corporate bonds

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Real Estate

- Methodology similar to equities:

Rental Yield + Real Rental Growth - Costs + Inflation = Real Estate Return

- Starting point is the rental yield each market is offering
- Real rental growth incorporates both a short term cyclical and long term aspect
  – We assume rents increase in line with consensus expectations over short term
  – In the long-term we assume rents grow in line with inflation
- Allow for unavoidable costs of direct real estate investment
- A real return assumption is calculated as the internal rate of return (IRR) of the projected cash flows (discounted cash flow analysis similar to equities)
- Nominal return is then calculated using our expected inflation

Alternative Asset Classes

- Private Equity
  - Return assumptions are formulated for each strategy (sub-sector) based on an analysis of the exposure of each strategy to various market factors with associated risk premiums.
  - Strategies include leveraged buyouts (LBOs), venture capital, mezzanine, and distressed investments
  - Assumptions for a diversified (broad) private equity portfolio is aggregation of assumptions for these underlying strategies
- Hedge Funds
  - Returns formulated by factor analysis of underlying building blocks of 7 individual hedge fund strategies. For example, equity long/short has net long position in equity markets
  - Unlike most other asset classes, manager skill (alpha) is allowed for. We also make allowance for fees
  - Fund of Hedge Funds assumptions is aggregation of assumptions for these 7 individual strategies (allowing for additional fees charged by Fund of Hedge Funds).
- We also produce assumptions for infrastructure, commodities, high yield debt, bank loans and emerging market debt (sovereign local and USD; corporate USD)

Volatility and Correlation

- We take a forward-looking view when setting volatility assumptions as opposed to using purely historic averages. The credit crisis demonstrated the dangers of relying solely on historical values.
- We consider:
  - Implied volatilities priced into option contracts of various terms
  - Historical volatility levels
  - The broad economic/market environment
- We assume that volatilities are not constant over time; we assume that the volatility of "risky" asset classes such as equities will be at historically high levels in the next few years before declining over time.
- For illiquid asset classes such as real estate, de-smoothing techniques are employed when assessing historic volatility levels.
- Correlation assumptions are formulated with reference to historic experience over different time periods and during different economic conditions
  - We take into account the fact that correlations are highly unstable over time and, in particular, we take into account the fact that correlations are very different in stressed environments

Fees

- Objective is to develop return assumptions that reflect the cost of implementing an investment program
- Liquid, publicly traded asset classes are investable passively at very low cost
  - Fee assumption is zero
- For asset classes such as emerging market debt which cannot be invested in passively at very low cost, it is assumed for modeling purposes that manager alpha is offset by fees
- For real estate there is an allowance for the unavoidable costs associated with investing in a real estate portfolio. These include property management costs, trading costs and investment management expenses.
- For hedge funds, private equity and infrastructure, explicit fee assumptions are subtracted from expected returns; include base and performance-based fee/carry as appropriate

Q2 U.S. Equity Assumption

- US equity 10-year assumption of 7.4%*, decreased from last quarter by 30 basis points primarily as a result of higher returns, over the past quarter
- Earnings yield is expected to be around 3.2% which includes dividend payments based on sustainable payout ratio and stock buybacks
- Long term real earnings growth assumed to be 2.2%, which includes benefit of exposure to emerging markets at constituent (company) level
- Inflation component was unchanged at 2.3%

* Aon Hewitt model is a Discounted Cash Flow (DCF) model, not an additive building block model

Q2 Non-U.S. Equity Assumptions

	UK	Europe ex UK	Japan	Canada	Emerging Markets
Real returns (local currency)	5.4%	5.1%	4.7%	5.5%	6.1%
Inflation	2.4%	1.9%	1.0%	2.0%	2.7%
Nominal returns (local currency)	8.0%	7.1%	5.7%	7.6%	8.9%
Nominal returns (US dollar terms)	7.9%	7.5%	7.0%	7.9%	8.9%

- EAFE return in US dollar = 7.7%, Global Equity return in US dollar = 7.9%

Q2 U.S. Fixed Income Assumptions

- Treasury return assumptions are 1.8% for 5-year duration and 2.6% for 15-year duration. These are both above the current yields to maturity
- AA-rated corporate bond return assumptions are 2.5% for 5-year duration and 3.1% for 10-year duration.
- This leads to a 10-year return assumption of 2.2% for core U.S. fixed income (5-year duration)
- TIPS 10-year return assumptions are 1.7% for both 5-year duration and for 10-year duration

Intermediate (5-year Duration) Government Bond Return Assumption

Return Component*	***Mar 31***	***Dec 31***	***Change***	
Initial Yield	0.8%	0.8%	0.0%	Higher initial yield offers higher current income
Capital Gain/Loss	-1.0%	-0.8%	-0.2%	Similar projected yield increases relative to last quarter result in similar projected capital loss
Increase/Decrease in Yield (Income)	1.6%	1.3%	0.3%	Similar projected yield increases result in similar/slightly higher projected increase in income over 10 years
Roll Return	0.6%	0.6%	0.0%	When yield curve slopes upward, as bonds approach maturity, Yields falls and prices rise. Flatter yield curve reduces this beneficial effect.
Median Effect*	-0.2%	-0.2%	0.0%	--
Total 10-Year Return Assumption	***1.8%***	***1.7%***	***0.1%***	--

* Components do not sum perfectly to the total because they are medians, which are not additive. All figures are rounded.

Intermediate (5-year Duration; AA Rated) Corporate Bond Return Assumption

Return Component*	***Mar 31***	***Dec 31***	***Change***	
Intermediate Gov't Bond Return	1.8%	1.7%	0.1%	See previous slide
Initial Spread	0.8%	0.9%	-0.1%	Lower initial spread offers lower current income
Increase/Decrease due to Spread	-0.2%	-0.2%	--	Spreads are assumed to revert to fair value in the long run. (Projected) narrowing/widening of credit spreads relative to last quarter result in decline/increase of income
Capital Gain/Loss (from spread)	0.2%	0.2%	--	(Projected) narrowing/widening of credit spreads relative to last quarter result in projected capital gain/loss
Roll Return	0.3%	0.3%	--	When yield curve slopes upward, as bonds approach maturity, yields falls and prices rise. Flatter yield curve reduces this beneficial effect.
Defaults & Downgrades	-0.4%	-0.4%	--	Expected default and downgrade losses depend on the probability of a bond defaulting or being downgraded, and will vary over time
Median Effect*	0.0%	-0.1%	0.1%	--
Total 10-Year Return Assumption	***2.5%***	***2.4%***	***0.1%***	--

* Components do not sum perfectly to the total because they are medians, which are not additive. All figures are rounded.

Core Fixed Income (5-year Duration) Return Assumption

Return Component*	***Dec 31***	***Dec 31***	***Change***
Intermediate Gov't Bond Return	1.8%	1.7%	0.1%
Initial Spread	0.4%	0.4%	--
Increase due to Spread	-0.1%	-0.1%	--
Capital Gain (from spread)	0.1%	0.1%	--
Roll Return	0.2%	0.2%	--
Defaults & Downgrades	-0.2%	-0.2%	--
Median Effect*	0.0%	-0.1%	0.1%
Total 10-Year Return Assumption	***2.2%***	***2.0%***	***0.2%***

* Components do not sum perfectly to the total because they are medians, which are not additive. All figures are rounded.

Q2 High Yield Bonds

Expected Return	*March 31*	*December 31*
5 Year Treasury Return	2.0%	1.8%
Spread	4.9%	5.4%
Default/Downgrade Losses	-3.3%	-3.3%
High Yield Bonds	**3.6%**	**3.9%**

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Q2 Emerging Market Debt

Expected Return	*March 31*	*December 31*
US 7 Year Treasury Return	2.2%	2.1%
Spread	2.9%	2.6%
Default Losses	-1.1%	-1.0%
USD Denominated Sovereign	**4.1%**	**3.7%**

Expected Return	*March 31*	*December 31*
US 5 Year Treasury Return	2.0%	1.8%
Spread	3.3%	3.2%
Default Losses	-0.9%	-0.8%
USD Denominated Corporates	**4.4%**	**4.2%**

Expected Return	*March 31*	*December 31*
Yield	5.6%	5.5%
Currency Revaluation	0.5%	0.5%
Default Losses	-0.5%	-0.5%
Local Currency Sovereign	**5.6%**	**5.5%**

Q2 U.S. Real Estate Assumptions

Core	***March 31***	***December 31***
Rental Yield	5.9%	5.8%
Real Rental Growth	0.1	0.1
Management Costs	-2.0	-2.0
Inflation	2.3	2.3
Total 10-Year Return Assumption	**6.4%**	**6.3%**

Total Market	***March 31***	***December 31***
Rental Yield	6.8%	6.9%
Real Rental Growth	0.4	0.3
Management Costs	-2.0	-2.0
Inflation	2.3	2.3
Total 10-Year Return Assumption	**7.5%**	**7.5%**

Q2 Private Equity Assumptions

		Expected Returns	
	Weights	***March 31***	***December 31***
Venture Capital	24%	11.4%	11.6%
Buyouts	54%	9.0%	9.5%
Distressed Debt	16%	9.1%	9.4%
Mezzanine	6%	8.1%	8.4%
Total Private Equity	**100%**	**9.5%**	**9.9%**

Q2 Commodities Assumptions

Commodities returns consist of three components:

Total Return = Spot Return + Collateral Return + Roll Return

Our view is that spot prices, of a diversified basket of commodities, will increase in line with inflation. Roll returns have historically been a large contributor to commodity returns, but has been a significant detractor in recent years. We assume roll return will be 0%, over the next 10 years. Collateral is assumed to be LIBOR cash.

Expected Return	***March 31***	***December 31***
Inflation	2.3%	2.3%
Cash (LIBOR)	2.0%	1.8%
Roll Return	0.0%	0.0%
Commodities	**4.3%**	**4.1%**

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Q2 Hedge Fund Assumptions

- For most hedge fund strategies, assumptions are developed in a three step process:
  - Formation of a factor benchmark for each specific hedge fund strategy; The benchmarks include cash, global equities, US Treasuries, US corporate bonds and US high yield bonds
  - Using the factor benchmarks, calculate returns and volatilities of each benchmark
  - Include alpha assumptions and deduct fees
- For equity long/short managers, we analyze the level of net gross exposure these strategies have to equities when formulating assumptions
- Individual strategy returns are then combined in the proportions below to form hedge fund of fund assumptions with adjustments for additional costs

		Expected Returns	
Individual Strategies	***Weights***	***March 31***	***December 31***
Equity Long/Short	25%	6.4%	6.4%
Equity Market Neutral	14%	5.6%	5.4%
Fixed Income Arbitrage	6%	4.3%	4.2%
Event Driven	19%	7.0%	6.9%
Distressed Debt	13%	6.6%	6.6%
Global Macro	18%	7.5%	7.9%
CTAs	5%	7.6%	7.6%
Total Hedge Fund-of-Funds	**100%**	**5.2%**	**5.3%**

Q2 2013 Assumptions (10-Year): Expected Returns and Risks

	Return	Risk
Large Cap U.S. Equity	7.4%	21.0%
Small Cap U.S. Equity	7.6%	27.0%
Global Equity	7.9%	22.0%
International Equity (Developed)	7.7%	22.5%
Emerging Markets Equity	8.9%	31.5%
Cash (Gov't)	1.6%	1.0%
Cash (LIBOR)	2.0%	1.5%
TIPS	1.7%	4.5%
Core Fixed Income (Market Duration)	2.2%	3.5%
Long Duration Bonds – Gov't / Credit	3.0%	9.5%
Long Duration Bonds – Credit	3.4%	11.5%
Long Duration Bonds – Gov't	2.6%	9.0%
High Yield Bonds	3.6%	14.0%
Bank Loans	4.2%	7.0%
Non-US Developed Bond (0% Hedged)	2.6%	10.0%
Non-US Developed Bond (50% Hedged)	2.4%	5.5%
Non-US Developed Bond (100% Hedged)	1.9%	2.5%
Emerging Market Bonds (Sov. USD)	4.1%	12.0%
Hedge Fund-of-Funds [1]	5.2%	8.0%
Broad Hedge Funds [2]	6.8%	8.0%
Real Estate (Broad Market)	7.5%	16.0%
Core Real Estate	6.4%	14.0%
U.S. REITs	6.4%	22.5%
Commodities	4.3%	21.5%
Private Equity	9.5%	28.5%
Infrastructure	8.2%	18.5%
Emerging Market Bonds (Corporate USD)	4.4%	12.0%
Emerging Market Bonds (Sov. Local)	5.6%	14.0%
Inflation	**2.3%**	**1.0%**

1) *Fund of hedge funds*
2) *Diversified portfolio of Direct hedge fund investments*

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Q2 2013 Assumptions (10-Year): Expected Nominal Correlations

Nominal Correlations

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
1	Large Cap U.S. Equity	**1.00**	0.92	0.95	0.81	0.79	0.06	0.06	-0.05	0.04	0.00	0.10	-0.11	0.59	0.40	-0.03	-0.03	-0.01	0.41	0.63	0.62	0.39	0.38	0.68	0.25	0.61	0.36	0.39	0.45	0.04
2	Small Cap U.S. Equity		**1.00**	0.87	0.74	0.72	0.05	0.05	-0.05	0.03	-0.01	0.09	-0.11	0.55	0.38	-0.03	-0.03	-0.02	0.38	0.58	0.57	0.36	0.35	0.63	0.21	0.57	0.34	0.36	0.41	0.04
3	Global Equity			**1.00**	0.94	0.90	0.07	0.06	-0.05	0.04	0.00	0.10	-0.11	0.62	0.42	0.16	0.13	-0.01	0.44	0.62	0.61	0.41	0.39	0.66	0.30	0.59	0.35	0.42	0.50	0.06
4	International Equity (Developed)				**1.00**	0.85	0.05	0.05	-0.03	0.03	0.00	0.09	-0.10	0.55	0.36	0.35	0.29	-0.01	0.40	0.53	0.53	0.38	0.36	0.57	0.33	0.51	0.30	0.37	0.45	0.07
5	Emerging Markets Equity					**1.00**	0.08	0.08	-0.03	0.05	0.01	0.12	-0.11	0.65	0.44	0.23	0.20	0.01	0.47	0.56	0.56	0.36	0.35	0.55	0.29	0.50	0.30	0.45	0.54	0.07
6	Cash (Gov't)						**1.00**	0.94	0.49	0.54	0.24	0.21	0.25	0.15	0.00	0.19	0.36	0.65	0.22	-0.04	-0.04	0.10	0.12	0.07	0.21	0.06	0.08	0.14	0.13	0.54
7	Cash (LIBOR)							**1.00**	0.46	0.52	0.23	0.20	0.24	0.15	0.00	0.18	0.34	0.62	0.22	-0.03	-0.03	0.10	0.11	0.06	0.20	0.05	0.08	0.14	0.13	0.50
8	TIPS								**1.00**	0.39	0.19	0.17	0.20	0.09	-0.04	0.11	0.18	0.27	0.14	-0.07	-0.07	0.01	0.02	-0.02	0.20	-0.03	0.01	0.07	0.07	0.44
9	Core Fixed Income (Market Duration)									**1.00**	0.84	0.82	0.79	0.41	-0.01	0.23	0.39	0.64	0.59	-0.01	-0.01	0.05	0.06	0.04	0.06	0.04	0.05	0.40	0.32	0.17
10	Long Duration Bonds – Gov't / Credit										**1.00**	0.96	0.95	0.37	-0.04	0.19	0.32	0.52	0.58	-0.03	-0.03	0.01	0.01	0.00	-0.05	0.00	0.01	0.40	0.31	-0.08
11	Long Duration Bonds – Credit											**1.00**	0.83	0.57	0.20	0.17	0.29	0.48	0.69	0.15	0.15	0.06	0.05	0.07	-0.03	0.08	0.05	0.50	0.41	-0.07
12	Long Duration Bonds – Gov't												**1.00**	0.12	-0.30	0.19	0.32	0.52	0.40	-0.23	-0.22	-0.04	-0.04	-0.08	-0.07	-0.08	-0.04	0.25	0.16	-0.08
13	High Yield Bonds													**1.00**	0.70	0.16	0.19	0.18	0.74	0.64	0.63	0.27	0.25	0.41	0.24	0.41	0.25	0.66	0.65	0.10
14	Bank Loans														**1.00**	0.00	-0.01	-0.05	0.44	0.60	0.59	0.18	0.17	0.28	0.09	0.29	0.17	0.40	0.40	0.03
15	Non-US Developed Bond (0% Hedged)															**1.00**	0.96	0.38	0.18	-0.02	-0.02	0.01	0.01	-0.01	0.32	0.00	0.01	0.13	0.16	0.17
16	Non-US Developed Bond (50% Hedged)																**1.00**	0.63	0.25	-0.04	-0.04	0.02	0.02	-0.01	0.29	0.00	0.01	0.17	0.19	0.22
17	Non-US Developed Bond (100% Hedged)																	**1.00**	0.32	-0.07	-0.07	0.04	0.05	0.00	0.07	-0.01	0.03	0.20	0.16	0.26
18	Emerging Market Bonds (Sov. USD)																		**1.00**	0.41	0.41	0.20	0.19	0.29	0.12	0.29	0.18	0.74	0.74	0.05
19	Hedge Fund-of-Funds[1]																			**1.00**	0.99	0.26	0.25	0.44	0.15	0.41	0.24	0.38	0.41	0.01
20	Broad Hedge Funds[2]																				**1.00**	0.26	0.24	0.43	0.14	0.41	0.24	0.38	0.41	0.01
21	Real Estate (Broad Market)																					**1.00**	0.95	0.51	0.07	0.30	0.18	0.18	0.20	0.07
22	Core Real Estate																						**1.00**	0.49	0.08	0.29	0.17	0.18	0.19	0.08
23	U.S. REITs																							**1.00**	0.16	0.44	0.26	0.27	0.31	0.05
24	Commodities																								**1.00**	0.09	0.07	0.08	0.19	0.45
25	Private Equity																									**1.00**	0.28	0.28	0.30	0.04
26	Infrastructure																										**1.00**	0.16	0.18	0.06
27	Emerging Market Bonds (Corporate USD)																											**1.00**	0.67	0.02
28	Emerging Market Bonds (Sov. Local)																												**1.00**	0.06
29	Inflation																													**1.00**

1) *Fund of hedge funds*
2) *Diversified portfolio of Direct hedge fund investments*

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Monthly Summary of Medium Term Views – U.S.

May 2013

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Medium Term Views Background

- **Definition: Medium term unexploited**
  - Over attention to the short term (tactical) and to the very long term (strategic) has left the medium term (~12 to 36 months) largely unexploited as a source of outperformance.
  - By not needing to focus unduly on week to week or even month to month performance we can add value from asset allocation in the medium term.
- **Opportunity: Capitalize on market dislocations**
  - We believe in mean reversion over the long term, but to parameters which change over time.
  - Our approach places considerable emphasis on valuations through taking advantage of excessive under or over valuation.
  - Beyond valuations, we carry out considerable fundamental and quantitative analysis, including on the major investment themes.
  - We use a range of timing and sentiment indicators to establish good entry and exit levels. Some of the best opportunities arise where/when we differ most from consensus.
- **Approach: Medium term views complement strategic allocations**
  - The following slides summarize our medium term views. These views are under continual review based on global economic and market developments, together with changes in market levels.
  - These views are quite separate from our long-term strategic assumptions. As such, clients should work with their consultant in determining how to capitalize on medium term opportunities in their particular portfolio.

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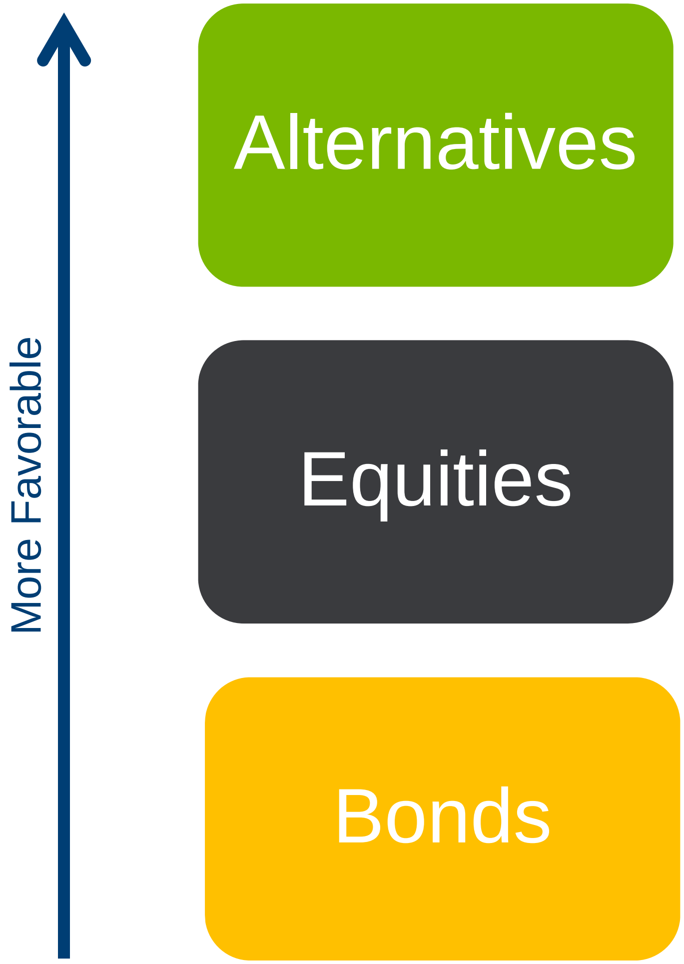
Relative Medium Term Views



Alternatives:

- We generally like alternatives, with a positive outlook on hedge funds and real estate in particular. We are still negative on the outlook for commodities.

Equities:

- We are 'neutral' on the outlook for equities on the view that the scope for gains is narrowing. Equities have moved to new highs and valuation supports are weaker, though liquidity is supportive.
- On a relative basis we prefer non-US equities on a currency hedged basis, and have recently moved to a positive stance on emerging market equities. We are agnostic on growth/value but prefer large cap.
- We continue to believe equities should outperform bonds over the medium-term.

Bonds:

- We remain negative on bonds from a valuation and duration standpoint.
- On a relative basis we are now more neutral on high yield versus investment grade and remain positive on local currency emerging market debt and bank loans.

Relative Equity Medium Term Views

- **Favored Equity Positions**
  - Large Cap
  - Emerging Market Equity
- **Neutral Equity Positions**
  - Growth
  - Value
  - Non-US Equity
  - US Equity
- **Less Favored Equity Positions**
  - Small Cap

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Relative Equity Medium Term Views

U.S. Equity

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
U.S. Equity			**May 2013,** 1 month ago, 1 year ago			Non-U.S. Developed
Large Cap	1 year ago	**May 2013** , 1 month ago				Small Cap
Value			**May 2013,** 1 month ago,	1 year ago		Growth

Non-U.S. Equity

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
Developed		1 year ago		**May 2013,** 1 month ago		Emerging
Large Cap	**May 2013,** 1 month ago, 1 year ago					Small Cap

Note: Historical perspective given by stating our view one month and one year ago, as well as the current month.

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Relative Fixed Income Medium Term Views

Favored Bond Positions

- EM Local Debt
- Bank Loans
- Short Duration
- TIPS over Treasuries

Neutral Bond Positions

- Investment Grade Credit
- High Yield
- EM Dollar Debt
- US Bonds

Less Favored Bond Positions

- Government Bonds
- Long Duration
- Non-US Bonds

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Relative Fixed Income Medium Term Views

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
U.S.		**May 2013,** 1 month ago	1 year ago			**Non-U.S.**
Intermediate duration		**May 2013,** 1 month ago, 1 year ago				**Long duration**
Government				**May 2013,** 1 month ago	1 year ago	**Credit**
U.S. Investment Grade	1 year ago		**May 2013,** 1 month ago			**High Yield**
U.S. Bonds		1 month ago, 1 year ago	**May 2013**			**Emerging Market Debt**
U.S. TIPS		**May 2013,** 1 month ago, 1 year ago				**U.S. Treasuries**

Note: Historical perspective given by stating our view one month and one year ago, as well as the current month.

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Relative Alternative Asset Class Views

- **Favored Alternatives Positions**
  - Hedge Funds[1]
  - Real Estate
- **Neutral Alternatives Positions**
- **Less Favored Alternatives Positions**
  - Commodities

[1]Global Macro strategy is favored.

Relative Currency Medium Term Views

	Hedge	Consider Hedge Benefits	Unhedged	
Strong USD	**May 2013,** 1 month ago, 1 year ago			Weak USD

Note: Historical perspective given by stating our view one month and one year ago, as well as the current month.

Equity Market Views

Asset Class	Medium Term View	Rationale
Equity Market	Gains now more difficult to sustain	Normalized valuations (MSCI World forward PE ratio at over 14x) and the lack of any more positive economic surprises are likely to cap market gains. Equities still reasonably supported versus bonds, and liquidity drivers are still holding firm. But earnings support for further gains is limited. Softer US economic phase post sequestration and tax hikes also constrain.
U.S. Large vs. Small Cap	Prefer U.S. Large Cap	Some reversion back to large cap has occurred after earlier strong small cap comeback. We expect lingering concerns about economic softness in the US to take some small cap support away. Valuations support for small cap on relative basis is still fairly weak, though small cap earnings have grown faster. If, as we expect, broader market gains level off, some reversion to large cap should occur.
Non-U.S. Large vs. Small Cap	Prefer Non-U.S. Large Cap	There is less relative valuation support than the U.S., but we continue to see investors favoring the global diversification and greater earnings predictability of large cap.
U.S. Equities vs. EAFE	Use U.S. outperformance to raise EAFE allocations	The US has outperformed in recent weeks, though underperforming EAFE over the past year. Relative valuations still favor non-US markets. Particularly on a currency hedged view, it is still right to favor non-US markets. Some US valuation premium should remain, albeit not of the 20% variety on earnings and book values as seen today.
U.S. Growth vs. Value Stocks	Neutral stance between growth versus value	Value has come back here for the past few months, reflecting in part the relative gains in financials relative to technology. We are still unconvinced that this is the turn of a durable 'value' cycle. We did acknowledge that growth was unlikely to perform last fall, but now see a choppy period when no style is dominant.
Developed vs. Emerging Markets	Raising to overweight stance versus developed markets	Emerging markets have discounted considerable amounts of bad news, particularly weakness in China and commodity prices. With relative valuations back to levels we last saw in 2008/9, there is room for a comeback versus developed markets over the medium-term.

Bond Market Views

Asset Class	Medium Term View	Rationale
Global Government Bonds	Negative view	Yields have retraced some of the declines seen through April as confidence has grown in the economic recovery and Federal Reserve support to global bonds increasingly questioned. We expect yields to rise somewhat more and faster than forwards at present. The road to normal yields is a long and winding one. However, such low yields carry significant risk, so duration must be carefully managed.
Global Corporate Bonds	Prefer to government bonds	Spread valuations on corporate bonds have edged down again. Our preference for credit versus government bonds remains, but valuations are now closer to neutral. Spreads signal a relatively good economic environment but underlying government bond yields are too low relative to this scenario. This inconsistency carries risks.
Intermediate vs. Long Duration	Extend duration only to match liabilities	No change to view reflecting little change in markets recently. Intermediate credit spreads now unattractive. Accessing long credit with an underweight to duration would be a reasonable approach, if possible within the portfolio context.
U.S. vs. Non-U.S. Aggregate Bonds	Prefer the US	European yields are the greater risk, given relative credit risk in corporate bonds. Prefer US corporate bonds to government bonds.
U.S. High Yield vs. U.S. Investment Grade Corporate Bonds	Neutral	Our reworked high yield return projections do not show high yield trailing investment grade and interest rate risk in investment grade is greater. However, with yields down to very low levels, high yield is at risk of generating disappointingly low return much like investment grade.
U.S. Bonds vs. Emerging Market Debt	Prefer emerging market local currency bonds	Spreads have been somewhat wider and we now find emerging market dollar debt spreads look reasonable value versus US dollar bonds. However, given the unattractive yield, it is hard to like dollar EM debt on a full return basis. Local currency emerging market debt is more attractive than dollar-denominated debt.
Treasury Inflation Protected Securities	Prefer TIPS	Break-even inflation rates are moving lower to favor TIPS. The rise in real yields is particularly welcome even though only the longest duration TIPS are yielding significantly above 0. Our view of longer-term upward bias to inflation risks from the current policy environment suggests that inflation protection is important.

Other Market Views / Investment Strategy

Asset Class	Medium Term View	Rationale
U.S. Commercial Real Estate	Good investment opportunity for the longer term investor	While Core returns are moderating, expected performance remains attractive versus other asset classes for both equity and debt vehicles. For Non-Core real estate, the bifurcation of the real estate recovery to date continues to drive attractive tactical opportunities in Value-Added and Opportunistic real estate due to the on-going recovery in underlying sector fundamentals and attractive risk premiums versus Core. Manager selection remains key.
Hedge Funds	Favored investment strategy	Weak upside prospects for equities alongside still fluid and volatile market conditions should allow hedge funds to add value. Selection of funds and strategies all important. Global macro strategy is favored with CTAs and a multi-strategy approach also worth considering.
Commodities	Unattractive	Commodities have lagged other risky assets, reflecting worries over global demand, and recent China news. Short-term rebound looks possible but our expectation of returns from this asset class are low.
U.S. Dollar	Gradual dollar strength against most developed market currencies	The dollar's advances against major currencies has speeded up a little of late, mainly reflecting lower interest rate support for a number of other currencies. The end of quantitatitve easing tilts currency markets in the dollar's favourr, but there are still a number of cross currents. Dollar appreciation likely to remain gradual.

Primary Uses of Medium Term Views

- Determining the timing of moving to new strategic allocations
  - Buying/selling at the right price improves long-term returns, badly timed decisions destroy returns
- Rebalancing decisions
  - When and to what extent to reallocate assets
- Adjusting hedges
  - Pension liability – synthetic or cash market positions
  - Other hedges – equity, inflation, etc.
- Managing an opportunistic allocation mandate
  - Portfolio segment managed to a one- to three-year horizon

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Memo

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

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

Date: June 17, 2013

Re: **HEK Client Webcast & Blog**

Background

HEK hosts ongoing monthly calls for our clients. The next monthly client call will be on June 19 at 8:00 to 9:00 A.M. Pacific Time.

Click http://www.aon.com/human-capital-consulting/thought-leadership/eventsconferences/HEK_Investment_Strategy_Webcast.jsp to register and to download previously recorded webcasts.

Also, we currently publish a weekly blog which can be accessed at: http://www.hekblog.com/

Future webcast dates:
July 17, 2013
August 21, 2013
8:00—9:00 AM Pacific Time

We look forward to discussing this with the Board at the June 17 meeting.

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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June 17, 2013

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

SUBJECT: ADAMS STREET 2013 GLOBAL FUND LP ALLOCATION UPDATE

Dear Board Members:

Background

On March 18, 2013, the Board awarded $75,000,000 to the Adams Street 2013 Global Fund LP. On April 1, 2103, the Board authorized the Administrator to obtain the legal services of Manatt, Phelps & Phillips, LLP (Manatt) in the conduct of a legal review of the investment documents, and directed staff to obtain confirmation of Hewitt EnnisKnupp's (HEK's) understanding that the offering documents match the investment that was presented to the Board and to obtain clarification of the fund fees, especially the credit for VCERA's previous commitment. In light of a problem with the reported fee credit, and the reconsideration of another private equity manager, staff held off on starting Manatt's legal analysis. On April 15, 2013 the Board directed HEK to provide a side-by-side comparison of the fees. On May 20, 2013, confirmed the $75,000,000 allocation as originally proposed and staff reported that it will notify Manatt to start its review. As was the case with Dover VIII, Manatt was asked to provide a public legal memo summarizing the key provisions of the Adams Street 2013 Global Fund LP legal documents and side letter, and to be available for questions.

Discussion

Attached is the Manatt public summary memo drafted by Scott B. Johnson and reviewed by Ashley Dunning. Mr. Johnson and Ms. Dunning will be available by telephone to elaborate on the contents of their memo, highlight key points and findings, and answer your questions.

After a thorough discussion, staff asks the Board to authorize the Chair to execute the required documents for the $75,000,000 allocation.

I would be pleased to respond to any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachment

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

manatt
manatt | phelps | phillips

To:	Donald Kendig, Retirement Administrator, VCERA
Cc:	Lori Nemiroff, VCERA General Counsel
From:	Manatt, Phelps & Phillips, LLP
Date:	June 12, 2013 File No.: 88985-032
Subject:	Adams Street 2013 Global Fund, LP: Public Summary and Comments

We have reviewed certain documents relating to VCERA's contemplated investment in Adams Street 2013 Global Fund, LP (the "Global fund"). Specifically, we have reviewed, from a legal perspective, the Amended & Restated Limited Partnership Agreement (the "LPA"), Subscription Agreement, the Private Placement Memorandum (the "PPM"), and the proposed side letter, all relating to the Global fund. We also reviewed portions of the Adams Street Form ADV. Our summary of the more significant terms of these documents, and related comments, are set forth below.

Formation & Purpose. The Global fund is a Delaware limited partnership, formed in December 2012. The purpose of the Global fund is to invest 50% of its subscription amounts in Adams Street 2013 US Fund LP, 25% of its subscription amounts in Adams Street 2013 Developed Markets Fund LP, 15% of its subscription amounts in Adams Street 2013 Emerging Markets Fund LP, and 10% of its subscription amounts in Adams Street 2013 Direct Fund LP. In connection with the foregoing investments, the Global fund and/or the subfunds may form 'alternative investment vehicles' to address certain regulatory or other considerations. The Global fund may invest in an alternative investment vehicle, and/or VCERA may be required to make contributions directly to one or more alternative investment vehicles. *We note the PPM states that an investment in the funds should be considered a high-risk investment.* LPA §2(a), PPM, p. 33.

Fiduciary Acknowledgment. The fund documents include an acknowledgment that the general partner is a fiduciary to VCERA, to the extent of the assets invested. See Subscription Agreement, Exhibit B.

Standard of Care & Indemnification. The general partner shall exercise its best judgment in managing the Global fund. In general, neither the general partner nor its agents or affiliates will be liable to any limited partner or to the Global fund for any action, and such persons will be entitled to indemnity from the fund(s) for losses such persons incur, except in the case of gross negligence or other misconduct. It appears the subfund agreements include substantially similar provisions. *Accordingly, although the general partner has acknowledged its status as a fiduciary, the standard of care, for liability purposes, is a gross negligence standard of care. Thus, if VCERA seeks to hold the general partner or its agents liable for errors or omissions, VCERA may have to show that the general partner or agent acted with gross negligence.*

Where a claim against general partner personnel is settled, the general partner may engage counsel (including counsel that regularly represents the fund) to determine whether the person is entitled to indemnity. LPA §§3(e), 15(f), 17. It appears the subfund agreements include substantially similar provisions. *This provision would allow counsel, arguably biased in favor of the general partner, to determine whether the general partner or its agent is entitled to indemnity.*

Catch-Up Payments. Limited partners that invest in the Global fund after its initial closing are required to pay to the Global fund an additional 'interest equivalent amount', which essentially represents interest on amounts that the limited partner would have contributed to the Global fund, if the limited partner had been admitted to the fund at its initial closing. LPA §4(b)(ii). *We suggest VCERA determine whether it will be obligated to make a catch-up payment upon admission to the Global fund, and the amount of the catch-up payment.*

Capital Calls & Default. The Global fund will issue capital calls from time to time. There is no assurance that amounts contributed will be promptly invested. Severe consequences result if a limited partner fails to contribute its capital when called. LPA §§5, 6.

Management Fees. Each limited partner that purchases an interest in one or more of the funds is assessed an annual management fee, computed based on the subscription amount committed to the fund(s). The fee declines from 1.00% to 0.40%, depending upon the amount of the commitment. The fee is reduced for 2013 and 2014, and for years after 2019, and certain credit is given to investors that have participated in prior Adams Street fund programs. VCERA will be charged a management fee, as if it were a direct investor in each of the subfunds. LPA §§8(b), 16(a), subscription agreement, §5(d), Exhibit A. *Please confirm that the fee schedule, attached to the Subscription Agreement, is consistent with VCERA's expectations.*

We note that, inasmuch as the management fee is based on subscription amounts, rather than net asset value of the fund(s), it would appear that Adams Street has less incentive to ensure that investments appreciate in value or generate income.

The fund materials indicate that, apart from the management fee described above, Adams Street receives a carried interest allocation on net profits from direct funds, co-investment funds, and on secondary investments and co-investments of Adams Street funds. See Adams Street Brochure 4-1-13, p. 14.

Distributions. There is no assurance that the Global fund will make periodic distributions. Although the general partner will use reasonable efforts to make distributions in cash, some distributions may be made in kind. Limited partners may have to return distributions, if necessary for the Global fund to meet its obligations. LPA §§9, 18. As noted above, Adams Street receives a carried interest allocation on net profits from direct funds, co-investment funds, and on secondary investments and co-investments of Adams Street funds. *Although we have not reviewed in detail the carried interest payable to Adams Street by the US fund, the developed markets fund, the emerging markets fund or the direct fund, presumably the carried interest amounts payable by those subfunds may decrease the amounts ultimately available for distribution to VCERA as an investor in the Global fund.*

Term, Withdrawal & Transfers. The fund documents indicate that the Global fund may continue for more than 16 years, although it may dissolve sooner under certain circumstances. In general, limited partners may not voluntarily withdraw from the Global fund prior to its dissolution, or transfer their interests in the fund without the general partner's consent. LPA, §§11, 13, 14; PPM, p. 33. *Hence,* *VCERA should anticipate that it may have to remain as an investor in the Global fund for up to 16 years or possibly longer.*

Records, Inspection. Although limited partners have a general right to inspect partnership records, the general partner has the right to keep information confidential from the limited partners to the extent permitted under the Delaware limited partnership law. LPA §20(c). *We anticipate that the general partner will endeavor to maintain absolute confidentiality, and not disclose, information relating to underlying portfolio companies and similar subfund investments. It is likely that VCERA will not have access to such information*.

Confidentiality. The LPA includes typical provisions relating to confidentiality, which generally require that limited partners not disclose partnership information. Disclosures are generally permitted, however, when required by a court of competent jurisdiction or other governmental authority or otherwise as required by law. LPA §21(b). As noted above, the LPA permits the general partner to withhold and not disclose to the limited partners confidential information related to third parties. In some cases, when investment information is withheld from a limited partner, the general partner will provide the limited partner with written notice of the information withheld and the reasons for withholding such information, and will permit the limited partner to review, but not copy, the information withheld at the principal office of the Global fund during normal business hours. LPA §21(d). *This 'limited review' right presumably will not apply with respect to portfolio company and similar subfund investment information that the general partner maintains as absolutely confidential, as noted above.*

Amendments. In general, the LPA may be amended by the general partner together with limited partners representing at least 66-2/3% in interest of all limited partners. See LPA §22. *Accordingly, the LPA may be amended without VCERA's consent.*

Dispute Resolution. Any dispute under the LPA (other than a dispute arising out of an alleged breach by the general partner of any of its fiduciary duties) that involves VCERA, the general partner and other parties, shall be determined and settled by arbitration in Chicago, Illinois. See LPA, §23(j).

Conflicts of Interest. The PPM notes that Adams Street may engage in transactions that conflict with the interests of the funds and, based on the carried interest payable to Adams Street with respect to secondary investments, there is an incentive for Adams Street to cause the funds to invest in speculative secondary investments. See PPM. p. 36.

Investment Allocation Policy. With regard to the allocation of investment opportunities, the fund materials state that Adams Street determines the allocation of an investment opportunity in a manner that it believes is fair and equitable to its clients consistent with Adams Street's obligations. See Adams Street Brochure 4-1-13, p. 21, subfund agreements 2(b).

Side Letter Negotiations. The following matters remain under discussion with Adams Street, as to whether the matters will be addressed in a side letter, to VCERA's satisfaction:

Confidentiality. Whether Adams Street will confirm its obligation to indemnify VCERA for costs it incurs to defend against public records requests and similar proceedings that affect Adams Street.

Gratuities. Whether Adams Street will adhere to a $250 per annum gift limitation for all VCERA employees and fiduciaries (this is the annual gift limit that applies to members of the VCERA board who are elected to other public offices, if any; it also is the "personal financial interest" limit under California law that could potentially apply to other VCERA board members.)

Conflict of Interest Code & Placement Agent Policy. Whether Adams Street will confirm its compliance with applicable conflict of interest code and placement agent disclosure rules, and acknowledge and agree to comply with VCERA's code and policy.

Fees and Expenses. Whether Adams Street will agree to provide quarterly fee and expense data to VCERA as a side letter obligation.

General Considerations. In addition to the foregoing, please note the following general matters:

- While we reviewed the PPM and Form ADV materials from a general legal perspective, we assume that VCERA is relying on its investment consultant's review of the PPM and ADV for consistency with VCERA's investment goals, and for guidance in particular with regard to the risk disclosures included in the PPM and Form ADV.

- We reviewed the LPA relating to the Global fund, however per discussions with VCERA staff, we did not review in detail the limited partnership agreements relating to the subfunds.

- If other documents have been provided to VCERA, which are not described above and which you would like us to review, please let us know.

- If VCERA is pursuing this investment based upon particular expectations or representations that are not identified above, please let us know, so that such expectations or representations may be addressed in a side letter or other appropriate documentation.

- We have not independently researched whether this investment structure may generate unrelated business income tax for VCERA.

- If you would like our assistance in completing the Subscription Agreement questionnaires, please let us know.

Please note that by this memorandum we are not advising VCERA with regard to the financial risks and benefits of this contemplated investment. Nor are we advising upon the manner in which such a financial analysis may or may not result in the conclusion that the contemplated investment is consistent with VCERA's board's fiduciary obligation to act as a *prudent expert* with respect to VCERA's investments. We are instead seeking to summarize the more significant provisions of the investment documents and to highlight items that may warrant further attention.

We trust this discussion will be helpful to VCERA in assessing, from a legal perspective, its investment in the Adams Street fund, as well as identifying potential terms for further side letter negotiations. After you consider the points noted above, please call so that we may discuss any questions or concerns that you may have.

Recommendation. With regard to legal rights and obligations, the terms described above, in our experience, are not uncommon in the context of private equity funds. Unless any of the side letter points under negotiation raise a material concern for the VCERA board, as a legal matter we believe it is reasonable for VCERA to proceed with this investment.

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VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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June 17, 2013

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

SUBJECT: LOOMIS SAYLES STRATEGIC ALPHA UPDATE

Dear Board Members:

Background

On February 25, 2013, the Board adopted the transfer of $40 million from the Loomis Multi-Sector portfolio to the Loomis Sayles Strategic Alpha Trust. On May 6, 2013 staff brought before your Board a proposed side for approval.

Discussion

Upon approval of the proposed side letter, the Retirement Administrator believed that all necessary documents were in order. In early June, it was discovered that a separate subscription agreement needed completion and signature. Please authorize the chair to execute the subscription agreement and any additional documents required to effectuate the transfer. The subscription agreement, confidential private placement memorandum, and side letter is available for Board review, as necessary. Staff anticipates funding prior to the end of June.

I would be pleased to respond to any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

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June 17, 2013

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

SUBJECT: DISABILITY RETIREMENT PROCESS REVIEW AND EDUCATIONAL PRESENTATION (PART III)

Dear Board Members:

Background

This is Part III of a multi-part review and educational effort to enhance the quality of the VCERA disability retirement process. On April 1, 2013, consultant Annette Paladino addressed your Board on the strengths and weaknesses of the current disability program, and formulated recommended changes to be reviewed by your Board by the end of the current fiscal year, or early next year. She also gave a PowerPoint presentation on the basics of disability retirements.

On June 3, 2013, Ms. Paladino continued the trustee education with a PowerPoint on retirement law legal standards and the Board adopted an updated disability application packet, with comprehensive instructions, for posting on-line and which incorporates electronically fillable form fields. The Board also incorporated the retirement law standards into VCERA disability procedures by adopting a cover letter template for requests to doctors for Independent Medical Evaluations (IMEs) and a Board letter template for Risk Management's use.

Discussion

Today, Ms. Paladino will 1) review the ground covered, 2) deliver the third and final trustee education presentation covering hearings and the hearing officers, 3) continue to propose ways to work the retirement law standards into VCERA disability procedures by incorporating them into the hearing officer report format as well as the hearing officer review and selection process, and 4) highlight the final steps of the disability process review for July and September.

1. Recap of Ground Covered

Presentations
- Presented Disability Retirement 101 Power Point on the basics.
- Presented Disability Retirement 101 Power Point on the legal standards.

Documentation
- Disability Retirement Application Packet.
- Independent Medical Examination (IME) Cover Letter Template.
- Board Report Template for use by Risk Management.

2. Disability Retirement 101 Presentation: Hearings and Hearing Officers

The attached PowerPoint presentation explains the Board's responsibilities for retaining impartial and competent hearing officers. The presentation 1) again demonstrates ways the appropriate legal standards may be incorporated in the VCERA disability procedures and 2) teaches trustees and staff to identify desired qualifications to be considered in recruiting and retaining competent hearing officers. It is estimated to take less than 30 minutes.

3. Incorporating the Legal Standards into VCERA Disability Procedures

Item: Hearing Officer Information Packet: This is an "orientation package" for new VCERA hearing officers consisting of a list of duties and responsibilities, a recommended report format, a copy of the SACRS Disability Resource and a copy of the VCERA Disability Hearing Procedures.

Item: Hearing Officer Performance Evaluation Kit: This is a tool for evaluating the professional performance of VCERA's hearing officers. It consists of a statement of the Board's hearing officer evaluation policy, a description of the evaluation procedures, a memo to raters and a performance rating sheet.

a) Review and Approve the Hearing Officer Information Packet

The purpose of the Hearing Officer Information Packet is to inform a new hearing officer of 1) the specific duties and responsibilities of his job (these are more generally described in the individual's contract with VCERA) and 2) the rules and regulations specific to VCERA which s/he must enforce while presiding over the disability hearing process. An additional important purpose of the packet is to effectuate pertinent job training and encourage superior job performance by providing a legal treatise on landmark court decisions in the applicable body of law and a practical outline for reporting decisions to the Board. The benefit to the Board and the VCERA membership is fulfillment of the Board's fiduciary responsibility to provide fair and competent personnel to hear and evaluate disability retirement claims.

Recommended use of the Hearing Officer Information Packet: Send the packet to each newly retained hearing officer and to current panel members upon renewal of their contract.

b) Review and Approve the Hearing Officer Performance Evaluation Kit

The purpose of the Hearing Officer Performance Evaluation Kit (attached) is to 1) provide better "customer service" to VCERA membership and 2) to fulfill the Board's fiduciary responsibility to assure the retention of competent hearing officers and eliminate those who do not meet expected performance standards. This tool elicits input in judging hearing officer job performance from a variety of individuals (applicants, counsel, trustees, staff, administrators) who have direct contact with either the hearing officer or the hearing officer's work product (written report).

Recommended Use of the Hearing Officer Performance Evaluation Kit: Use to periodically evaluate all members of the VCERA hearing officer panel.

4. Final Steps in the Disability Process Review

We will continue in July and September with Ms. Paladino's comprehensive final report consolidating previous recommendations (and Board actions) and additional recommendations for improving the VCERA disability retirement program. We will conclude in September with a presentation of the revised "VCERA Disability Retirement Hearing Procedures" incorporating all of the Board-approved procedural changes.

Conclusion

After the Board's review of the Hearing Officer Information Packet and the Hearing Officer Performance Evaluation Kit, staff asks that they are approved as presented, or as modified, along with a motion to receive and file this item.

Annette and I would be pleased to respond to any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

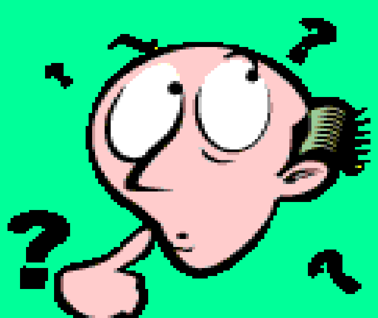
Attachments

DISABILITY RETIREMENT “101”

Trustee Training – Part 3

HEARINGS AND HEARING OFFICERS

What is a Disability Retirement Evidentiary Hearing?



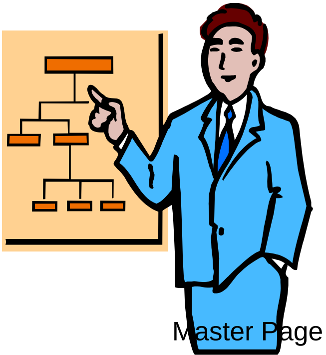
Evidentiary hearing is an opportunity for:

- The parties to fully present evidence, and
- A Board appointed Hearing Officer to consider whether the facts of the application meet the legal standards for granting the benefit.

Hearing Officer

Applicant or Applicant Counsel

Employer's Counsel



BOARD'S HEARING RESPONSIBILITIES

- Retain the Hearing Officer
- Arrange for date, time and place, and court reporter
- **Fiduciary duty to insure due process requirements**

Fair treatment of the member

Fair application of procedures

Adequate notice to the parties

Right to counsel

Right to be heard

Right to testify

Right to cross-examine witnesses

CURRENT CHALLENGE FOR YOUR BOARD

FACTS:

- Trustees are held to the “known” or “should have known” standard regarding the quality and due process compliance of the hearings.
- VCERA has no presence at evidentiary hearings.

CHALLENGE:

How to evaluate: • hearing environment • fairness of procedures and • Hearing Officer performance?

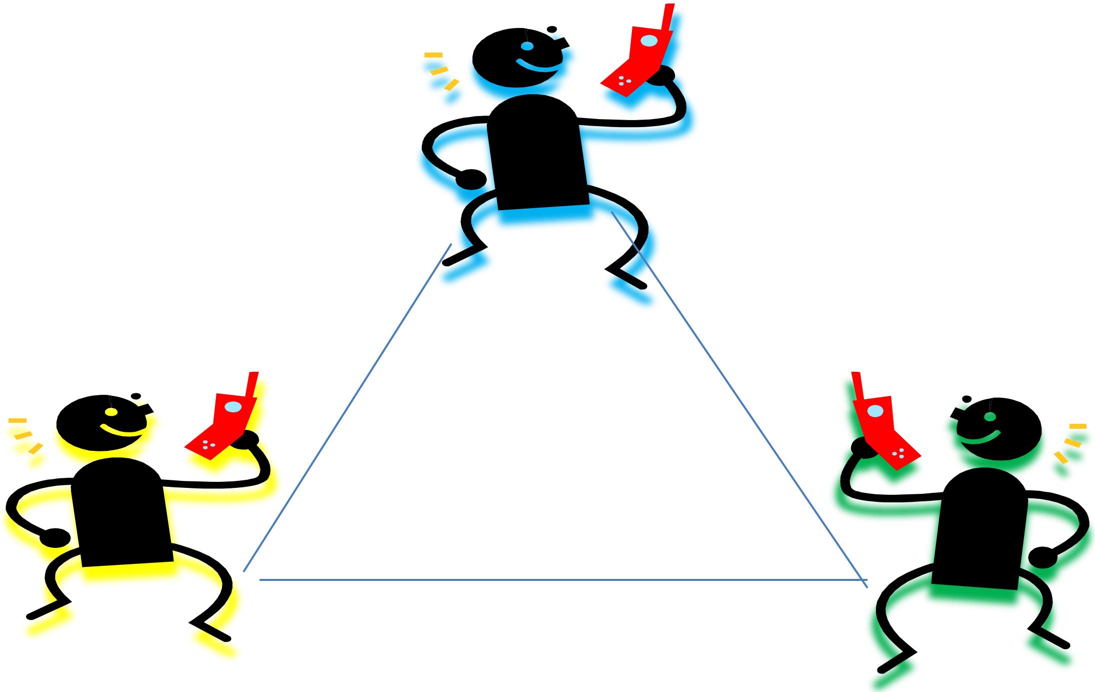
RECOMMENDATION:

Send staff to hearings!

YIKES! I didn’t know!

Planning for the Hearing

*"Pre-Hearing Conference"



A phone conference: • Hearing Officer • The Parties

***VCERA procedures do not include this, but I recommend a pre-hearing conference be added.**

Pre-Hearing Conference

PURPOSE

1. Board's Fiduciary Duty of Care

To counsel the <u>unrepresented</u> applicant on the hearing rules, the hearing environment, how to present evidence, discovery deadlines, what constitutes evidence, right to bring in witnesses, right to cross-examine witnesses, what to expect when testifying; right to take breaks, etc – done by the hearing officer.

Pre-Hearing Conference

PURPOSE

2. Clarify preliminary issues to prevent delay or needless continuances

- Agree on issues to be heard
- Select schedule for briefing
- Discuss discovery deadlines
- Discuss witness availability/scheduling
- Estimate time needed for parties to present their case
- Decide admissibility of declarations/depo transcripts
- Rule on whether there is “good cause” for a request for continuance

PREPARING FOR HEARING

Standard Driven Approach

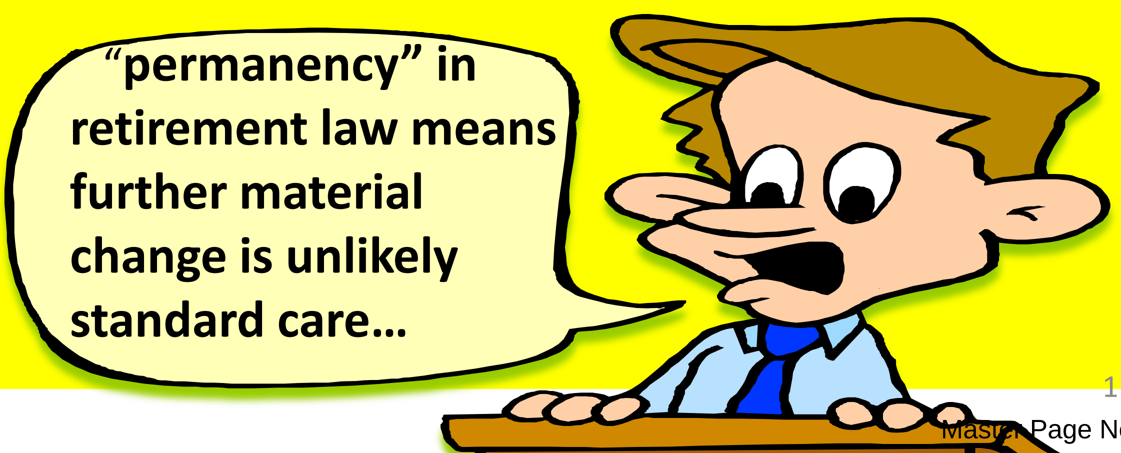
Goal: present evidence in terms of the correct legal standards

WHY THIS APPROACH?

The Hearing Officer must analyze the evidence and decide the case in terms of the correct legal standards.

To assist the Hearing Office in doing this:

- counsel must **teach** the Hearing Officer the standards
- and **demonstrate** how the medical facts compare with the legal standards



First, Organize Evidence Chronologically

A Chronology is a date-ordered list of all the events in the case that helps a Hearing Officer to:

- **Understand the timing of the case developments**
- **See relationship between medical and non-medical events**
- **Discover inconsistencies and patterns**

Second, make "Standard Charts" of the Evidence:

NEED:

3 basic charts:

Incapacity, Permanency, Service-connection

USE:

- **Categorize case facts in terms of the standards**
- **Identify the critical exhibits supporting standards**
- **Guide at hearing to question witnesses**
- **Structure argument in terms of the standards**
- **Support opening and closing briefs (attachment)**

INCAPACITY LEGAL STANDARD CHART

Date	Evidence	Exhibit #
11/3/06	Dr. B, a GP, says Applicant is disabled by PTSD; [Is he qualified to make this diagnosis?]	**Ex. 311**
1/15/07	Dr. S: Applicant has permanent disability due to hypertension; but is controlled by meds; [PD ≠ PI.]	**Ex. 340**
4/03/07	Dr. F., WC AME: Applicant is permanently disabled by PTSD. [Record reviews shows he has not seen historical records, does not know about prior psych history, alcohol use, & non-compliance w/ meds. Substantial evidence?]	**Ex. 402**
7/15/07	Dr. J: Current symptoms no different from past years in which he was able to do his job; recent job performance reports indicate he is able to do the job with no deficits. [substantial Inability?]	**Ex. 412**

PERMANENCY LEGAL STANDARD CHART

Date	Evidence	Exhibit #
3/02/02	Dr. A.C.: Applicant non-compliant w/medications [No religious reason; failure to mitigate damages]	**Ex. 173**
4/12/04	Dr.M.Treating MD concerned-Applicant does not take prescribed medications [Non-compliance]	**Ex. 184**
2/01/05	Dr.M.:Applicant is advised meds will not work unless he stops alcohol use; he refuses to stop alcohol [Is this in his control? Co-condition obscures true evaluation of symptoms]	**Ex. 194**
8/08/06	Dr. Z.;New meds offered; Applicant refuses; no reason [not tried new treatment – no mitigation]	**Ex. 218**
8/21/06	Dr.I. Treating psychologist is concerned Applicant refused new meds without explanation	**Ex. 298**
9/03/07	Dr.M.:Treating MD upset - Applicant stopped meds without consulting him [Non-compliance]	**Ex. 342**

HEARING OFFICERS

ACT AS

Administrative Law Judges

Legal Standard for a good hearing officer:

"a reasonably impartial, noninvolved reviewer"

Linney v. Turpin, (1996) 42 Cal.App.4th 763

What is a
"reasonably impartial, noninvolved reviewer"

- Doesn't have to be perfectly impartial.

  Linney v. Turpin, (1996) 42 Cal.App.4th 763

- Doesn't have to be completely indifferent to the general subject matter of the claim before him.

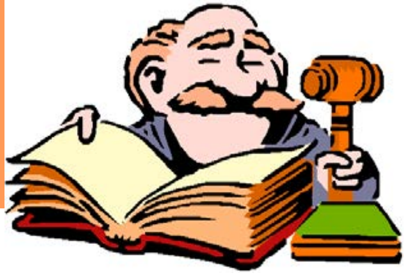
  Andrews v. Agricultural Labor Relations Bd. (1981) 28 Cal. 3d 781, 796-797

- Must not have a financial interest in the outcome. (That the board pays fees does not make him biased.)

  Linney v. Turpin, (1996) 42 Cal.App.4th 763

- Must not have other factors that create appearance of bias, i.e. family member of one of the parties, etc

Hearing Officer Selection



APPOINTMENT: The Board may:

- Appoint a Board member, or
- Refer the case to a referee

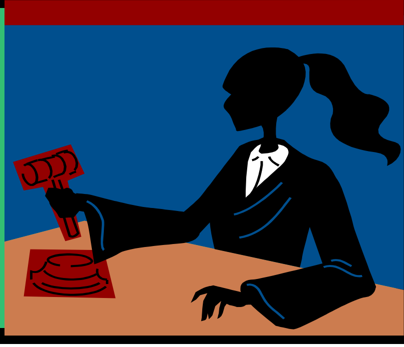
SELECTION:

1. <u>Unilaterally</u> by the system from a panel, or
2. With applicant input - option to strike a potential Hearing Officer

- *Linney v. Turpin, (1996) 42 Cal.App.4th 763;* Mcintyre v SBCERS (2001) 91 Cal. App. 4th 730
  - Applicant input is **not required by due process**
- *Haas v San Bernardino County (2002)* 69 Cal.App.4th 1017
  - unilateral selection is due process violation, but only in very specific circumstances.
  - Remedy – create a panel, selection by rotation

"We have no intention by this opinion of elevating a preference for mutual over unilateral….."

Hearing Officer Selection
Unilateral or Mutual Selection



CURRENT: VCERA procedures provide **both** the applicant and the employer the option to strike a potential hearing officer.

DISADVANTAGES:

- Lengthens the time line for setting the hearing
- Prevents full use of entire Hearing Officer panel
- Consistently eliminates some strong hearing officers
- Not required by law

RECOMMENDATION:

1. **The system unilaterally selects the hearing officer**
2. **Implement a Hearing Officer Evaluation Program**

Hiring Hearing Officers Qualifications

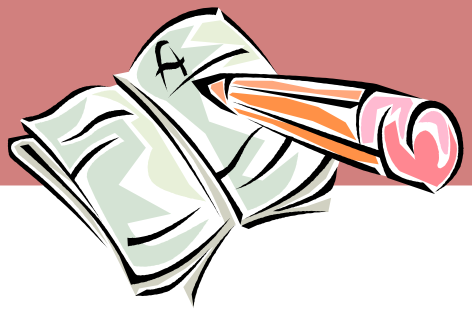
Preliminary Requirement: **Member-California State Bar**

- **Exhibits a competent, vital and professional demeanor**
- **Analytical Skills**
  - ability to combine pieces of information to form patterns
  - compare these to a general rule to form a conclusions

Evidence → Legal Standard → Legal Conclusion

- **Written Expression** — ability to communicate information and ideas in writing so others will understand.

Before you hire…



- Require 3 writing samples
- Require 3 references where serving as a hearing officer or mediator
- Contact references, especially if another ‘37 Act system is listed;
- Set up interview; draft interview questions
- Delegate this to administrator or staff

AFTER YOU HIRE…..

*NEW HEARING OFFICER PACKET

Send to each new Hearing Officer:

- VCERA Hearing Procedures
- Hearing Officer Report Format
- SACRS Disability Retirement Resource

* VCERA currently does not do this; I recommend this be added to the procedures.

Hearing Officer Responsibilities

- Preside over the hearing environment.
  - Insure professional behavior by the parties
  - Enforce VCERA hearing procedures
  - Maintain a reasonable schedule
  - Rule on objections, procedural disputes, admissibility
- Assist unrepresented applicant in the presentation of his/her case.
- Make impartial findings
- Deliver a timely report “Finding of Facts, Conclusions of Law and Recommend Decision”
- Respond to objections, Board requests for clarification

Hearing Officer Report Format

Introduction

- Summary of the claim
- Issues heard
- Procedural history
- Brief history of applicant's treatment
- Work history; Why applicant last left work
- Summary of the job duties at time of injury
- Summary of reasonable accommodation efforts

Hearing Officer Report Format
Analysis/Conclusions

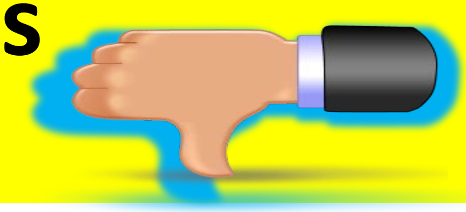
- Summary of any live witness testimony
- Summary of medical opinion on incapacity, permanency, service-connection
- Weight the medical opinions in terms of **"Substantial Evidence Test"**
- State each legal standard; cite legal decisions
- Analyze the evidence in terms of the standard
  - medical evidence; reasonable accommodation
- Make supported recommended decision

Evaluating Hearing Officer Reports

Did the Hearing Officer:

- Evaluate all evidence admitted into the hearing.
- Explain how he/she identified "the substantial evidence " and eliminated non-substantial evidence
- Explain the weighting of substantial evidence
- Explain how he/she evaluated the credibility of the applicant and lay and expert witnesses
- Explicitly analyze the evidence in terms of the legal standards to reach a conclusions.
- Adequately support his/her conclusions.

Hearing Office Reports Board Options

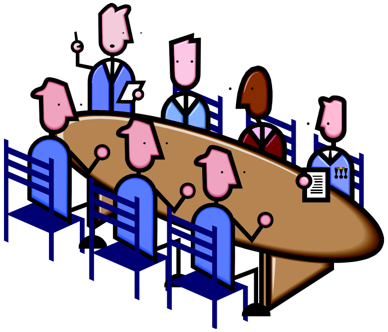


Upon receiving the Hearing Officer report, the Board may:

- Approve and adopt the findings and recommendation, or
- Require a transcript or summary of all the testimony, plus all other evidence received by the referee. Upon the receipt thereof, the Board shall take such action as in its opinion is indicated by such evidence, or
- Refer the matter back with or without instructions to the referee for further proceedings, or
- Set the matter for hearing before itself. At such hearing the Board shall hear and decide the matter as if it had not been referred to the referee.

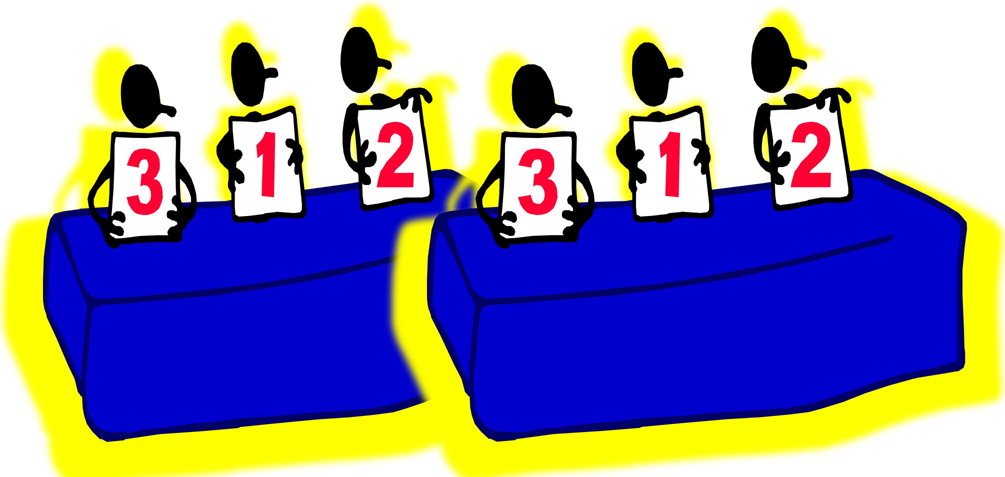
If you're not satisfied....

- Write to the Hearing Officer and request clarification.
- Ask the hearing Officer to respond to specific questions on the issues that need clarification.
- If you're still not clear, **ask again.**



*HEARING OFFICER EVALUATION PROGRAM

*VCERA currently does not have this, but I recommend a hearing officer evaluation program be included in the procedures



Hearing Officer Evaluation Committee

- Form a committee; Meet yearly
- Need support staff
  - To assemble packet on each HO
  - Administrator to make recommendations
- Elicit input from staff, administrator, applicants, county attorneys, applicant attorneys, trustees, court reporters
- Develop rate sheet; rate each Hearing Officer.
- Decide whether to re-new contract

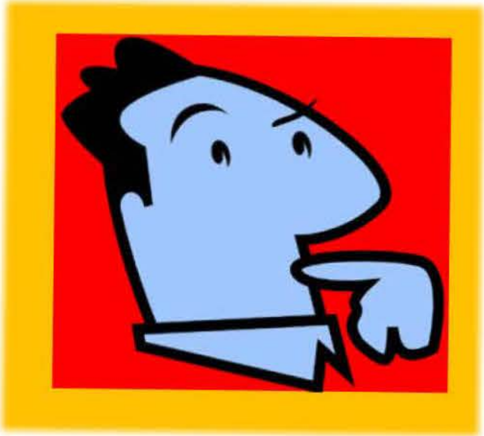
EVALUATING HEARING OFFICERS
Criteria

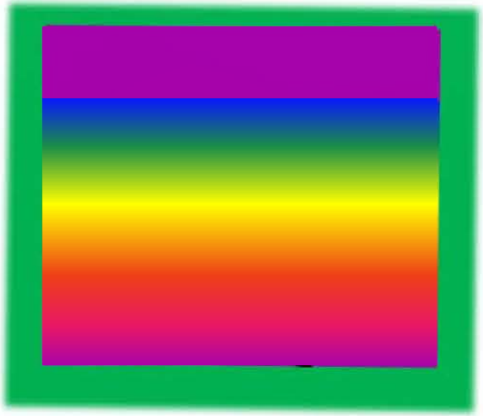
- Availability
- Timely responsiveness
- Consistently demonstrates good
    - writing skills
    - analytical skills
    - ability to properly apply the law
- Attitude, demeanor – professional behavior, personal behavior
- Reversal rate on appeal

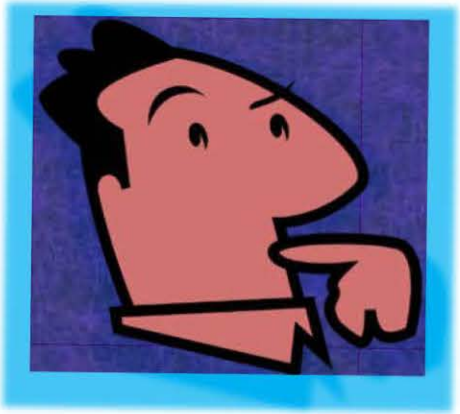
GETTING TO KNOW HEARING OFFICERS

- Invite hearing officers to speak or be part of a panel at your next trustee disability retirement workshop

QUESTIONS







VCERA

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

HEARING OFFICER

INFORMATION PACKET

INTRODUCTION

The VCERA Board of Retirement welcomes you to the panel of professionals who serve as hearing officers in our disability retirement process.

For your convenience, attached are three resource documents you may find helpful in performing your VCERA hearing officer duties:

A. Suggested Hearing Officer Report Outline (Attachment A)

Attachment A is a suggested outline for your "Finding of Fact, Conclusions of Law and Recommended Decision" report. While the Board does not require hearing officer reports to be submitted on a Board approved template, the Board does strongly recommend that you include in your report the topics contained in outline.

The Board's desire is to receive a clear, well-reasoned, and strongly supported report that:

- facilitates careful and meaningful Board deliberation,
- restrains the Board from acting beyond the bounds of its jurisdiction,
- enables Board decisions to withstand legal challenge, and
- facilitates judicial review by clearly demonstrating those factors – finding of facts, weighing of evidence, analysis and application of the law – which support the recommended decision

B. VCERA Disability Hearing Procedures (Attachment B)

This document outlines the rules by which our disability hearings are conducted. The Board expects its hearing officers to follow these procedures in conducting all hearing events and to enforce these rules when resolving any procedural disputes.

C. SACRS (State Association of County Retirement Systems) Disability Retirement Resource. (Attachment C)

The SACRS "Disability Resource" is an analysis of the County Employees Retirement Law and associated case law that governs eligibility for disability retirement benefits from "1937 Act" county pension plans. The "Resource" was developed by attorneys who represent various "37 Act" county retirement systems, with input and written comments from applicant counsel and hearing officers.

The "Resource" contains numerous case cites and case summaries on every issue likely to come before you in a disability hearing. While no substitute for reading the cases, the "resource" is an excellent starting point for research and analysis of the pertinent disability retirement law.

YOUR DUTIES AND RESPONSIBILITIES

Your role as a VCERA Hearing Officer includes the following duties and responsibilities:

A. Duties

- Pre-Hearing Conference: Conduct a pre-hearing telephonic conference with the parties to discuss preliminary matters such as:
  - The issues to be heard
  - A schedule for opening briefs
  - Discovery deadlines
  - Witness availability/scheduling; pre-hearing depositions
  - Estimated time needed for parties to present their case
  - Admissibility of declarations/depo transcripts
  - Ruling on whether "good cause" exists for a requested continuance
  - Counsel the <u>unrepresented</u> applicant on the hearing rules, the hearing environment, how to present evidence, due process rights, etc
  - Any issue which, if unresolved, may cause delay or derail the hearing
- Preside over the hearing environment.
  - Enforce VCERA hearing procedures
  - Maintain a reasonable schedule
  - Rule on objections, procedural disputes, admissibility of evidence
  - Assist unrepresented applicant in the presentation of his/her case.
- Draft a final report - "Finding of Facts, Conclusions of Law and Recommend Decision" preferably utilizing the suggested format.
- Respond to the parties objections and the Board requests for clarification

B. Responsibilities

- Act as a "reasonably, impartial, non-involved reviewer"

  Linney v. Turpin, (1996) 42 Cal.App.4th 763
- Provide a timely report and recommended decision
- Demonstrate personal professional behavior
- Encourage professional behavior by the parties

ATTACHMENT A

SUGGESTED HEARING OFFICER REPORT FORMAT

CASE NAME: **RECOMMENDATION:**

A. Introduction

- **Date(s) heard**
- **Parties in attendance**
- **Counsel names/clients**
- **Procedural history; pre-hearing conference, continuances, etc**
- **Issues heard**
- **Parties bearing burden of proof; required standard of proof**

B. Summary of the claim

- **Description/Diagnosis of applicant's medical condition**
- **Service-connected contentions, if any**
- **Account of workplace injury, if any**
- **Succinct history of applicant's treatment**

C. Job Duties/Accommodation/Work status

- **List of applicant's usual duties at time of injury or illness**
- **Current work status; date last worked; reason left work**
- **Reasonable accommodation efforts: possible, offered, refused, tried, successful, failure, etc**

D. Evidence Received and Reviewed

- **Documentary evidence – list date range and names of physicians and/or medical facilities**
- **Video evidence – summary of contents**
- **Summary of all live witness testimony**

E. Legal Standards

- **State legal standard for Substantial Evidence; components of Substantial evidence test; case law cites**
- **State legal standard for “Incapacity” under the CERL and associated disability case law disability law; case law cites**
- **State legal standard for “Permanency” under the CERL and associated disability case law; case law cites**
- **State legal standard for “Service-connection” under the CERL and associated disability case law; case law cites**

F. Analysis by issue

- **Incapacity**
  - **Summary and Analysis of expressed medical opinion on incapacity (including impact of reasonable accommodation);**
  - **Evaluation of whether expressed opinions meet substantial evidence test;**
  - **Evaluation of live witness credibility;**
  - **Discussion of how substantial evidence was weighted**
  - **Application of the legal standard for incapacity to the substantial evidence**
  - **Finding of facts on “incapacity” issue**
  - **Conclusion of law on “incapacity” issue**

- **Permanency**
  - **Summary and Analysis of expressed medical opinion on permanency;**
  - **Evaluation of whether expressed opinions meet substantial evidence test;**
  - **Evaluation of live witness credibility;**
  - **Discussion of how substantial evidence was weighted**
  - **Application of the legal standard for “permanency” to the substantial evidence**
  - **Finding of facts on “permanency” issue**
  - **Conclusion of law on “permanency” issue**

- **Service-connection (if the issue is being heard)**
  - **Summary and Analysis of expressed medical opinion on service-connection;**
  - **Evaluation of whether opinions meet substantial evidence test;**
  - **Evaluation of live witness credibility;**

- Discussion of how evidence was weighted
- Application of the legal standard for "service-connection" to the evidence
- Finding of facts on "service-connection" issue
- Conclusion of law on "Permanency" issue

- **Service-connection – reliance on presumption (if issue applies)**
  - **Indicate whether a presumption applies**
  - **Discussion of case law on how presumptions may be rebutted**
  - **Analysis of expressed medical opinion on service-connection;**
  - **Discussion of whether opinions meet substantial evidence test;**
  - **Discussion of live witness credibility;**
  - **Discussion of how evidence was weighted**
  - **Application of the legal standard for rebutting "presumption"**
  - **Finding of facts on "service-connection" issue**
  - **Conclusion of law on "service-connection" issue**

G. Effective Date

- **Discussion of Government Code § 31725 and applicable case law**
- **Identify last date of receipt of regular compensation**
- **Discussion of evidence presented on whether application was delayed beyond last day of regular compensation**
- **Identify last date of receipt of benefits under Division 4 of the Labor Code, if applicable**
- **Identify effective date of disability retirement benefits**

F. Summary

FINDING OF FACTS AND CONCLUSIONS OF LAW

- **Findings of fact on incapacity issue**
- **Conclusion of law on incapacity Issue**
- **Findings of fact on permanency issue**
- **Conclusions of law on permanency issue**
- **Findings of fact on the service-connection issue (if the issue is being heard) or presumption, if applicable**
- **Conclusions of law on the service-connection issue or presumption, if applicable**

- **Findings of fact on the effective date issue**
- **Conclusions of law on the effective date issue**

RECOMMENDED BOARD ACTION ON THE APPLICATION

- **Grant a service-connected disability retirement with an effective date of___**
- **Grant a Nonservice-connected disability retirement with an effective date of _____; deny a service-connected disability retirement**
- **Grant a non-service connected disability retirement with an effective date of ____**
- **Deny a service-connected disability retirement**
- **Deny a nonservice-connected disability retirement**
- **Dismiss the application with or without prejudice for ___________________**
- **Other____**

ATTACHMENT B

INSERT

VCERA DISABILITY HEARING PROCEDURES

ATTACHMENT C

INSERT

SACRS DISABILITY RETIREMENT RESOURCE

VCERA

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

HEARING OFFICER PERFORMANCE EVALUATION KIT

VCERA HEARING OFFICER PERFORMANCE EVALUATION

INTRODUCTION

It is the policy of the Board of Retirement to periodically review and evaluate the professional performance of the individuals serving on the VCERA hearing officer panel. The Board's goal in this process is to:

- further the Board's fiduciary responsibility to provide fair and efficient disability retirement procedures,
- comply with the legal need to provide a "reasonably impartial noninvolved reviewer" for hearing disability matters, and
- maintain high standards of professionalism and competency in the hiring and retention of hearing officers

It is the Board's intent, in evaluating its hearing officers, to obtain input from the various participants in the disability retirement process including VCERA staff, Ventura County Risk Management staff and Counsel, VCERA counsel, applicant attorneys, unrepresented applicants, and Board trustees.

PROCEDURES

Periodically, at intervals recommended by the VCERA CEO, the Board will direct staff to implement the adopted procedures to evaluate the professional performance of all or selected members of the VCERA hearing officer panel.

Staff will send the attached rating sheet to some or all of the above mentioned participants. The participants will complete a rating sheet for each hearing officer with whom they have had direct contact within the context of the VCERA disability retirement process. Participants will rate the hearing officer(s) on 7 areas with a rating scale of 1-5, 5 being the highest score.

Staff will develop a spreadsheet for each hearing officer, record the number of responses received and the individual ratings for each category. Staff will then calculate for each hearing officer, the average rating received in each area.

The results will be forwarded to the CEO. The Board will receive a report of the hearing officer ratings. If any hearing officer receives an average rating of 2 or 1 in any category, that individual will be removed from the panel.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Hearing Officer Evaluation Memo

TO: **Participant in Disability Retirement Process**

FROM: **VCERA Board of Retirement**

RE: **Hearing Officer Performance Evaluation**

The VCERA Board of Retirement is in the process of evaluating its disability retirement hearing officers. One of the Board's goal in this endeavor is to maintain the highest standards of professionalism and competency in the retention of individuals on our hearing officer panel.

As a applicant for disability retirement, or as a professional working in some capacity connected to the VCERA disability retirement procedures, the Board of Retirement invites you to assist in this project by rating the professional performance of our current hearing officers based on your personal experience with the individuals.

Please complete an attached Hearing Officer Evaluation Rating Sheet for each hearing officer with whom you have had direct contact within the context of the VCERA disability process.

We thank you for your input and invite you to contact VCERA, if you have any questions about participating in this process.

Attachment: Hearing Officer Evaluation Rating Sheets

VCERA HEARING OFFICER PERFORMANCE EVALUATION RATING SHEET

To Evaluator: Circle the rating that most closely depicts your experience with the hearing officer.

1: Poor **2: Needs Improvement** **3: Satisfactory** **4: Very Good** **5: Superior**

Hearing Officer: ____

Evaluator: ______________________________ Title: ______________

1. Availability to schedule hearing

Hearing Officer's availability generally allows hearing and pre-hearing conference to be scheduled within time frame required by VCERA procedures.

1 2 3 4 5

Comments:

____

____

2. Ability to Conduct Hearing

Conducts hearing in an orderly manner; enforces Board procedural rules; encourages professional behavior by participants; maintains appropriate timeline

1 2 3 4 5

Comments:

____

____

3. Professional Demeanor

Consistently demonstrates an attitude of orderliness, decisiveness, and self-assurance. Attitude toward parties and participants is respectful, courteous, rational and impartial.

1 2 3 4 5

Comments:

____

____

4. Timeliness of Written Decision

Provides written decision within specified timeline per Board procedures.

1 2 3 4 5

Comments:

____

____

5. Quality of Report: Written expression and report organization

Relates facts chronologically, uses proper grammar and sentence structure, organizes text with headings, uses plain language instead of legal jargon; maintains a logical flow and continuity of thought and analysis

1 2 3 4 5

Comments:

____

____

6. Quality of Report: Analytical Skills

Articulates knowledge of applicable law; appropriately applies correct legal standards, provides explanation for weighting of evidence, provides sufficient factual and legal support for analysis and conclusions

1 2 3 4 5

Comments:

____

____

7. Responsiveness to Requests for Clarification

Provides prompt, focused responses to objections and Board clarification requests

1 2 3 4 5

Comments:

____

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

June 17, 2013

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

SUBJECT: RECEIVE AND FILE ADOPTED FISCAL YEAR 2013-14 BUDGET

Dear Board Members:

At the June 3, 2013 Board meeting, your Board adopted the Fiscal Year 2013-14 Proposed Budget submitted by staff. In addition, your Board and staff identified changes that were required to the final document that were administrative in nature and would not affect the final proposed budget appropriations. The Board directed staff to make the necessary administrative changes and return to the Board with a final document. The budget is attached with the most significant changes as follows:

- Eliminated the 2012-13 Base column from the Statutory Fee Schedule
- Eliminated the 2013-14 Base, Base/Adjusted Variance, and Requests columns from all the budget schedules
- Corrected the Information Technology Budget and supporting schedules exempt from the CAP, more specifically the 2012-13 Adjusted and 2012-13 Projected columns. The amounts that were included were incorrect.
- Moved Enhancement requests #4 and #5 from the Admin Budget to Information Technology - Support Budget within the Administrative budget. The total Administrative Budget did not change but the Enhancement requests are now properly reflected in the appropriate subdivisions.
- 2013-2014 Proposed column has been changed to 2013-14 Adopted.

With respect to the elimination of the Requests column, those amounts are now reflected in the Detailed Account Summary schedule and each respective enhancement request is listed separately within the respective account. Each enhancement request is highlighted in yellow so it can be easily identified.

We would be pleased to respond to any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Henry C. Solis, CPA
Chief Financial Officer

Attachment

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

ADOPTED BUDGET

FISCAL YEAR 2013 - 2014

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

STATUTORY LIMIT SCHEDULE

FISCAL YEAR 2013 – 2014

Government Code section 31580.2 provides for the adoption by the Board of Retirement an annual budget covering the entire expense of administration. This expense of administration is a direct charge against the earnings of the fund and shall not exceed the greater of twenty-one hundredths of one percent of the accrued actuarial liability of the system or two million dollars ($2,000,000), as adjusted annually by the amount of the annual cost-of-living adjustment. Government Code section 31580.2(b) provides that expenditures for software, hardware and computer technology are not considered a cost of administration. The calculations of the maximum allowable budget and requested budget are summarized below.

	2012 -2013 ADOPTED	%	2012 -2013 ADJUSTED	%	2013 -2014 ADOPTED	%
Accrued Actuarial Liability (6/30/11, 6/30/12)	$ 3,995,352,000	N/A	$ 3,995,352,000	N/A	$ 4,373,227,000	N/A
Allowable Budget for Cost of Administration (21/100 of 1.0%)	8,390,239	0.21%	8,390,239	0.21%	9,183,800	0.21%
Administrative:						
Salaries and Benefits	$ 2,483,200	0.062%	$ 2,388,500	0.060%	$ 2,692,000	0.062%
Services and Supplies	1,223,700	0.031%	1,302,200	0.033%	1,558,600	0.036%
Sub-Total	3,706,900	0.093%	3,690,700	0.092%	4,250,600	0.098%
Contingency	-	-	-	-	397,600	0.009%
Total Administrative	$ 3,706,900	0.093%	$ 3,690,700	0.092%	$ 4,648,200	0.107%
Under Statutory Limitation	$ 4,683,339	0.117%	$ 4,699,539	0.118%	$ 4,535,600	0.103%
Information Technology (Exempt from CAP):						
Technology	2,534,400	0.063%	3,069,150	0.077%	2,982,700	0.068%
Sub-Total	2,534,400	0.063%	3,069,150	0.077%	2,982,700	0.068%
Contingency	-		-	-	298,300	0.007%
Total Information Technology	$ 2,534,400	0.063%	$ 3,069,150	0.077%	$ 3,281,000	0.075%
Combined:						
Administrative	$ 3,706,900	0.093%	$ 3,690,700	0.092%	$ 4,250,600	0.098%
Information Technology	2,534,400	0.063%	3,069,200	0.077%	2,982,700	0.068%
Contingency	596,600	0.015%	78,000	0.002%	695,900	0.016%
Total Budget	$ 6,837,900	0.171%	$ 6,837,900	0.171%	$ 7,929,200	0.182%

VENTURA COUNTY EMPLOYEE'S RETIREMENT ASSOCIATION
ADOPTED BUDGET AT A GLANCE
FISCAL YEAR 2013-2014

VCERA 2013-14 Adopted
FTE 24.0
$$$ $ 7,929.2

- **Administrative**
  FTE 24.0
  $$$ 4,648.2
  bps 10.70
  - **Admin**
    FTE 19.6
    $$$ 3,995.9
  - **I/T - Support**
    FTE 1.0
    $$$ 208.1
  - **PAS Support**
    FTE 3.4
    $$$ 444.2
- **I/T - Exempt from CAP**
  FTE -
  $$$ $ 3,281.0
  - **I/T - Operations**
    FTE -
    $$$ 473.9
  - **PAS Project**
    FTE -
    $$$ 2,807.1

(Dollars are in thousands)

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TOTAL ADOPTED BUDGET
FISCAL YEAR 2013 – 2014
In thousands

ACCOUNT	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
Salaries and Benefits:						
Full-Time Equivalents	21.0	24.0	24.0	24.0	(0.0)	0.0%
Salaries:						
Salaries	$ 1,113.9	$ 1,558.9	$ 1,460.0	$ 1,725.6	$ 166.7	10.7%
Extra-Help	63.7	25.0	40.2	25.0	-	0.0%
Overtime	2.5	7.6	1.8	1.5	(6.1)	-80.3%
Total Salaries	**1,180.1**	**1,591.5**	**1,502.0**	**1,752.1**	**160.6**	**10.1%**
Benefits:						
Supplemental Payments	29.5	47.0	45.2	53.7	6.7	14.3%
Vacation Redepemption	81.1	71.7	66.6	87.5	15.8	22.0%
Retirement Contributions	225.5	350.2	325.5	424.8	74.6	21.3%
OASDI Contributions	70.5	79.0	93.6	107.8	28.8	36.5%
FICA-Medicare	17.3	24.4	23.0	27.0	2.6	10.7%
Retiree Health Benefit	12.0	15.6	13.0	16.2	0.6	3.8%
Medical Insurance	108.0	152.7	148.8	170.8	18.1	11.9%
Life Insurance/Mgmt	0.7	0.9	1.0	1.0	0.1	11.1%
Unemployment Insurance	2.2	2.4	2.3	2.2	(0.2)	-8.3%
Management Disability Ins.	2.7	3.9	3.7	4.2	0.3	7.7%
Workers' Compensation Ins.	6.9	9.8	9.8	10.9	1.1	11.2%
401k Plan Contribution	22.1	39.4	33.0	33.8	(5.6)	-14.2%
Total Benefits	**578.5**	**797.0**	**765.5**	**939.9**	**142.9**	**17.9%**
Transfers In	-	-	-	60.8	60.8	N/A
Transfers Out	-	-	-	(60.8)	(60.8)	N/A
Total Salaries and Benefits	**$ 1,758.6**	**$ 2,388.5**	**$ 2,267.5**	**$ 2,692.0**	**$ 303.5**	**12.7%**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TOTAL ADOPTED BUDGET
FISCAL YEAR 2013 – 2014
In thousands

ACCOUNT	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
Services and Supplies:						
Telecommunication Services - ISF	$ 36.3	$ 21.4	$ 41.1	$ 46.6	$ 25.2	117.8%
General Insurance - ISF	8.7	9.6	9.6	12.3	2.7	28.1%
Office Equipment Maintenance	1.4	1.0	1.5	1.0	-	0.0%
Membership and Dues	8.6	9.7	8.9	9.3	(0.4)	-4.1%
Education Allowance	2.0	6.0	2.0	6.0	-	0.0%
Cost Allocation Charges	34.0	(34.1)	(34.1)	57.3	91.4	-268.0%
Printing Services - Not ISF	4.7	5.5	4.2	6.0	0.5	9.1%
Books & Publications	1.9	2.5	1.6	2.0	(0.5)	-20.0%
Office Supplies	23.9	18.0	15.3	20.0	2.0	11.1%
Postage & Express	54.9	55.0	43.0	55.0	-	0.0%
Printing Charges - ISF	0.2	12.0	7.3	12.5	0.5	4.2%
Copy Machine Services - ISF	7.0	5.9	6.9	7.1	1.2	20.3%
Board Member Fees	10.0	11.5	10.5	11.0	(0.5)	-4.3%
Professional Services	849.0	887.9	994.4	960.4	72.5	8.2%
Storage Charges	3.2	3.2	3.5	4.0	0.8	25.0%
Equipment	0.9	18.5	13.3	15.0	(3.5)	-18.9%
Office Lease Payments	158.0	178.6	177.5	186.4	7.8	4.4%
Private Vehicle Mileage	3.8	8.0	8.8	8.3	0.3	3.7%
Conference, Seminar and Travel	54.8	60.0	42.8	65.0	5.0	8.3%
Furniture	100.6	7.0	0.7	11.2	4.2	60.0%
Facilities Charges	6.7	15.0	21.4	62.2	47.2	314.7%
Judgements & Damages	30.9	-	-	-	-	0.0%
Transfers In	-	-	-	11.3	11.3	N/A
Transfers Out	-	-	-	(11.3)	(11.3)	N/A
Total Services and Supplies	**$ 1,401.5**	**$ 1,302.2**	**$ 1,380.2**	**$ 1,558.6**	**$ 256.4**	**19.7%**
Total Sal, Ben, Serv & Supp	**$ 3,160.1**	**$ 3,690.7**	**$ 3,647.7**	**$ 4,250.6**	**$ 559.9**	**15.2%**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TOTAL ADOPTED BUDGET
FISCAL YEAR 2013 – 2014
In thousands

ACCOUNT	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
Technology:						
Computer Hardware	$ 52.0	$ 32.5	$ 28.4	$ 22.2	(10.3)	-31.7%
Computer Software	14.1	21.3	14.8	46.2	24.9	116.9%
Systems & Applications Support	397.4	416.4	413.5	419.9	3.5	0.8%
Pension Administration System	598.9	2,599.0	2,587.0	2,494.4	(104.6)	-4.0%
Total Technology	**$ 1,062.4**	**$ 3,069.2**	**$ 3,043.7**	**$ 2,982.7**	**$ (86.4)**	**-2.8%**
Total Before Contingency	**$ 4,222.5**	**$ 6,759.9**	**$ 6,691.4**	**$ 7,233.3**	**$ 473.4**	**7.0%**
Contingency	-	78.0	-	695.9	617.9	792.1%
Total Adopted	**$ 4,222.5**	**$ 6,837.9**	**$ 6,691.4**	**$ 7,929.2**	**$ 1,091.3**	**16.0%**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

POSITION DETAIL BY CLASSIFICATION

FISCAL YEAR 2013-14 ADOPTED BUDGET

Position Code	Position/Class	Biweekly Salary Range		ADOPTED FY 2012-13		ADJUSTED FY 2012-13		PROPOSED FY 2013-14	
				FTE	POS	FTE	POS	FTE	POS
000623	Benefits Specialist (Program Administrator II)	2,098.13	2,937.38	10.0	10.0	14.0	14.0	14.0	14.0
000623	Benefits Specialist (Program Administrator II-Fixed Term)	2,098.13	2,937.38	2.0	2.0	0.0	0.0	0.0	0.0
000981	Chief Financial Officer	4,066.17	5,692.64	1.0	1.0	1.0	1.0	1.0	1.0
001026	Sr Office Systems Coordinator (IT)	2,514.19	3,519.87	1.0	1.0	1.0	1.0	1.0	1.0
001350	Office Assistant III - Confidential	1,272.40	1,781.36	2.0	2.0	2.0	2.0	2.0	2.0
001489	Exec Asst/Clerk of the Board (Program Assistant - NE)	1,898.10	2,657.33	1.0	1.0	1.0	1.0	1.0	1.0
001621	Office Systems Coordinator IV (Fixed Term)	2,464.98	3,273.37	1.0	1.0	0.0	0.0	0.0	0.0
001710	Benefits Manager (Staff Services Manager II)	2,478.18	3,469.44	1.0	1.0	1.0	1.0	1.0	1.0
001711	Operations Manager (Staff Services Manager III)	2,662.32	3,727.24	1.0	1.0	1.0	1.0	1.0	1.0
001814	Retirement Administrator	4,684.51	6,558.32	1.0	1.0	1.0	1.0	1.0	1.0
002069	Fiscal Manager I	2,626.59	3,469.44	1.0	1.0	1.0	1.0	1.0	1.0
002092	Accounting Officer IV - MB	2,246.82	2,968.00	1.0	1.0	1.0	1.0	1.0	1.0
	Total			23.0	23.0	24.0	24.0	24.0	24.0

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TOTAL ADMINISTRATIVE BUDGET
FISCAL YEAR 2013 – 2014
In thousands

ACCOUNT	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
Salaries and Benefits:						
Full-Time Equivalents	21.0	24.0	24.0	24.0	(0.0)	0.0%
Salaries:						
Salaries	$ 1,113.9	$ 1,558.9	$ 1,460.0	$ 1,725.6	$ 166.7	10.7%
Extra-Help	63.7	25.0	40.2	25.0	-	0.0%
Overtime	2.5	7.6	1.8	1.5	(6.1)	-80.3%
Total Salaries	**1,180.1**	**1,591.5**	**1,502.0**	**1,752.1**	**160.6**	**10.1%**
Benefits:						
Supplemental Payments	29.5	47.0	45.2	53.7	6.7	14.3%
Vacation Redepemption	81.1	71.7	66.6	87.5	15.8	22.0%
Retirement Contributions	225.5	350.2	325.5	424.8	74.6	21.3%
OASDI Contributions	70.5	79.0	93.6	107.8	28.8	36.5%
FICA-Medicare	17.3	24.4	23.0	27.0	2.6	10.7%
Retiree Health Benefit	12.0	15.6	13.0	16.2	0.6	3.8%
Medical Insurance	108.0	152.7	148.8	170.8	18.1	11.9%
Life Insurance/Mgmt	0.7	0.9	1.0	1.0	0.1	11.1%
Unemployment Insurance	2.2	2.4	2.3	2.2	(0.2)	-8.3%
Management Disability Ins.	2.7	3.9	3.7	4.2	0.3	7.7%
Workers' Compensation Ins.	6.9	9.8	9.8	10.9	1.1	11.2%
401k Plan Contribution	22.1	39.4	33.0	33.8	(5.6)	-14.2%
Total Benefits	**578.5**	**797.0**	**765.5**	**939.9**	**142.9**	**17.9%**
Transfers In	-	-	-	60.8	60.8	N/A
Transfers Out	-	-	-	(60.8)	(60.8)	N/A
Total Salaries and Benefits	**$ 1,758.6**	**$ 2,388.5**	**$ 2,267.5**	**$ 2,692.0**	**$ 303.5**	**12.7%**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TOTAL ADMINISTRATIVE BUDGET
FISCAL YEAR 2013 – 2014
In thousands

ACCOUNT	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
Services and Supplies:						
Telecommunication Services - ISF	$ 36.3	$ 21.4	$ 41.1	$ 46.6	$ 25.2	117.8%
General Insurance - ISF	8.7	9.6	9.6	12.3	2.7	28.1%
Office Equipment Maintenance	1.4	1.0	1.5	1.0	-	0.0%
Membership and Dues	8.6	9.7	8.9	9.3	(0.4)	-4.1%
Education Allowance	2.0	6.0	2.0	6.0	-	0.0%
Cost Allocation Charges	34.0	(34.1)	(34.1)	57.3	91.4	-268.0%
Printing Services - Not ISF	4.7	5.5	4.2	6.0	0.5	9.1%
Books & Publications	1.9	2.5	1.6	2.0	(0.5)	-20.0%
Office Supplies	23.9	18.0	15.3	20.0	2.0	11.1%
Postage & Express	54.9	55.0	43.0	55.0	-	0.0%
Printing Charges - ISF	0.2	12.0	7.3	12.5	0.5	4.2%
Copy Machine Services - ISF	7.0	5.9	6.9	7.1	1.2	20.3%
Board Member Fees	10.0	11.5	10.5	11.0	(0.5)	-4.3%
Professional Services	849.0	887.9	994.4	960.4	72.5	8.2%
Storage Charges	3.2	3.2	3.5	4.0	0.8	25.0%
Equipment	0.9	18.5	13.3	15.0	(3.5)	-18.9%
Office Lease Payments	158.0	178.6	177.5	186.4	7.8	4.4%
Private Vehicle Mileage	3.8	8.0	8.8	8.3	0.3	3.7%
Conference, Seminar and Travel	54.8	60.0	42.8	65.0	5.0	8.3%
Furniture	100.6	7.0	0.7	11.2	4.2	60.0%
Facilities Charges	6.7	15.0	21.4	62.2	47.2	314.7%
Judgements & Damages	30.9	-	-	-	-	0.0%
Transfers In	-	-	-	11.3	11.3	N/A
Transfers Out	-	-	-	(11.3)	(11.3)	N/A
Total Services and Supplies	**$ 1,401.5**	**$ 1,302.2**	**$ 1,380.2**	**$ 1,558.6**	**$ 256.4**	**19.7%**
Total Sal, Ben, Serv & Supp	**$ 3,160.1**	**$ 3,690.7**	**$ 3,647.7**	**$ 4,250.6**	**$ 559.9**	**15.2%**
Contingency	-	78.0	-	397.6	319.6	N/A
Total Adopted	**$ 3,160.1**	**$ 3,690.7**	**$ 3,647.7**	**$ 4,648.2**	**$ 957.5**	**25.9%**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ADMIN BUDGET
FISCAL YEAR 2013 – 2014
In thousands

ACCOUNT	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
Salaries and Benefits:						
Full-Time Equivalents	21.0	24.0	24.0	19.6	(4.4)	-18.3%
Salaries:						
Salaries	$ 1,113.9	$ 1,558.9	$ 1,460.0	$ 1,424.0	$ (134.9)	-8.7%
Extra-Help	63.7	25.0	40.2	25.0	-	0.0%
Overtime	2.5	7.6	1.8	1.5	(6.1)	-80.3%
Total Salaries	**1,180.1**	**1,591.5**	**1,502.0**	**1,450.5**	**(141.0)**	**-8.9%**
Benefits:						
Supplemental Payments	29.5	47.0	45.2	44.6	(2.4)	-5.1%
Vacation Redepemption	81.1	71.7	66.6	78.5	6.8	9.5%
Retirement Contributions	225.5	350.2	325.5	351.6	1.4	0.4%
OASDI Contributions	70.5	79.0	93.6	88.0	9.0	11.4%
FICA-Medicare	17.3	24.4	23.0	22.4	(2.0)	-8.2%
Retiree Health Benefit	12.0	15.6	13.0	16.2	0.6	3.8%
Medical Insurance	108.0	152.7	148.8	142.4	(10.3)	-6.7%
Life Insurance/Mgmt	0.7	0.9	1.0	0.9	-	0.0%
Unemployment Insurance	2.2	2.4	2.3	1.8	(0.6)	-25.0%
Management Disability Ins.	2.7	3.9	3.7	3.5	(0.4)	-10.3%
Workers' Compensation Ins.	6.9	9.8	9.8	9.2	(0.6)	-6.1%
401k Plan Contribution	22.1	39.4	33.0	28.7	(10.7)	-27.2%
Total Benefits	**578.5**	**797.0**	**765.5**	**787.8**	**(9.2)**	**-1.2%**
Transfers In	-	-	-	-	-	N/A
Transfers Out	-	-	-	(60.8)	(60.8)	N/A
Total Salaries and Benefits	**$ 1,758.6**	**$ 2,388.5**	**$ 2,267.5**	**$ 2,177.5**	**$ (211.0)**	**-8.8%**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ADMIN BUDGET
FISCAL YEAR 2013 – 2014
In thousands

ACCOUNT	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
Services and Supplies:						
Telecommunication Services - ISF	$ 36.3	$ 21.4	$ 41.1	$ 45.0	$ 23.6	110.3%
General Insurance - ISF	8.7	9.6	9.6	12.3	2.7	28.1%
Office Equipment Maintenance	1.4	1.0	1.5	1.0	-	0.0%
Membership and Dues	8.6	9.7	8.9	9.1	(0.6)	-6.2%
Education Allowance	2.0	6.0	2.0	4.0	(2.0)	-33.3%
Cost Allocation Charges	34.0	(34.1)	(34.1)	57.3	91.4	-268.0%
Printing Services - Not ISF	4.7	5.5	4.2	6.0	0.5	9.1%
Books & Publications	1.9	2.5	1.6	2.0	(0.5)	-20.0%
Office Supplies	23.9	18.0	15.3	20.0	2.0	11.1%
Postage & Express	54.9	55.0	43.0	55.0	-	0.0%
Printing Charges - ISF	0.2	12.0	7.3	12.5	0.5	4.2%
Copy Machine Services - ISF	7.0	5.9	6.9	7.1	1.2	20.3%
Board Member Fees	10.0	11.5	10.5	11.0	(0.5)	-4.3%
Professional Services	849.0	887.9	994.4	960.4	72.5	8.2%
Storage Charges	3.2	3.2	3.5	4.0	0.8	25.0%
Equipment	0.9	18.5	13.3	15.0	(3.5)	-18.9%
Office Lease Payments	158.0	178.6	177.5	167.3	(11.3)	-6.3%
Private Vehicle Mileage	3.8	8.0	8.8	8.0	(0.0)	0.0%
Conference, Seminar and Travel	54.8	60.0	42.8	60.0	-	0.0%
Furniture	100.6	7.0	0.7	11.2	4.2	60.0%
Facilities Charges	6.7	15.0	21.4	23.2	8.2	54.7%
Judgements & Damages	30.9	-	-	-	-	0.0%
Transfers In	-	-	-	-	-	N/A
Transfers Out	-	-	-	(11.3)	(11.3)	N/A
Total Services and Supplies	**$ 1,401.5**	**$ 1,302.2**	**$ 1,380.2**	**$ 1,480.1**	**$ 177.9**	**13.7%**
Total Sal, Ben, Serv & Supp	**$ 3,160.1**	**$ 3,690.7**	**$ 3,647.7**	**$ 3,657.6**	**$ (33.1)**	**-0.9%**
Contingency	-	78.0	-	338.3	260.3	333.7%
Total Adopted	**$ 3,160.1**	**$ 3,768.7**	**$ 3,647.7**	**$ 3,995.9**	**$ 227.2**	**6.0%**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

ADMIN BUDGET

SERVICES AND SUPPLIES DETAILED ACCOUNT SUMMARY

FISCAL YEAR 2013 – 2014

	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
TELECOMMUNICATIONS SERVICES - ISF:	$ 36,300	$ 21,400	$ 41,100	$ 45,000	$ 23,600	110.3%
Account Detail:						
Phone equipment			11,500	17,400		
Voice & data network services			13,500	15,500		
Network & systems access (microwave)			9,600	9,600		
Service requests			6,500	2,500		
GENERAL INSURANCE - ISF:	$ 8,700	$ 9,600	$ 9,600	$ 12,300	$ 2,700	28.1%
County Executive Office (Risk Management): Included are liability claims processing and management, legal defense, insurance purchase for general liability and automobile. Budget amount from County of Ventura Budget Development Manual.						
OFFICE EQUIPMENT MAINTENANCE:	$ 1,400	$ 1,000	$ 1,500	$ 1,000	$ -	0.0%
MEMBERSHIP AND DUES:	$ 8,600	$ 9,700	$ 8,900	$ 9,100	$ (600)	-6.2%
Account Detail:						
State Association of County Retirement Systems		4,500	$ 4,000	4,000		
California Association of Public Retirement		1,500	2,000	2,000		
International Foundation of Employee Benefit Plans		800	850	1,000		
Government Finance Officers Association		650	450	650		
National Association of Pension Plan Attorneys		450	450	450		
Other Memberships (Organization and eligible staff)		1,800	1,150	1,000		
EDUCATION ALLOWANCE:	$ 2,000	$ 6,000	$ 2,000	$ 4,000	$ (2,000)	-33.3%
Textbook & tuition reimbursement				4,000		

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

ADMIN BUDGET

SERVICES AND SUPPLIES DETAILED ACCOUNT SUMMARY

FISCAL YEAR 2013 – 2014

	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
COST ALLOCATION CHARGES:	$ 34,000	$ (34,100)	$ (34,100)	$ 57,300	$ 91,400	-268.0%
Cost allocation charges include administrative service charges for the County Executive Office, Auditor-Controller and County Counsel.						
PRINTING SERVICES - NOT ISF:	$ 4,700	$ 5,500	$ 4,200	$ 6,000	$ 500	9.1%
Printing of business cards, envelopes, Annual CAFR Report, Board election material, etc.						
BOOKS AND PUBLICATIONS:	$ 1,900	$ 2,500	$ 1,600	$ 2,000	$ (500)	-20.0%
Publications include Wall Street Journal, Institutional Investor, Public Retirement Journal, IFEBP Benefits Quarterly, GFOA Reference Material, Ventura Star, Human Resource, Information Technology and other reference material.						
OFFICE SUPPLIES:	$ 23,900	$ 18,000	$ 15,300	$ 20,000	$ 2,000	11.1%
Regular Office Supplies				11,000		
Printer Toner Cartridges				9,000		
POSTAGE AND EXPRESS:	$ 54,900	$ 55,000	$ 43,000	$ 55,000	$ -	0.0%
Mailing of monthly retirement checks, correspondence, 1099-Rs, mailroom delivery charges, special mailings (including elections) and Federal Express charges.				55,000		
PRINTING SERVICES - ISF:	$ 200	$ 12,000	$ 7,300	$ 12,500	$ 500	4.2%
County graphics services charges for printing employee handbooks, forms, disability packets, newletters, etc.						
COPY MACHINE SERVICE:	$ 7,100	$ 5,900	$ 6,900	$ 7,100	$ 1,200	20.3%
BOARD MEMBER FEES:	$ 10,000	$ 11,500	$ 10,500	$ 11,000	$ (500)	-4.3%

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

ADMIN BUDGET

SERVICES AND SUPPLIES DETAILED ACCOUNT SUMMARY

FISCAL YEAR 2013 – 2014

	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
PROFESSIONAL SERVICES:	$ 849,000	$ 887,900	$ 994,400	$ 960,400	$ 72,500	8.2%
Account Detail:						
Fiduciary Liability Insurance		68,000	74,800	80,000		
Legal Services:						
County Counsel		280,000	295,000	300,000		
Outside Legal Counsel		50,000	47,300	50,000		
Retiree Payroll Processing (ADP)		115,000	113,400	116,500		
Hearing Officer Fees		100,000	98,000	110,000		
Financial Auditor (Brown Armstrong)		42,300	42,300	42,300		
Court Reporters (Alssi Barney Ungermann)		15,000	14,000	16,000		
Trustee Elections (County Elections Division)		1,200	5,100	6,300		
Courier Services (Central Courier)		5,200	1,000	-		
Document Shredding Svcs (Cintas)		1,500	1,500	1,500		
Employee Health Services (New Hires)		4,000	2,000	3,000		
Actuary (Segal)		64,000	176,000	66,000		
Employee Benefit Statements (Towers Watson)		55,000	55,000	55,000		
Death Audit Services (PBI)		2,200	2,200	2,200		
Retirement Videos			4,500	2,000		
Employee Service Awards			300	600		
Disability consultant		30,000	27,000	9,000		
Investment Search		29,500	15,000			
Miscellaneous		25,000	20,000	25,000		
Enhancement Request #3 (Actuarial Audit)				75,000		
STORAGE CHARGES:	$ 3,200	$ 3,200	$ 3,500	$ 4,000	$ 800	25.0%
Offsite storage of VCERA files						
EQUIPMENT:	$ 900	$ 18,500	$ 13,300	$ 15,000	$ (3,500)	-18.9%
Enhancement Request #1 (Boardroom Audio/Video Equipment)				15,000		

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

ADMIN BUDGET

SERVICES AND SUPPLIES DETAILED ACCOUNT SUMMARY

FISCAL YEAR 2013 – 2014

	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
OFFICE LEASE PAYMENTS:	$ 158,000	$ 178,600	$ 177,500	$ 167,300	$ (11,300)	-6.3%
Lease of Office Space from MF Daily, Inc.						
7,778 square feet @ $1.78/sq. ft for 9 months				124,600		
7,778 square feet @ $1.83/sq. ft (3% CPI) for 3 months				42,700		
PRIVATE VEHICLE MILEAGE:	$ 3,800	$ 8,000	$ 8,800	$ 8,000	$ (0)	0.0%
Auto Allowance - Administrator				4,500		
Trustees and staff				3,500		
CONFERENCE, SEMINAR AND TRAVEL:	$ 54,700	$ 60,000	$ 42,800	$ 60,000	$ -	0.0%
FURNITURE:	$ 100,600	$ 7,000	$ 700	$ 11,200	$ 4,200	60.0%
Furniture for Benefit Operations				9,200		
Replacements				2,000		
FACILITIES CHARGES:	$ 6,700	$ 15,000	$ 21,400	$ 23,200	$ 8,200	54.7%
Annual Charge for card access readers				1,200		
Enhancement Request #2 (Additional Security Access)				22,000		
JUDGEMENT AND DAMAGES:	$ 30,900	$ -	$ -	$ -	$ -	0.0%
TRANSFERS IN:	$ -	$ -	$ -	$ -	$ -	0.0%
TRANSFERS OUT:	$ -	$ -	$ -	$ (11,300)	$ (11,300)	0.0%
Amount attributable to VCERIS/PAS						
TOTAL SERVICES AND SUPPLIES	$ 1,401,500	$ 1,302,200	$ 1,380,200	$ 1,480,100	$ 177,900	13.7%

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INFORMATION TECHNOLOGY (I/T) - SUPPORT BUDGET
FISCAL YEAR 2013 – 2014
In thousands

ACCOUNT	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
Salaries and Benefits:						
Full-Time Equivalents				1.0	1.0	N/A
Salaries:						
Salaries				$ 89.3	$ 89.3	N/A
Total Salaries	**-**	**-**	**-**	**89.3**	**89.3**	N/A
Benefits:						
Supplemental Payments				3.1	3.1	N/A
Vacation Redepemption				9.0	9.0	N/A
Retirement Contributions				22.9	22.9	N/A
OASDI Contributions				6.3	6.3	N/A
FICA-Medicare				1.4	1.4	N/A
Medical Insurance				7.1	7.1	N/A
Unemployment Insurance				0.1	0.1	N/A
Management Disability Ins.				0.2	0.2	N/A
Workers' Compensation Ins.				0.5	0.5	N/A
401k Plan Contribution				2.8	2.8	N/A
Total Benefits	**-**	**-**	**-**	**53.4**	**53.4**	N/A
Transfers In	-	-	-	-	-	N/A
Transfers Out	-	-	-	-	-	N/A
Total Salaries and Benefits	**$ -**	**$ -**	**$ -**	**$ 142.7**	**$ 142.7**	N/A
Services and Supplies:						
Membership and Dues				$ 0.2	$ 0.2	N/A
Education Allowance				2.0	2.0	N/A
Private Vehicle Mileage				0.3	0.3	N/A
Conference, Seminar and Travel				5.0	5.0	N/A
Facilities Charges				39.0	39.0	N/A
Total Services and Supplies	**$ -**	**$ -**	**$ -**	**$ 46.5**	**$ 46.5**	**N/A**
Total Sal, Ben, Serv & Supp	**$ -**	**$ -**	**$ -**	**$ 189.2**	**$ 189.2**	**N/A**
Contingency	-	-	-	18.9	18.9	N/A
Total Adopted	**$ -**	**$ -**	**$ -**	**$ 208.1**	**$ 208.1**	**N/A**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

INFORMATION TECHNOLOGY (I/T) - SUPPORT BUDGET

DETAILED ACCOUNT SUMMARY - SERVICE AND SUPPLIES

FISCAL YEAR 2013 – 2014

	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ADJUSTED VARIANCE	% INCREASE (DECREASE)
MEMBERSHIP AND DUES:	$ -	$ -	$ -	$ 200	$ -	N/A
Public Retirement Information Systems Management (PRISM)				200		
EDUCATION ALLOWANCE:	$ -	$ -	$ -	$ 2,000	$ -	N/A
IT Manager			-	2,000		
PRIVATE VEHICLE MILEAGE:	$ -	$ -	$ -	$ 300	$ -	N/A
				300		
CONFERENCE, SEMINAR AND TRAVEL:	$ -	$ -	$ -	$ 5,000	$ -	N/A
Technical				5,000		
FACILITIES CHARGES:	$ -	$ -	$ -	$ 39,000	$ -	N/A
Electrical changes for computer & network equipment				2,000		
Enhancement Request #4 (Fire Suppression - Server Room)				12,500		
Enhancement Request #5 (Expansion of Server Room)				24,500		
TOTAL SERVICES AND SUPPLIES	$ -	$ -	$ -	$ 46,500	$ -	N/A

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
PENSION ADMINISTRATION SYSTEM (PAS) SUPPORT BUDGET
FISCAL YEAR 2013 – 2014
In thousands

ACCOUNT	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
Salaries and Benefits:						
Full-Time Equivalents				3.4	3.4	N/A
Salaries:						
Salaries				$ 212.3	$ 212.3	N/A
Total Salaries	**-**	**-**	**-**	**212.3**	**212.3**	**N/A**
Benefits:						
Supplemental Payments				6.0	6.0	N/A
Retirement Contributions				50.3	50.3	N/A
OASDI Contributions				13.5	13.5	N/A
FICA-Medicare				3.2	3.2	N/A
Medical Insurance				21.3	21.3	N/A
Life Insurance/Mgmt				0.1	0.1	N/A
Unemployment Insurance				0.3	0.3	N/A
Management Disability Ins.				0.5	0.5	N/A
Workers' Compensation Ins.				1.2	1.2	N/A
401k Plan Contribution				2.3	2.3	N/A
Total Benefits	**-**	**-**	**-**	**98.7**	**98.7**	**N/A**
Transfers In	-	-	-	60.8	60.8	N/A
Transfers Out	-	-	-	-	-	N/A
Total Salaries and Benefits	**$ -**	**$ -**	**$ -**	**$ 371.8**	**$ 371.8**	**N/A**
Services and Supplies:						
Telecommunication Services - ISF				$ 1.6	$ 1.6	N/A
Office Lease Payments				19.1	19.1	N/A
Transfers In				11.3	11.3	N/A
Transfers Out				-	-	N/A
Total Services and Supplies	**$ -**	**$ -**	**$ -**	**$ 32.0**	**$ 32.0**	N/A
Total Sal, Ben, Serv & Supp	**$ -**	**$ -**	**$ -**	**$ 403.8**	**$ 403.8**	**N/A**
Contingency	-	-	-	40.4	40.4	N/A
Total Adopted	**$ -**	**$ -**	**$ -**	**$ 444.2**	**$ 444.2**	**N/A**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

PENSION ADMINISTRATION SYSTEM (PAS) SUPPORT BUDGET

DETAILED ACCOUNT SUMMARY - SERVICE AND SUPPLIES

FISCAL YEAR 2013 – 2014

	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
TELECOMMUNICATIONS SERVICES - ISF:	$ -	$ -	$ -	$ 1,600	$ -	N/A
Vonage phone service for PAS				1,600		
OFFICE LEASE PAYMENTS:	$ -	$ -	$ -	$ 19,100	$ -	N/A
Lease of Office Space from MF Daily, Inc.						
First floor for PAS project: 972 sq. ft. @ $1.60/sq.ft for 3 months				4,700		
First floor for PAS project: 972 sq. ft. @ $1.65/ sq.ft (3% CPI) for 9 months				14,400		
TRANSFERS IN:	$ -	$ -	$ -	$ 11,300	$ -	N/A
Service and Supplies attributable to VCERIS/PAS						
TRANSFERS OUT:	$ -	$ -	$ -	$ -	$ -	N/A
TOTAL SERVICES AND SUPPLIES	$ -	$ -	$ -	$ 32,000	$ -	N/A

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ADMIN BUDGET ENHANCEMENT REQUESTS (ADOPTED)
FISCAL YEAR 2013 – 2014
In thousands

ACCOUNT	#1 Boardroom Audio/Video Enhancement	#2 Additional Security Access	#3 Actuarial Audit	#4 Fire Suppression (Server Room)	#5 Expansion of Server Room	Total Requests
Admin						
Professional Services			$ 75.0			$ 75.0
Equipment	15.0					15.0
Facilities Charges		22.0				22.0
Total Services and Supplies	**$ 15.0**	**$ 22.0**	**$ 75.0**	**$ -**	**$ -**	**$ 112.0**
Contingency	1.5	2.2	7.5	-	-	11.2
Total Admin	**$ 1.5**	**$ 2.2**	**$ 7.5**	**$ -**	**$ -**	**$ 11.2**
Information Technology						
Facilities Charges				12.5	24.5	37.0
Total Services and Supplies	**$ -**	**$ -**	**$ -**	**$ 12.5**	**$ 24.5**	**$ 37.0**
Contingency	-	-	-	1.3	2.5	3.7
Total Information Technology	**$ -**	**$ -**	**$ -**	**$ 13.8**	**$ 27.0**	**$ 40.7**
Total Before Contingency	**$ 15.0**	**$ 22.0**	**$ 75.0**	**$ 12.5**	**$ 24.5**	**$ 149.0**
Contingency	1.5	2.2	7.5	1.3	2.5	14.9
Total Adopted Enhancements	**$ 16.5**	**$ 24.2**	**$ 82.5**	**$ 13.8**	**$ 27.0**	**$ 163.9**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TOTAL INFORMATION TECHNOLOGY (I/T) - EXEMPT FROM CAP BUDGET
FISCAL YEAR 2013 – 2014
In thousands

ACCOUNT	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
Technology:						
Computer Hardware	$ 52.0	$ 32.5	$ 28.4	$ 22.2	$ (10.3)	-31.7%
Computer Software	14.1	21.3	14.8	46.2	24.9	116.9%
Systems & Applications Support	397.4	416.4	413.5	419.9	3.5	0.8%
Pension Administration System	598.9	2,599.0	2,587.0	2,494.4	(104.6)	-4.0%
Total Technology	**$ 1,062.4**	**$ 3,069.2**	**$ 3,043.7**	**$ 2,982.7**	**$ (86.4)**	**-2.8%**
Contingency	-	-	-	298.3	298.3	N/A
Total Adopted	**$ 1,062.4**	**$ 3,069.2**	**$ 3,043.7**	**$ 3,281.0**	**$ 211.8**	**6.9%**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INFORMATION TECHNOLOGY (I/T) - OPERATIONS BUDGET (EXEMPT FROM CAP)
FISCAL YEAR 2013 – 2014
In thousands

ACCOUNT	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
Technology:						
Computer Hardware	$ 52.0	$ 32.5	$ 28.4	$ 15.2	$ (17.3)	-53.2%
Computer Software	14.1	21.3	14.8	23.3	2.0	9.4%
Systems & Applications Support	397.4	416.4	413.5	392.3	(24.1)	-5.8%
Pension Administration System	-	-	-	-	-	-
Total Technology	**$ 463.5**	**$ 470.2**	**$ 456.7**	**$ 430.8**	**$ (39.4)**	**-8.4%**
Contingency	-	-	-	43.1	43.1	N/A
Total Adopted	**$ 463.5**	**$ 470.2**	**$ 456.7**	**$ 473.9**	**$ 3.7**	**0.8%**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

INFORMATION TECHNOLOGY (I/T) - OPERATIONS BUDGET (EXEMPT FROM CAP)

DETAILED ACCOUNT SUMMARY - TECHNOLOGY

FISCAL YEAR 2013 – 2014

	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
TECHNOLOGY:						
COMPUTER HARDWARE:	$ 52,000	$ 32,500	$ 28,400	$ 15,200	$ (17,300)	-53.2%
Computers for user acceptance		4,500				
Computers (replacements - 3)		3,000	6,500	4,200		
Printers and repairs		2,500	1,500	4,000		
Computer supplies (monitors, UPSs, cables, etc)		5,000	6,500	7,000		
Server		5,000	8,900	-		
Mid-year budget adjustment		12,500	5,000			
COMPUTER SOFTWARE:	$ 14,100	$ 21,300	$ 14,800	$ 23,300	$ 2,000	9.4%
Financial accounting system support subscription (MSDN)			1,500	1,500		
Server software		-	-	5,000		
Financial accounting software license renewal (Soloman)		1,100	1,100	1,100		
Document imaging license renewal (Novannis)		7,700	8,300	7,700		
Agenda automation (Granicus)		-	-	-		
Mid-year budget adjustment (PAS software)		12,500	3,900			
Software upgrades (Help, Desk, electronic office, etc.)				8,000		
SYSTEMS, INFRASTRUCTURE & APPLICATIONS SUPPORT	$ 397,400	$ 416,400	$ 413,500	$ 392,300	$ (24,100)	-5.8%
Systems Support:						
Accounting software support (SBS Group)		2,000		17,500		
Microsoft/Soloman		1,500				
General IT Consulting (Linea)		40,000	13,500	40,000		
Legacy Database Support (CMP Associates)		301,600	317,700	236,300		
Infrastructure:						
Internet Domain Registrar (VCERA.org)				300		
Remote server access (DSL)			2,200	2,800		
Wi-Fi (Board/PAS - 50%)		3,600	3,200	2,600		
Data plan (iPads)				6,200		
Applications Support:						
Information Technology Service (ISF) Charges:		67,700	76,900	86,600		
*Programmer Analyst						
*Mainframe Production						
*Server Hosting & Support						
*Network (Broad Band)						
TOTAL TECHNOLOGY	$ 463,500	$ 470,200	$ 456,700	$ 430,800	$ (39,400)	-8.4%

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
PENSION ADMINISTRATION SYSTEM (PAS) PROJECT BUDGET (EXEMPT FROM CAP)
FISCAL YEAR 2013 – 2014
In thousands

ACCOUNT	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
Technology:						
Computer Hardware				$ 7.0	$ 7.0	N/A
Computer Software				22.9	22.9	N/A
Systems & Applications Support				27.6	27.6	N/A
Pension Administration System	598.9	2,599.0	2,587.0	2,494.4	(104.6)	-4.0%
Total Technology	**$ 598.9**	**$ 2,599.0**	**$ 2,587.0**	**$ 2,551.9**	**$ (47.0)**	**-1.8%**
Contingency	-	-	-	255.2	255.2	N/A
Total Adopted	**$ 598.9**	**$ 2,599.0**	**$ 2,587.0**	**$ 2,807.1**	**$ 208.1**	**8.0%**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

PENSION ADMINISTRATION SYSTEM (PAS) PROJECT BUDGET (EXEMPT FROM CAP)

DETAILED ACCOUNT SUMMARY - TECHNOLOGY

FISCAL YEAR 2013 – 2014

	2011-2012 ACTUAL	2012-2013 ADJUSTED	2012-2013 PROJECTED	2013-2014 ADOPTED	PROPOSED/ ADJUSTED VARIANCE	% INCREASE (DECREASE)
TECHNOLOGY:						
COMPUTER HARDWARE:	$ -	$ -	$ -	$ 7,000	$ 7,000	N/A
Computers for user acceptance and testing				7,000		
COMPUTER SOFTWARE:	$ -	$ -	$ -	$ 22,900	$ 22,900	N/A
Assima (license renewal software)				5,800		
Assima (additional user license)				9,500		
SmartBear (application testing software)				5,500		
Sharepoint (project management software)				2,100		
SYSTEMS, INFRASTRUCTURE & APPLICATIONS SUPPORT	$ -	$ -	$ -	$ 27,600	$ 27,600	N/A
Wi-Fi (Board/PAS - 50%)				2,600		
Information Technology Service (ISF) Charges:				25,000		
*Programmer Analyst (Data Conversion)						
PENSION ADMINISTRATION SYSTEM:	$ 598,900	$ 2,598,950	$ 2,587,000	$ 2,494,400	$ (104,550)	-4.0%
Project management, technical svcs, data conversion (Linea)		650,000	640,800	930,000		
Vitech		1,654,900	1,636,100	1,359,600		
Managed Business Solutions (MBS)		207,700	206,000	189,800		
Data Conversion (Legacy consultant (CMP))		22,950	18,000			
User training and testing software (Assima)		12,000	45,500			
Megapath		2,300	200			
User training and testing software (Assima)						
Point-to-point secured data line		24,100				
Consultant (B. Cummings - Data Conversion)				15,000		
Other Technical and Specialist Services (e.g. temporary help, software, hardware, legacy consultant, etc.). Beginning FY 2013-14 these expenditures have been budgeted to the appropriate accounts, where applicable.		25,000	40,400	-		
TOTAL TECHNOLOGY	$ 598,900	$ 2,598,950	$ 2,587,000	$ 2,551,900	$ (47,050)	-1.8%

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

June 17, 2013

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

SUBJECT: REVIEW AND APPROVAL OF UPDATED BOARD POLICIES

Dear Board Members:

Background and Discussion

On April 1, 2013, your Board reviewed the first of a series of policy updates and on May 6, 2013, your Board adopted the first of a series of policy updates. Today, staff asks that you review the proposed changes in the series of policy updates, with changes to the attached policies noted in legislative mark-up format, unless new. They are 1) the addition of an *Annual Administrative Budget Policy* merging the *Limitation on Annual Administrative Budget Policy*, 2) ministerial adjustments of the *Education and Travel Policy* 3) updates to the *Conflict of Interest Code Policy*, and 4) a review of the Trustee Communications Policy.

Annual Administrative Budget Policies

Upon review of VCERA's one page *Limitation on Annual Administrative Budget Policy*, staff found that there was not enough guidance in order to clearly define Board expectations, so staff proposes the attached replacement policy, the *Annual Administrative Budget Policy*, which contains the annual limitation and other budget preparation, modification, and review parameters. The merged legacy policy is attached for information.

Education and Travel Policy

Ministerial changes are recommended allowing the policy to be updated as needed, and at least annually, which is presently timed around the adoption of the administrative budget, but staff recommends it not being affixed to the budget, so that it could be adopted a meeting earlier or later as necessary.

Conflict of Interest Code Policy

Staff found 2006 and 2008 Conflict of Interest Codes, and a letter from the County Executive Office, from 2008 requesting a biennial review and update. Staff followed up with the County to see why notice had not been sent for 2010 and 2012 and found that VCERA is independently responsible for code maintenance.

Staff also contacted the Fair Political Practices Commission (FPPC) for current code requirements, which resulted in the attached updates. Given that VCERA is separate, staff added a three year review cycle to align with other policy review cycles and implement a minimum review cycle. The County's policy is slightly more frequent at a fixed two year schedule given its need to coordinate the compliance of multiple agencies. As proposed, VCERA may review its code more frequently as necessary.

Trustee Communications Policy

The Trustee Communications policy appears to have been last reviewed when it was adopted on June 2, 2003. Proposed changes align the quiet period provisions to the recently updated, *Service Provider Selection Policy*, and other ministerial changes.

Conclusion

Please adopt the proposed policy changes as presented or as modified. Additional policies that need to be brought current will be presented to the Board during the next several meetings. Adopted policies are being posted to VCERA's website, under Board Governance (http://portal.countyofventura.org/portal/page/portal/VCERA/Board_Governance), for easy public access and quick reference, and on DropBox for the Board's downloading and annotating.

I welcome any additional proposed changes and would be pleased to respond to any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachments (5)

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

ANNUAL ADMINISTRATIVE BUDGET POLICY

I. Background and Objectives

1) The purpose of this Annual Administrative Budget Policy is to establish the process by which the annual administrative budget of the Ventura County Employees' Retirement Association (VCERA) is presented to, deliberated upon, and approved by the Board of Retirement (Board).

2) The primary objectives of this policy are to:

   a) To provide the Retirement Administrator and the Board with a clear process for establishing its annual administrative budget.

   b) To ensure that the budget is presented and adopted in a timely manner to avoid problems transitioning from one fiscal year to the next.

II. Principles and Assumptions

3) Section 31522.1 of the California Government Code authorizes the Board to appoint the personnel necessary to administer the VCERA.

4) Section 31580.2 of the California Government Code provides that upon appointment of such personnel, the Board will adopt an annual budget covering the entire expense of administration of the Association for the fiscal year.

5) Section 31580.2 of the California Government Code provides that the entire expense of administration shall be paid from the earnings of the Retirement Association and limits the expense for administration at the higher of (a) twenty-one hundreds of 1 percent (or 21/100, 21 basis points or 0.21%) of the accrued actuarial liability of the retirement Association, or (b) two million dollars ($2,000,000), subject to further statutory modifications and exclusions, and further excludes expenditures for computer software, computer hardware, and computer technology consulting services in support of these computer products from considerations as a cost of administration.

6) In determining the "accrued actuarial liability of the retirement association" in any given year, that determination shall be made based on the most recent actuarial valuation of liabilities as of the close of the previous fiscal year.

7) Article XVI, Section 17 of the Constitution of the State of California grants plenary authority to the Board over the administration of the Association along with the fiduciary responsibility to the members and beneficiaries of the Association for the prompt delivery of benefits and related services, and to the County of Ventura to minimize the employer contributions.

8) The duties and responsibilities of the Board require an open and cogent process for setting the administrative spending parameters for the fiscal year.

9) The Retirement Administrator is charged with the responsibility to administer the Association within the budget parameters established by the Board in its annual budget.

III. Guidelines

10) General Provisions:

a) The development of the proposed budget is the exclusive responsibility of the Retirement Administrator.

b) The adoption of the Budget is the exclusive responsibility of the Retirement Board.

11) Proposed Budget – Board Packet:

a) Although the Budget will be adopted by expenditure category (object level) total, it will be presented with division, sub-division, and line item totals.

b) The Statutory Limit schedule will include the previous year's adopted and adjusted budget, and the current year proposed budget by object level total for the Administrative Budget subject to the cap, the Information Technology Budget exempt from the cap, and Contingency.

c) Proposed Budget schedules will include the previous year's actual expenditures, the current year's adjusted budget, the current fiscal year's projected expenditures, and the budget year's proposed expenditures along with analytics showing the amount and percentage variance between the proposed and adjusted budget. Full Time Equivalent (FTE) counts will also be provided for each of the time periods.

d) The Position Detail By Classification schedule will list the position control codes, the position title/class, and the bi-weekly salary range, along with the prior year Adopted and Adjusted, and current year Proposed FTE and POS (position) counts.

e) The Services and Supplies Detailed Account Summaries by sub-division and line item account will include a description of what makes up the account total and a listing of large components, if applicable.

f) The Board Packet will be published on the VCERA website, and announced to the Board and agenda distribution recipients, not less than 25 days prior to the Board's budget hearing in order to provide the Board and members of the public adequate time for review.

12) The Retirement Boards Budget Deliberations:

a) The Board will hold a public hearing to consider the Proposed Budget Packet at its June Disability meeting.

b) Should a second public hearing be required, due to the need for significant changes or additional discussion, the Board will hold a second public hearing to consider the Proposed Budget Packet at its June Business meeting.

13) Adoption Amendment and Review:

a) The Proposed Budget Packet, containing the Position Detail By Classification Detail, will be adopted by the Board establishing the financial and position control for the fiscal year.

b) The Retirement Administrator may ask the Board to amend the budget for the current fiscal year by presentation of the reasons for the amendment, its impact, the program/policy or goal changes involved in the amendment and the cost of the amendment for the remainder of the fiscal year.

c) The Retirement Administrator will provide monthly budget status reports to the Retirement Board on the consent agenda, with comments on significant (the higher of fifteen percent or $100,000) deviations from the adjusted budget, and a mid-year budget review and comments on all expenditure variations at the Retirement Board's January or February meeting. The mid-year review may be used to explore program initiatives for the following fiscal year.

IV. Policy Review

14) The Board shall review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

V. Policy History

1) The Board last reviewed and approved this policy on June 17, 2013. This policy was originally adopted by the Board on June 16, 2003.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

LIMITATION ON ANNUAL ADMINISTRATIVE BUDGET

PURPOSE OF POLICY:

The purpose of this policy is to establish the asset base on which the annual administrative budget adopted by the Board pursuant to Government Code Section 31580.2.

BACKGROUND:

Government Code Section 31580.2 requires the Board annually adopt a budget covering the entire expense of the retirement system. The expense of administration is a direct charge to the retirement fund. The expense of administration shall not exceed eighteen-hundredths of 1 percent of the total assets of the retirement system. The code is silent on the basis for determining asset values.

POLICY:

Staff shall submit to the Board, no later than the April Business meeting each year, the proposed administrative budget for the following fiscal year. The proposed budget shall not exceed eighteen-hundredths of 1 percent of the Total Assets at Fair Value as reported on the prior December 31 unaudited Statement of Plan Net Assets.

Approved by the Board of Retirement June 16, 2003

____
WILLIAM W. WILSON, Chair
Board of Retirement

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

EDUCATION AND TRAVEL POLICY

INTRODUCTION

Recognizing its fiduciary responsibility to plan participants, it is the desire of the Board of Retirement (Board) to encourage members of the Board, and its staff, to enhance their knowledge of the financial and benefit aspects of the retirement system by attending educational meetings, conferences and seminars. Attendance at such functions, as well as due diligence trips relating to the operation of the retirement system, is essential to ensure that Board members and staff are able to carry out their fiduciary responsibilities.

PURPOSE

The purpose of this policy is to set forth the guidelines to be followed to ensure Board members and staff members are allowed to cost effectively attend the educational meetings, conferences and seminars the Board believes to be necessary for the performance of their duties.

COMPLIANCE WITH STATE LAW

Effective January 1, 2013, and in compliance with Section 31522.8 of the California Government Code, all Board members shall receive a minimum of 24 hours of trustee education within the first two years of assuming office, and for every subsequent two-year period the Board member continues to hold membership on the Board. Further, the Board will maintain a record of Board member compliance with the policy. This policy and an annual report on Board member compliance shall be placed on the Internet Web site.

ON-SITE DUE DILIGENCE

Regular on-site due diligence evaluations shall be scheduled with VCERA's investment managers every three years. More frequent evaluations shall be conducted if there have been material organizational changes, significant underperformance of the investment or for any other reason deemed appropriate by the Board.

On-site due diligence evaluations may be conducted by one or more Trustees and may include the Administrator or his/her designee. The Administrator shall, in consultation with the Investment Consultant, agendize a proposed schedule for all on-site due diligence trips to be conducted in the upcoming year. The Board Chair shall, with Board consent, designate the Trustee(s) to participate in each on-site evaluation. Every effort shall be made to rotate due diligence responsibilities so no single Trustee, or group of Trustees, is conducting a majority of due diligence visits on VCERA's behalf. The Trustee(s) and Administrator, or designee, shall be responsible for providing a written/oral report to the Board no later than the second subsequent regular Board meeting summarizing their findings and recommendations, if any.

LIMITATION ON MEETING FOR BUSINESS PURPOSES

Travel by multiple Board members shall be conducted in such a manner as to not violate the provisions of the Brown Act (Government Code Section 54950 et. Seq.). Board member attendance at educational meetings, conferences, seminars and related social events is not a violation of the Brown Act.

TRAVEL AUTHORIZATION

Approval for travel by a Board or staff member to an educational meeting, conference or seminar shall be made in an open meeting of the Board, except for attendance at the Spring and Fall State Association of County Retirement Systems (SACRS) conferences for which authorization by the Board will not be required. Additionally, the Retirement Administrator may approve Board or staff travel, including the Board's legal advisor, for one-day meetings held within the State. The Administrator may also approve an overnight stay by a staff member if it is determined to be in the best interest of the Association in terms of economy and efficiency. In the event a Board member wishes to conduct an on-site due diligence visit, or attend a one-day seminar, of a VCERA investment manager or consultant without prior Board approval, the Administrator is authorized to reimburse travel expenses up to $300.00 upon submission of a verified claim.

Although State law may permit gifts of travel to the System, if a third party offers to pay for some or all of the travel expenses associated with a particular conference, seminar or meeting, the Board shall decline the offer. However, the Board may consider authorizing attendance at the particular conference, seminar or meeting at VCERA's expense if such attendance would be beneficial to VCERA.

ANNUAL TRAVEL BUDGET

The Retirement Administrator shall include in the annual budget to be approved by the Board sufficient funding to allow each member of the Board, and staff, to attend the Spring and Fall SACRS conferences. Additionally, funds will be budgeted, based upon the information available on scheduled conferences and input from individual Board members during the budget preparation process, to allow each Board member and management staff to attend up to three additional conferences, educational meetings, seminars and site visits each fiscal year. This limitation shall not apply to on-site visits that are made with the consent of the Board, including in connection with the retention of a new manager, nor shall it apply to any conference, educational meeting, seminar or site visit where the cost to the Association can reasonably be expected to be less than $500.00.

Travel expenses of Board members and staff shall be considered a cost of administration and may not be paid by any third party without the express written authorization of the Board.

RECOMMENDED PUBLIC RETIREMENT SYSTEM MEETINGS

It is the intention of the Board to establish a standard whereby attendance at educational meetings, conferences and seminars will be approved only if the agenda for the event contains an average of five (5) hours of substantive educational content per day. This standard would not apply to meetings with investment managers, consultants, etc., which would not be expected to last for five hours.

The Board establishes the following as recommended educational meetings, conferences and seminars that qualify as trustee education.

1. State Association of County Retirement Systems (SACRS), including meetings of SACRS Committees on which a member of the Board or staff participates. The Board recognizes the importance of having its Trustees actively participate as members of SACRS committees. Therefore, attendance at such meetings shall not count towards the three conferences, educational meetings, seminars or site visits limitation set forth above, even if such cost exceeds $500.00.
2. Public Pension Investment Management Program (SACRS/Berkeley). (Attendance shall not count towards the three conference limit.)
3. California Association of Public Retirement Systems (CALAPRS) Annual General Assembly, trustee and staff roundtables, Advanced Board Leadership Institute, Administrators' Institute and the Principles of Pension Management for Trustees course. (Attendance shall not count towards the three conference limit.)
4. Programs sponsored by the International Foundation of Employee Benefit Plans (IFEBP).
5. Programs sponsored by the Institute for Fiduciary Education (IFE).
6. NCPERS Annual Conference.
7. Pension Funds and Money Management, and Alternative Investments and Real Estate; The Wharton School, University of Pennsylvania.
8. Programs sponsored by the National Association of Police Officers (NAPO).
9. Client conferences sponsored by investment managers, asset custodians and consultants with whom the Retirement System has a current professional relationship. (Attendance shall not count towards the three conference limit.)
10. National Association of Pension Fund Attorneys Conference.

11. California Retired County Employees Association (CRCEA).
12. Manatt, Phelps & Phillips Fiduciary Symposium. (Attendance shall not count towards the three conference limit.)
13. Council of Institutional Investors (CII)

Board members may request approval to attend the recommended, or any other, educational meetings, seminars and conferences by submitting a written request to the Retirement Administrator for inclusion on the next Board agenda. Requests approved by the Board qualify as Board member education. Educational seminars sponsored by the state or national public pension fund organizations and seminars sponsored by accredited academic institutions shall be deemed to meet Board member education requirements.

APPROPRIATE TOPICS

Appropriate topics for Board member education, may include, but is not limited to, the following:

1. Fiduciary responsibilities.
2. Ethics.
3. Pension fund investments and investment program management.
4. Actuarial matters.
5. Pension funding.
6. Benefits administration.
7. Disability evaluation.
8. Fair hearings.
9. Pension fund governance.
10. New Board member orientation.

TRAVEL ARRANGEMENTS

It is the preference of the Board to have travel arrangements made through VCERA staff. This would include processing of registrations, hotel accommodations and transportation. However, a Board member may arrange his/her own transportation if he/she is to be accompanied by a spouse or traveling companion. VCERA staff will not make travel arrangements for, or reimbursement to a Board or staff member for any costs associated with the attendance of a spouse or traveling companion to any function.

TRAVEL COSTS

It is the policy of the Board that travel to educational meetings, conferences and seminars be achieved in the least expensive practical manner possible in order to reduce costs to the retirement system.

Reimbursement or payment for travel related expenses may not be made in certain instances. For travel to meetings within the State of California, lodging and other eligible travel related expenses will be paid for the evening prior to the start of the meeting only if the meeting starts at or prior to 9:30a.m. Lodging for the night of the last day of the conference will not be paid by the Retirement System.

For travel outside the State of California, lodging and other travel related expenses will be paid by VCERA for the evening prior to the day the meeting starts. Lodging will not be paid by VCERA for the evening of the final day of the meeting unless the substantive portion of the meeting ends after 2:00p.m. or it can be demonstrated that a reduction in airfare can be achieved by staying over for an additional day which will more than offset the cost for an additional night's lodging and other travel related costs that would be incurred.

In order to avoid unnecessary costs to the Retirement System, Board members should immediately notify VCERA's Chief Financial Officer of the cancellation or other changes in their travel plans.

Travel related costs which will be paid or reimbursed to a Board or staff member include the following:

Air Transportation

Every attempt should be made to make air travel reservations in advance to take advantage of available discounts. Airfare will be paid for coach passage only.

Hotel Accommodations

Payment for lodging will be at the single occupancy rate, plus applicable room tax. Any lodging costs in excess of the single occupancy room rate will be the responsibility of the Board or staff member.

Meals & Beverages

Reimbursement for the cost of meals and beverages for the Board and staff members while on travel will be made at the rates established by the County of Ventura for reimbursement to employees for such expenses. A copy of the current rates of reimbursement will be provided to each member of the Board.

Rental Car

Every attempt should be made to utilize public transportation, airport and hotel shuttle services which are reimbursable expenses. A rental car may be used if cost effective. The retirement system will not be responsible for any loss or damage resulting from the use of a rental car.

Parking

Reasonable automobile parking expenses are reimbursable.

Mileage

Retirement Board members and staff will be reimbursed for the use of their own automobile at the current mileage rate authorized by the Internal Revenue Service.

Documentation of Expenses and Submission of Reimbursement Claims

All requests for reimbursement of travel costs shall be supported by receipts or other documentation. Agendas from the training may be attached to the travel claims, along with notations of the sessions attended with the associated hours recorded on the face of the claim. All travel claims shall be submitted to the Retirement Administrator or VCERA's Chief Financial Officer no later than the 60th calendar day after the expense is incurred by the Board or staff member. (A sample claim form is attached to this policy.)

REPORTING

Retirement Board members shall, no later than the 2nd subsequent Board meeting, provide a brief report on meetings attended on behalf of VCERA. The Retirement Administrator shall, no later than the second month of the calendar year, report on annual Board member compliance and post said report on the VCERA Web site.

POLICY REVIEW

In order to keep the provisions of this policy current, the Board will review this policy on an annual basis~~ in conjunction with the adoption of the administrative budget~~ at a minimum.

POLICY HISTORY

The Board last reviewed and approved this policy on ~~January 28~~June 17, 2013. The Board previously approved this policy on January 28, 2013, July 2, 2012, June 20, 2011, June 21, 2010, June 15, 2009, September 15, 2008, April 16, 2007, May 1, 2006, October 17, 2005, April 19, 2004, April 21, 2003, May 6, 2002, April 16, 2001, and April 17, 2000. The Board originally adopted this policy on July 6, 1998.

Sample Claim Form

VCERA TRAVEL EXPENSE REIMBURSEMENT

Name	VendorNumber
Mailing Address, City, State & Zip Code	
Destination	
Purpose	Education Hours

MEALS	MAXIMUM REIMBURSEMENT RATES	Date	Breakfast	Lunch	Dinner	Total	
	Within California					$	
	Breakfast: $13 Lunch: $18 Dinner: $35					$	
	Outside California					$	
	Breakfast: $15 Lunch: $21 Dinner: $40					$	TOTAL
	Receipts Required					$	$

LODGING	Hotel Name	City	Number of Nights	Total	
				$	
				$	TOTAL
				$	$

MILEAGE	From	To	Miles	Rate	Total	
				0.565	$	
				0.565	$	TOTAL
				0.565	$	$

OTHER	Description	Conf. Fees	Parking	Taxi	Airfare	Other	
							TOTAL
							$

TOTAL CLAIM AMOUNT $

CLAIMANT	VCERA APPROVAL
The undersigned, under penalty of perjury, states: That the above claim and the items set out therein are true and correct; that no part thereof has be heretofore paid; and that the amount is justly due, and that claim is made within one year after the last item has accrued.	I hereby certify, upon my own personal knowledge, that the goods or services specified in the above claim were reasonable, necessary and for the benefit of the County; that no part thereof has been heretofore paid; that the amount therein is justly due, and that payment of the above claim complies with the County policies and procedures.
X ______________________________	X ______________________________
Date ________________	Date ________________

Internal Use Only

Account: Agenda attached? ☐

8262 Travel Reimbursement $ __________

8264 Mileage Reimbursement $ __________ TOTAL $ __________

CHECK REQUEST

REQUESTED BY: ________________________

CHECK DATE: ________________________ CHECK NUMBER: ________________________

PREPARED BY: ________________________ APPROVED BY: ________________________

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

2013 AMENDED CONFLICT OF INTEREST CODE
~~for the~~
~~VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION~~

The Political Reform Act, Government Code Section 81000 et seq., requires local government agencies to adopt and promulgate Conflict of Interest Codes. The Fair Political Practices Commission has adopted a regulation (Cal. Code of Regs., tit. 2, sec. 18730) which contains the terms of a standard Conflict of Interest Code ("standard code"), which may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act after public notice and hearings.

The terms of California Code of Regulations, title 2, section 18730, and any amendments to it duly adopted by the Fair Political Practices Commission, are hereby incorporated by reference and, along with the attached Exhibit A, in which officials and employees are designated, and Exhibit B, in which disclosure categories are set forth, constitute the Conflict of Interest Code of this Agency.

Pursuant to section 4 of the standard code, designated employees who do not file statements pursuant to Government Code section 87200 shall file Statements of Economic Interest with the Agency. These statements shall be retained within the Agency.

The Board shall review this code at least every three (3) years to ensure that it remains relevant and appropriate.

~~Tim Thonis~~William W. Wilson
~~Retirement Administrator~~Chair
Ventura County Employees'
Retirement Association

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

2013 AMENDED CONFLICT OF INTEREST CODE
~~COUNTY OF VENTURA~~
~~2008 CONFLICT OF INTEREST CODE~~

~~VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION~~

EXHIBIT A

DESIGNATED POSITIONS

# OF POSITIONS	POSITION TITLE	DISCLOSURE CATEGORY
11	Director (Board Member~~s~~)	1*
1	Retirement Administrator	1*
1	Chief Financial Officer	1*
1	Investment Consultant	1*

* It has been determined that ~~Directors (~~Board Members~~)~~, the Retirement Administrator, the Chief Financial Officer and the Investment Consultant are positions that "manage public investments" and are required to file statements of economic interest pursuant to Government Code section 87200 et seq. No additional filing requirements for these positions are established by this code.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

2013 AMENDED CONFLICT OF INTEREST CODE
~~**COUNTY OF VENTURA**~~
~~**2008 CONFLICT OF INTEREST CODE**~~

~~VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION~~

EXHIBIT B

DISCLOSURE CATEGORIES

Subject to the definitions set forth in the Political Reform Act and applicable regulations:

Category 1

Full Disclosure:

All investments, business positions and sources of income, including gifts, loans and travel payments.

~~(1) All sources of income;~~
~~(2) Interests in real property; and~~
~~(3) Investments and business positions in business entities.~~

~~Category 2~~

~~Interests in real property.~~

~~Category 3~~

~~Investments and business positions in business entities and sources of income which provide services, supplies, materials, machinery or equipment of the type utilized by the County of Ventura.~~

~~Category 4~~

~~All investments and business positions in business entities and sources of income, which are subject to the regulatory, permit or licensing authority of the Ventura County Employees' Retirement Association.~~

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

TRUSTEE COMMUNICATIONS POLICY

I. Background and Objectives

1) The Board recognizes that effective communication is an integral part of the Board's role. To carry out its role effectively, the Board must establish effective processes and mechanisms for communicating with senior management, the plan sponsor, plan members and external parties, and among ~~b~~Board members themselves.

2) The primary objectives of this policy are to:

   a) Provide the Board, individual ~~b~~Board members, and senior management with guidelines for executing the communications function of the Board.

   b) Encourage and facilitate open, accurate, timely, and effective communications with all interested parties.

II. Principles and Assumptions

3) Poorly executed or controlled communications by ~~board~~Board members may expose VCERA to significant legal or operational risks involving member services, staff and ~~board~~Board relations, and general public or media relations.

4) A communications policy should mitigate communications risk, while still enabling trustees to communicate freely and efficiently, subject to applicable laws.

III. Policy Guidelines

Communications Among Trustees

5) The Board shall carry out its activities in accordance with the spirit of open governance, including the provisions of the Brown Act, which include, but are not limited to:

   a) Properly noticing and posting an agenda for ~~board~~Board and standing committee meetings, excluding the Personnel Committee (section 54954.2 of the Brown Act); and

   b) Allowing ~~proper~~ public comment on agenda items before or during consideration by the Board (Section 54954.3 of the Brown Act); and

   c) Properly describing all items to be considered in closed session in the notice or agenda for the meeting (Section 54954.5 of the Brown Act); and

d) Not conducting, or participating in, a series of communications one at a time or in a group that in total constitutes a quorum of the Board or committee either directly or through intermediaries or electronic devices, for the purpose of developing a concurrence as to action to be taken (~~a serial or secret meeting~~where prohibited by Section 54953 of the Brown Act); and

e) Ensuring materials are properly made available to members of the public, upon request, without delay (Section 54957.5 of the Brown Act).

6) Trustees shall disclose any information they may have that is pertinent to the affairs of VCERA to the rest of the Board in a timely manner.

7) During meetings of the Board and committees, trustees shall communicate in a straightforward, constructive manner.

Trustee Communications With Plan Members

8) Trustees will refrain from -providing explicit advice or education to plan members with respect to the technicalities of the plan provisions, where there is a risk that:

a) the advice or information conveyed may be inappropriate, inaccurate, or misunderstood by the member; and

b) the member may act on the advice or information conveyed to his or her detriment, thereby creating potential liability for VCERA.

9) In the event a plan member requests that a trustee provide explicit advice or education with respect to the technicalities of the plan provisions, the trustee is encouraged to assist the plan member by either:

a) Referring the plan member to the Retirement Administrator; or

b) Providing the plan member's contact information to the Retirement Administrator for follow-up.

Trustee Communications with VCERA Management

10) Trustees with concerns or questions concerning any aspect of VCERA operations shall direct them to the Retirement Administrator, who shall in turn direct staff as required in order to provide the trustee with a suitable response.

11) Requests for information that require significant expenditure of staff time or external resources, including those of County Counsel, shall:

a) Be consistent with the role and responsibilities of the Board;

b) Be requested at ~~board~~Board or committee meetings; and

c) Be directed to the Retirement Administrator.

12) The Retirement Administrator shall ensure that all information requested by individual trustees is made available to the entire Board. Trustees shall share any significant information pertinent to the affairs of VCERA with the Retirement Administrator in a timely manner. Similarly, the Retirement Administrator shall make every effort to ensure that all relevant and pertinent information is disclosed to all trustees in a timely manner.

~~Similarly, the Retirement Administrator shall make every effort to ensure that all relevant and pertinent information is disclosed to all trustees in a timely manner.~~

Trustee Communications With Retained Service Providers

13) In conjunction with the Service Provider Policy, the Board ~~will~~ may institute a "quiet period" when:

a) The Board initiates a search process that may result in the appointment of a new service provider or in the expansion of its relationship with an existing service provider;

b) A current service provider is placed on an official "watch list" signifying that the service provider's performance has fallen below expectations and warrants closer scrutiny; or

c) The Board deems it is in the best interest of VCERA to require that, for a limited period of time, communications between trustees and specified service providers be restricted to ~~b~~Board and committee meetings only.

14) The initiation of a quiet period will be recorded in the minutes of the ~~b~~Board meeting at which it occurred.

15) During quiet periods, trustees shall neither communicate with the specified service providers, except during ~~board~~Board or committee meetings, nor accept meals, travel, hotel, or other gifts from the specified service providers.

16) A quiet period will cease:

a) when a service provider has been appointed by the Board or the search process is otherwise ended; or

b) when a service provider on an official "watch list," which has had a quiet period implemented, is subsequently removed from the watch list; or

c) when the quiet period is ended by action of the Board; or

d) when otherwise determined by action of the Board.

Trustee Communications With External Parties

17) In general, when communicating with external parties, the following guidelines will apply:

a) When communicating in their fiduciary capacities, trustees will ensure that all communications are consistent with their sole and exclusive fiduciary duty to represent the interests of all plan members;

b) Trustees will not communicate on behalf of the Board unless authorized by the Board to do so;

c) Trustees may voice their disagreement with decisions or policies of the Board, but shall do so in a respectful and professional manner; and

d) Trustees are expected to disclose when they are representing a personal position and clearly indicate if their position does not reflect the official position or policy of the Board.

18) The Retirement Administrator shall serve as official spokesperson for VCERA. The Retirement Administrator will, however, discuss with the Chair any public relations matters that are potentially sensitive or controversial to determine the most appropriate response and to determine whether the Retirement Administrator or the Chair should act as spokesperson on the matter.

19) If it would be inappropriate for the Retirement Administrator to serve as spokesperson on a particular matter (for example, if the issue pertains to the conduct of the Retirement Administrator), then the Chair shall serve as spokesperson.

20) Trustees are encouraged to direct all media enquiries to the Retirement Administrator for a response. Should trustees choose to respond to the enquiry themselves, they shall refrain from making unilateral commitments on behalf of the Board or VCERA and shall disclose when they are not representing an approved position of the Board or VCERA.

21) Trustees who wish to publish articles, letters or similar communication materials pertaining to VCERA and containing technical information concerning benefit provisions, will submit them in advance to the Retirement Administrator who will review them for technical accuracy. All such communications will contain a disclaimer indicating that the views expressed are those of the author and do not necessarily reflect the official position of the Board.

IV. Policy Review

22) The Board shall review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

V. Policy History

1) The Board last reviewed and approved this policy on June 17, 2013. This policy was adopted by the Board on June 2, 2003.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
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http://www.ventura.org/vcera

June 17, 2013

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

SUBJECT: AUTHORIZE AD HOC RFP COMMITTEE MEMBERS TO CONDUCT DUE DILIGENCE SITE VISITS

Dear Board Members:

Background

On February 4, 2013, the Board approved the creation of an Ad Hoc RFP Committee and delegated to that committee the responsibility for the approval of the final RFP document, evaluation of proposals, and selection of finalists for Board consideration. Further, the Board appointed Mr. Foy, Mr. Goulet, and Mr. C. Johnston to the Ad Hoc RFP Committee and designated a quiet period from February 4, 2013 and tentatively concluding after the selection of an investment consultant on September 9, 2013 (previously reported as July 1, 2013).

Discussion

As part of the Committee's charge, its members are to conduct site visits of the finalists, and as such, the Committee requests the Board's authorization for its members, Board Counsel, and select staff members (the Retirement Administrator or Chief Financial Officer) to conduct due diligence site visits of the home offices of the preliminary finalists, as well as any California offices the Committee believes to be necessary.

At present, the Committee feels the names of the preliminary finalists should not be publicly disclosed, since the due diligence site visits are part of the Committee's deliberations, which are not open to the public.

I would be pleased to respond to any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
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June 17, 2013

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

SUBJECT: RENEWAL OF PROFESSIONAL SERVICES CONTRACT WITH ANNETTE PALADINO

Dear Board Members:

Background

On February 4, 2013, the Board authorized staff to contract with Annette Paladino for the purposes of reviewing VCERA's disability processes, procedures and forms. To date, Ms. Paladino will have provided three Trustee educational sessions and proposed numerous improvements to the disability documentation, as it relates to the disability application, Independent Medical Evaluator (IME) reports, Board reports by Risk Management, and Hearing Officer reports, which should improve the quality of the disability retirement process.

Discussion

VCERA's current contract with Ms. Paladino is set to expire June 30, 2013, and it is estimated that Ms. Paladino will utilize approximately 360 hours (out of the 400) through the remainder of the year. The proposed contract keeps the current rate of $75 the same and proposes 120 hours, such that it will not exceed $9,000.

In July, Ms. Paladino will deliver a final report, documenting the Board's decisions on prior recommendations and recommending further process improvements aimed at enhancing techniques for identifying qualified applicants, strengthening the basis for board decisions and eliminating preventable delays in application processing.

In September, Ms. Paladino, in collaboration with staff and Board Counsel, will present a draft of the revised "VCERA Disability Hearing Procedures" incorporating all of the Board's previous decisions.

It is unlikely that Ms. Paladino will need the full allotment of hours, unless staff utilizes her assistance in conducting workshops for the implementation of the new disability procedures, in the initial review of VCERA's current hearing officers and hearing officer hearing proceedings, or in hearing officer application review as staff searches for additional hearing officers to replace the ones recently departed from VCERA's bench.

Staff recommends approval of the attached contract with Paladino, in an amount not to exceed $9,000 for the period July 1, 2013 through September 30, 2013.

I would be pleased to respond to any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachment

PROFESSIONAL SERVICES CONTRACT

PROJECT: VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION DISABILITY PROCESS, POLICIES, AND PROCEDURES EVALUATION AND DISABILITY PROCESS ADVISORY SERVICES

This is a contract between the Ventura County Employees' Retirement Association, hereinafter referred to as VCERA, and Annette A. Paladino, hereinafter referred to as CONTRACTOR. The parties hereto agree as follows:

1. SCOPE OF WORK

VCERA hereby retains CONTRACTOR to perform services as provided in Attachment A, "Scope of Work" and in Attachment B, "Schedule of Fees".

2. COMPENSATION

Payment shall be made monthly upon presentation of three copies of an invoice to VCERA for work actually completed and accepted by VCERA's management according to Attachment B, "Schedule of Fees". Unless stated separately in Attachment B, all compensation hereunder shall include any and all out-of-pocket expenses.

3. PERFORMANCE PERIOD

This contract will be for the period July 1, 2013 through September 30, 2013. VCERA shall issue an extension of the contract time when CONTRACTOR is delayed by VCERA.

4. STATUS OF CONTRACTOR

It is understood and agreed that CONTRACTOR is at all times an independent contractor and that no relationship of employer-employee exists between the parties hereto. CONTRACTOR will not be entitled to any benefits payable to employees of VCERA, included but not limited to overtime, retirement benefits, worker's compensation benefits, injury leave or other leave benefits. VCERA is not required to make any tax or benefit deductions from the compensation payable to CONTRACTOR under the provisions of this contract.

As an independent contractor, CONTRACTOR hereby holds VCERA harmless from any and all claims that may be made against VCERA based upon contention by any third party that an employer-employee relationship exists by reason of this contract.

It is further understood and agreed by the parties hereto that CONTRACTOR in the performance of its obligations hereby is subject to the control or direction of VCERA merely as to the result to be accomplished by the services hereunder agreed to be rendered and performed and not to the means and methods for accomplishing the results.

If, in the performance of this contract, any third persons are employed by CONTRACTOR, such persons shall be entirely and exclusively under direction, supervision and control of CONTRACTOR. All terms of employment, including hours, wages, working conditions, discipline, hiring and discharging or any other terms of employment or requirements of law, shall be determined by CONTRACTOR. VCERA shall have no right or authority over such persons or the terms of such employment, except as provided in this contract.

5. CONTRACT MONITORING

VCERA shall have the right to review the work being performed by the CONTRACTOR under this contract at any time during VCERA's usual working hours. Review, checking, approval or other action by VCERA shall not relieve CONTRACTOR of its responsibility for the accuracy and completeness of the work performed under this contract. This contract shall be administered by the VCERA's contract administrator or his authorized representative.

6. INSURANCE PROVISIONS

A. CONTRACTOR, at its sole cost and expense, will obtain and maintain in full force during the term of this contract, the following types of insurance:

1) Commercial General Liability "occurrence" coverage in the minimum amount of $1,000,000 combined single limit (CSL) bodily injury and property damage each occurrence and $2,000,000 aggregate, including personal injury, broad form property damage, products, completed operations, broad form blanket contractual and $100,000 fire legal liability.

B. All insurance required shall be primary coverage as respects VCERA and any insurance and self-insurance maintained by VCERA shall be in excess of CONTRACTOR'S insurance coverage and shall not contribute to it.

C. VCERA is to be notified immediately if any aggregate insurance limit is exceeded. Additional coverage must be purchased to meet requirements.

D. VCERA is to be named as Additional insured as respects work done by CONTRACTOR under the terms of this contract on all policies required, except Worker's Compensation.

E. CONTRACTOR agrees to waive all rights of subrogation against VCERA for loss arising directly or indirectly from the activities or work performed by CONTRACTOR under the terms of this agreement.

F. Policies shall not be cancelled, non-renewed or reduced in scope of coverage until after sixty (60) days written notice has been given to VCERA.

G. CONTRACTOR agrees to provide VCERA with the following insurance documents on or before the effective date of this contract:

1) Certificate of Insurance for all required coverages.
2) Additional insured endorsements.

Failure to provide these documents may be grounds for immediate termination or suspension of this contract.

It is the responsibility of CONTRACTOR to confirm that all terms and conditions of the insurance provisions are complied with by any and all subcontractors that CONTRACTOR may use for the completion of this contract.

H. In lieu of obtaining worker's compensation coverage, CONTRACTOR agrees not to hire any employees.

7. MUTUAL INDEMNIFICATION AND HOLD HARMLESS

VCERA agrees to indemnify and hold harmless CONTRACTOR for VCERA's share of any and all claims, costs and liability for any damage, injury or death of or to any person or the property of any person, including attorneys fees, arising out of the willful misconduct or the negligent acts, errors or omissions of VCERA in the performance of this Agreement,
CONTRACTOR agrees to indemnify and hold harmless VCERA for CONTRACTOR's share of any and all claims, costs and liability for any damage, injury or death of or to any person or the property of any person, including attorneys fees, arising out of the willful misconduct or the negligent acts, errors or omissions of CONTRACTOR in the performance of this Agreement,

8. EQUAL OPPORTUNITY

CONTRACTOR will not discriminate against any employee, or against any applicant for such employment because of age, race, color, religion, physical handicap, ancestry, gender or national origin. This provision shall include, but not limited to, the following: employment, upgrading, demotion or transfer, recruitment and recruitment advertising, layoff or termination, rates of pay or other forms of compensation and selection for training including apprenticeship.

9. TERMINATION

Both parties retain the right to terminate this contract for any reason prior to completion by giving the other party in writing a 30-day notice. On completion or termination of contract, VCERA shall be entitled to immediate possession of, and CONTRACTOR shall furnish all deliverables for this particular project prior to any termination and VCERA shall pay any charges accumulated prior to such termination.

10. ADDENDA

VCERA may from time to time require changes in scope of the services required hereunder. Such changes, including any increase and decrease in the amount of CONTRACTOR'S compensation which are mutually agreed upon by and between VCERA and CONTRACTOR, shall be effective when incorporated in written amendments to this contract.

11. CONFLICT OF INTEREST

CONTRACTOR covenants that CONTRACTOR presently has no interest, including but not limited to, other projects and independent contracts, and shall not acquire such interest, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed under this contract. CONTRACTOR further covenants that in the performance of this contract, no person having such interest shall be employed or retained by CONTRACTOR under this contract.

12. CONFIDENTIALITY

Any reports, information, data, statistics, forms, procedures, studies and any other communication or form of knowledge given to or prepared or assembled by CONTRACTOR under this contract, which VCERA requests to be kept as confidential shall not be made available to any individual or organization by CONTRACTOR without the written approval of VCERA, except as authorized by law. CONTRACTOR shall insure that such confidential information be kept confidential by its employees and/or independent subcontractors.

13. NOTICES

All notices required under this contract shall be made in writing and addressed or delivered as follows:

TO VCERA: **Ventura County Employees' Retirement Association**
1190 S. Victoria Avenue, Suite 200
Ventura, CA 93003-6572
Phone: 805.339.4250

TO CONTRACTOR: **Annette A. Paladino**
1 El Vedado Lane, Apt.4
Santa Barbara, CA 93105
Phone: 805-448-4955 (cell) 805-569-6885 (home)

Either party may, by written notice to the other, change its own mailing address.

14. MISCELLANEOUS

This contract supersedes all previous contracts, agreements, understandings and representations of any nature whatsoever, whether oral or written, and constitutes the entire understanding between the parties hereto.

CONTRACTOR is only authorized to access VCERA systems as identified in Attachment A, "Scope of Work", of this contract. Any unauthorized access to VCERA systems may constitute a breach of contract and may result in immediate termination of contract.

IN WITNESS WHEREOF, the parties hereto have executed this contract.

VCERA

______________________________	______________________________
Signature	Printed Name
______________________________	______________________________
Title	Date

Annette A. Paladino

______________________________	______________________________
Signature	Printed Name
______________________________	______________________________
Title	Date

ATTACHMENT A

SCOPE OF WORK

PROJECT: VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION DISABILITY PROCESS, POLICIES, AND PROCEDURES EVALUATION AND DISABILITY PROCESS ADVISORY SERVICES

CONTRACTOR: ANNETTE A. PALADINO

CONTRACTOR will provide VCERA with disability policies and procedures evaluation and disability process advisory services as requested by VCERA, on a time and materials basis, for the period July 1, 2013 through September 30, 2013. This SCOPE OF WORK shall only cover the services provided by Annette A. Paladino.

Specifically, the CONTRACTOR will work under the direction of the Retirement Administrator, and will be responsible for analysis, design, advise, recommendations, and reports.

Disability Process, Policies, and Procedures Evaluation and Advisory Services:
120 hours will be allocated to the following items, but is not limited to:

1. Review disability program documentation (i.e. bylaws, pending disability reports, internal procedures, sample Board packets).
2. Interview necessary disability program staff, Board Counsel, Trustees, Hearing Officers, and Risk Management.
3. Review VCERA job description(s), goals and objectives, and evaluation criteria for disability staff and program.
4. Report on findings and recommended changes.
5. Advise VCERA staff of tasks necessary to process disability applications.
6. Attend VCERA Board meetings, as necessary, and advise the Board as needed on pending disability applications.
7. Oversee the implementation of, and training on, any adopted disability program changes.
8. Assist staff with the processing of disability retirement applications, if so requested by the Retirement Administrator and agreed to by CONTRACTOR

The total amount billed may not exceed the maximum contract in section 1 of Attachment B.

ATTACHMENT B

SCHEDULE OF FEES

PROJECT: VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION DISABILITY PROCESS, POLICIES, AND PROCEDURES EVALUATION AND DISABILITY PROCESS ADVISORY SERVICES

CONTRACTOR: ANNETTE A. PALADINO

CONTRACTOR shall be reimbursed on a time and materials basis according to the following:

1. The hourly contracting rate shall be fixed at $75.00 per hour for those activities bulleted in section A of Attachment A.
2. The total contract is not to exceed $9,000.
3. No reimbursements for out of pocket expenses other than reimbursement for mileage to and from the VCERA worksite, at IRS published rates, or reimbursement for travel related expenses for travel approved or requested by VCERA.
4. CONTRACTOR shall submit monthly invoices for hours worked in the following billing format:
   Contract Services for (provide specific date range)
   (Total Hours Billed) x $(hourly rate) = $(Total Amount Billed)
5. Payment terms are net 30 days from date of invoice.
6. VCERA shall send payments to:
   ANNETTE A. PALADINO
   1 EL VEDADO LANE, APT 4
   SANTA BARBARA, CA 93105
   TEL: 805.448-4955
7. CONTRACTOR shall send monthly invoices to:
   VENTURA COUNTY EMPLOYEES RETIREMENT ASSOCIATION
   1190 S. VICTORIA AVENUE, SUITE 200
   VENTURA, CA 93003-6572
   TEL: 805.339.4250

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

June 17, 2013

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

SUBJECT: RENEWAL OF DISABILITY REFEREE SERVICES CONTRACTS

Dear Board Members:

Background

On an application for disability retirement, the board is responsible for determining whether the evidence establishes that the member is permanently incapacitated for the performance of his/her duties. (Gov. Code sections 31724, 31725). If the application is for service-connected disability retirement, the board must also determine whether the illness or injury arose out of and in the course of employment. (Govt. Code section 31720.)

When County of Ventura - Risk Management, Courts Personnel or Ventura Regional Sanitation District Personnel (Employer) evaluates an application, and determines that the medical evidence establishes that the member is permanently incapacitated for performance of duty and, where appropriate, also determines that the injury or illness was work-related, it does not challenge the application, and instead, presents to the board the medical evidence and analysis to enable the Board to make findings and grant the application. (VCERA Disability Hearing Procedures, section 3.f.) In such a case, no evidentiary hearing is required - unless the Board is not satisfied with the quality of the evidence, in which case the Board may direct that the member submit to a medical exam. Or, more typically, the Board will refer the matter back to Employer and request that it further develop the evidence. If Employer decides to challenge the application, an evidentiary hearing is required. (Disability Hearing Procedures, section 4.a.)

In any case in which a determination requires a hearing, the County Employees Retirement Law of 1937 ("CERL") authorizes the board to appoint a referee to conduct the hearing. (Gov. Code section 31533). When the board appoints a referee for such a hearing, the referee is required to transmit, in writing, to the board his/her proposed findings of fact and recommended decision. (Gov. Code section 31533.)

Pursuant to VCERA's Disability Hearing Procedures, section 9.b., the board's or referee's findings of fact shall specifically include findings with respect to:

(1) Incapacity;
(2) Service-connected sources of incapacity;
(3) Term of service to qualify applicant for disability retirement, and
(4) Effective date of retirement.

The Disability Hearing Procedures also require that such findings by the Board shall specifically describe the evidence which supports such finding of fact.

Discussion

As authorized by CERL, your Board appoints hearing officers to conduct disability retirement hearings in cases where the Employer has challenged the application. These appointments are governed by the attached contracts. Renewal of the contracts will allow for hearing officers to serve as referees for cases forwarded by your Board. All existing Hearing Officers except for Richard Anthony, Mark Burstein and Michael Prihar have confirmed that they would like to continue to serve as referee for fiscal year 2013-2014. In addition, VCERA has not received any requests from attorneys expressing an interest in serving as referees.

Staff recommends the Board approve and authorize the Retirement Administrator to execute the attached contract template for each of the following Disability Referees/Hearing Officers for the period July 1, 2013 through June 30, 2014:

Irene P. Ayala	John L. Rosenthal
Paul E. Crost	Terri A. Tucker
Shelley Kaufman	Deborah Z. Wissley
Kenneth A. Perea	Louis M. Zigman

I would be pleased to respond to any questions you may have on this matter.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachment

REFEREE SERVICES AGREEMENT

THIS AGREEMENT, to be effective as of 1st day July 2013, by and between the BOARD OF RETIREMENT (hereinafter referred to as "Board") of the VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (hereinafter referred to as "Association"), and *{Insert Name}* (hereinafter referred to as "Contractor").

Recitals

Pursuant to the provisions of section 31533 of the Government Code, the Board is authorized to provide for the conduct of hearings by a referee in connection with the determination of applications of members of the Association for disability benefits under the County Employees Retirement Law of 1937 (ch. 3 of div. 4 of tit. 3 of the Government Code).

Contractor has experience with respect to evidentiary hearings, and is a member of the State Bar of California (active membership no. *{insert bar number}*.

The Board intends to retain the services of Contractor as a referee to conduct said hearings.

IT IS THEREFORE AGREED:

Services to be Performed

1. Contractor agrees, when available, to act as a referee in connection with the conduct of hearings and the review of cases pursuant to section 31533 of the Government Code.

2. Such services shall be performed in accordance with the applicable provisions of the County Employees Retirement Law of 1937, as amended, and pursuant to any specific requirements imposed by the Board, and such services shall include, but shall not be limited to, the conduct of hearings, the review of evidence, and the rendering of a written report which shall contain proposed findings of fact, conclusions of law, and a recommended decision provided, however, that said written report shall be rendered within ninety (90) days after the case has been submitted to Contractor and include service of said written report to all parties.

3. Contractor may request an extension from the Board of any time limitation established in this contract, on an individual case basis, when done in writing, and upon a showing of "good cause" as to said request.

4. Contractor shall be familiar with the Association's "Disability Hearing Procedures".

5. The Board is under no obligation to submit cases to the Contractor, but may do so at its pleasure.

Compensation

6. Compensation to Contractor for the above services shall be at the following rates:

(a) If the written report is rendered within ninety (90) days after the case has been submitted, Contractor shall be entitled to One Hundred and Seventy-five Dollars ($175.00) per hour;

(b) Contractor shall be compensated for necessary and reasonable travel time to and from Ventura County pursuant to the rate set forth above;

(c) If the written report is not rendered within ninety (90) days from the date the case has been submitted, the Board may transfer the case to another referee, in which event the original referee shall not receive any fee for services performed in connection with said case;

(d) If a hearing scheduled before the Contractor is continued or cancelled less than fourteen (14) calendar days before the date agreed upon by all parties, or set by the Board, the Board shall pay to the Contractor the sum of Eight Hundred and Seventy-five Dollars ($875.00) which includes all costs associated with the hearing including, but not limited to, travel, time, mileage reimbursement and other associated hearing costs.

Term of Contract

7. This agreement shall apply for all services provided by the Contractor, performed on or after July 1, 2013, and shall continue through the date of June 30, 2014, at which time it shall terminate. However, either party may terminate this agreement sooner upon ten (10) days written notice to the other party. Any cases pending before the Contractor at the time of termination shall be immediately transferred to the Board. If this agreement is terminated at the request of the Contractor, the Contractor shall not receive any fees for services performed in connection with any cases that are pending as of the effective date of the termination, except those wherein a written report has been provided to the Board. If this agreement is terminated at the request of the Board, the Contractor shall be entitled to the compensation earned prior to the effective date of termination as provided for in this agreement, computed pro rata up to and including that date. The Contractor shall be entitled to no further compensation as of the date of termination.

This agreement approved by the Board of Retirement on June 17, 2013.

Dated: June 18, 2013 By: ____________________
Donald C. Kendig, Retirement Administrator

Dated: ____________________ By: ____________________
{*Insert Name*}, Contractor

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

June 17, 2013

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

SUBJECT: ADAMS STREET CLIENT CONFERENCE

Dear Board Members:

The Board Education and Travel policy provides for reporting by Retirement Board members, no later than the 2nd subsequent Board meeting, on meetings attended on behalf of VCERA.

Vice Chair Towner attended the Adams Street Client Conference on June 5, 2013 in Chicago and has provided the attached written report.

Please receive and file the written report by Trustee Towner.

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

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachment

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

On June 5, 2013, I attended Adams Street one day client conference in Chicago. Although the conference itself was short in the duration, the information was excellent. The following are the key highlights:

- A 100% U.S. Equity portfolio is expected to provide a return of around 7.5% over the next 10 years, while private equity is expected to be much higher, which I recall the speaker stating around 12%;
- A natural gas and oil company held by Adams Street discussed the issues and profitability of "fracking". A significant inhibitor to lowering oil prices is the lack of refinery capacity, and a fact that I did not know, is it is illegal for company to export U.S. crude oil…..Throughout my years of attending seminars the speaker was one the brightness more candid and I believe honest speakers I have heard;
- Adams Street spoke about their Secondary Market. The trend they are beginning to observe is a number of these companies are selling or "cashing" out because of concerns of the next economic cycle-;
- An owner of a company that invests in technology start-ups was extremely informative in how he and his five other partners determine the tech companies to fund. Interestingly, when all the partners agree a company's idea is "out of the park" and they ALL agree to fund it, all companies receiving this unanimous vote by the partners…………….fail. However, when the partners have a range of positions from buy to don't touch with a company, they routinely "hit it out of the park." Recently, they invested $36M in a company that most partners were very skeptic al about funding the company. But, 18 months later, Microsoft bought the same company for $1.2…………….BILLION; and
- If you believe in paper work, Bon French of Adams Street, informed us that last year they were audited by the SEC. They completed and submitted the required paperwork, which was comprised of 120,000 pages. When the findings of the audit were returned, the SEC gave Adams Street their highest rating of ………………"no comment."

Overall, I believe if any other trustee has the time, this is a very worthwhile conference and I would encourage them to attend; in fact, in keeping with the **SEC's rating scale**, I would give this conference a rating of ………."no comment."

Best,

Tracy Towner