VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

July 15, 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 – 3
III.	**APPROVAL OF MINUTES**	
	A. Disability Meeting of July 1, 2013.	4 - 9
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.	10

IV. CONSENT AGENDA (cont'd)

B.	Report of Checks Disbursed in June 2013.	11 - 20
C.	Asset Allocation as of June 30, 2013.	21
D.	Statement of Plan Net Assets, Statement of Changes in Plan Net Assets, Investments & Cash Equivalents for the Month Ended May 31, 2013 and May 2013 Schedule of Investment Management Fees.	22 - 27
E.	Budget Summary – Year to Date as of June 30, 2013 (Preliminary), Fiscal-Year 2012-13.	28
F.	Quarterly Administrator Report for April 1, 2013 to June 30, 2013.	29 - 35

END OF CONSENT AGENDA

V. CALPEPRA

A. Receive an Oral Update on CalPEPRA.

VI. INVESTMENT INFORMATION

A.	Annual Investment Presentation, Hexavest – Nadia Cesaratto, CFA, (30 Minutes).	36 - 94
B.	Annual Investment Presentation, Walter Scott – Margaret Foley. (30 Minutes).	95 - 114
C.	Unconstrained Bond Fund Presentation, Western Asset Management – Steve Walsh and Karlen R. Powell. (30 Minutes).	115 - 154
D.	Consideration of the Bridgewater All Weather Fund.	155 - 157
	1. Hewitt EnnisKnupp Memo.	
E.	Hewitt EnnisKnupp, John J. Lee and Kevin Chen.	
	1. Consideration of Western Asset Management's Unconstrained Bond Fund or Consolidation.	158 - 159
	2. Monthly Manager Performance Report May 2013.	160 - 178

VI. INVESTMENT INFORMATION (continued)

3. Highlights and Research, June 2013. 179 - 202

   a. Manager Investment Guidelines.
   b. Board Retreat Agenda.
   c. Peer Performance.
   d. Walter Scott Update.
   e. Emerging Market Equities.
   f. HEK Client Webcast and Blog.

F. Receive and File Securities Lending Times Article: "Three Custodian Banks Face Ratings Review." 203 - 204

1. "Three Custodian Banks Face Ratings Review."

VII. NEW BUSINESS

A. Receive and File Quarterly PAS (VCERIS) Report, Approve Project Change Orders and Approve Budgetary Adjustments for Fiscal Year 2013-14. 205 - 219

1. Quarterly PAS (VCERIS) Report.

2. VCERIS Change Order #3489.

3. VCERA Contract Amendment #3.

B. Receive and File the Fiscal Year 2012-13 Annual Governance Report. 220 - 222

VIII. CLOSED SESSION

It is the Intention of the Board of Retirement to Meet in Closed Session to Discuss the Following Item.

A. Evaluation of a Public Employee Pursuant to the Provisions of Government Code 54957 (b); Retirement Administrator.

IX. PUBLIC COMMENT

X. BOARD MEMBER COMMENT

XI. ADJOURNMENT

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

July 1, 2013

MINUTES

DIRECTORS PRESENT:	William W. Wilson, Chair, Public Member Tracy Towner, Vice Chair, Safety Employee Member Steven Hintz, Treasurer-Tax Collector Deanna McCormick, General Employee Member Arthur E. Goulet, Retiree Member Chris Johnston, Alternate Safety Employee Member Will Hoag, Alternate Retiree Member
DIRECTORS ABSENT:	Peter C. Foy, Public Member Tom Johnston, General Employee 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 Julie Stallings, Operations Manager
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 9:01 a.m.

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II. APPROVAL OF AGENDA

MOTION: Mr. Goulet moved, seconded by Ms. McCormick, to approve the Agenda as presented.

Motion passed unanimously. Mr. Foy, Mr. T. Johnston and Mr. Sedell absent. Mr. C. Johnston voting.

Trustee Goulet reminded Risk Management that a number of cases are still awaiting action.

III. APPROVAL OF MINUTES

A. Business Meeting of June 17, 2013.

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

Motion passed unanimously. Mr. Foy, Mr. T. Johnston and Mr. Sedell absent. Mr. C. Johnston voting.

IV. PENDING DISABILITY APPLICATION STATUS REPORT

MOTION: Mr. Goulet moved, seconded by Mr. Henderson, to receive and file the pending disability application status report.

Motion passed unanimously. Mr. Foy, Mr. T. Johnston and Mr. Sedell absent. Mr. C. Johnston voting.

V. APPLICATIONS FOR DISABILITY RETIREMENT

A. Application for Service Connected Disability Retirement; Shane W. Zaring, Case No. 13-003.

Paul Hilbun was present representing the County of Ventura Risk Management. The applicant, Shane W. Zaring, was present.

After statements by both parties, the following motion was made:

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

Motion passed unanimously. Mr. Foy, Mr. T. Johnston and Mr. Sedell absent. Mr. C. Johnston voting.

B. Application for Service Connected Disability Retirement, June Marsh, Case No. 08-015.

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

After statements by both parties, the following motion was made:

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

B. Application for Service Connected Disability Retirement, June Marsh, Case No. 08-015. (continued)

<u>MOTION:</u> Judge Hintz moved, seconded by Mr. Henderson, to adopt the hearing officer's recommendation and deny the application for a service connected disability retirement.

Motion passed. Mr. Foy, Mr. T. Johnston and Mr. Sedell absent. Mr. C. Johnston voting no.

C. Application for Service Connected Disability Retirement, Susan M. Moser, Case No. 11-018.

Stephen D. Roberson and Paul Hilbun were present representing the County of Ventura Risk Management. Timothy M. Ehritt was present on behalf of the applicant. The applicant, Susan M. Moser, was not present.

After statements by both parties, the following motion was made:

<u>MOTION:</u> Judge Hintz moved, seconded by Mr. Henderson, to adopt the hearing officer's recommendation and deny the application for a service connected disability retirement.

Motion passed unanimously. Mr. Foy, Mr. T. Johnston and Mr. Sedell absent. Mr. C. Johnston voting.

D. Application for Service Connected Disability Retirement, Patricia A. Gonzales, Case No. 10-035.

John Gilman and Paul Hilbun were present representing the County of Ventura Risk Management. The applicant, Patricia A. Gonzales, was present.

After statements by both parties, the following motion was made:

<u>MOTION:</u> Mr. Goulet moved, seconded by Mr. Henderson, to adopt the hearing officer's recommendation to grant the application for a non service connected disability retirement and deny the application for a service connected disability retirement.

Motion passed unanimously. Mr. Foy, Mr. T. Johnston and Mr. Sedell absent. Mr. C. Johnston voting.

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

E. Application for Service Connected Disability Retirement, Crystal L. Litchmore, Case No. 11-023.

After statements by both parties, the following motion was made:

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

Motion passed unanimously. Mr. Foy, Mr. T. Johnston and Mr. Sedell absent. Mr. C. Johnston voting.

VI. OLD BUSINESS

A. Review of Disability Process Timeline and Discussion of Proposed Modifications.

1. Current Disability Process Timeline Diagram.
2. 2013 Closed Cases Actual Timelines.
3. Timeline Recommendations.
4. Proposed Timeline Comparisons.

Annette Paladino provided a presentation on Disability Process Timeline and Discussion of Proposed Modifications.

No action taken.

B. Review of the M^{cube} Governance Application Proposal.

After discussion, the following motion was made:

MOTION: Mr. Goulet moved, seconded by Judge Hintz, to thank M^{cube} for the application demonstration and discontinue consideration of the M^{cube} application at this time.

Motion passed unanimously. Mr. Foy, Mr. T. Johnston and Mr. Sedell absent. Mr. C. Johnston voting.

C. Review and Approval of Updated Board Policies.

1. Proposed Annual Administrative Budget Policy.

After discussion, the following motion was made:

MOTION: Mr. Goulet moved, seconded by Judge Hintz, to adopt the policy as modified with the addition of a comma after "Adoption" and before "Amendment" on line 14, Master Page No. 260.

Motion passed unanimously. Mr. Foy, Mr. T. Johnston and Mr. Sedell absent. Mr. C. Johnston voting.

VI. OLD BUSINESS (continued)

2. Legislative Markup by Mr. Goulet of the Proposed Annual Administrative Budget Policy.

D. Receive and File HarbourVest Update.

After discussion, the following motion was made:

MOTION: Mr. Henderson moved, seconded by Mr. Goulet, to receive and file the HarbourVest update.

Motion passed unanimously. Mr. Foy, Mr. T. Johnston and Mr. Sedell absent. Mr. C. Johnston voting.

VII. NEW BUSINESS

Henry Solis entered the meeting.

A. Receive Alternative Investment Training

1. Presentation: "Prudent Investing in Alternatives: Trust, but Verify" – Harvey L. Leiderman, Reed Smith (30 Minutes)

Harvey L. Leiderman gave a presentation.

No action taken.

Julie Stallings entered the meeting.

B. Review and Approval of Professional Services Contract with CMP & Associates, Inc.

1. Contract CMP & Associates – Viorica Lawson.

After discussion, the following motion was made:

MOTION: Judge Hintz moved, seconded by Mr. Henderson, to approve the two year contract with CMP & Associates, Inc.

Motion passed. Mr. Foy, Mr. T. Johnston and Mr. Sedell absent. Mr. Goulet, Mr. Henderson, Judge Hintz, Ms. McCormick and Mr. Wilson voting yes. Mr. Towner and Mr. C. Johnston voting no.

C. Receive and File Fiduciary Liability Insurance Report.

1. Fiduciary Liability Quotation and Binder of Insurance.

After discussion, the following motion was made:

MOTION: Mr. Goulet moved, seconded by Mr. Henderson, to receive and file the Fiduciary Liability Insurance Report.

Motion passed unanimously. Mr. Foy, Mr. T. Johnston and Mr. Sedell absent. Mr. C. Johnston voting.

VII. NEW BUSINESS (continued)

D. Receive and File Conference Report: CALAPRS Trustees' Roundtable – Trustees Goulet and McCormick.

After discussion, the following motion was made:

MOTION: Mr. Goulet moved, seconded by Ms. McCormick, to receive and file the Conference Report: CALAPRS Trustees' Roundtable.

Motion passed unanimously. Mr. Foy, Mr. T. Johnston and Mr. Sedell absent. Mr. C. Johnston voting.

VIII. PUBLIC COMMENT

None.

IX. BOARD MEMBER COMMENT

Mr. Towner complimented Harvey Leiderman on his presentation and reemphasized the first bullet point on page 16 of his slide presentation, Master page No. 283, "Absence of CIO, dedicated investment staff impacts ability to monitor program."

Mr. Goulet also reminded the Board of the Retirement Administrator job description, which is not to be an investment officer, and also let the Board know that Jeff Lumbard has left Pantheon to seek other opportunities.

X. ADJOURNMENT

The meeting was adjourned at 11:59 a.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

JUNE 2013

FIRST NAME	LAST NAME	G/S	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
REGULAR RETIREMENTS:							
Terry L.	Abbott	G	08/22/1976	1.11	C=37.67	Public Works Agency (From Deferred)	04/17/13
Elizabeth M.	Allen	G	01/20/1991	22.30		Health Care Agency	05/11/13
James	Bulger	S	10/02/1978	32.75		Fire Protection District	12/14/12
Catherine M	Carone	G	11/13/1988	23.87	B=0.11	CEO	06/08/13
Joyce A.	DeMille	G	03/01/1992	10.74		Fire Protection District (From Deferred)	05/30/13
Jeanne A.	Flaherty	G	02/11/1996	17.36	B=0.11	Superior Courts	05/11/13
David S.	Krushell	G	04/15/2001	12.10		Health Care Agency	06/01/13
William J.	Lykins	G	11/05/2001	11.07		Public Works	05/30/13
Ann	McClure	G	03/16/1987	3.82	C=18.85 C=1.80	Agriculture Department (From Deferred)	03/30/13
Dennis E.	McDonald	G	03/18/2001	11.30		General Services Agency	05/11/13
Nancy A.	Merman	G	05/13/1990	16.02	B=4.200 C=9.21	Health Care Agency (From Deferred)	04/13/13
Jean A.	Miller	G	03/06/1988	17.54		Animal Regulation (From Deferred)	06/05/13
Corazon C.	Tinio	G	07/10/2000	0.47	C=12.48	Health Care Agency	05/04/13
DEFERRED RETIREMENTS:							
Linda M.	Boggess	G	11/21/2001	8.58		Human Services Agency	05/29/13
Joanne M.	Bury	G	01/05/2004	5.50		Health Care Agency	06/04/13
Heather	Evans	G	07/16/2006	6.46		Health Care Agency	05/10/13
Roxanne	Fox	G	05/02/2007	5.75		Information Services Departr	05/24/13
Christian	Gallagher	G	10/08/2006	6.58		Health Care Agency	05/31/13
Cindy	Griffith	G	06/20/2002	10.02		Health Care Agency	05/01/13
Jose S.	Melgoza Jr.	S	07/23/2000	9.72		Sheriff's Department	05/31/13
Shanna M.	Roberts	S	08/07/2005	7.24		Probation Agency	05/30/13
Maria G.	Ruiz Patino	G	06/17/2007	5.51		Human Services Agency	05/21/13
Lance M.	Woleslagle	S	04/20/2008	5.11		Harbor Department	06/06/013
SURVIVORS' CONTINUANCES:							
Amy M.	Cowgill						
Teri	Freeman						
Carolyn	Garcia						
Donald M.	Harrington						
Clifford S.	Lunceford						
Javier	Martinez						
Kevin I.	Urango						

*** = 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: 12-13 As of: 7/1/2013

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								
022367	VC	6/4/2013	F2210E ELIZABETH S. BERGH	12-13	12-13	017154	VO	DEATH BENEFIT	5/23/2013	0.00	-3,755.07
									Check Total		**-3,755.07**
022368	-	022391	Missing								
022392	VC	6/4/2013	COUNTY COUNTY COUNSEL	12-13	12-13	017179	VO	LEGAL FEES	5/23/2013	0.00	-37.50
									Check Total		**-37.50**
022393	-	022434	Missing								
022435	ZC	6/6/2013	COUNTY COUNTY COUNSEL	12-13	12-13	017179	VO	LEGAL FEES	5/23/2013	0.00	37.50
022435	ZC	6/6/2013	COUNTY COUNTY COUNSEL	12-13	12-13	017224	AD	CANCEL	6/4/2013	0.00	-37.50
									Check Total		**0.00**
022436	CK	6/6/2013	F3595B1 ELIZABETH GLICK	12-13		017226	VO	DEATH BENEFIT	6/6/2013	0.00	3,923.03
022437	CK	6/6/2013	F4794B2 DAVID BRIAN HALL	12-13		017227	VO	DEATH BENEFIT	6/6/2013	0.00	2,298.41
022438	CK	6/6/2013	F1774B1 M. PAULINE SHEARER LIVING TF	12-13		017228	VO	DEATH BENEFIT	6/6/2013	0.00	4,385.37
022439	CK	6/6/2013	F1493B1 VINCENT J. ORTEGA	12-13		017229	VO	DEATH BENEFIT	6/6/2013	0.00	3,188.97
022440	CK	6/6/2013	F3563B1 PAULA J. LOWERY	12-13		017230	VO	DEATH BENEFIT	6/6/2013	0.00	2,189.85
022441	CK	6/6/2013	F3563B2 BRANDON LOWERY	12-13		017231	VO	DEATH BENEFIT	6/6/2013	0.00	2,189.85
022442	CK	6/6/2013	F0740S TERI FREEMAN	12-13		017232	VO	DEATH BENEFIT	6/6/2013	0.00	3,513.35
022443	CK	6/6/2013	F5158B1 CINDY BRADFORD	12-13		017233	VO	DEATH BENEFIT	6/6/2013	0.00	1,344.64
022444	CK	6/6/2013	F5158B2 CRYSTAL LITCHMORE	12-13		017234	VO	DEATH BENEFIT	6/6/2013	0.00	1,344.64

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Period: 12-13 As of: 7/1/2013

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
022445	CK	6/6/2013	F5158B3 BRYAN GORE	12-13		017235	VO	DEATH BENEFIT	6/6/2013	0.00	1,344.64
022446	CK	6/6/2013	106733 EUGENIA V. SPRAGGINS	12-13		017236	VO	REFUND T2 COL	6/6/2013	0.00	20,378.40
022447	CK	6/6/2013	104735 TERESA ANN SAPP	12-13		017237	VO	REFUND	6/6/2013	0.00	118.94
022448	CK	6/6/2013	XXXXX1059 JUAN C. MORENO	12-13		017238	VO	REFUND	6/6/2013	0.00	12,722.66
022449	CK	6/6/2013	102746 MONIQUE S. NOWLIN	12-13		017239	VO	REFUND	6/6/2013	0.00	96,915.08
022450	VC	6/13/2013	119180 ELLEN K. MARI	12-13	12-13	017240	VO	REFUND	6/6/2013	0.00	-38,547.26
022450	CK	6/6/2013	119180 ELLEN K. MARI	12-13	12-13	017240	VO	REFUND	6/6/2013	0.00	38,547.26
					**** Check Amount Does Not Equal Check Total**				**Check Total**		**0.00**
022451	CK	6/6/2013	105324 ROBERT A. AGUILAR	12-13		017241	VO	REFUND	6/6/2013	0.00	8,513.69
022452	CK	6/6/2013	121111 JESSICA C. ANDRADE	12-13		017242	VO	REFUND	6/6/2013	0.00	4,012.81
022453	CK	6/6/2013	122803 CHARLES SCHWAB	12-13		017243	VO	ROLLOVER	6/6/2013	0.00	764.13
022454	CK	6/6/2013	120850 MARCUS A. RIVERA	12-13		017244	VO	REFUND	6/6/2013	0.00	5,459.66
022455	CK	6/6/2013	121234 WANDA L. WOESSNER	12-13		017245	VO	REFUND	6/6/2013	0.00	977.64
022456	CK	6/6/2013	SPRUCE SPRUCEGROVE INVESTMENT M	12-13		017246	VO	INVESTMENT FEES	6/6/2013	0.00	54,925.12
022457	CK	6/6/2013	PEREA KENNETH A. PEREA	12-13		017247	VO	ADMIN EXP	6/6/2013	0.00	1,400.00

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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
022458	CK	6/6/2013	SUPERIOR SUPERIOR COURT REPORTERS	12-13	12-13	017248	VO	ADMIN EXP	6/6/2013	0.00	37.50
022458	VC	6/7/2013	SUPERIOR SUPERIOR COURT REPORTERS	12-13	12-13	017248	VO	ADMIN EXP	6/6/2013	0.00	-37.50
									Check Total		**0.00**
022459	CK	6/6/2013	122180 DONALD C KENDIG	12-13		017249	VO	REIMB	6/6/2013	0.00	169.41
022460	CK	6/6/2013	990005 WILLIAM W WILSON	12-13		017250	VO	TRAVEL REIMB	6/6/2013	0.00	893.16
022461	CK	6/7/2013	SUPERIOR SUPERIOR COURT REPORTERS	12-13		017248	VO	ADMIN EXP	6/6/2013	0.00	37.50
022462	CK	6/10/2013	REED REED SMITH LLP	12-13		017251	VO	LEGAL FEES	6/10/2013	0.00	6,625.00
022463	CK	6/10/2013	BARNEY ABU COURT REPORTING INC	12-13		017252	VO	ADMIN EXP	6/10/2013	0.00	315.00
022464	CK	6/10/2013	PALADINO ANNETTE A. PALADINO	12-13		017253	VO	ADMIN EXP	6/10/2013	0.00	4,728.98
022465	CK	6/10/2013	FEDEX FED EX	12-13		017254	VO	ADMIN EXP	6/10/2013	0.00	46.81
022466	CK	6/10/2013	HARRIS HARRIS WATER CONDITIONING	12-13		017255	VO	ADMIN EXP	6/10/2013	0.00	114.50
022467	CK	6/10/2013	VOLT VOLT	12-13		017256	VO	ADMIN EXP	6/10/2013	0.00	1,685.00
022468	CK	6/10/2013	101602 HENRY SOLIS	12-13		017257	VO	REIMB	6/10/2013	0.00	125.00
022469	CK	6/10/2013	100917 STEVEN HINTZ	12-13		017258	VO	TRAVEL REIMB	6/10/2013	0.00	1,806.48
022470	CK	6/10/2013	104238 TRACY TOWNER	12-13		017259	VO	TRAVEL REIMB	6/10/2013	0.00	1,113.95

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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
022471	CK	6/10/2013	BOFA BANK OF AMERICA	12-13		017260	VO	ADMIN EXP	6/10/2013	0.00	1,632.89
022472	ZC	6/13/2013	F2210E ELIZABETH S. BERGH	12-13	12-13	017154	VO	DEATH BENEFIT	5/23/2013	0.00	3,755.07
022472	ZC	6/13/2013	F2210E ELIZABETH S. BERGH	12-13	12-13	017225	AD		6/4/2013	0.00	-3,755.07
									Check Total		**0.00**
022473	ZC	6/13/2013	119180 ELLEN K. MARI	12-13	12-13	017240	VO	REFUND	6/6/2013	0.00	38,547.26
022473	ZC	6/13/2013	119180 ELLEN K. MARI	12-13	12-13	017261	AD		6/13/2013	0.00	-38,547.26
									Check Total		**0.00**
022474	CK	6/13/2013	F1895B1 JAN L. PAVLETICH	12-13		017262	VO	DEATH BENEFIT	6/13/2013	0.00	2,296.57
022475	CK	6/13/2013	F1895B2 RAY THOMAS STULL	12-13		017263	VO	DEATH BENEFIT	6/13/2013	0.00	2,296.56
022476	CK	6/13/2013	F2912S CLIFFORD S. LUNCEFORD	12-13		017264	VO	DEATH BENEFIT	6/13/2013	0.00	3,888.86
022477	CK	6/13/2013	F3032 CAROLINE O. THOMPSON	12-13		017265	VO	PENSION PAYMENT	6/13/2013	0.00	5,754.11
022478	CK	6/20/2013	F1639B2 ARNOLD BROCK JR.	12-13		017267	VO	DEATH BENEFIT	6/20/2013	0.00	1,516.20
022479	CK	6/20/2013	F1639B3 HELEN LOUISE GRIFFITH	12-13		017268	VO	DEATH BENEFIT	6/20/2013	0.00	1,402.48
022480	CK	6/20/2013	F1639B1 BRENDA NAKANISHI	12-13		017269	VO	DEATH BENEFIT	6/20/2013	0.00	1,402.48
022481	CK	6/20/2013	F4275S BONNIE ISAACS	12-13		017270	VO	DEATH BENEFIT	6/20/2013	0.00	3,731.38
022482	CK	6/20/2013	F8441S JAVIER MARTINEZ	12-13		017271	VO	DEATH BENEFIT	6/20/2013	0.00	4,000.00

Ventura County Retirement Assn

Check Register - Standard

Period: 12-13 As of: 7/1/2013

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
022483	CK	6/20/2013	106723 WILLIAM J. LYKINS	12-13		017272	VO	REFUND T2 COL	6/20/2013	0.00	19,244.67
022484	CK	6/20/2013	108478 TAMI HENSLEY	12-13		017273	VO	REFUND	6/20/2013	0.00	43,731.52
022485	CK	6/20/2013	116525 JUANA PILLADO	12-13		017274	VO	REFUND	6/20/2013	0.00	14,253.41
022486	CK	6/20/2013	121555 EMMA C. SOLANO	12-13		017275	VO	REFUND	6/20/2013	0.00	4,968.02
022487	CK	6/20/2013	106297 KEITH J. SAATHOFF	12-13		017276	VO	REFUND	6/20/2013	0.00	10,605.02
022488	CK	6/20/2013	122856 ANNETTE B. BERRYHILL	12-13		017277	VO	REFUND	6/20/2013	0.00	1,033.62
022489	CK	6/20/2013	107633 MICHAEL G. AULICH	12-13		017278	VO	REFUND	6/20/2013	0.00	17,682.46
022490	CK	6/20/2013	119312R FIDELITY MANAGEMENT TRUST	12-13		017279	VO	ROLLOVER	6/20/2013	0.00	5,437.83
022491	CK	6/20/2013	119312 JAMES COWAN	12-13		017280	VO	REFUND	6/20/2013	0.00	2,021.07
022492	CK	6/20/2013	F4820 GREGG W. WHITESELL	12-13		017281	VO	PENSION PAYMENT	6/20/2013	0.00	7,800.35
022493	CK	6/20/2013	F1776 MARIA O. SHIBATA	12-13		017282	VO	PENSION PAYMENT	6/20/2013	0.00	823.76
022494	CK	6/20/2013	F6193 ALEXANDER A. ALCANTAR	12-13		017283	VO	PENSIONPAYMENT	6/20/2013	0.00	380.22
022495	CK	6/20/2013	PIMCO PACIFIC INVESTMENT MGMT CC	12-13		017284	VO	INVESTMENT FEES	6/20/2013	0.00	83,180.86
022496	CK	6/20/2013	STATE STATE STREET CORPORATION	12-13		017285	VO	INVESTMENT FEES	6/20/2013	0.00	8,171.55

Ventura County Retirement Assn

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022497	CK	6/20/2013	BROWN BROWN ARMSTRONG	12-13		017286	VO	ADMIN EXP	6/20/2013	0.00	4,490.94
022498	CK	6/20/2013	PEREA KENNETH A. PEREA	12-13		017287	VO	ADMIN EXP	6/20/2013	0.00	875.00
022499	CK	6/20/2013	BARNEY ABU COURT REPORTING INC	12-13		017288	VO	ADMIN EXP	6/20/2013	0.00	1,175.00
022500	CK	6/20/2013	ADP ADP INC	12-13		017289	VO	ADMIN EXP	6/20/2013	0.00	10,762.12
022501	CK	6/20/2013	CINTAS CINTAS DOCUMENT MANAGEME	12-13		017290	VO	ADMIN EXP	6/20/2013	0.00	122.52
022502	CK	6/20/2013	SAFEGUARD SAFEGUARD BUSINESS SYSTEI	12-13		017291	VO	ADMIN EXP	6/20/2013	0.00	179.82
022503	CK	6/20/2013	CORPORATE STAPLES ADVANTAGE	12-13		017292	VO	ADMIN EXP	6/20/2013	0.00	335.60
022504	CK	6/20/2013	CMP CMP & ASSOCIATES, INC	12-13		017293	VO	ADMIN EXP	6/20/2013	0.00	16,767.50
022505	CK	6/20/2013	VITECH VITECH SYSTEMS GROUP INC	12-13		017294	VO	ADMIN EXP	6/20/2013	0.00	2,500.00
022506	CK	6/20/2013	MEGAPATH MEGAPATH INC.	12-13		017295	VO	ADMIN EXP	6/20/2013	0.00	218.13
022507	CK	6/20/2013	VOLT VOLT	12-13		017296	VO	ADMIN EXP	6/20/2013	0.00	3,490.58
022508	CK	6/20/2013	KEITH SIMS KEITH SIMS	12-13		017297	VO	ADMIN EXP	6/20/2013	0.00	300.00
022509	CK	6/20/2013	AT&T AT & T MOBILITY	12-13		017298	VO	ADMIN EXP	6/20/2013	0.00	673.80

Ventura County Retirement Assn

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022510	CK	6/20/2013	TWC TIME WARNER CABLE	12-13		017299	VO	ADMIN EXP	6/20/2013	0.00	448.47
022511	CK	6/20/2013	990002 ARTHUR E. GOULET	12-13		017300	VO	TRAVEL REIMB	6/20/2013	0.00	60.85
022511	CK	6/20/2013	990002 ARTHUR E. GOULET	12-13		017301	VO	TRAVEL REIMB	6/20/2013	0.00	57.63
									Check Total		**118.48**
022512	CK	6/20/2013	990002BM ARTHUR E GOULET	12-13		017302	VO	BRD MEM FEES	6/20/2013	0.00	300.00
022513	CK	6/20/2013	990005BM WILLIAM W WILSON	12-13		017303	VO	BRD MEM FEES	6/20/2013	0.00	200.00
022514	CK	6/20/2013	990006BM MICHAEL SEDELL	12-13		017304	VO	BRD MEM FEES	6/20/2013	0.00	100.00
022515	CK	6/27/2013	FTBCA3 FRANCHISE TAX BOARD	12-13		017305	VO	GARNISHMENT	6/27/2013	0.00	77.11
022516	CK	6/27/2013	IRS6 INTERNAL REVENUE SERVICE	12-13		017306	VO	GARNISHMENT	6/27/2013	0.00	321.00
022517	CK	6/27/2013	CA SDU CALIFORNIA STATE	12-13		017307	VO	CRT ORDERED PMT	6/27/2013	0.00	1,005.01
022518	CK	6/27/2013	CHILD5 STATE DISBURSEMENT UNIT (SI	12-13		017308	VO	CRT ORDERED PMT	6/27/2013	0.00	511.00
022519	CK	6/27/2013	CHILD9 SHERIDA SEGALL	12-13		017309	VO	CRT ORDERED PMT	6/27/2013	0.00	260.00
022520	CK	6/27/2013	CHILD21 OREGON DEPT OF JUSTICE	12-13		017310	VO	CRT ORDERED PMT	6/27/2013	0.00	171.74
022521	CK	6/27/2013	SPOUSE2 KELLY SEARCY	12-13		017311	VO	CRT ORDERED PMT	6/27/2013	0.00	1,874.00
022522	CK	6/27/2013	SPOUSE3 ANGELINA ORTIZ	12-13		017312	VO	CRT ORDERED PMT	6/27/2013	0.00	250.00

Ventura County Retirement Assn

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022523	CK	6/27/2013	SPOUSE4 CATHY C. PEET	12-13		017313	VO	CRT ORDERED PMT	6/27/2013	0.00	550.00
022524	CK	6/27/2013	SPOUSE5 SUZANNA CARR	12-13		017314	VO	CRT ORDERED PMT	6/27/2013	0.00	829.00
022525	CK	6/27/2013	CALPERS CALPERS LONG-TERM	12-13		017315	VO	INSURANCE	6/27/2013	0.00	19,354.09
022526	CK	6/27/2013	CVMP COUNTY OF VENTURA	12-13		017316	VO	INSURANCE	6/27/2013	0.00	575,197.31
022527	CK	6/27/2013	VCDSA VENTURA COUNTY DEPUTY	12-13		017317	VO	INSURANCE	6/27/2013	0.00	251,295.99
022528	CK	6/27/2013	VCPFF VENTURA COUNTY PROFESSIO	12-13		017318	VO	INSURANCE	6/27/2013	0.00	75,629.32
022529	CK	6/27/2013	VSP VISION SERVICE PLAN - (CA)	12-13		017319	VO	INSURANCE	6/27/2013	0.00	6,026.44
022530	CK	6/27/2013	VRSD VENTURA REGIONAL	12-13		017320	VO	INURANCE	6/27/2013	0.00	5,822.12
022531	CK	6/27/2013	VCREA RETIRED EMPLOYEES' ASSOCIA	12-13		017321	VO	DUES	6/27/2013	0.00	4,267.50
022532	CK	6/27/2013	SEIU SEIU LOCAL 721	12-13		017322	VO	DUES	6/27/2013	0.00	316.50
022533	CK	6/27/2013	F4121 DORCUS M. OREILLY	12-13		017323	VO	PENSION PAYMENT	6/27/2013	0.00	517.96
022534	CK	6/27/2013	COUNTY COUNTY COUNSEL	12-13		017324	VO	LEGAL FEES	6/27/2013	0.00	24,163.50
022535	CK	6/27/2013	REED REED SMITH LLP	12-13		017325	VO	LEGAL FEES	6/27/2013	0.00	6,875.00
022536	CK	6/27/2013	CORTEX CORTEX APPLIED RESEARCH	12-13		017326	VO	ADMIN EXP	6/27/2013	0.00	25,183.00

Ventura County Retirement Assn

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Period: 12-13 As of: 7/1/2013

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
022537	CK	6/27/2013	MF M.F. DAILY CORPORATION	12-13		017327	VO	ADMIN EXP	6/27/2013	0.00	15,102.21
022538	CK	6/27/2013	MBS MANAGED BUSINESS SOLUTION	12-13		017328	VO	ADMIN EXP	6/27/2013	0.00	17,917.50
022539	CK	6/27/2013	LINEA LINEA SOLUTIONS	12-13		017329	VO	ADMIN EXP	6/27/2013	0.00	68,652.30
022540	CK	6/27/2013	SACRS SACRS	12-13		017330	VO	ADMIN EXP	6/27/2013	0.00	5,000.00
022541	CK	6/27/2013	BOFA BANK OF AMERICA	12-13		017331	VO	ADMIN EXP	6/27/2013	0.00	306.88
022542	CK	6/27/2013	CORPORATE STAPLES ADVANTAGE	12-13		017332	VO	ADMIN EXP	6/27/2013	0.00	108.61
022543	CK	6/27/2013	VOLT VOLT	12-13		017333	VO	ADMIN EXP	6/27/2013	0.00	858.60
022544	CK	6/27/2013	102661 LORI NEMIROFF	12-13	12-13	017334	VO	TRAVEL REIMB	6/27/2013	0.00	65.50
022544	VC	6/28/2013	102661 LORI NEMIROFF	12-13	12-13	017334	VO	TRAVEL REIMB	6/27/2013	0.00	-65.50
										Check Total	**0.00**
022545	CK	6/27/2013	122180 DONALD C KENDIG	12-13		017335	VO	TRAVEL REIMB	6/27/2013	0.00	78.25
022546	CK	6/28/2013	102661 LORI NEMIROFF	12-13		017334	VO	TRAVEL REIMB	6/27/2013	0.00	65.50
022546	CK	6/28/2013	102661 LORI NEMIROFF	12-13		017336	AD		6/28/2013	0.00	-65.50
022546	CK	6/28/2013	102661 LORI NEMIROFF	12-13		017337	VO	TRAVEL REIMB	6/28/2013	0.00	66.50
										Check Total	**66.50**

Ventura County Retirement Assn

Check Register - Standard

Period: 12-13 As of: 7/1/2013

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
Check Count:		116							**Acct Sub Total:**		**1,644,681.39**

Check Type	Count	Amount Paid
Regular	108	1,687,124.22
Hand	0	0.00
Electronic Payment	0	0.00
Void	5	-42,442.83
Stub	0	0.00
Zero	3	0.00
Mask	0	0.00
Total:	**116**	**1,644,681.39**

Company Disc Total	**0.00**	**Company Total**	**1,644,681.39**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ASSET ALLOCATION
As of 06/30/2013

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	**36,220,144**	1.00%	36,044,566	1.00%	0.5%	2.0%	OK	(175,578)		36,220,144	1.00%	OK
Western U.S. Index Plus	**103,950,783**	2.88%	108,133,698	3.00%	2.0%	4.0%	OK	4,182,915		103,950,783	2.88%	OK
BlackRock Equity Market Fund	**1,151,309,319**	31.94%	937,158,718	26.00%	22.0%	30.0%	HIGH	(214,150,601)	(165,000,000)	986,309,319	27.36%	OK
Total U.S. Equities	1,291,480,246	35.83%	1,081,336,983	30.00%	24.5%	36.0%	**OK**	(210,143,263)	(165,000,000)	1,126,480,246	31.25%	**OK**
BlackRock ACWI ex-U.S. Index	**341,408,722**	9.47%	216,267,397	6.00%	4.0%	8.0%	HIGH	(125,141,325)		341,408,722	9.47%	HIGH
Sprucegrove	**160,785,154**	4.46%	144,178,264	4.00%	3.0%	6.0%	OK	(16,606,890)		160,785,154	4.46%	OK
Hexavest	**69,936,940**	1.94%	72,089,132	2.00%	1.0%	3.0%	OK	2,152,192		69,936,940	1.94%	OK
Walter Scott	**84,392,004**	2.34%	72,089,132	2.00%	1.5%	4.0%	OK	(12,302,872)		84,392,004	2.34%	OK
Total Non-U.S. Equities	656,522,820	18.21%	504,623,925	14.00%	9.5%	21.0%	**OK**	(151,898,895)	-	656,522,820	18.21%	**OK**
GMO Global	**183,002,648**	5.08%	180,222,830	5.00%	3.0%	7.0%	OK	(2,779,818)		183,002,648	5.08%	OK
BlackRock MSCI ACWI Equity Index	**137,554,016**	3.82%	180,222,830	5.00%	3.0%	7.0%	OK	42,668,814		137,554,016	3.82%	OK
Total Global Equities	320,556,664	8.89%	360,445,661	10.00%	6.0%	14.0%	**OK**	39,888,997	-	320,556,664	8.89%	**OK**
Total Equities	2,268,559,730	62.94%	1,946,406,569	54.00%	44.0%	64.0%	**OK**	(322,153,161)	(165,000,000)	2,103,559,730	58.36%	**OK**
Western	**245,269,295**	6.80%	216,267,397	6.00%	3.0%	9.0%	OK	(29,001,898)	-	245,269,295	6.80%	OK
BlackRock U.S. Debt Fund	**130,569,855**	3.62%	108,133,698	3.00%	3.0%	6.0%	OK	(22,436,157)		130,569,855	3.62%	OK
Reams	**245,546,914**	6.81%	252,311,963	7.00%	6.0%	9.0%	OK	6,765,049		245,546,914	6.81%	OK
Loomis Sayles	**104,776,877**	2.91%	108,133,698	3.00%	2.0%	4.0%	OK	3,356,821		104,776,877	2.91%	OK
Total Domestic Fixed Income	726,162,941	20.15%	684,846,756	19.00%	14.0%	28.0%	**OK**	(41,316,185)	-	726,162,941	20.15%	**OK**
PIMCO Global	**95,202,042**	2.64%	108,133,698	3.00%	2.0%	4.0%	OK	12,931,656		95,202,042	2.64%	OK
Loomis Sayles Global	**65,035,050**	1.80%	72,089,132	2.00%	1.0%	4.0%	OK	7,054,082		65,035,050	1.80%	OK
Total Global Fixed Income	160,237,092	4.45%	180,222,830	5.00%	3.0%	8.0%	**OK**	19,985,738	-	160,237,092	4.45%	**OK**
Total Fixed Income	886,400,033	24.59%	865,069,586	24.00%	17.0%	36.0%	**OK**	(21,330,447)	-	886,400,033	24.59%	**OK**
Prudential Real Estate	**85,830,542**	2.38%	108,133,698	3.00%	2.0%	4.0%	OK	22,303,156		85,830,542	2.38%	OK
UBS Real Estate	**178,507,512**	4.95%	135,167,123	3.75%	3.0%	6.0%	OK	(43,340,389)		178,507,512	4.95%	OK
Guggenheim	**-**	0.00%	-	0.00%	0.0%	0.0%	OK	-	-	-	0.00%	OK
RREEF	**10,228,167**	0.28%	9,011,142	0.25%	0.0%	1.0%	OK	(1,217,025)		10,228,167	0.28%	OK
Real Estate	274,566,221	7.62%	252,311,963	7.00%	5.0%	11.0%	**OK**	(22,254,258)	-	274,566,221	7.62%	**OK**
Adams Street Partners	**31,680,231**	0.88%	31,680,231	3.00%	1.0%	4.0%	LOW	-		31,680,231	0.88%	LOW
Pantheon Ventures	**8,384,789**	0.23%	8,384,789	0.25%	0.0%	2.0%	OK	-		8,384,789	0.23%	OK
HarbourVest	**4,243,710**	0.12%	-	1.75%	0.0%	2.0%	OK	(4,243,710)	-	4,243,710	0.12%	OK
Private Equity	44,308,730	1.23%	180,222,830	5.00%	1.0%	8.0%	**OK**	(4,243,710)	-	44,308,730	1.23%	**OK**
Bridgewater (See Note 1)		0.00%	-	7.00%	2.0%	8.0%	LOW	-	165,000,000	165,000,000	4.58%	OK
Tortoise Capital Advisors	**112,148,480**	3.11%	108,133,698	3.00%	1.0%	5.0%	OK	(4,014,782)		112,148,480	3.11%	OK
Alternatives	112,148,480	3.11%	360,445,661	10.00%	3.0%	13.0%	**OK**	(4,014,782)	165,000,000	277,148,480	7.69%	**OK**
Clifton	**18,473,415**	0.51%	-	0.00%	0.0%	3.0%	OK	(18,473,415)		18,473,415	0.51%	OK
Other Assets	18,473,415	0.51%	-	0.00%	0.0%	3.0%	**OK**	(18,473,415)	-	18,473,415	0.51%	**OK**
Total Investment Portfolio	**3,604,456,609**	**100.00%**	**3,604,456,609**	**100.00%**				**(392,469,773)**	**-**	**3,604,456,609**	**100.00%**	

Note 1 - Bridgewater investment documents are scheduled to be considered at the July 15, 2013 Board meeting. If the investment is approved it will not be funded until August 1, 2013, as Bridgewater only allows funding once a month. Funding for this investment will come from BlackRock Equity Market Fund ($185 million) with the remainder coming from the Ventura County Treasury Cash Account ($85 million) which has the recently deposited prefunded employer contributions. The $85 million will be reflected once the investment is funded.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF PLAN NET ASSETS
MAY 31, 2013

ASSETS

CASH & CASH EQUIVALENTS	$71,966,250
RECEIVABLES	
ACCRUED INTEREST AND DIVIDENDS	3,461,253
SECURITY SALES	7,328,565
MISCELLANEOUS	274,489
TOTAL RECEIVABLES	11,064,307
INVESTMENTS AT FAIR VALUE	
DOMESTIC EQUITY SECURITIES	85,506,727
DOMESTIC EQUITY INDEX FUNDS	1,202,954,271
INTERNATIONAL EQUITY SECURITIES	325,674,328
INTERNATIONAL EQUITY INDEX FUNDS	357,145,000
GLOBAL EQUITY	329,472,104
PRIVATE EQUITY	43,119,936
DOMESTIC FIXED INCOME - CORE PLUS	598,982,236
DOMESTIC FIXED INCOME - U.S. INDEX	132,606,353
GLOBAL FIXED INCOME	171,740,985
REAL ESTATE	274,184,548
ALTERNATIVES	103,808,980
CASH OVERLAY - CLIFTON	(9,625)
TOTAL INVESTMENTS	3,625,185,843
PENSION SOFTWARE DEVELOPMENT COSTS	686,886
TOTAL ASSETS	3,708,903,286

LIABILITIES

SECURITY PURCHASES PAYABLE	21,969,708
ACCOUNTS PAYABLE	237,426
PREPAID CONTRIBUTIONS	2,914,990
TOTAL LIABILITIES	25,122,124
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$3,683,781,162

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE ELEVEN MONTHS ENDED MAY 31, 2013

ADDITIONS	
CONTRIBUTIONS	
EMPLOYER	$135,104,497
EMPLOYEE	40,004,786
TOTAL CONTRIBUTIONS	**175,109,284**
INVESTMENT INCOME	
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	458,447,335
INTEREST INCOME	17,552,349
DIVIDEND INCOME	16,747,081
REAL ESTATE OPERATING INCOME, NET	10,805,067
SECURITY LENDING INCOME	266,692
TOTAL INVESTMENTS	**503,818,524**
LESS INVESTMENT EXPENSES	
MANAGEMENT & CUSTODIAL FEES	7,347,717
SECURITIES LENDING BORROWER REBATES	49,783
SECURITIES LENDING MANAGEMETN FEES	72,787
TOTAL INVESTMENT EXPENSES	**7,470,287**
NET INVESTMENT INCOME	**496,348,236**
TOTAL ADDITIONS	**671,457,520**
DEDUCTIONS	
BENEFIT PAYMENTS	187,516,155
MEMBER REFUNDS	3,988,527
ADMINISTRATIVE EXPENSES	5,788,883
TOTAL DEDUCTIONS	**197,293,565**
NET INCREASE	**474,163,955**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
BEGINNING OF YEAR	**3,209,617,207**
ENDING BALANCE	**$3,683,781,162**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENTS AND CASH EQUIVALENTS
MAY 31, 2013

EQUITY		
DOMESTIC EQUITY		
WESTERN ASSET INDEX PLUS	$85,506,727	$14,119,623
TOTAL DOMESTIC EQUITY	**85,506,727**	**14,119,623**
DOMESTIC INDEX FUNDS		
BLACKROCK - US EQUITY MARKET	1,166,368,435	1
BLACKROCK - EXTENDED EQUITY	36,585,836	1
TOTAL EQUITY INDEX FUNDS	**1,202,954,271**	**2**
INTERNATIONAL EQUITY		
SPRUCEGROVE	166,698,597	0
HEXAVEST	72,153,077	0
WALTER SCOTT	86,822,654	0
TOTAL INTERNATIONAL EQUITY	**325,674,328**	**0**
INTERNATIONAL INDEX FUNDS		
BLACKROCK - ACWIXUS	357,145,000	0
TOTAL INTERNATIONAL INDEX FUNDS	**357,145,000**	**0**
GLOBAL EQUITY		
GRANTHAM MAYO AND VAN OTTERLOO (GMO)	187,813,003	0
BLACKROCK - GLOBAL INDEX	141,659,101	0
TOTAL GLOBAL EQUITY	**329,472,104**	**0**
PRIVATE EQUITY		
ADAMS STREET	29,896,705	0
PANTHEON	8,048,776	0
HARBOURVEST	5,174,455	0
TOTAL PRIVATE EQUITY	**43,119,936**	**0**
FIXED INCOME		
DOMESTIC		
LOOMIS SAYLES AND COMPANY	105,806,763	2,236,062
REAMS	248,142,304	19
WESTERN ASSET MANAGEMENT	245,033,169	16,810,266
TOTAL DOMESTIC	**598,982,236**	**19,046,348**
DOMESTIC INDEX FUNDS		
BLACKROCK - US DEBT INDEX	132,606,353	0
TOTAL DOMESTIC INDEX FUNDS	**132,606,353**	**0**
GLOBAL		
LOOMIS SAYLES AND COMPANY	66,428,205	0
PIMCO	105,312,779	4,037,330
TOTAL GLOBAL	**171,740,985**	**4,037,330**
REAL ESTATE		
GUGGENHEIM REAL ESTATE	0	0
PRUDENTIAL REAL ESTATE	85,722,824	0
RREEF	9,954,212	0
UBS REALTY	178,507,512	0
TOTAL REAL ESTATE	**274,184,548**	**0**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENTS AND CASH EQUIVALENTS
MAY 31, 2013

ALTERNATIVES		
TORTOISE (MLP's)	103,808,980	4,191,129
TOTAL ALTERNATIVES	103,808,980	4,191,129
CASH OVERLAY - CLIFTON GROUP	(9,625)	24,402,469
IN HOUSE CASH		6,169,350
TOTAL INVESTMENTS AND CASH	$3,625,185,843	$71,966,250

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT MANAGEMENT FEES
FOR THE ELEVEN MONTHS ENDED MAY 31, 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	167,145
TOTAL	**318,476**
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	49,783
MANAGEMENT FEES	72,787
TOTAL	**122,571**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT MANAGEMENT FEES
FOR THE ELEVEN MONTHS ENDED MAY 31, 2013

OTHER	
INVESTMENT CONSULTANT	241,600
INVESTMENT CUSTODIAN	81,843
TOTAL	323,443
TOTAL INVESTMENT MANAGMENT FEES	$7,470,287

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BUDGET SUMMARY FISCAL YEAR 2012-2013
June 2013 (Preliminary)- 100% of Fiscal Year Expended

EXPENDITURE DESCRIPTIONS	Adopted 2012/2013 Budget	Adjusted 2012/2013 Budget	Jun-13	Year to Date Expended	Available Balance	Percent Expended
Salaries & Employee Benefits:						
Regular Salaries	$ 1,623,400.00	$ 1,558,900.00	$ 154,110.48	$ 1,463,301.33	$ 95,598.67	93.87%
Extra-Help	25,000.00	25,000.00	3,924.44	43,958.50	(18,958.50)	175.83%
Overtime	7,600.00	7,600.00	(51.25)	1,109.31	6,490.69	14.60%
Supplemental Payments	49,300.00	47,000.00	4,725.26	43,940.36	3,059.64	93.49%
Vacation Redemption	71,700.00	71,700.00	0.00	62,512.36	9,187.64	87.19%
Retirement Contributions	363,600.00	350,200.00	32,255.84	314,576.87	35,623.13	89.83%
OASDI Contributions	82,600.00	79,000.00	9,572.71	90,071.68	(11,071.68)	114.01%
FICA-Medicare	25,400.00	24,400.00	2,238.75	22,167.56	2,232.44	90.85%
Management Retiree Health Benefit	15,600.00	15,600.00	1,351.56	15,896.52	(296.52)	101.90%
Group Insurance	159,800.00	152,700.00	14,733.92	141,405.92	11,294.08	92.60%
Life Insurance/Mgmt	900.00	900.00	93.45	908.20	(8.20)	100.91%
Unemployment Insurance	2,500.00	2,400.00	230.99	2,180.57	219.43	90.86%
Management Disability Insurance	4,100.00	3,900.00	372.69	3,541.93	358.07	90.82%
Worker' Compensation Insurance	10,200.00	9,800.00	961.20	9,571.39	228.61	97.67%
401K Plan Contribution	41,500.00	39,400.00	2,647.84	26,451.21	12,948.79	67.14%
Total Salaries & Employee Benefits	$ 2,483,200.00	$ 2,388,500.00	$ 227,167.88	$ 2,241,593.71	$ 146,906.29	93.85%
Services & Supplies:						
Telephone Services - ISF	$ 21,400.00	$ 21,400.00	$ 3,201.45	$ 40,660.47	$ (19,260.47)	190.00%
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	114.40	1,593.19	(593.19)	159.32%
Membership and Dues	9,700.00	9,700.00	125.00	8,865.00	835.00	91.39%
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	15.00	1,240.31	1,259.69	49.61%
Office Supplies	18,000.00	18,000.00	613.62	19,276.51	(1,276.51)	107.09%
Postage & Express	55,000.00	55,000.00	3,167.80	47,476.52	7,523.48	86.32%
Printing Charges - ISF	12,000.00	12,000.00	0.00	9,776.10	2,223.90	81.47%
Copy Machine Services - ISF	5,900.00	5,900.00	1,551.18	5,697.39	202.61	96.57%
Board Member Fees	11,500.00	11,500.00	600.00	10,300.00	1,200.00	89.57%
Professional Services	828,400.00	887,900.00	88,775.32	916,905.50	(29,005.50)	103.27%
Storage Charges	3,200.00	3,200.00	0.00	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	14,987.81	177,128.91	1,471.09	99.18%
Private Vehicle Mileage	8,000.00	8,000.00	1,601.33	9,148.32	(1,148.32)	114.35%
Conference, Seminar and Travel	60,000.00	60,000.00	8,921.21	55,412.25	4,587.75	92.35%
Furniture	2,000.00	7,000.00	0.00	647.00	6,353.00	9.24%
Facilities Charges	0.00	15,000.00	186.38	4,206.20	10,793.80	28.04%
Total Services & Supplies	$ 1,223,700.00	$ 1,302,200.00	$ 123,860.50	$ 1,303,984.95	$ (1,784.95)	100.14%
Total Administrative Budget	$ 3,706,900.00	$ 3,690,700.00	$ 351,028.38	$ 3,545,578.66	$ 145,121.34	96.07%
Information Technology:						
Computer Hardware	$ 20,000.00	$ 32,500.00	$ 620.53	22,019.12	$ 10,480.88	67.75%
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	5,286.78	380,473.95	35,926.05	91.37%
Special Project - New Pension Syster	2,089,200.00	2,598,950.00	91,913.15	2,259,641.85	339,308.15	86.94%
Total Information Technology	$ 2,534,400.00	$ 3,069,150.00	$ 97,820.46	$ 2,673,793.65	$ 395,356.35	87.12%
Contingency	$ 596,600.00	$ 78,050.00	$ -	$ -	$ -	0.00%
Total Current Year	$ 6,837,900.00	$ 6,837,900.00	$ 448,848.84	$ 6,219,372.31	$ 618,527.69	90.95%

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

July 15, 2013

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

SUBJECT: QUARTERLY RETIREMENT ADMINISTRATOR REPORT FOR APRIL 1, 2013 TO JUNE 30, 2013

Dear Board Members:

VCERA's Monitoring and Reporting policy provides for "as needed reporting" from the Administrator as to any pertinent administrative items. In addition, VCERA's Chair Charter provides for a quarterly review of Administrator travel and other expenses. This quarterly report will serve to satisfy the Chair's Charter and provide a forum for presenting pertinent administrative matters that have not already been reported separately during the quarter.

Report items are for the period of January 1, 2013 to March 31, 2013 and include: 1) travel, training, and other expenses since the last report, 2) key meetings, 3) press/media communications, 4) any items the Administrator has been asked to report back to the Board on, and 5) other items of interest.

1. <u>Travel, Training, and Other Expenses since the Last Report</u>

This section outlines VCERA-sponsored training and travel since the last report, along with a very brief summary of what was covered.

- April 25, 2013: Ventura/Santa Barbara County *Annual Compuwave Expo*, Santa Barbara, CA (at no cost). The future of packaged connectivity figured prominently with bundled email, video conferencing, and office automation across all devices, including personal cell phones. Cloud computing, a way to connect everything, overshadowed the hardware and software offerings, in a good way. Cloud computing is what the Board uses when it uses DropBox. The Board materials are put in the cloud by staff and taken from the cloud by trustees. In addition to data, actual applications will run from the cloud, so users will not need to install any software on their computers or mobile devices. Data security also figured prominently at this one day event.

- May 2-3, 2013: Brown Armstrong *Governmental Accounting Standards Board (GASB) and Audit Updates*, Bakersfield, CA, at a cost of $190 for registration and $141.99 for lodging and other travel expenses (totaling $331.99). Lia Philips, VCERA Accounting Officer IV, joined me. Their conference was electronic so the iPad came in handy. This was their largest, and I believe three to four members of the Ventura County Auditor-Controller's Office were in attendance.

  Day one covered the numerous new GASB Pronouncements/Standards which included:
  - 60 – Service Concession Arrangements: Would only be applicable to VCERA if it were to go into a public private partnership with a private entity that serves as an operator of a public asset owned directly by VCERA. Concession arrangements are common with various infrastructure investments that VCERA could enter into; however, this would likely be done through a limited partnership investment arrangement with another entity keeping the books.
  - 61 – Component Unit Guidance: At present, VCERA does not have any component units and this does not apply. I do not anticipate that this will apply any time soon, or ever.
  - 62 – Codification of Pre-November 30, 1989 FASB and AICPA Pronouncements: Codifies previous pronouncements from other regulatory agencies into the GASB's. Potentially changes a note in our CAFR. Will be further revised and then discussed at a future training.
  - 63 – Inflows / Outflows, Net Position: This affects everyone who has an income statement and a balance sheet, let alone a Management Discussion and Analysis and Statistical section. This is from a request from bond underwriters to make entities more comparable. It will change numerous pages in the CAFR (anywhere net assets are currently reported).
  - 65 – Deferred Inflows and Outflows: A continuation of 63, changing how assets and liabilities are reported. While the two pronouncements might make two entities more comparable, the years before and after might be less so within a particular entity and it might take a little while to familiarize one's self.
  - 67 & 68 – Pension Standards: 67 replaces 25 for plans, and 68 replaces 27 for sponsors. High level of coordination will be required between VCERA and its sponsors in order to set up a manageable measurement period for the Total Pension Liability (TPL). There will be more detail in the note disclosure. Sponsors get a year after the plan to implement to aid in coordination. There will be a new blended discount rate. There will be a cross-over period where plan assets at the current assumed rate of 7.75% applies and then a 20-year AA/Aa tax-exempt municipal bond index rate takes over. The present value of the two pieces will be added

together to derive a blended rate. A higher funded level equals a higher blended rate. A reconciliation table between the actuarial liabilities of the actuarial reports and the new method can only feasibly be reported in the letter of transmittal. Separate reporting of sponsor assets and liabilities will likely be required, and there will be additional cost to doing this. Risk pooling will still apply.

- o 69 – Combinations and disposals of operations: This does not appear to apply as VCERA will not be acquiring any pension plans.
- o 70 – Non-exchange Financial Guarantees: I do not believe that VCERA would enter into a financial guarantee for any of its investments.

Day two covered the audit update (focusing on new clarity reports), fraud, and ethics, more specifically:

- o Auditing: General, Field Work and Reporting Standards have been replaced. The terms of engagements and engagement letters have changed. Additional testing of law and regulation compliance will be performed. If Brown Armstrong will be using the service of any other audit firms or specialists, there will be higher standards. Brown Armstrong's audit reports will be worded slightly differently. A lot of effort will be focused on making the management and auditor responsibilities clear. In addition, the group looked at other reporting frameworks (n/a to VCERA) and Federal grant auditing standards (n/a to VCERA).
- o Fraud: Boards are increasingly engaging outside IT experts to advise them on IT risks and issues with growingly complex and sensitive customer and employee information. We looked at some examples of fraud and studied the warning signs.
- o Ethics: Ethical standards are currently under review by the AICPA and we learned what they might cover and look like. We also reviewed a couple of examples of ethical lapses and how they might be shaping the AICPA's thinking.

- June 14, 2013: CALAPRS *Investment Officers Roundtable*, San Jose, CA, at a cost of $75 for registration. I carpooled with Trustees Goulet and McCormick and incurred no travel costs. I had never attended an investment officers roundtable before and I am extremely grateful that I did. My first reason for attending was interest in Orange County's fee banding proposal and how it could reduce VCERA's fees in the long run. My second was to conduct fact finding (background information) on the investment consultants that had submitted proposals to VCERA's consultant search. I also learned a lot more. First, investment officers were candid about their interactions with their consultants, and I found them to be very collaborative seeking to maximize everyone's success, including VCERA's. I was delighted by the thoughtful responses I received to my questions. I heard that trustees kept information a little closer to their chests when asked what they thought about their consultants. Sharing information helps us all do better and I hope that Trustees open up over time and partner, like with Orange County's fee banding proposal. It is probably better described as piggy-backing or coordinating searches, such that there can be economies of scale, akin to the economies realized by CalPERS and CalSTRS, the two largest of our CA peers. There are numerous hurdles, one being anti-trust (price fixing) laws. Who would have thought that we can't band together and force a lower fixed price. I suppose vendors are afforded the same protections as consumers. There is still some work needed before a coordinated third party (or joint powers authority) will be able to give us the purchasing power sought; however, simple steps that can be taken now is sharing our current fees with each other (public information) and discussing them with our vendors, where it appears that we are being unreasonably charged. Two presenters covered unconstrained fixed income investing in response to the looming reality of rising interest rates. Currently bonds do not offer the downside protection that they used to and they are facing Interest rate risk, which affects approximately 95% of their risk. Unconstrained fixed income strategies diversify the risk; however, adding other risks such as corporate credit risk (from lower grade instruments), inflation risk, FX risk, emerging markets, and counterparties (from structured products). Lastly, I also learned a lot about custodians, their current fee pressures, the changing service environment, important questions to ask regarding securities lending (fee sharing, indemnity, non-cash collateralization), and how to best conduct a search, and why it is likely a good idea, as opposed to just re-negotiating fees.

- June 21, 2013: CALAPRS *Administrators Roundtable*, San Jose, CA, at a cost of $75 for registration and $78.25 for mileage and parking (totaling $153.25). The meeting was well attended. Contra Costa County CERA (CCCERA) updated attendees on its lawsuit over staff pay cuts indicating that the County settled allowing CCCERA to set pay levels for unrepresented staff only, which didn't seem to be final until all Bargaining units weighed in and legislation was adopted providing a vehicle for implementation.

  Under PEPRA, there were questions about section 7522.44 and how this affects employees that may have one benefit under one bargaining unit and another benefit under another, where typically the last bargaining unit's (typically the best) is applied to all service. Group felt legacy employee practice protected, but not for certain. A number of counties have pension spiking policies and VCERA staff will be bringing a policy for Board consideration very soon. The salary CAP adjustments were a concern, as many systems will use the same CPI as their COLA, with the understanding that not all systems use the same CPI data for their COLAs creating the potential for variances among systems, unless made uniform. The felony forfeiture provisions were discussed (apparently felonies by employees are not as rare as everyone thought) and how this would be applied to innocent spouses. Grandfathered tier establishment was discussed confirming employees would be grandfathered based on eligibility, and not actual exercise.

There will continue to be downward pressure on assumed rates of returns. Segal's average rates method was questioned given the varied time periods of the rates provided and the relatively short term perspective (5 – 10 years) as opposed to 20 – 30 years. Group agreed that investment consultant could be enlisted to provide 20 - 30 year forecasts, as uncomfortable and they might be about predicting that far. There was a bit of debate.

The group received a presentation on systems pursuing subrogation rights when a member becomes disable from the negligence of a third party (other than doctor, hospital, or employer). Apparently VCERA could seek up to 50% of the difference between the cost of a normal pension and a disability pension. LACERA has eight attorneys and has been working on this for years. Seemed like a new concept to a lot of the administrators. Staff will discuss with Board Counsel potential viable options.

Fiduciary and Cyber insurance were discussed. Fiduciary insurance was straight forward and attendees were familiar with it. Cyber insurance is new and would cover liability due to the theft of member data, or lawsuits over data that is posted on VCERA's website. While interesting, it might not be pertinent to VCERA until it creates a member portal.

Insurable interest was discussed in relation to option 4 for retirement benefits where a beneficiary other than a spouse is selected. I brought back member form ideas for Operation's consideration and implementation.

We concluded the meeting with a round table discussion of various issues: Fee Banding (initiated by Orange County), Interest crediting for sponsor-advanced payments of contributions, minimum distributions notices for 70-year-old deferred members, the FPPC's form 806 (something the Board discussed when appointing Trustee Goulet to the Ad Hoc RFP Committee), and the auditing of Private Equity fee calculations.

2. <u>Key Meetings</u>

This section outlines any key meetings I have had with plan sponsors, and other key stakeholders.

- April 22, 2013: Ad Hoc RFP Committee, Cortex, and I met to discuss firm proposals and review options for firms above the seven. Cortex will review nine firms at an additional cost of $2,500.

- May 10, 2013: Kathy Webb and I met with the County's new Safety Officer, Rafael Borrayo, to discuss VCERA's safety training program, workers' compensation statistics tracking, and Injury & Illness Prevention Program (IIPP).
- May 24, 2013: Chuck Pode and Paul Hilbun, of Risk Management, Steven D. Roberson, one of Risk's Outside attorneys, Lori Nemiroff, of Board counsel, Annette Paladino, the Board's disability consultant, and I had a healthy three hour discussion about the disability process and the needs of VCERA, and what Annette's review and recommendations are looking at.
- June 21, 2013: Met with County CEO to discuss PEPRA and the management resolution, and to provide ideas for improvement. I appreciated the opportunity to comment.
- June 28, 2013: Met with SACRS investment officers over the phone to discuss current investment issues. I took the opportunity to discuss Custodial Bank searches and Investment Consultant Due Diligence Site Visits. Investment officers were just starting the monthly call concept, and they are the second group (after the SACRS Attorneys) that does this. Lori always seems to learn a lot from the calls, especially during CalPEPRA implementation, and I learned a lot during the one hour. I will ask SACRS Administrators if they would like to give it a try.

3. <u>Press/Media Communications</u>

I received no media inquiries of a unique or politically sensitive nature. I did receive the usual and customary request for investment updates.

4. <u>Reports Back to the Board</u>

- *Benefit Estimate Status Report:* At this time, Operations is pleased to report that the corrective processes, which were implemented prior to the July 2, 2012 Board meeting, have yielded results and requests for estimates are once again completed within 30 to 90 days of receipt. Presently, the status of estimate requests can be summarized as follows:

Estimate Requests	2012Q3 Avg	2012Q4 Avg	2013Q1 Avg	Apr	May	Jun	2013Q2 Avg
New Requests	34.3	33.3	15.3	54	31	37	40.7
Completed Requests	87.0	25.3	17.7	65	42	32	46.3
Open Requests at Month End	66.7	15.0	12.3	27	15	21	21.0
Requests Open 60+ Days	29.3	2.7	0.0	1	2	2	1.7

5. <u>Other Items of Interest</u>

- On May 23, 2013, I closed escrow on a home in the Orchard Lane Homeowners Association just under a mile away from the office. I intend to walk to work daily, improving my health, minimizing traffic congestions, and lowering emissions. My kids love the pool and my back loves the Jacuzzi. My skin needs to get used to the sun.
- On June 11, 2013, I initiated my move to Ventura in the evening, after work, and completed the major portion of it on Sunday, June 16, 2013 and have been walking to work regularly ever since.
- On June 20, 2013, I completed my 10th speech for the Toastmaster's Competent Communicator award. The 10th speech was an inspirational speech entitled "Quitting…" and it covered the reasons why not to.
- On June 24, 2013, VCERA's Accounting Officer, Lia Philips, gave us a two week notice. Ms. Philips will be pursuing other activities, and possibly an early retirement. Henry Solis will be working with Christina Stevens to review the current list of candidates supplied by County Human Resources and to conduct interviews for her replacement. The vacancy will create salary savings that staff intends to use, in part, to fund the extra help services of Angie Solis, in order to maintain the momentum in fiscal.

I would be happy to respond to any questions you may have on this report.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

INVESTMENT REVIEW

July 15, 2013

CONTENT

– Corporate update

– Performance

– Summary market outlook

– Investment strategy

– Appendix
  - Detailed market outlook
  - Supplemental information

CORPORATE UPDATE

HEXAVEST - OVERVIEW

FIRM

- Montreal-based firm specializing in equity and tactical asset allocation strategies for institutions worldwide
- Founded in 2004
- No turnover in the investment team since 1991
- 44 employees
- $15.1 billion of assets under management (170 clients)

STRATEGIC PARTNERSHIP

- Eaton Vance Corp. acquired a 49% interest in Hexavest in August 2012
- Eaton Vance acts as Hexavest's distribution partner in all markets except Canada
- Allows Hexavest to focus on investment management
- Provides Eaton Vance with broader set of institutional investment capabilities
- Hexavest's 14 employee-owners continue to control the firm and direct its operations

PHILOSOPHY

- Top-down, team-driven process
- Core portfolio with value bias
- Fundamental research supported by proprietary quantitative models
- Clearly defined process applied consistently over the past 20+ years

PERFORMANCE

- Strong track record
    - EAFE Equities (22 years)
    - U.S. Equities (22 years)
    - Global Equities (14 years)
    - Canadian Equities (6 years)
- Solid risk metrics: low volatility and downside protection

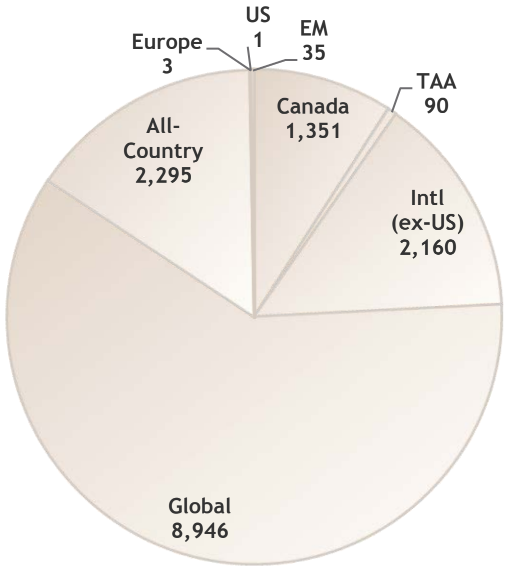
As of 6/30/2013

ASSETS UNDER MANAGEMENT

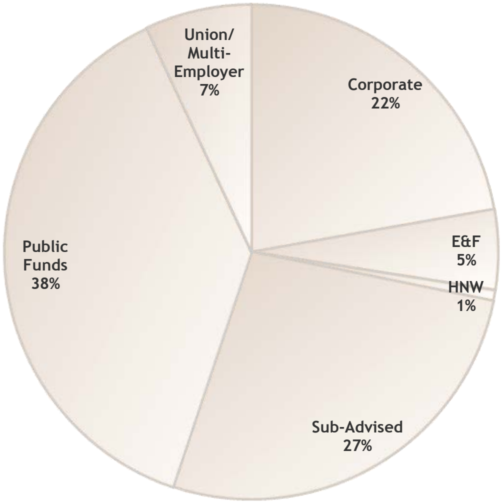
– $15.1 billion of assets

– 170 clients, some with multiple mandates

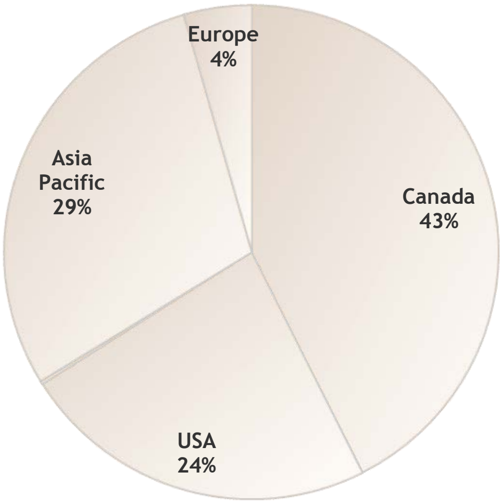
Assets by Mandate ($M)



Client Type



Client Location



As of 6/30/2013. Data is preliminary.

INVESTMENT TEAM
AND OTHER INVESTMENT PROFESSIONALS

Chief Investment Officer

Vital Proulx, CFA
President & Chief Investment Officer
Industry experience: 24 years
Team member since: 1991

North America

Jean-René Adam, M.Sc., CFA
Assistant Chief Investment Officer &
Vice President, North American Markets
Industry experience: 11 years
Team member since: 2006

David Cormier *
Analyst, North American Markets
Industry experience: 18 years
Team member since: 2013

Asia Pacific

Frédéric Imbeault, M.Sc., CFA
Vice President, Asian Markets
Industry experience: 17 years
Team member since: 1999

Etienne Durocher-Dumais *
Analyst, Asian Markets
Industry experience: 5 years
Team member since: 2012

Multi-Region

Carl Bayard, CFA *
Analyst, Stock Selection
Industry experience: 13 years
Team member since: 2011

› Members of the Strategy Team.

Emerging Markets

Jean-Pierre Couture, M.Sc.
Economist & Strategist, Emerging Markets
Industry experience: 18 years
Team member since: 2010

Jean-Benoit Leblanc, M.Sc., CFA
Portfolio Manager, Emerging Markets
Industry experience: 14 years
Team member since: 2009

Europe

Marc C. Lavoie, CPA, CA, CFA
Vice President, European Markets
Industry experience: 13 years
Team member since: 2003

Denis Rivest, CFA
COO & Portfolio Manager, European Markets
Industry experience: 26 years
Team member since: 1996

Christian Crête, CFA *
Analyst, European Markets
Industry experience: 14 years
Team member since: 2012

Investment Committee Co-Chairs

Robert Brunelle, CFA, ASA
Co-Chair of the Investment Committee
Industry experience: 22 years
Team member since: 1998

Nadia Cesaratto, CFA, FRM
Co-Chair of the Investment Committee
Industry experience: 11 years
Team member since: 2009

Quantitative Research

Jean-François Bérubé, Ph.D.
Vice President, Quantitative Analysis & IT
Industry experience: 6 years
Team member since: 2009

Jean-René Guilbault, M.Sc. *
Quantitative Analyst
Industry experience: 13 years
Team member since: 2013

Marc Veilleux, MBA, Ph.D.
Vice President
Industry experience: 22 years
Team member since: 1991

Trading

Éric St-Onge *
Head Trader
Industry experience: 22 years
Team member since: 2011

Rashmikant Patel
Trader
Industry experience: 11 years
Team member since: 2008

Client Services

Robert Brunelle, CFA, ASA
Senior Vice President
Industry experience: 22 years
Team member since: 1998

Nadia Cesaratto, CFA, FRM
Vice President
Industry experience: 11 years
Team member since: 2009

Francis Chartier, CFA, FRM *
Vice President
Industry experience: 14 years
Team member since: 2012

Jo-Annie Pinto, CIM® *
Director
Industry experience: 15 years
Team member since: 2012

* **Joined the firm in the last 2 years**
(no investment professional left the firm in the last 2 years)

As of 6/30/2013

Hexavest

PERFORMANCE

PERFORMANCE
NET OF FEES

Performance objective: to outperform the MSCI EAFE Net index by 2% per annum over 4-year rolling periods (gross of fees)

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Performance Report as at June 30, 2013
Benchmark: MSCI EAFE NET
Currency: USD

NET RETURNS

	1 month	3 months	6 months	YTD	1 year	2 years (Annualized)	3 years (Annualized)	4 years (Annualized)	5 years (Annualized)	10 years (Annualized)	Since inception (Annualized)
Portfolio	-3.11%	-1.33%	4.67%	4.67%	14.67%	1.94%	---	---	---	---	3.13%
Benchmark	-3.55%	-0.98%	4.10%	4.10%	18.62%	1.10%	---	---	---	---	3.32%
Value added	0.44%	-0.35%	0.57%	0.57%	-3.95%	0.84%	---	---	---	---	-0.19%

NET RETURNS BY CALENDAR YEAR

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Portfolio	13.65%	-9.63%	0.59%	---	---	---	---	---	---	---
Benchmark	17.32%	-12.14%	1.25%	---	---	---	---	---	---	---
Value added	-3.67%	2.51%	-0.66%	---	---	---	---	---	---	---

EVOLUTION OF ASSETS

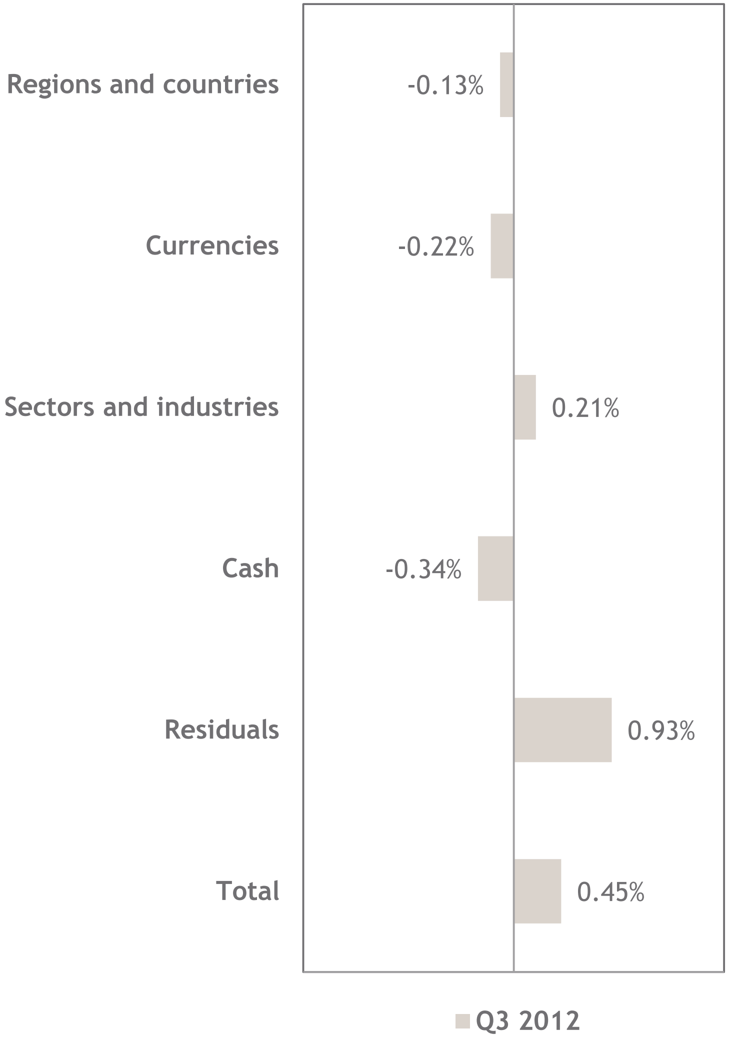
Assets as at 2013-03-31	Net inflow	Gross return	Assets as at 2013-06-30
70,797,582.08 USD	---	-860,642.79 USD	69,936,939.29 USD

Note: The performance start date is 2010-12-15. Returns are presented net of management, administrative, and transaction fees. Returns for periods greater than 12 months are annualized. Past performance is not necessarily indicative of future performance.

PERFORMANCE ATTRIBUTION
HEXAVEST EAFE EQUITY FUND – Q3 2012

- **Regions and countries (-0.13%)**
  - In the 3rd quarter, the MSCI EAFE index gained 4.67% in local currencies. The MSCI Europe and MSCI Pacific indices returned 6.46% and 1.59% respectively. Our region and country selection subtracted 0.13% from performance during the quarter. Positive factors include our overweight position in Australia and our underweight position in Japan while our underweight positions in Germany and Hong Kong had a negative impact.
- **Currencies (-0.22%)**
  - Active currency management subtracted 0.22% from performance during the quarter, mainly as a result of our underweighting in the euro in favour of the U.S. dollar.
- **Sectors and industries (0.21%)**
  - Our sector and industry allocation added 0.21% to performance in the 3rd quarter. This slight positive contribution can be explained in large part by our overweighting in staples and our underweighting in utilities. At the opposite, our underweight position in financials had a negative impact.
- **Residuals (0.93%)**
  - Residuals added 0.93% to performance during the quarter. As for stock selection, positive contributors include our underweight position in Royal Dutch Shell (energy) and Anglo American (materials), as well as our overweight position in Sanofi (health care) and Newcrest Mining (materials). On the other hand, our overweighting in France Telecom, KPN, and NTT Docomo (telecoms) had a negative impact on performance.

GROSS VALUE ADDED VS. MSCI EAFE NET INDEX



PERFORMANCE ATTRIBUTION
HEXAVEST EAFE EQUITY FUND – Q4 2012

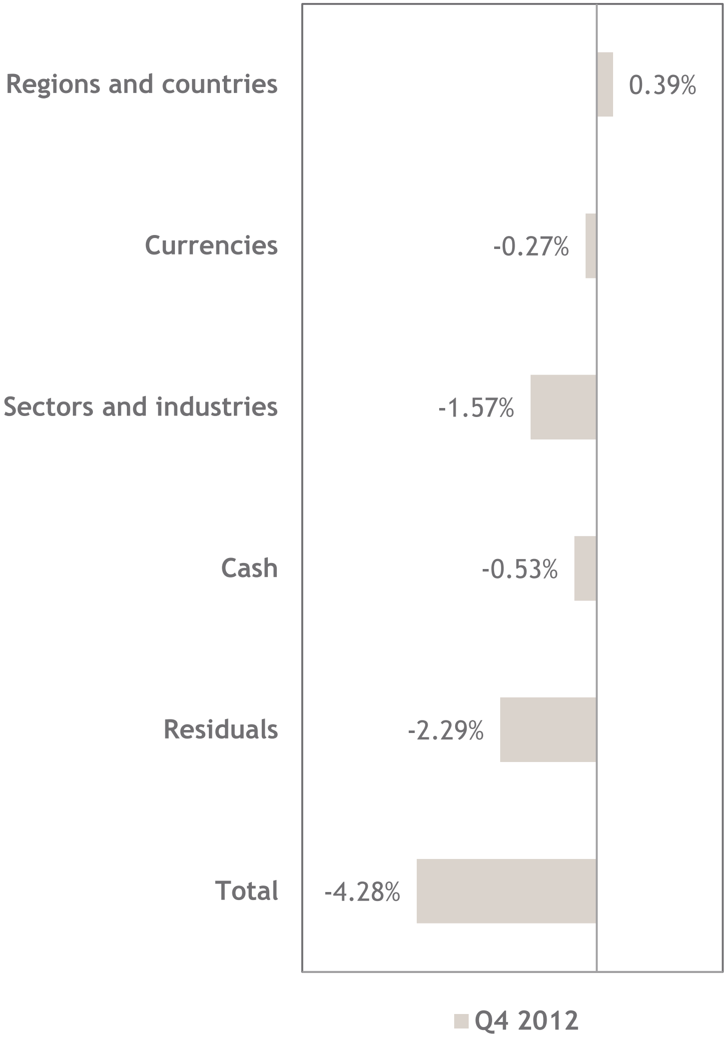
- **Regions and countries (0.39%)**
  - In the 4th quarter, the MSCI EAFE index gained 7.52% in local currencies. The MSCI Europe and MSCI Pacific indices returned 5.14% and 12.64% respectively. Our region and country selection contributed 0.39% to performance during the quarter. The positive contribution from our underweight position in Europe more than offset the negative impact of our underweight position in the Asia Pacific region.

- **Currencies (-0.27%)**
  - Active currency management subtracted 0.27% from performance during the quarter, mainly as a result of our underweighting in the euro in favour of the U.S. dollar.

- **Sectors and industries (-1.57%)**
  - Our defensive sector and industry positioning subtracted 1.57% from performance in the 4th quarter. More specifically, our decision to overweight gold stocks, telecoms, staples, and healthcare, as well as our underweight positions in financials, consumer discretionary, and industrials all had a negative impact on performance.

- **Residuals (-2.29%)**
  - Residuals subtracted 2.29% from performance during the quarter. As for stock selection, the main negative contributors include our overweight position in Newcrest Mining (materials), NTT and KPN (telecoms), as well as our underweight position in Mitsubishi Estate and Nomura (financials). Stocks that had a positive contribution during the quarter include Vivendi (telecoms), Mitsubishi UFJ Financial Group and Sumitomo Mitsui Trust Holdings (financials).

GROSS VALUE ADDED VS. MSCI EAFE NET INDEX

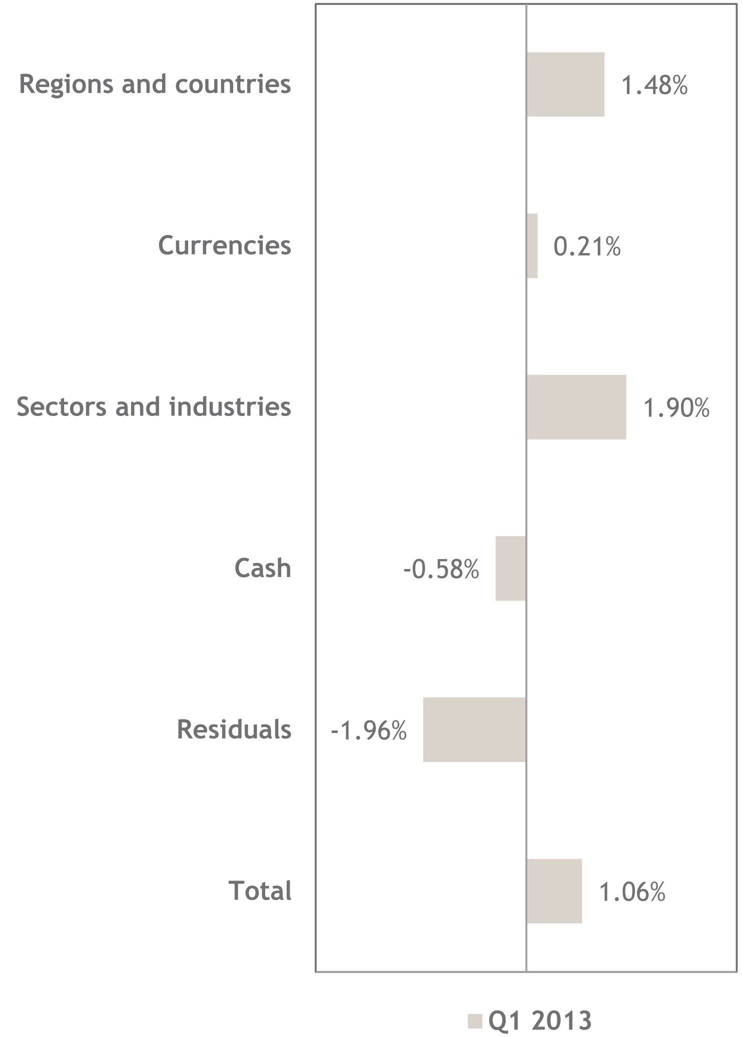


Past performance is not necessarily indicative of future performance.

PERFORMANCE ATTRIBUTION
HEXAVEST EAFE EQUITY FUND – Q1 2013

- **Regions and countries (1.48%)**
  - In the 1st quarter, the MSCI EAFE index gained 9.67% in local currencies. The MSCI Europe and MSCI Pacific indices returned 6.95% and 15.19% respectively. Our region and country selection contributed 1.48% to performance during the quarter. Our overweight position in Japan and our underweighting in Europe and Hong Kong were the main positive contributors, while our overweight position in emerging markets had a negative impact on performance.
- **Currencies (0.21%)**
  - Active currency management added 0.21% to performance during the quarter, mainly as a result of our overweight position in the US dollar and underweighting in the Japanese yen. Our underweighting in the Australian dollar, on the other hand, had a negative impact on performance.
- **Sectors and industries (1.90%)**
  - Our sector and industry selection had a positive contribution of 1.90% on 1st quarter performance, mainly as a result of our overweighting in staples and healthcare, as well as our underweighting in financials and Asian industrials.
- **Residuals (-1.96%)**
  - Residuals subtracted 1.96% from performance during the quarter. As for stock selection, the main negative stock contributors include our overweight position in NTT Docomo (telecoms), as well as our underweight position in Mitsubishi Estate (financials) and Sony (cons. disc.). Stocks that had a positive contribution during the quarter include Sumitomo Mitsui Trust Holdings (financials), BT Group, and Softbank (telecoms).

GROSS VALUE ADDED VS. MSCI EAFE NET INDEX

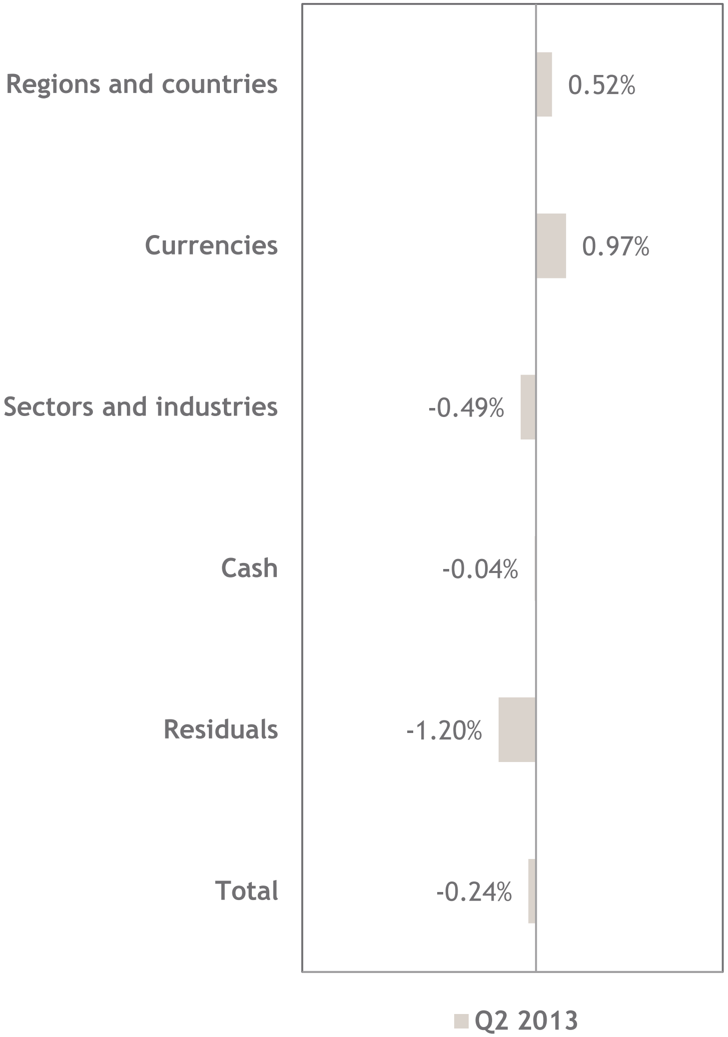


Past performance is not necessarily indicative of future performance.

PERFORMANCE ATTRIBUTION
HEXAVEST EAFE EQUITY FUND – Q2 2013

- **Regions and countries (0.52%)**
  - In the 2nd quarter, the MSCI EAFE index gained 1.21% in local currencies. The MSCI Europe and MSCI Pacific indices returned -0.79% and 4.94% respectively. Our region and country selection added 0.52% to performance during the period, mainly as a result of our underweight position in Europe.
- **Currencies (0.97%)**
  - Active currency management added 0.97% to performance during the quarter. This positive contribution is essentially the result of our decision to underweight the Australian dollar and the Japanese yen while favoring the Hong Kong dollar and US dollar. On the other hand, our underweight position in the euro had a negative impact on performance during the quarter.
- **Sectors and industries (-0.49%)**
  - Our sector and industry selection had a negative contribution of 0.49% in the second quarter. Our decision to underweight financials and consumer discretionary had a negative impact on performance while our overweight in the telecom sector added to performance during the quarter.
- **Residuals (-1.20%)**
  - The impact from residuals was -1.20% during the quarter. As for stock selection, the main positive contributors included our overweight positions in NTT (telcos), Sumitomo Mitsui (financials) and Danone (cons. disc.). Negative contributors included our overweight positions in NTT Docomo (telcos) and AstraZeneca (healthcare), as well as our underweighting in Lloyds Banking Group (financials).

GROSS VALUE ADDED VS. MSCI EAFE NET INDEX



Past performance is not necessarily indicative of future performance.

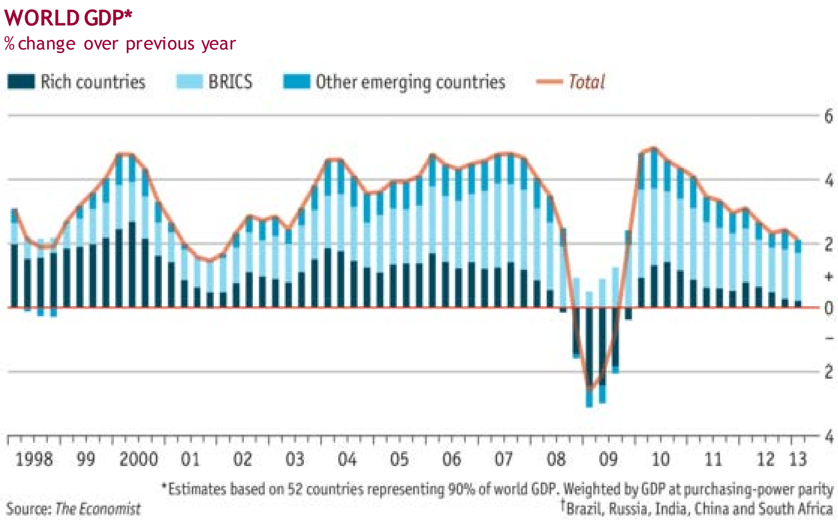
MARKET OUTLOOK SUMMARY

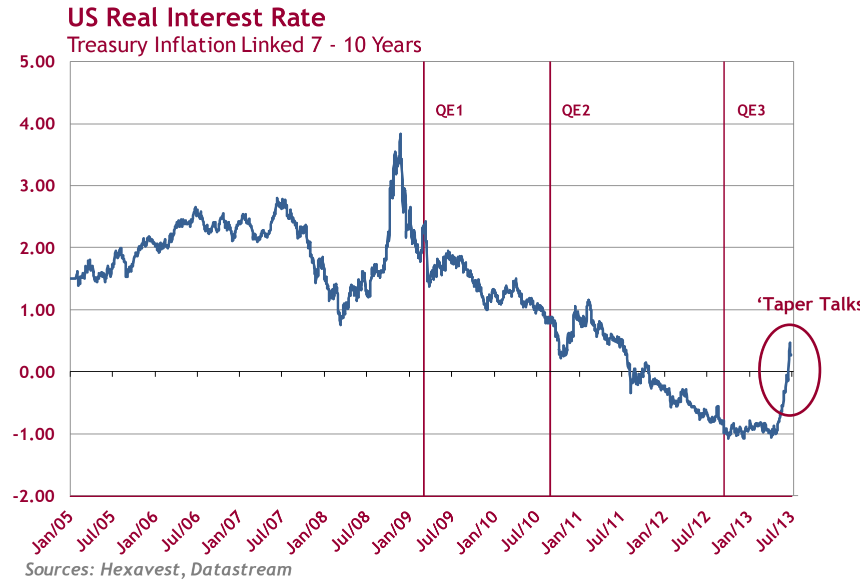
MARKET OUTLOOK
SUMMARY

	Macroeconomic environment	Valuation	Sentiment
December 31, 2008	+	++	+++
December 31, 2009	+	Neutral	+
December 31, 2010	-	-	---
December 31, 2011	---	Neutral	++
December 31, 2012	--	-	--
March 31, 2013	--	-	---
June 30, 2013	**--**	**-**	**--**

Source: Hexavest as of 6/30/13. The table presents a summary of Hexavest's subjective assessment of the macroeconomic environment, market valuation, and investor sentiment as it relates to equity markets in general as of the dates indicated (ratings can range from triple negative to triple positive).

MACROECONOMIC ENVIRONMENT



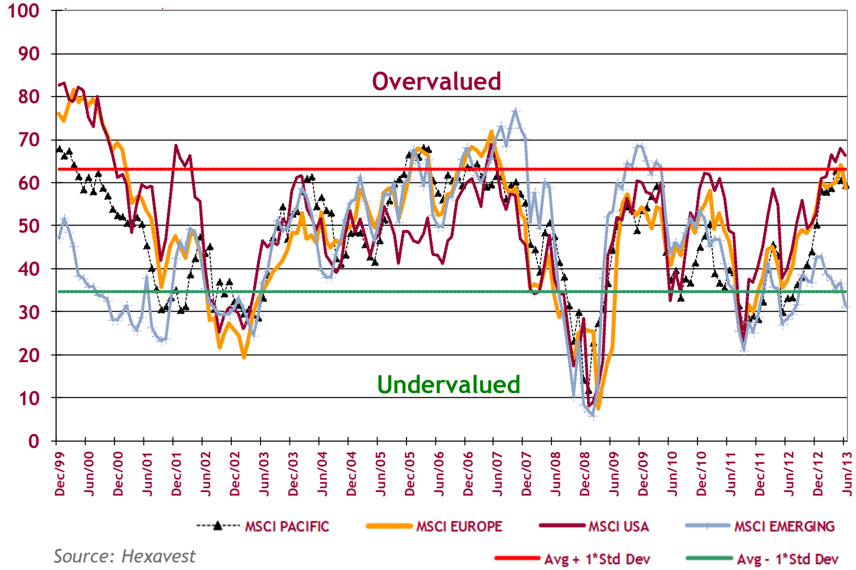


– The U.S. economy is stronger than we had anticipated despite the sequester and recent tax hikes. The housing market, the anchor of the recovery, is continuing to improve and this is having a positive impact on households' wealth, consumer confidence, and consumer spending. We do believe current conditions warrant a tapering of QE in the second half of 2013. However, we do not think that the recovery will be strong enough for the Fed to stop printing money anytime soon. Elsewhere in the world, conditions remain challenging. The European economy is still contracting, although at a slower pace, and emerging markets are slowing down rapidly. Japan is improving following a massive currency debasement, but most of its gains are at the expense of other countries. Our assessment of the macroeconomic environment vector stands at a double negative (--).

Sources: Hexavest, The Economist, Thomson Reuters Datastream as of 6/30/2013.

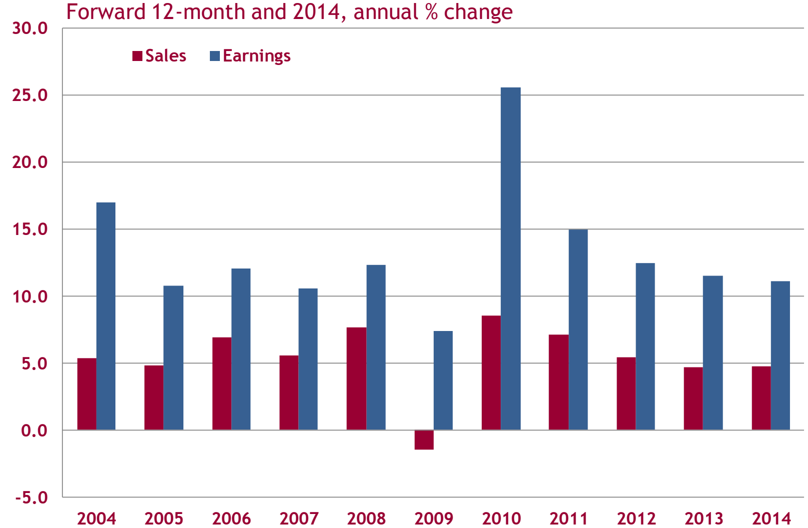
VALUATION

REGIONAL VALUATION INDICES
(6/30/13)



Source: Hexavest

Expected Earnings and Sales Growth
Forward 12-month and 2014, annual % change

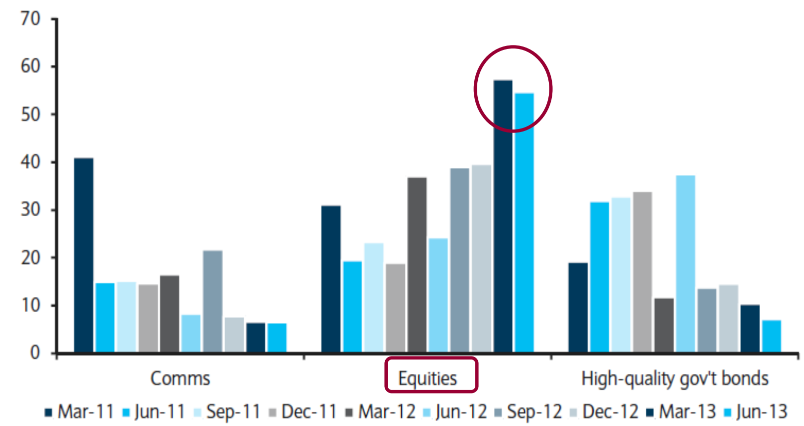


Sources: Hexavest, IBES, Datastream

– Our internal valuation index shows that the MSCI World is inching closer to the "severely overvalued" zone at the end of June. However, on a relative basis, the equity market is still valued favorably relative to the bond market. Emerging markets are also looking increasingly attractive, trading at a significant discount to developed markets. We are still concerned by earnings growth expectations, which we believe are way too optimistic. Our rating of the valuation vector stands at a single negative (-).

Sources: Hexavest, I/B/E/S, Thomson Reuters Datastream as of 6/30/2013.

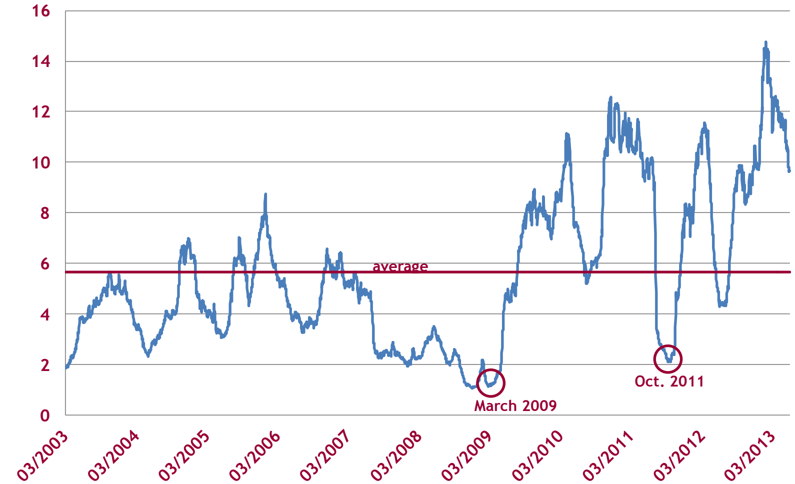
GLOBAL INVESTORS EXPECT EQUITIES TO PROVIDE THE BEST RETURN IN THE NEXT THREE MONTHS



Source: Barclays Research

Insiders Sell / Buy Ratio

Number of sales vs. number of buys, 3-mth movavg



Sources: Hexavest, Pavilion, Bloomberg

— The stock market is higher than it was at the end of March and the recent correction seems to be perceived by many investors as a buying opportunity. Rising rates have caused more volatility recently but many strategists think that rates are rising for the "right reason": because the economy is improving. Once investors realize that, some say, stock markets will resume their upward trend. We're not so convinced. Surveys of institutional investors, hedge funds, and retail investors also generally indicate positive sentiment on equities, apart from emerging market equities which are still shunned by many. In short, we remain very concerned by the level of optimism toward stock markets, but risk appetite has slightly abated during the second quarter. As a result, our contrarian assessment of the sentiment vector went from triple (---) to double negative (--).

Sources: Hexavest, Barclays Research, Pavilion, and Bloomberg as of 6/30/2013.

INVESTMENT STRATEGY

COUNTRY ALLOCATION

Country	Weight	Benchmark	Deviation 2013-06-30	Deviation 2013-03-31
Others - North America	0.9%	0.0%	0.9%	1.3%
Total - North America	**0.9%**	**0.0%**	**0.9%**	**1.3%**
Germany	6.4%	8.7%	-2.2%	-4.9%
France	9.2%	9.4%	-0.3%	0.5%
United Kingdom	21.0%	21.7%	-0.7%	-2.2%
Sweden	2.8%	3.1%	-0.3%	-0.2%
Switzerland	9.6%	9.2%	0.4%	0.7%
Others - Europe and Middle East	7.9%	12.6%	-4.7%	-4.2%
Total - Europe and Middle East	**56.8%**	**64.6%**	**-7.8%**	**-10.2%**
Australia	8.0%	8.0%	0.0%	0.2%
Hong Kong	1.2%	3.0%	-1.9%	-2.4%
Japan	20.9%	22.6%	-1.7%	5.6%
Others - Asia	0.5%	1.8%	-1.3%	-1.8%
Total - Asia	**30.6%**	**35.4%**	**-4.8%**	**1.7%**
Total - Developed Markets	**88.2%**	**100.0%**	**-11.8%**	**-7.3%**
Total - Emerging Markets	**2.6%**	**0.0%**	**2.6%**	**1.4%**
Cash	9.2%	0.0%	9.2%	5.9%
Total	100.0%	100.0%	0.0%	0.0%

Benchmark: MSCI EAFE

SECTOR ALLOCATION

Sector	Weight	Benchmark	Deviation 2013-06-30	Deviation 2013-03-31
Energy	7.0%	7.0%	0.0%	-1.7%
Materials	8.0%	8.0%	0.0%	-3.5%
Industrials	9.0%	12.7%	-3.7%	-4.0%
Consumer Discretionary	8.2%	11.7%	-3.5%	-2.3%
Consumer Staples	13.4%	11.8%	1.6%	5.0%
Health Care	13.6%	10.5%	3.1%	4.1%
Financials	18.9%	25.0%	-6.1%	-6.6%
Information Technology	3.3%	4.4%	-1.1%	-1.5%
Telecommunication Services	7.5%	5.2%	2.3%	5.8%
Utilities	1.9%	3.8%	-1.9%	-1.2%
Cash	9.1%	0.0%	9.1%	5.8%
Total	**100.0%**	**100.0%**	**0.0%**	**0.0%**

Benchmark: MSCI EAFE

CURRENCY ALLOCATION

Currency	Weight	Benchmark	Deviation 2013-06-30	Deviation 2013-03-31
US Dollar	7.5%	0.0%	7.5%	12.2%
Others - North America	0.4%	0.0%	0.4%	0.3%
Total - North America	**7.9%**	**0.0%**	**7.9%**	**12.5%**
Euro	16.9%	28.2%	-11.3%	-10.9%
Swedish Krone	3.1%	3.1%	-0.1%	0.1%
Swiss Franc	9.1%	9.2%	-0.1%	-0.1%
British Pound	21.4%	21.7%	-0.3%	-0.2%
Others - Europe and Middle East	2.4%	2.4%	-0.1%	0.1%
Total - Europe and Middle East	**52.8%**	**64.6%**	**-11.8%**	**-10.9%**
Japanese Yen	20.9%	22.6%	-1.6%	-4.9%
Hong Kong Dollar	12.2%	3.0%	9.2%	3.5%
Australian Dollar	0.3%	8.0%	-7.8%	-6.9%
Singapore Dollar	3.5%	1.7%	1.9%	5.5%
Others - Asia	0.0%	0.1%	-0.1%	-0.1%
Total - Asia	**37.0%**	**35.4%**	**1.6%**	**-2.8%**
Total - Developed Markets	**97.7%**	**100.0%**	**-2.3%**	**-1.2%**
Total - Emerging Markets	**2.3%**	**0.0%**	**2.3%**	**1.2%**
Total	100.0%	100.0%	0.0%	0.0%

Benchmark: MSCI EAFE

APPENDIX

DETAILED MARKET OUTLOOK

MARKET OUTLOOK
SUMMARY

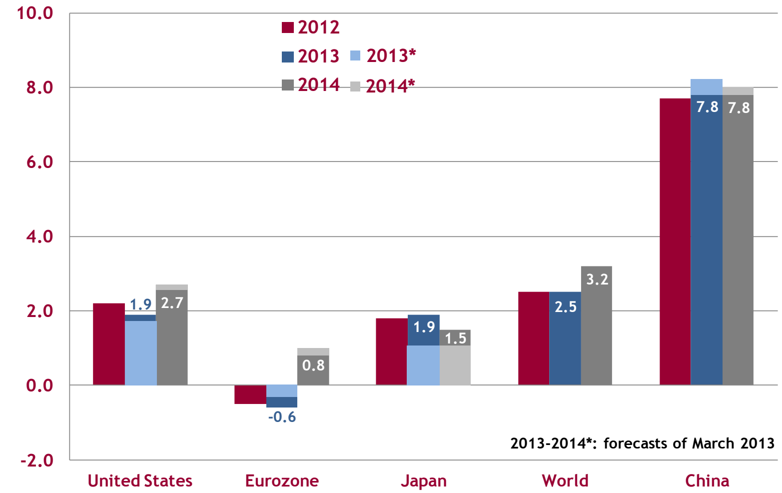
	Macroeconomic environment	Valuation	Sentiment
December 31, 2008	+	++	+++
December 31, 2009	+	Neutral	+
December 31, 2010	-	-	---
December 31, 2011	---	Neutral	++
December 31, 2012	--	-	--
March 31, 2013	--	-	---
June 30, 2013	**--**	**-**	**--**

Source: Hexavest as of 06/30/13. The table presents a summary of Hexavest's subjective assessment of the macroeconomic environment, market valuation, and investor sentiment as it relates to equity markets in general as of the dates indicated (ratings can range from triple negative to triple positive).

MACROECONOMIC ENVIRONMENT
CONSENSUS

— Global growth expectations have not changed since the first quarter: 2.5% for this year and 3.2% for next year. Forecasters revised their 2013 growth expectations upward in the U.S. and Japan but downward in the euro area and China.

GDP GROWTH FORECASTS
Consensus, June 2013

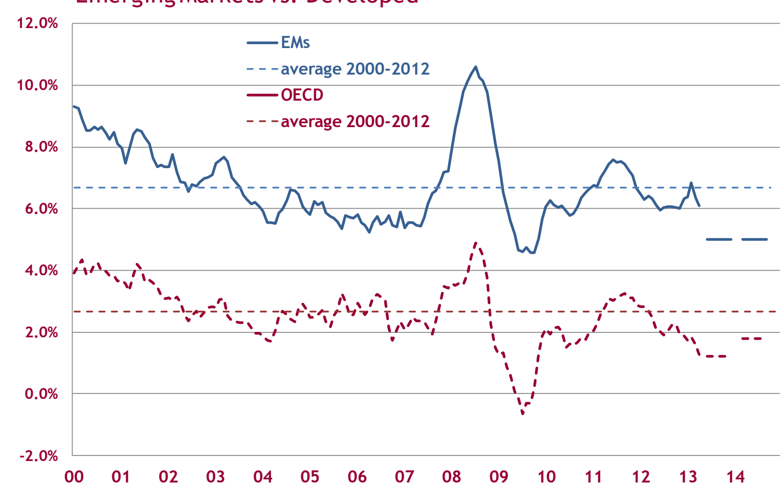


Sources: Hexavest, Consensus Forecasts

— Despite very loose monetary policies, inflation expectations remain tame. Thus, inflation won't be an obstacle to more QE by major central banks. In emerging markets, the consensus expects a sharp fall in the coming quarters.

— Global core inflation has fell this year to its lowest point since the 1960s, which is consistent with a profound negative output gap.

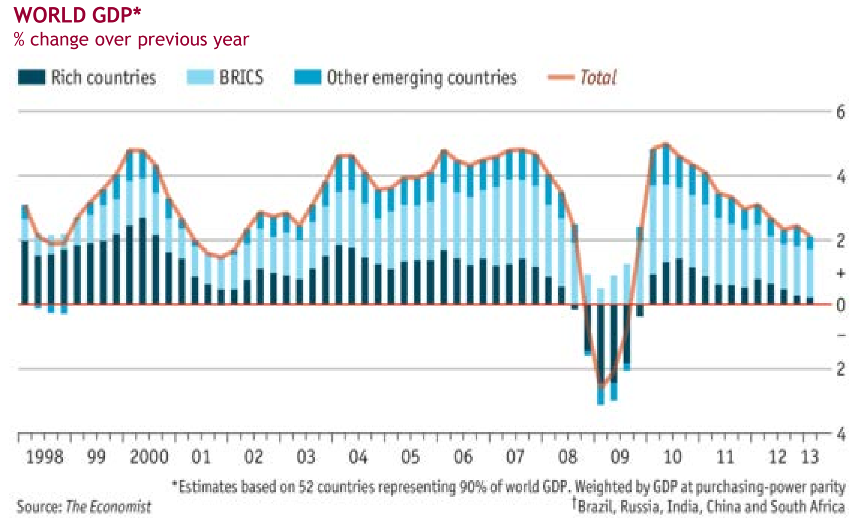
Inflation
Emerging Markets vs. Developed



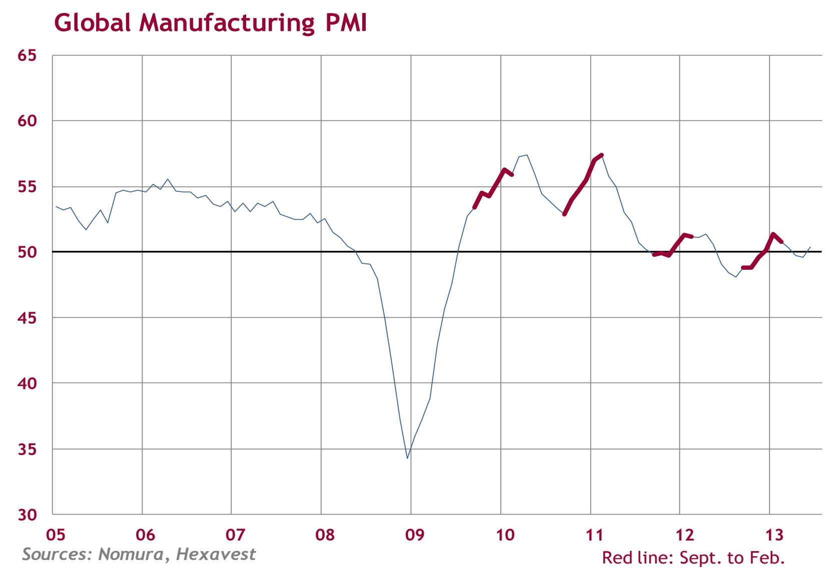
Sources: Hexavest, Datastream, Consensus Forecasts

MACROECONOMIC ENVIRONMENT
GLOBAL ECONOMIC ACTIVITY KEPT DECELERATING IN Q2

- Global economic growth has continued to decelerate in the 2nd quarter. Since Q1, growth in the US and China has cooled and has remained negative in Europe.



- Global trade is stagnant and the manufacturing sector is idling. Since the end of 2011, the global manufacturing PMI has been fluctuating around 50, the threshold which divides expansion and contraction.
- In this context, we doubt central banks can significantly taper their hyper-stimulative measures… If they do, they might have to come back with more measures after a few quarters.



MACROECONOMIC ENVIRONMENT

CENTRAL BANKS: QEs ARE NO FREE LUNCH

- Quantitative easing is a risk trade-off between a potential economic depression and financial instability.
- Negative real interest rates tend to create asset bubbles because investors are prompted to take risk and then push asset prices well beyond their fundamental value.
- US real interest rates have been negative for two years. Now that they are back in positive territory, we are likely getting closer to the point where asset prices will reconnect with their fundamentals.
- Cheerful periods are characterized by very low market volatility; investors and risk managers are comfortable to take on more risk. After all, the “risk premium” vs. (artificially low) government bonds is attractive. Moreover, leverage seems a good way to generate higher returns with larger positions in a zero interest rate policy environment.
- Then suddenly, things change. A geopolitical event, bad economic data, or the prospect of an end to QE (or tapering) causes volatility to rise. Fund managers’ risk limits are quickly reached and this induces a selloff which is amplified by leveraged investment strategies and complacency.

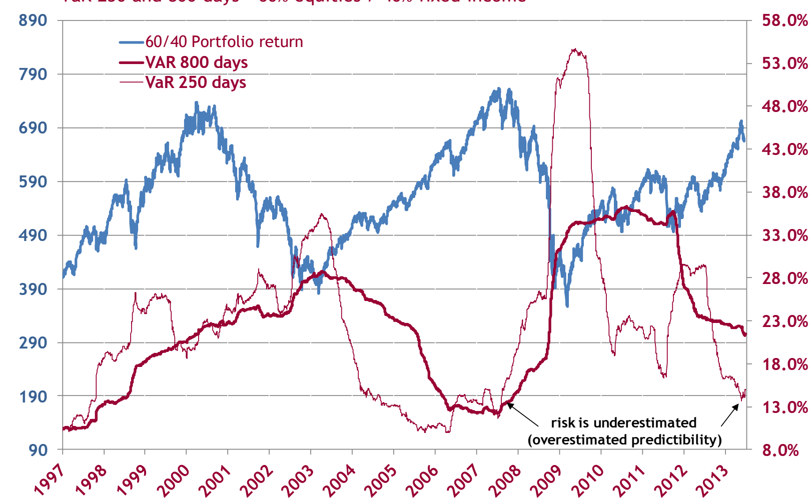
US Real Interest Rate

Treasury Inflation Linked 7 - 10 Years

Sources: Hexavest, Datastream

VALUE AT RISK OF A GLOBAL 60/40 PORTFOLIO

VaR 250 and 800 days - 60% equities / 40% fixed income



Source: Hexavest

MACROECONOMIC ENVIRONMENT

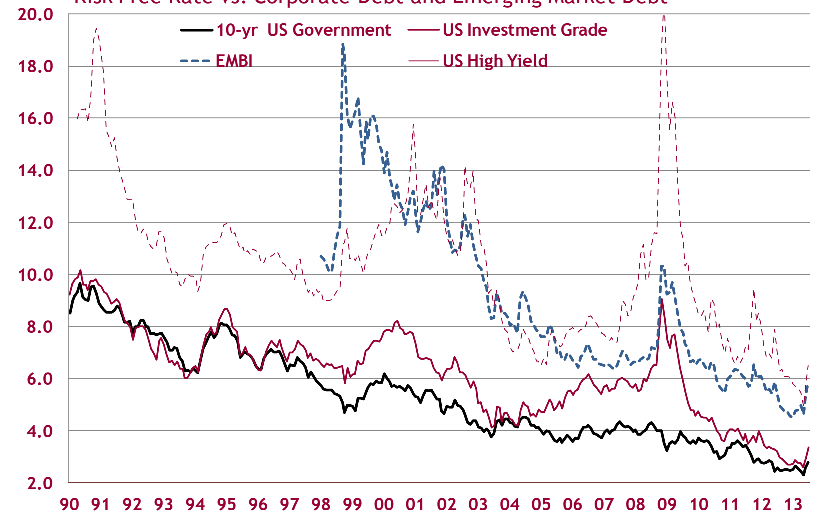
CENTRAL BANKS: QEs ARE NO FREE LUNCH

– Because of extremely low “risk free” rates and investors’ appetite for higher yields, demand for corporate and emerging market bonds has soared and has pushed interest rates on these riskier debts to record lows.

– That was true until June when the Fed mentioned that QE could be tapered as soon as this year.

Interest Rates

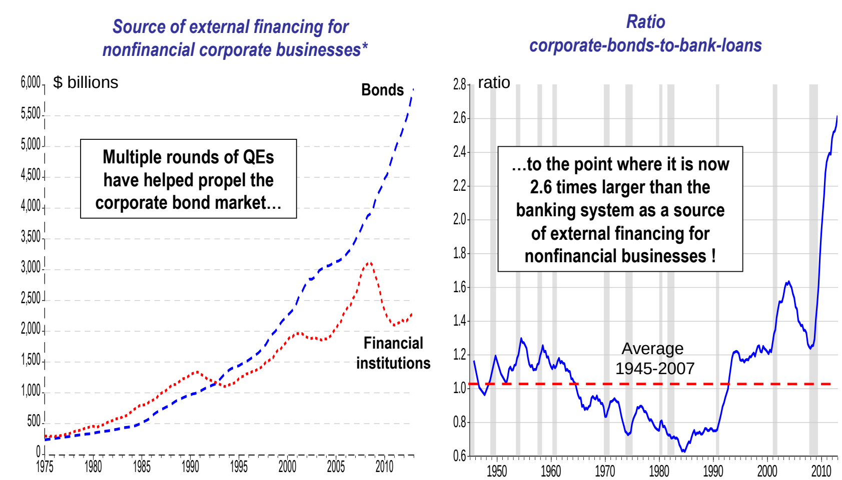
Risk Free Rate vs. Corporate Debt and Emerging Market Debt



Sources: Hexavest, Datastream

– Since the bond market is by far the most important source of financing for US corporations, interest rate movements have to be monitored very closely from now on.

US: WHY THE CORPORATE BOND MARKET IS KEY



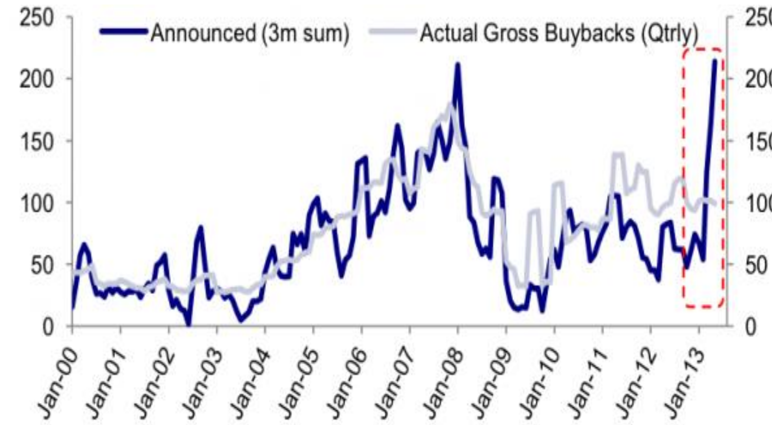
** Outstanding at book value*

NBF Economy & Strategy (data via Federal Reserve)

MACROECONOMIC ENVIRONMENT
CENTRAL BANKS: QEs ARE NO FREE LUNCH

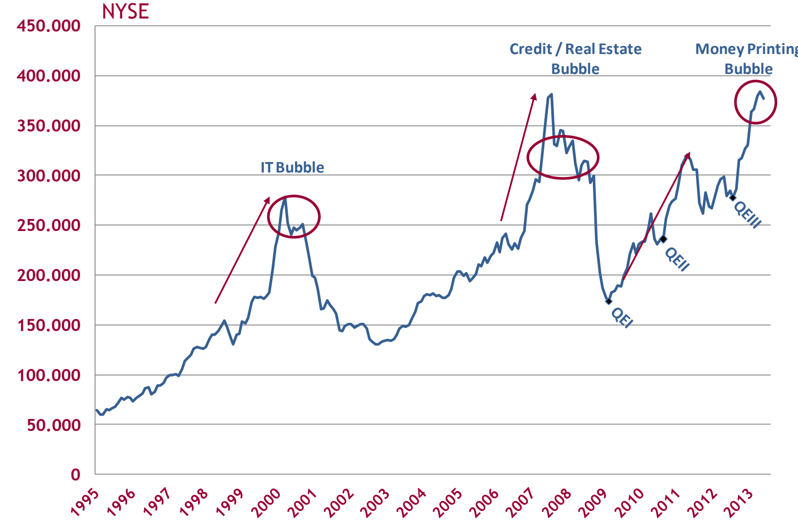
- If interest rates on corporate bonds continue to rise, one of the key supports behind the rally will disappear.
- Because of record low interest rates and limited growth prospects, companies are tapping into the corporate bond market to buy back their own shares at a record pace.
- Buybacks lower the share count and increase earnings per share (EPS) growth, whereas sales continue to suffer from the sluggish global economy.
- At some point, the cost of rising interest rates will outweigh the benefits of buying back shares.
- Investors are using the same strategy: they are borrowing money at very low interest rates to buy the stock market. Margin trading accounts at the NYSE reached a record high in the 2nd quarter.

BUYBACK ANNOUNCEMENTS OF $214B OVER THE LAST 3 MONTHS



Source: Compustat, Bloomberg Finance LP, Deutsche Bank

Margin Trading Account
NYSE



Sources: Hexavest, Datastream

MACROECONOMIC ENVIRONMENT

WHICH CENTRAL BANKS WILL MORE LIKELY BE NEXT TO TAKE ACTION?

- Based on economic growth, deflation threat, policy rate, financial stress, debt-to-GDP, and exchange rates, we think that the next central bank to adopt some form of unconventional monetary policy is the ECB. The euro area is in recession, inflation is muted, the policy rate is already very low (0.5%), long-term interest rates are much higher than nominal growth, and much debt can be bought by the central bank.

- We also think that Korea will do something to devalue its currency as the debasement of the Japanese yen is hampering its global competitiveness. The central bank can start by lowering its key rate. If it's not enough, we think authorities can accelerate the securitization of households' mortgages and start buying residential mortgage-backed securities.

Likely to print money

Not likely to print money

	Total Score	Real GDP Growth (QoQ %, AR)	Real GDP growth (YoY %)	Output Gap	Score	Inflation Rate (YoY %)	Upper Limit Target - Inflation Rate	Score	Central Bank Rate	Score	10Y Gvt Bond Yield Spread vs US	Nom. Growth - 10Y Gvt Bond Yield	Score	Gross Debt to GDP	Score	Trade-Wgt. Currency Index vs 5Y Average	Score
Japan	7	4.10%	0.23%	0.01%	0	-0.70%	2.70%	2	0.10%	2	-1.36%	-1.75%	1	245%	3	-9.43%	-1
Eurozone	7	-0.80%	-1.11%	-4.20%	3	1.40%	0.60%	0	0.50%	1	0.75%	-2.28%	1	95%	2	0.30%	0
US	7	2.40%	1.78%	-3.12%	3	1.36%	1.64%	1	0.25%	2	-	1.22%	-1	108%	2	0.80%	0
Switzerland	5	2.30%	1.39%	-1.47%	1	-0.51%	2.51%	2	0.00%	2	-1.35%	0.65%	-1	48%	0	8.88%	1
South Korea	5	3.50%	1.50%	-4.36%	3	1.04%	2.46%	2	2.50%	0	1.03%	-1.75%	1	33%	-1	3.42%	0
Canada	5	2.50%	1.45%	-0.85%	1	0.41%	2.59%	2	1.00%	0	-0.02%	0.36%	0	87%	2	2.49%	0
Sweden	4	2.50%	1.69%	-2.66%	2	-0.20%	2.20%	2	1.00%	0	-0.21%	0.48%	0	38%	-1	8.70%	1
UK	3	1.30%	0.58%	-2.36%	2	2.70%	0.30%	-1	0.50%	1	-0.05%	1.24%	-1	94%	2	-0.83%	0
Norway	1	-0.70%	-0.02%	-0.40%	0	2.00%	1.50%	1	1.50%	0	0.22%	-2.33%	1	34%	-1	3.21%	0
China	-1	6.60%	7.70%	ND	1	2.10%	1.90%	1	6.00%	-2	1.32%	6.06%	-1	21%	-1	9.21%	1
Australia	-1	2.20%	2.46%	-1.47%	1	2.50%	0.50%	-1	2.75%	0	1.22%	-0.36%	0	28%	-1	2.25%	0
Brazil	-2	2.22%	1.85%	-2.67%	2	6.95%	-0.45%	-2	8.00%	-2	8.95%	-3.78%	1	67%	1	-11.01%	-2
Turkey	-3	-1.30%	1.37%	-4.06%	3	6.51%	-1.51%	-2	3.50%	-1	5.12%	0.04%	0	35%	-1	-14.08%	-2
India	-5	1.94%	2.85%	-1.91%	1	4.70%	-1.70%	-2	7.25%	-2	5.09%	3.81%	-1	66%	1	-17.02%	-2
South Africa	-5	0.90%	1.92%	ND	1	5.56%	0.44%	-1	5.00%	-2	5.56%	-0.16%	0	43%	0	-19.75%	-2
Russia	-7	7.50%	2.43%	ND	1	7.40%	-1.90%	-2	8.25%	-2	5.28%	2.14%	-1	10%	-2	-5.11%	-1

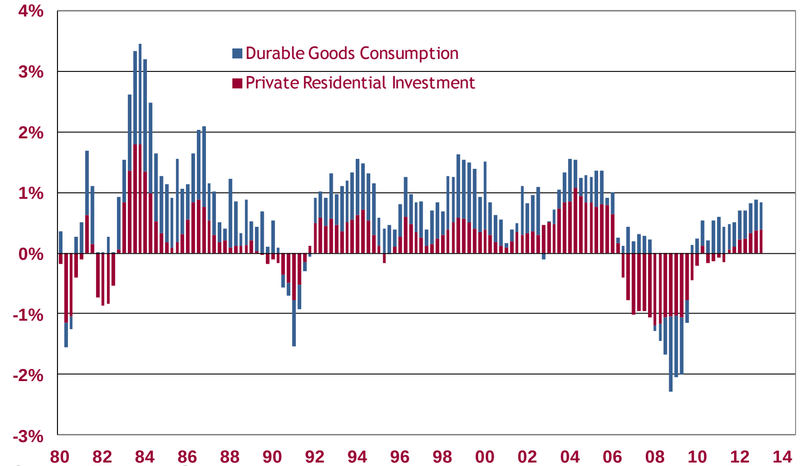
Sources: Hexavest, Datastream, Central Banks Websites

June 19th, 2013

MACROECONOMIC ENVIRONMENT
UNITED STATES: GROWING DESPITE THE FISCAL HEADWIND

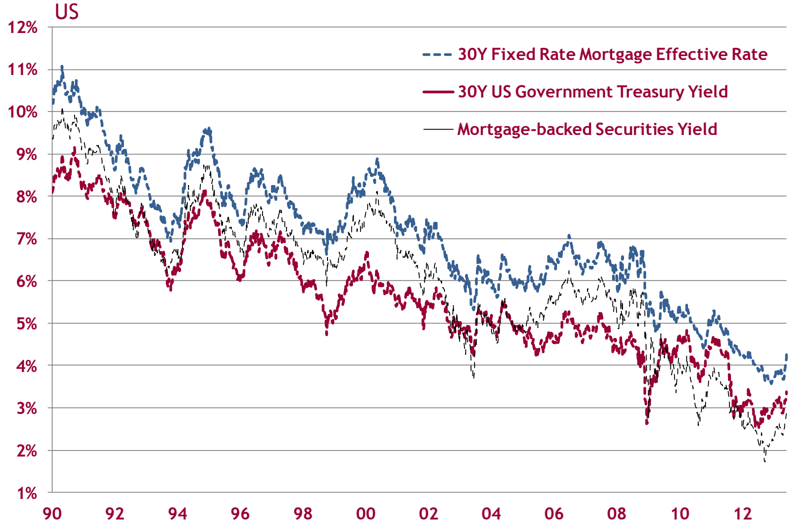
- The US economic recovery is not a strong one, but it's certainly welcome.
- So far this year, consumers have made an impressive comeback despite the payroll tax increase of 2% at the federal level.
- We share the consensus view that home prices and housing starts should continue to recover, albeit at a slower pace.

Contribution to Growth - US
Durable Goods Consumption + Private Residential Investment



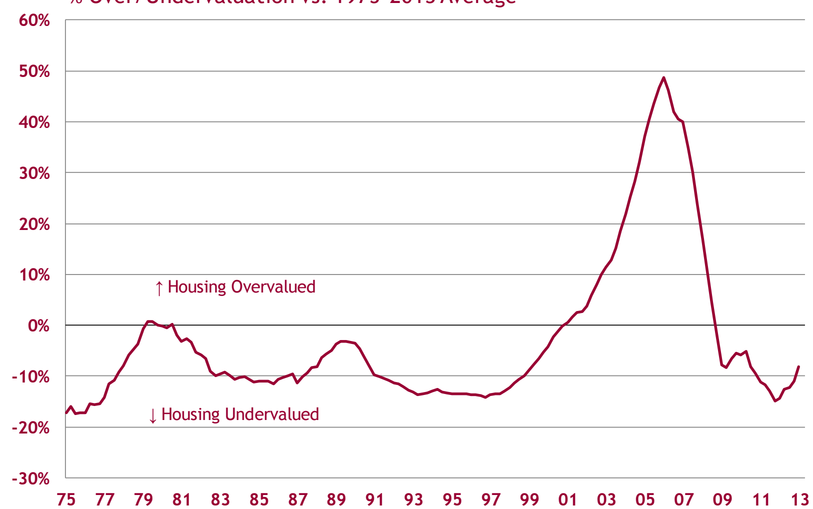
Sources: Hexavest, Datastream

Housing Related Rates
US



Sources: Hexavest, Datastream

Price-to-Rent ratio - US
% Over/Undervaluation vs. 1975-2013 Average

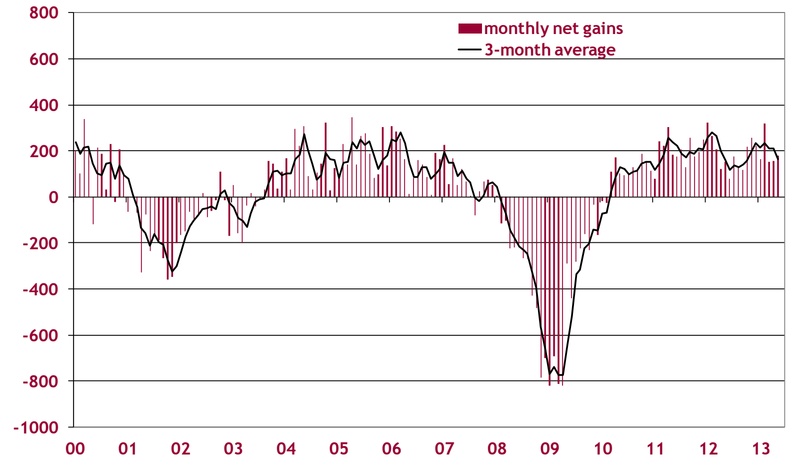


Sources: Hexavest, Robert J. Shiller, Datastream

MACROECONOMIC ENVIRONMENT
UNITED STATES: GROWING DESPITE THE FISCAL HEADWIND

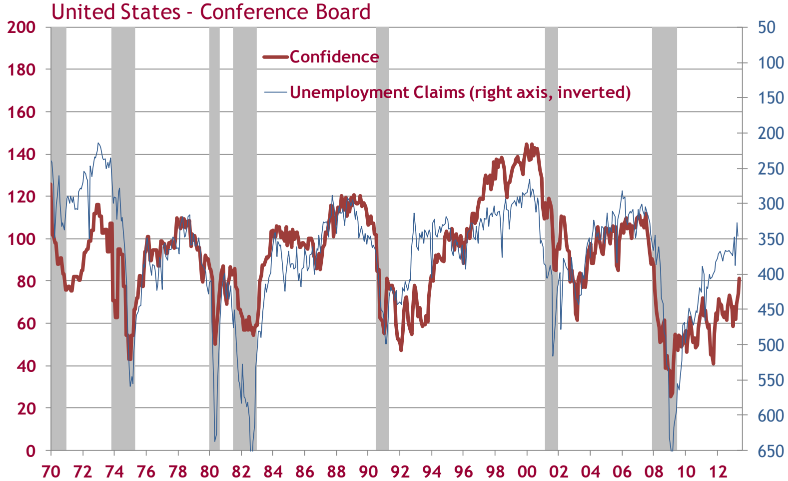
- Employment growth is reasonable and the rise in hours worked in some sectors suggests more job creation in the short term.
- A stronger job market and a recovering housing market have helped consumer confidence to rebound at its highest level in five years.
- We do not foresee any acceleration of the US economy this year, but we believe growth will remain stronger than elsewhere in developed markets.

Net Employment Gains - US
Private sector



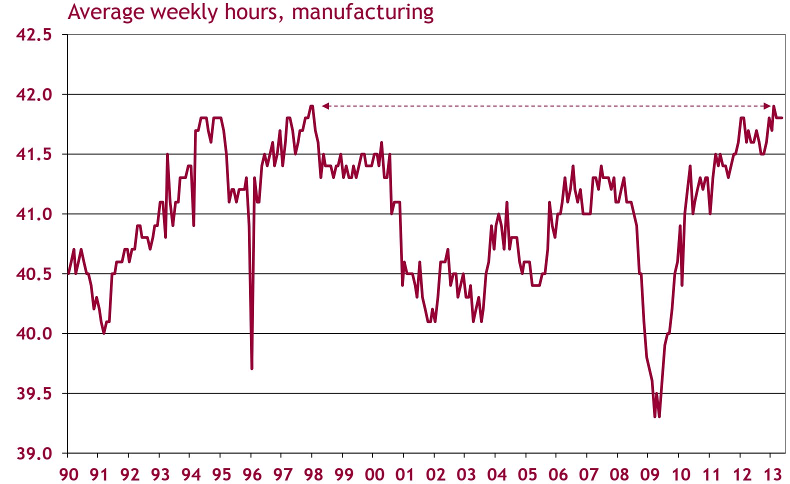
Sources: Hexavest, Datastream

Consumer Confidence vs. Employment
United States - Conference Board



Sources: Hexavest, Datastream

Hours Worked - United States
Average weekly hours, manufacturing



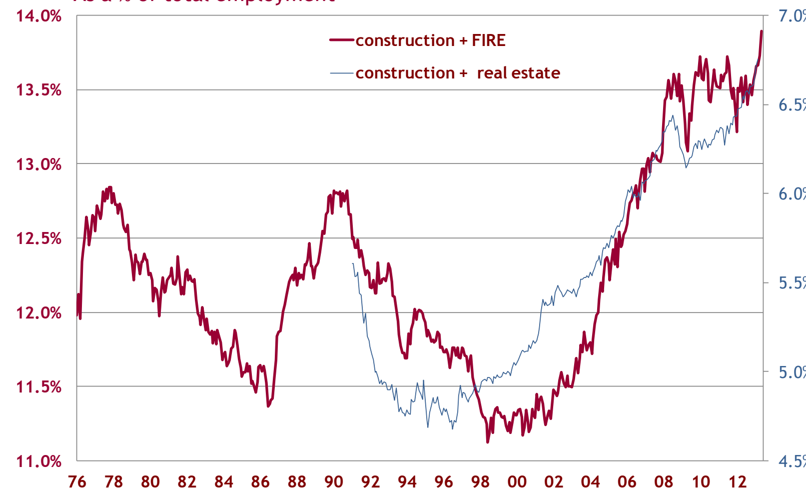
Sources: Hexavest, Datastream

MACROECONOMIC ENVIRONMENT

CANADA: ENDING CREDIT CYCLE AND NO SHOCK ABSORBER

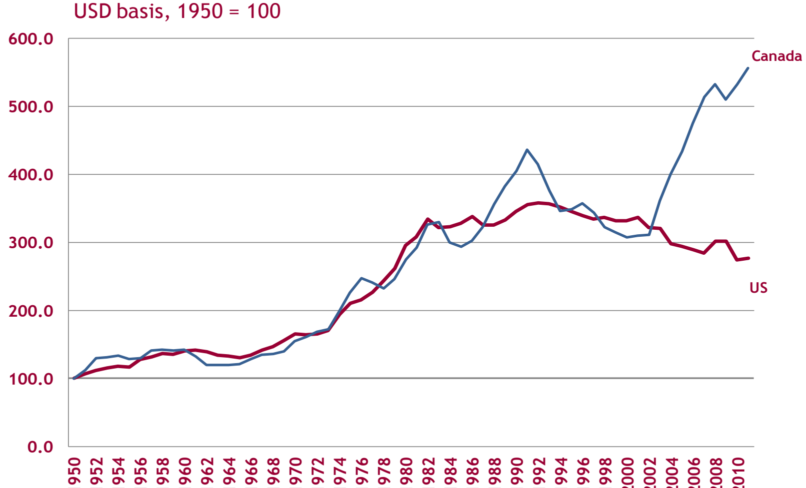
- The end of the giant consumer credit cycle in Canada coincides with the end of the capex cycle in commodities. Unfortunately, and unlike past cycles, the Canadian dollar might not act as a shock absorber this time around.
- Since the CAD has become a petro-currency in the early 2000s, most Canadian exporters are struggling to compete.
- It's hard to imagine how Canada can avoid a recession this time. The latest GDP figures bring no comfort: the final domestic demand grew by only 0.6% in Q1 2013, the weakest gain since the financial crisis.

Construction Related Jobs - Canada
As a % of total employment



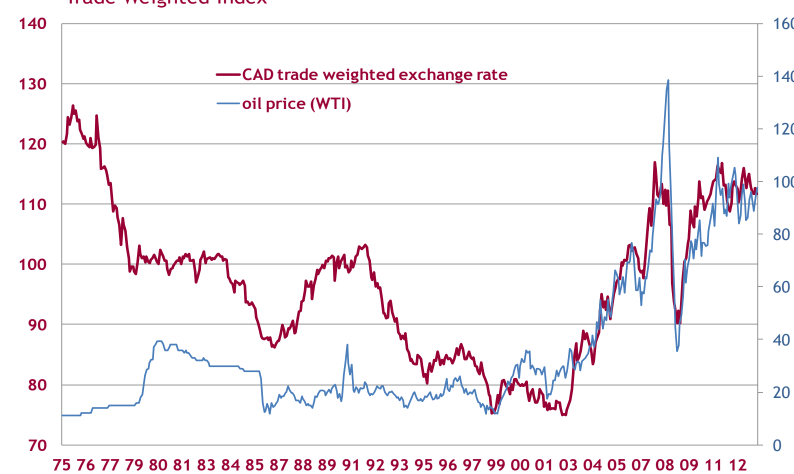
Sources: Hexavest, Datastream

Unit Labor Cost
USD basis, 1950 = 100



Sources: Hexavest, US Bureau of Labor Statistics

Canadian Dollar Exchange Rate
Trade Weighted Index



Sources: Hexavest, Datastream

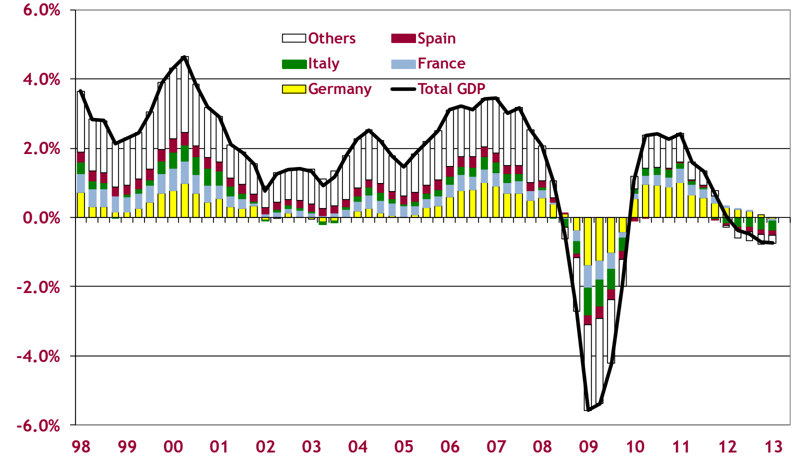
MACROECONOMIC ENVIRONMENT

EUROPE: NO MORE ECONOMIC SUPPORT FROM GERMANY

– The euro area will likely remain in recession this year. French and German GDP have contracted in Q1 for the first time since the financial crisis of 2009.

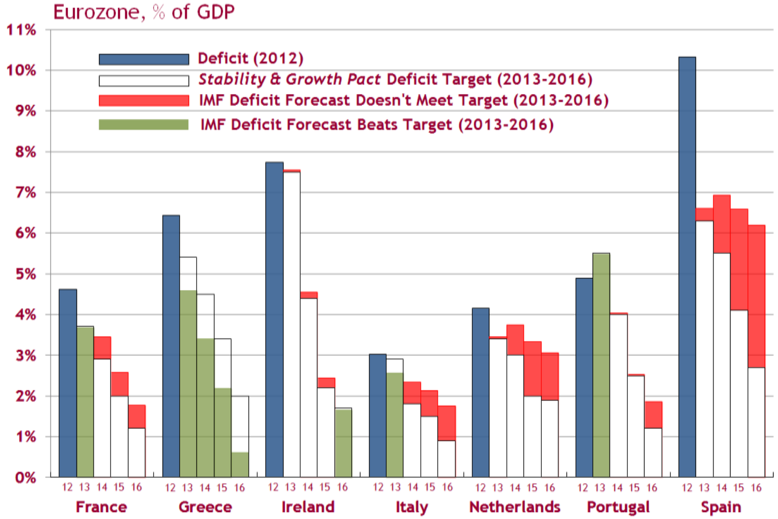
– Some may argue that the tone has changed this year in Europe about austerity and that most of the restrictive measures are behind us. We disagree. Austerity will only be spread out in time. The European Commission wants to give more time to some countries to reduce their deficit and to allow them to initiate some "growth-stimulating reforms." In our view, the ECB will do more to support growth, especially if deflation becomes an imminent threat.

GDP - EURO AREA
Countries' contribution to annual growth



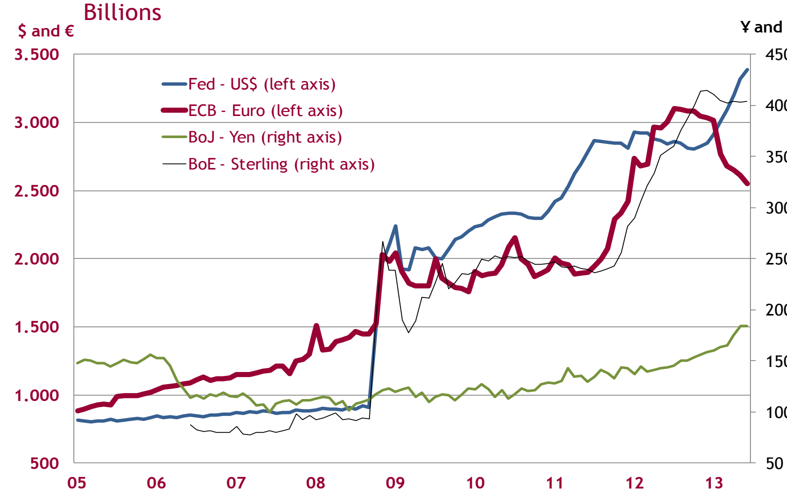
Sources: Hexavest, Datastream

Budget Deficits and Targets
Eurozone, % of GDP



Sources: Hexavest, Datastream, EU Commission

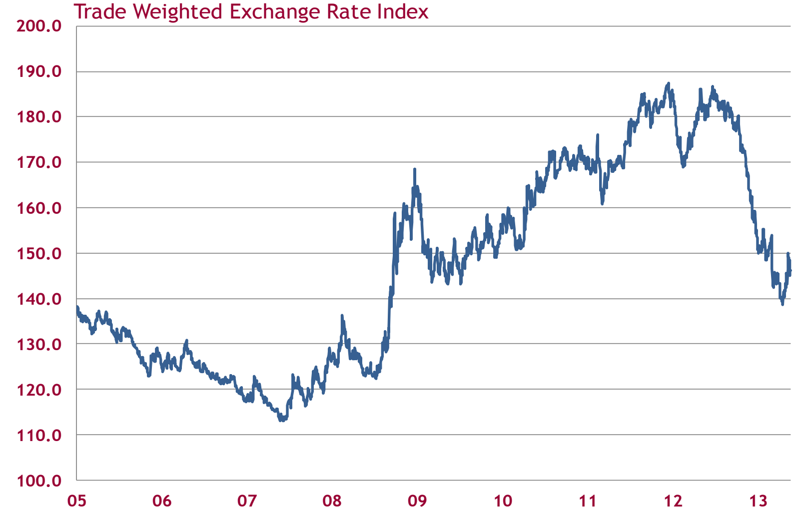
Central Banks Balance Sheet
Billions



Sources: Hexavest, Datastream

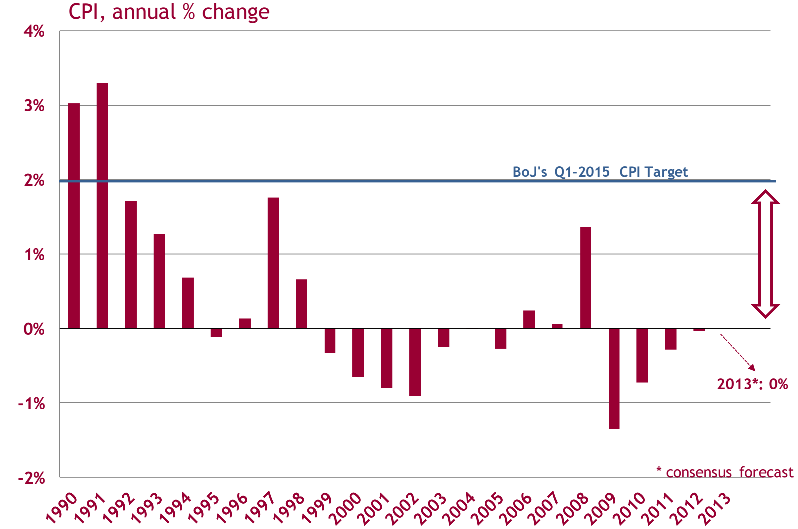
- Japan policy makers have been very clear on their agenda: ending deflation and supporting the domestic financial market and economic growth.
- Of course, Japan won't admit that it is also pursuing a competitive devaluation strategy and it claims that the sharp devaluation of the yen wasn't driven by their decisions.
- According to the consensus, the reflation objective could be reached as soon as 2014. The consensus expects a 2.1% inflation rate for next year (from 0% in 2013): the highest yearly rate in 23 years.
- Deflation is holding back consumption, but we doubt inflation is a much better scenario. We don't think wages will keep up the pace with inflation.
- In our view, Japanese consumers are not out of the woods yet. They will likely lose some purchasing power not only because of inflation, but also because of the sharp increase in consumption tax that is expected in the next two years.

Japanese Yen
Trade Weighted Exchange Rate Index



Sources: Hexavest, Datastream

National Inflation Rate - Japan
CPI, annual % change

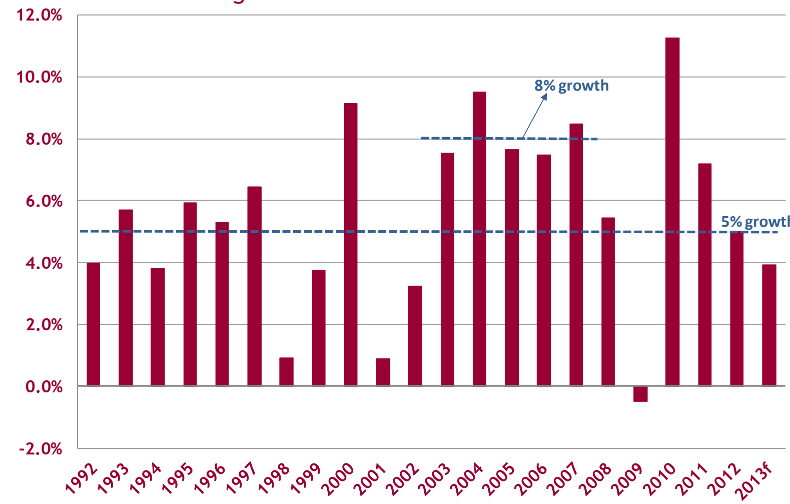


Sources: Hexavest, Datastream

MACROECONOMIC ENVIRONMENT
EMERGING MARKETS: A NEW GROWTH REGIME

- The macroeconomic environment is getting bleaker in emerging markets. Domestic growth engines are running out of steam and are insufficient to replace external demand.
- Policy makers have tried to support growth with lower interest rates and more public spending, but the rubber band is stretched.
- Social unrest in Turkey, Brazil, and Russia, pollution, overcapacity and a credit bubble in China, inflation in India and Brazil, and weaker commodity demand are all adding up.
- Moreover, Japan is desperately trying to regain some of emerging markets' global market shares with its aggressive monetary stimulus.
- Our view is that emerging markets' growth regime has shifted from a "globalization- and credit-fueled frenzy" to a slower but more sustainable pace. The adjustment is severe, but once investors and policy makers assimilate and accept the new growth regime, confidence should return.

Industrial Production - Emerging Markets
annual % change



Sources: Hexavest, Datastream

EXPORT SIMILARITY INDEX VS. JAPAN
SITCS 3 – two digits

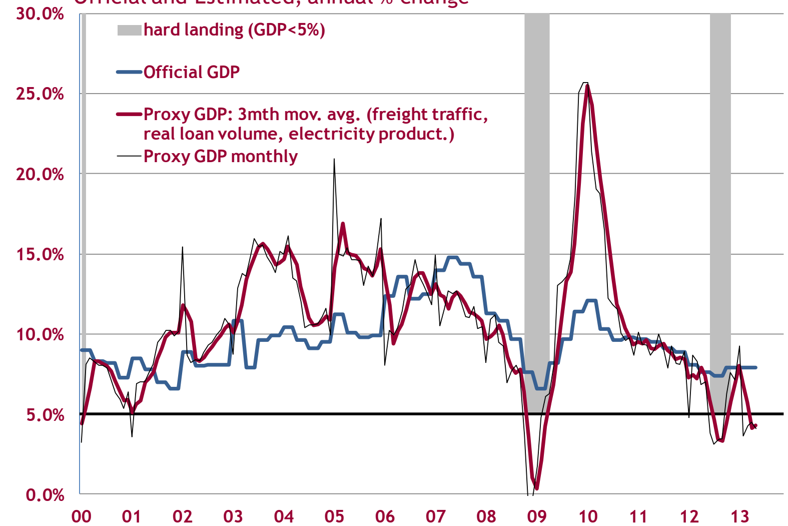
	1992	2000	2005	2011
Germany	0.70	0.72	0.75	0.74
Korea	0.58	0.68	0.71	0.71
US	0.62	0.72	0.68	0.60
France	0.60	0.64	0.63	0.59
Taiwan	N/A	0.59	0.60	0.58
Italy	0.55	0.55	0.56	0.58
UK	0.61	0.64	0.61	0.55
Thailand	0.42	0.56	0.58	0.54
China	0.34	0.50	0.49	0.53
Malaysia	0.47	0.49	0.46	0.45
Philippines	0.27	0.40	0.38	0.39
India	0.25	0.27	0.34	0.37
Brazil	0.41	0.43	0.45	0.35
Indonesia	0.16	0.33	0.32	0.28
Australia	0.23	0.24	0.21	0.16

Source: Comtrade; Macquarie Research, May 2013

MACROECONOMIC ENVIRONMENT
CHINA: STILL NO RECOVERY

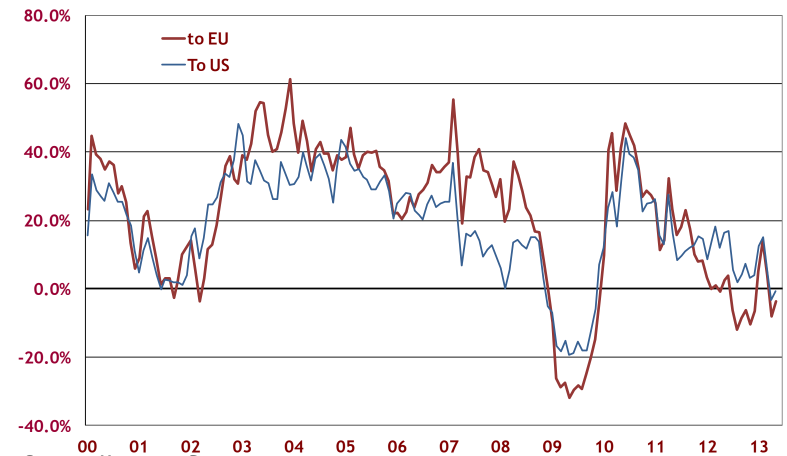
- Our own China GDP proxy model shows that the growth rate of China's economy is likely below 5%, which is defined as a hard landing by many observers.
- In similar circumstances last year, the previous administration implemented targeted stimulative measures to support growth. But not this year.
- On the contrary, the Xi Jinping administration looks almost comfortable with the current economic conditions, arguing that it is better in relative terms than abroad. That's a major change in tone. The PBOC has even let a liquidity squeeze happen in June, showing that it is willing to tighten monetary conditions to control credit growth.
- The current administration's priorities are the quality and the sustainability of growth. Only history will tell if this shift has occurred too late in the game.

China GDP vs. Hexavest Proxy GDP
Official and Estimated, annual % change



Sources: Hexavest, Datastream

China Exports to Europe and US
annual % change



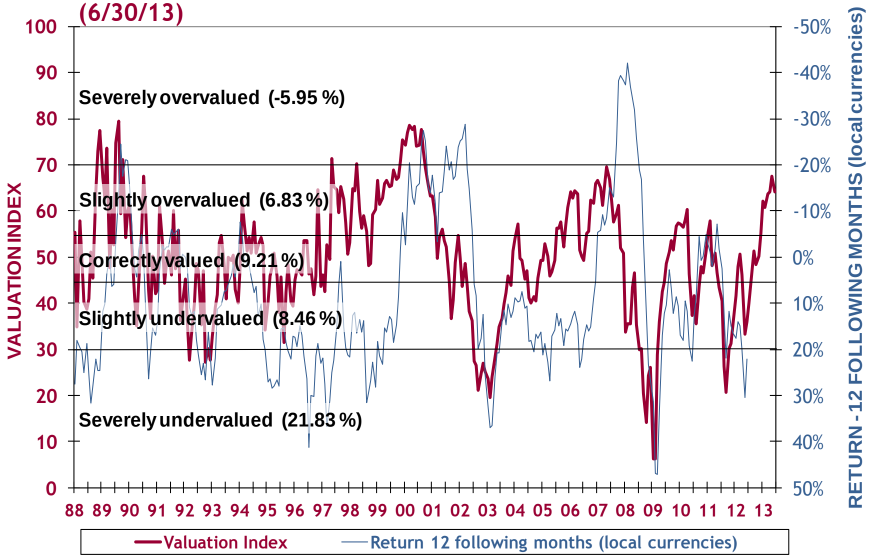
Sources: Hexavest, Datastream

VALUATION
INCREASINGLY EXPENSIVE EXCEPT FOR EMs

– According to our internal valuation model, a composite of various valuation metrics, the global stock market was overvalued in Q2 2013; the valuation index was at its highest point since 2007.

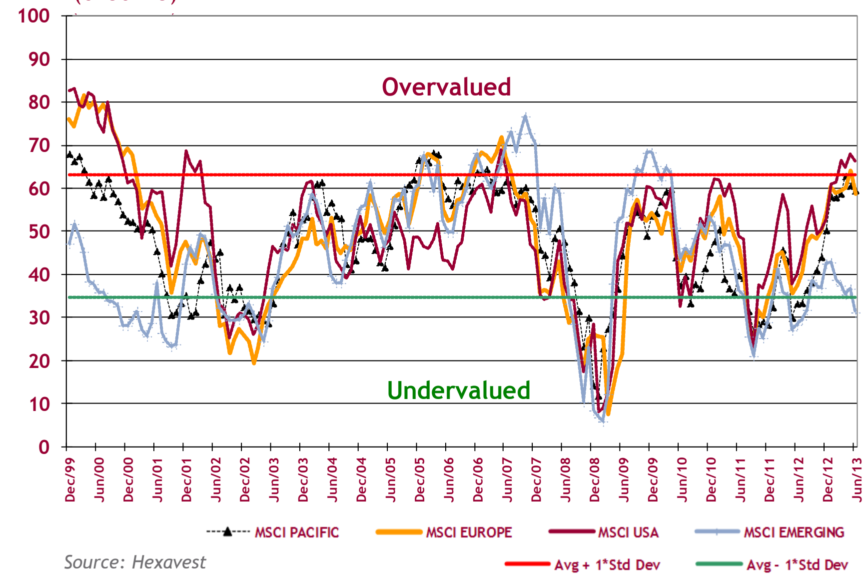
– The U.S. market was clearly overvalued, while emerging markets were below their fair value. It is worth noting that such a valuation dispersion has not been observed in more than 10 years.

VALUATION INDEX AND 12 MONTH RETURN: MSCI WORLD (6/30/13)



Source: Hexavest

REGIONAL VALUATION INDICES (6/30/13)

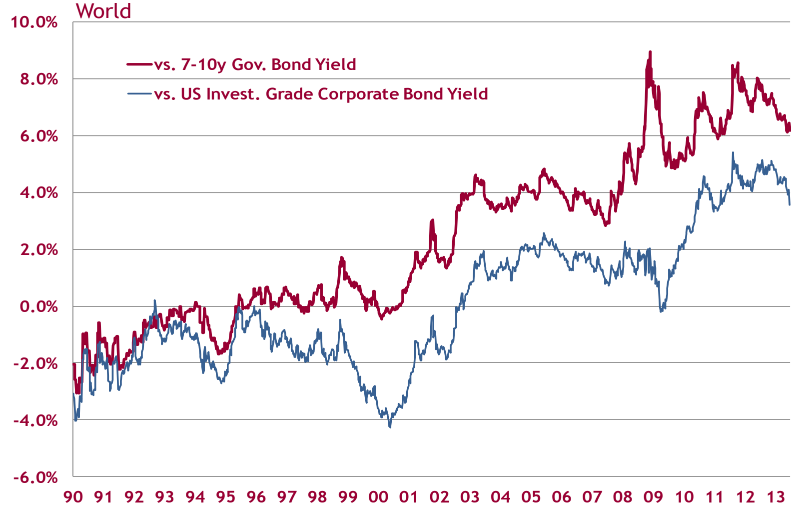


Source: Hexavest

VALUATION

EQUITIES: NOT AS EXPENSIVE AS BONDS

- Equities are expensive but not as much as other risky assets such as corporate and emerging market debts which are clearly in a bubble.
- Global equities' forward earnings yield is still 6% above the government bond yield and 3.5% higher than the investment grade corporate bond yield (US).
- Thus, we agree that the equity market is the least expensive liquid asset class. But we still believe that the inflated price of some assets does not make others attractive on an absolute basis.



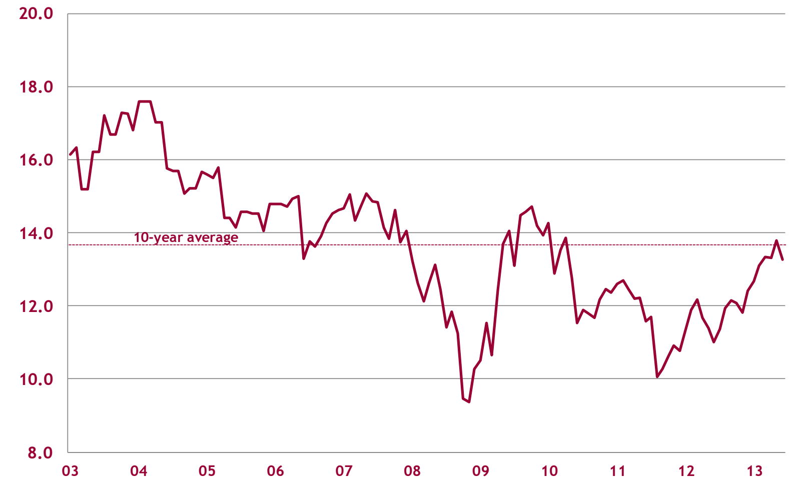
Sources: Hexavest, Datastream, IBES

VALUATION

NO DISCOUNT VS. 10-YEAR AVERAGE

- Conventional equity markets' valuation metrics are about in line with their 10-year average.
- We remain in a very uncertain and sluggish environment where central banks and investors are trying to read each other's minds to predict their next move.
- We maintain our view that it's not an environment in which valuation should be "normal"; it deserves a discount.

Price-to-fwd earnings
MSCI World



Sources: Hexavest, Datastream, IBES

Price-to-Cash-Flow
MSCI World

Sources: Hexavest, Datastream

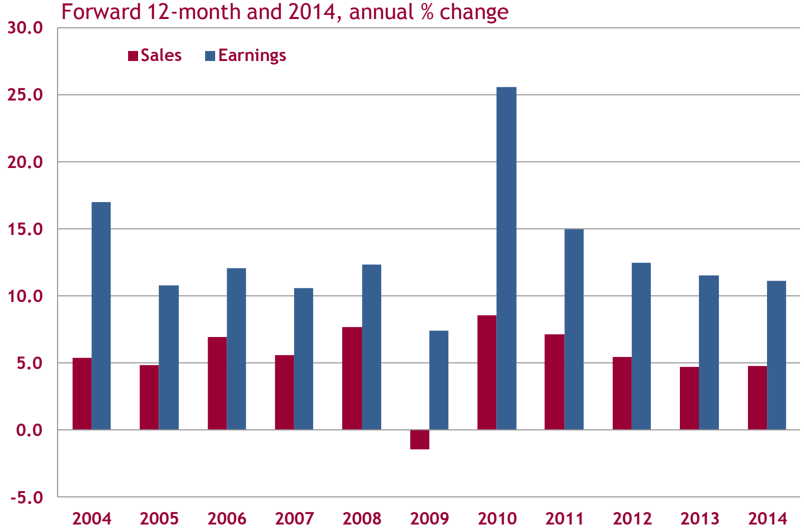
Price-to-Book
MSCI World

Sources: Hexavest, Datastream

VALUATION
ARE ANALYSTS TOO OPTIMISTIC AGAIN THIS YEAR?

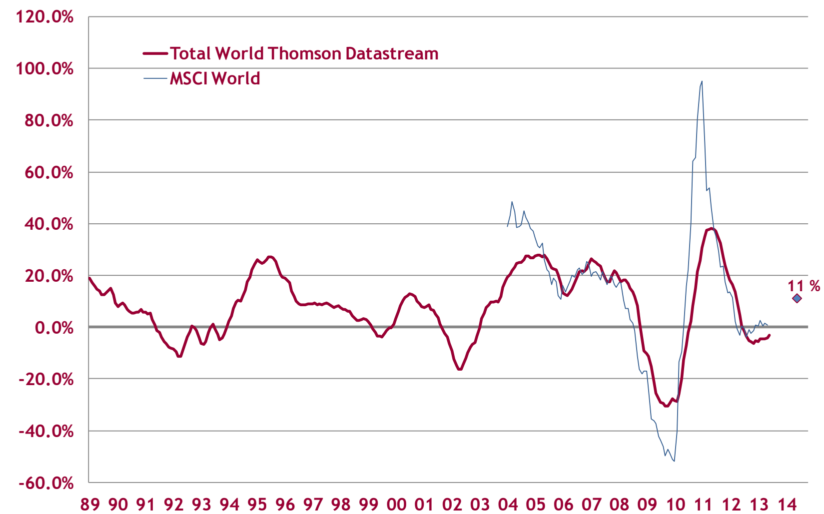
— Analysts' earnings expectations for the coming 12 months remain too high in our view: global sales should grow by a modest 4.5%, but profits should rebound by 11% (from about 0% in 2012). Analysts had a similar view one year ago, but it turned out to be too optimistic.

Expected Earnings and Sales Growth
Forward 12-month and 2014, annual % change



Sources: Hexavest, IBES, Datastream

Trailing Earnings Growth
World, annual % change



Sources: Hexavest, Datastream, MSCI

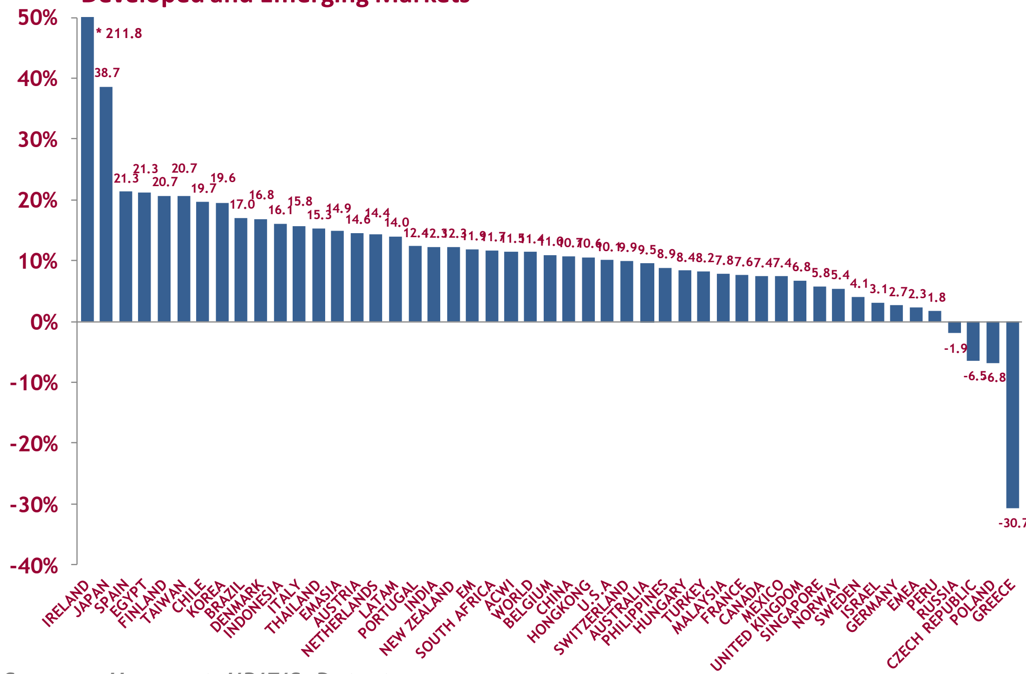
VALUATION

ARE ANALYSTS TOO OPTIMISTIC AGAIN THIS YEAR?

- According to analysts' expectations, Japan should enjoy a sharp rebound of 38% from last year's contraction of -20%, while European earnings should grow by 8%, also after a contraction of earnings in 2012 (-3%).
- Earnings growth forecasts for the US and emerging markets are at 10% and 12% respectively. Both forecasts were similar one year ago. Only US companies almost met expectations with an 8% growth rate last year.

Expected 12M Earnings Growth

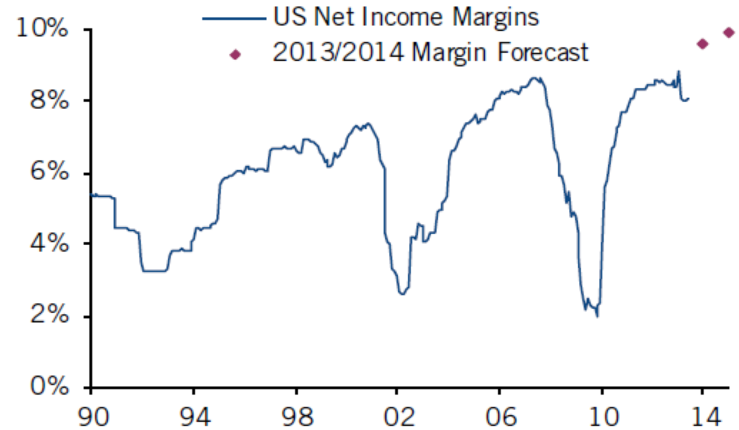
Developed and Emerging Markets



Sources : Hexavest, I/B/E/S, Datastream

– In the US, profit margins are already at record highs, but according to analysts' expectations (10% earnings growth, 4% sales growth), they will go even higher.

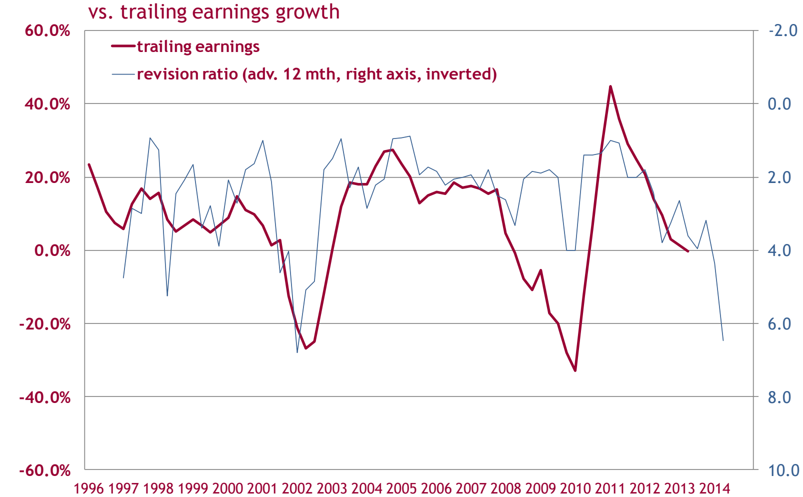
US INCOME MARGINS



Sources: State Street Global Markets, Thomson Datastream

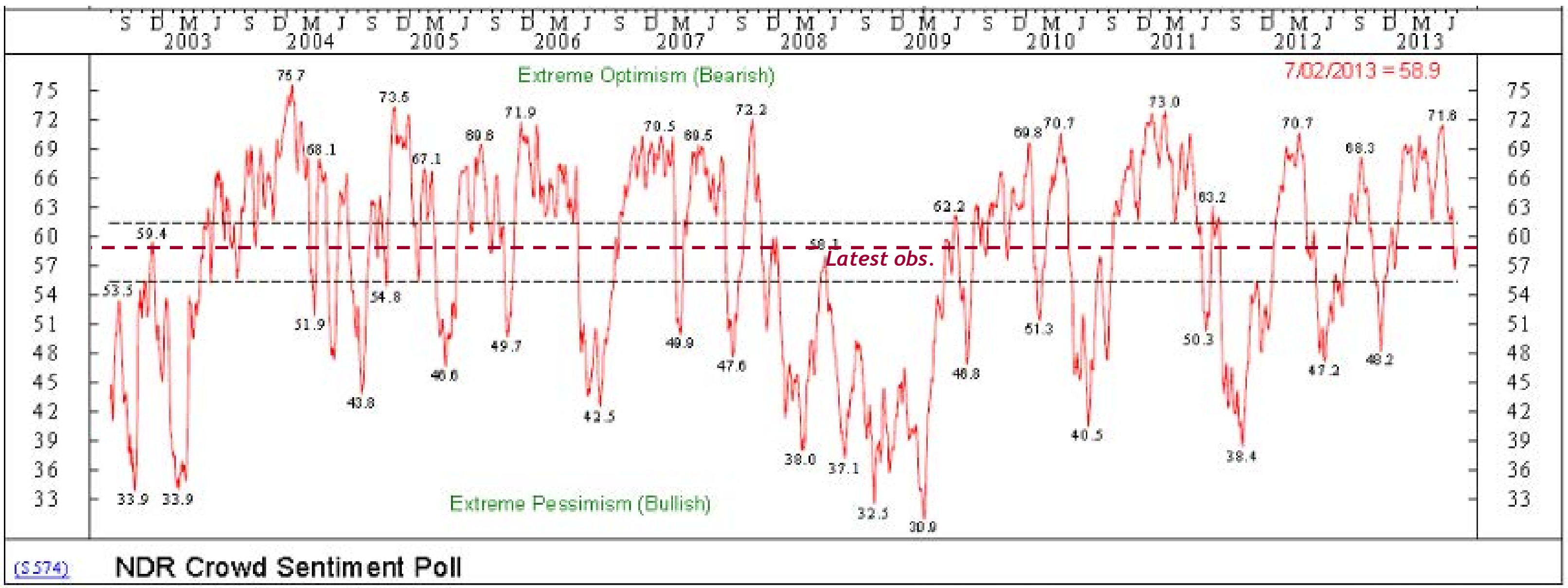
– This scenario is not consistent with companies' earnings guidance: the negative-to-positive pre-announcement ratio has hit its highest point in almost 20 years in March, suggesting a contraction of earnings in the next 12 months.

Ratio of Negative/Positive Preannouncements - US
vs. trailing earnings growth



Soures: Hexavest, Datastream

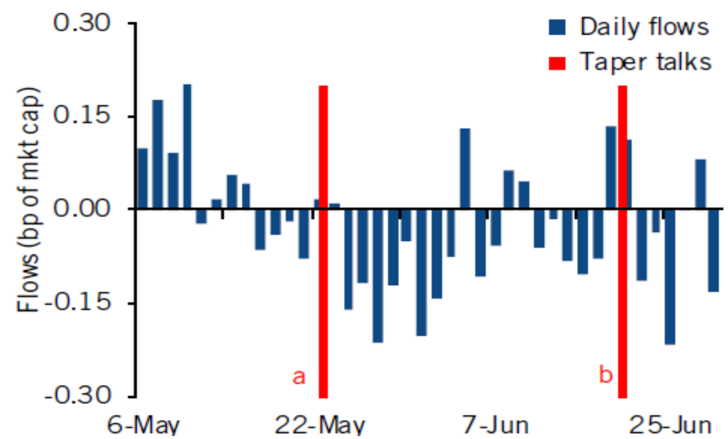
– The Ned Davis Sentiment Index, a composite that synthesizes results from different surveys and sentiment indicators, has entered the “extreme optimism zone” in Q1 2013 but has gone back to a more normal level at the end of the second quarter.



S&P500 Gain/Annum When: 12/01/1995 - 7/02/2013		
NDR Crowd Sentiment Poll is:	Gain/ Annum	% of Time
Above 61.5	1.9	38.9
* Between 55.5 and 61.5	5.9	21.0
55.5 and Below	9.5	40.1

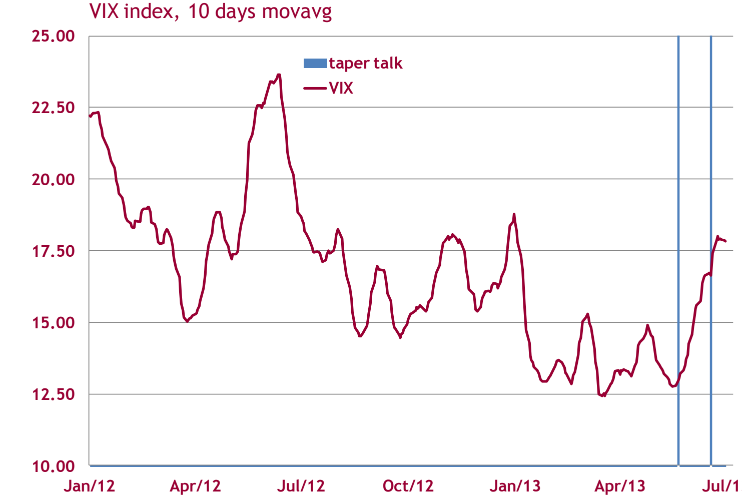
- The flood of liquidity that has fed financial markets over the past four years may pause, at least in the short run.
- The Fed has tried to pave the way to its liquidity removal in Q2, but it quickly eased its tone after it triggered a selloff of riskier bonds and induced higher volatility in financial markets.
- Meanwhile, China's banking liquidity issues added fuel to the fire. The PBOC clearly wants to rein in credit risks with tighter rules.
- We believe that the costs of continued liquidity expansion might have reached the level where they start to exceed the benefits, at least from the perspective of policy makers. This is of particular concern as the mere possibility of liquidity removal was a major headwind for financial markets recently.

TAPER TALK HAS RESULTED IN WEAKNESS IN EQUITY FLOWS



Sources: State Street Global Markets
a: Chairman Bernanke testimony 22nd May, b: FOMC 19th June

Volatility - US Equity Market vs. Taper Talk
VIX index, 10 days movavg



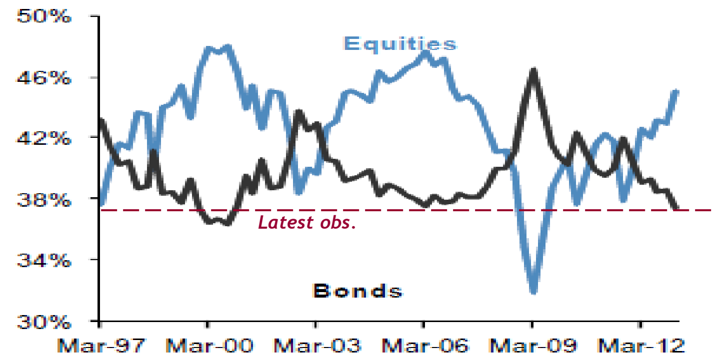
Sources: Hexavest, Datastream

SENTIMENT

THE GREAT RISK ROTATION MAY BE OVER

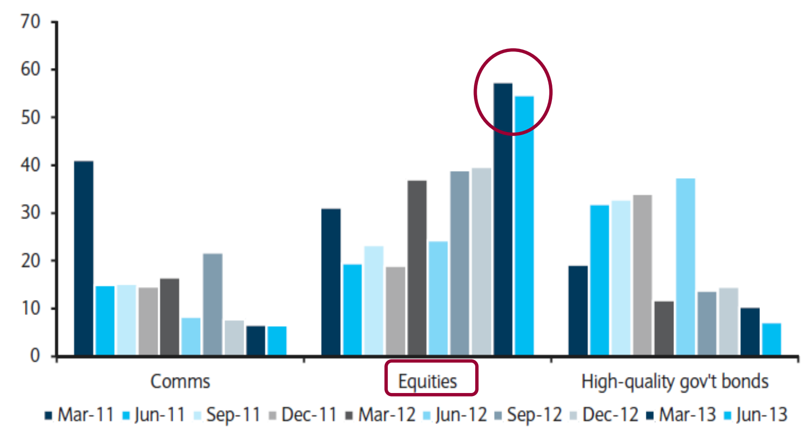
- The “great risk rotation” trade – which implies that investors will move from government bonds with record low interest rates to riskier assets with better future returns – was one of the favorite ways to rationalize the risky asset rally of the last years. We think it is now mostly behind us and that it will not be supportive going forward.
- Fund managers’ allocation to bonds is at its lowest point since the tech bubble. Allocation to equities is near record highs.

US PENSION FUNDS AND INSURANCE COMPANIES’ ALLOCATION TO BONDS AND EQUITIES AS % OF TOTAL ASSETS
Latest obs.: Q1 2013



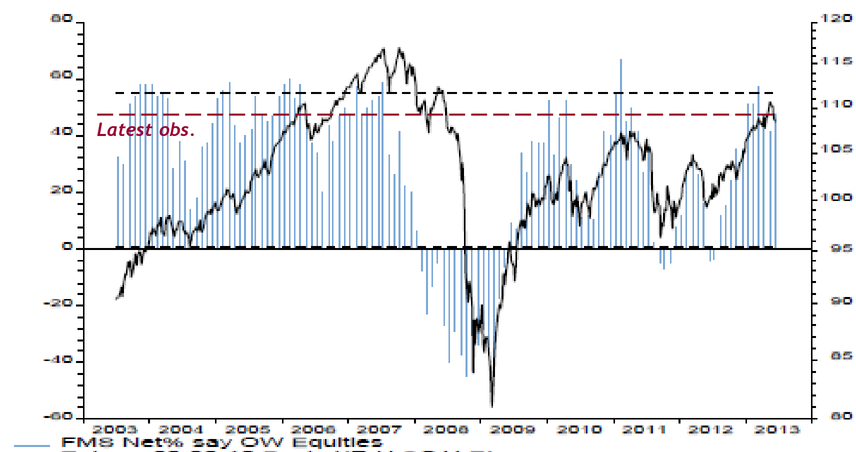
Sources: US Flow of Funds, J.P. Morgan

GLOBAL INVESTORS EXPECT EQUITIES TO PROVIDE THE BEST RETURN IN THE NEXT THREE MONTHS



Source: Barclays Research

ALLOCATION TO EQUITIES
FUND MANAGER SURVEY

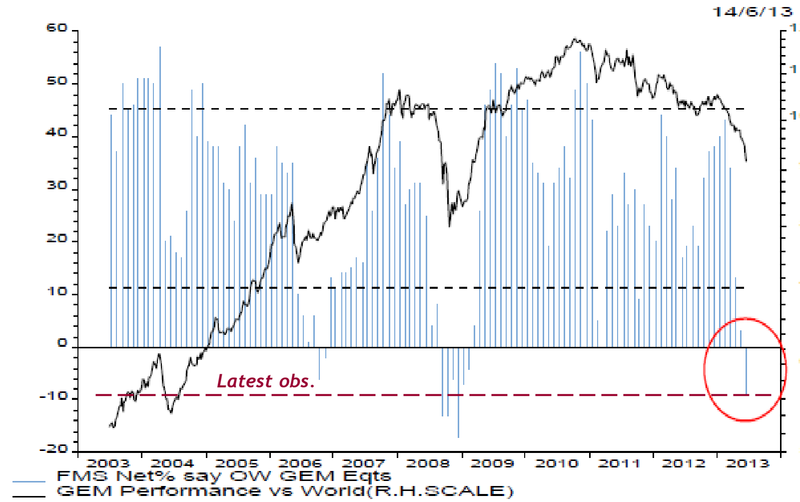


Source: BofA Merrill Lynch Fund Manager Survey

SENTIMENT
MANAGERS ARE RUNNING AWAY FROM EMs

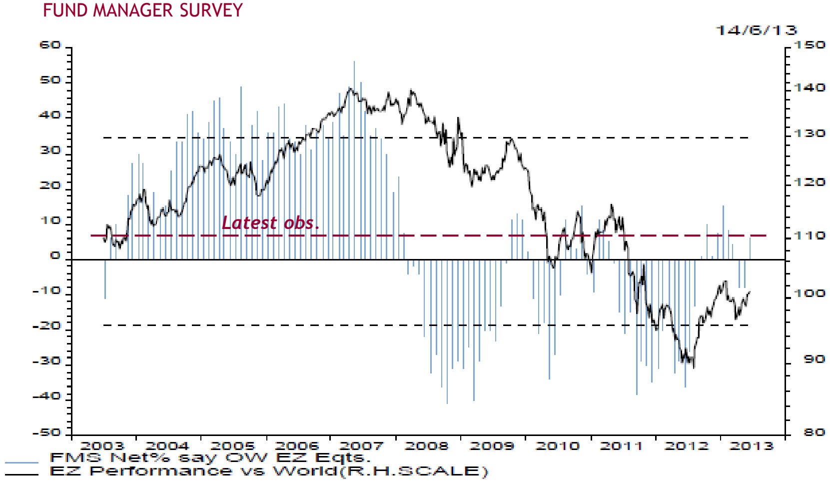
- Fund managers have turned extremely pessimistic on emerging market equities in the second quarter. In June, their allocation was as low as it was during the financial crisis.
- They are as pessimistic on commodities, which is an interesting contrarian indicator for us.
- On the other hand, managers really like cyclicals other than commodities.
- They are clearly overweight US and Japan equities but more hesitant about Europe, which is consistent with the complexity of the regional problems and the lack of visibility.

ALLOCATION TO EMERGING MARKET EQUITIES
FUND MANAGER SURVEY



Source: BofA Merrill Lynch Fund Manager Survey

ALLOCATION TO EUROZONE EQUITIES
FUND MANAGER SURVEY



Source: BofA Merrill Lynch Fund Manager Survey

ALLOCATION TO GLOBAL CONSUMER DISCRETIONARY
FUND MANAGER SURVEY

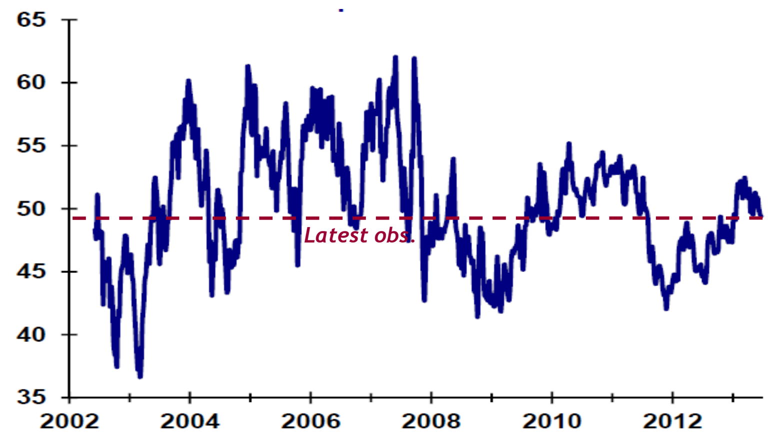
Source: BofA Merrill Lynch Fund Manager Survey

SENTIMENT
INSIDERS ARE SELLING

— Hedge fund managers are less eager to buy equities than they were in the first quarter. Their net exposure to equities seems about normal in Q2, showing no sign of strong conviction.

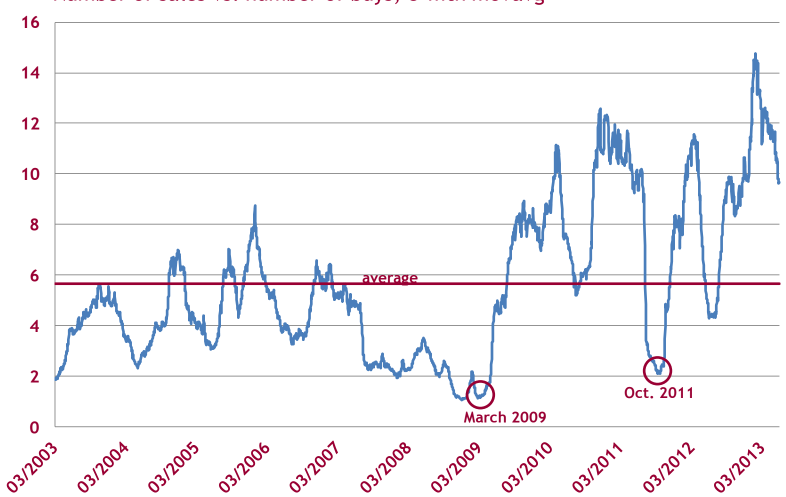
— Within companies, the message is clearer: insiders are selling. Even if there were more sellers in Q1, the sell/buy ratio remained very high in Q2. This is consistent with the negative guidance announced by companies recently.

ISI HEDGE FUND SURVEY: EQUITIES
Net exposure - June 19 = 49.4



Source: ISI

Insiders Sell / Buy Ratio
Number of sales vs. number of buys, 3-mth movavg

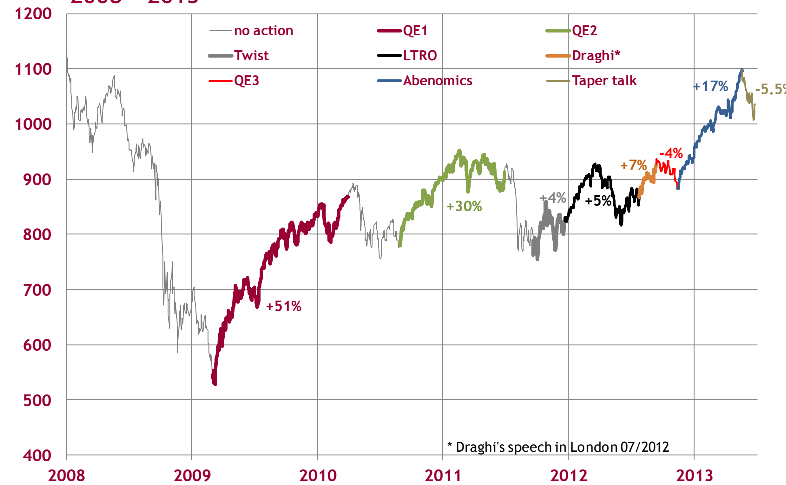


Sources: Hexavest, Pavilion, Bloomberg

SENTIMENT
INVESTORS ARE RESPONSIVE AGAIN

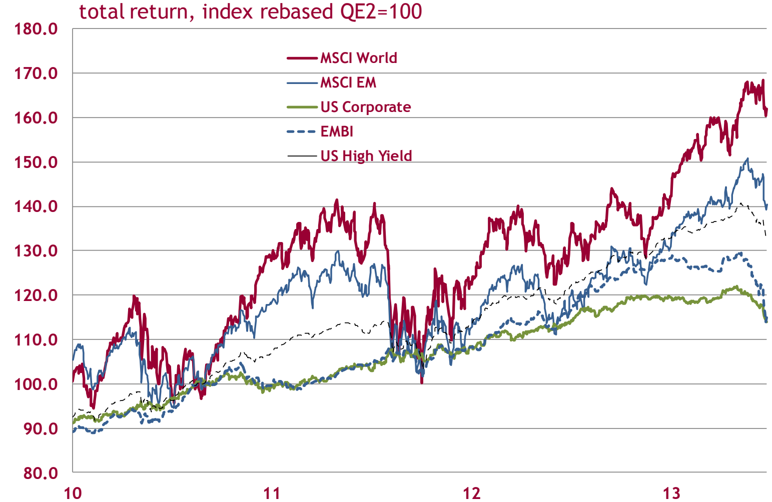
- Until Japan stepped in more forcefully at the end of last year with a massive QE program, central banks' actions were clearly having a diminishing impact on investors' behavior.
- Surprisingly, at the end of May 2013, the Fed's allusion to an eventual QE tapering was a shocker for market participants.
- Some risky asset classes began to deflate following the "taper talks". Emerging market bonds' (EMBI) prices fell sharply (-8%) and emerging market equities have lost 10% in USD between May 22 and the end of June.
- Developed markets' asset classes did not suffer as much: corporate bonds decreased by about 4%, while equities declined by 5.5%: this is far from being a significant correction.

MSCI World vs. Central Banks Policy Actions
2008 - 2013



Sources: Hexavest, Datastream

Risky Assets Return
total return, index rebased QE2=100



Sources: Hexavest, Datastream

CONCLUSION

	Macroeconomic environment	Valuation	Sentiment
December 31, 2012	--	-	--
March 31, 2013	--	-	---
June 30, 2013	**--**	**-**	**--**

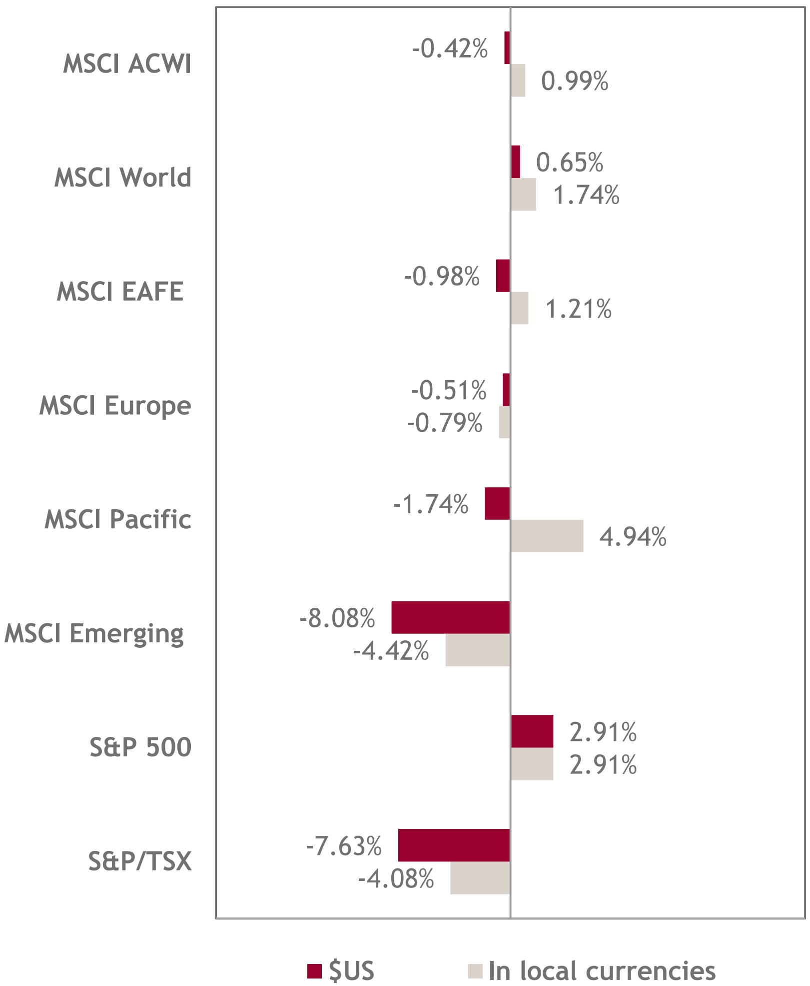
- Macroeconomic environment: The U.S. economy is stronger than we had anticipated despite the sequester and recent tax hikes. The housing market, the anchor of the recovery, is continuing to improve and this is having a positive impact on households' wealth, consumer confidence, and consumer spending. We do believe current conditions warrant a tapering of QE in the second half of 2013. However, we do not think that the recovery will be strong enough for the Fed to stop printing money anytime soon. Elsewhere in the world, conditions remain challenging. The European economy is still contracting, although at a slower pace, and emerging markets are slowing down rapidly. Japan is improving following a massive currency debasement, but most of its gains are at the expense of other countries. We did not change our assessment of the macroeconomic environment vector, which stands at a double negative (--).
- Valuation of financial markets: Our internal valuation index shows that the MSCI World is inching closer to the "severely overvalued" zone at the end of June. However, on a relative basis, the equity market is still valued favorably relative to the bond market. Emerging markets are also looking increasingly attractive, trading at a significant discount to developed markets. We are still concerned by earnings growth expectations, which we believe are way too optimistic. We are maintaining our rating of the valuation vector at a single negative (-).
- Sentiment of investors: The stock market is higher than it was at the end of March and the recent correction seems to be perceived by many investors as a buying opportunity. Rising rates have caused more volatility recently but many strategists think that rates are rising for the "right reason": because the economy is improving. Once investors realize that, some say, stock markets will resume their upward trend. We're not so convinced. Surveys of institutional investors, hedge funds, and retail investors also generally indicate positive sentiment on equities, apart from emerging market equities which are still shunned by many. In short, we remain very concerned by the level of optimism toward stock markets, but risk appetite has slightly abated during the second quarter. As a result, our contrarian assessment of the sentiment vector went from triple (---) to double negative (--).
- Up until recently, liquidity seemed to be the most important driver of stock market performance, leading us to tactically reduce the extent of our defensive bias during the second quarter. However, with U.S. real interest rates now back in positive territory for the first time in two years, markets should start taking fundamental factors into consideration again and, consequently, we have come back to a more defensive stance in our portfolios. This was mainly achieved by increasing the cash level.

Source: Hexavest as of 6/30/2013.

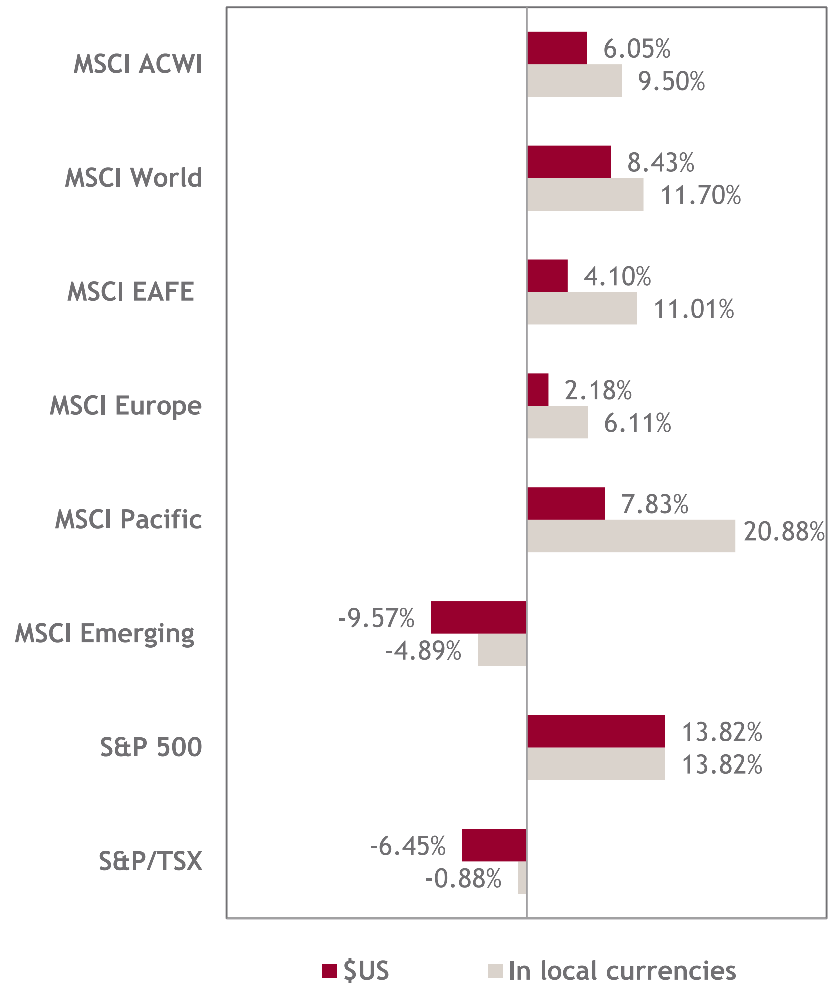
SUPPLEMENTAL INFORMATION

MARKET OVERVIEW
PERFORMANCE OF MAIN INDICES

Q2 2013



2013 TO DATE
(AS OF JUN. 30)

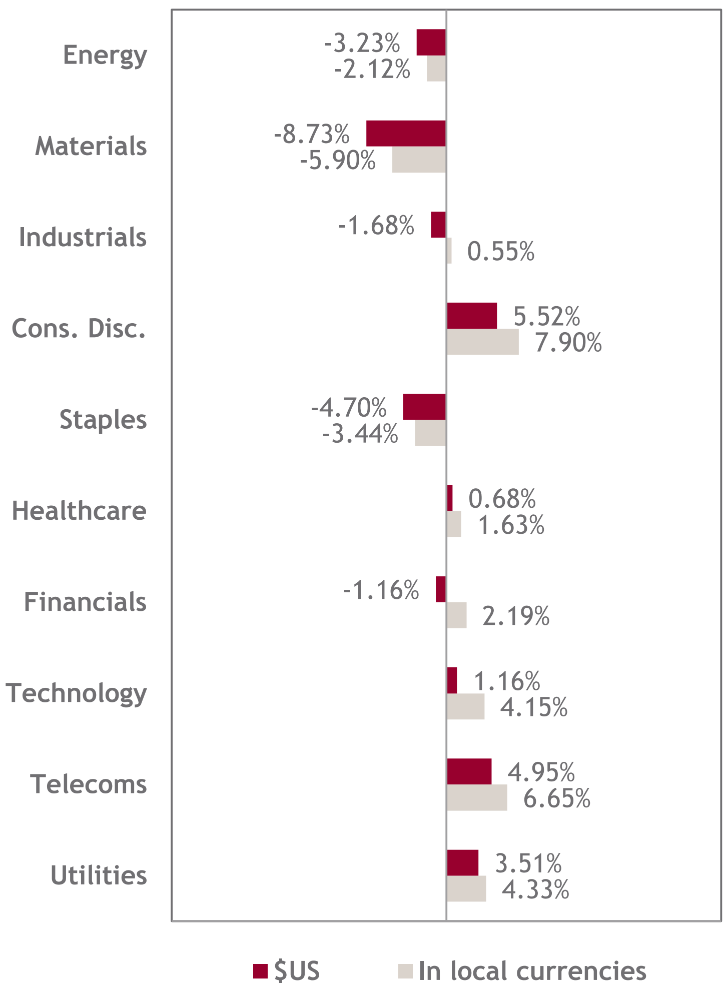


Source: MSCI and S&P

MARKET OVERVIEW

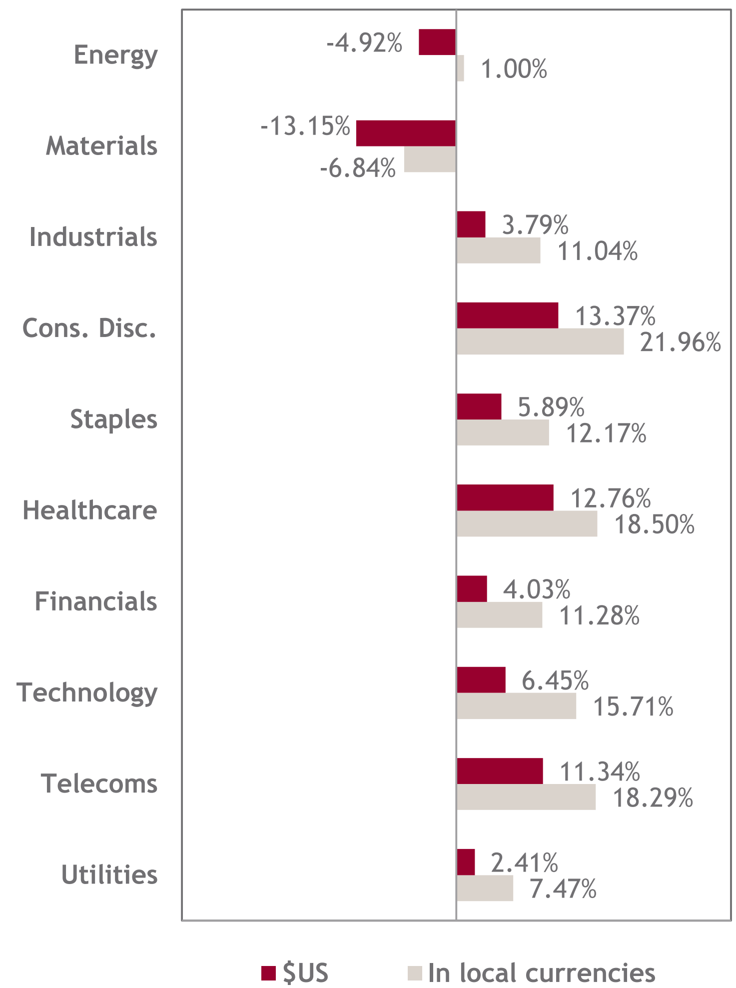
SECTOR PERFORMANCE (MSCI EAFE NET)

Q2 2013



2013 TO DATE

(AS OF JUN. 30)



Source: MSCI

CLIENT GAINS AND LOSSES
DEFINED BENEFIT PLANS – LAST 2 YEARS

- International Equity (EAFE, World ex-US)
  - 4 clients gained ($215 M)
  - 3 clients lost ($35 M)
    - Client lost following a change in consultant/restructuring of portfolio
    - Client lost because of the termination of the pension plan following the company's bankruptcy
    - Client lost because Hexavest is no longer considered an emerging manager (mandate was on emerging manager platform)
- Global Equity (World, ACWI)
  - 34 clients gained ($2,793 M)
  - 5 clients lost ($132 M)
    - 2 clients lost after their pension plan was terminated (company bankruptcy/restructuring)
    - 2 clients decided to switch from active management to indexing
    - Client decided to use a multi-manager platform instead of single managers
- Emerging Markets Equity
  - 1 client gained ($3 M)
  - No clients lost
- Canadian Equity
  - 7 clients gained ($553 M)
  - No clients lost
- European Equity
  - 1 client gained ($2 M)
  - No clients lost
- Tactical Asset Allocation/Global Macro
  - 1 client gained ($1 M)
  - No clients lost

RISK CONTROLS

- Active risk is monitored and analyzed monthly by our risk committee
  - The Barra GEM2L model is used to calculate active risk
  - Historically, ex-ante active risk has been in the 3% to 5% range

- Pre-trade compliance system
  - All investment policy constraints are programmed in our compliance system
  - Each transaction must be approved by the system before being sent to the broker

- Monitoring
  - The CCO receives a daily report and ensures that all investment policies are duly respected
  - Impromptu verifications of investment policy programming performed by the Compliance Department

TEAM

Executive Management

Vital Proulx - President

Robert Brunelle - Senior Vice President

Denis Rivest - Chief Operating Officer

Michel Lajoie - Chief Compliance Officer and Vice President

Investment Team

Vital Proulx - Chief Investment Officer

Jean-René Adam - Assistant Chief Investment Officer and Vice President, North American Markets

David Cormier - Analyst, North American Markets

Frédéric Imbeault - Vice President, Asian Markets

Etienne Durocher-Dumais - Analyst, Asian Markets

Marc C. Lavoie - Vice President, European Markets

Denis Rivest - Portfolio Manager, European Markets

Christian Crête - Analyst, European Markets

Jean-Pierre Couture - Economist & Strategist, Emerging Markets

Jean-Benoit Leblanc - Portfolio Manager, Emerging Markets

Carl Bayard - Analyst, Stock Selection

Robert Brunelle - Co-Chair of the Investment Committee

Nadia Cesaratto - Co-Chair of the Investment Committee

Quantitative Analysis & Information Technology

Jean-François Bérubé - Vice President

Marc Veilleux - Vice President

Jean-René Guilbault - Quantitative Analyst

Christian Huppé - Data Analyst

Dominique St-Amand - Programmer Analyst

Nelson Cabral - Programmer Analyst

Alexandre Bériault - Programmer Analyst

Client Services & Business Development

Robert Brunelle - Senior Vice President

Nadia Cesaratto - Vice President

Francis Chartier - Vice President

Jo-Annie Pinto - Director

Stella Parlati - Analyst

Jeffrey A. Davies - Coordinator

Jean-François Naud - Coordinator

Evelyne Collette - Administrative Assistant

Compliance & Legal

Michel Lajoie - Chief Compliance Officer and Vice President

Christina Milonopoulos - Advisor

Lucie Kouyoumijian - Advisor

Sabrina Lacroix - Analyst

Operations & Administration

Denis Rivest - Chief Operating Officer

Charles Gagné - Vice President

Trading

Éric St-Onge - Head Trader

Rashmikant Patel - Trader

Middle Office

Véronique Marchetti - Analyst

James Cahill - Analyst

Sylvain Desrosiers - Analyst

Julien Tousignant - Analyst, Economy

Back Office

Viviane Bourdages - Analyst

Joseph Étienne Jr - Analyst

Laurence Noël - Analyst

Danny Lalonde - Analyst

Accounting & Administration

Lucille Léonard - Director, Accounting

Micheline Cantin - Receptionist

IT Network

Jean-Luc Guay - Network Administrator

As of 6/30/2013

GIPS® COMPLIANCE REPORT

EAFE Composite
(US dollars)

Year	Composite gross return (%)	Benchmark return (%)	Composite 3-yr standard deviation	Benchmark 3-yr standard deviation	Number of portfolios at end of period	Composite dispersion (%)	Total assets at end of period	Percentage of firm assets
1992	-7.52	-12.17	-	-	5	0.20	5,648,517	53.0
1993	31.97	32.56	-	-	5	0.33	7,615,661	56.2
1994	5.34	7.78	13.10	15.66	9	0.07	9,511,417	47.4
1995	12.26	11.21	10.79	14.58	8	0.01	14,945,245	67.3
1996	12.14	6.05	7.94	11.03	6	0.26	9,526,557	65.4
1997	0.58	1.78	10.58	12.27	7	-	15,178,462	82.5
1998	18.70	20.00	14.17	14.97	6	-	180,040,902	97.9
1999	28.79	26.96	15.67	16.14	< 5	-	208,189,498	97.5
2000	-11.19	-14.17	15.44	15.98	< 5	-	263,896,610	98.1
2001	-17.52	-21.44	14.56	15.39	< 5	-	348,693,889	98.6
2002	-6.11	-15.94	14.76	16.25	< 5	-	416,252,088	98.7
2003	48.11	38.59	16.01	18.06	< 5	-	597,293,712	91.7
2004	21.08	20.25	13.89	15.65	< 5	-	198,599,508	79.5
2005	14.21	13.54	10.94	11.56	< 5	-	290,260,102	60.0
2006	20.35	26.34	9.45	9.47	< 5	-	416,219,563	47.3
2007	8.94	11.17	8.67	9.56	< 5	-	491,241,302	48.0
2008	-31.91	-43.38	15.27	19.51	< 5	-	294,438,053	36.8
2009	31.17	31.78	21.99	23.91	< 5	-	490,905,466	26.5
2010	6.40	7.75	24.30	26.61	6	-	850,455,546	14.8
2011	-8.74	-12.14	22.15	22.75	7	0.41	1,138,383,599	12.2
2012	**14.47**	**17.32**	**16.51**	**19.65**	**8**	**0.48**	**1,502,463,624**	**10.9**

Hexavest Inc. ("Hexavest") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Hexavest has been independently verified for the periods January 1, 1992 through December 31, 2012.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The EAFE Composite has been examined for the period January 1, 1992, through December 31, 2012.

EAFE Composite (cont'd)
(US dollars)

Notes:

1. Hexavest is an investment management firm established in April 2004. Hexavest manages a variety of equity and tactical asset allocation mandates for primarily institutional clients located in Canada, the US, Europe, and Asia.

2. The performance shown is that of a composite of EAFE equity mandates managed by Mr. Vital Proulx and his team at Hexavest (from June 2004 onwards), NATCAN Investment Management (from 1998 to May 2004), Kogeva Investments (from 1997 to 1998) and St. Lawrence Financial Consultants (from 1991 to 1996). Despite changes in the corporate environment, the investment decision-making process has not undergone significant changes since 1991.

3. The EAFE Composite (formerly known as the Europac Composite) includes portfolios that invest primarily in equities of companies located in the developed markets of Europe and Asia. Hexavest uses an investment approach that is predominantly 'top-down' to construct diversified portfolios that typically contain more than 200 stocks. Asset allocation between regions, countries, currencies, and sectors can deviate substantially from that of the benchmark. Some portfolios may invest a small portion of their assets in countries and currencies not included in the benchmark.

4. The composite uses derivatives but does not use leverage. Currency forward contracts are frequently used in the composite to allow the investment team to manage currency exposure actively. Equity futures may be used in some portfolios to enable changes in the team's macroeconomic strategy to be efficiently and cost-effectively implemented, as well as to manage cash flows. Although Hexavest will rarely use options and other derivatives, such instruments may at times be included in certain portfolios when the investment team believes that such a strategy will add significant value or will reduce risk.

5. The benchmark is the MSCI EAFE Net Index. On January 1, 2006, the benchmark was changed from the MSCI EAFE to the MSCI EAFE Net Index. The MSCI EAFE Net Index takes into consideration withholding taxes paid on foreign investments and represents a better comparison for Hexavest's composite, for which the return is net of withholding taxes. The new benchmark returns have been applied retroactively. The annualized compound composite return from May 1991 (inception of composite) to December 2012 equals 7.52%; the annualized compound benchmark return for the same period equals 5.14%.

6. Performance results are presented gross of management fees but net of trading expenses. Custody fees and other operating expenses are deducted from the returns of the pooled funds included in the composite, but not from the returns of separately managed accounts.

   From May 1991 to December 2008, pooled funds represented 100% of composite assets and operating expenses averaged 0.27% annually. Starting in 2009, pooled funds represent less than 100% of composite assets as detailed below:

Year-end	*Europac Fund % (of composite assets)*	*Europac Fund operating expenses*	*EAFE Equity Fund % (of composite assets)*	*EAFE Equity Fund operating expenses*
2009	59%	0.11%	3%	0.20%
2010	40%	0.10%	9%	0.11%
2011	28%	0.08%	21%	0.16%
2012	27%	0.03%	25%	0.10%

   The firm's published management fee schedule for pooled funds is as follows:

0–$10,000,000	0.60%
$10,000,000–$40,000,000	0.50%
$40,000,000 and above	0.40%

   The firm's published management fee schedule for separately managed accounts is as follows:

0–$20,000,000	0.70%
$20,000,000–$50,000,000	0.60%
$50,000,000–$100,000,000	0.50%
$100,000,000–$200,000,000	0.40%
$200,000,000 and above	0.30%

   Fee levels may vary from client to client depending on the portfolio size and the ability of the client to negotiate fees.

7. Valuations and returns are computed and stated in US dollars. From January 1, 1992 to December 31, 2012, monthly composite returns have been used. Accordingly, annual composite returns were calculated by linking geometrically the monthly returns. All returns are presented on an all-inclusive basis, and, as such, all capital gains, interest income, and dividends, net of withholding taxes, have been taken into account in market valuations and returns.

8. When there are five or more portfolios in the composite for a full calendar year, the dispersion of annual returns is measured by the standard deviation across asset-weighted portfolio returns represented within the composite for the full year. Given the change in firm structure in 1997 (please refer to note 2), only one account was present for the whole year. Furthermore, all accounts were aggregated in a single commingled fund in October 1998. Therefore, dispersion was not calculated for 1997 and 1998.

9. The three-year annualized standard deviation measures the variability of the composite and the benchmark monthly returns over the preceding 36-month period. The standard deviation is not presented for 1992 and 1993 because the composite had less than 36 months of performance history.

10. This composite was created on December 31, 2003. As the portfolios were in existence prior to the composite creation date, it is possible to calculate the composite history in accordance with GIPS.

11. The minimum portfolio size for the composite is CA$1,100,000.

12. A complete list of firm composites, performance results and additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations is available upon request at: Hexavest Inc., 1250, René-Lévesque Blvd. West, Suite 4200, Montréal (Québec), H3B 4W8, (514) 390-8484.

CONTACT INFORMATION

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INVESTMENT
REVIEW

Walter Scott
Global Investment Management

PRIVATE & CONFIDENTIAL

International Equity Presentation for Ventura County Employees Retirement Association

15 July 2013

A BNY MELLON COMPANY℠

Authorised and regulated by the Financial Conduct Authority

Overview

As of 31 March 2013

Global equity manager

Founded in 1983

Based in Edinburgh, Scotland

$63.7 billion under management

~ 100 staff

Walter Scott & Partners Limited, One Charlotte Square, Edinburgh EH2 4DR
Tel: +44 (0)131 225 1357   Fax: +44 (0)131 225 7997
Registered in Scotland: 93685.

Walter Scott
Global Investment Management

Investment team

Staff	38 investment professionals in one location
Training	Home grown bias, two year apprenticeship
Structure	All members of global team, structured in three regional groups
Tenure	Senior staff average 20 years with firm, 21 years in industry
Outcome	Breadth and depth of knowledge and expertise

Bound together by the firm's consistent philosophy, process and culture

Walter Scott
Global Investment Management

Investment philosophy

Statement	Company wealth generation drives investor return
Approach	Bottom-up, fundamental, research driven
Objective	Real returns over the long term
Target	Companies capable of sustainable wealth generation

‘Buy and hold’ strategy requires patience

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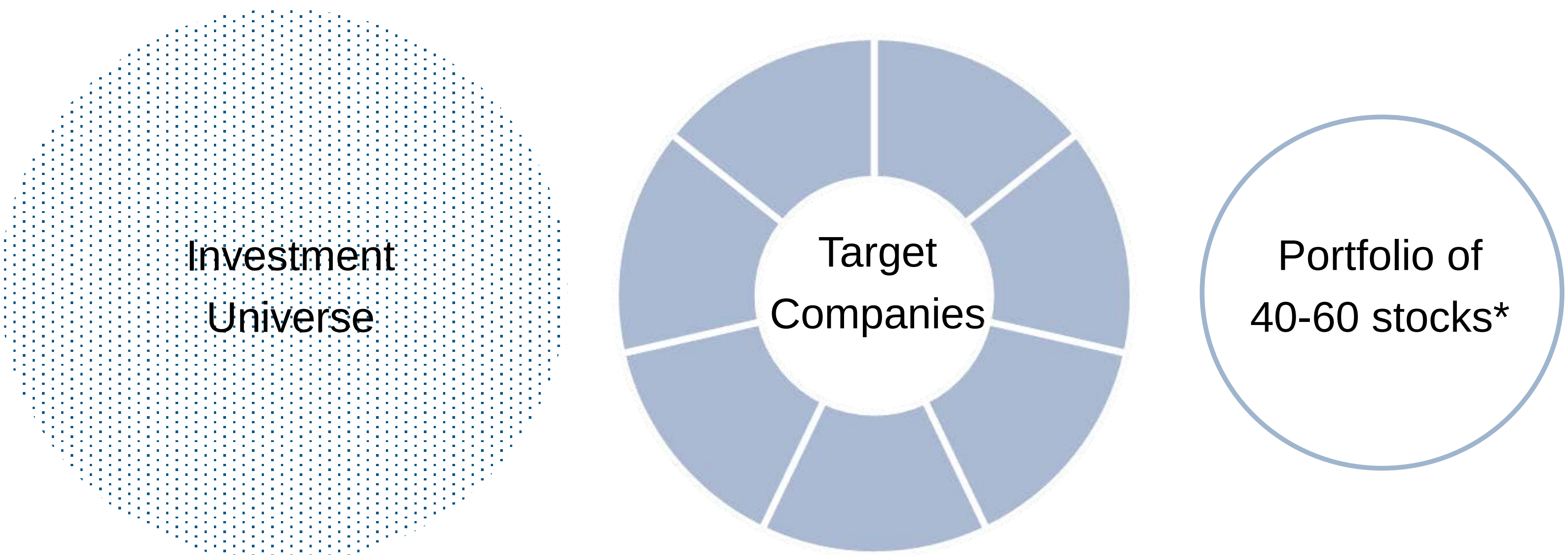
Global Investment Management

Research process



Research companies capable of 20% wealth generation per annum	Intensive financial analysis	Unanimous team decision
	Seven areas of investigation	Valuation

*Global, EAFE and regional portfolios typically hold between 40-60 stocks while Emerging Market portfolios can hold up to 100 stocks.

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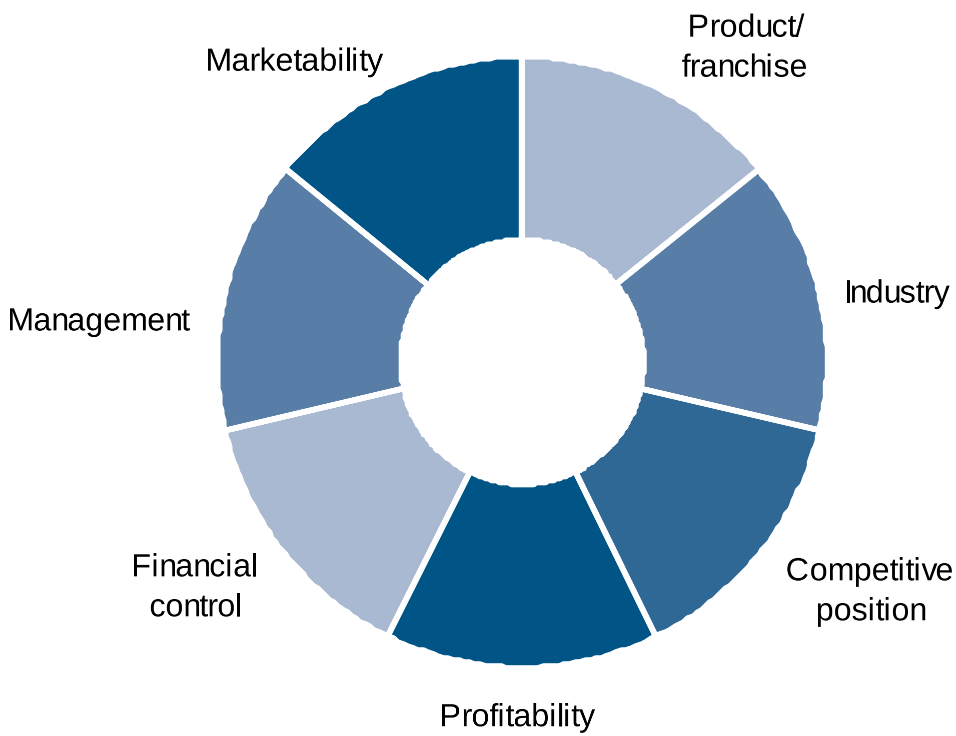
Global Investment Management

Seven areas of investigation



- Market position, sustainable margins
- Competitive structure, industry dynamics
- Control of destiny
- Cash flow, cash return on investment
- Accounting, balance sheet, working capital
- Experience, track record
- Free float, trading volume

Investment decision

Buy	Unanimous team decision
Sell	Single dissenter

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Global Investment Management

Sell discipline

Fundamental	Breakdown of purchase rationale
Risk control	5% single stock exposure
	Performance
	Valuation
Replacement	New idea

Performance

As of 31 May 2013

	Portfolio %	MSCI EAFE %
Simple return:		
Q1 2013	5.0	5.1
Year-to-date	4.6	7.9
One year	23.5	31.6
2012	21.6	17.3
Compound annual growth rate:		
Since inception (15 December 2010)	7.1	5.0

Source: Walter Scott, MSCI. Portfolio figures are shown gross of fees.
Please refer to the appendix for important information.

Walter Scott
Global Investment Management

Stock performance

12 months to 31 May 2013

Company	Sector	Country	Capital return %
Top five:			
Daikin Industries	Industrials	Japan	72.9
KONE Corporation	Industrials	Finland	62.7
Mitsubishi Estate	Financials	Japan	62.3
CSL	Healthcare	Australia	56.5
Inditex	Consumer discretionary	Spain	50.6
Bottom five:			
China Shenhua	Energy	China	-7.0
Fanuc	Industrials	Japan	-12.5
Canon	Information technology	Japan	-12.7
Inpex	Energy	Japan	-25.1
Hoya Corporation*	Information technology	Japan	-25.5

Source: Walter Scott, MSCI. *Sold during the period. Capital return reflects the return from the price at the start of the period to the sale price.
Please refer to the appendix for important information.

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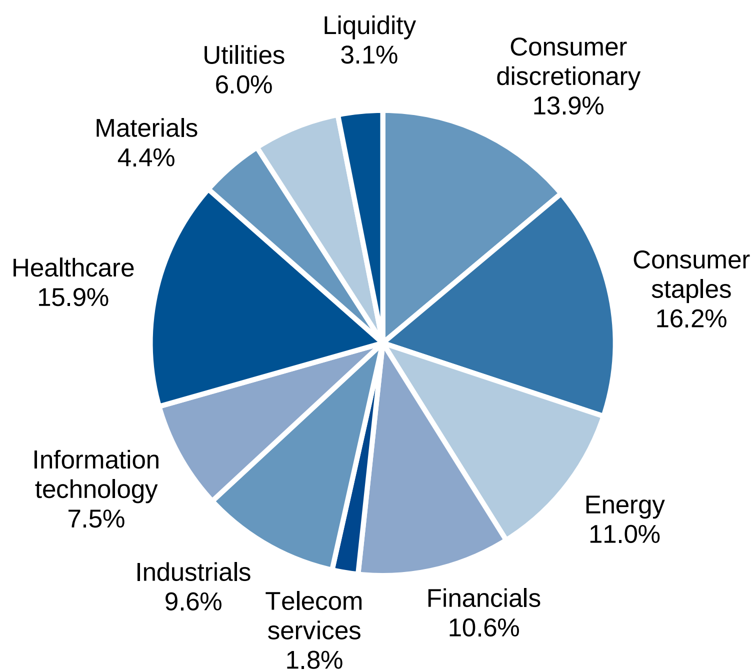
Global Investment Management

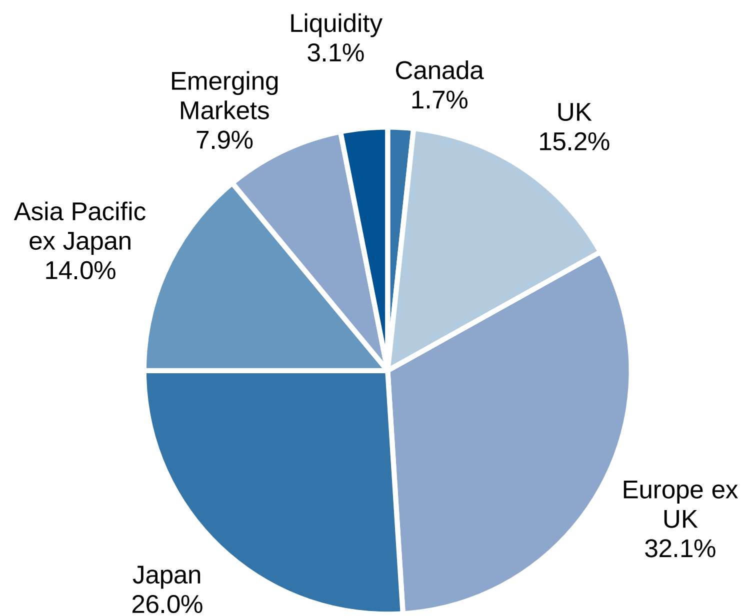
Distribution

As of 31 May 2013

Sectors



Geography



Source: Walter Scott. Sector and regional distribution are subject to change and may not be representative of future portfolio composition.
Please refer to the appendix for important information.

Walter Scott
Global Investment Management

Sector distribution

As of 31 May 2013

Sector	Portfolio %	MSCI EAFE %	Difference %
Healthcare	15.9	10.3	5.6
Consumer staples	16.2	11.8	4.4
Energy	11.0	7.1	3.9
Information technology	7.5	4.4	3.1
Consumer discretionary	13.9	11.5	2.4
Utilities	6.0	3.8	2.2
Industrials	9.6	12.5	-2.9
Telecommunication services	1.8	5.0	-3.2
Materials	4.4	8.6	-4.2
Financials	10.6	25.0	-14.4
Liquidity	3.1		3.1

Source: Walter Scott, MSCI. Sector and regional distribution are subject to change and may not be representative of future portfolio composition. Please refer to the appendix for important information.

Walter Scott
Global Investment Management

Regional distribution

As of 31 May 2013

Region	Portfolio %	MSCI EAFE %	Difference %
Emerging Markets	7.9	0.0	7.9
Japan	26.0	21.4	4.6
Canada	1.7	0.0	1.7
Asia Pacific ex Japan	14.0	13.2	0.8
Rest of World	0.0	0.5	-0.5
UK	15.2	22.1	-6.9
Europe ex UK	32.1	42.8	-10.7
Liquidity	3.1		3.1

Source: Walter Scott, MSCI. Sector and regional distribution are subject to change and may not be representative of future portfolio composition. Please refer to the appendix for important information.

Walter Scott
Global Investment Management

Top ten holdings

As of 31 May 2013

Company	Sector	Country
Adidas	Consumer discretionary	Germany
L'Oreal	Consumer staples	France
Essilor International	Healthcare	France
Reckitt Benckiser	Consumer staples	United Kingdom
Novartis	Healthcare	Switzerland
Denso	Consumer discretionary	Japan
Daikin Industries	Industrials	Japan
Novo Nordisk	Healthcare	Denmark
DBS Group Holdings	Financials	Singapore
Inditex	Consumer discretionary	Spain

The table shows the top ten holdings by weight in the portfolio.
Source: Walter Scott.
Please refer to the appendix for important information.

Activity

Twelve months to 31 May 2013

Purchases	Sales
Air Liquide	Hoya Corporation
Compass Group	Morrison Supermarkets
Komatsu	Vallourec
Roche	

Source: Walter Scott.
Please refer to the appendix for important information.

Walter Scott
Global Investment Management

Characteristics

As of 31 May 2013

	Portfolio	MSCI EAFE
Turnover (12 months to 31 March 2013)	3.0%	n/a
Number of securities	52	907
Return on equity	17.4%	9.8%
Five year annualised EPS growth	2.5%	-6.7%
Price to earnings ratio	26.2x	16.3x

Source: Walter Scott, MSCI.
Please refer to the appendix for important information.

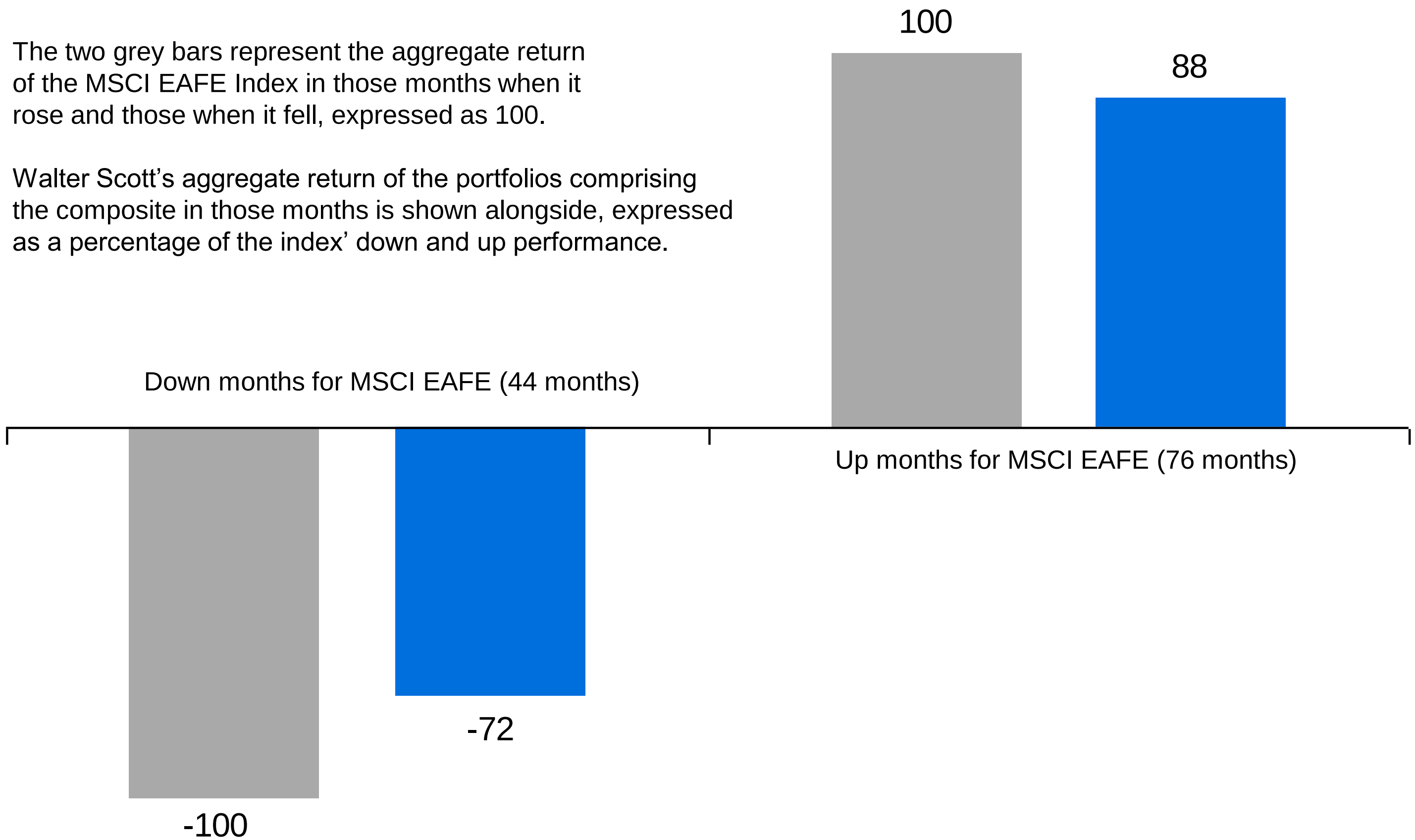
Walter Scott
Global Investment Management

International equities capture ratios

Ten years to 31 March 2013

The two grey bars represent the aggregate return of the MSCI EAFE Index in those months when it rose and those when it fell, expressed as 100.

Walter Scott's aggregate return of the portfolios comprising the composite in those months is shown alongside, expressed as a percentage of the index' down and up performance.



Source: Walter Scott, MSCI
Please refer to the appendix for important information.

Walter Scott
Global Investment Management

Appendix

1. DEFINITION OF FIRM

Walter Scott & Partners Limited ("Walter Scott") is an investment management firm authorized and regulated in the United Kingdom by the Financial Conduct Authority in the conduct of investment business. Walter Scott is a wholly-owned subsidiary of The Bank of New York Mellon Corporation. Walter Scott is responsible for portfolios managed on behalf of pension plans, endowments and similar institutional investors. Total assets under management were US$63.7 billion as at 31 March 2013.

2. EXPLANATORY NOTES

2.1 Explanatory Notes

Composite figures in this presentation are extracted from one or more of the composites reports prepared by Walter Scott in compliance with the Global Investment Performance Standards (GIPS). The effective date of compliance of the Firm with the GIPS standards is 1 January 1994. The firm's Global, EAFE, Europe and Pacific Rim composites were first created in 1989. A complete list and description of composites is available on request.

2.2 Calculation Methodology

Details specific to performance and composite calculations are set out below. Composites, which are expressed in US$ terms or other currencies as indicated, comprise all fee-paying, fully discretionary portfolios managed by Walter Scott within each investment strategy. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available on request.

(a) Unless otherwise stated, performance results are calculated gross of investment management fees. The fee schedule is detailed below. Performance results net of fees are available on request.

(b) Performance results are calculated on a total return basis and include all portfolio income, unrealized and realized capital gains, contributions and withdrawals and are geometrically linked. Cash and cash equivalents are included in total portfolio assets and in the return calculations. Trade date accounting is used for valuations. For periods less than one year, rates of return are not annualized.

(c) The composite shown is an aggregation of funds representing a similar investment strategy. Composites are size-weighted using beginning of period values to weight portfolio returns. There is no minimum asset size below which portfolios are excluded from a composite. Accounts are included in a composite beginning with the first full month of performance and until the month immediately prior to termination of an account.

(d) The Walter Scott US composite/representative return series consisted of a single US equity portfolio from April 2000 until November 2003 and from January 2007 has consisted of one or more US equity portfolios. GIPS compliance is claimed for these periods. Prior to April 2000 and between November 2003 and January 2007 the return data is the US equity performance (excluding cash) from a global portfolio. These returns are presented as supplementary and are verified as fairly stated by independent accountants, KPMG.

(e) Annualized return represents the level annual rate which, if earned each year in a multiple-year period, would produce the actual cumulative rate of return over the whole period and is presented gross of fees.

(f) Composites are net of trading expenses, administrative fees and withholding taxes on dividends and interest. Withholding taxes vary depending upon the country of investment but range between 0% and 30%. Benchmark returns are net of withholding taxes on dividends.

(g) The dispersion of annual returns is measured by the range between the highest and lowest performing portfolios in the composite. Past rates of return are not indicative of future rates of return and other calculation methods may produce different results.

2.3 Fee Schedule

Unless otherwise stated, returns are calculated gross of advisory fees, and include the reinvestment of dividends. The effect of advisory fees could be material. If the advisory fees were reflected, the performance shown would be lower. As an example of the effect of investment advisory fees on the total value of an account, a three year compound return before the deduction of investment advisory fees of 14.75% would be 13.61% after investment advisory fees of 1.00% per annum payable quarterly.

Investment advisory fees, which may be negotiated, are described in more detail in Part II of Form ADV for Walter Scott. An example of the highest fees charged to an account included in the composite are set forth below.

Segregated Accounts:	Commingled Accounts:
0.75% on the first US$100 million	Delaware LLCs – 1.00% (exclusive of custody
0.50% thereafter	and other expenses which are paid by the fund)
Funding in excess of US$250m	
First $250m @ 0.55%	Group Trust (inclusive of custody)
Next $250m @ 0.50%	On the first $50m @ 1.00%
Next $250m @ 0.45%	Next $25m @ 0.85%
Next $250m @ 0.40%	Thereafter @ 0.60%
Thereafter @ 0.35%	

2.4 Compliance Statement

Communication of performance figures reflected in this document must be on a one-on-one basis, private and of a confidential nature. They may not be disseminated to the public in any print, electronic or other medium, including a web-site or any database of general circulation. The following disclosures must be provided in writing when onwardly communicating these performance figures.

1) Performance figures do not reflect the deduction of investment advisory fees.
2) Returns will be reduced by investment advisory fees and any other expenses that may be incurred in the management of an account.

Walter Scott
Global Investment Management

Appendix

3. IMPORTANT INFORMATION

3.1 Walter Scott's Investment Approach

This presentation contains certain statements based on Walter Scott's experience and expectations about the markets in which it invests its portfolios and about the methods by which it causes its portfolios to be invested in those markets. Those statements are not guaranties of future performance and are subject to many risks, uncertainties and assumptions that are difficult to predict. The information in this presentation is subject to change and Walter Scott has no obligation to revise or update any statement herein for any reason. The opinions expressed in this presentation are those of Walter Scott and should not be construed as investment advice. In addition the information should not be construed as a recommendation to buy or sell a security.

3.2 Portfolio Holdings and Allocations

To derive ten largest holdings, characteristics, economic sector weightings, country weightings and portfolio holdings for presentation purposes, Walter Scott has identified a representative institutional account to be used as a proxy for this strategy.

This portfolio data should not be relied upon as a complete listing of the portfolio's holdings (or top holdings) as information on particular holdings may be withheld. Portfolio holdings are subject to change without notice and may not represent current or future portfolio composition. The portfolio date is 'as of' the date indicated.

The information provided in this document should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time this report is received or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings.

It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions Walter Scott make in the future will be profitable or will equal the investment performance of the securities discussed herein.

The allocation distribution and actual percentages may vary from time to time. The types of investments presented in the allocation chart will not always have the same comparable risks and returns. The actual performance of the portfolio will depend on Walter Scott's ability to identify and access appropriate investments, and balance assets to maximize return while minimizing its risk. The actual investments in the portfolio may or may not be the same or in the same proportion as those shown above.

3.3 Definitions

Beta = Portfolio Beta and is the measure of the sensitivity of rates of return to changes in the market return. R^2 = The R-Squared of a portfolio relative to the market and indicates the proportion of a security's total variance explained by variations in the market.

3.4 Third Party Sources

Some information contained herein has been obtained from third-party sources that are believed to be reliable, but the information has not been independently verified by Walter Scott. Walter Scott makes no representations as to the accuracy or the completeness of such information and has no obligation to revise or update any statement herein for any reason.

3.5 Performance Statement

Past performance is not a guide to future returns and the objective mentioned may not be reached. The value of investments and the income from them can fall as well as rise and investors may not get back the original amount invested. The value of overseas securities will be influenced by fluctuations in exchange rates. This presentation may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or not authorized.

3.6 Performance Indices

Comparisons to the indices have limitations because the volatility and material characteristics of the indices represented in this presentation may be materially different from that of the portfolio managed by Walter Scott. Because of these differences, investors should carefully consider these limitations when evaluating the performance in comparison to benchmark data as provided herein. Where referencing MSCI or any other index performance figures: no party involved in or related to compiling, computing or creating the index 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 an index provider, 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 index data is permitted without the provider's express written consent. The indices do not incur expenses, are not available for investment and include reinvestment of dividends.

Appendix

3.7 Benchmark Definitions

MSCI EAFE (Europe, Australasia, Far East)

The MSCI EAFE index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US and Canada. As of May 2010 the MSCI EAFE index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

Ventura County Employees' Retirement Association

July 15, 2013

WESTERN ASSET

Western Asset is a global investment management firm committed to understanding the needs of each client, identifying investment solutions and delivering superior long-term investment results

Agenda

Organizational Update

We Believe in Value

Investment Philosophy

Long-term, fundamental value discipline

- Bottom-up
- Top-down

Diversified strategies

- Depth of resources
- Global

Integrated analytics and risk management

- Relative value analysis
- Transparency and communication

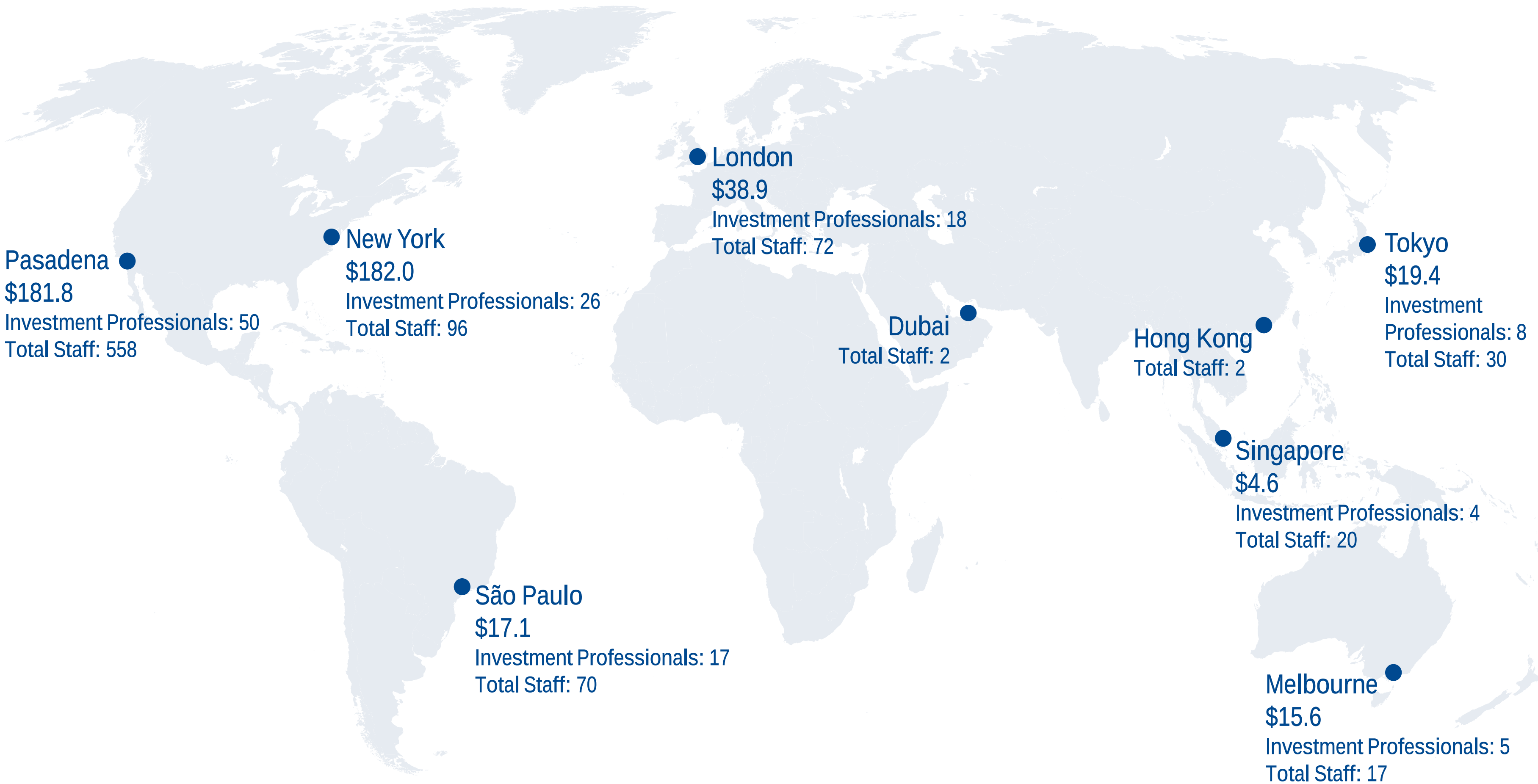
Global Breadth and Local Depth

March 31, 2013

Total AUM: $459.4 billion

8 Countries

Total Staff: 867



Assets under management in USD (billions)

Western Asset

Investment Solutions

Objective-Driven Investing

Preservation of Principal

Money Markets
Limited Duration
GNMA
Agency MBS

Diversify Globally

Global Sovereign
Infrastructure Debt
Global Core/Core Full Discretion
Global Credit
Global Sovereign Total Return

Enhance Income

Emerging Markets
High-Yield
Structured Products/REIT/CLO
Diversified High Income

Rising Rate Protection

Adjustable Rate
Bank Loans

Core Fixed-Income

Intermediate
Core
Core Full Discretion
Investment-Grade Credit

Increase Alpha

Global Credit Absolute Return
Macro Opportunities

Inflation Protection

US TIPS
Global Inflation-Linked
Commodity Plus
Currencies

Generate Total Return

Total Return Unconstrained
Global Multi-Sector
Dynamic Fixed-Income

Hedge Liabilities

Long Duration
Long Credit
LDI
Tail Risk Protection

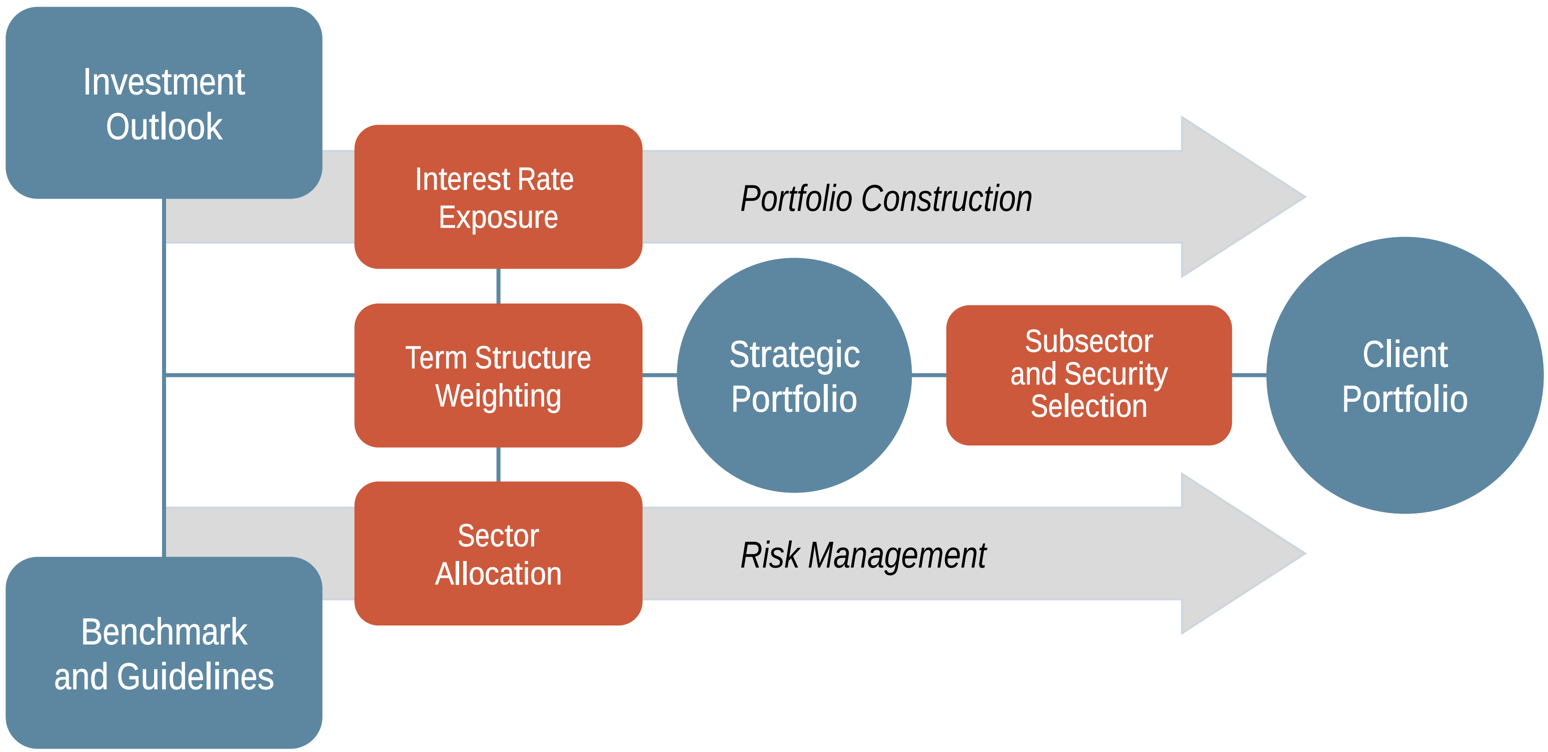
Committed to Excellence in Client Service

Representative Client List

Corporate	Public	Multi-Employer / Union	Insurance
Alcoa Inc.	Arkansas Local Police and Fire Retirement System	1199 SEIU National Benefit Fund	AXA
Allied Domecq Pension Fund	Arkansas Teacher Retirement System	Alaska Electrical Trust Funds	Blue Cross Blue Shield of Massachusetts
American Cast Iron Pipe Company	Baltimore County (MD) Employees Retirement System	Bert Bell / Pete Rozelle NFL Player Retirement Plan	Catalina Holdings (Bermuda) Ltd
ArcelorMittal USA Inc.	California State Teachers' Retirement System	Boilermaker Blacksmith National Pension Trust	Great-West Life & Annuity Insurance Company
AT&T Investment Management Corporation	City of Grand Rapids	Directors Guild of America-Producer Pension and Health Plan	Health Care Service Corporation
BASF Corporation	City of Orlando	Graphic Communications International Union, Inter-Local Pension Fund	Highmark, Inc.
Bayer Corporation	Fife Council Pension Fund	IUOE Employers Construction Industry Retirement Plan, Locals 302 and 612	Maryland Automobile Insurance Fund
Bristol-Myers Squibb Company	Fonds de compensation AVS	Line Construction Benefit Fund	Oil Investment Corporation Ltd.
Campbell Soup Company	Fresno County Employees' Retirement Association	Major League Baseball Players Benefit Plan	Reliance Standard Life Insurance Company
Cathay Securities Investment Trust	Gloucestershire County Council	National Education Association of the United States	United Services Automobile Association
Chrysler LLC	Government of Bermuda Public Funds	New England Healthcare Employees Union, District 1199, AFL-CIO	WellPoint, Inc.
CNH Global N.V.	Hampshire County Council	UAU Local No. 290 Plumber, Steamfitter & Shipfitter Industry Pension Trust	**Healthcare**
Consolidated Edison Company Of New York, Inc.	Indiana State Treasurer's Office	United Food and Commercial Workers Union Local 919	Baptist Healthcare System, Inc.
Consolidated Rail Corporation	Iowa Public Employees' Retirement System	Western States Office & Professional Employees Pension Trust	Baylor Health Care System
Crown Cork & Seal Company, Inc.	Kansas Public Employees Retirement System	**Eleemosynary**	Bethesda Hospital
Delta Air Lines, Inc.	Korea Investment Corporation	Abilene Christian University	Catholic Health Initiatives
Electronic Data Systems Ltd	Los Angeles County Employees Retirement Association	Abington Memorial Hospital	Catholic Health Investment Management Company
Galileo & Worldspan U.S. Legacy Pension Plan Trust	Marin County Employees' Retirement Association	Baha'i' World Centre	Children's Hospital of New Orleans
Graphic Packaging International Incorporated	Minnesota State Board of Investment	Battelle Memorial Institute	CHRISTUS Health
International Paper Company	Nevada Public Employees Retirement System	Bill & Melinda Gates Foundation Trust	Lehigh Valley Hospital
Investeringsforeningen Gudme Raaschou	New Jersey Transit	Board of Trustees of Southern Illinois University	Medica
John Lewis Partnership Pensions Trust	North Dakota State Investment Board	Commonfund	NorthShore University HealthSystem
LSI Logic Corporation	Ohio Police & Fire Pension Fund	Creighton University	OhioHealth Corporation
Macy's, Inc.	Orange County Transportation Authority	Domestic & Foreign Missionary Society ECUSA	Providence Health and Services
National Grid USA	Oregon Investment Council	E. Rhodes & Leona B. Carpenter Foundation	St. George Corporation
Nestle USA, Inc.	Public Employee Retirement System of Idaho	Indiana University	**Sub-Advisory**
Nisource, Inc.	Public School Teachers' Pension and Retirement Fund of Chicago	Saint Louis University	DIAM Co., Ltd.
PCS Administration (USA), Inc	Rhode Island Employees Retirement System	Texas A&M Foundation	Fondaco LUX S.A.
Pensioenfonds Horeca & Catering	Salt River Project Agricultural Improvement and Power District	The Rotary Foundation of Rotary International	GuideStone Capital Management
PPG Industries	School Employees Retirement System of Ohio	United Negro College Fund	Highbury Pacific Capital Corp.
Southern California Edison	Seattle City Employees Retirement System	University of Colorado	KOKUSAI Asset Management Co., Ltd.
Stichting Pensioenfonds DSM-Nederland	Sonoma County Employees' Retirement Association	University of Illinois	Legg Mason, Inc.
Sumitomo Mitsui Asset Management Company, Limited	Surrey County Council	University of Miami	LyonRoss Capital Management LLC
Sunoco, Inc.	Tennessee Valley Authority	University of Southern California	Morgan Stanley Smith Barney Consulting Group
The Dun & Bradstreet Corporation	Ventura County Employees' Retirement Association	University of Wisconsin Foundation	Polaris Investment S.A.
Unilever United States, Inc.	Virginia Retirement System	Voelcker Foundation	Russell Investment Group
Unisys Corporation	Wiltshire Council	Washington College	SEI Investments Management Corporation
YMCA Retirement Fund	Wyoming Retirement System	Washington State University	Shinko Asset Management Co., Ltd.

As of 31 May 13. Please see the Representative Client List Disclosure in the Appendix for more information. All have authorized the use of their names by Western Asset for marketing purposes. Such authorization does not imply approval, recommendation or otherwise of Western Asset or the advisory services provided.

Investment Process



Team-Based Investment Management*

S. Kenneth Leech
Co-Chief Investment Officer

Stephen A. Walsh
Co-Chief Investment Officer

Gavin L. James
Director of Portfolio Operations

Europe

London
Andrew J. Belshaw
Europe Portfolios
UK Portfolios

Gordon S. Brown
Global Portfolios

Americas

New York / Pasadena

Dennis J. McNamara
Insurance
Liquidity
Limited Duration
Long Duration
Municipals
TIPS
Structured Products (interim)

Carl L. Eichstaedt
Broad Market Portfolios
Canadian Dollar

Christopher Orndorff
Multi-Sector Portfolios
& Product Development

Michael C. Buchanan
Credit

Keith J. Gardner
Emerging Markets

Stephen P. Fulton
Agency Mortgages

Rajiv Sachdeva
Quantitative Analysis

São Paulo

Paulo E. Clini
Brazil Fixed-Income
Brazil Equities

Asia-Pacific

Tokyo
Kazuto Doi
Japan Portfolios

Singapore
Chia-Liang Lian
Asia Portfolios

Melbourne
Anthony C. Kirkham
Australia Portfolios
New Zealand Portfolios

As of 20 Jun 13
**Illustrates direct-reporting only and does not represent the entire investment management team.*

Total Return Unconstrained (TRU) Bond

Total Return Strategies – Rationale

Actively managed

Focus is on total return through value and sector based strategies

Independent of traditional market benchmarks

Less dependent on interest rates for performance

The above reflects current opinions of Western Asset

Total Return Unconstrained (TRU) Bond

Objective

- Attempt to maximize return independent of market direction

Characteristics

- Long only – no leverage
- Derivatives used to manage risk profile
- Not managed to a benchmark
- Capitalize on all fixed-income strategies and sectors

Current AUM Multi, Diversified Strategies – $10.9 billion

Assets under management in USD (billions). As of 31 Mar 13

Investment Guidelines

Allocation Limits

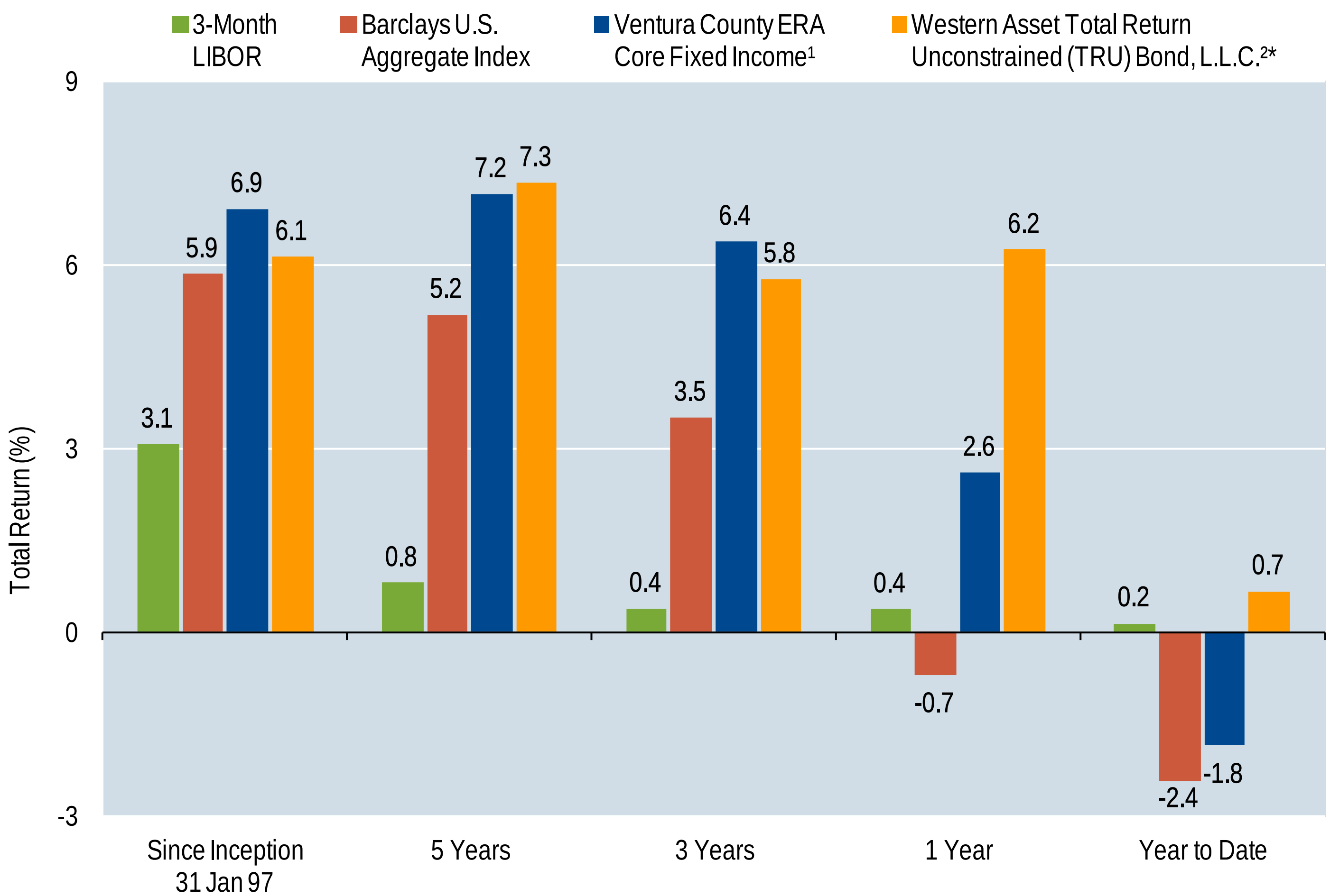
Duration range -3 to 8 years

Minimum 50% investment-grade securities

Overall minimum portfolio quality BBB

As of 31 Mar 13

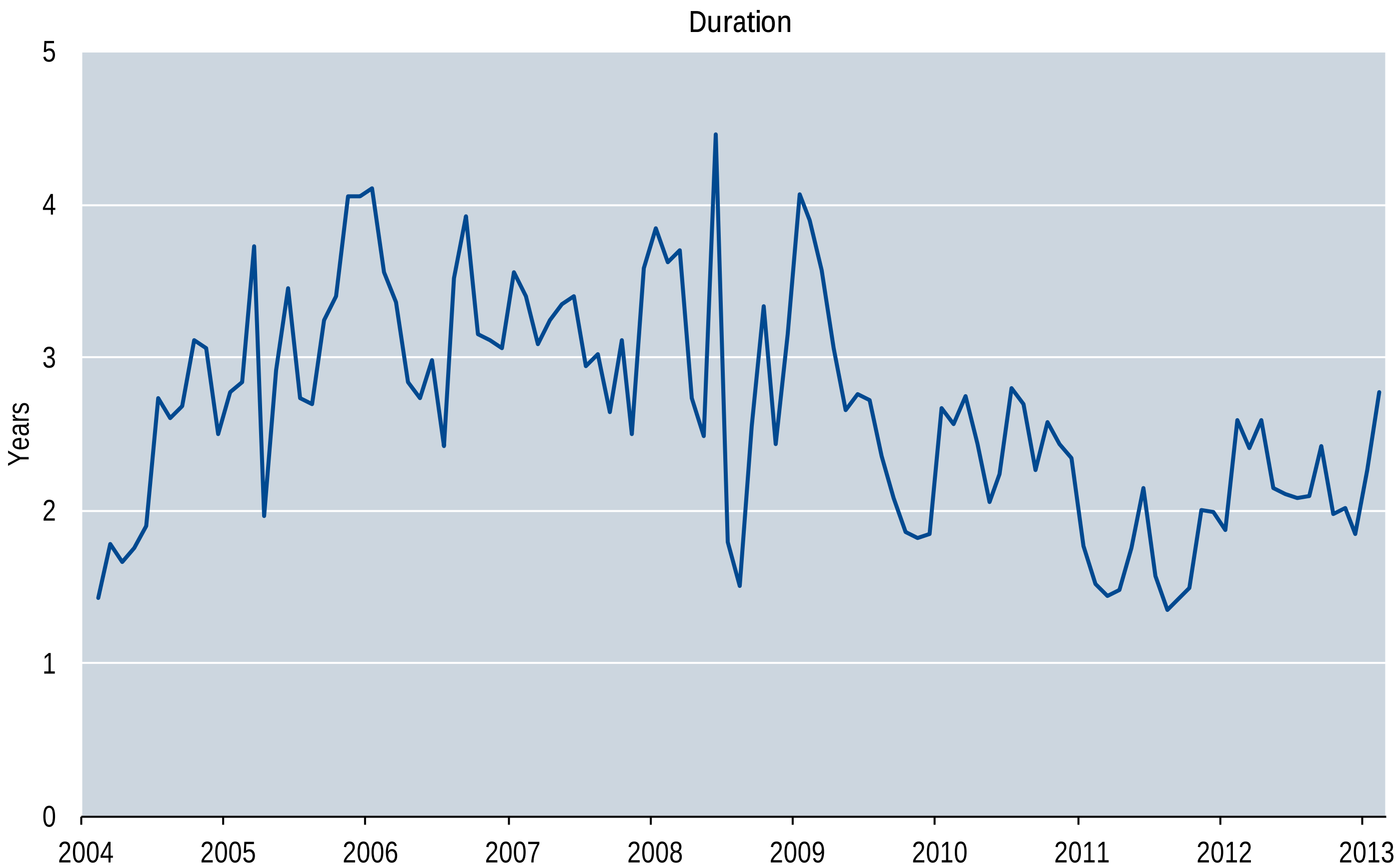
Investment Results



Preliminary as of 30 Jun 13. Returns for periods greater than one year are annualized. Returns since inception are as of the indicated close of business day.
[1]Performance shown is gross of investment advisory fees. The account's actual return will be reduced by those fees and any other expenses chargeable to the account. The fee schedule for this strategy may be found in Part 2 of Western Asset's Form ADV. As fees are deducted quarterly, the compounding effect will be to increase the impact of the fees by an amount directly related to the gross account performance. For example, on an account with a 1% annual fee, if the gross performance were 10%, the compounding effect of the fees would result in a net performance of approximately 8.93%.
[2]The Western Asset Total Return Unconstrained (TRU) Bond, L.L.C. is not measured against a benchmark. There is no benchmark available which appropriately reflects the strategy. The performance calculation reflects the deduction of administrative and custodian fees only. The impact of advisory fees on performance is not reflected in this calculation.
**Previously referenced as Western Asset Absolute Return Strategy, L.L.C.*

Historical Duration

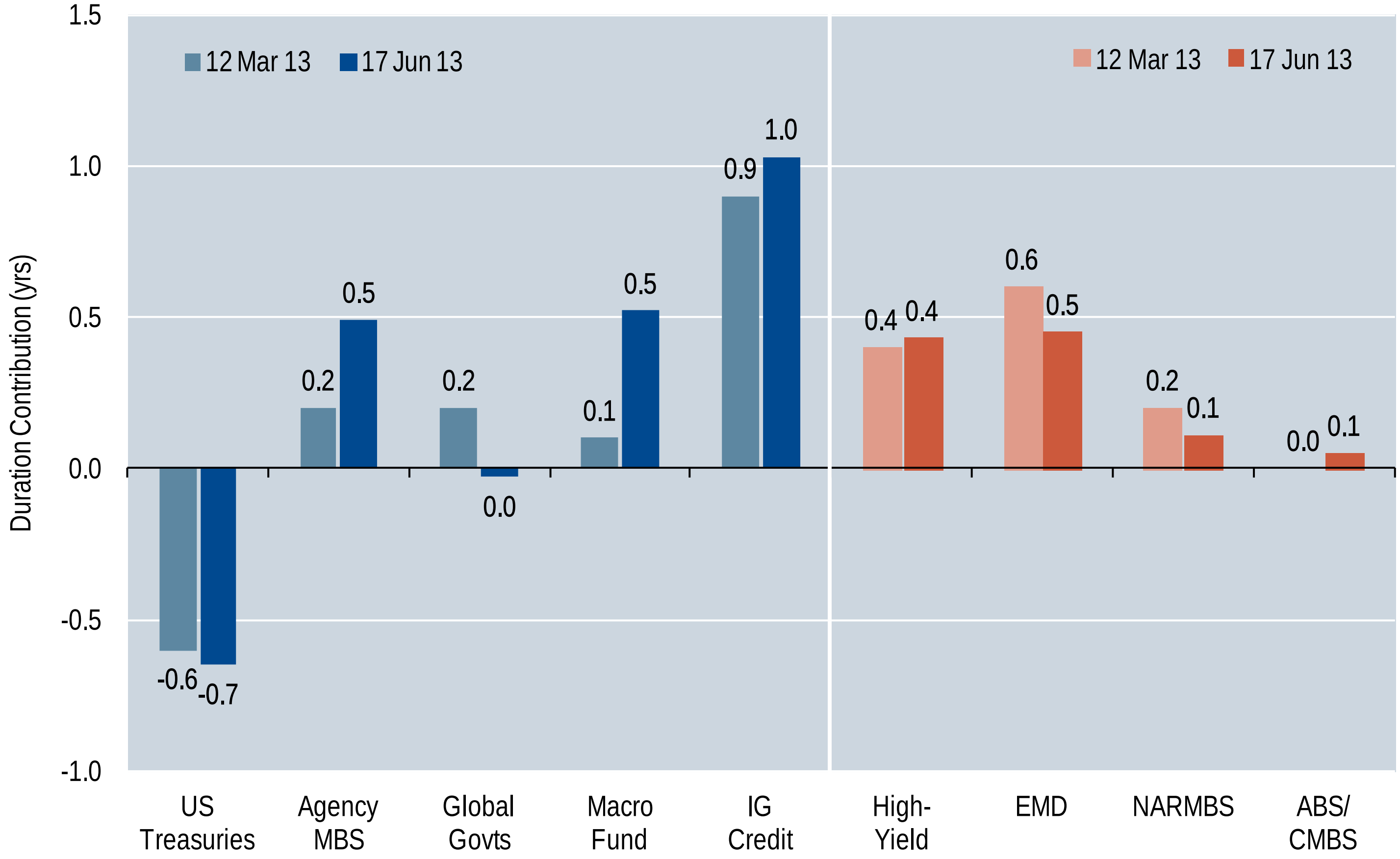
TRU Bond



Source: Western Asset. Preliminary as of 30 Jun 13
The information provided is supplemental to the Total Return Unconstrained (TRU) Bond Composite. Please see performance disclosure in the appendix.

Total Return Unconstrained (TRU) Bond Representative Account

Interest Rate Risk



Portfolio	12 Mar 13	17 Jun 13
Total Fund Duration	2.0 years	2.4 years
Liquid Markets Duration	0.8 years	1.4 years

Preliminary data

Performance of Total Return Unconstrained vs. Core Plus in Rising Rate Environments

Month Ending	Basis Points Change in Treasury YTM	TRU[1] Perf (%)	Core Plus[2] Perf (%)	Barclays U.S. Aggregate Index (%)	TRU[1] vs Core Plus[2] (%)	TRU[1] vs Barclays U.S. Aggregate Index (%)
December 2009	55	1.37	-0.05	-1.56	1.43	2.94
April 2008	49	1.65	1.48	-0.21	0.17	1.86
January 2009	40	2.44	0.81	-0.88	1.64	3.33
November 2004	39	0.80	-0.23	-0.80	1.04	1.60
July 2005	35	0.07	-0.38	-0.91	0.45	0.98
May 2008	34	0.07	-0.93	-0.73	1.00	0.81
December 2010	34	0.68	-0.46	-1.08	1.15	1.76
September 2005	33	-0.22	-0.89	-1.03	0.66	0.81
May 2007	28	-0.45	-0.83	-0.76	0.38	0.31
April 2009	28	5.90	3.53	0.48	2.37	5.42
February 2005	26	0.51	-0.34	-0.59	0.85	1.10
May 2013	25	-0.34	-1.75	-1.78	1.40	1.44
December 2006	24	-0.07	-0.50	-0.58	0.43	0.51
March 2006	23	-0.33	-1.16	-0.98	0.83	0.65
October 2005	23	-0.70	-1.08	-0.79	0.38	0.09
March 2010	23	1.35	0.82	-0.12	0.53	1.47
Average Return for all periods with rising rates:		0.80	-0.12	-0.77	0.92	1.57
Cummulative Return for all periods with rising rates:		13.32	-2.06	-11.67	15.38	24.99

Methodology

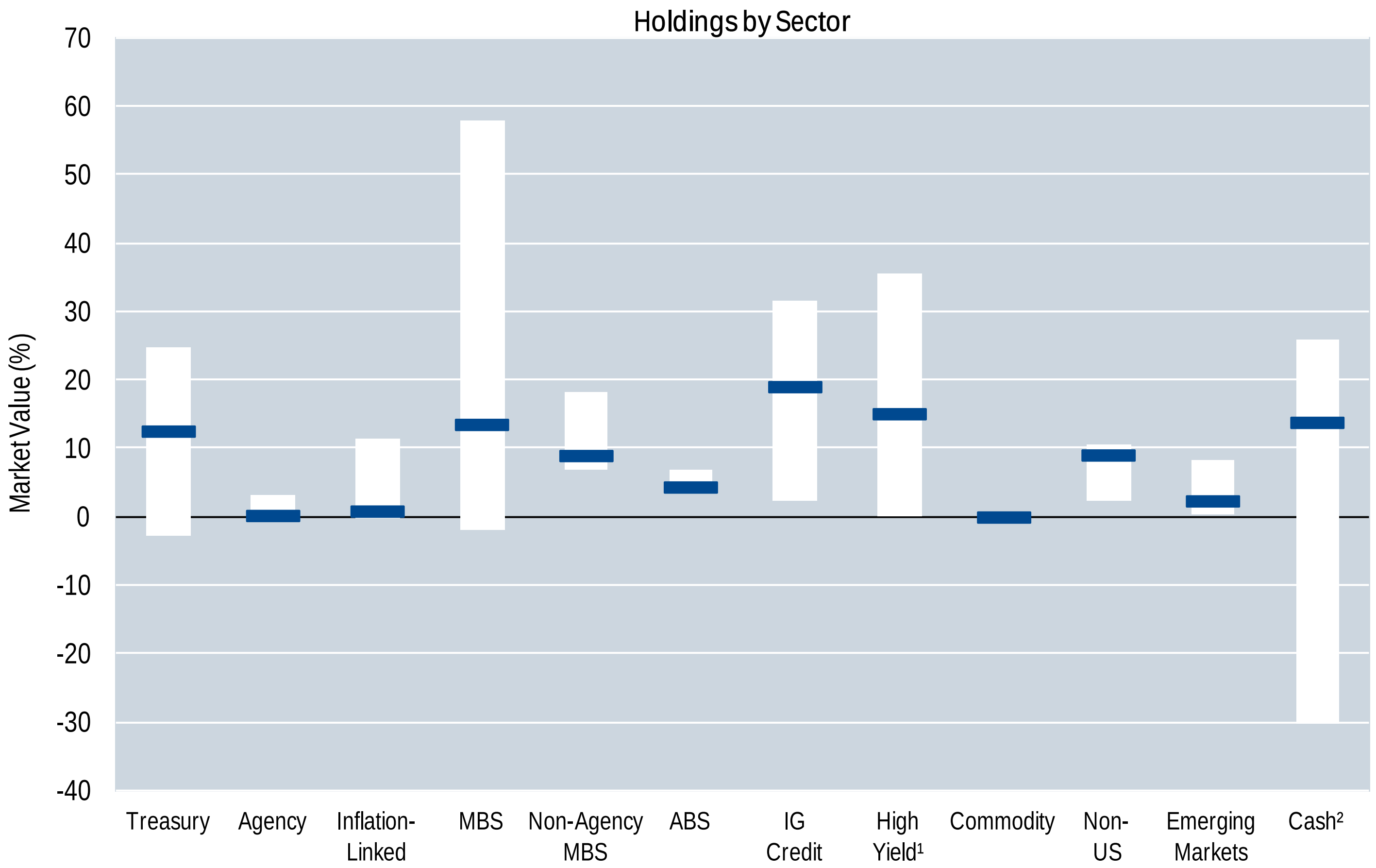
- Identify all months from July 2004 through May 2013 when US Treasury rates increased by 20 basis points or more (over that month)
- We defined US Treasury rates as the yield on the Barclays US Treasury Index
- For each month that met the 20 bps rate increase criteria, compare the monthly return of TRU versus the monthly return on Core Plus.
- Calculate the cumulative linked (compound) returns and arithmetic average returns for both strategies over these months
- Performance shown reflects the returns for composite accounts

Source: Western Asset. As of 31 May 13
Performance shown is gross of investment advisory fees. The account's actual return will be reduced by those fees and any other expenses chargeable to the account. The fee schedule for this strategy may be found in Part 2 of Western Asset's Form ADV. As fees are deducted quarterly, the compounding effect will be to increase the impact of the fees by an amount directly related to the gross account performance. For example, on an account with a 1% annual fee, if the gross performance were 10%, the compounding effect of the fees would result in a net performance of approximately 8.93%. Please see the Performance Disclosure in the Appendix for more information.
[1]Total Return Unconstrained (TRU) Bond Composite. Returns are since inception 01 Jul 04
[2]US Core Full Discretion Composite. Represented by the US Core Full Below Investment Grade Futures & Options Composite. US Core Full Discretion Portfolios allow for investments in high yield, emerging markets and non-dollar securities.
The information provided is supplemental to the Total Return Unconstrained (TRU) Bond and US Core Full Below Investment Grade Futures & Options Composite Composites.
Please see performance disclosure in the appendix.

Historical Allocation Range

TRU Bond – Inception to June 30, 2013

Preliminary

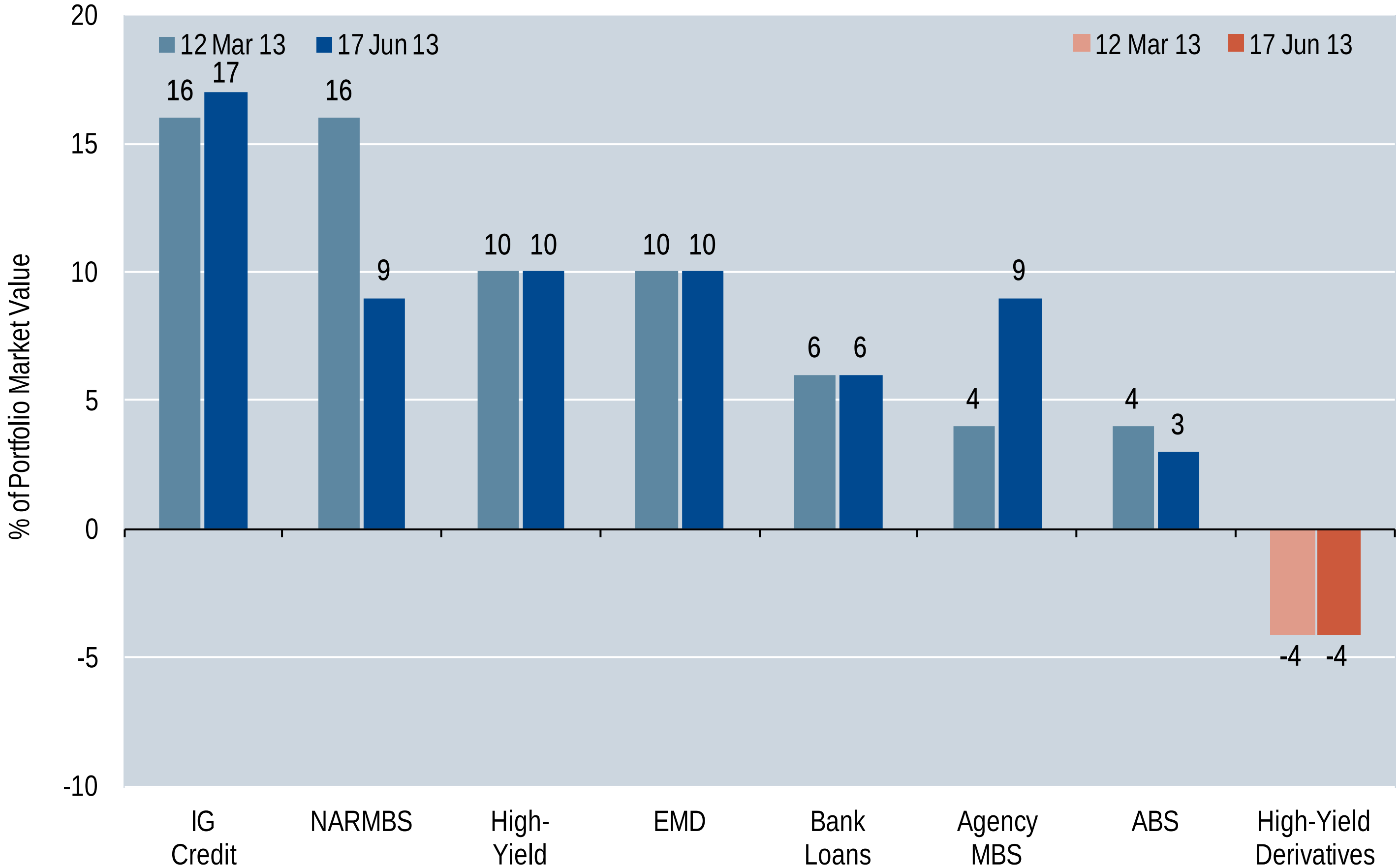


All percentages are relative to market value
[1]Includes bank loans
[2]Cash allocation reflects portfolio weight since 31 Jan 05
The information provided is supplemental to the Total Return Unconstrained (TRU) Bond Composite. Please see performance disclosure in the appendix.

Western Asset

Total Return Unconstrained (TRU) Bond Representative Account

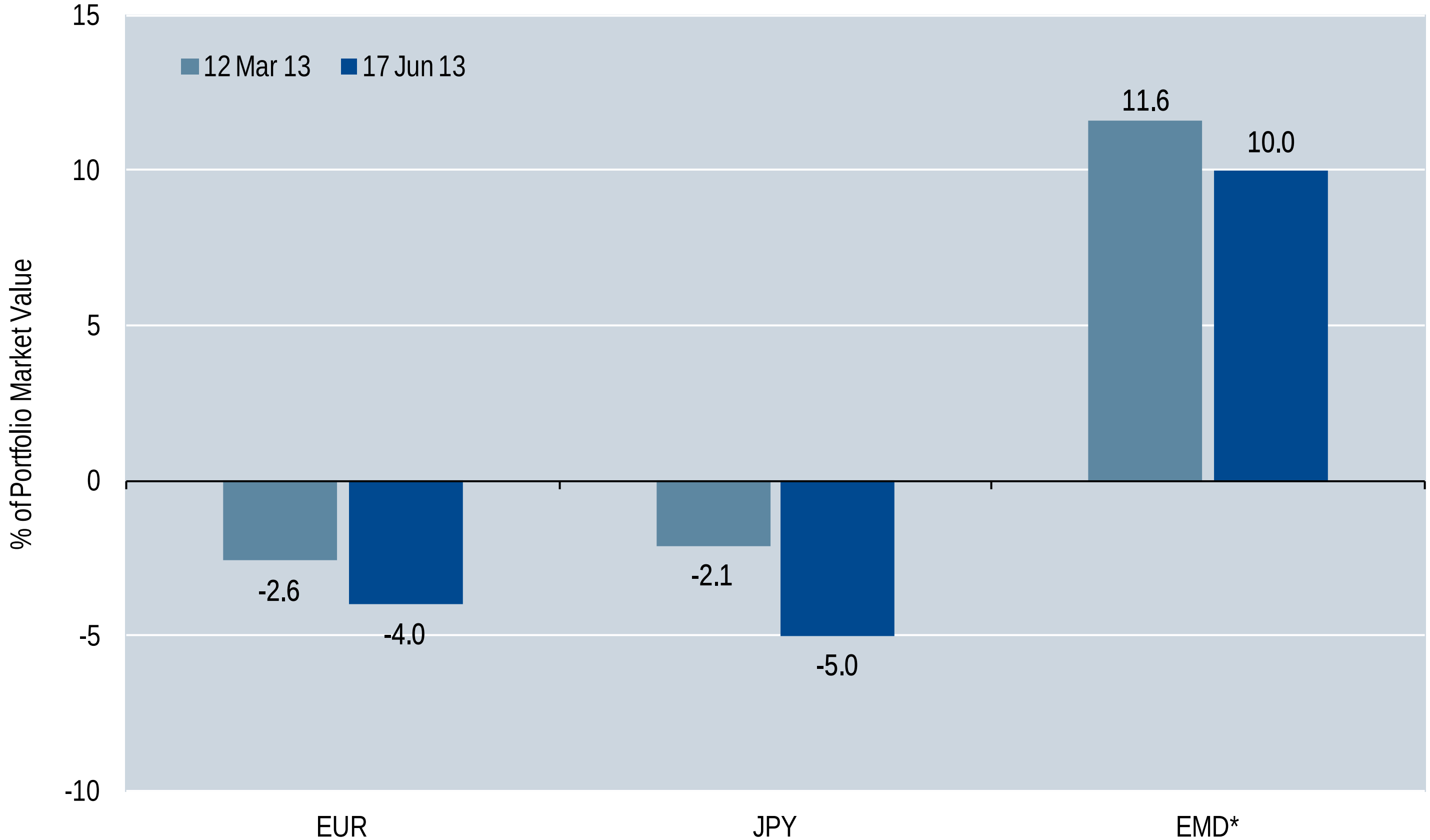
Spread Risk



Preliminary data

Total Return Unconstrained (TRU) Bond Representative Account

Currency Risk



EMD includes MXN, SGD, MYR, KRW, CNY and 10 others. Preliminary data*

Conclusion

Provides greater flexibility in managing portfolio duration

Less dependent on interest rate moves for performance

Provides significant liquidity and transparency

Allows manager to make tactical asset allocation decisions

Provides an attractive level of income

The above reflects current opinions of Western Asset

Total Return Strategies – Why Western Asset?

Focus on value-based strategies since 1971

Extensive research capabilities

Bottom-up, top-down approach

Global investment resources

Dedicated teams for each sector of the fixed-income markets

Targeted risk/return profiles

Fixed-income only, institutionally focused, customized solutions

The above reflects current opinions of Western Asset

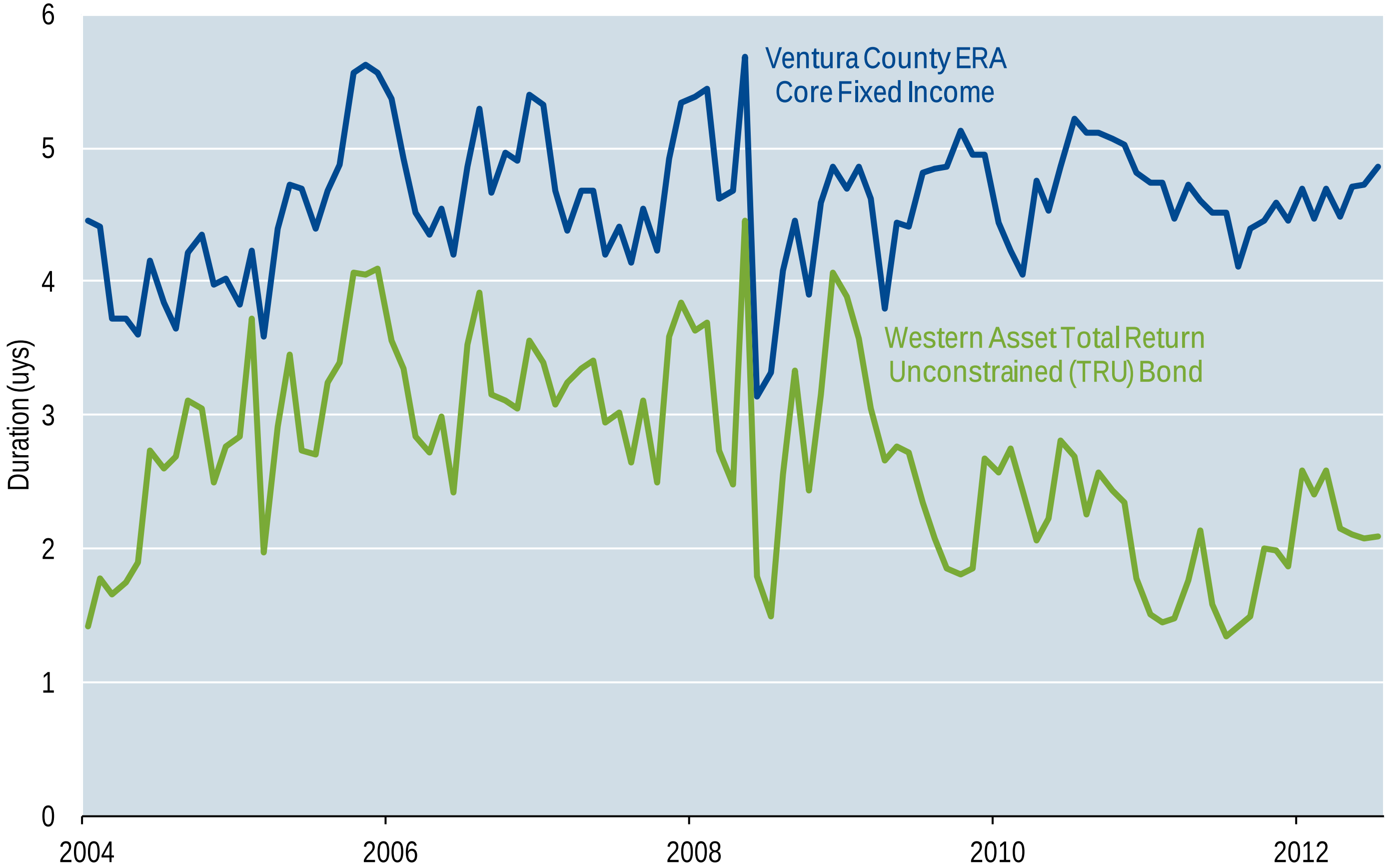
Appendix

Guideline Comparison

	Ventura County ERA Core Fixed Income	Western Asset Total Return Unconstrained (TRU) Bond, L.L.C.
Duration	Benchmark +/- 20%	-3 to +8 years
Minimum Investment Grade	90%	50%
Performance Objective	Exceed Benchmark by 100-150bps per annum	Exceed Libor by 200 to 400 basis points
Maximum Unhedged Non-USD Exposure	10%	25%
Maximum Allocation to Non-US Issuer	20%	Silent
Maximum Emerging Market	5%	20%
Maximum High-Yield Corporate Credit	10%	20%
Average Credit Quality	AA	BBB

Source: Western Asset. As of 31 Dec 12

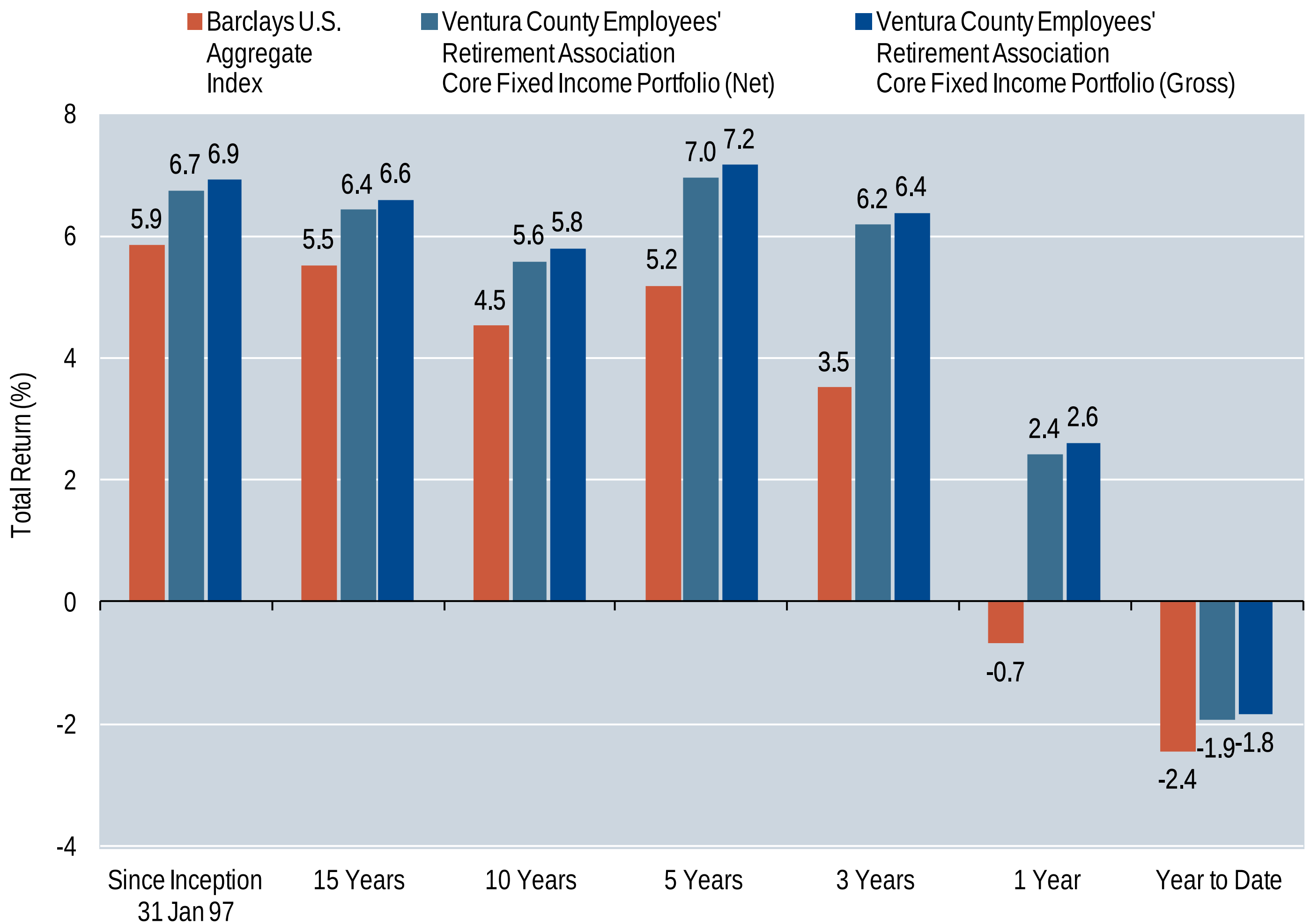
Historical Durations



As of 31 Dec 12.

Core Full Portfolio

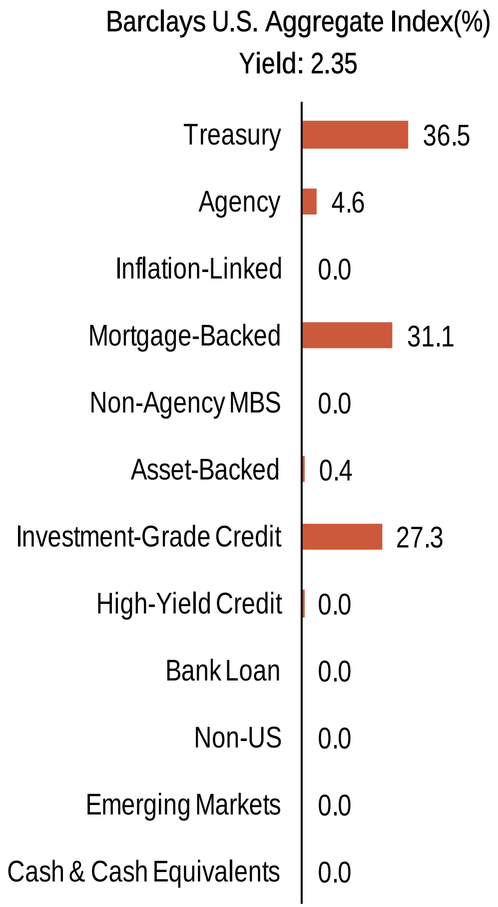
Investment Results

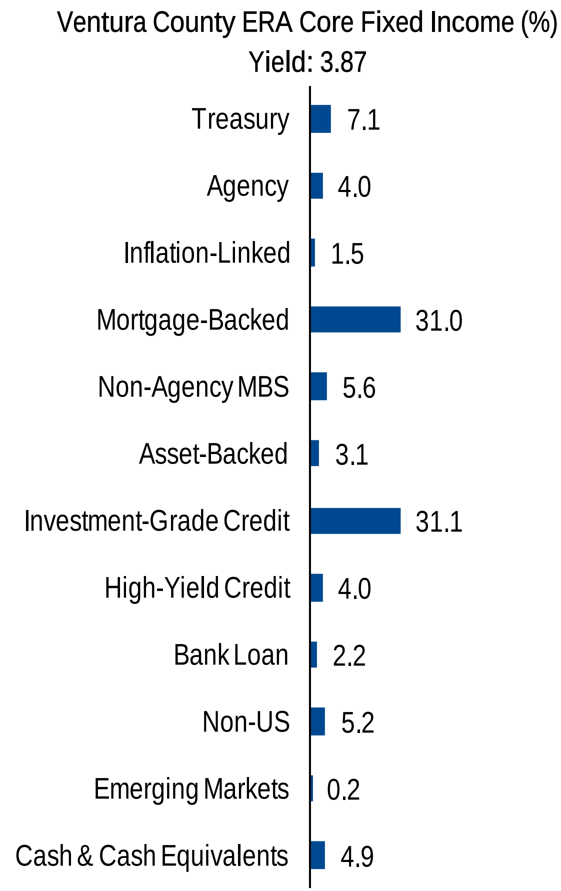


Preliminary as of 30 Jun 13. Returns for periods greater than one year are annualized. Returns since inception are as of the indicated close of business day.

Sector Exposure

Preliminary June 30, 2013



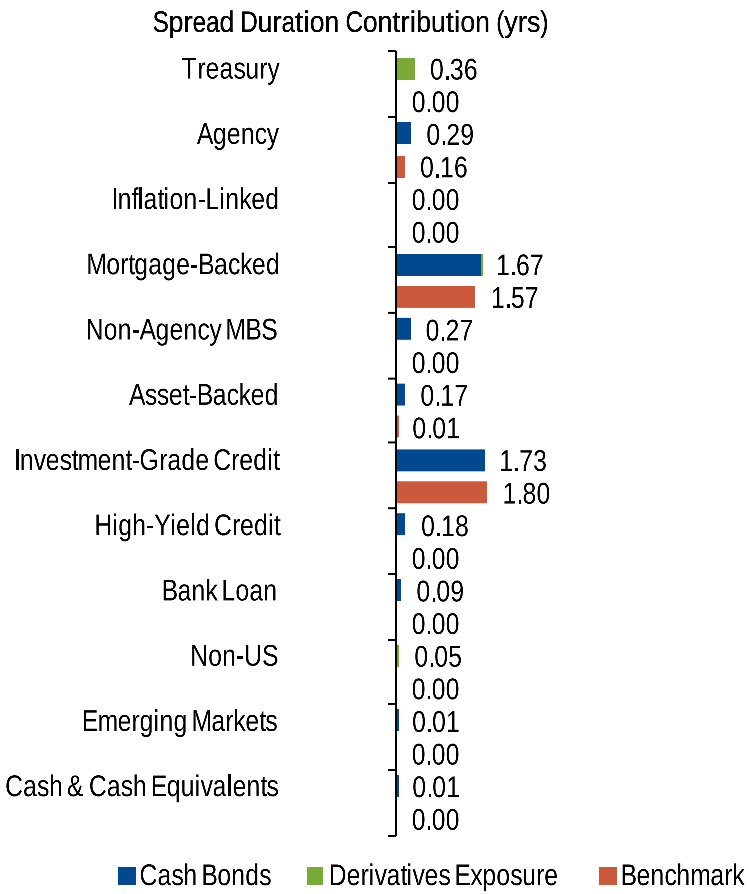


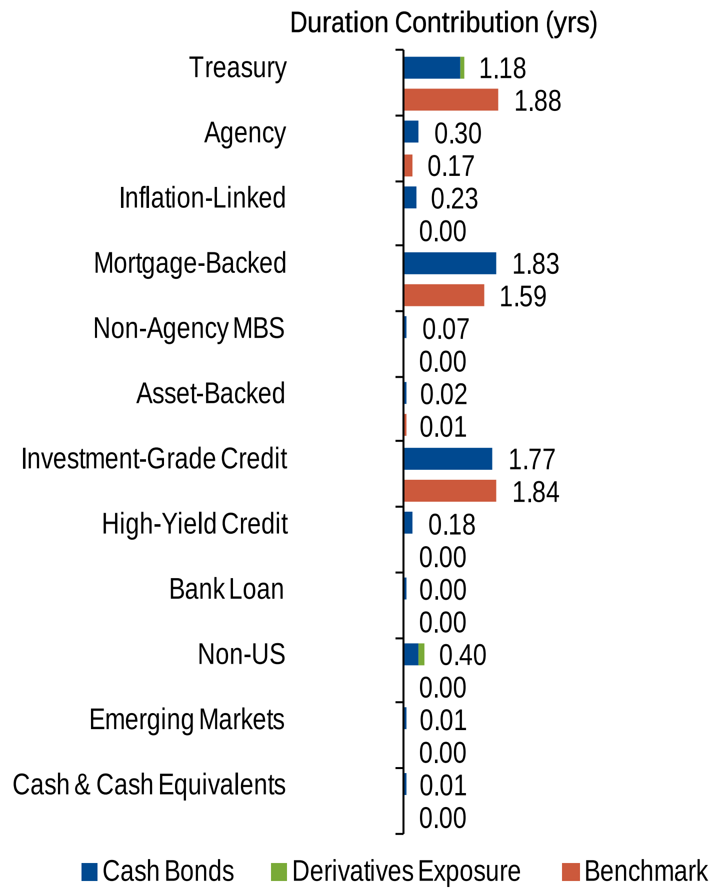
Note: Sector exposure includes look-through to any underlying commingled vehicles if held. All weightings are a percentage of total market value. A negative cash position may be reported, which is primarily due to the portfolio's unsettled trade activity. Data may not sum to 100% due to rounding.

Sector Exposure

Ventura County ERA Core Fixed Income vs. Barclays U.S. Aggregate Index

Preliminary June 30, 2013





Total Spread Duration

Portfolio:	4.84
Benchmark:	3.54

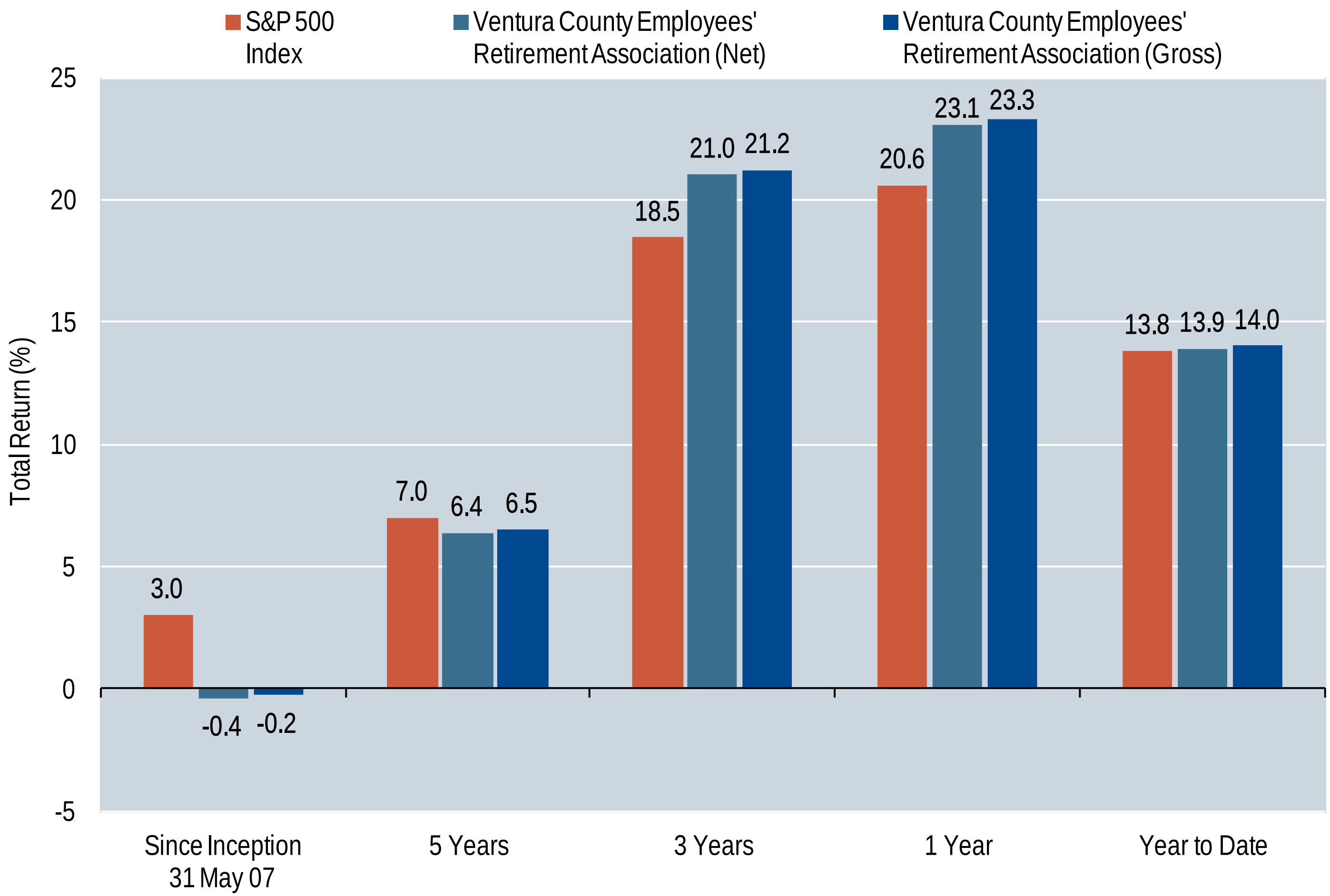
Total Duration

Portfolio:	6.01
Benchmark:	5.49

Note: Sector exposure includes look-through to any underlying commingled vehicles if held. Data may not sum to total due to rounding.

Index Plus Portfolio

Investment Results

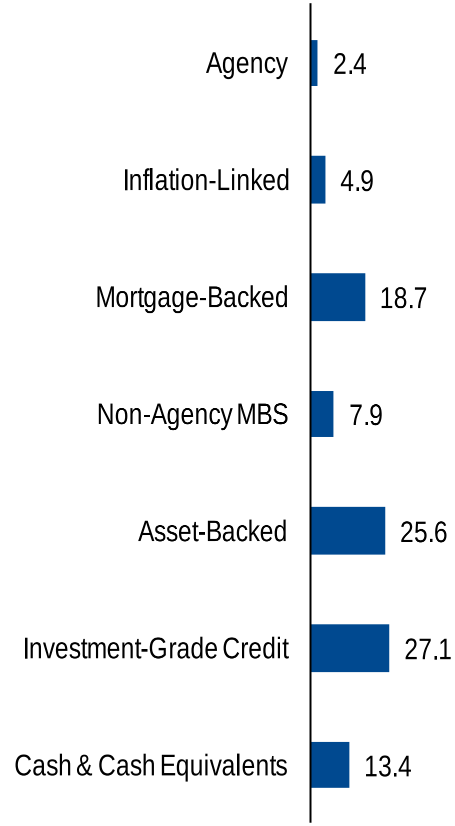


Preliminary as of 30 Jun 13. Returns for periods greater than one year are annualized. Returns since inception are as of the indicated close of business day.

Sector Allocation

Preliminary June 30, 2013

Ventura County ERA (%)
Yield: 1.31

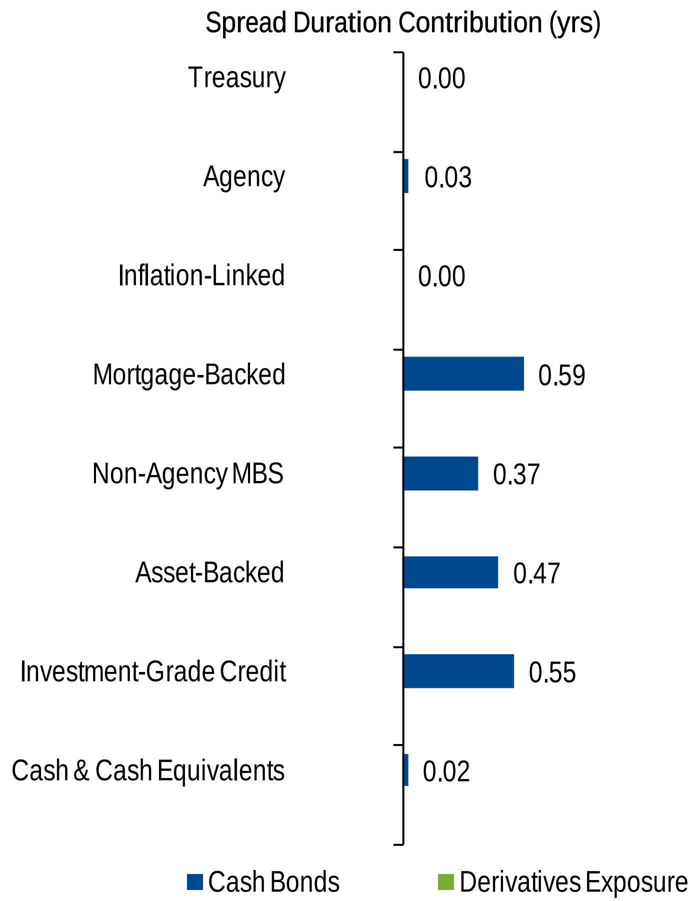


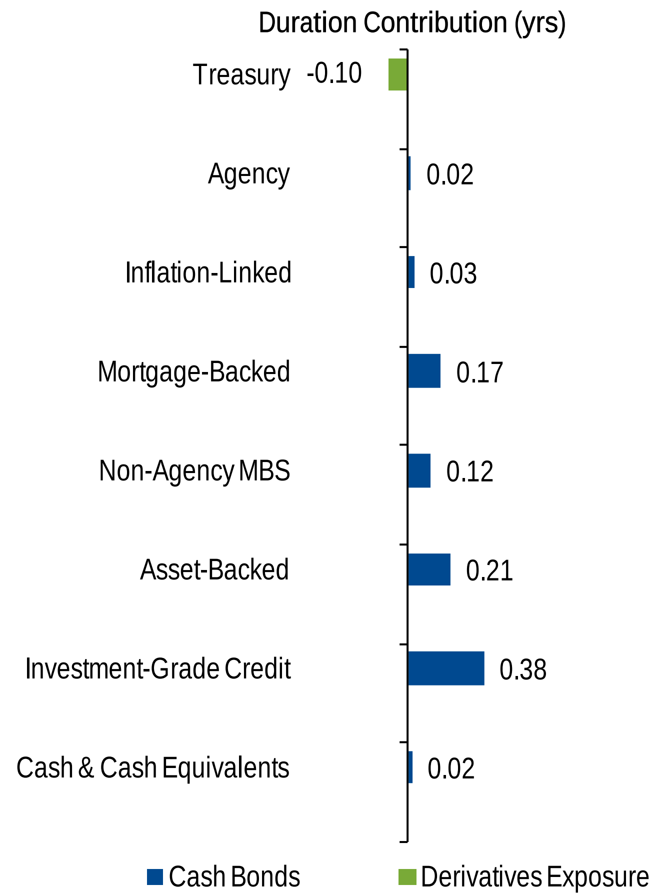
Note: Sector exposure includes look-through to any underlying commingled vehicles if held. All weightings are a percentage of total market value. A negative cash position may be reported, which is primarily due to the portfolio's unsettled trade activity. Data may not sum to 100% due to rounding.

Sector Exposure

Ventura County ERA

Preliminary June 30, 2013





Total Spread Duration
Portfolio: 2.04

Total Duration
Portfolio: 0.85

Note: Sector exposure includes look-through to any underlying commingled vehicles if held. Data may not sum to total due to rounding.

Biographies

STEPHEN A. WALSH

32 Years Experience

- Western Asset Management Company – Co-Chief Investment Officer, 1991–
- Security Pacific Investment Managers, Inc. – Portfolio Manager, 1989–1991
- Atlantic Richfield Company – Portfolio Manager, 1981–1988
- *University of Colorado at Boulder, B.S.*

Note: Western Asset experience reflects current position title and hire date.

Performance Disclosure

December 31, 2012

Western Asset claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Western Asset has been independently verified for the periods from January 1, 1993 to December 31, 2011.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The verification and performance examination reports are available upon request.

For GIPS® purposes, the Firm is defined as Western Asset, a primarily fixed-income investment manager comprised of Western Asset Management Company, Western Asset Management Company Limited, Western Asset Management Company Pte. Ltd., Western Asset Management Company Ltd, Western Asset Management Company Pty Ltd, and Western Asset Management Company Distribuidora de Títulos e Valores Mobiliários (DTVM) Limitada, with offices in Pasadena, New York, London, Singapore, Tokyo, Melbourne, São Paulo, Hong Kong, and Dubai. Each Western Asset company is a wholly owned subsidiary of Legg Mason, Inc. ("Legg Mason") but operates autonomously, and Western Asset, as a firm, is held out to the public as a separate entity. Western Asset Management Company was founded in 1971.

The Firm is comprised of several entities as a result of various historical acquisitions made by Western Asset and their respective performance has been integrated into the Firm in line with the portability requirements set forth by GIPS.

The Composite is valued monthly. The Composite returns are the asset-weighted average of the performance results of all the accounts in the Composite. Gross-of-fees returns are presented before management fees, but after all trading expenses. Net of fees results are calculated using a model approach whereby the highest tier of the appropriate strategy's fee schedule is used. This model fee does not reflect the deduction of performance based fees. The portfolios in the composites are all actual, fee-paying and performance fee-paying, fully discretionary accounts managed by the Firm for at least one full month. Investment results shown are for taxable and tax-exempt accounts and include the reinvestment of all earnings. Any possible tax liabilities incurred by the taxable accounts have not been reflected in the net performance. Composite performance results are time-weighted net of trading commissions and other transaction costs including non-recoverable withholding taxes. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The returns for the accounts in the Composite are calculated using a time-weighted rate of return adjusted for weighted cash flows. The returns for commingled funds in the Composite are calculated daily using net asset value (NAV). Trade date accounting is used since inception and market values include interest income accrued on securities held within the accounts. Performance is calculated using asset values denominated in a base currency. Composite assets at year-end presented in the schedule are translated to U.S. dollars using end of year exchange rates.

Composite returns are measured against a market index. The market index is unmanaged and provided to represent the investment environment in existence during the time periods shown. For comparison purposes, its performance has been linked in the same manner as the Composite. The market index presented was obtained from third party sources deemed reliable but not guaranteed for accuracy or completeness. Benchmark returns and benchmark 3-yr standard deviation are not covered by the report of independent accountants.

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were included in the Composite for the entire year. For each annual period, accounts with less than 12 months of returns are not represented in the dispersion calculation. Periods with five or fewer accounts are not statistically representative and are not presented. The three-year annualized ex-post standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. Three-year annualized ex-post standard deviation measures prior to 2011 are not covered by the report of independent accountants.

Past investment results are not indicative of future investment results.

Western Asset's list of composite descriptions is available upon request. Please contact Veronica A. Amici at 626•844•9535 or ramici@westernasset.com. All returns for strategies with inception prior to January 1, 2003 are available upon request.

Performance Disclosure

December 31, 2012

Total Return Unconstrained (TRU) Bond Composite

Composite Inception: 7/1/04 | Composite Creation: 10/1/04

	No. of Accts	Gross Total Return	Net Total Return	Benchmark Total Return	Gross Total 3-Yr St Dev	Benchmark Total 3-Yr St Dev	Internal Dispersion	Mkt. Value (US$mil)	Percentage of Firm Assets	Firm Assets (US$mil)
2003	-na-	-na-	-na-	-na-	-na-	-na-	-na-	-na-	-na-	$148,333
2004[1]	1	6.22%	5.90%	-na-	-na-	-na-	-na-	$330	0.17%	$197,837
2005	1	3.86%	3.24%	-na-	-na-	-na-	-na-	$1,487	0.60%	$249,233
2006	3	7.25%	6.62%	-na-	-na-	-na-	-na-	$3,472	0.68%	$510,172
2007	4	2.53%	1.92%	-na-	2.19%	-na-	-na-	$5,410	0.87%	$621,493
2008	4	-14.62%	-15.14%	-na-	7.18%	-na-	-na-	$5,294	1.05%	$505,660
2009	4	32.41%	31.64%	-na-	9.37%	-na-	-na-	$4,585	0.95%	$482,218
2010	4	9.42%	8.77%	-na-	9.45%	-na-	-na-	$4,442	0.98%	$453,909
2011	4	1.74%	1.14%	-na-	5.97%	-na-	-na-	$4,019	0.91%	$443,140
2012	3	9.91%	9.26%	-na-	2.99%	-na-	-na-	$4,113	0.89%	$461,891

Description: Western Asset's Total Return Unconstrained (TRU) Bond composite includes portfolios that employ actively managed, diversified fixed-income portfolios. Portfolio construction is based on Western Asset's fundamental view of the fixed-income markets and is independent of broad market benchmarks. The approach is to construct a portfolio in which the manager intends to actively manage sector, duration and term structure exposure.

Objective: Maximize return consistent with the current market environment and outperform the broad market over the course of a market cycle.

Benchmark Description: The composite is not measured against a benchmark as accounts that may comprise the composite are measured on an absolute return basis. There is no benchmark available that appropriately reflects the guidelines of all accounts within the composite.

Base Currency: USD | Composite Minimum: No minimum asset size requirement

Fee Schedule: .60 of 1% on first US$100 million, .40 of 1% on amounts over US$100 million.

Examination Period: The composite has been examined for the period from July 1, 2004 to December 31, 2011.

[1]*Partial period return (July 1, 2004 to December 31, 2004).*

Performance Disclosure

December 31, 2012

US Core Full Below Investment Grade Futures & Options Composite

Composite Inception: 2/1/93 | Composite Creation: 1/1/00

	No. of Accts	Gross Total Return	Net Total Return	Benchmark Total Return	Gross Total 3-Yr St Dev	Benchmark Total 3-Yr St Dev	Internal Dispersion	Mkt. Value (US$mil)	Percentage of Firm Assets	Firm Assets (US$mil)
2003	87	9.79%	9.46%	4.10%	5.44%	4.20%	1.56%	$32,627	22.00%	$148,333
2004	126	7.31%	6.99%	4.34%	5.33%	4.28%	0.77%	$44,905	22.70%	$197,837
2005	154	3.11%	2.81%	2.43%	4.83%	4.07%	0.46%	$56,580	22.70%	$249,233
2006	176	6.22%	5.91%	4.33%	3.39%	3.21%	0.69%	$73,608	14.43%	$510,172
2007	180	3.65%	3.35%	6.97%	2.85%	2.77%	1.10%	$83,506	13.44%	$621,493
2008	162	-9.95%	-10.22%	5.24%	6.39%	3.97%	3.14%	$56,859	11.24%	$505,660
2009	138	21.60%	21.24%	5.93%	7.69%	4.11%	4.92%	$56,242	11.66%	$482,218
2010	114	11.52%	11.19%	6.54%	7.83%	4.17%	1.58%	$52,780	11.63%	$453,909
2011	104	7.32%	7.00%	7.84%	4.55%	2.78%	0.44%	$47,239	10.66%	$443,140
2012	103	9.13%	8.80%	4.21%	2.63%	2.38%	0.92%	$49,404	10.70%	$461,891

Description: Western Asset's US Core Full Below Investment Grade Futures & Options composite includes portfolios that employ an active, team-managed investment approach around a long-term, value-oriented investment philosophy. These portfolios use diversified strategies and all sectors of the fixed-income market in seeking to add value while minimizing risk. The approach is to construct a portfolio using all major fixed-income sectors with a bias toward non-Treasuries. This strategy allows for opportunistic investments in high yield, emerging markets and non-dollar securities.

Objective: Exceed the benchmark return by 115 basis points annually over the course of a market cycle while approximating benchmark risk.

Benchmark Description: The current benchmark is the Barclays U.S. Aggregate Bond Index. The index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Base Currency: USD | Composite Minimum: US$25 million

Fee Schedule: .30 of 1% on first US$100 million, .20 of 1% on amounts over US$100 million. This strategy is also available versus the Barclays U.S. Universal Bond Index. Fee schedule is available upon request.

Examination Period: The composite has been examined for the period from February 1, 1993 to December 31, 2011.

Representative Client List Disclosure

The clients listed in the Corporate company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of $62(M) or greater.
The clients listed in the Public company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of $108(M) or greater.
The clients listed in the Multi-Employer / Union company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of $20(M) or greater.
The clients listed in the Eleemosynary company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of $8(M) or greater.
The clients listed in the Insurance company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of $51(M) or greater.
The clients listed in the Healthcare company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of $47(M) or greater.
The clients listed in the Sub-Advisory company type are in all mandates, located in all countries and all regions of the United States, and with portfolios with an AUM of $22(M) or greater.

Clients that have advised Western Asset of account terminations have been excluded from the lists.

As of 30 Apr 13

Risk Disclosure

Past results are no guarantee of future performance. An investment in the Portfolio may be worth more or less than you originally paid for based on factors such as interest rate, credit, strategy and limited liquidity risks. Additional risks and information regarding fees, expenses and tax considerations are more fully described in the Confidential Offering Memorandum, which must precede or accompany this material. Please read the Offering Memorandum carefully before investing.

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

July 15, 2013

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

SUBJECT: CONSIDERATION OF THE BRIDGEWATER ALL WEATHER FUND

Dear Board Members:

Background and Discussion

On April 15, 2013, the Board awarded $250,000,000 to the Bridgewater All Weather Portfolio, LLC Fund. On May 6, 2013, after an initial review of the fund documents by the Retirement Administrator and Board Counsel, and at staff's request, the Board authorized the Administrator to engage the legal services of Manatt, Phelps, and Phillips (Manatt) for the legal review of the Bridgewater All Weather Fund documents.

As part of the legal review of other alternatives, namely private equity fund documents, staff brought the issue of confidentiality and the possibility of closed sessions or public legal memos to the Board's attention, and on May 6, 2013 the Board authorized the Retirement Administrator to engage the Services of Harvey Leiderman for an educational presentation to be given at the July 1, 2013 Disability meeting on the pros and cons of the alternative investment process. On July 1, 2013, Mr. Leiderman offered the possibility of reviewing such documents in closed session, opening the door.

Given the Board's desire to fulfill its fiduciary responsibility, staff and Board Counsel confirmed with Ashley Dunning, of Manatt, the legal interpretation of the Brown Act in relation to the Bridgewater All Weather Fund investment and how to implement a closed session process for the review of alternatives. The ability to discuss Bridgewater in closed session would require presenting a resolution for the establishment of a Minute Book that would accomplish staff's desire to provide all of the documentation pertaining to sensitive investments to the Board for a full discussion, while protecting the privacy of the money manager's propriety strategy(ies). Ashley will be available to discuss this idea while discussing the Bridgewater investment; however, a resolution for consideration is not presented during this agenda, and there will be no closed session on it.

As present, staff confirmed, that absent a minute book, staff could provide all of the documents pertaining to the Bridgewater All Weather fund, as long as it was a one way communication. There could still be general discussion during public session, and still preserve their confidentiality, including the Confidential Legal Memorandum provided by Manatt, in relation to the legal review of those documents.

Discussing the specific provisions of the documents provided could jeopardize their status as confidential under the Brown Act. All documents related to this Board discussion during Closed Session have been placed in a separate folder within DropBox.

One item attached to this letter, not considered confidential, is a memo by Hewitt-Ennis Knupp confirming the consultant's review of the fund offering documents. Representatives are prepared to discuss their memo in either open or closed session.

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

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachment

Hewitt ennisknupp
An Aon Company

Memo

To:	**Staff and Board** **Ventura County Employees' Retirement Association**
From:	Russ Charvonia, ChFC, CFP®, Esq. John Lee Kevin Chen
Date:	June 20, 2013
Re:	**Bridgewater Contract Review**

Background

Hewitt EnnisKnupp ("HEK") was asked to review the new fund offering documents to ensure the contract terms as it relates to investment objectives and fees conform to what was presented by Bridgewater to the Board.

HEK has reviewed the documents and confirms they are consistent with what was communicated to the Board. As always, HEK reviews fund offering documents for VCERA and proactively notifies Staff of any discrepancies or concerns. HEK reviewed the information provided by Bridgewater and have found no issues from what was originally presented.

We look forward to discussing this with the Board at the July 15 meeting.

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

Hewitt ennisknupp
An Aon Company

Memo

To: Staff and Board

Ventura County Employees' Retirement Association

From: Kevin Chen

John Lee

Date: July 15, 2013

Re: **Western Fixed Income Unconstrained Discussion**

Background

Given the current interest rate environment, with rates at or near record lows, tight spreads and a sense of uncertainty about higher rates and inflation in our future, VCERA has recently shifted a portion of the fixed income assets away from benchmark constrained portfolios. The last remaining manager without the unconstrained flexibility is Western Asset Management. Since Western's fees schedule was significantly higher than other managers' in the program at the time, we previously recommended not to transition to their unconstrained strategy.

However, at the conclusion of our investment structure review last month, HEK was asked by the Board to reach out to Western to find out if there was an opportunity to reduce the fees to their unconstrained product. After discussions with Western, they are now willing to be more competitive with the fees of VCERA's current unconstrained fixed income managers. Currently, the blended management fee rates are 20 bps for Reams and 36 bps for Loomis. Western is proposing 40 bps for their product, and is also willing to offer a performance based fee.

Separately, we also had conversations with The Clifton Group. They confirmed they are capable of hedging interest rates if the Board so desired to move down that path. The difference in approach between these firms is that Western would actively manage portfolio duration in their effort to generate return with interest rate movements, while Clifton would apply a defensive process to protect against rising interest rates. While we believe Clifton's approach is appropriate for protecting against rising interest rates, Western is able to apply a more dynamic approach in order to take advantage of various interest rate and fixed income market environments.

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

Conclusion

With these considerations in mind, we list the following potential options for the Board to consider regarding Western Asset Management:

1. Stay with current core bond mandate
2. Convert to the unconstrained bond strategy
3. Terminate and re-allocate among existing fixed income managers

Our overall recommendation would be to move to the unconstrained product with Western given the new fee concessions.

We look forward to discussing this with the Board at the July 15 meeting.

Ventura County Employees' Retirement Association

Monthly Manager Performance Report
June 2013

Hewitt ennisknupp
An Aon Company

Hewitt ennisknupp
An Aon Company

MONTHLY INVESTMENT UPDATE

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

June 2013

Market Highlights

- The volatility that started in May continued in June. Equity markets ended the month down across the board, with both the Dow Jones Total Stock Market and S&P 500 losing 1.3 percent. Volatility persisted throughout the month, with multiple moves of more than 1 percent, both up and down. Price movements were particularly high at the end of the month, with a more than 5-percent drop in five days followed by an almost 3-percent recovery.
- Within the U.S. equity market, small cap stocks outperformed their large cap counterparts, while growth stocks lagged value stocks across the large, mid, and small cap asset classes.
- International markets showed similar weakness. The MSCI EAFE Index lost 3.5 percent for the month, while the MSCI Emerging Markets Index showed even weaker performance, losing 6.3 percent for the month. International markets were affected not only by the turmoil in U.S. markets, but also by a banking shock in China, where the central bank initially declined to intervene in a liquidity shortage before later relenting. In Europe, ongoing weakness in the real economy continued to weigh on financial market performance.
- Bonds were unable to shield against weak stock market performance in June. The Barclays Capital Aggregate Index fell 1.5 percent. Bond prices were hit across the board, as U.S. rates spiked. Investors in short-duration bonds were also largely insulated from rising rates. The worst-hit area over the month was international bonds, which were subjected to the negative currency effect of a rising dollar, as well as generally rising rates. Long-duration bonds, particularly corporates, also underperformed.

Preliminary Manager Highlights

- The Total Fund's preliminary June return of -1.8 percent beat the Policy Portfolio return of -2.0 percent. The Fund's international and global equity asset classes aided results, while U.S. equity matched its benchmark performance. Domestic fixed income and global fixed income underperformed their respective benchmarks.
- During the month, the Fund's U.S. equity portfolio returned -1.3 percent, matching its benchmark's return of -1.3 percent. BlackRock Extended Equity and BlackRock Equity Market Fund tightly tracked their respective benchmarks. Western Index Plus lagged its benchmark by 60 basis points.
- The international equity component declined -3.9 percent, outperforming the -4.3 percent return of its benchmark. Sprucegrove returned -3.6 percent, meeting it benchmark performance of -3.6 percent. Hexavest outperformed its benchmark by 50 basis points. Walter Scott returned -2.9 percent versus -4.3 percent for the benchmark. Much of this outperformance was attributable to stock selection in the Materials sector. BlackRock's international equity index fund tracked its benchmark.
- The collective return of the Fund's global equity component was -2.7 percent, outperforming the benchmark return of -2.9 percent. GMO's return of -2.6 percent beat the benchmark by 30 basis points. The BlackRock MSCI ACWI Equity account continued to perform as expected, tightly tracking its benchmark.
- In June, the Fund's U.S. fixed income component returned -2.5 percent, underperforming the Barclays Aggregate Bond Index return of -1.5 percent. Reams was the sole outperformer for June, returning -1.0 percent. Loomis underperformed by 250 basis points, returning -4.3 percent. Western underperformed for the month, lagging the benchmark by 70 basis points. BlackRock's fixed income index fund tracked its benchmark.
- The Loomis Sayles Global Fixed Income account lagged the benchmark by 90 basis points. The PIMCO Global Fixed Income account lagged its benchmark by 80 basis points.
- The Tortoise MLP account was funded during the month of April. In its second full month of performance, the Tortoise MLP account returned 3.8 percent, outperforming the benchmark return of 1.9 percent.

Key: Positive Mixed/Cautionary Alert Informational

Performance Summary

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Period Ending 6/30/2013

	June	2Q 2013	Year-to-Date	1 Year Ending 6/30/2013	3 Years Ending 6/30/2013	5 Years Ending 6/30/2013	10 Years Ending 6/30/2013	Since Inception	Inception Date
BlackRock Extended Equity	-1.0	2.3	15.7	25.5	19.8	9.0	10.6	11.8	10/31/02
Dow Jones U.S. Completion Total Stock Market Index	-1.0	2.3	15.7	25.1	19.4	8.9	10.6	11.8	
Western U.S. Index Plus	-1.9	2.7	13.9	23.0	20.9	6.2	--	-0.5	5/31/07
S&P 500 Index	-1.3	2.9	13.8	20.6	18.5	7.0	--	3.0	
BlackRock Equity Market Fund	-1.3	2.8	14.2	21.4	18.7	7.4	--	4.5	5/31/08
Dow Jones U.S. Total Stock Market Index	-1.3	2.8	14.2	21.5	18.7	7.4	--	4.5	
Total U.S. Equity	-1.3	2.2	13.5	21.1	18.7	7.4	7.3	8.3	12/31/93
Performance Benchmark**	-1.3	2.8	14.2	21.5	18.7	7.4	7.9	8.8	
BlackRock All Country World ex-U.S.	-4.4	-3.1	0.3	14.1	8.3	-0.3	--	0.0	3/31/07
MSCI All Country World ex-U.S. IM Index	-4.4	-3.3	0.2	13.9	8.1	-0.4	--	-0.2	
Sprucegrove	-3.6	-2.5	1.5	13.7	10.0	2.2	8.9	8.0	3/31/02
MSCI EAFE Index	-3.6	-1.0	4.1	18.6	10.0	-0.6	7.7	6.0	
MSCI All Country World ex-U.S. Index	-4.3	-3.1	0.0	13.6	8.0	-0.8	8.6	6.9	
Hexavest	-3.1	-1.3	4.7	14.7	8.7	1.6	--	0.2	12/31/10
MSCI EAFE Index	-3.6	-1.0	4.1	18.6	10.0	-0.6	--	-2.6	
Walter Scott	-2.9	-3.4	1.2	12.5	9.9	3.6	--	2.2	12/31/10
MSCI All Country World ex-U.S. Index	-4.3	-3.1	0.0	13.6	8.0	-0.8	--	-2.6	
Total International	-3.9	-2.8	1.3	14.1	8.9	0.1	8.3	6.5	3/31/94
MSCI All Country World ex-U.S. Index	-4.3	-3.1	0.0	13.6	8.0	-0.8	8.6	5.1	
GMO Global Fund	-2.6	-0.1	5.5	14.9	13.5	4.0	--	6.2	4/30/05
MSCI All Country World Index	-2.9	-0.4	6.1	16.6	12.4	2.3	--	5.5	
BlackRock MSCI ACWI Equity Index	-2.9	-0.2	6.4	17.0	--	--	--	17.0	6/30/12
MSCI All Country World Index	-2.9	-0.4	6.1	16.6	--	--	--	16.6	
Total Global Equity	-2.7	-0.1	5.9	15.8	13.0	1.5	--	4.5	4/30/05
MSCI All Country World Index	-2.9	-0.4	6.1	16.6	12.4	2.3	--	5.5	

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Performance Summary (continued)

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (Continued)
Period Ending 6/30/2013

	June	2Q 2013	Year-to-Date	1 Year Ending 6/30/2013	3 Years Ending 6/30/2013	5 Years Ending 6/30/2013	10 Years Ending 6/30/2013	Since Inception	Inception Date
Loomis Sayles Global Fixed Income	-2.1	-3.3	-4.3	-0.5	--	--	--	-0.5	6/30/12
Barclays Capital Global Aggregate Bond Index	-1.2	-2.8	-4.8	-2.2	--	--	--	-2.2	
PIMCO Global Fixed Income	-2.0	-4.1	-5.8	--	--	--	--	-6.2	9/30/12
Barclays Capital Global Aggregate Bond Index	-1.2	-2.8	-4.8	--	--	--	--	-5.3	
Total Global Fixed Income	-1.9	-3.6	-5.0	-1.7	--	--	--	0.2	6/30/12
Barclays Capital Global Aggregate Bond Index	-1.2	-2.8	-4.8	-2.2	--	--	--	-1.0	
Western	-2.2	-2.5	-2.0	2.4	6.2	6.8	5.5	6.6	12/31/96
Barclays Capital Aggregate Bond Index	-1.5	-2.3	-2.4	-0.7	3.5	5.2	4.5	5.8	
BlackRock U.S. Debt Fund	-1.5	-2.3	-2.3	-0.5	3.6	5.3	4.6	5.8	11/30/95
Barclays Capital Aggregate Bond Index	-1.5	-2.3	-2.4	-0.7	3.5	5.2	4.5	5.8	
Reams	-1.0	0.0	0.1	4.3	7.0	9.3	7.0	6.8	9/30/01
Barclays Capital Aggregate Bond Index	-1.5	-2.3	-2.4	-0.7	3.5	5.2	4.5	5.0	
Loomis Sayles	-4.3	-4.2	-1.7	7.5	8.8	8.8	--	7.4	7/31/05
Performance Benchmark***	-1.8	-2.0	-1.1	2.4	5.6	6.9	--	6.0	
Total U.S. Fixed Income	-2.5	-2.7	-2.5	1.8	5.9	7.8	6.0	6.5	2/28/94
Barclays Capital Aggregate Bond Index	-1.5	-2.3	-2.4	-0.7	3.5	5.2	4.5	5.9	
Prudential Real Estate	--	--	3.1	8.8	16.1	-2.7	--	2.9	6/30/94
NCREIF Open-End Fund Property Index	--	--	2.6	10.5	13.3	2.3	--	8.1	
UBS Real Estate	--	--	1.4	7.6	12.2	-0.1	6.7	6.7	3/31/03
NCREIF Open-End Fund Property Index	--	--	2.6	10.5	13.3	2.3	8.4	8.4	
Guggenheim	--	--	5.0	12.7	15.7	-4.2	--	-0.7	6/30/06
Performance Benchmark****	--	--	4.2	12.6	14.9	4.9	--	6.4	
RREEF	--	--	2.7	22.1	31.4	-15.3	--	-14.1	10/31/07
NCREIF Open-End Fund Property Index	--	--	2.6	10.5	13.3	2.3	--	3.0	
Total Real Estate*****	--	--	2.0	8.2	13.5	-3.4	4.9	7.5	3/31/94
NCREIF Open-End Fund Property Index******	--	--	2.6	10.5	13.3	2.3	8.4	9.2	
Tortoise Energy Infrastructure	3.8	--	--	--	--	--	--	3.0	4/30/13
Wells Fargo MLP Index	1.9	--	--	--	--	--	--	1.2	
Total Fund	-1.8	-0.2	5.4	12.8	12.5	5.2	7.0	7.9	3/31/94
Policy Portfolio*******	-2.0	-0.2	5.1	12.2	11.7	4.9	7.1	7.9	
Total Fund (ex-Private Equity)	-1.8	-0.2	5.6	12.5	--	--	--	--	
Total Fund (ex-Clifton)	-1.8	-0.2	5.3	12.5	12.2	5.1	6.9	7.9	

*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.

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Asset Allocations

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Period Ending 6/30/2013
($ 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	$36,220							$36,220	1.0%		
Western Index Plus	$103,951							$103,951	2.9%		
BlackRock Equity Market Fund	$1,151,309							$1,151,309	31.7%		
Total U.S. Equity	**$1,291,480**							**$1,291,480**	**35.6%**	**36.0%**	**36.0%**
BlackRock ACWI ex-U.S. Index		$341,409						$341,409	9.4%		
Sprucegrove		$160,785						$160,785	4.4%		
Hexavest		$69,937						$69,937	1.9%		
Walter Scott		$84,392						$84,392	2.3%		
Total Non-U.S. Equity		**$656,523**						**$656,523**	**18.1%**	**18.0%**	**19.0%**
GMO Global Equity	$83,998	$99,004						$183,003	5.0%		
BlackRock MSCI ACWI Equity Index	$63,687	$73,866						$137,553	3.8%		
Total Global Equity	**$147,685**	**$172,870**						**$320,555**	**8.8%**	**10.0%**	**10.0%**
Western			$245,269					$245,269	6.8%		
BlackRock U.S. Debt Fund			$130,570					$130,570	3.6%		
Reams			$245,547					$245,547	6.8%		
Loomis Sayles Global**			$65,035					$65,035	1.8%		
Loomis Sayles			$104,777					$104,777	2.9%		
PIMCO Global			$95,215					$95,215	2.6%		
Total Fixed Income			**$886,413**					**$886,413**	**24.4%**	**27.0%**	**25.0%**
Prudential Real Estate				$85,723				$85,723	2.4%		
UBS Real Estate				$179,894				$179,894	5.0%		
Guggenheim				$23,797				$23,797	0.7%		
RREEF				$10,226				$10,226	0.3%		
Total Real Estate				**$299,640**				**$299,640**	**8.3%**	**8.0%**	**10.0%**
Adams Street Partners					$31,208			$31,208	0.9%		
Pantheon Ventures					$8,454			$8,454	0.2%		
Harbourvest					$5,244			$5,244	0.1%		
Total Private Equity					**$44,906**			**$44,906**	**1.2%**	**1.0%**	**0.0%**
Tortoise Energy Infrastructure						**$112,157**		**$112,157**	3.1%		
Total Liquid Alternatives						**$112,157**		**$112,157**	**3.1%**	**0.0%**	**0.0%**
Clifton Group							$18,473	$18,473	0.5%		
Total Cash							**$18,473**	**$18,473**	**0.5%**	**0.0%**	**0.0%**
Total Assets	**$1,439,165**	**$829,393**	**$886,413**	**$299,640**	**$44,906**	**$112,157**	**$18,473**	**$3,630,147**	**100.0%**	**100.0%**	**100.0%**
Percent of Total	**39.6%**	**22.8%**	**24.4%**	**8.3%**	**1.2%**	**3.1%**	**0.5%**	**100.0%**			

* Asset allocation reflects net exposure
* Private Equity reflects Market Values as of 12/31/2012 plus Capital Calls from 1/1/2013-6/30/2013
**Market Value data and returns are 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

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

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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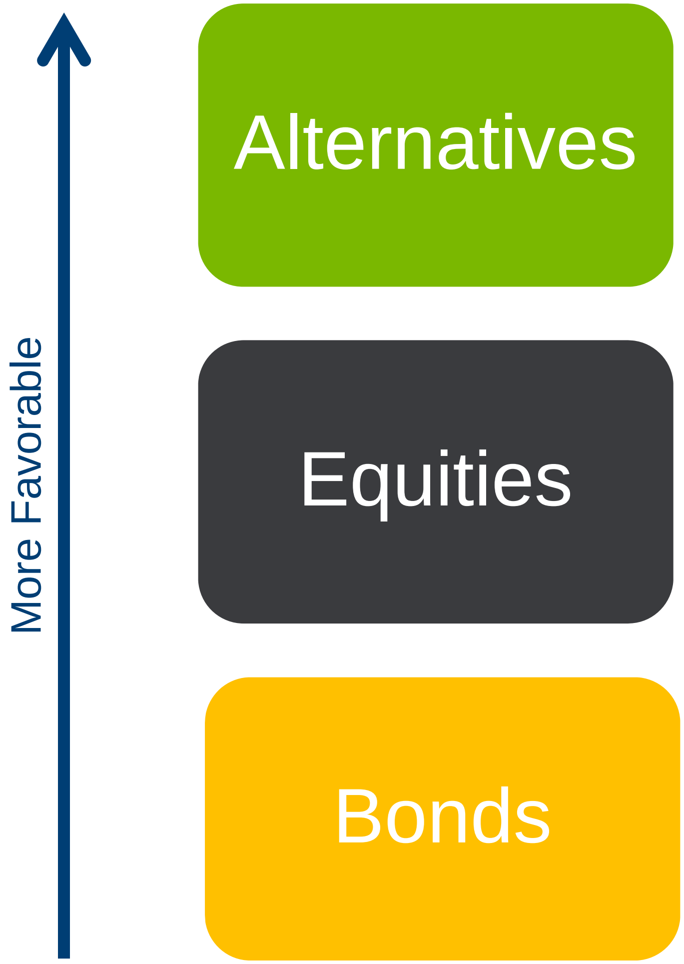
Relative Medium Term Views



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 took equities from an overweight to a neutral stance in the model portfolio in May on the view that the scope for gains had narrowed and a period of higher volatility lay ahead. Equities have since corrected, but our view is that equity returns for the near-term may be constrained.
- 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:

- US yields are up, and though the near-term trend could be towards some give-back of recent rises, we remain negative on bonds from a valuation and duration standpoint for the medium-term.
- On a relative basis we are now more neutral on high yield versus investment grade. We prefer loans to high yield and prefer local currency emerging market debt to dollar denominated debt.

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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			June 2013, 1 month ago, 1 year ago			Non-U.S. Developed
Large Cap	1 year ago	June 2013 , 1 month ago				Small Cap
Value			June 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		June 2013, 1 month ago		Emerging
Large Cap	1 month ago, 1 year ago	June 2013				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

Relative Fixed Income Medium Term Views

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
U.S.		June 2013, 1 month ago	1 year ago			**Non-U.S.**
Intermediate duration		June 2013, 1 month ago, 1 year ago				**Long duration**
Government				June 2013, 1 month ago	1 year ago	**Credit**
U.S. Investment Grade		1 year ago	June 2013, 1 month ago			**High Yield**
U.S. Bonds		1 year ago	June 2013, 1 month ago			**Emerging Market Debt**
U.S. TIPS	June 2013, 1 year ago	1 month 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	**June 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	Equities buffeted by worries over change of US monetary policy stance. Some worries over Fed policy are overdone, but even so, risk-reward in equities has deteriorated. With policy uncertainty likely to linger, volatility likely to remain a feature of the market. Economy/earnings story is not a positive contributor, even though major global tail risks have receded.
U.S. Large vs. Small Cap	Prefer U.S. Large Cap	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, particularly in price to book terms, though small cap earnings have grown faster. Since we believe broader market gains are leveling out, 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. Japanese small cap is understandably doing better, but in the aggregate, the preference for large cap remains.
U.S. Equities vs. EAFE	Use U.S. outperformance to raise EAFE allocations	The US has outperformed in recent weeks, but valuations continue to favor non-US markets for the medium-term. 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	Recently raised to positive 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 rose steeply in the past month on the fear of Fed tightening (QE exit and rising short term rates) could come as soon as late 2014. In the near-term, bond markets are likely to become more relaxed. Over the medium-term, yields still have a lot of climbing to do, even though the road to a normalization of yields is long and winding. Still very low yields carry significant risk, so duration must be carefully managed.
Global Corporate Bonds	Prefer to government bonds	Spreads on investment grade corporate bonds have been reasonably stable. Our preference for credit versus government bonds remains, but valuations are closer to neutral with limited room for spreads to move down much lower. Given the likely move in underlying government bond yields, returns look low and fragile.
Intermediate vs. Long Duration	Extend duration only to match liabilities	The recent rise in yields and steepening of the yield curve makes duration less of a near-term risk, but still fraught with dangers beyond (i.e. over the medium term). 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 obviously greater. At the margin, the rise in spreads and yields for high yield bonds has improved relative attractiveness somewhat. However, with less yield hungry behaviour, expected returns on high yield still look too low.
U.S. Bonds vs. Emerging Market Debt	Prefer emerging market bonds and local to dollar debt	Emerging market spreads have widened and now look reasonable versus investment grade corporate bonds. Given the risks to yields, however, which still look too low in spite of the recent rise, it remains hard to like dollar EM debt on a full return basis. Local currency emerging market debt more attractive than dollar-denominated debt even though volatility in emerging currencies is likely to linger.
Treasury Inflation Protected Securities	Prefer TIPS	The rise in real yields recently made TIPS yields look almost fully normalized (30 year TIPS yields close to 1.4%), though yields are once again retreating at the time of writing. Our view of longer-term upward bias to inflation risks and good inflation pricing suggests that this is a good time to be adding to inflation protection.

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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.

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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Highlights and Research

Ventura County Employees' Retirement Association

July 2013

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Memo

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

From: John Lee
Kevin Chen

Date: July 15, 2013

Re: **Manager Investment Guidelines**

Background

Given the numerous mandates recently added to the program, Hewitt EnnisKnupp ("HEK") believed it was prudent to present the manager investment guidelines as it relates to the new fund mandates.

HEK has reviewed the manager guidelines and confirms we are comfortable with the stated objectives. The manager guidelines we have reviewed are Loomis Sayles Strategic Alpha Trust, Bridgewater Associates All Weather Portfolio, HarbourVest Dover Street VIII, Tortoise Capital Advisors Energy Infrastructure MLP, and Adams Street Partners 2013 Global Fund. Once approved by the Board, the guidelines will be inserted into the existing Investment Policy Manual.

Also attached is the new target asset allocation incorporating the additional asset classes, which will also be included in the Investment Policy Manual as Appendix A. The Liquid Alternatives bucket includes both MLP and Risk Parity.

We look forward to discussing this with the Board at the July 15 meeting.

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

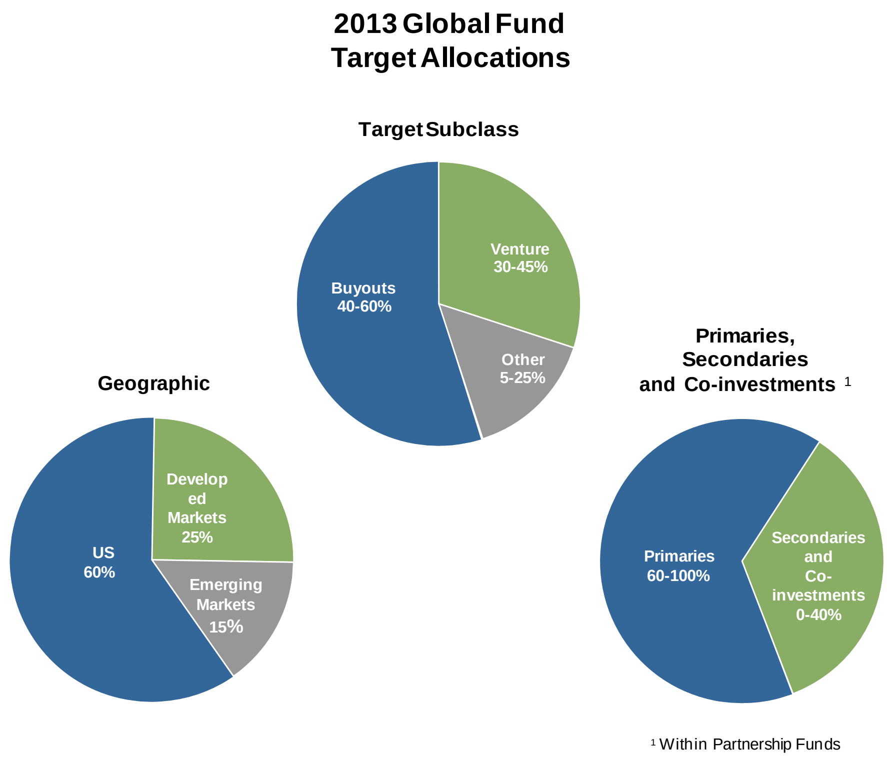
The Ventura County Employees' Retirement Association's
Asset Allocation Target and Ranges

Asset Class	Target Percent	Allowable Range
U.S. Equity	30%	26-34 %
International Equities	14%	11-17%
Global Equities	10%	7-13 %
U.S. Fixed Income	19%	15-23%
Global Fixed Income	5%	3-7%
Real Estate	7%	4-10%
Private Equity	5%	3-7%
Liquid Alternatives	10%	7-13%
Total Equity	54%	50-58%
Total Fixed Income	24%	20-28%
Total Real Estate	7%	4-10%
Total Private Equity	5%	3-7%
Total Liquid Alternatives	10%	7-13%

Adams Street 2013 Global Fund LP

Adams Street 2013 Global Fund LP (the "Global Fund") will invest as follows: 50% in the US Fund, 25% in the Developed Markets Fund, 15% in the Emerging Markets Fund and 10% in the Direct Fund.

The investment will be diversified as:



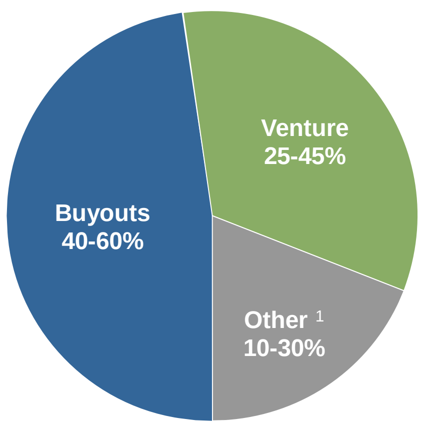
Adams Street 2013 US Fund LP

The portfolio guidelines for Adams Street 2013 US Fund LP (the "US Fund") are to:

- invest, typically over three to four years, in private equity funds that in turn invest a substantial portion of their assets in companies located in the US and Canada;
- invest no more than 10% of its capital in any single underlying investment;
- invest no more than an aggregate of 40% of its capital in secondary investments and co-investments; and
- make approximately 15 to 25 primary investments during each year of its investment period.

The US Fund is targeted to invest as follows:

2013 US Fund
Target Allocations



To be achieved over
3 to 4 years

[1] Includes mezzanine/subordinated debt, restructuring/ distressed debt and special situations

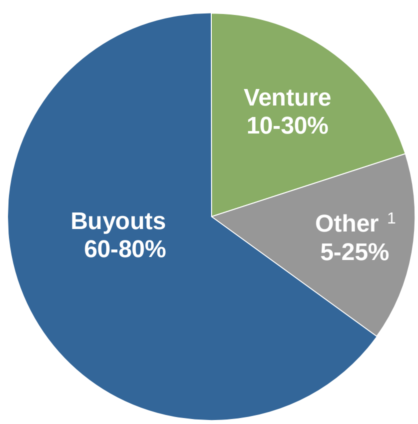
Adams Street 2013 Developed Markets Fund LP

The portfolio guidelines for Adams Street 2013 Developed Markets Fund LP (the "Developed Markets Fund") are to:

- invest, typically over three to four years, in private equity funds that in turn invest a substantial portion of their assets in companies located in developed markets other than the US and Canada. We currently define "developed markets" to mean: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Korea, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom, Israel, Japan, Singapore, Taiwan, Australia, New Zealand and Hong Kong;
- invest no more than 10% of its capital in any single underlying investment;
- invest no more than an aggregate of 40% of its capital in secondary investments and co-investments; and
- make approximately 15 to 25 primary investments during each year of its investment period.

The Developed Markets Fund is targeted to invest as follows:

2013 Developed Markets Fund
Target Allocations



To be achieved over
3 to 4 years

[1] Includes mezzanine/subordinated debt, restructuring/ distressed debt and special situations

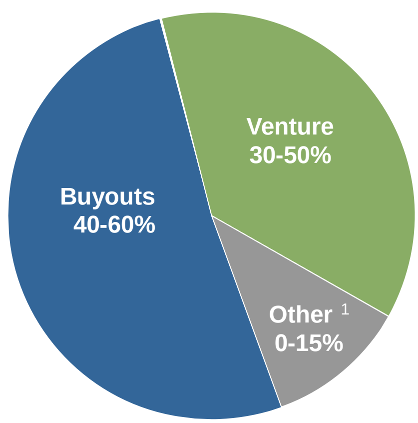
Adams Street 2013 Emerging Markets Fund LP

The portfolio guidelines for Adams Street 2013 Emerging Markets Fund LP (the "Emerging Markets Fund") are to:

- invest, typically over three to four years, in private equity funds that in turn invest a substantial portion of their assets in companies located in emerging markets. We currently define "emerging markets" as all countries other than the US and Canada that are not included in the Developed Markets Fund. Adams Street Partners expects the investments in the Emerging Markets Fund to be primarily with managers located in developing Asia and developing Europe;
- invest no more than 10% of its capital in any single partnership investment;
- invest no more than an aggregate of 40% of its capital in secondary investments and co-investments; and
- make approximately 5 to 15 primary investments during each year of its investment period.

The Emerging Markets Fund is targeted to invest as follows:

2013 Emerging Markets Fund
Target Allocations



To be achieved over
3 to 4 years

[1] Includes mezzanine/subordinated debt, restructuring/ distressed debt and special situations

Adams Street 2013 Direct Fund LP

The portfolio guidelines of Adams Street 2013 Direct Fund LP are to:

- make primarily late-stage venture capital and growth equity investments typically over three to four years;
- invest no more than 10% of its capital in any single portfolio company investment, 30% of its capital in companies located outside North America or 10% of its capital in publicly traded companies; and
- make approximately 8 to 15 investments in new portfolio companies during each year of its investment period.

Bridgewater Associates, LP ("Manager")
All Weather Portfolio, LLC ("Fund")
Description

The Fund is a commingled fund and the practices of the Manager and the Fund will be in accordance with the Fund's offering documents and related Fund documents, as may be amended and supplemented from time to time.

Investment Objective and Strategy:
The investment objective of the Fund is to seek to provide returns with no material bias to perform better or worse in any particular type of economic environment. In other words, the portfolio seeks to perform approximately as well in rising or falling inflation periods, or in periods of strong or weak economic growth. To achieve this objective, the Fund, directly or indirectly, holds investments in different asset classes that have different biases to economic conditions. These asset classes may include the currency, fixed-income, inflation linked bond, equity, and commodity markets, among others.

Allocations to the asset classes described above are set from time to time by the Manager in its sole discretion so that they balance each other (i.e., represent an approximately equal portion of the Fund's risk, as determined by the Manager in its sole discretion), thereby minimizing the portfolio's exposure to changing economic conditions. The Manager does not vary the weights of investments based on any tactical view of how particular investments will perform, but rather attempts to balance the risk of the Fund based on its understanding of the relationship between asset classes and economic environments, provided that the Manager may vary the allocations to asset classes based on its assessment of market conditions, in a manner that is consistent with the long term investment objective of the Fund. The Fund will invest primarily in exchange traded futures contracts, over-the-counter derivatives, including without limitation, credit derivatives, cash securities, and spot and forward contracts on the international, interbank currency market but may invest in other securities or instruments. Asset classes may be added to and removed from the portfolio by the Manager from time to time in its sole discretion. The Fund may invest in both listed and unlisted securities or instruments which may be investment grade or non-investment grade.

The long-term annual targeted return of the Fund is expected to be approximately 5% to 7% above cash (90-day Treasury bills) while targeting a tracking error of approximately 10%, where tracking error is measured as the standard deviation of the portfolio return of the Fund above cash. The Fund may employ leverage in the forms of trading on margin, entering into other forms of direct and indirect borrowings and investing in derivative instruments that are inherently leveraged.

Investment activity of the Fund described herein may be carried out directly or indirectly through a trading company or trading vehicle.

Trading Policies and Restrictions:
In order to seek to limit exposure to risk, the Fund requires the Manager to observe the following trading policies:
- The Fund will not invest directly in real estate.
- The Fund will generally not invest directly in physical commodities. However, the Fund may invest in precious metals or in derivative contracts on physical commodities.
- The Fund will not take legal or management control of the issuers of underlying investments.
- The Fund may invest in regulated or unregulated money market funds or similarly constructed business trusts or other commingled or collective investment funds, (including investment funds managed by the Manager or by an external manager acceptable to the Manager). Holdings within commingled vehicles are not subject to the specific guidelines and restrictions of the Fund but must be managed in a manner

consistent with the overall investment objectives of the Fund. When assets of the Fund are allocated to a commingled investment fund managed by the Manager, the Fund will not pay any additional investment management fees or profit participation fees within such investments.

Derivatives, repurchase agreements, reverse repurchase agreements and securities lending, among other forms of leverage, may be used by the Fund in achieving its Risk Parity strategy, and VCERA has agreed that limits thereon in Section VII and VIII shall not apply to Risk Parity portfolios (to the extent such provisions would otherwise apply).

The Manager is retained by the Fund. Consistent with the foregoing, the Manager will provide services to the Fund as fiduciary to the Fund in the aggregate.

Without limiting the foregoing, duties of the Manager in respect of proxy voting, best execution, insurance, client communications (including such matters as are expressly referenced in "Duties of the Investment Managers") and reporting shall be as set forth in the offering documents of the Fund.

The Manager will promptly deliver material changes in the offering documents of the Fund to the Association. The guidelines and description of the Fund's investment program set forth in this exhibit shall be automatically deemed updated, without further action of the Manager, by the terms of any material changes so delivered.

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

Consistent with the treatment of commingled funds as set forth in Section IV, the specific terms set forth in these guidelines supersede the general terms set forth in the remainder of the Investment Policy Manual.

HarbourVest Partners L.P. ("Manager")

Dover Street VIII L.P. ("Fund")

Portfolio Guidelines

The primary objective of the Fund is to provide compelling investment returns through a selected portfolio of private equity investments.

The Fund intends to invest in secondary transactions in venture capital, leveraged buyout, and other private equity assets. The Fund may also invest up to 10% of its capital in strategic primaries and up to 5% of its capital in secondary purchases of real estate and infrastructure assets, and debt. The Fund will consider many different types of transactions: traditional limited partner interests, portfolios of direct investments (synthetic secondaries), and structured transactions. As a result of its investment strategy, the Fund expects to be diversified by geography, stage, industry, vintage year, and type, as appropriate.

Notwithstanding anything contained herein to the contrary, the Fund will only make investments in accordance with the terms of the Amended and Restated Limited Partnership Agreement of Dover Street VIII L.P. dated as of November 1, 2011, as amended by amendment dated December 10, 2012, and as may be further amended from time to time.

LOOMIS SAYLES
STRATEGIC ALPHA TRUST ("Fund")
INVESTMENT OBJECTIVES AND GUIDELINES

Investment Objective and Policies

The Fund's investment objective is to provide absolute returns in excess of the greater of (1) the three month London Interbank Offered Rate ("LIBOR") in U.S. dollars plus two to four percent or (2) 7% with a risk volatility goal of approximately 4 to 6% over market cycles. LIBOR is used for comparative purposes only and is not intended to parallel the risk or investment style of the Fund.

The Fund may invest a substantial portion of its assets in public or private debt securities and other instruments issued or guaranteed by U.S. or non-U.S. issuers, including, but not limited to, government securities (including their agencies, instrumentalities and sponsored entities), municipal securities, non-U.S. sovereign debt, equity securities, corporate obligations, commercial and residential mortgage-backed securities, asset-backed securities, convertibles and preferred securities, synthetic bonds, warrants, derivatives, when-issued and delayed delivery securities, over-the-counter ("OTC") securities, loans, loan participations and assignments, senior loans, second lien loans, other secured and unsecured loans, real estate investment trusts ("REITS"), securities of issuers in real estate-related industries, structured notes, hybrid instruments, currencies, commingled pools (including but not limited to exchange-traded funds ("ETFs") and closed-end funds), temporary high quality cash items and cash equivalents.

Tortoise Capital Advisors

Energy Infrastructure MLP Separate Account

Investment Guidelines

Single Issuer Concentrations – We limit exposure to any single issuer to 10% of portfolio market value at the time of purchase. Occasionally, market value fluctuations may cause positions to increase above 10% of portfolio market value. Although not required by these guidelines, we will normally reduce positions to below 10% of portfolio value in a reasonable amount of time.

Industry Concentrations – By its nature, the Energy Infrastructure MLP Separate Account product is a strategy concentrated in energy infrastructure MLPs. We will invest up to 100% of the portfolio in securities issued by MLPs and/or their affiliates (general partners, i-shares, etc.).

Sector Allocations – Our strategy emphasizes more stable, fee based cash flow segments of the MLP asset class (for example - long haul, natural gas transmission, crude oil, and refined petroleum product pipelines). These MLPs tend to be the larger, better capitalized, and higher credit rated entities within the MLP sector. Generally, at least 70% of the portfolio will be invested in MLPs that derive a majority of their business from long-haul pipelines. Other segments of the MLP sector that we may invest in currently include natural gas gathering and processing, propane, coal, and shipping MLPs; however, we intend to limit aggregate exposure to these segments to 30% or less of the portfolios.

We limit portfolio exposure to sectors with the most commodity price exposure:

- We generally will not invest in companies that have a majority of their revenues directly exposed to changes in commodity prices (e.g., exploration and production MLPs).

- Natural gas gathering and processing, propane, and coal MLPs have varying degrees of commodity price exposure. The degree of exposure varies significantly depending on the proportion of the MLP's contracts that are fee based (no commodity price exposure) as well as the degree to which the MLPs have hedged the non fee based portions of their business. In this area, we prefer MLPs who mitigate their commodity price exposure via some or all of the following: fee based contracts, hedging programs, higher distribution coverage ratios.

Cash Balances – We aim to limit cash and money market balances to 5% or less of portfolio value. However, we may temporarily hold higher cash balances for defensive reasons or to facilitate a trade program.

Leverage – we do not employ leverage in our separate account product.

Long- Only – This is a long-only strategy. We will not engage in short selling.

Use of Derivatives – We will not use any derivative strategies within separate accounts. We will only make exceptions to this guideline when specifically requested by a client.

Custody of Client Assets – Under no circumstances will Tortoise Capital Advisors custody client assets. A qualified, independent third – party custodian must be selected by the client prior to establishing an account. Tortoise Capital Advisors will have authorization to direct trades within clients' custody accounts; however, Tortoise Capital Advisors will not accept authorization or responsibility for transferring cash or other assets in or out of the custody account. The only exceptions to this are investment management fee disbursement and securities trades which are typically handled on a 'delivery versus payment' basis.

Guideline Review – These guidelines will be reviewed on an as needed basis and will not be changed without client notification.

PROPOSED AGENDA

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT INVESTMENT RETREAT

Thursday, September 26, 2012

Ventura Beach Marriott
2055 East Harbor Boulevard, Ventura, California 93001

8:30 a.m.	*Continental Morning Breakfast*
9:00 a.m.	**Introductions, Administrative Matters, and Review of Agenda** Bill Wilson (Chair) and Tracy Towner (Vice Chair)
9:10 a.m.	**Infrastructure/Natural Resources/Water** *Kleinwort Benson Investors* (leading firm in environment strategies) and *Macquarie Group* (industry's largest infrastructure and real asset manager) are featured in a panel discussion on the environment and investment opportunities
10:30 a.m.	*Break*
11:00 a.m.	**The "Opportunistic Bucket"** *Hewitt EnnisKnupp*'s alternatives expert will discuss the notion of implementing a separate policy allocation that enables temporary investments due to market dislocations and other transient opportunities
12:00 Noon	**Working Lunch – Economy, Interest Rates, and Capital Markets** *PIMCO* and *GMO*, two firms that are often outspoken for their market forecasts, will debate their views on the economy and investments
1:30 p.m.	**Research on the Traditional Stock/Bond Investing** *Hewitt EnnisKnupp*'s head of research will review notable recent research on investing in the traditional asset classes and strategies for success
2:30 p.m.	**VCERA versus Other Public Funds** *Hewitt EnnisKnupp*'s consulting practice leader will review and compare the VCERA investment program with peer public funds (in California and nationally). This segment will also discuss the advantages and challenges facing public funds and appropriate directions for the road ahead
4:00 p.m.	*Break*
4:30 p.m.	**Board Member Comments and Ideas for the Future** Board commentary on the day's discussions, potential modifications to the investment information provided during future Board meetings, and determination on next steps of implementation
5:00 p.m.	*Reception*
6:00 p.m.	*Dinner*

Public Fund Peer Comparison*

	Plan	Market Value ($ in millions)	First Quarter 2013	One-Year Ending 3/31/2013	Three-Years Ending 3/31/2013
	Ventura County	$3,648.9	5.6%	10.7%	10.1%
California County Funds	Imperial County	603.1	4.6%	8.6%	8.6%
	Mendocino County	381.5	5.1%	9.6%	8.9%
	Sacramento County	6,866.5	5.3%	10.7%	9.4%
	San Diego County	9,417.5	3.5%	10.7%	10.2%
	Sonoma County	2,014.5	5.7%	11.5%	10.4%
Hewitt EnnisKnupp Public Funds: Plans > $1 Billion	Arkansas Teacher Retirement System	12,627.4	5.3%	9.2%	8.3%
	Colorado PERA	41,453.0	4.0%	8.7%	9.4%
	Commonwealth of Puerto Rico – ERS	2,662.7	2.7%	7.3%	7.7%
	Commonwealth of Puerto Rico – TRS	2,018.8	3.0%	4.7%	7.2%
	Employees Retirement System of Texas	23,811.9	4.0%	8.8%	8.3%
	Florida State Board of Administration	133,650.6	5.1%	10.9%	--
	Kentucky Teachers Retirement System	16,138.4	6.0%	10.5%	9.6%
	San Diego City ERS	5,842.8	5.1%	10.3%	9.8%
	State Retirement Agency of Maryland	40,620.2	3.9%	9.6%	8.3%
	Teacher's Retirement System of Texas	117,516.0	3.6%	10.4%	10.1%
	TRS of Louisiana Defined Benefit Plan	14,713.4	5.0%	10.5%	9.2%
	Peer Universe Average	**--**	**4.6%**	**9.8%**	**9.2%**

*Based on information available at the time this report was produced – All performance is shown net of management fees

Aon Hewitt

Flash Report

Global Investment Management

Walter Scott

June 18, 2013

Notification of the passing of Dr. Ken Lyall, Chairman

On June 18, 2013, Walter Scott announced the passing of Dr. Ken Lyall, formerly Chairman of Walter Scott & Partners Limited. This follows the notification on February 11, 2013 of Ian Clark stepping down as a main board Executive Director of Walter Scott & Partners Limited.

Conclusion and Ratings

Although Dr Ken Lyall had not yet retired from the business at the time of his passing, Walter Scott had, over the last few years, been planning for the retirement of both Dr Ken Lyall and Ian Clark. We believe that Walter Scott's transition planning has been well executed over the last few years with Jane Henderson and Rodger Nisbet effectively managing the business since 2010. We also believe Charlie Macquaker and Roy Leckie to be strong leaders of a well resourced, high quality investment team capable of implementing its deep fundamental research driven process. However, we will continue to closely monitor any changes following from the loss of these two key individuals over a relatively short period of time, but maintain a Buy rating on the Walter Scott Global Equity strategy.

Disclaimer

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Aon plc
8 Devonshire Square
London
EC2M 4PL

Global Asset Allocation

Emerging markets: From hero to zero?

An opportunity to build allocations now

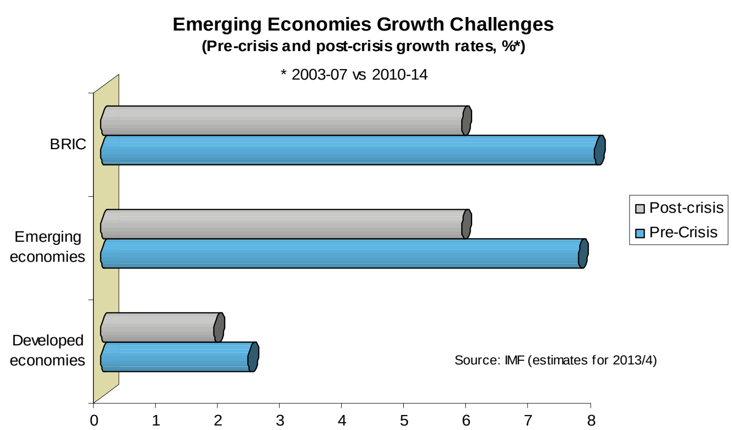
2nd July 2013

Summary

- Emerging market equities have de-rated aggressively against their developed counterparts since 2010, going from premium valuations to a large discount.
- BRIC economic setbacks have been the centerpiece of the move from 'hero to zero' in terms of the stature of emerging markets.
- Emerging markets were too expensive three years ago. Today, as they approach the discounts seen a decade ago, they are too cheap.
- A key difficulty is poor newsflow – weak economic data in the BRICs, lower commodity prices, fears of US monetary tightening and riots in Brazil and Turkey.
- The impact of these factors will fade. For those prepared to look beyond and wanting to build exposures, the valuation argument is starting to look compelling.

How emerging markets fell to earth

It is hard to believe that emerging market equities were more expensively valued than developed markets just three years ago. Whatever the longer-term case for emerging markets, it was hard for us to like them on our medium-term horizon at those valuations. The implicit view was that strong economic growth would continue regardless of the state of the global economy or domestic economic policy challenges that lay ahead in many emerging economies. There was also an optimistic assumption behind this premium that these GDP growth rates would necessarily mean higher levels of corporate profitability and faster growth in corporate earnings as well.

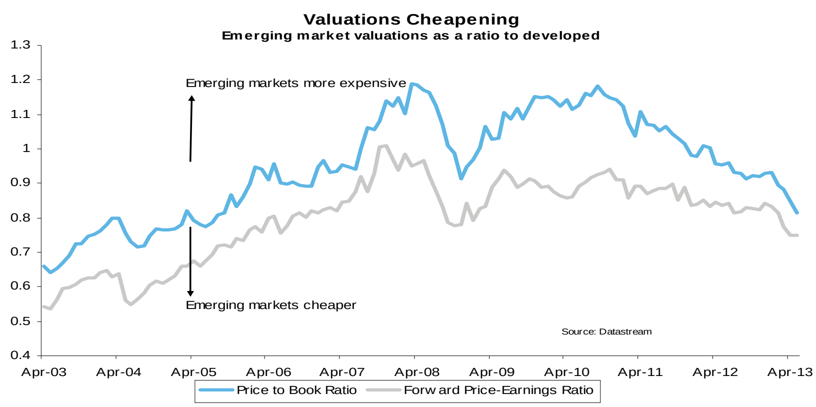


Growth rates since the end of the crisis have provided a harsh reality check. The disappointment has been acute for the BRIC (Brazil, Russia, India, China) economies, where growth rates have fallen steeply and had a strong downward drag on the much bigger emerging economy totals (see chart). Yet, in the heyday of the emerging markets boom (2005-7), it was the mushrooming of BRIC funds[1] which exemplified the view of a growth 'take-off' in emerging economies. The big downturn in BRIC economic fortunes in the past few years symbolises all that has gone wrong with emerging markets, resulting in their aggressive de-rating since 2010. BRICs have driven the change in emerging markets' stature in investors' minds from hero to zero, a position where today's consensus shows a clear dislike of emerging markets.

A near full circle in valuations

Emerging market valuations at large have not yet come full circle over the last decade, but they are not far away from doing so (see chart below). The strong re-rating of emerging markets versus developed markets saw a doubling of *relative* valuations in the 2003-8 period. There followed a sag during the height of the crisis in late 2008 but this was quickly followed by a move back to those relative highs in 2010. As the chart shows, the subsequent de-rating was as strong as the earlier move up. After relative underperformance by emerging markets of some 30% in the past 3 years, approximately two thirds of the re-rating has been given back.

As you might expect, when it comes to the BRICs, valuations have completed the circle. BRIC markets were at 1.4x book value in 2003, and we are back to those very same levels now a decade later. As it happens, the relatives versus developed are also very close to decade-ago levels, ironically just before the BRIC concept became popular.



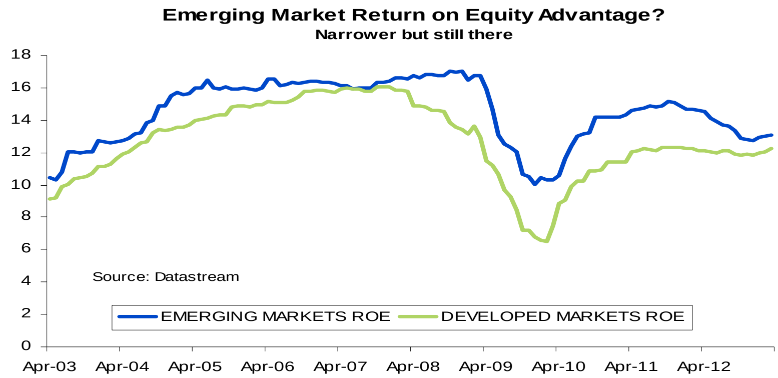
Yet another overshoot

Does the current level of relative valuation look fair? We should start with a key view of ours that a premium valuation for emerging markets is difficult to defend. On average, emerging economies have more political and economic risk, less transparency and lower average corporate governance standards, the key reasons why volatility is intrinsically higher. Valuations that are at par or higher than developed markets can only be defended if both expected profitability and growth in those profits greatly outweigh these disadvantages for a long period.

This is where expectations and reality have to be aligned, and they were clearly not aligned taking account of actual outcomes. Though profitability as measured by return on equity has been higher on average in emerging markets over the past decade, the

[1] An inappropriately narrow and flawed capture of the emerging markets opportunity set, in our view.

differential is not large. Taking into account the heavier cyclicality of profits in emerging economies, 2010 valuations were simply too high.



On the other hand, it is not reasonable to regard the low relative valuations of a decade ago to be 'fair' either. Many, if not most emerging economies have come some way since then, evident in the journey made towards higher sovereign credit ratings for so many countries, reflecting better economic management and lowered country risk. Over the past decade, there is also a consensus that on average corporate governance standards have improved somewhat, albeit still substantially behind best practice developed markets. Additionally, many developed economies are themselves undergoing a period of less stability in their socio-political and economic structures, reflected in lower sovereign credit ratings. These factors argue towards a view that sustainable or fair valuations in emerging markets should be at a higher level versus developed than those seen a decade ago. Yet, current valuations, as we saw earlier, are closing in on these levels.

Taking these considerations into account, our view is that much as the re-rating towards premium valuations in 2008 and 2010 was excessive, the de-rating since 2010 has also gone too far. This then appears as yet another valuation overshoot. Emerging markets have swung from being too expensive to being too cheap.

If we agree on that, we are left with the question of what will bring a change for the better. As we know, valuations can stay low or high for long periods. We need a catalyst to bring emerging markets back from being so widely disliked as at present.

Catalyst: less bad news

The flow of bad news for emerging markets has been unrelenting. Our view is that the end of or some reduction in the flow of bad news will provide the necessary catalyst for the valuation argument to reassert itself. We look at four areas of data or newsflow below:

- Weaker economic activity in the more prominent emerging economies - the BRICs and particularly China, take pride of place here.
- Lower commodity prices - to which a number of emerging economies are exposed given their role as commodity exporters.
- Volatility in currencies and emerging market debt that has reflected worries over US monetary tightening as seen through May/June. The worry is that this raises the relative attractions of the US dollar and bonds and leads to rising rates in several emerging economies.
- Political unrest in a number of countries – Turkey and Brazil have featured heavily in recent weeks, following the Arab Spring.

Weak growth in BRICs, especially China: Weaker growth in China and its impact elsewhere is a drag. Equally, however, it is hard to argue that much worse economic conditions are ahead. The global backdrop is important for China and leading indicators are showing improvement. Though not the focus here, China's slowdown appears partly self-inflicted, an attempt to wean the economy away from a credit-fueled investment boom that reached its sell by date some time ago. We have been in the camp that has expected a major growth slowdown in China since 2011. Though we see little prospect of an early rebound in Chinese growth, this attempt to sort out China's imbalances should in some senses be welcomed on a longer term view. That said, we acknowledge that there are risks on the way in terms of what the Chinese authorities are trying to achieve.

Weak commodity prices: It is clear that high commodity exposures in some emerging economies/markets are a headwind when prices are falling. Equally, however, we have to remember that many large emerging markets are commodity consumers and benefit from price weakness. The impact is, therefore, far from uniformly negative. If global growth picks up modestly going into 2014, it looks more likely that the drag from commodity price weakness will be gradually overcome.

US monetary tightening: This is a legitimate concern, and currently a key barrier to a major re-rating in emerging markets. However, on the view that US monetary tightening is gradual, and the rise in bond yields comes through against a background of reasonable global economic growth, emerging market equities should not be in particular difficulty[2]. Past experience of rising US bond yields (as in 1994) saw emerging market equities do well. Neither has a strengthening US dollar been a big problem in the past though it may impact returns downwards in a common currency. Furthermore, actual monetary tightening in terms of the Federal Reserve raising official rates is still far away. The key factor is whether monetary tightening is coming against the backdrop of global economic improvement. If so, there is much less to fear.

Political Unrest: We should dismiss the political unrest arguments as an irrelevance. In a large group of disparate countries, some will be going through periods where political stability appears less assured. Unless one believes that riots in Turkey are inciting the Brazilians or the Chinese, this does not appear to be a general difficulty.

As a general point related to these impacts, we have to be careful about not falling into the 'fallacy of composition' trap for emerging markets, i.e. thinking that what affects some will affect all. Emerging markets are a big and diverse group, and their sensitivities to these factors will differ substantially between markets. Picking the more positive stories will remain key to any successful investment strategy in emerging markets.

Bottom Line

Emerging market valuations are low. The catalysts to bring emerging markets back into favor are likely to appear in the medium-term as bad news ends. There are conditions and risks attached to this expectation, and things that can still go wrong – such as a deeper Chinese economic slowdown. There will be some markets that will struggle. Yet, for those who are prepared to look beyond to the big picture longer-term proposition, the valuation argument for emerging markets is starting to look compelling.

[2] …though it is obviously more difficult for dollar emerging market debt.

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This document and any due diligence conducted is based upon information available to us at the date of this document and takes no account of subsequent developments. In preparing this document we may have relied upon data supplied to us by third parties (including those that are the subject of due diligence) and therefore no warranty or guarantee of accuracy or completeness is provided. We cannot be held accountable for any error, omission or misrepresentation of any data provided to us by third parties (including those that are the subject of due diligence). This document is not intended by us to form a basis of any decision by any third party to do or omit to do anything.

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Calculations may be derived from our proprietary models in use at that time. Models may be based on historical analysis of data and other methodologies and we may have incorporated their subjective judgement to complement such data as is available. It should be noted that models may change over time and they should not be relied upon to capture future uncertainty or events.

Hewitt ennisknupp
An Aon Company

Memo

To:	**Staff and Board** **Ventura County Employees' Retirement Association**
From:	John Lee Kevin Chen
Date:	July 15, 2013
Re:	**HEK Client Webcast & Blog**

Background

HEK hosts ongoing monthly calls for our clients. The next monthly client call will be on July 17 at 8:00 to 9:00 A.M. Pacific Time.

July Agenda:

Market Outlook: Focus on Recent Volatility: July's Market Outlook will discuss recent developments in global markets… and where we go from here. The team will also provide up-to-date medium-term (1-3 year) views across asset classes.

Spotlight on Fixed Income: We'll discuss current risks and opportunities in the fixed income market and how your investment managers are navigating the current environment.

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:
August 21, 2013
September 18, 2013
8:00—9:00 AM Pacific Time

We look forward to discussing this with the Board at the July 15 meeting.

Hewitt EnnisKnupp, Inc.
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VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
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http://www.ventura.org/vcera

July 15, 2013

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

SUBJECT: SECURITIES LENDING TIMES ARTICLE: "THREE CUSTODIAN BANKS FACE RATINGS REVIEW"

Dear Board Members:

Background & Discussion

Trustee Chris Johnston provided me with the attached article for distribution to the Board. Normally, articles and information such as this can be emailed directly to the Board or placed in Trustee folders before a Board meeting. Given the topic, however, it lent itself to a Board letter and an opportunity for staff to share that the fee pressure and reliance on securities lending income indicated in the article is very real. At State Street's last presentation, Yolanda Diaz indicated that she would like to discuss our current contract, which had a fixed fee, set several years ago, as well as the possibility of extending our securities lending program to accepting noncash collateral.

To date, I have not had that meeting with Ms. Diaz to discuss our contract, but I have met with SACRS investment officers, and a consultant from Callan on how to expand to noncash collateral for securities lending, and still maintain protection (various loss guarantees), and on what the sharing of revenues should be. When the meeting does come, staff will be ready to work out a good initial offer for the Board's review and negotiation.

Also, custodial banks are offering additional innovative services, such as total portfolio risk monitoring, accompanied by life sustaining fees, that are likely worth VCERA's investigation, which will take place as part of a comprehensive custodian search scheduled to be discussed at the Board's November 18, 2013 Business meeting.

Please receive and file this item. I thank Trustee Johnston for sharing it and would be pleased to respond to any questions you may have on this subject.

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

Attachment

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

SECURITIESLENDINGTIMES
http://www.securitieslendingtimes.com/securitieslendingnews/article.php?article_id=218784

Three custodian banks face ratings review

New York
03 July 2013

BNY Mellon, State Street and Northern Trust are facing reviews of their long-term ratings because of narrow margins in core custody services and an over reliance on ancillary services such as securities lending, according to Moody's.

The rating agency placed the long-term ratings of the banks, including their bank financial strength ratings, all long-term senior debt, subordinated debt, and preferred stock ratings, on review for downgrade on 2 July.

The ratings review will focus on the long-term profitability challenges facing BNY Mellon, State Street and Northern Trust.

"These profitability challenges are driven by the aggressive pricing of all three banks' core custody products and services, such that their overall fee revenue is roughly similar to their total expenses. The review will also examine the banks' ability to generate more revenue from custody-related services and cut costs," said Moody's in a statement.

All three banks have "a strong, sustainable franchise in that their core custody businesses benefit from significant barriers to entry as well as favourable secular trends," said Moody's.

On top of this, they have significant asset management franchises. "These durable businesses, as well as the banks' liquid balance sheets and good capitalisation, underpin their very high ratings."

As a result, any downgrades "are likely to be limited to one notch".

Despite each bank's significant market share, "pricing in the core custody business is very competitive, resulting in narrow margins", said Moody's.

"This makes the banks reliant on revenue from ancillary services to add to profitability, but these revenue sources have come under pressure. Specifically, net interest income has been constrained by low interest rates, foreign exchange revenue has been hurt by lower volatility and increased scrutiny of pricing, and securities lending revenue has declined due to lower demand."

"The review will consider if the banks are overly dependent on ancillary services to generate a healthy level of profitability."

Moody's added that as interest rates rise, the banks' earnings pressures will recede, but "the demonstrated vulnerability of their business models to protracted low interest rates constitutes a concentration risk".

"This concentration risk may not be consistent with the business model resilience expected for a very high 'aa3' standalone credit assessment."

The changing asset mixes of BNY Mellon, State Street and Northern Trust will also be a factor in the review, because each has large securities holdings that could be affected by Basel III capital requirements.

BNY Mellon and State Street declined to comment. Northern Trust is yet to respond to a request.

Author: **Mark Dugdale**

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

July 15, 2013

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

SUBJECT: PENSION ADMINISTRATION SYSTEM (PAS) PROJECT UPDATE

Dear Board Members:

Attached is the Ventura County Employees Retirement Information System ("VCERIS") project Quarterly Report.

Background and Discussion:

The project team completed an analysis of the current project trajectory and project risks and recommends extending the completion date of the project by five months, from June 2015 to November 2015. The cost impact of this extension is $314,800. The project is currently projected to be $78,378 under budget, with all proposed change orders approved. However, when the cost impact of eliminating the Limited Term Employees is excluded from the budget, the project is expected to be $102,218 over budget, which is approximately 1.2%.

The proposed five month extension will also involve maintaining RDBS for an additional 12 months, since the project team is recommending combining rollouts 1 and 2, with a go-live date of August 2015.

The project team believes this extension is the best option for the overall success of the project, considering cost, project duration, quality, and minimizing the impact to VCERA operations and customer service.

The following factors resulted in our recommended changes:

1. **Provide Additional Time for Auditor/Controller and VRSD to complete the Active Payroll Interface**

As discussed at the May 6, 2013 meeting, a key driver of rollout #1 is the active payroll file provided by the Auditor-Controller. The project team has been actively working with the Auditor-Controller's office since the inception of the project to communicate the reporting format and requirements. In addition to producing a newly formatted file, the project team has requested seven changes to the way the data is reported to VCERA. These changes include modifications to the method in which earnable compensation, leaves of absence, and leave accrual rates are reported to VCERA, as well as service purchase contract payments, excess contribution refunds, and retroactive pay adjustment reporting. These changes are required to allow the V3 system to automate benefit and service purchase calculations.

The Auditor-Controller has recently agreed to make these changes, but additional time is needed for the technical team to develop, test, and implement these changes. The current plan projects a completion date of March 28, 2014 for the interface file. Given that the Auditor-Controller has submitted initial versions of two of the four files, and expects to produce the contributions file in the coming weeks, the project team is confident that the newly proposed schedule will allow sufficient time to complete all four files. The project team and the Auditor-Controller will continue to work collaboratively to ensure this date is met so that this issue will not result in further delays to the project.

2. VCERA Project Resources

The original project schedule called for two additional VCERA subject matter experts (SME) in November 2013. VCERA recently hired two new staff members that are scheduled to start on July 21, 2013. As previously communicated to your Board, there is a significant learning curve before the new staff are fully trained which will allow the experienced SME's to transition to the project. The work of the benefit specialists is varied, complex and labor intensive as they involve a significant number of manual steps. There is not sufficient staffing to dedicate to training the new specialists full-time, and so the training period can be extensive. Based on the required training, the additional staff will not be available to the project until after January 2014.

Additionally, one of the current SME's will be taking a maternity leave from approximately November – January. She must be backfilled for as well during this period, since she is involved in testing and requirements activities on a full-time basis on the project.

Reasons for Combining Rollouts 1 & 2

Without changing the existing rollout schedule, the impact of the project resource and active payroll interface issues would be to delay the implementation of rollout 1 from November 2013 until August 2014, a delay of ten months. This would delay the overall implementation by this same amount of time. The project costs approximately $180,000 per month when all costs are factored in for the vendors, project space, and staff costs. The net effect of the delay, without changing the rollout approach, would be approximately $1.8 million.

In order to mitigate these delays and costs, the project team is recommending a change in approach that combines rollouts 1 and 2. The advantages of this change are:

- It limits the delay to five months by reducing system testing, training, and user acceptance testing for multiple rollouts.
- It reduces the cost of delay to $314,800 in project costs, plus additional costs to maintain RDBS for the additional year of $236,250.
- It maintains the current scope of functionality.
- It allows sufficient time to get the new staff trained to provide backfill for the appropriate SMEs on the project.
- It provides the Auditor Controller and VRSD additional time to complete the interfaces.

In order to make the recommended change, the Board must approve a change order for Vitech and for Linea. For Vitech, the change order will involve modifying the payment milestone schedule and adding an additional $250,000 in implementation fees for the additional five months of implementation work. This represents a discount of 63% over Vitech's normal implementation costs. Vitech has agreed to this discount in exchange for maintaining the current calendar year payment schedule.

For Linea, this change order will involve adding $64,800 in implementation services for the five months of additional services. This is a discount of 61% over Linea's normal project oversight fees. Although as a percentage of Vitech's change order, Linea's fees may appear significant, it should be noted that Linea's fees include services beyond project management, including testing, design, requirements confirmation and traceability, and assistance with training.

The proposed change does have two significant disadvantages. First, Vitech's current milestone schedule is tied to three rollouts. By waiting until August 2015 to have the first major rollout, Vitech is getting paid the majority of the contract value prior to the go-live. However, per the contract, Vitech must still deliver software builds that must be accepted prior to receiving payment, ensuring that VCERA has control over the payment schedule. In the opinion of the project team, it is not a realistic risk that VCERA will accept each incremental build over the next twenty-eight months only to have the system fail in November 2015.

The other disadvantage of this plan is that it requires VCERA to maintain the existing database (RDBS) for an additional year. There are both costs and risks associated with this: the cost to maintain the legacy database is an additional year is $236,250, and the system is maintained by a single contractor. The additional costs are substantially outweighed by the savings of completing the project five months sooner than with the phased rollout plan. As requested by your Board, the current agreement with CMP increased the scope to document the manual processes required to maintain RDBS and train a technical resource to serve as a back-up. These changes will serve to mitigate the risk of reliance on a single resource for support.

If this change is approved, the payments to Vitech in FY 13-14 will be $1,307,200, a decrease of $52,400 from the current budgeted amount based on the milestone payment schedule. The remaining milestone payments would be included in future year budgets.

Additional Change Orders Requested and Other Budget Changes

The proposed change to the rollout schedule will require some budgetary changes that have no net cost impact, but do shift costs from one fiscal year to another. The extraction of images from the Liberty system and conversion into V3 ($50,250) will be moved up in the schedule to the current fiscal year and delaying the purchase of workstations ($7,000) for user acceptance testing and software ($9,500) until FY 14-15 The net effect of these changes would be an increase in the current budget of $33,750.

In addition, we are including change orders requesting an additional Assima license ($9,600) to be purchased in FY 14-15 to be used for testing, construction costs ($3,000) approved by the Retirement Administrator, to modify the existing project space to accommodate additional members of the project team that will occupy that space, and to fund the collecting/updating of beneficiary forms from the member population ($37,600). RDBS does not contain this information, and it is a requirement of the V3 system and for the Benefits department in general. The request would cover the cost of postage to mail the forms to the members and temporary labor to manage this project and prepare the information in the format required by V3. Additional appropriations in the amount of $40,600 would be required in the current fiscal year. The remaining $9,600 would be included in a future year budget.

The project budget has also been adjusted downward by $180,596 to account for the conversion of two Limited Term Employees to full-time positions. Although this is shown as a reduction in costs to the project, these costs have been shifted to permanent staff costs, which are reflected on a separate line in the VCERIS report.

Finally, when staff prepared this year's budget we omitted $150,000 that is the required upgrade fee due to Vitech beginning in year three of the project, which would be the current fiscal year. Staff respectfully requests that your Board approve the inclusion of this amount in the FY 2013-14 budget.

Recommendations

Staff recommends your Board take the following actions:

- Receive and File the VCERIS Quarterly Report and Approve the following Change Orders and Contract Amendment:
- Change Order #3489 for Vitech Systems Inc.
- Contract Amendment #3 for Linea Solutions, Inc.
- Change Orders outlined in the VCERIS Quarterly Report.

In addition, Staff recommends that your Board approve the following budgetary adjustments to establish additional appropriations.

Pension Administration System Project Budget (Exempt from CAP):

- INCREASE – Technology $171,950
- DECREASE – Contingency $171,950

We would be pleased to respond to any questions you may have on this item.

Sincerely,

Donald C. Kendig

DONALD KENDIG
Retirement Administrator

BRIAN COLKER
Linea Solutions, Inc.

Attachments

VCERIS Project Change Order

Project Re-planning
CO 3489

401 Park Avenue South
New York, NY 10016

Delivery Date: July 10, 2013

1.0 Overview of Requested Change

During the Project's implementation phase, the VCERA and Vitech project managers jointly identified challenges with the current project schedule primarily due to staffing challenges and timing of the plan sponsor's deliverables.

The combined project management team has worked to update the project plan in order to minimize both delay to deliverables and increased costs. It was determined that the most effective way to meet these goals was to change the project implementation approach from a three-rollout implementation to a two-rollout implementation as follows:

- Rollout 1 - Includes Segments A through J (previously divided into 2 rollouts) in a V3 Big Bang Implementation
- Rollout 2 - Implement V3 out-of-the-box Member Self Service (MSS)

The total delay to the project plan has been limited to five months. By gaining some efficiencies and leveraging the Vitech team, Vitech is able to offer an extremely discounted cost for this delay at $250,000.

This change order outlines the high-level solution, assumptions and costs for implementing the V3 functionality in two rollouts per the new approach.

2.0 Solution Details

The revised Implementation Plan extends the final project Go-Live by 5 months from June 2015 to November 2015. See Appendix A for the revised high-level project plan.

The proposed project plan aims to mitigate risks by:

- Combining Rollout 1 and Rollout 2 from the original plan into one Big Bang Rollout (new Rollout 1) implementation in August 2015.
- Allowing additional time for the Auditor-Controller to complete the active payroll interface (aka transmittal) requirements.
- Enabling VCERA to have sufficient time to hire and onboard the additional resources for the next phase of design activities. It is assumed that the additional SMEs would be trained and ready to be incorporated into the VCERA project team by March 2014.

- Balancing the distribution of functionality, design, and development across project segments while taking into consideration the parallel project activities for the dedicated VCERA SMEs.

- Serializing project segments to reduce the overlap of multiple segments.

- Conducting user training before the start of UAT using the Assima training tool. During this period Vitech will be executing Systems Integration Tests (SIT). SIT along with training the users beforehand using Assima would ensure a better UAT experience.

- Removing duplicative testing cycles that equate to six weeks of Validation prep and execution per segment.

3.0 Assumptions

The proposed project approach and the revised project plan were developed based on the following assumptions:

1. Auditor-Controller will be able to meet the extended project timeline and deliver the transmittal improvements required over the current interface by December 2013, so as to leverage the automation that would be available to VCERA via V3. Auditor-Controller is yet to commit to a timeline to meet VCERA's requirements.

2. VCERA will dedicate the required number of Subject Matter Experts (SMEs) to the project (i.e. 4 fulltime SMEs by March 2014) who are knowledgeable about the Legacy (RDBS, RIS) systems and processes to participate in the V3 functional design for business categories identified in the RFP (including but not limited to transmittal design) and the data mapping activities (or other data conversion tasks) so that the updated Implementation Plan will not be negatively impacted.

3. This agreement assumes an August 2015 production deployment for the Big Bang Rollout 1, and a November 2015 production deployment for the MSS Rollout 2. Vitech assumes that implementation of MSS will immediately follow Rollout 1 in August 2015 so that Vitech project resources dedicated to the VCERA project are not released or reallocated to other projects.

4. The VCERA-Vitech Hosting Agreement is not impacted by this change order as the monthly hosting fee commences September 1, 2014. This remains unchanged. (Depending on VCERA's budget, VCERA may need to add up to five additional months of hosting.)

4.0 Costs

In October 2012 while formulating the baseline project plan for VCERA, Vitech and VCERA project managers eliminated overlap between Rollout 1 and Rollout 2 execution as VCERA was not able to support the project Go-Live activities for Rollout 1 alongside Rollout 2 Design activities. That change (Change Order 3223) extended the Go-Live date by 6 months from Dec 2014 to June 2015, and Vitech in the spirit of "good partnership" agreed to absorb the cost of the implementation change at no additional cost to VCERA.

This Change Order further extends the Go-Live from June 2015 to November 2015. Vitech in spirit of "good partnership" has agreed to absorb some of the cost of the change. The total cost for this change is $250,000 payable per the included updated Payment Schedule.

This change order reflects the cost increase, and outlines a new proposed payment milestone schedule for the project extension. In order for Vitech to provide a total of eleven additional months of services, Vitech has created new milestones and reallocated payment amounts to closely match the total payment amounts for 2013, 2014, and 2015 from the previous payment milestone schedule.

5.0 Terms & Conditions

1. Vitech cannot predict all the future regulatory changes VCERA may have to comply with. Vitech can work with VCERA to address any regulatory changes when they are explicitly requested by VCERA. Such work would be outside the scope of this proposal.

2. Unless they are overridden by the terms and conditions from this document, terms from the original Vitech-VCERA License, Professional Services, Maintenance and Support Agreement apply.

Client Initial _______

6.0 Acceptance

VITECH SYSTEMS GROUP, INC.

Signed by:____ Date:_________________

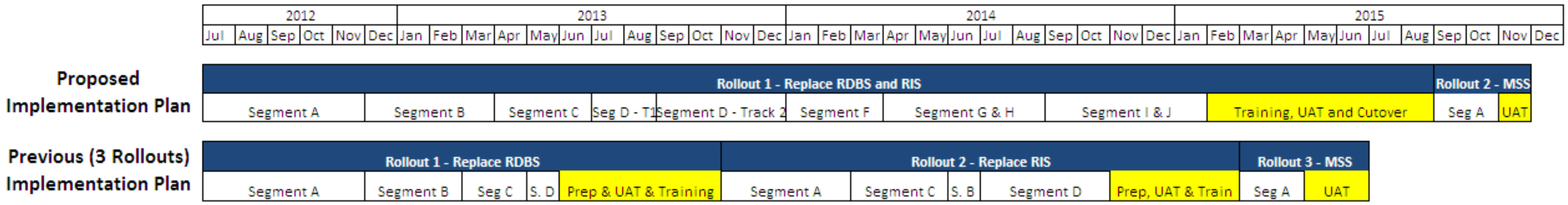
Name and Title:

Ventura County Employees' Retirement Association (VCERA)

Signed by:____ Date:_________________

Name and Title:

Appendix A – High-Level Implementation Plan



Appendix B – Proposed Revised Payment Milestone Schedule

VCERA Service Payment Schedule

Total Services (Old):	3,500,000
Total Services (New):	3,750,000
Change Order for:	250,000

Invoice #	License Fee	Est Invoice Date	Milestone Description*	Gross Payment	Payments Withheld	Withhold Release	Total Payment
1	$ 575,000	Mar-12	Project Initiation / Initial License payment (development license)	200,000			200,000
2		May-12	QA Hardware and Software Installed and Configured	128,000	19,200		108,800
3		Jun-12	Detailed Implementation Plan Approved	96,000	14,400		81,600
4		Aug-12	V3 Baseline Application Configuration & Demonstration Complete	224,000	33,600		190,400
5		Nov-12	Rollout 1: VCERA confirms Segment A functionality delivered and validated	224,000	33,600		190,400
6		Mar-13	Rollout 1: VCERA validates Segment B functionality delivered	224,000	33,600		190,400
7		Jun-13	Rollout 1: VCERA confirms Segment C functionality delivered	224,000	33,600		190,400
8		Jul-13	Change Order 3489 Execution	370,720		168,000	538,720
9		Sep-13	Rollout 1: VCERA confirms Segment D Track 1 functionality delivered	314,640			314,640
10		Dec-13	Rollout 1: VCERA confirms Segment D Track 2 functionality delivered	314,640			314,640
11		Mar-14	Rollout 1: VCERA confirms Segment F functionality delivered	139,200			139,200
12		Jul-14	Rollout 1: VCERA confirms Segment G functionality delivered	139,200			139,200
13		Aug-14	Rollout 1: VCERA confirms Segment H functionality delivered	139,200			139,200
14		Oct-14	Rollout 1: VCERA begins parallel testing of the transmittal files	139,200			139,200
15		Dec-14	Rollout 1: VCERA confirms Segment I functionality delivered	139,200			139,200
16		Mar-15	Rollout 1: VCERA begins UAT	40,000			40,000
17		Jul-15	Rollout 1: VCERA accepts system for production	400,000			400,000
18		Aug-15	Rollout 2: Start of MSS Implementation	72,000			72,000
19		Oct-15	Warranty Complete: three months after R1 Go-Live	100,000			100,000
20		Nov-15	Rollout 2: VCERA accepts MSS for production	72,000			72,000
21		Feb-16	Warranty Complete: three months after R2 Go-Live	50,000			50,000
	$575,000			3,750,000	168,000	168,000	3,750,000

* Rollout 1 includes contribution and benefit processing, payments and RDBS and RIS Replacement

Milestone schedule and payments for invoice #1 through 7 have not changed in the new proposed payment schedule

Appendix B – Proposed Revised Payment Milestone Schedule

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Total Services (New):	**3,750,000**
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* Rollout 1 includes contribution and benefit processing, payments and RDBS and RIS Replacement

Milestone schedule and payments for invoice #1 through 7 have not changed in the new proposed payment schedule

Organization	VCERA		
Project	VCERIS		
Subject	Contract Amendment #3		
Written by	Brian Colker		
Date	07/09/2013		
Doc #	VC-CHG-03		
Vers.	2	**Page**	1 of 2

2701 Ocean Park Blvd.
Suite 251
Santa Monica, CA 90405

Contract Amendment #3

Over the last six months, the VCERA, Vitech Systems, Inc. (Vitech) and Linea Solutions (Linea) and Linea project teams (collectively referred to as “the project team”) have been working to address two risks to the project: the active payroll file supplied by the Auditor Controller and VCERA’s staff resources for the project. The project team concluded that changing the implementation approach from two sequential rollouts to a single “big bang” implementation of all functionality except member web would address both risks, thereby saving substantial delays to the overall project schedule and substantial additional costs.

According to the current plan, the project was scheduled to conclude in June of 2015. Based on the revised schedule, the implementation of all components will conclude by November 1st, 2015. This change order extends Linea’s services from June to November 1st in order to support the revised implementation schedule.

Per Contract Amendment #1, Linea has already agreed to extend the project by seven months at no cost. As part of Linea’s continued commitment to the success of the project, Linea has agreed to provide an additional 300 hundred hours of discounted work on the project.

Project Budget	Amount
Current project budget (March 2012 – June 2015)	$2,142,047
Credit for Additional 300 Hours on Project	**$0**
Additional Fees to extend project to 11/1/2015	**$60,000**
Additional Travel Fees	**$4,800**
Total Amended Statement of Work Cost	$2,206,847

Assumptions:

1. Any additional extension of the project timeline may result in additional fees.

LINEA SOLUTIONS

2701 Ocean Park Blvd.
Suite 251
Santa Monica, CA 90405

This contract amendment will modify only that portion of the original contract between VCERA and Linea Solutions, Inc. that references timeline and budget.

LINEA SOLUTIONS, INC.

By:________________________________

Brian Colker, CFO

Date: ______________________________

VCERA

By: ___________________________________

Date: ___________________________________

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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http://www.ventura.org/vcera

July 15, 2013

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

SUBJECT: FISCAL YEAR 2012-13 ANNUAL GOVERNANCE REPORT

Dear Board Members:

Background

With the assistance of Cortex Applied Research, the Board established a comprehensive governance framework, contained in a Governance Manual, approximately ten years ago. The Governance Manual contained numerous charters and policies designed to guide the Board and the Retirement Administrator in governing and managing VCERA. The charters identify the primary responsibilities of the Board, Board officers, and the Retirement Administrator; and the governance policies provide guidance on how the Board and Retirement Administrator are to carry out their duties.

Upon arrival, the Retirement Administrator received a copy of the Governance Manual, began a search for additional policies, and found numerous Board policies not contained within the Governance Manual. Given the additional policies left out of the Governance Manual, the Retirement Administrator decided to eliminate the artificial container of the Governance Manual and take a holistic view of all of the policies as the governance policy framework intended, incorporating the Bylaws, Disability Procedures, Investment Policy Statement, charters, and *all* active policies. At the same time, instead of a paper "Governance Manual" requiring extensive editing and tracking for policy edits, the Retirement Administrator created a Board Governance page (http://www.ventura.org/vcera-informatioon/board-governance) allowing for individual, or batch updating, and easy access from anywhere in the world. The Administrator has created placeholders for all governance documents, but is only activating links to the governance documents recently reviewed by the Board, as many have not been reviewed or updated for several years.

The Board's Monitoring and Reporting Policy, within the governance framework, specifies annual reporting of a summary confirmation of compliance with governance policies of the Board. After inquiry of staff and a cursory search of VCERA's electronic files, no previous report was located. Upon consultation with Cortex, staff found that, either the Retirement Administrator could conduct an internal review, or as part of its services, Cortex could conduct an independent review of the extent to which board practices are consistent with VCERA's governance framework, and even the continued appropriateness of the framework. For expediency and cost savings, the Retirement Administrator chose an internal review.

Summary Confirmation of Compliance

The Retirement Administrator found that VCERA is in substantial compliance with the current Board policies listed below. The Retirement Administrator performed a comprehensive search of active Board policies, and found numerous policies in addition to the Board Governance Manual created by Cortex. In an effort to bring the policies current, staff will eventually be bringing all policies to the Board in a format that matches the policy framework modeled by Cortex with mandatory review periods, as some of the policies are considered "evergreen" with no set review period. Some of the policies, with mandatory review periods, have not been reviewed within the periods specified resulting in minor non-compliance issues, which should be remedied by the end of 2013. No substantive policy violations were found.

Board Bylaws and Regulations

Bylaws and Regulations
Current Disability Hearing Procedures (Revised April 1999) – **Under External Review**

Charters

» Board of Retirement (Revised 2013-05-06)
» Chair (Revised 2013-05-06)
» Vice Chair (Revised 2013-05-06)
» Retirement Administrator (Revised 2013-05-06)

Policies

» Actuarial Funding (Revised 2012-05-21)
Alternate Board Member
Annual Administrative Budget
» Appointment and Election of Trustees (Revised 2012-12-17)
» Assigned Portable Electronic Devices (Revised 2012-06-18)
» Board Policy Development Process (Revised 2013-05-06)
» Business Planning (Revised 2012-06-18)
Check and Wire Signing Authority
Confidential Legal Opinions
» Conflict of Interest Code (Revised 2013-06-17)
Credit Card
Death Benefit
» Education and Travel (Revised 2013-06-17)
--- » 2013 Travel Expense Reimbursement Template (v. 2013-01-07)
Interest Crediting
» Monitoring and Reporting (Revised 2013-05-06)
» Placement Agent (Revised 2010-12-20)

Policies (cont'd)

Retention of Legal Services

» Retirement Administrator Performance Evaluation (Revised 2012-09-10)

» Service Provider Selection (Revised 2013-05-06)

Tax Deferred Transfers (Rollovers)

» Trustee Communication (Revised 2013-06-17)

Investment Policy Manual

Containing the Total Fund Investment Policy Statement, Asset Allocation Policy, and Manager Guidelines

» Investment Policy Manual 03-04-2013

Limitations: The findings of this report were based on a review of Board actions during the fiscal year, any policy issues noted by the Board of Retirement, and discussions with executive level staff. This report is intended to provide a general statement of reasonable assurance that the governance framework of VCERA is being followed, and that there is no expressed or concerted effort to deviate from the governance framework. There is no absolute guarantee of compliance expressed or implied.

For assistance in the creation of a thorough fiscal year 2013-14 report, staff requests that members of the Board of Retirement report to the Retirement Administrator any potential policy violations for thorough investigation and resolution, and should any policy violations appear to have been committed by the Retirement Administrator, report to the Chair for discussion and joint resolution with the Retirement Administrator. The Retirement Administrator can also include a Board meeting attendance summary, as found in a sample Cortex report, if so desired by the Board.

Recommendation

Please receive and file this Fiscal Year 2012-13 Annual Governance Report.

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