VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

SEPTEMBER 17, 2012

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

II. APPROVAL OF AGENDA

III. 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 Months of July and August 2012. 1 - 4

B. Report of Checks Disbursed in July and August 2012. 5 - 19

C. Asset Allocation as of July and August 2012. 20 - 21

III. CONSENT AGENDA (continued)

D.	Statement of Plan Net Assets, Statement of Changes in Plan Net Assets, Investments & Cash Equivalents, and Schedule of Investment Management Fees for the Month Ended June 30, 2012.	22 - 26
E.	Budget Summary – Year to Date as of June 2012, Fiscal-Year 2011-12.	27
F.	Budget Summary – Year to Date as of July 2012, Fiscal-Year 2012-13.	28
G.	BlackRock Asset Management Report for the U.S. Equity Market Fund, Extended Equity Market Fund, ACWI EX-US Fund, U.S. Debt Index Fund for the Months Ended July 31, 2012 and August 31, 2012.	UNDER SEPARATE COVER

END OF CONSENT AGENDA

IV. INVESTMENT INFORMATION

A.	Loomis Sayles Investment Presentation, Stephanie Lord, CFA, CIC. (30 minutes)	UNDER SEPARATE COVER
B.	PIMCO Investment Presentation, David Blair, CFA. (15 minutes)	UNDER SEPARATE COVER
C.	Hewitt Ennisknupp, Russ Charvonia, ChFC, CFP, Esq., Kevin Vandolder, CFA and Kevin Chen.	UNDER SEPARATE COVER
	1. Second Quarter 2012 Performance Report.	UNDER SEPARATE COVER

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

C. Hewitt Ennisknupp (continued) UNDER SEPARATE COVER

2. Monthly Investment Manager Report: Monthly Investment Update, Monthly Manager Updates, and Manager Watch List, July 2012.

    a. Sprucegrove
    b. Hexavest
    c. Walter Scott
    d. GMO
    e. Western
    f. Reams
    g. Loomis Sayles

3. Monthly Investment Manager Report: Monthly Investment Update, Monthly Manager Updates, and Manager Watch List, August 2012.

    a. Sprucegrove
    b. Hexavest
    c. Walter Scott
    d. GMO
    e. Western
    f. Reams
    g. Loomis Sayles

4. Highlights and Research, September 2012.

    a. Update on Fixed Income Market Environment
    b. Investment Managers Transition Update
    c. HEK Client Conference 11/6/12
    d. EuroZone Crisis – The Draghi Plan
    e. Medium Term Views
    f. Capital Market Assumptions

5. Memo: Rob Arnott Interview Paper.

V. OLD BUSINESS

A. Report: Hexavest Onsite Due Diligence – August 6, 2012.	UNDER SEPARATE COVER
B. Report: Sprucegrove Onsite Due Diligence – August 7, 2012.	UNDER SEPARATE COVER

VI. NEW BUSINESS

A. Fiduciary Liability Insurance Review, Authorization, and Presentation, Rennetta Poncy, Alliant Insurance Services. (15 minutes)	UNDER SEPARATE COVER

1. Fiduciary Liability Insurance Presentation.

2. Confirmation of Coverage.

B. Request to Attend the SACRS Workshop on the Implementation of the California Public Employees' Pension Reform Act of 2013.	UNDER SEPARATE COVER
C. Retirement Administrator Salary.	UNDER SEPARATE COVER

VII. PUBLIC COMMENT

VIII. BOARD MEMBER COMMENT

IX. ADJOURNMENT

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
REPORT OF REGULAR AND DEFERRED RETIREMENTS AND SURVIVORS CONTINUANCES

JULY 2012

REGULAR RETIREMENTS:

FIRST NAME	LAST NAME	G/S	AGE	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
Kathryn M.	Bucklin	G	55.25	08/17/2003	16.83	A=4.035 D=4.000	Child Support Services	06/03/12
Cynthia C.	Calabro	G	55.75	05/02/1999	13.14		Superior Court	06/23/12
Vincent E.	Cummings	G	55.75	07/20/1980	37.18		Public Works	06/22/12
Ester V.	Diaz	G	57.25	04/28/1975	24.25		Sherff's Department	06/01/12
Helen	Gonzalez	G	49.25	07/19/1981	30.65		Superior Court	06/23/12
Robert H.	Gregory	G	68.00	12/24/2000	12.08	A=4.089	Health Care Agency	06/15/12
Pamela D.	Grossman	G	59.50	09/26/1993	20.54	B=1.80	District Attorney	06/22/12
Mary B.	Hammel	G	58.50	08/09/1999	12.81		Human Services Agency	06/23/12
Michael R.	Hasty	S	47.00	03/08/1987	23.63	B=1.87	Sherff's Department	06/29/12
Dennis N.	Hawkins	G	61.25	08/16/1981	30.79		Resource Management Agency	06/01/12
Thelma	Hortsman	G	57.50	04/14/1991	21.25	B=.1107	Superior Court	06/25/12
Steven P.	Lengyel	S	48.00	10/30/1988	23.29		Sherff's Department	05/27/12
Irene L.	Lopez	G	57.25	09/30/1974	37.06		Superior Court	06/23/12
Peter L.	Magoon	G	62.00	11/02/1997	14.56		Public Works	06/05/12
Meynardo S.	Mendoza	G	56.75	07/16/2001	10.94		Superior Court	06/23/12
Archie G.	Morales	G	54.25	04/27/1980	25.55		Public Works	06/01/12
Jerry R.	Noble	S	65.00	02/08/1998	14.32		Airports	05/31/12
Sheril T.	Ornelas	G	63.25	05/12/1991	21.11		Superior Court	06/23/12
Brenda J.	Palmer	G	62.00	12/13/1998	15.59	A=1.97 B=0.10	Superior Court	06/23/12
Lisa M.	Panza	S	45.25	10/01/1989	22.33		Sherff's Department	06/28/12
Vetha L.	Perkins	G	70.25	03/07/1999	13.12		Superior Court	06/23/12
David C.	Salter	G	81.75	11/06/1994	21.56	B=.1134 D=3.868	Resource Management Agency	06/02/12
Donna K.	Shelton	G	64.50	07/27/1997	14.87	B=.1134	Superior Court	06/09/12

DEFERRED RETIREMENTS:

FIRST NAME	LAST NAME	G/S	AGE	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
John C.	Johnston	G	54.50	05/17/1999	12.37	C=9.95	VRSD	11/23/11
Kellie M.	Seay	G	30.75	07/17/2005	5.16		Health Care Agency	01/18/12
Mary R.	Stewart	G	67.00	10/09/2005	6.73		Library Services Agency	06/30/12
Mark A.	Varela	S	46.25	02/22/2012	4.75		Probation Agency	02/23/12

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
REPORT OF REGULAR AND DEFERRED RETIREMENTS AND SURVIVORS CONTINUANCES

JULY 2012

FIRST NAME	LAST NAME	G/S	AGE	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
SURVIVORS' CONTINUANCES:								
Richard G.	Byrd							
Felix	Carmona							
Dixie A.	Carson							
Melzoia	Mathews							
Beverly	McClellan							
Alice	Peterson							
Lelsi	Porter							

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
REPORT OF REGULAR AND DEFERRED RETIREMENTS AND SURVIVORS CONTINUANCES

AUGUST 2012

REGULAR RETIREMENTS:

FIRST NAME	LAST NAME	G/S	AGE	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
Lynda E.	Baca Hall	G	64.75	8/13/1990	23.92	A=3.42	Information Services Department	11/24/11
Norman J.	Beebe	G	58.25	05/21/1995	17.09		Human Services Agency	07/07/12
Patricia A.	Bonewitz	G	61.00	10/25/1981	30.12		Human Services Agency	06/30/12
Kevin L.	Carlson	S	54.00	11/28/1988	0.96	C=26.96	Fire Protection District	06/04/12
							(From Deferred)	
Ida G.	Cervantes	G	50.00	11/12/1989	15.60		Health Care Agency	07/20/12
							(From Deferred)	
Pamela A.	Couch	G	65.75	09/27/1992	5.94	C=12.85	Air Pollution Control District	04/01/12
							(From Deferred)	
Shirley A.	Dawe	G	66.00	01/12/1997	15.48		Health Care Agency	07/07/12
Elizabeth E.	Dodd	G	61.00	11/12/2000	19.72	A=9.03	Human Services Agency	07/01/12
Richard R.	Dorn	S	55.00	02/02/1981	35.03	D=3.53	Fire Protection District	08/02/12
Diane J.	Grani	G	67.50	04/30/2002	16.18	D=6.12	Public Works	07/07/12
Sidette M.	Havron	S	39.75	01/23/2012	5.22		Sheriff Department	02/18/12
							(from deferred)	
							(Non-Member Spouse)	
Diane C.	Kahdeman	G	65.50	05/16/1999	13.23		Child Support Services	07/06/12
Lori A.	Karns	G	63.75	07/07/2012	27.10		Library Services	07/07/12
Laura K.	Lester	G	53.50	11/29/1999	12.54		Information Services Department	07/06/12
Brinda K.	Marinis	G	59.25	02/07/2000	11.11		Sheriff Department	07/24/12
Danilo U.	Maya	G	60.00	07/25/1999	13.02		Sheriff Department	07/30/12
Diana M.	Morris	G	65.00	06/10/2001	10.08		Child Support Services	07/14/12
Ronald L.	O'Halloran	G	62.25	08/07/1988	23.90		Health Care Agency	06/30/12
Jayant P.	Patel	G	70.50	11/17/1985	0.63	C=30.86	Public Works	06/30/12
							(From Deferred)	
Vivan L.	Rackauckas	G	62.25	05/03/1987	34.40	B=0.224	Child Support Services	07/21/12
						D=8.955		
Cosette M.	Reiner	S	64.50	04/05/1998	14.20		Probation Agency	06/30/12
Rosie J.	Rivera	G	66.50	09/03/1989	21.81		Health Care Agency	07/06/12
Kasey L.	Sirody	G	50.50	04/28/2002	10.19		District Attorney	07/10/12
Jorge	Sotelo	G	50.75	04/01/2001	10.24		Human Services Agency	07/11/12
Joseph B.	Tatangelo	G	55.00	05/31/2001	5.20		Public Works	07/30/12
							(From Deferred)	
Carolyn S.	Tolbert	G	68.25	03/25/2002	11.43		Health Care Agency	07/30/12
							(From Deferred)	
Mark A.	Varela	S	46.50	02/22/2012	4.75		Probation Agency	05/15/12
							(from deferred)	
							(Non-Member Spouse)	

DEFERRED RETIREMENTS:

None

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

REPORT OF REGULAR AND DEFERRED RETIREMENTS AND SURVIVORS CONTINUANCES

AUGUST 2012

FIRST NAME	LAST NAME	G/S	AGE	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE

SURVIVORS' CONTINUANCES:

Esther	Campbell
Linda D.	McClellan
Alice E.	Miller
Jean E.	Nilmeier
Stacey L.	Pinkard

*** = Member Establishing Reciprocity**
A = Previous Membership
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Date: Wednesday, August 01, 2012
Time: 08:01AM
User: CSTEVENS

Ventura County Retirement Assn

Check Register - Standard

Period: 01-13 As of: 8/1/2012

Report: 03630.rpt
Company: VCERA

Company: VCERA

Acct / Sub: 1002 00

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
021164	CK	7/5/2012	CK GRAPHIC CK GRAPHICS	01-13		015955	VO	ADMIN EXP	6/15/2012	0.00	300.00
021165	CK	7/5/2012	ALLIANT ALLIANT INSURANCE SERVI(	01-13		016026	VO	ADMIN EXP	7/5/2012	0.00	74,800.00
021166	CK	7/5/2012	HARTLEY DORTHEA W HARTLEY & AS!	01-13		016027	VO	ADMIN EXP	7/5/2012	0.00	495.00
021167	CK	7/5/2012	VOLT VOLT	01-13		016028	VO	ADMIN EXP	7/5/2012	0.00	847.87
021168	CK	7/5/2012	CALAPRS CALAPRS	01-13		016029	VO	ADMIN EXP	7/5/2012	0.00	550.00
021169	CK	7/5/2012	COUNTY COUNTY COUNSEL	01-13		016030	VO	LEGAL FEES	7/5/2012	0.00	42,330.00
021170	CK	7/5/2012	BOFA BANK OF AMERICA	01-13		016031	VO	ADMIN EXP	7/5/2012	0.00	4,639.63
021171	CK	7/5/2012	TWC TIME WARNER CABLE	01-13		016032	VO	ADMIN EXP	7/5/2012	0.00	317.64
021172	CK	7/5/2012	119663 DEBBIE DOWNEY	01-13		016033	VO	ADMIN EXP	7/5/2012	0.00	2,000.00
021173	CK	7/5/2012	F6361 VICTORIA BORNET	01-13		016034	VO	ADMIN EXP	7/5/2012	0.00	541.69
021174	CK	7/5/2012	102661 LORI NEMIROFF	01-13		016045	VO	ADMIN EXP	7/5/2012	0.00	9.99
021175	CK	7/5/2012	122180 DONALD C KENDIG	01-13		016046	VO	TRAVEL REIMB	7/5/2012	0.00	594.66
021176	CK	7/5/2012	103702 MECHELLE C BAILEY	01-13		016035	VO	REFUND T2 COL	7/5/2012	0.00	6,514.20
021177	CK	7/5/2012	F1879B1 THE ALFRED PAUL STOKES	01-13		016036	VO	DEATH BENEFIT	7/5/2012	0.00	3,707.52

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Ventura County Retirement Assn

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Period: 01-13 As of: 8/1/2012

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
021178	CK	7/5/2012	F4857B1 JERRY HATFIELD	01-13		016037	VO	DEATH BENEFIT	7/5/2012	0.00	794.34
021179	CK	7/5/2012	F4857B2 CYNTHIS K WHELAN	01-13		016038	VO	DEATH BENEFIT	7/5/2012	0.00	794.34
021180	CK	7/5/2012	F4857B3 BRIAN HATFIELD	01-13		016039	VO	DEATH BENEFIT	7/5/2012	0.00	794.34
021181	CK	7/5/2012	F4857B5 ROBERT JAMES HATFIELD	01-13		016040	VO	DEATH BENEFIT	7/5/2012	0.00	794.34
021182	CK	7/5/2012	F0687B1 MICHAEL FARMER	01-13		016041	VO	DEATH BENEFIT	7/5/2012	0.00	2,238.48
021183	CK	7/5/2012	F0687B2 CHRIS FARMER	01-13		016042	VO	DEATH BENEFIT	7/5/2012	0.00	2,070.59
021184	CK	7/5/2012	F1786B1 NANCY WOLFORD	01-13		016043	VO	DEATH BENEFIT	7/5/2012	0.00	4,969.32
021185	CK	7/5/2012	F0398S DIXIE A CARSON	01-13		016044	VO	DEATH BENEFIT	7/5/2012	0.00	2,522.60
021186	CK	7/5/2012	122180 DONALD C KENDIG	01-13		016047	VO	ADMIN EXP	7/5/2012	0.00	38.55
021187	CK	7/11/2012	990005BM WILLIAM W WILSON	01-13		016048	VO	BRD MEM FEES	7/11/2012	0.00	100.00
021188	CK	7/11/2012	108359 CHRISTINA STEVENS	01-13		016049	VO	ADMIN EXP	7/11/2012	0.00	29.62
021189	CK	7/11/2012	122180 DONALD C KENDIG	01-13		016050	VO	ADMIN EXP	7/11/2012	0.00	647.00
021190	CK	7/11/2012	CMP CMP & ASSOCIATES, INC	01-13		016051	VO	ADMIN EXP	7/11/2012	0.00	33,785.00
021191	CK	7/11/2012	HARRIS HARRIS WATER CONDITIONI	01-13		016052	VO	ADMIN EXP	7/11/2012	0.00	69.50

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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
021192	CK	7/11/2012	BARNEY ABU COURT REPORTING INC	01-13		016053	VO	ADMIN EXP	7/11/2012	0.00	945.00
021193	CK	7/11/2012	COURIER CENTRAL COURIER, LLC	01-13		016054	VO	ADMIN EXP	7/11/2012	0.00	238.38
021194	CK	7/11/2012	GFOA GOVERNMENT FINANCE	01-13		016055	VO	ADMIN EXP	7/11/2012	0.00	50.00
021195	CK	7/11/2012	VOLT VOLT	01-13		016056	VO	ADMIN EXP	7/11/2012	0.00	1,453.46
021196	CK	7/11/2012	SEGAL THE SEGAL COMPANY	01-13		016057	VO	ADMIN EXP	7/11/2012	0.00	4,000.00
021197	CK	7/11/2012	CORPORATE STAPLES ADVANTAGE	01-13		016058	VO	ADMIN EXP	7/11/2012	0.00	784.95
021198	CK	7/11/2012	SPRUCE SPRUCEGROVE INVESTMEN	01-13		016059	VO	INVESTMENT FEES	7/11/2012	0.00	47,301.38
021199	CK	7/11/2012	105155 MARY HAMMEL	01-13		016060	VO	REFUND T2 COL	7/11/2012	0.00	7,949.90
021200	CK	7/11/2012	122264 DOUG DAWSON	01-13		016061	VO	REFUND	7/11/2012	0.00	353.18
021201	CK	7/11/2012	F1264B1 THE MALLERNEE FAMILY	01-13		016062	VO	DEATH BENEFIT	7/11/2012	0.00	4,581.94
021202	CK	7/11/2012	F0930B1 BARBARA L CURTIS	01-13		016063	VO	DEATH BENEFIT	7/11/2012	0.00	1,383.15
021203	CK	7/11/2012	F1285S MELZOIA MATHEWS	01-13		016064	VO	DEATH BENEFIT	7/11/2012	0.00	3,666.79
021204	CK	7/18/2012	108164 KATHRYN M BUCKLIN	01-13		016082	VO	REFUND T2 COL	7/18/2012	0.00	10,174.31
021205	CK	7/18/2012	F3991S RICHARD G BYRD	01-13		016083	VO	DEATH BENEFIT	7/18/2012	0.00	4,148.02

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Ventura County Retirement Assn

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Period: 01-13 As of: 8/1/2012

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
021206	CK	7/18/2012	F0385S FELIX CARMONA	01-13		016084	VO	DEATH BENEFIT	7/18/2012	0.00	3,449.44
021207	CK	7/18/2012	F1541S ALICE A PETERSON	01-13		016085	VO	DEATH BENEFIT	7/18/2012	0.00	4,041.90
021208	CK	7/18/2012	ADP ADP INC	01-13		016065	VO	ADMIN EXP	7/18/2012	0.00	7,573.86
021209	CK	7/18/2012	STATE STATE STREET CORPORATI	01-13		016066	VO	INVESTMENT FEES	7/18/2012	0.00	8,081.46
021210	CK	7/18/2012	VOLT VOLT	01-13		016067	VO	ADMIN EXP	7/18/2012	0.00	1,453.46
021211	CK	7/18/2012	CORPORATE STAPLES ADVANTAGE	01-13		016068	VO	ADMIN EXP	7/18/2012	0.00	59.42
021212	CK	7/18/2012	BARNEY ABU COURT REPORTING INC	01-13		016069	VO	ADMIN EXP	7/18/2012	0.00	230.00
021213	CK	7/18/2012	CINTAS CINTAS DOCUMENT MANAGI	01-13		016070	VO	ADMIN EXP	7/18/2012	0.00	114.50
021214	CK	7/18/2012	VITECH VITECH SYSTEMS GROUP IN	01-13		016071	VO	ADMIN EXP	7/18/2012	0.00	2,500.00
021215	CK	7/18/2012	SACRS SACRS	01-13		016072	VO	ADMIN EXP	7/18/2012	0.00	4,000.00
021216	CK	7/18/2012	BROWN BROWN ARMSTRONG	01-13		016073	VO	ADMIN EXP	7/18/2012	0.00	4,498.90
021217	CK	7/18/2012	YORK ACCESS INFORMATION MAN	01-13		016074	VO	ADMIN EXP	7/18/2012	0.00	258.57
021218	CK	7/18/2012	MEGAPATH MEGAPATH INC.	01-13		016075	VO	ADMIN EXP	7/18/2012	0.00	191.63
021219	CK	7/18/2012	COUNTY COUNTY COUNSEL	01-13		016076	VO	LEGAL FEES	7/18/2012	0.00	19,656.25

Ventura County Retirement Assn

Check Register - Standard

Period: 01-13 As of: 8/1/2012

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
021220	CK	7/18/2012	990002BM ARTHUR E GOULET	01-13		016077	VO	BRD MEM FEES	7/18/2012	0.00	237.74
021221	CK	7/18/2012	990004BM WILL HOAG	01-13		016078	VO	BRD MEM FEES	7/18/2012	0.00	100.00
021222	CK	7/18/2012	990005BM WILLIAM W WILSON	01-13		016079	VO	BRD MEM FEES	7/18/2012	0.00	200.00
021223	CK	7/18/2012	990003BM JOSEPH HENDERSON	01-13		016080	VO	BRD MEM FEES	7/18/2012	0.00	200.00
021224	CK	7/18/2012	122180 DONALD C KENDIG	01-13		016081	VO	ADMIN EXP	7/18/2012	0.00	93.63
021225	CK	7/23/2012	AV CITY AUDIO VIDEO CITY INC	01-13		016086	VO	ADMIN EXP	7/23/2012	0.00	9,323.93
021226	CK	7/26/2012	STATE STATE STREET CORPORATI	01-13		016087	VO	INVESTMENT FEES	7/25/2012	0.00	8,351.80
021227	CK	7/26/2012	LOOMIS LOOMIS, SAYLES & COMP, LI	01-13		016088	VO	INVESTMENT FEES	7/25/2012	0.00	106,090.76
021228	CK	7/26/2012	LINEA LINEA SOLUTIONS	01-13		016089	VO	ADMIN EXP	7/25/2012	0.00	94,044.95
021229	CK	7/26/2012	990004 WILL HOAG	01-13		016090	VO	ADMIN EXP	7/25/2012	0.00	9.99

Check Count: 66

Acct Sub Total: 549,088.87

Check Type	Count	Amount Paid
Regular	66	549,088.87
Hand	0	0.00
Void	0	0.00
Stub	0	0.00
Zero	0	0.00
Mask	0	0.00
Total:	**66**	**549,088.87**

600000

Ventura County Retirement Assn

Check Register - Standard

Period: 01-13 As of: 8/1/2012

Check Nbr	Check Type	Check Date	Vendor ID Vendor Name	Period To Post	Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
						Company Disc Total		0.00	Company Total		549,088.87

Ventura County Retirement Assn

Check Register - Standard

Period: 02-13 As of: 9/4/2012

Company: VCERA

Acct / Sub: 1002 00

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
021230	CK	8/1/2012	F2889 MARY LOU GUERRERO	02-13		016127	VO	PENSION PAYMENT	8/1/2012	0.00	834.88
021231	CK	8/1/2012	103369 DAVID SALTER	02-13		016128	VO	REFUND T2 COL	8/1/2012	0.00	16,444.54
021232	CK	8/1/2012	100385 ARCHIE G MORALES	02-13		016129	VO	REFUND T2 COL	8/1/2012	0.00	9,810.98
021233	CK	8/1/2012	117666R EDWARD JONES	02-13		016130	VO	ROLLOVER	8/1/2012	0.00	10,598.37
021234	CK	8/1/2012	117666 HEATHER L CLARK	02-13		016131	VO	REFUND	8/1/2012	0.00	6,347.72
021235	CK	8/1/2012	120748 MI KYONG KIM	02-13		016132	VO	REFUND	8/1/2012	0.00	11,532.98
021236	CK	8/1/2012	121625 BONI M BRUNO	02-13		016133	VO	REFUND	8/1/2012	0.00	7,308.89
021237	CK	8/1/2012	121163R WELLS FARGO BANK	02-13		016134	VO	ROLLOVER	8/1/2012	0.00	2,539.16
021238	CK	8/1/2012	103866R SCOTTRADE INC	02-13		016135	VO	ROLLOVER	8/1/2012	0.00	32,016.12
021239	CK	8/1/2012	103866 TAMMY WHITE	02-13		016136	VO	REFUND	8/1/2012	0.00	16,730.60
021240	CK	8/1/2012	117143 RYAN L BAILEY	02-13		016137	VO	REFUND	8/1/2012	0.00	12,609.86
021241	CK	8/1/2012	120926 TERESA MARIE ESTRELLA	02-13		016138	VO	REFUND	8/1/2012	0.00	1,910.40
021242	CK	8/1/2012	120870 ROBERT S FURGUSON	02-13		016139	VO	REFUND	8/1/2012	0.00	475.99
021243	CK	8/1/2012	120870R LOS ANGELES POLICE FEDE	02-13		016140	VO	ROLLOVER	8/1/2012	0.00	8,295.64

0000111

Date: Tuesday, September 04, 2012
Time: 10:50AM
User: CSTEVENS

Ventura County Retirement Assn

Check Register - Standard

Period: 02-13 As of: 9/4/2012

Report: 03630.rpt
Company: VCERA

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
021244	CK	8/1/2012	221067 KELLI FERNANDEZ	02-13		016141	VO	REFUND	8/1/2012	0.00	13,530.00
021245	CK	8/1/2012	116741R WADDELL AND REED	02-13		016142	VO	ROLLOVER	8/1/2012	0.00	25,342.81
021246	CK	8/1/2012	116741 JENNIFER L MORAN	02-13		016143	VO	REFUND	8/1/2012	0.00	50.13
021247	CK	8/1/2012	F3439B1 SHIRLEY JOHNSON	02-13		016144	VO	DEATH BENEFIT	8/1/2012	0.00	3,939.49
021248	CK	8/1/2012	F2473B1 DEBORAH E STEWART	02-13		016145	VO	DEATH BENEFIT	8/1/2012	0.00	5,197.50
021249	CK	8/1/2012	CA SDU CALIFORNIA STATE	02-13		016091	VO	CRT ORDERED PMT	8/1/2012	0.00	1,034.22
021250	CK	8/1/2012	CHILD5 STATE DISBURSEMENT UNIT	02-13		016092	VO	CRT ORDERED PMT	8/1/2012	0.00	511.00
021251	CK	8/1/2012	CHILD6 OREGON CHILD SUPPORT	02-13		016093	VO	CRT ORDERED PMT	8/1/2012	0.00	250.00
021252	CK	8/1/2012	CHILD9 SHERIDA SEGALL	02-13		016094	VO	CRT ORDERED PMT	8/1/2012	0.00	260.00
021253	CK	8/1/2012	CHILD11 GILDA WHITE	02-13		016095	VO	CRT ORDERED PMT	8/1/2012	0.00	643.00
021254	CK	8/1/2012	CHILD12 KENNETH W. BAILEY	02-13		016096	VO	CRT ORDERED PMT	8/1/2012	0.00	125.00
021255	CK	8/1/2012	CHILD21 OREGON DEPT OF JUSTICE	02-13		016097	VO	CRT ORDERED PMT	8/1/2012	0.00	171.74
021256	CK	8/1/2012	SPOUSE2 KELLY SEARCY	02-13		016098	VO	CRT ORDERED PMT	8/1/2012	0.00	1,874.00
021257	CK	8/1/2012	SPOUSE3 ANGELINA ORTIZ	02-13		016099	VO	CRT ORDERED PMT	8/1/2012	0.00	250.00

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Ventura County Retirement Assn

Check Register - Standard

Period: 02-13 As of: 9/4/2012

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
021258	CK	8/1/2012	SPOUSE4 CATHY C. PEET	02-13		016100	VO	CRT ORDERED PMT	8/1/2012	0.00	550.00
021259	CK	8/1/2012	SPOUSE5 SUZANNA CARR	02-13		016101	VO	CRT ORDERED PMT	8/1/2012	0.00	829.00
021260	CK	8/1/2012	FTBCA3 FRANCHISE TAX BOARD	02-13		016102	VO	GARNISHMENT	8/1/2012	0.00	77.11
021261	CK	8/1/2012	IRS6 INTERNAL REVENUE SERVIC	02-13		016103	VO	GARNISHMENT	8/1/2012	0.00	630.36
021262	CK	8/1/2012	CALPERS CALPERS LONG-TERM	02-13		016104	VO	INSURANCE	8/1/2012	0.00	19,185.04
021263	CK	8/1/2012	CVMP COUNTY OF VENTURA	02-13		016105	VO	INSURANCE	8/1/2012	0.00	555,431.45
021264	CK	8/1/2012	SEIU SEIU LOCAL 721	02-13		016106	VO	DUES	8/1/2012	0.00	336.50
021265	CK	8/1/2012	VCPFF VENTURA COUNTY PROFES	02-13		016107	VO	INSURANCE	8/1/2012	0.00	76,251.15
021266	CK	8/1/2012	VCREA RETIRED EMPLOYEES' ASSC	02-13		016108	VO	DUES	8/1/2012	0.00	4,239.00
021267	CK	8/1/2012	VSP VSP	02-13		016109	VO	INSURANCE	8/1/2012	0.00	4,040.80
021268	CK	8/1/2012	VRSD VENTURA REGIONAL	02-13		016110	VO	INSURANCE	8/1/2012	0.00	7,386.88
021269	CK	8/1/2012	VCDSA VENTURA COUNTY DEPUTY	02-13		016111	VO	INSURANCE	8/1/2012	0.00	228,979.86
021270	CK	8/1/2012	102270 COUNTY OF VENTURA	02-13		016112	VO	PENSION PAYMENT	8/1/2012	0.00	71,698.04
021271	CK	8/1/2012	ADP ADP INC	02-13		016113	VO	ADMIN EXP	8/1/2012	0.00	2,351.10

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Ventura County Retirement Assn

Check Register - Standard

Period: 02-13 As of: 9/4/2012

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
021272	CK	8/1/2012	AT&T AT & T MOBILITY	02-13		016114	VO	ADMIN EXP	8/1/2012	0.00	594.90
021273	CK	8/1/2012	ACADIAN ACADIAN ASSET MANAGEME	02-13		016115	VO	INVESTMENT FEES	8/1/2012	0.00	229,003.00
021274	CK	8/1/2012	BARNEY ABU COURT REPORTING INC	02-13		016116	VO	ADMIN EXP	8/1/2012	0.00	630.00
021275	CK	8/1/2012	BOFA BANK OF AMERICA	02-13		016117	VO	ADMIN EXP	8/1/2012	0.00	3,015.47
021276	CK	8/1/2012	COURIER CENTRAL COURIER, LLC	02-13		016118	VO	ADMIN EXP	8/1/2012	0.00	268.90
021277	CK	8/1/2012	CLIFTON THE CLIFTON GROUP	02-13		016119	VO	INVESTMENT FEES	8/1/2012	0.00	9,039.00
021278	CK	8/1/2012	MF M.F. DAILY CORPORATION	02-13		016120	VO	ADMIN EXP	8/1/2012	0.00	13,423.61
021279	CK	8/1/2012	PRIHAR MICHAEL PRIHAR	02-13		016121	VO	ADMIN EXP	8/1/2012	0.00	3,150.00
021280	CK	8/1/2012	REAMS REAMS ASSET MANAGEMEN	02-13		016122	VO	INVESTMENT FEES	8/1/2012	0.00	141,451.00
021281	CK	8/1/2012	CORPORATE STAPLES ADVANTAGE	02-13		016123	VO	ADMIN EXP	8/1/2012	0.00	268.36
021282	CK	8/1/2012	VOLT VOLT	02-13		016124	VO	ADMIN EXP	8/1/2012	0.00	1,545.48
021283	CK	8/1/2012	WESTERN WESTERN ASSET MANAGEM	02-13		016125	VO	INVESTMENT FEES	8/1/2012	0.00	187,392.71
021284	CK	8/1/2012	WALTER WALTER SCOTT & PARTNER	02-13		016126	VO	INVESTMENT FEES	8/1/2012	0.00	175,115.60
021285	CK	8/10/2012	121881PC CHANTELL GARCIA - PETTY	02-13		016146	VO	ADMIN EXP	8/10/2012	0.00	200.00

Ventura County Retirement Assn

Check Register - Standard

Period: 02-13 As of: 9/4/2012

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
021286	CK	8/10/2012	100730 TOM JOHNSTON	02-13		016147	VO	TRAVEL REIMB	8/10/2012	0.00	884.75
021287	CK	8/10/2012	BARNEY ABU COURT REPORTING INC	02-13		016148	VO	ADMIN EXP	8/10/2012	0.00	630.00
021288	CK	8/10/2012	VOLT VOLT	02-13		016149	VO	ADMIN EXP	8/10/2012	0.00	858.60
021289	CK	8/10/2012	COMPUWAVE COMPUWAVE	02-13		016150	VO	ADMIN EXP	8/10/2012	0.00	567.35
021290	CK	8/10/2012	SBS SBS GROUP	02-13		016151	VO	ADMIN EXP	8/10/2012	0.00	59.50
021291	CK	8/10/2012	LINEA LINEA SOLUTIONS	02-13		016152	VO	ADMIN EXP	8/10/2012	0.00	29,186.80
021292	CK	8/10/2012	115553 ROSEMARY SANDERS-DAVIS	02-13		016153	VO	REFUND	8/10/2012	0.00	8,647.64
021293	CK	8/10/2012	F7649B1 ICEL FAGEN	02-13		016154	VO	DEATH BENEFIT	8/10/2012	0.00	64,195.67
021294	CK	8/10/2012	F1308B1 BEVERLY MCCLELLAN	02-13		016155	VO	DEATH BENEFIT	8/10/2012	0.00	3,574.54
021295	CK	8/10/2012	F1309S LINDA D. MCCLELLAN	02-13		016156	VO	DEATH BENEFIT	8/10/2012	0.00	144.85
021296	CK	8/16/2012	QCERT QUICKCERT	02-13		016157	VO	ADMIN EXP	8/15/2012	0.00	1,531.80
021297	CK	8/16/2012	SPRUCE SPRUCEGROVE INVESTMEN	02-13		016158	VO	INV MGMT FEES	8/15/2012	0.00	48,880.74
021298	CK	8/16/2012	ADP ADP INC	02-13		016159	VO	ADMIN EXPENSE	8/15/2012	0.00	7,598.20
021299	CK	8/16/2012	VITECH VITECH SYSTEMS GROUP IN	02-13		016160	VO	ADMIN EXPENSE	8/15/2012	0.00	190,400.00

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Ventura County Retirement Assn

Check Register - Standard

Period: 02-13 As of: 9/4/2012

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
021300	CK	8/16/2012	HEXAVEST HEXAVEST INC	02-13		016161	VO	INV MGMT FEES	8/15/2012	0.00	63,205.33
021301	CK	8/16/2012	MEGAPATH MEGAPATH INC.	02-13		016162	VO	ADMIN EXPENSE	8/15/2012	0.00	192.41
021302	CK	8/16/2012	AV CITY AUDIO VIDEO CITY INC	02-13		016163	VO	ADMIN EXPENSE	8/15/2012	0.00	3,995.97
021303	CK	8/16/2012	CORPORATE STAPLES ADVANTAGE	02-13		016164	VO	ADMIN EXPENSE	8/15/2012	0.00	652.96
021304	CK	8/17/2012	103589 NORMAN J. BEEBE	02-13		016165	VO	REFUND T2 COLA	8/17/2012	0.00	13,065.98
021305	CK	8/17/2012	100834 PATRICIA A. BONEWITZ	02-13		016166	VO	REFUND T2 COLA	8/17/2012	0.00	10,050.02
021306	CK	8/17/2012	106368 DIANA M. MORRIS	02-13		016167	VO	REFUND T2 COLA	8/17/2012	0.00	8,722.20
021307	CK	8/17/2012	102001 ROSIE J. RIVERA	02-13		016168	VO	REFUND T2 COLA	8/17/2012	0.00	7,943.90
021308	CK	8/17/2012	F0370B1 ESTHER CAMPBELL	02-13		016169	VO	DEATH BENEFIT	8/17/2012	0.00	3,416.91
021309	CK	8/17/2012	F0820B3 GARY GRIGGS	02-13		016170	VO	DEATH BENEFIT	8/17/2012	0.00	742.08
021310	CK	8/17/2012	F5775B1 ALICE E. MILLER	02-13		016171	VO	DEATH BENEFIT	8/17/2012	0.00	2,879.99
021311	CK	8/17/2012	F0820B2 JAMES E. GRIGGS	02-13		016172	VO	DEATH BENEFIT	8/17/2012	0.00	802.26
021312	CK	8/17/2012	F0820B1 NANCY C. WAGER	02-13		016173	VO	DEATH BENEFIT	8/17/2012	0.00	764.58
021313	CK	8/17/2012	F5239B1 DARREN TERRY	02-13		016174	VO	DEATH BENEFIT	8/17/2012	0.00	3,660.73

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Ventura County Retirement Assn

Check Register - Standard

Period: 02-13 As of: 9/4/2012

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
021314	CK	8/23/2012	105461 BRINDA K. MARINIS	02-13		016175	VO	REFUND T2 COLA	8/23/2012	0.00	10,086.61
021315	CK	8/23/2012	106448R STACEY L. PINKARD	02-13		016176	VO	REFUND T2 COLA	8/23/2012	0.00	10,839.30
021316	CK	8/23/2012	F0394B2 STEVEN J. CARROLL	02-13		016177	VO	DEATH BENEFIT	8/23/2012	0.00	405.01
021317	CK	8/23/2012	F4928B1 BARBARA J. SWAIN	02-13		016178	VO	DEATH BENEFIT	8/23/2012	0.00	50.07
021318	CK	8/23/2012	106448D STACEY L. PINKARD	02-13		016179	VO	DEATH BENEFIT	8/23/2012	0.00	28,886.77
021319	CK	8/23/2012	F0678B1 BRUCE N. EVEN	02-13		016180	VO	DEATH BENEFIT	8/23/2012	0.00	3,915.04
021320	CK	8/23/2012	F1452S JEAN E. NILMEIER	02-13		016181	VO	DEATH BENEFIT	8/23/2012	0.00	3,319.40
021321	CK	8/24/2012	990002 ARTHUR E. GOULET	02-13		016182	VO	TRAVEL & ADMIN	8/24/2012	0.00	583.12
021322	CK	8/24/2012	121881 CHANTELL GARCIA	02-13		016183	VO	ADMIN EXPENSE	8/24/2012	0.00	76.28
021323	CK	8/24/2012	990001BM ALBERT G HARRIS	02-13		016184	VO	BOARD MEM FEE	8/24/2012	0.00	100.00
021324	CK	8/24/2012	CUSTOM CUSTOM PRINTING	02-13		016185	VO	ADMIN EXPENSE	8/24/2012	0.00	249.89
021325	CK	8/24/2012	PRUDENTIAL PRUDENTIAL REAL ESTATE	02-13		016186	VO	INVESTMENT FEES	8/24/2012	0.00	178,269.82
021326	CK	8/24/2012	BLACKROCK BLACKROCK INSTL TRUST C	02-13		016187	VO	INVESTMENT FEES	8/24/2012	0.00	148,113.50
021327	CK	8/24/2012	BARNEY ABU COURT REPORTING INC	02-13		016188	VO	ADMIN EXPENSE	8/24/2012	0.00	315.00

Ventura County Retirement Assn

Check Register - Standard

Period: 02-13 As of: 9/4/2012

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
021328	CK	8/24/2012	HARRIS HARRIS WATER CONDITIONI	02-13		016189	VO	ADMIN EXPENSE	8/24/2012	0.00	74.50
021329	CK	8/24/2012	CMP CMP & ASSOCIATES, INC	02-13		016190	VO	ADMIN EXPENSE	8/24/2012	0.00	27,750.00
021330	CK	8/24/2012	CORPORATE STAPLES ADVANTAGE	02-13		016191	VO	ADMIN EXPENSE	8/24/2012	0.00	650.25
021331	CK	8/24/2012	VOLT VOLT	02-13		016192	VO	ADMIN EXPENSE	8/24/2012	0.00	1,717.20
021332	CK	8/24/2012	CINTAS CINTAS DOCUMENT MANAGI	02-13		016193	VO	ADMIN EXPENSE	8/24/2012	0.00	114.50
021333	CK	8/24/2012	TWC TIME WARNER CABLE	02-13		016194	VO	ADMIN EXPENSE	8/24/2012	0.00	320.98
021334	CK	8/24/2012	PEREA KENNETH A. PEREA	02-13		016195	VO	ADMIN EXPENSE	8/24/2012	0.00	5,250.00
021335	CK	8/24/2012	AT&T AT & T MOBILITY	02-13		016196	VO	ADMIN EXPENSE	8/24/2012	0.00	465.72
021336	CK	8/24/2012	TRI TRI COUNTY OFFICE FURNIT	02-13		016197	VO	ADMIN EXPENSE	8/24/2012	0.00	9,099.17
021337	CK	8/24/2012	SEGAL THE SEGAL COMPANY	02-13		016198	VO	ADMIN EXPENSE	8/24/2012	0.00	69,620.00
021338	CK	8/24/2012	VITECH VITECH SYSTEMS GROUP IN	02-13		016199	VO	IT PROJECT	8/24/2012	0.00	577,500.00
021339	CK	8/30/2012	MF M.F. DAILY CORPORATION	02-13		016200	VO	ADMIN EXPENSE	8/30/2012	0.00	13,423.61

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Ventura County Retirement Assn

Check Register - Standard

Period: 02-13 As of: 9/4/2012

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: 110

Acct Sub Total: **3,496,170.84**

Check Type	Count	Amount Paid
Regular	110	3,496,170.84
Hand	0	0.00
Void	0	0.00
Stub	0	0.00
Zero	0	0.00
Mask	0	0.00
Total:	**110**	**3,496,170.84**

Company Disc Total **0.00** **Company Total** **3,496,170.84**

VENTURA COUNTY EMPLOYEE'S RETIREMENT ASSOCIATION
ASSET ALLOCATION
As of 07/31/2012

Mandate	$ Actual	% of Actual	$ Target	% Target	Permissible Min	Permissible Max	Outside Permissible	Calculated Adjustments	Proposed Adjustments	Closing Balance	Proposed Allocation	After Rebalancing
BlackRock Extended Equity Index Fund	**28,663,923**	0.8%	33,794,320	1.0%	0.5%	2.0%	OK	5,130,397		28,663,923	0.8%	OK
Western U.S. Index Plus	**113,431,147**	3.4%	101,382,961	3.0%	2.0%	4.0%	OK	(12,048,186)		113,431,147	3.4%	OK
BlackRock Equity Market Fund	**1,066,828,064**	31.6%	1,081,418,247	32.0%	28.0%	36.0%	OK	14,590,183		1,066,828,064	31.6%	OK
Total U.S. Equities	1,208,923,134	35.8%	1,216,595,528	36.0%	30.0%	40.0%	**OK**	7,672,394	-	1,208,923,134	35.8%	**OK**
BlackRock ACWI ex-U.S. Index	**268,615,292**	7.9%	337,943,202	10.0%	8.0%	12.0%	LOW	69,327,910		268,615,292	7.9%	LOW
Sprucegrove	**141,856,433**	4.2%	135,177,281	4.0%	3.0%	6.0%	OK	(6,679,152)		141,856,433	4.2%	OK
Hexavest	**52,095,533**	1.5%	67,588,640	2.0%	1.0%	3.0%	OK	15,493,107		52,095,533	1.5%	OK
Walter Scott	**75,882,590**	2.2%	101,382,961	3.0%	1.5%	4.0%	OK	25,500,371		75,882,590	2.2%	OK
Total Non-U.S. Equities	538,449,848	15.9%	642,092,084	19.0%	15.0%	21.0%	**OK**	103,642,236	-	538,449,848	15.9%	**OK**
GMO Global	**150,918,405**	4.5%	168,971,601	5.0%	3.0%	7.0%	OK	18,053,196		150,918,405	4.5%	OK
Acadian	**10,461**	0.0%	-	0.0%	0.0%	0.0%	HIGH	(10,461)		10,461	0.0%	
BlackRock MSCI ACWI Equity Index	**119,110,115**	3.5%	168,971,601	5.0%	3.0%	7.0%	OK	49,861,486		119,110,115	3.5%	OK
Total Global Equities	270,038,981	8.0%	337,943,202	10.0%	7.0%	13.0%	**OK**	18,042,735	-	270,038,981	8.0%	**OK**
Total Equities	2,017,411,963	59.7%	2,196,630,815	65.0%	58.0%	70.0%	**OK**	129,357,366	-	2,017,411,963	59.7%	**OK**
Western	**252,769,693**	7.5%	270,354,562	8.0%	6.0%	10.0%	OK	17,584,869		252,769,693	7.5%	OK
BlackRock U.S. Debt Fund	**133,024,166**	3.9%	135,177,281	4.0%	3.0%	6.0%	OK	2,153,115		133,024,166	3.9%	OK
Reams	**332,905,664**	9.9%	236,560,242	7.0%	6.0%	9.0%	HIGH	(96,345,422)	(96,000,000)	236,905,664	7.0%	OK
Loomis Sayles	**120,765,144**	3.6%	101,382,961	3.0%	2.0%	4.0%	OK	(19,382,183)	(6,500,000)	114,265,144	3.4%	OK
PIMCO Global	**-**	0.0%	101,382,961	3.0%	2.0%	4.0%	LOW	101,382,961	102,500,000	102,500,000	3.0%	OK
Loomis Sayles Global	**66,097,093**	2.0%	67,588,640	2.0%	1.0%	4.0%	OK	1,491,547		66,097,093	2.0%	OK
Total Fixed Income	905,561,760	26.8%	912,446,646	27.0%	20.0%	37.0%	**OK**	5,393,339	-	905,561,760	26.8%	**OK**
Prudential Real Estate	**80,092,529**	2.4%	101,382,961	3.0%	2.0%	4.0%	OK	21,290,432		80,092,529	2.4%	OK
UBS Real Estate	**171,825,600**	5.1%	126,728,701	3.8%	3.0%	5.0%	HIGH	(45,096,899)		171,825,600	5.1%	HIGH
Guggenheim	**21,101,544**	0.6%	33,794,320	1.0%	0.5%	2.0%	OK	12,692,776		21,101,544	0.6%	OK
RREEF	**9,581,915**	0.3%	8,448,580	0.3%	0.1%	1.0%	OK	(1,133,335)		9,581,915	0.3%	OK
Real Estate	282,601,588	8.4%	270,354,562	8.0%	5.0%	10.0%	**OK**	(12,247,026)	-	282,601,588	8.4%	**OK**
Adams Street Partners	**23,787,178**	0.7%	-	0.0%	0.0%	4.0%	OK	(23,787,178)		23,787,178	0.7%	OK
Pantheon Ventures	**4,907,892**	0.1%	-	0.0%	0.0%	4.0%	OK	(4,907,892)		4,907,892	0.1%	OK
Private Equity	28,695,070	0.8%	-	0.0%	0.0%	5.0%	**OK**	(28,695,070)	-	28,695,070	0.8%	**OK**
Alternatives	-	0.0%	-	0.0%	0.0%	5.0%	**OK**	-	-	-	0.0%	**OK**
Clifton	**145,161,642**	4.3%	-	0.0%	0.0%	3.0%	HIGH	(145,161,642)		145,161,642	4.3%	HIGH
Other Assets	145,161,642	4.3%	-	0.0%	0.0%	5.0%	**OK**	(145,161,642)	-	145,161,642	4.3%	**OK**
Total Investment Portfolio	**3,379,432,023**	**100.0%**	**3,379,432,023**	**100.0%**				**(51,353,034)**	-	**3,379,432,023**	**100.0%**	

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VENTURA COUNTY EMPLOYEE'S RETIREMENT ASSOCIATION
ASSET ALLOCATION
As of 8/31/2012

Mandate	$ Actual	% of Actual	$ Target	% Target	Permissible Min	Permissible Max	Outside Permissible	Calculated Adjustments	Proposed Adjustments	Closing Balance	Proposed Allocation	After Rebalancing
BlackRock Extended Equity Index Fund	**29,685,518**	0.9%	34,184,753	1.0%	0.5%	2.0%	OK	4,499,235		29,685,518	0.9%	OK
Western U.S. Index Plus	**116,853,924**	3.4%	102,554,260	3.0%	2.0%	4.0%	OK	(14,299,664)		116,853,924	3.4%	OK
BlackRock Equity Market Fund	**1,093,192,553**	32.0%	1,093,912,105	32.0%	28.0%	36.0%	OK	719,552		1,093,192,553	32.0%	OK
Total U.S. Equities	1,239,731,995	36.3%	1,230,651,118	36.0%	30.0%	40.0%	**OK**	(9,080,877)	-	1,239,731,995	36.3%	**OK**
BlackRock ACWI ex-U.S. Index	**274,487,690**	8.0%	341,847,533	10.0%	8.0%	12.0%	OK	67,359,843		274,487,690	8.0%	OK
Sprucegrove	**143,974,201**	4.2%	136,739,013	4.0%	3.0%	6.0%	OK	(7,235,188)		143,974,201	4.2%	OK
Hexavest	**63,475,504**	1.9%	68,369,507	2.0%	1.0%	3.0%	OK	4,894,003		63,475,504	1.9%	OK
Walter Scott	**76,984,333**	2.3%	102,554,260	3.0%	1.5%	4.0%	OK	25,569,927		76,984,333	2.3%	OK
Total Non-U.S. Equities	558,921,728	16.4%	649,510,312	19.0%	15.0%	21.0%	**OK**	90,588,584	-	558,921,728	16.4%	**OK**
GMO Global	**164,238,798**	4.8%	170,923,766	5.0%	3.0%	7.0%	OK	6,684,968		164,238,798	4.8%	OK
Acadian	**11,311**	0.0%	-	0.0%	0.0%	0.0%	HIGH	(11,311)		11,311	0.0%	
BlackRock MSCI ACWI Equity Index	**121,722,471**	3.6%	170,923,766	5.0%	3.0%	7.0%	OK	49,201,295	35,000,000	156,722,471	4.6%	OK
Total Global Equities	285,972,580	8.4%	341,847,533	10.0%	7.0%	13.0%	**OK**	6,673,657	35,000,000	320,972,580	9.4%	**OK**
Total Equities	2,084,626,303	61.0%	2,222,008,964	65.0%	58.0%	70.0%	**OK**	88,181,365	**35,000,000**	2,119,626,303	62.0%	**OK**
Western	**274,055,739**	8.0%	273,478,026	8.0%	6.0%	10.0%	OK	(577,713)		274,055,739	8.0%	OK
BlackRock U.S. Debt Fund	**133,132,968**	3.9%	136,739,013	4.0%	3.0%	6.0%	OK	3,606,045		133,132,968	3.9%	OK
Reams	**335,498,364**	9.8%	239,293,273	7.0%	6.0%	9.0%	HIGH	(96,205,091)	(96,000,000)	239,498,364	7.0%	OK
Loomis Sayles	**122,351,417**	3.6%	102,554,260	3.0%	2.0%	4.0%	OK	(19,797,157)	(6,500,000)	115,851,417	3.4%	OK
PIMCO Global	-	0.0%	102,554,260	3.0%	2.0%	4.0%	LOW	102,554,260	102,500,000	102,500,000	3.0%	OK
Loomis Sayles Global	**66,667,442**	2.0%	68,369,507	2.0%	1.0%	4.0%	OK	1,702,065		66,667,442	2.0%	OK
Total Fixed Income	931,705,930	27.3%	922,988,339	27.0%	20.0%	37.0%	**OK**	(10,419,656)	-	931,705,930	27.3%	**OK**
Prudential Real Estate	**80,091,531**	2.3%	102,554,260	3.0%	2.0%	4.0%	OK	22,462,729		80,091,531	2.3%	OK
UBS Real Estate	**171,825,600**	5.0%	128,192,825	3.8%	3.0%	5.0%	HIGH	(43,632,775)		171,825,600	5.0%	HIGH
Guggenheim	**21,101,544**	0.6%	34,184,753	1.0%	0.5%	2.0%	OK	13,083,209		21,101,544	0.6%	OK
RREEF	**9,581,915**	0.3%	8,546,188	0.3%	0.1%	1.0%	OK	(1,035,726)		9,581,915	0.3%	OK
Real Estate	282,600,590	8.3%	273,478,026	8.0%	5.0%	10.0%	**OK**	(9,122,563)	-	282,600,590	8.3%	**OK**
Adams Street Partners	**21,347,677**	0.6%	-	0.0%	0.0%	4.0%	OK	(21,347,677)		21,347,677	0.6%	OK
Pantheon Ventures	**5,957,891**	0.2%	-	0.0%	0.0%	4.0%	OK	(5,957,891)		5,957,891	0.2%	OK
Private Equity	27,305,568	0.8%	-	0.0%	0.0%	5.0%	**OK**	(27,305,568)	-	27,305,568	0.8%	**OK**
Alternatives	-	0.0%	-	0.0%	0.0%	5.0%	**OK**	-	-	-	0.0%	**OK**
Clifton	**92,236,938**	2.7%	-	0.0%	0.0%	3.0%	OK	(92,236,938)	(35,000,000)	57,236,938	1.7%	OK
Other Assets	92,236,938	2.7%	-	0.0%	0.0%	5.0%	**OK**	(92,236,938)	(35,000,000)	57,236,938	1.7%	**OK**
Total Investment Portfolio	**3,418,475,329**	**100.0%**	**3,418,475,329**	**100.0%**				**(50,903,360)**	-	**3,418,475,329**	**100.0%**	

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Ventura County Retirement Assn

Statement of Plan Net Assets
June 30, 2012

ASSETS

CASH & CASH EQUIVALENTS	**$118,800,271**
RECEIVABLES	
EMPLOYER/EMPLOYEE CONTRIBUTIONS	3,754,115
ACCRUED INTEREST AND DIVIDENDS	5,175,132
SECURITY SALES	29,531,517
MISCELLANEOUS	21,686
TOTAL RECEIVABLES	**38,482,449**
INVESTMENTS AT FAIR VALUE	
DOMESTIC EQUITY SECURITIES	87,964,565
DOMESTIC EQUITY INDEX FUNDS	1,202,433,465
INTERNATIONAL EQUITY SECURITIES	266,018,566
INTERNATIONAL EQUITY INDEX FUNDS	265,166,196
GLOBAL EQUITY	149,534,956
FIXED INCOME - CORE PLUS	709,396,629
FIXED INCOME - DOMESTIC BOND INDEX	131,199,409
REAL ESTATE	283,239,366
PRIVATE EQUITY	26,930,165
TOTAL INVESTMENTS	**3,121,883,317**
COLLATERAL HELD FOR SECURITIES LENDING	**94,634,819**
PENSION SOFTWARE DEVELOPMENT COSTS	**686,886**
TOTAL ASSETS	**3,374,487,742**

LIABILITIES

SECURITY PURCHASES	68,472,851
ACCOUNTS PAYABLE	1,737,362
PREPAID CONTRIBUTIONS	25,504
COLLATERAL HELD FOR SECURITIES LENDING	94,634,819
TOTAL LIABILITIES	**164,870,535**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**$3,209,617,207**

Ventura County Retirement Assn

Statement of Changes in Plan Net Assets
June 30, 2012

ADDITIONS	
CONTRIBUTIONS:	
EMPLOYER	$140,772,725
EMPLOYEE	44,486,749
TOTAL CONTRIBUTIONS	**185,259,475**
INVESTMENT INCOME:	
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	17,880,635
INTEREST INCOME	24,446,177
DIVIDEND INCOME	4,483,161
REAL ESTATE OPERATING INCOME, NET	12,722,093
SECURITIES LENDING INCOME	437,212
TOTAL INVESTMENT INCOME	**59,969,278**
LESS INVESTMENT EXPENSES:	
MANAGEMENT & CUSTODIAL FEES	9,102,873
SECURITIES LENDING BORROWER REBATES	64,670
SECURITIES LENDING MANAGEMENT FEES	118,565
TOTAL INVESTMENT EXPENSES	**9,286,109**
NET INVESTMENT INCOME	**50,683,169**
TOTAL ADDITIONS	**235,942,644**
DEDUCTIONS	
BENEFIT PAYMENTS	191,331,918
MEMBER REFUNDS	3,782,776
ADMINISTRATIVE EXPENSES	3,504,951
LEGAL SETTLEMENTS	30,855
TOTAL DEDUCTIONS	**198,650,500**
NET INCREASE	**37,292,144**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
BEGINNING OF YEAR	**3,172,325,063**
ENDING BALANCE	**$3,209,617,207**

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

	SECURITIES FAIR VALUE	CASH
EQUITY		
DOMESTIC EQUITY		
WESTERN ASSET INDEX PLUS	$87,964,565	$19,360,732
TOTAL DOMESTIC EQUITY	**87,964,565**	**19,360,732**
DOMESTIC INDEX FUNDS		
BLACKROCK - US EQUITY MARKET	1,055,825,561	1
BLACKROCK - EXTENDED EQUITY	28,845,144	1
TOTAL EQUITY INDEX FUNDS	**1,084,670,705**	**2**
INTERNATIONAL EQUITY		
BLACKROCK - ACWIXUS	265,166,196	0
SPRUCEGROVE	140,627,582	0
HEXAVEST	51,097,904	0
WALTER SCOTT	74,293,080	0
TOTAL INTERNATIONAL EQUITY	**531,184,762**	**0**
GLOBAL EQUITY		
GRANTHAM MAYO & VAN OTTERLOO (GMO)	149,524,495	0
ACADIAN GLOBAL EQUITY	10,461	0
BLACKROCK GLOBAL INDEX	117,762,760	0
TOTAL GLOBAL EQUITY	**267,297,716**	**0**
PRIVATE EQUITY		
ADAMS STREET	21,594,177	0
PANTHEON	5,335,988	0
TOTAL PRIVATE EQUITY	**26,930,165**	**0**
FIXED INCOME		
BLACKROCK - US DEBT INDEX	131,199,409	0
LOOMIS SAYLES & COMPANY (CORE PLUS)	110,167,789	6,558,438
REAMS(CORE PLUS)	355,629,660	15,151,831
WESTERN ASSET MGMT (CORE PLUS)	243,599,179	886,908
LOOMIS SAYLES & COMPANY (GLOBAL)	0	65,400,000
TOTAL FIXED INCOME	**840,596,038**	**87,997,177**
REAL ESTATE		
GUGGENHEIM REAL ESTATE	21,805,515	0
PRUDENTIAL REAL ESTATE	80,026,336	0
RREEF	9,581,915	0
UBS REALTY	171,825,600	0
TOTAL REAL ESTATE	**283,239,366**	**0**
ALTERNATIVE STRATEGIES		
CASH OVERLAY - CLIFTON GROUP	**0**	**3,810,165**
IN HOUSE CASH		**7,632,196**
TOTAL INVESTMENTS AND CASH EQUIVALENTS	**$3,121,883,317**	**$118,800,271**

Ventura County Retirement Assn

Schedule of Investment Management Fees
For the Twelve Months Ending June 30, 2012

EQUITY MANAGERS	
DOMESTIC	
BLACKROCK - US EQUITY	$212,061
BLACKROCK - EXTENDED EQUITY	12,457
WESTERN ASSET INDEX PLUS	192,796
TOTAL	**417,314**
INTERNATIONAL	
ARTIO GLOBAL INVESTORS	272,681
BLACKROCK - ACWIXUS	300,360
SPRUCEGROVE	552,716
HEXAVEST	196,770
WALTER SCOTT	577,206
TOTAL	**1,899,733**
GLOBAL	
ACADIAN GLOBAL EQUITY	1,024,269
TOTAL	**1,024,269**
PRIVATE EQUITY	
ADAMS STREET	843,750
PANTHEON	150,000
TOTAL	**993,750**
FIXED INCOME MANAGERS	
DOMESTIC	
BLACKROCK - US DEBT INDEX	91,503
LOOMIS , SAYLES AND COMPANY	409,662
REAMS ASSET MANAGEMENT	560,448
WESTERN ASSET MANAGEMENT	589,673
TOTAL	**1,651,286**
REAL ESTATE	
GUGGENHEIM	242,530
PRUDENTIAL REAL ESTATE ADVISORS	681,122
RREEF	72,538
UBS REALTY	1,597,537
TOTAL	**2,593,727**
ALTERNATIVES - K2	**114,990**
CASH OVERLAY - CLIFTON	**71,516**

Ventura County Retirement Assn

Schedule of Investment Management Fees
For the Twelve Months Ending June 30, 2012

SECURITIES LENDING/OTHER	
BORROWERS REBATE	$64,670
MANAGEMENT FEES	118,565
INVESTMENT CONSULTANT	239,000
INVESTMENT CUSTODIAN	97,289
TOTAL	**519,524**
TOTAL INVESTMENT MANAGEMENT FEES	**$9,286,109**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BUDGET SUMMARY FISCAL YEAR 2011-2012
June 2012 - 100.00% of Fiscal Year Expended

EXPENDITURE DESCRIPTIONS	2011/2012 Budget	Jun-12	Year to Date Expended	Available Balance	Percent Expended
Salaries & Employee Benefits:					
Regular Salaries	$ 1,397,000.00	$ 119,596.91	$ 1,113,945.01	$ 283,054.99	79.74%
Extra-Help	25,000.00	7,589.49	63,678.59	(38,678.59)	254.71%
Overtime	7,600.00	476.46	2,521.07	5,078.93	33.17%
Supplemental Payments	38,000.00	3,493.91	29,498.52	8,501.48	77.63%
Vacation Redemption	72,200.00	0.00	81,053.16	(8,853.16)	112.26%
Retirement Contributions	279,800.00	23,538.73	225,455.03	54,344.97	80.58%
OASDI Contributions	79,300.00	7,491.53	70,537.29	8,762.71	88.95%
FICA-Medicare	22,000.00	1,752.06	17,289.10	4,710.90	78.59%
Management Retiree Health Benefit	14,600.00	1,297.86	12,021.53	2,578.47	82.34%
Group Insurance	127,900.00	10,647.00	107,998.80	19,901.20	84.44%
Life Insurance/Mgmt	2,900.00	77.93	689.02	2,210.98	23.76%
Unemployment Insurance	1,700.00	240.89	2,209.06	(509.06)	129.94%
Management Disability Insurance	9,800.00	289.71	2,655.65	7,144.35	27.10%
Worker' Compensation Insurance	8,100.00	697.12	6,888.97	1,211.03	85.05%
401K Plan Contribution	34,000.00	2,270.35	22,114.73	11,885.27	65.04%
Total Salaries & Employee Benefits	$ 2,119,900.00	$ 179,459.95	$ 1,758,555.53	$ 361,344.47	82.95%
Services & Supplies:					
Telephone Services - ISF	$ 20,300.00	$ 4,257.65	$ 36,276.50	$ (15,976.50)	178.70%
General Insurance - ISF	9,500.00	0.00	8,692.00	808.00	91.49%
Office Equipment Maintenance	1,000.00	441.60	1,396.70	(396.70)	139.67%
Membership and Dues	9,200.00	550.00	8,575.00	625.00	93.21%
Education Allowance	3,000.00	0.00	2,000.00	1,000.00	66.67%
Cost Allocation Charges	34,000.00	0.00	34,007.00	(7.00)	100.02%
Printing Services - Not ISF	4,000.00	180.13	4,737.91	(737.91)	118.45%
Books & Publications	1,000.00	159.00	1,941.78	(941.78)	194.18%
Office Supplies	14,000.00	3,740.75	23,944.40	(9,944.40)	171.03%
Postage & Express	60,000.00	3,360.07	54,902.32	5,097.68	91.50%
Printing Charges - ISF	12,000.00	0.00	185.60	11,814.40	1.55%
Copy Machine Services - ISF	7,500.00	1,940.61	7,110.30	389.70	94.80%
Board Member Fees	13,000.00	700.00	10,000.00	3,000.00	76.92%
Professional Services	828,300.00	146,394.39	848,955.29	(20,655.29)	102.49%
Storage Charges	2,800.00	550.52	3,159.45	(359.45)	112.84%
Minor Equipment	5,000.00	126.39	878.58	4,121.42	17.57%
Office Lease Payments	160,100.00	27,249.23	158,073.58	2,026.42	98.73%
Private Vehicle Mileage	10,500.00	500.85	3,782.16	6,717.84	36.02%
Conference, Seminar and Travel	79,100.00	14,739.04	54,754.95	24,345.05	69.22%
Furniture	171,100.00	9,099.17	100,612.94	70,487.06	58.80%
Facilities Charges	52,200.00	525.00	6,691.01	45,508.99	12.82%
Judgment & Damages	0.00	0.00	30,855.00	(30,855.00)	#DIV/0!
Total Services & Supplies	$ 1,497,600.00	$ 214,514.40	$ 1,401,532.47	$ 96,067.53	93.59%
Total Administrative Budget	$ 3,617,500.00	$ 393,974.35	$ 3,160,088.00	$ 457,412.00	87.36%
Information Technology:					
Computer Hardware	$ 42,800.00	$ 11,163.81	51,956.91	$ (9,156.91)	121.39%
Computer Software	23,500.00	363.84	14,141.68	9,358.32	60.18%
Data Processing and Maintenance	437,300.00	81,049.29	397,423.09	39,876.91	90.88%
Special Project - New Pension System	1,775,000.00	197,629.32	598,942.80	1,176,057.20	33.74%
Total Information Technology	$ 2,278,600.00	$ 290,206.26	$ 1,062,464.48	$ 1,216,135.52	46.63%
Contingency	$ 562,100.00	$ -	$ -	$ -	0.00%
Total Current Year	$ 6,458,200.00	$ 684,180.61	$ 4,222,552.48	$ 2,235,647.52	65.38%

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VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BUDGET SUMMARY FISCAL YEAR 2012-2013
July 2012 - 8.33% of Fiscal Year Expended

EXPENDITURE DESCRIPTIONS	2012/2013 Budget	Jul-12	Year to Date Expended	Available Balance	Percent Expended
Salaries & Employee Benefits:					
Regular Salaries	$ 1,623,400.00	$ 75,926.84	$ 75,926.84	$ 1,547,473.16	4.68%
Extra-Help	25,000.00	0.00	0.00	25,000.00	0.00%
Overtime	7,600.00	392.37	392.37	7,207.63	5.16%
Supplemental Payments	49,300.00	2,231.01	2,231.01	47,068.99	4.53%
Vacation Redemption	71,700.00	3,440.02	3,440.02	68,259.98	4.80%
Retirement Contributions	363,600.00	15,653.55	15,653.55	347,946.45	4.31%
OASDI Contributions	82,600.00	4,964.31	4,964.31	77,635.69	6.01%
FICA-Medicare	25,400.00	1,160.97	1,160.97	24,239.03	4.57%
Management Retiree Health Benefit	15,600.00	1,297.86	1,297.86	14,302.14	8.32%
Group Insurance	159,800.00	7,098.00	7,098.00	152,702.00	4.44%
Life Insurance/Mgmt	900.00	46.63	46.63	853.37	5.18%
Unemployment Insurance	2,500.00	102.30	102.30	2,397.70	4.09%
Management Disability Insurance	4,100.00	183.91	183.91	3,916.09	4.49%
Worker' Compensation Insurance	10,200.00	513.17	513.17	9,686.83	5.03%
401K Plan Contribution	41,500.00	1,414.43	1,414.43	40,085.57	3.41%
Total Salaries & Employee Benefits	$ 2,483,200.00	$ 114,425.37	$ 114,425.37	$ 2,368,774.63	4.61%
Services & Supplies:					
Telephone Services - ISF	$ 21,400.00	$ -	$ -	$ 21,400.00	0.00%
General Insurance - ISF	9,600.00	0.00	0.00	9,600.00	0.00%
Office Equipment Maintenance	16,000.00	0.00	0.00	16,000.00	0.00%
Membership and Dues	9,700.00	4,000.00	4,000.00	5,700.00	41.24%
Education Allowance	6,000.00	2,000.00	2,000.00	4,000.00	33.33%
Cost Allocation Charges	(34,100.00)	0.00	0.00	(34,100.00)	0.00%
Printing Services - Not ISF	5,500.00	29.62	29.62	5,470.38	0.54%
Books & Publications	2,500.00	50.00	50.00	2,450.00	2.00%
Office Supplies	18,000.00	153.05	153.05	17,846.95	0.85%
Postage & Express	55,000.00	0.00	0.00	55,000.00	0.00%
Printing Charges - ISF	12,000.00	0.00	0.00	12,000.00	0.00%
Copy Machine Services - ISF	5,900.00	0.00	0.00	5,900.00	0.00%
Board Member Fees	11,500.00	700.00	700.00	10,800.00	6.09%
Professional Services	828,400.00	78,800.00	78,800.00	749,600.00	9.51%
Storage Charges	3,200.00	0.00	0.00	3,200.00	0.00%
Minor Equipment	18,500.00	9,323.93	9,323.93	9,176.07	50.40%
Office Lease Payments	164,600.00	0.00	0.00	164,600.00	0.00%
Private Vehicle Mileage	8,000.00	432.24	432.24	7,567.76	5.40%
Conference, Seminar and Travel	60,000.00	0.00	0.00	60,000.00	0.00%
Furniture	2,000.00	647.00	647.00	1,353.00	32.35%
Facilities Charges	0.00	0.00	0.00	0.00	#DIV/0!
Total Services & Supplies	$ 1,223,700.00	$ 96,135.84	$ 96,135.84	$ 1,127,564.16	7.86%
Total Administrative Budget	$ 3,706,900.00	$ 210,561.21	$ 210,561.21	$ 3,496,338.79	5.68%
Information Technology:					
Computer Hardware	$ 20,000.00	$ -	-	$ 20,000.00	0.00%
Computer Software	8,800.00	0.00	0.00	8,800.00	0.00%
Data Processing and Maintenance	416,400.00	392.88	392.88	416,007.12	0.09%
Special Project - New Pension System	2,089,200.00	6,706.88	6,706.88	2,082,493.12	0.32%
Total Information Technology	$ 2,534,400.00	$ 7,099.76	$ 7,099.76	$ 2,527,300.24	0.28%
Contingency	$ 596,600.00	$ -	$ -	$ -	0.00%
Total Current Year	$ 6,837,900.00	$ 217,660.97	$ 217,660.97	$ 6,620,239.03	3.18%

BLACKROCK®

Ventura County Employees' Retirement Association

31 July 2012

Table of contents

Executive Summary

Summm-120731-sc*

Executive summary
Ventura County Employees' Retirement Association

As of 31 July 2012

US Equity Market Fund			$1,066,828,027
Performance	**Fund return %**	**Dow Jones US Total Stock Index return %**	**Difference %**
July	1.04	1.02	0.02
Fiscal year 2013	1.04	1.02	0.02
Since client inception (2 June 2008)	2.46	2.38	0.08

Extended Equity Market Fund			$28,663,922
Performance	**Fund return %**	**Dow Jones US Completion Total Stock Market Index %**	**Difference %**
July	-0.63	-0.69	0.06
Fiscal year 2013	-0.63	-0.69	0.06
Since client inception (30 September 2002)	10.63	10.59	0.04

ACWI ex-US IMI Index Fund			$268,615,130
Performance	**Fund return %**	**Benchmark return %**	**Difference %**
July	1.30	1.31	-0.01
Fiscal year 2013	1.30	1.31	-0.01
Since client inception (30 May 2008)	-5.04	-5.23	0.19

US Debt Index Fund			$133,024,161
Performance	**Fund return %**	**Barclays Capital Aggregate Index %**	**Difference %**
July	1.39	1.38	0.01
Fiscal year 2013	1.39	1.38	0.01
Since client inception (31 December 1995)	6.26	6.17	0.09
Total assets			**$1,497,131,240**

Summ-120731*

* Returns since inception for periods greater than one year are annualized

Account Review
US Equity Market Fund

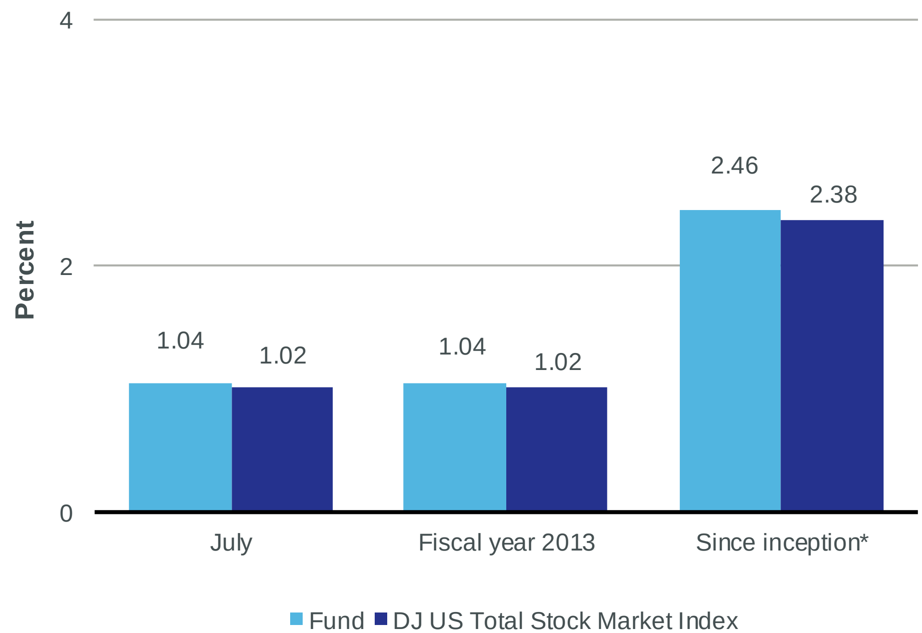
US-EqAR-120731-sc*

US Equity Market Fund
Ventura County Employees' Retirement Association

As of 31 July 2012

Account value	**$1,066,828,027**

Returns since client inception



US-EqAR-MVP-120731*

* Returns since inception for periods greater than one year are annualized
Client inception 2 June 2008
Fiscal year end June 30

US Equity Market Fund
Ventura County Employees' Retirement Association

	U.S. Equity Market Fund	Dow Jones U.S. Total Stock Market Index	Tracking Difference
2008[1]	-7.25%	-7.24%	-0.01%
2009	-26.29	-26.39	0.10
2010	16.10	16.13	-0.03
2011	32.47	32.44	0.03
2012	4.16	3.97	0.19
1 Yr[2]	7.62	7.44	0.18
3 Yrs Annualized	14.52	14.43	0.09
Fiscal Year 2013			
Jul	1.04%	1.02%	0.02%
Aug			
Sep			
1st Qtr.			
Oct			
Nov			
Dec			
2nd Qtr.			
Jan			
Feb			
Mar			
3rd Qtr.			
Apr			
May			
Jun			
4th Qtr.			
Fiscal YTD	1.04%	1.02%	0.02%
Cumulative Since Inception	10.65%	10.29%	0.36%
Annualized Since Inception	2.46%	2.38%	0.08%
Annualized Risk	20.95%	20.95%	0.15%

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[1] Account Inception 06/02/08
[2] Performance figures are annualized as of fiscal year-end.

502925-652485

US Equity Market Fund

	U.S. Equity Market Fund	Dow Jones U.S. Total Stock Market Index	Tracking Difference
2002	-21.24%	-20.86%	-0.38%
2003	31.74	31.64	0.10
2004	12.47	12.41	0.06
2005	6.48	6.38	0.10
2006	15.78	15.77	0.01
2007	5.71	5.62	0.09
2008	-36.95	-37.23	0.28
2009	28.19	28.57	-0.38
2010	17.60	17.49	0.11
2011	1.22	1.08	0.14
1 Yr[1]	7.62	7.44	0.18
3 Yrs Annualized	14.52	14.43	0.09
5 Yrs Annualized	1.59	1.49	0.10
10 Yrs Annualized	7.20	7.12	0.08
2012			
Jan	5.06%	5.06%	0.00%
Feb	4.23	4.25	-0.02
Mar	3.10	3.09	0.01
1st Qtr.	**12.89%**	**12.90%**	**-0.01%**
Apr	-0.62%	-0.63%	0.01%
May	-6.18	-6.20	0.02
Jun	3.96	3.95	0.01
2nd Qtr.	**-3.07%**	**-3.10%**	**0.03%**
Jul	1.04%	1.02%	0.02%
Aug			
Sep			
3rd Qtr.			
Oct			
Nov			
Dec			
4th Qtr.			
YTD 2012	**10.57%**	**10.51%**	**0.06%**
Cumulative Since Inception[2]	**2323.97%**	**2283.55%**	**40.42%**
Annualized Since Inception	**10.65%**	**10.59%**	**0.06%**

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[1] Performance figures are annualized as of period end.
[2] Fund Inception 01/31/81

502925

US Equity Market Fund Characteristics

As of 30 June 2012

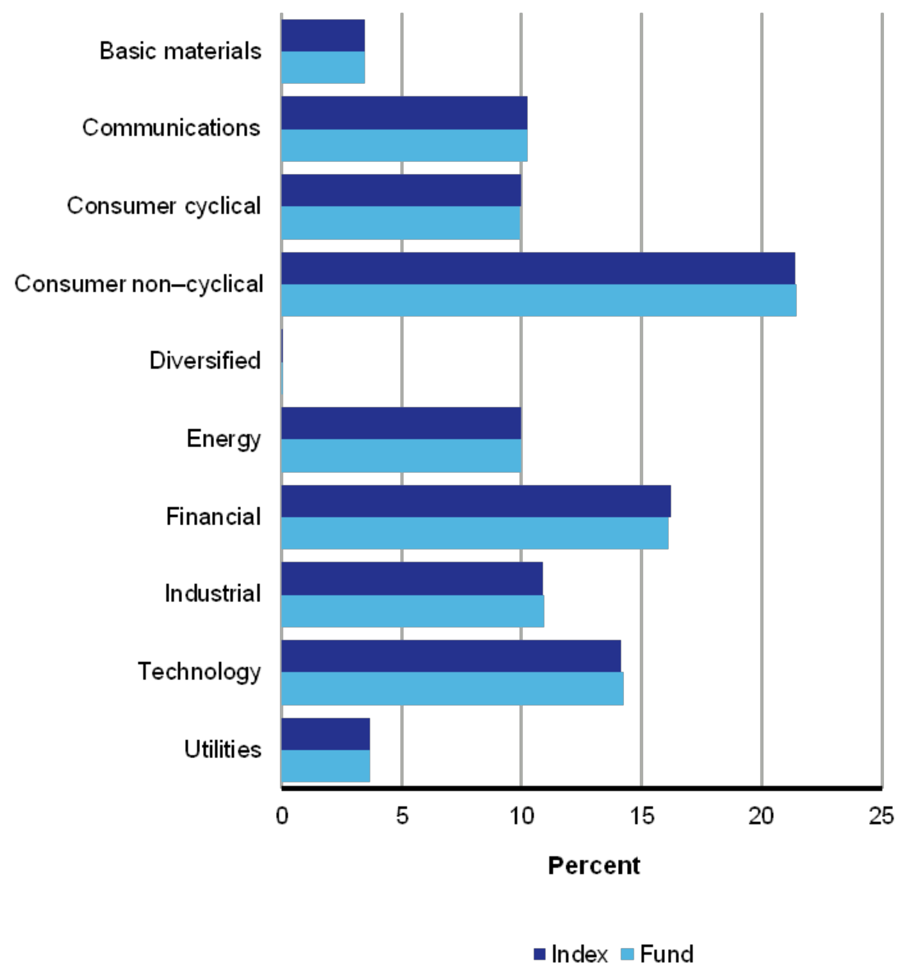
Characteristics

Strategy	Dow Jones US Total Stock Market Index
Beta vs. S&P 500®	1.00
Yield	2.07%
Total fund assets	$7.07B
Number of holdings	2,417

Top 10 holdings

	Fund %	Index %
Apple Inc	3.63	3.63
Exxon Mobil Corp	2.68	2.68
Microsoft Corp	1.53	1.53
General Electric Co	1.47	1.47
Intl Business Machines Corp	1.44	1.44
AT&T Inc	1.40	1.40
Chevron Corp	1.39	1.39
Johnson & Johnson	1.23	1.24
Pfizer Inc	1.16	1.15
Procter & Gamble Co/The	1.12	1.13

Sector diversification



US-Eq-Mkt-A-Ch

This information is unaudited and intended for analytical purposes only
Source: BlackRock, Bloomberg, Wilshire

Account Review
Extended Equity Market Fund

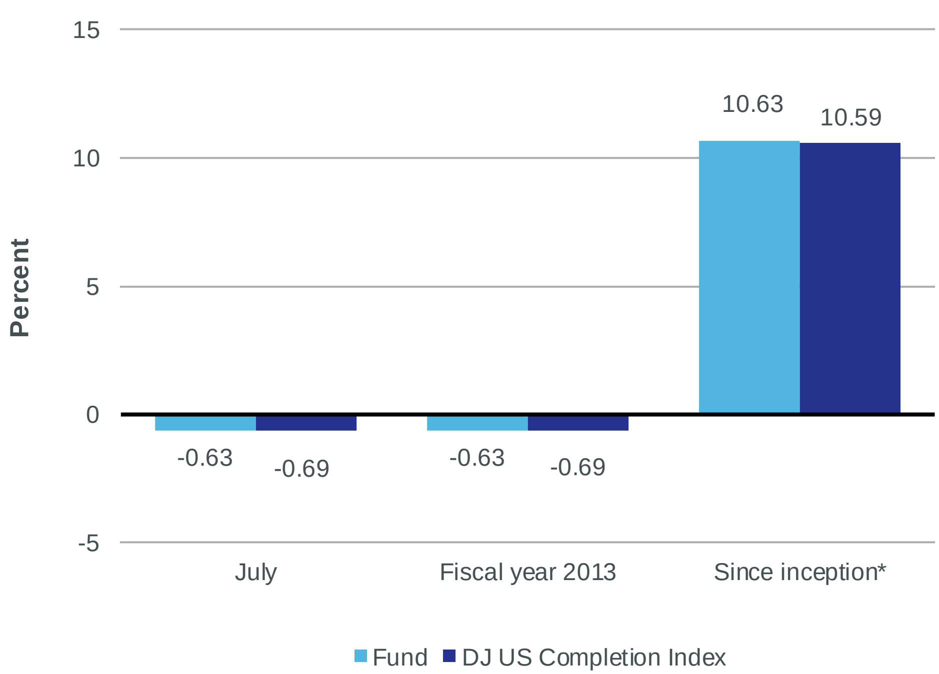
ExEqAR-120731-sc*

Extended Equity Market Fund
Ventura County Employees' Retirement Association

As of 31 July 2012

Account value	**$28,663,922**

Returns since client inception



ExEqAR-MVP-120731*

* Returns since inception for periods greater than one year are annualized
Client inception 30 September 2002
Fiscal year end June 30

Extended Equity Market Fund
Ventura County Employees' Retirement Association

	Fund	Dow Jones US Completion Total Stock Market Index[2]	Tracking Difference
2003[1]	**23.65%**	**24.23%**	**-0.58%**
2004	**29.73**	**29.53**	**0.20**
2005	**13.85**	**13.49**	**0.36**
2006	**14.50**	**14.03**	**0.47**
2007	**19.41**	**19.75**	**-0.34**
2008	**-11.19**	**-11.41**	**0.22**
2009	**-27.90**	**-27.54**	**-0.36**
2010	**23.98**	**24.27**	**-0.29**
2011	**39.38**	**39.19**	**0.19**
2012	**-1.60**	**-2.11**	**0.51**
1 Yr[3]	**0.95**	**0.47**	**0.48**
3 Yrs Annualized	**15.86**	**15.55**	**0.31**
5 Yrs Annualized	**2.54**	**2.48**	**0.06**
Fiscal Year 2013			
Jul	-0.63%	-0.69%	0.06%
Aug			
Sep			
1st Qtr.			
Oct			
Nov			
Dec			
2nd Qtr.			
Jan			
Feb			
Mar			
3rd Qtr.			
Apr			
May			
Jun			
4th Qtr.			
Fiscal YTD	**-0.63%**	**-0.69%**	**0.06%**
Cumulative Since Inception	**170.18%**	**169.20%**	**0.98%**
Annualized Since Inception	**10.63%**	**10.59%**	**0.04%**
Annualized Risk	**18.76%**	**18.67%**	**0.48%**

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500069-592443

[1] Account Inception 09/30/02
[2] Prior to August 31, 2001, the benchmark return for the Dow Jones U.S. Completion Total Stock Market Index was the Extended Equity Market Index. Between September 30, 2001 and June 30, 2004 the benchmark was the Wilshire 4500.
[3] Performance figures are annualized as of fiscal year-end.

Extended Equity Market Fund

	Fund	Dow Jones US Completion Total Stock Market Index[1]	Tracking Difference
1996	18.52%	18.23%	0.29%
1997	26.61	26.30	0.31
1998	7.55	7.16	0.39
1999	32.86	32.68	0.18
2000	-9.12	-9.58	0.46
2001	-6.65	-7.29	0.64
2002	-18.26	-17.80	-0.46
2003	43.36	43.84	-0.48
2004	18.24	17.94	0.30
2005	10.53	10.03	0.50
2006	15.31	15.28	0.03
2007	5.41	5.39	0.02
2008	-38.40	-39.03	0.63
2009	35.02	37.43	-2.41
2010	29.01	28.62	0.39
2011	-3.41	-3.76	0.35
1 Yr[2]	0.95	0.47	0.48
3 Yrs Annualized	15.86	15.55	0.31
5 Yrs Annualized	2.54	2.48	0.06
10 Yrs Annualized	9.74	9.71	0.03
2012			
Jan	7.58%	7.56%	0.02%
Feb	3.99	4.02	-0.03
Mar	2.29	2.29	0.00
1st Qtr.	**14.43%**	**14.44%**	**-0.01%**
Apr	-0.72%	-0.73%	0.01%
May	-6.92	-6.99	0.07
Jun	3.24	3.16	0.08
2nd Qtr.	**-4.60%**	**-4.76%**	**0.16%**
Jul	-0.63%	-0.69%	0.06%
Aug			
Sep			
3rd Qtr.			
Oct			
Nov			
Dec			
4th Qtr.			
YTD 2012	**8.48%**	**8.25%**	**0.23%**
Cumulative Since Inception[3]	**2297.89%**	**2139.93%**	**157.96%**
Annualized Since Inception	**10.61%**	**10.37%**	**0.24%**
Annualized Risk	**18.32%**	**18.28%**	**0.59%**

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500069

[1] Prior to August 31, 2001, the benchmark return for the Dow Jones U.S. Completion Total Stock Market Index was the Extended Equity Market Index. Between September 30, 2001 and June 30, 2004 the benchmark was the Wilshire 4500.
[2] Performance figures are annualized as of period end.
[3] Fund Inception 01/31/81

Extended Market Fund Characteristics

As of 30 June 2012

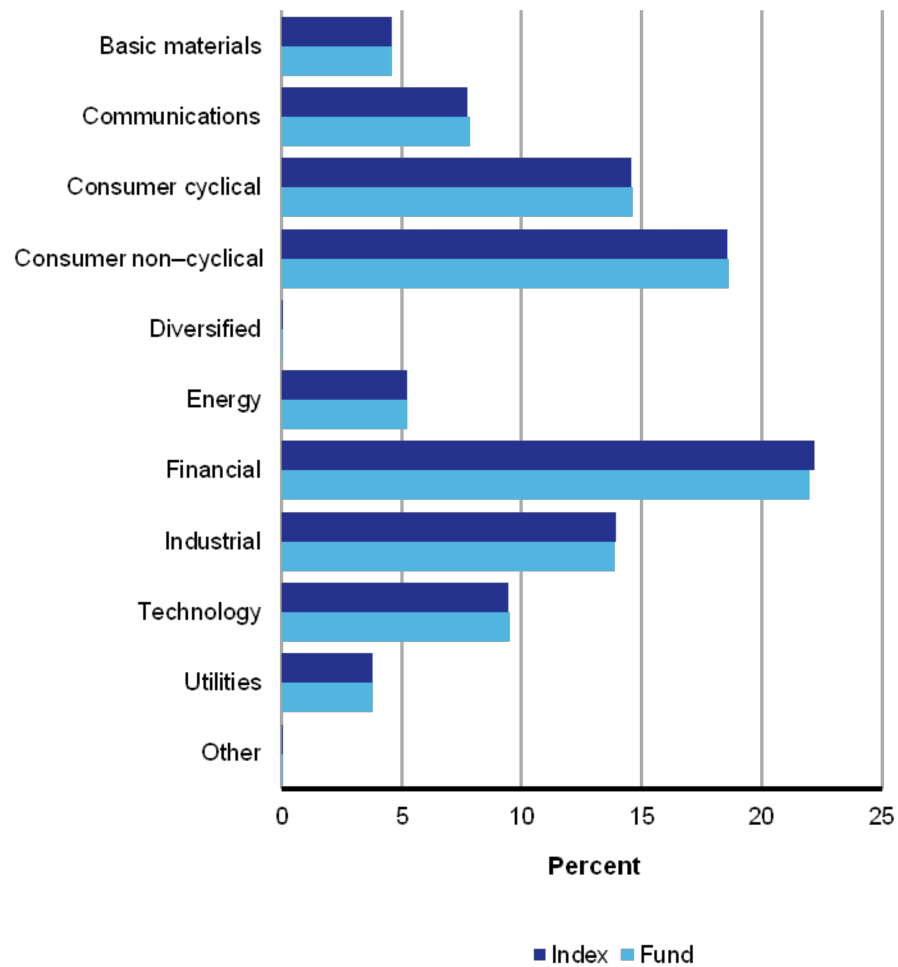
Characteristics

Strategy	Extended Market Index
Beta	1.09
Yield	1.48%
Total fund assets	$35.49B
Number of holdings	2,362

Top 10 holdings

	Fund %	Index %
Las Vegas Sands Corp	0.62	0.62
Annaly Capital Management In	0.59	0.59
Lyondellbasell Indu-cl A	0.49	0.50
Facebook Inc-A	0.47	0.48
Liberty Global Inc-A	0.47	0.47
Vertex Pharmaceuticals Inc	0.43	0.43
General Motors Co	0.41	0.41
Liberty Interactive Corp-A	0.40	0.39
Dollar General Corp	0.40	0.43
Liberty Media Corp - Liber-A	0.36	0.37

Sector diversification



Ext-Mkt-A-Ch

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Source: BlackRock, Bloomberg, Wilshire

Account Review
ACWI ex-US IMI Index Fund

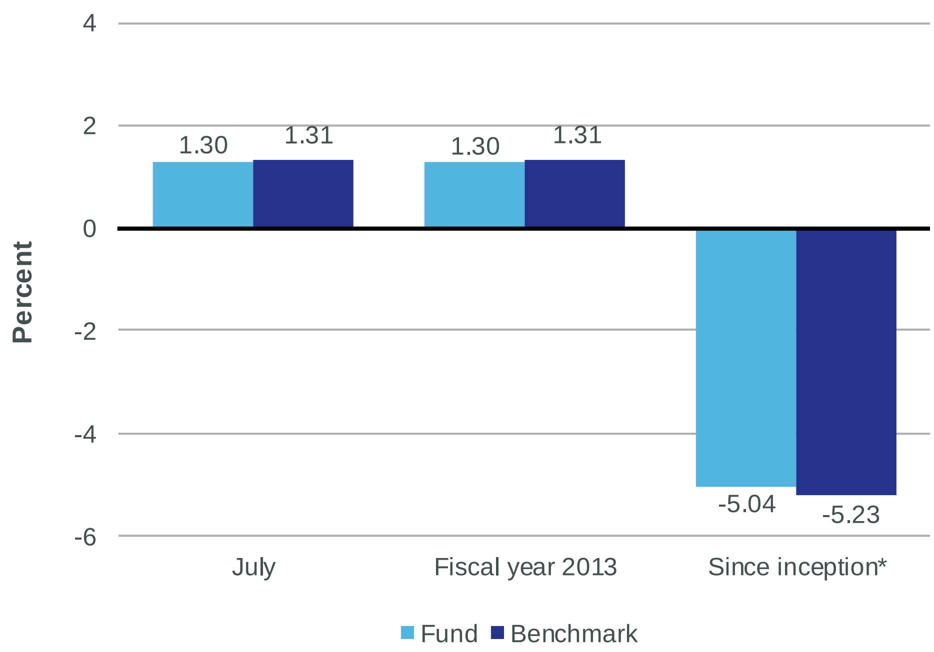
ACWI-120731-sc*

ACWI ex-US IMI Index Fund
Ventura County Employees' Retirement Association

As of 31 July 2012

Account value	**$268,615,130**

Returns since client inception



ACWI-MVP-120731*

* Returns since inception for periods greater than one year are annualized
Client inception 30 May 2008
Fiscal year end June 30

ACWI ex-US IMI Index Fund
Ventura County Employees' Retirement Association

	Fund	MSCI ACWI ex-U.S. IMI U.S.$ Net Dividend	Tracking Difference
2008[1]	**-8.18%**	**-8.26%**	**0.08%**
2009	**-30.35**	**-30.50**	**0.15**
2010	**11.44**	**11.49**	**-0.05**
2011	**30.61**	**30.26**	**0.35**
2012	**-14.53**	**-14.79**	**0.26**
1 Yr[2]	**-12.38**	**-12.63**	**0.25**
3 Yrs Annualized	**4.77**	**4.55**	**0.22**
Fiscal Year 2013			
Jul	1.30%	1.31%	-0.01%
Aug			
Sep			
1st Qtr.			
Oct			
Nov			
Dec			
2nd Qtr.			
Jan			
Feb			
Mar			
3rd Qtr.			
Apr			
May			
Jun			
4th Qtr.			
Fiscal YTD	**1.30%**	**1.31%**	**-0.01%**
Cumulative Since Inception	**-19.40%**	**-20.06%**	**0.66%**
Annualized Since Inception	**-5.04%**	**-5.23%**	**0.19%**
Annualized Risk	**25.65%**	**25.73%**	**0.23%**

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[1] Account Inception 05/30/08
[2] Performance figures are annualized as of fiscal year-end.

646297-632426

ACWI ex-US IMI Index Fund

	Fund	MSCI ACWI ex-U.S. IMI U.S.$ Net Dividend	Tracking Difference
2008[1]	**-37.07%**	**-37.48%**	**0.41%**
2009	**43.27**	**43.60**	**-0.33**
2010	**12.90**	**12.73**	**0.17**
2011	**-14.05**	**-14.31**	**0.26**
1 Yr[2]	**-12.38**	**-12.63**	**0.25**
3 Yrs Annualized	**4.77**	**4.55**	**0.22**
2012			
Jan	7.04%	7.03%	0.01%
Feb	5.72	5.71	0.01
Mar	-1.32	-1.36	0.04
1st Qtr.	**11.66%**	**11.60%**	**0.06%**
Apr	-1.41%	-1.49%	0.08%
May	-11.26	-11.33	0.07
Jun	5.61	5.59	0.02
2nd Qtr.	**-7.60%**	**-7.77%**	**0.17%**
Jul	1.30%	1.31%	-0.01%
Aug			
Sep			
3rd Qtr.			
Oct			
Nov			
Dec			
4th Qtr.			
YTD 2012	**4.52%**	**4.28%**	**0.24%**
Cumulative Since Inception	**-8.55%**	**-9.56%**	**1.01%**
Annualized Since Inception	**-2.03%**	**-2.28%**	**0.25%**
Annualized Risk	**25.46%**	**25.52%**	**0.24%**

General Notes:
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[1] Fund Inception 03/20/08
[2] Performance figures are annualized as of period end.

646297

BlackRock MSCI ACWI ex-US IMI Index℠ Fund A Characteristics

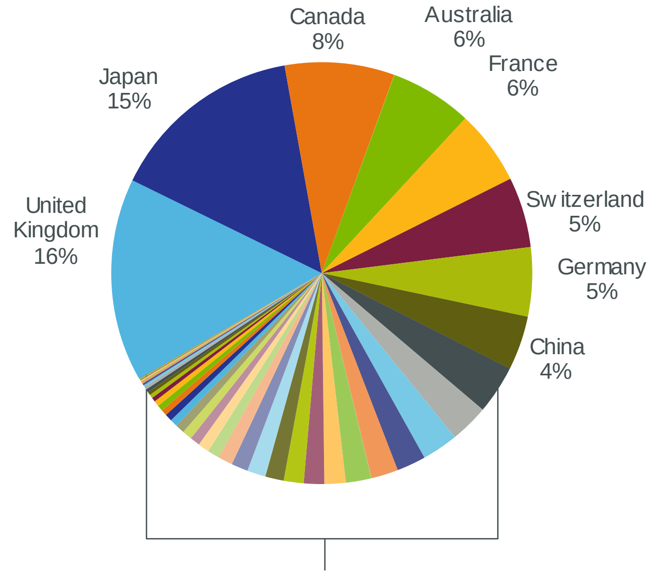
As of 31 July 2012

Characteristics	
Strategy	MSCI ACWI ex-US IMI℠
Total fund value	$5.39B
Number of issues in fund	6,247
Predicted tracking error	0.20-0.50%

Top 10 holdings

	Country	Weight (%)
Nestle S.A.	Switzerland	1.24
HSBC Holdings PLC	United Kingdom	0.92
Vodafone Group PLC	United Kingdom	0.87
Novartis AG	Switzerland	0.82
Samsung Electronics Co. Ltd.	Korea	0.79
BP PLC	United Kingdom	0.78
Royal Dutch Shell PLC (CL A)	United Kingdom	0.77
Roche Holding AG	Switzerland	0.76
GlaxoSmithKline PLC	United Kingdom	0.71
BHP Billiton Ltd.	Australia	0.67

Country allocation



Korea	3.65%	Belgium	0.77%	Portugal	0.13%
Brazil	2.93%	Norway	0.74%	Greece	0.09%
Taiwan	2.87%	Indonesia	0.72%	Egypt	0.09%
Sweden	2.12%	Thailand	0.56%	Czech Republic	0.07%
Hong Kong	2.03%	Finland	0.56%	Hungary	0.06%
South Africa	1.93%	Chile	0.46%	Morocco	0.02%
Spain	1.75%	Israel	0.44%		
Netherlands	1.59%	Turkey	0.42%		
India	1.57%	Poland	0.34%		
Italy	1.50%	Colombia	0.28%		
Singapore	1.34%	Ireland	0.26%		
Russia	1.24%	Philippines	0.25%		
Mexico	1.12%	Austria	0.22%		
Malaysia	0.90%	Peru	0.16%		
Denmark	0.83%	New Zealand	0.14%		

ACWI-ex-US-IMI-A-Ch

Portions of the above characteristics are based on benchmark data as the portfolio fully replicates benchmark and is for analytical purposes only. Index data may differ to those published by the Index due to calculation methods. Breakdowns may not sum to total due to rounding, exclusion of cash, STIF, and statistically immaterial factors
Index data only. Data not representative of the fund
Sources: BlackRock, FactSet, MSCI

Account Review
Fixed Income

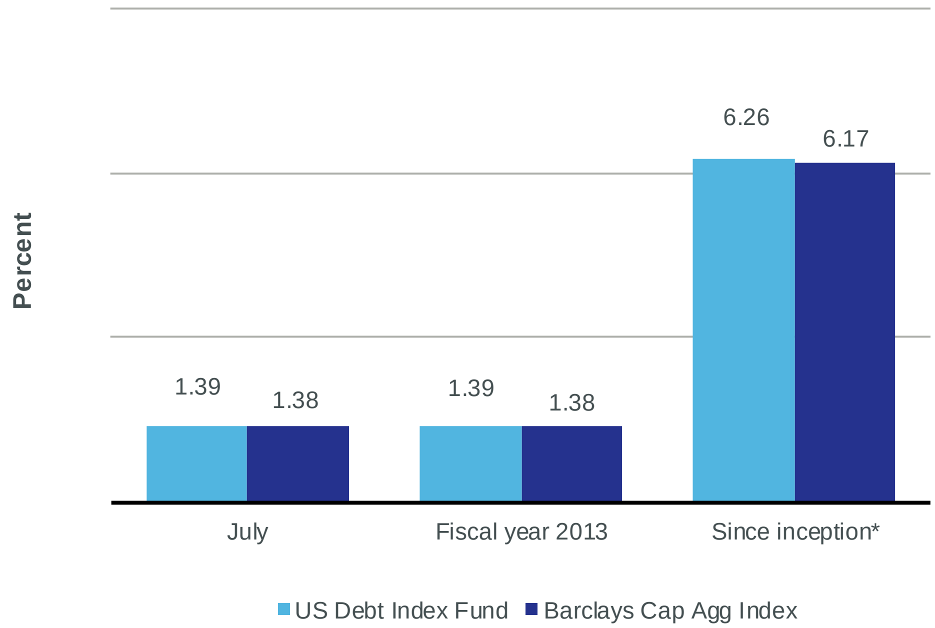
FI-120731-sc*

US Debt Index Fund
Ventura County Employees' Retirement Association

As of 31 July 2012

Account value	**$133,024,161**

Returns since client inception



FI-MVP-120731*

* Returns since inception for periods greater than one year are annualized
Client inception 31 December 1995
Fiscal year end June 30

	Fund	Barclays U.S. Aggregate Bond Index[2]	Tracking Difference
1996[1]	-1.11%	-1.21%	0.10%
1997	8.14	8.15	-0.01
1998	10.61	10.54	0.07
1999	3.17	3.15	0.02
2000	4.64	4.57	0.07
2001	11.38	11.23	0.15
2002	8.87	8.63	0.24
2003	10.47	10.40	0.07
2004	0.33	0.32	0.01
2005	6.85	6.80	0.05
2006	-0.76	-0.81	0.05
2007	6.21	6.12	0.09
2008	7.32	7.12	0.20
2009	6.15	6.05	0.10
2010	9.61	9.50	0.11
2011	4.03	3.90	0.13
2012	7.56	7.47	0.09
1 Yr[3]	7.35	7.25	0.10
3 Yrs Annualized	6.97	6.85	0.12
5 Yrs Annualized	7.03	6.91	0.12
7 Yrs Annualized	6.03	5.92	0.11
10 Yrs Annualized	5.74	5.65	0.09
Fiscal Year 2013			
Jul	1.39%	1.38%	0.01%
Aug			
Sep			
1st Qtr.			
Oct			
Nov			
Dec			
2nd Qtr.			
Jan			
Feb			
Mar			
3rd Qtr.			
Apr			
May			
Jun			
4th Qtr.			
Fiscal YTD	1.39%	1.38%	0.01%
Cumulative Since Inception	173.80%	169.85%	3.95%
Annualized Since Inception	6.26%	6.17%	0.09%
Annualized Risk	3.57%	3.57%	0.08%

[1] Account Inception 12/31/95

[2] 5/31/96 performance difference due to pricing changes in the Barclays Mortgage Index.

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[3] Performance figures are annualized as of fiscal year-end.

506864-537745

US Debt Index Fund

	Fund	Barclays U.S. Aggregate Bond Index[2]	Tracking Difference
1986[1]	5.69%	5.87%	-0.18%
1987	2.52	2.60	-0.08
1988	7.93	7.98	-0.05
1989	14.45	14.44	0.01
1990	8.89	8.96	-0.07
1991	16.03	16.00	0.03
1992	7.37	7.40	-0.03
1993	9.74	9.75	-0.01
1994	-2.94	-2.92	-0.02
1995	18.49	18.47	0.02
1996	3.73	3.63	0.10
1997	9.69	9.65	0.04
1998	8.78	8.69	0.09
1999	-0.83	-0.82	-0.01
2000	11.73	11.63	0.10
2001	8.64	8.44	0.20
2002	10.34	10.26	0.08
2003	4.22	4.10	0.12
2004	4.37	4.34	0.03
2005	2.47	2.43	0.04
2006	4.42	4.33	0.09
2007	7.07	6.97	0.10
2008	5.41	5.24	0.17
2009	6.01	5.93	0.08
2010	6.73	6.54	0.19
2011	7.89	7.84	0.05
1 Yr[3]	7.35	7.25	0.10
3 Yrs Annualized	6.97	6.85	0.12
5 Yrs Annualized	7.03	6.91	0.12
7 Yrs Annualized	6.03	5.92	0.11
10 Yrs Annualized	5.74	5.65	0.09
2012			
Jan	0.89%	0.88%	0.01%
Feb	0.06	-0.02	0.08
Mar	-0.61	-0.55	-0.06
1st Qtr.	**0.33%**	**0.30%**	**0.03%**
Apr	1.12%	1.11%	0.01%
May	0.91	0.90	0.01
Jun	0.05	0.04	0.01
2nd Qtr.	**2.10%**	**2.06%**	**0.04%**
Jul	1.39%	1.38%	0.01%
Aug			
Sep			
3rd Qtr.			
Oct			
Nov			
Dec			
4th Qtr.			
YTD 2012	**3.86%**	**3.78%**	**0.08%**
Cumulative Since Inception	**527.39%**	**520.76%**	**6.63%**
Annualized Since Inception	**7.29%**	**7.25%**	**0.04%**
Annualized Risk	**3.96%**	**3.96%**	**0.09%**

General Notes:

[1] Fund Inception 06/30/86

[2] 5/31/96 performance difference due to pricing changes in the Barclays Mortgage Index.

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[3] Performance figures are annualized as of period end.

506864

Portfolio profile

US Debt Index Fund

	US Debt Index Fund	Barclays Aggregate Bond Index
Market value ($B)	6.19	16,760.30
# Issues	6,122	7,922
Characteristics		
Coupon (%)	3.86	3.78
Nominal yield (%)	1.33	1.33
Current yield (%)	3.49	3.40
Yield to maturity (YTM) (%)	1.34	1.34
Weighted avg life (yrs)	6.30	6.32
Effective duration (yrs)	4.33	4.33
Spread duration	3.04	3.07
Option adjusted spread (bps)	55	55
Convexity	0.24	0.23
Moody rating	Aa1	Aa1
S&P rating	AA	AA
Quality breakdown (mkt val %)		
AAA or above	75.31	75.32
AA	3.26	3.17
A	11.39	11.42
BBB	10.05	10.07
NR	0.00	0.01

	US Debt Index Fund	Barclays Aggregate Bond Index
Sector breakdown (mkt val %)		
Treasury	36.57	36.08
Agencies	4.26	5.19
Financials	6.67	6.69
Industrials	11.79	11.75
Utilities	2.30	2.34
Non-US credit	4.47	4.46
Taxable munis	0.96	1.01
ABS	0.27	0.28
Mortgages	29.31	29.40
Hybrid ARM	0.93	0.93
CMBS	1.87	1.87
Cash	0.59	0.00
Weighted avg life breakdown (mkt val %)		
0-1	2.82	0.74
1-2	9.63	11.69
2-3	38.66	37.41
3-5	16.59	18.12
5-7	10.63	9.42
7-10	8.69	9.56
10-20	3.27	3.44
20-30	9.38	9.29
30+	0.31	0.33

US-Debt-Idx-A-Pro

Data is for analytical purposes only. Index data points may differ to those published by the Index due to calculation methods
Breakdowns may not sum to total due to rounding, exclusion of cash, STIF, and statistically immaterial factors
Source: BlackRock

Market Reviews

MR-120731-sc*

BLACKROCK®

Commentary
June 2012

Global Equity

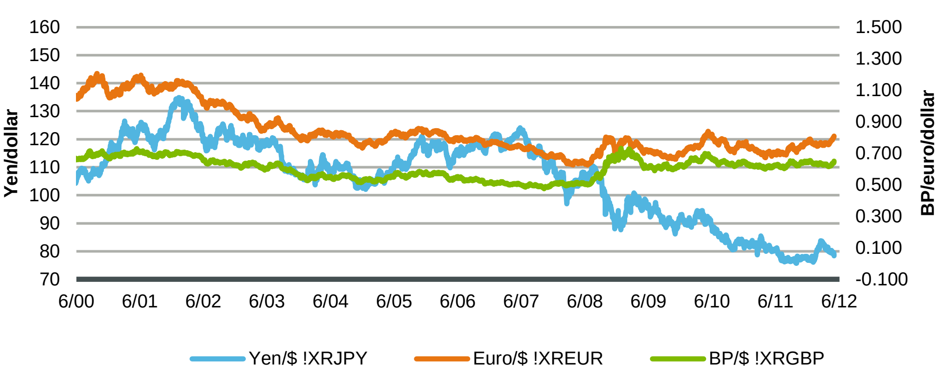
Market Overview and Outlook

As policymakers took steps last month to avert a worsening eurozone crisis and to revive slowing economies, global equity markets finished June up 4.9%, credit spreads tightened and the 10-year Treasury rate rose slightly to 1.64%.

However, with global economic data continuing to soften, the US economy slowing for a third summer in a row and Europe still teetering on the brink of an abyss, investor optimism was short lived despite additional steps by policy makers in early July. Global equity markets fell 0.8% in July through July 9, with many investors continuing to question whether a global double-dip recession is on the horizon.

- In our opinion, the most likely outcome for the global economy for the remainder of the year continues to be slow, but positive, growth. While Europe is struggling, it's stumbling toward a solution. Meanwhile, while growth appears to be slowing in the United States, we still believe the country will avoid a recession in 2012.
- That said, if US policy makers don't avert the United States' pending fiscal drag, recession fears will become justified. And while we've seen some tentative signs of progress in Europe lately, policy makers there still need to address their region's structural issues, meaning a worsening eurozone crisis still could pose a threat to the global recovery.
- In light of uncertainty surrounding the United States' fiscal policy and Europe, we expected current heightened market volatility to continue for the remainder of the year. While we expect that stocks can move higher in 2012 and we continue to hold an overweight long-term view of global equities, especially relative to bonds, the road ahead for equities is likely to be rocky.
- As such, we continue to favor investments that could offer some downside protection while still potentially producing a reasonable yield and allowing for participation in market gains. We like high-quality, international dividend-paying stocks; defensive sectors such as global telecommunications; global mega capitalization (mega cap) stocks; and US and international minimum volatility funds. We also prefer to get equity exposure through select developed and emerging markets that have robust growth prospects and fewer debt and banking sector problems.

Performance of US dollar



As of 30 June 2012; Sources: MSCI, Factset

Returns by region (returns net dividends, US$)

	June %	YTD %
MSCI AC World Index℠	4.94	5.65
MSCI AC World ex USA Index℠	5.90	2.77
MSCI EAFE Index®	7.01	2.96
MSCI Europe ex-UK Index℠	8.41	1.87
MSCI United Kingdom Index℠	7.10	3.35
MSCI Japan Index℠	5.14	3.14
MSCI Pacific Free ex-JP Index℠	6.25	5.82
MSCI Canada Index℠	2.85	-1.87
MSCI USA Index℠	3.90	9.07
MSCI Emerging Markets (EM) Index℠	3.86	3.93
MSCI EM Asia Index℠	2.53	4.97
MSCI EM Latin America Index℠	3.88	-0.48
MSCI EM EMEA Index℠	8.49	6.19

As of 30 June 2012; Sources: MSCI, Factset

Returns by sector* (returns net dividends, US$)

	June %	YTD %
Energy	5.69	-4.30
Materials	4.10	-1.64
Industrials	3.86	4.62
Consumer discretionary	2.58	10.59
Consumer staples	4.55	7.16
Health care	6.25	8.79
Financials	7.70	9.56
Information technology	2.98	10.31
Telecomm.	8.02	5.20
Utilities	6.15	1.93

* MSCI World
As of 30 June 2012; Sources: MSCI, Factset

Developed Markets Country Highlights

Large Markets

	June Return (%)	YTD Return (%)
MSCI USA Index℠	3.90	9.07
MSCI United Kingdom Index℠	7.10	3.35
MSCI Japan Index℠	5.14	3.14
MSCI France Index℠	9.10	2.10
MSCI Germany Index℠	4.80	5.89
MSCI Switzerland Index℠	6.31	3.36

As of 30 June 2012; Source: MSCI, BlackRock

In the developed world, we still expect certain smaller developed countries—Canada, Australia, Singapore, Switzerland and Hong Kong (the CASSH countries)—to outperform other developed markets over the long term given their generally lower debt levels and more robust growth prospects. In the near term, among developed markets, we especially like Hong Kong and Singapore and certain countries in northern Europe.

- There have been some tentative signs of progress in Europe lately. The results of the second Greek election mitigated the risk of a near-term Greek default or exit. Then, at a late June European summit, policy makers provided more clarity on how Spanish banks will be recapitalized, mitigating the risk of a full-blown Spanish banking crisis. However, despite the progress, Europe is still not out of the woods. After the summit, several structural issues remain unresolved including who will serve as the single regulator of the European banking system, how European sovereign debt will be pooled, whether there will be a European wide deposit insurance scheme and how Europe will be lifted out a recession. That said, we continue to believe a worsening eurozone crisis can be avoided if European politicians aggressively address their region's problems. Still, as there's little likelihood of an imminent complete solution, the region is likely to remain a chronic source of stress for the global economy. However, European equities have been hit hard by the eurozone crisis and could experience a sharp rally if sentiment shifts.
- Despite a string of weak payroll reports, we believe that the United States will not see a recession in 2012 and instead will remain stuck in a slow growth mode of around 2% for the foreseeable future. Still, US politicians have yet to address the pending tax hikes and spending cuts scheduled to take effect in January 2013 that could pose a headwind to the US market later this year, significantly lower US growth in 2013 and push the US economy back into a recession. That said, the most likely outcome is a last minute compromise to avert most or all of the tax hikes, assuming we don't see a bitter and divisive election in November that would make it more difficult to avoid the pending fiscal drag.
- UK valuations appear a bit rich for an environment characterized by disappointing growth and persistent inflation, and the impact of the central bank's aggressive quantitative easing program still remains to be seen.
- While Japanese equities still appear cheap, corporate profitability in the country is very low in an international context and has been on a downward trend since early 2011. In addition, Japan's relatively robust growth has been supported by the government's reconstruction spending and will need a pickup in exports to continue, and the country faces important long-term structural issues including high debt levels and deteriorating demographics.

Emerging Markets Country Highlights

Large Markets

	June Return (%)	YTD Return (%)
MSCI China Index℠	2.06	3.90
MSCI Korea Index℠	2.93	5.26
MSCI Brazil Index℠	1.13	-7.69
MSCI Taiwan Index℠	-0.53	3.64
MSCI Russia Index℠	9.18	1.46

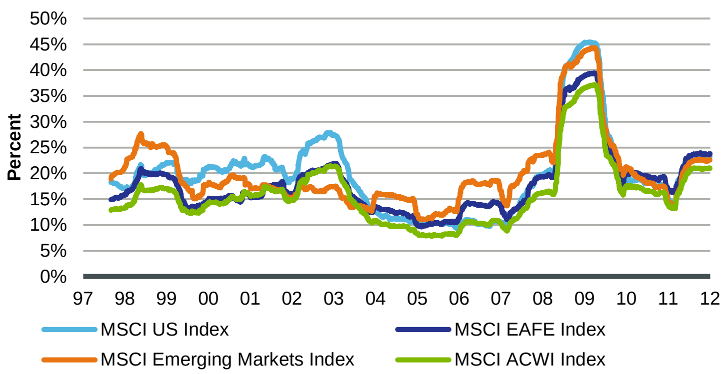
As of 30 June 2012; Source: MSCI, BlackRock

Emerging markets are generally experiencing a longer-term trend toward less volatility and offer stronger growth prospects than many developed markets. In addition, falling inflation in most emerging market countries has yet to translate into multiple expansions, and valuations remain compelling.

- Within Latin America, Mexico's market valuations still look comparatively rich. The outcome of the recent presidential election was expected and isn't likely to change economic policies going forward. At the same time, we continue to like Brazil, where we think slowing growth has already been priced in and valuations remain compelling.
- We like emerging Asian countries thanks to their robust growth prospects and relatively attractive valuations.
- While data about the Chinese economy has been mixed, more forward-looking economic indicators still suggest that China can engineer a soft landing. In our view, China has both the motivation and ability to maintain growth at a respectable rate as the country readies itself for a leadership transition later this year, as illustrated in recent rate cuts. As such, we expect that China's growth to settle at around 8%, in which case China's stock market looks cheap.

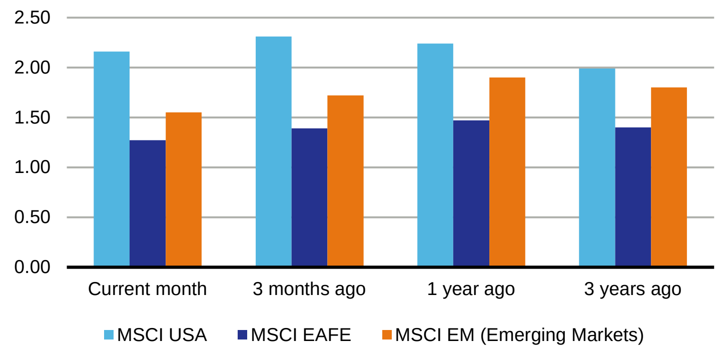
Valuations and Market Returns

Volatility



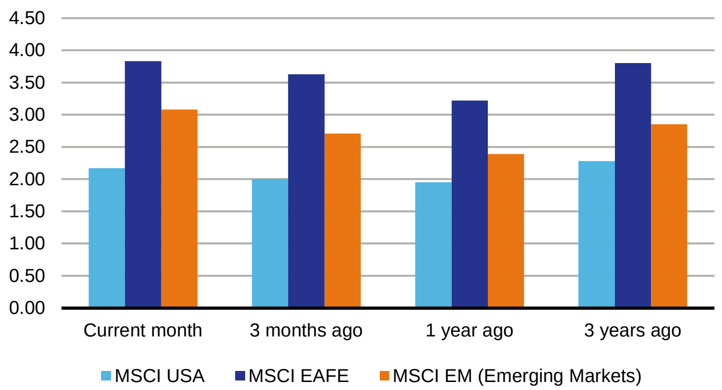
Annualized rolling 12-month daily returns
As of 30 June 2012; Sources: MSCI, Factset

Price/book



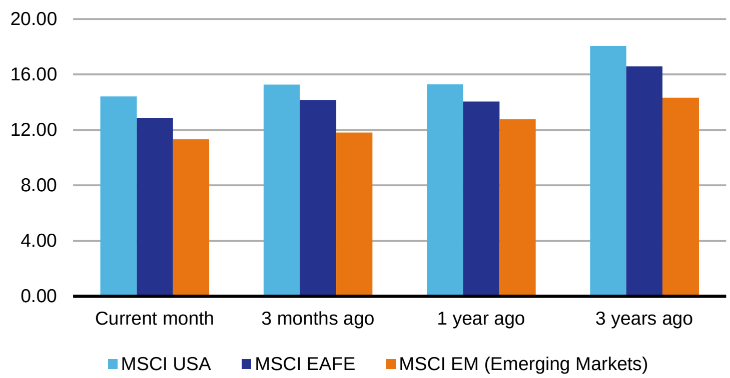
As of 30 June 2012; Sources: MSCI, Factset

Yield



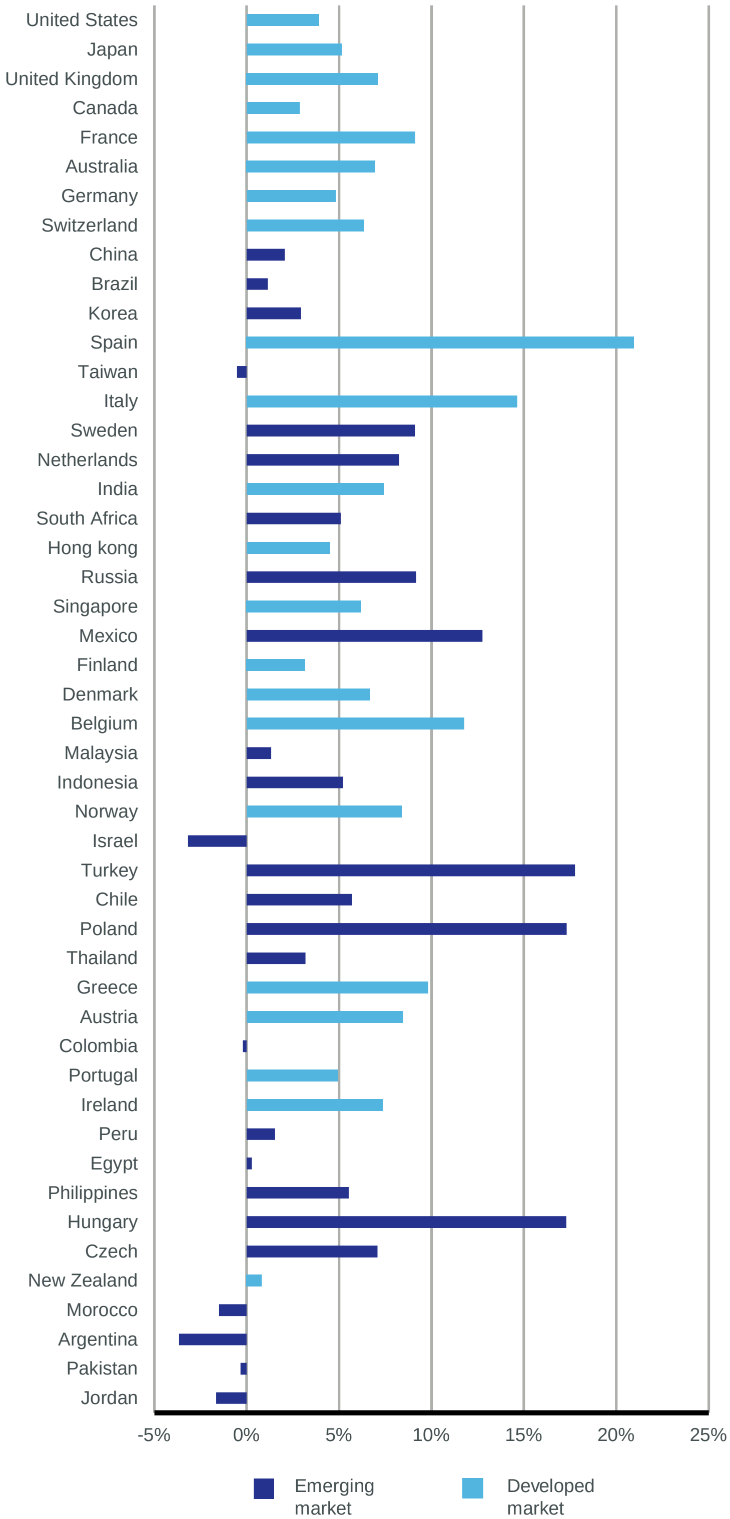
As of 30 June 2012; Sources: MSCI, Factset

Price/earning



As of 30 June 2012; Sources: MSCI, Factset

MSCI Country Indices returns (sorted by size, top to bottom)



As of 30 June 2012; Sources: MSCI, Factset

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The MSCI ACWI (All Country World Index) Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets. As of April 2005 the MSCI ACWI consisted of the following 49 developed and emerging market country indices: Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Jordan, Korea, Malaysia, Mexico, Morocco, Netherlands, New Zealand, Norway, Pakistan, Peru, Philippines, Poland, Portugal, Russia, Singapore Free, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, the United Kingdom, the United States and Venezuela.

The MSCI ACWI ex US (All Country World Index) Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets, excluding the USA. As of April 2005 the MSCI ACWI ex USA consisted of the following 48 developed and emerging market country indices: Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Jordan, Korea, Malaysia, Mexico, Morocco, Netherlands, New Zealand, Norway, Pakistan, Peru, Philippines, Poland, Portugal, Russia, Singapore Free, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, the United Kingdom and Venezuela.

The MSCI EAFE® Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the USA & Canada. As of December 2003 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

The MSCI Europe ex UK Index℠ is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe, excluding the United Kingdom. As of December 2003, the MSCI Europe ex UK Index consisted of the following 15 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden and Switzerland.

The MSCI Germany Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in Germany.

The MSCI Israel Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in Israel.

The MSCI Korea Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in Korea.

The MSCI Portugal Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in Portugal.

The MSCI Columbia Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in Columbia.

The MSCI Switzerland Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in Switzerland.

The MSCI France Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in France.

The MSCI UK Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in the United Kingdom.

The MSCI Japan Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in Japan.

The MSCI Pacific Free ex Japan Index℠ is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in the Pacific region, excluding Japan. As of December 2003, the MSCI Pacific Index consisted of the following 4 Developed Market countries: Australia, Hong Kong, New Zealand, and Singapore.

The MSCI Canada Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in Canada.

The MSCI USA Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in the USA.

The MSCI South Africa Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in South Africa.

The MSCI Taiwan Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in Taiwan.

The MSCI China Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in China.

The MSCI Emerging Markets Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of December 2003 the MSCI Emerging Markets Index consisted of the following 26 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela.

MSCI EM (Emerging Markets) Asia Index℠ is a free float-adjusted market capitalization index that is designed to measure emerging market equity performance in Asia. As of December 2003 the MSCI EM Asia Index consisted of the following 9 emerging market country indices: China, India, Indonesia, Korea, Malaysia, Pakistan, Philippines, Taiwan and Thailand.

The MSCI EM (Emerging Markets) Latin America Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in Latin America. As of December 2003 the MSCI EM Latin America Index consisted of the following 7 emerging market country indices: Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela.

The MSCI EM (Emerging Markets) Europe, Middle East and Africa Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in the emerging market countries of Europe, the Middle East & Africa. As of December 2003, the MSCI EM EMEA Index consisted of the following 10 emerging market country indices: Czech Republic, Hungary, Poland, Russia, Turkey, Israel, Jordan, Egypt, Morocco and South Africa.

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BLACKROCK®

Market Commentary

July 2012

US Fixed Income Market Review

Market Review

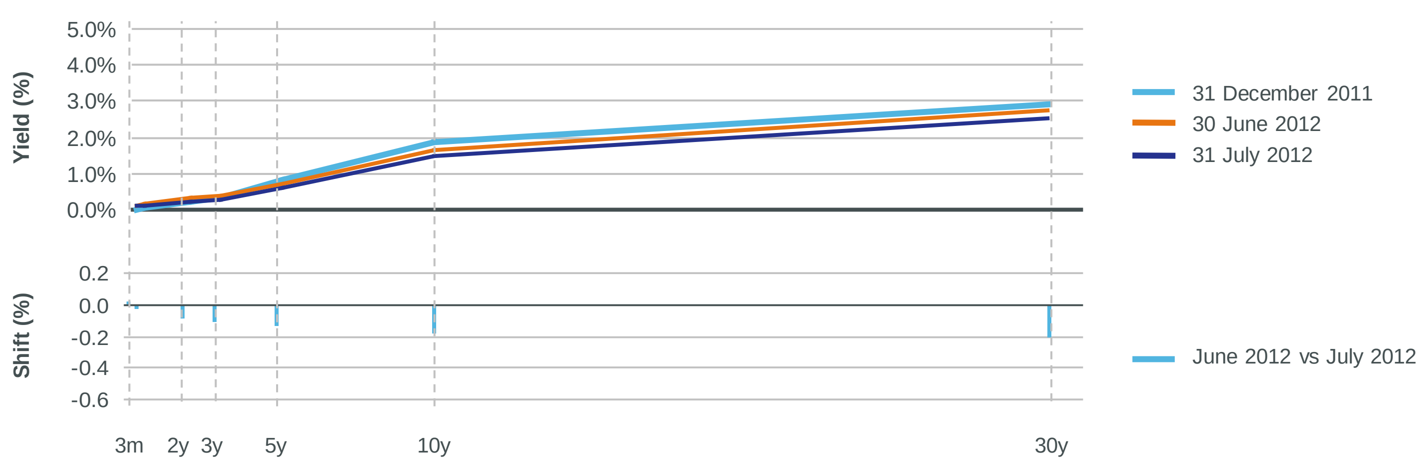
All eyes continued to be on Europe this month as announcements from European leaders continued to have strong influence on the market. It was announced at the EU summit that the ESM could directly lend to banks once a supervisor is in place. A pan-European bank supervisory mechanism involving the ECB was also proposed and is slated to be in place by the end of the year, as well as a €120bn growth pact. The market was encouraged by these measures, causing peripheral yields to rally, especially in the front-end of the curve. At its July meeting, the ECB cut the refinancing rate by 25 bps to 0.75% as expected, but surprised the market by cutting the deposit rate to 0%. The cut in the ECB deposit facility has driven the short-end of European curves significantly lower, leading investors to shift exposures from German and Dutch bonds, which have descended into negative territory on the front-end, to those of Belgium, France, and Austria. Risk sentiment became even more positive later in the month when members of the ECB, including President Draghi, made strong commitments to "do whatever it takes" to preserve the Euro. This spurred a sell-off in Treasuries and a further rally of peripheral yields as investors anticipated greater ECB intervention to reduce the risk premia.

In the U.S., while Consumer Confidence reported above expectations in July, other data points continued to soften. Consumer Confidence came in at 65.9, versus consensus estimates of 61.5. June was revised up from 62.0 to 62.7. Expectations led the gains up 5.7 points, and the Present Situation fell slightly. ISM Manufacturing opened the month on a disappointing note as it indicated a contraction in June at 49.7 compared to estimates of 52. This is the first time since July 2009 that ISM has reported below 50 with several major categories also in contraction territory. Payrolls remained weak in June, coming in at 80,000 compared to estimates calling for a 100,000 print. This is the third straight month the number headlined less than 100,000 after a strong start to the year that saw an average print of 225,000 through March. The unemployment rate was unchanged at 8.2%. June Retail Sales disappointed as well, surprising to the downside at -0.5% compared to consensus estimates calling for an increase of 0.2%.

The July Federal Open Markets Committee meeting came at an interesting time for the Fed. The June meeting saw the Fed announce the extension of Operation Twist through the end of 2012. By the July meeting, however, market participants were hoping for further Fed accommodation. While balance sheet expansion was not the base case, many investors believed Chairman Bernanke would extend the guidance of a near-zero fed funds rate from 2014 through the end of 2015. Instead, the meeting passed with no major policy announcements from the Chairman. Though the Fed did not initiate new policy, the statement released showed a Fed fully aware of the degrading economy. Bernanke explained, "Information received since the Federal Open Market Committee met in June suggests that economic activity decelerated somewhat over the first half of this year. Growth in employment has been slow in recent months, and the unemployment rate remains elevated." Additionally, the Fed retained its dovish stance and reiterated its commitment to "closely monitor incoming information on economic and financial developments and will provide additional accommodation as needed to promote a stronger economic recovery…" This closing statement provided the market comfort that the extension of Operation Twist does not necessarily mark an end to Fed policy in 2012. With the Fed not acting in July, continued disappointing economic data and market volatility will keep investors hopeful for further easing.

Equities were down modestly through most of July, but a late surge on the back of Draghi's comments sparked a strong market rally over the last couple days of the month and drove sentiment high heading into the August 2nd ECB meeting. The S&P 500 was up 1.39% and the NASDAQ increased 0.20% in July. The Barclays US Credit Index posted a total return of 2.71% for the month and outperformed similarly-dated US Treasuries by 1.48%. The Barclays US High Yield Index returned 1.90% and experienced excess returns of 1.25% versus US Treasuries.

Yield curve shifts



Source: Bloomberg, as of 31 July 2012

Treasuries & Agencies

July began with a very poor ISM Manufacturing report that came in well below expectations and the all-important 50 mark (49.7 vs 52.0 survey and 53.5 prior). 10-year Treasury yields fell 7 bps following the print and spent the rest of the month grinding lower to reach an all-time low of 1.38% on July 24th after beginning the month at 1.65%. The Treasury market came under severe pressure toward the end of the month following ECB President Draghi's speech saying he would do "whatever it takes" to defend the Euro – yields rose from 1.39% to a high of 1.59% between July 26th and 27th. However, there continues to be buyers on dips and that, coupled with month-end buying and fund rebalancing, helped retrace over half the sell-off and the 10-year note settled at 1.47% to end the month.

Agency Mortgage-backed Securities (MBS)

Agency mortgages had another strong month of performance in July, with the Barclays Mortgage Index besting similarly-dated Treasuries by 28 bps. The continued deterioration of US economic data in July increased market expectations of Fed intervention, specifically in the form of MBS asset purchases. Given the backdrop of heightened QE expectations, investors moved quickly to deploy capital into the sector, with particularly strong demand coming from overseas investors in low coupon GNMA MBS and REITs looking to invest a recent surge in newly raised equity capital. In particular, REIT demand coupled with low rates and higher refinancing activity caused a large rise in the prices of call- protected specified pool categories during the month. In addition to supportive technicals, lower implied and realized interest rate volatility as well as compressing swap spreads provided MBS with a further boost.

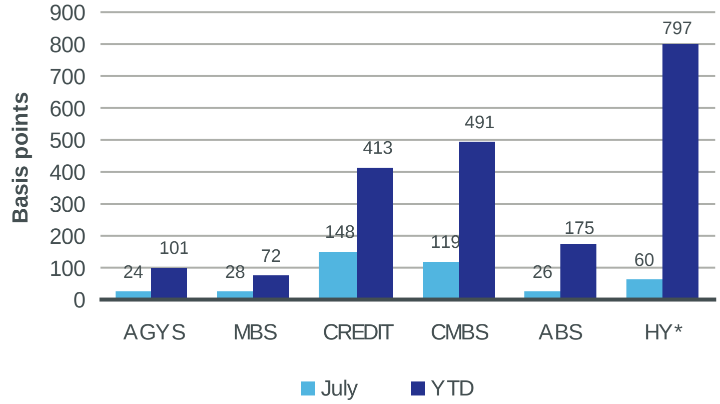
Non-Agency RMBS

Non-Agency RMBS accelerated their strong rally in July. We witnessed an across-the-board rally with higher beta/distressed sectors outperforming. In particular, bonds backed by Countrywide loans added 3-5pts on the month as the full $8.5bn settlement amount with private investors has begun to be priced into the securities after one of the main opponents to the settlement dropped their objection. The sector continues to enjoy strong demand from money managers and insurance companies.

Commercial Mortgage-backed Securities (CMBS)

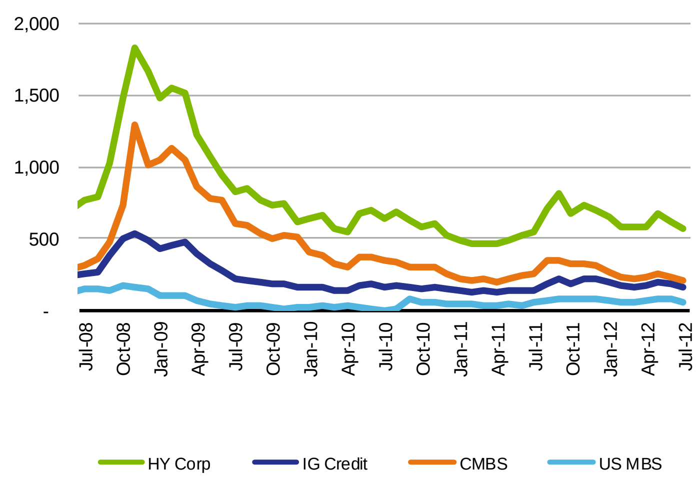
CMBS continued its march tighter during the month of July. Excess returns over duration-adjusted Treasuries were 119 bps for the month, bringing year-to-date excess returns to 484 bps. The continued tightening was driven by demand for yield product from banks, insurance companies and money managers, as well as a lack of major dispositions or portfolio unwinds, keeping large supply fairly muted. Markets are still concerned with broader global macro risks, but strong technicals have caused volatility to be substantially lower in CMBS, as evidenced by resiliency during periods of minor corrections in the equity market.

Yield curve shifts



*Barclays High Yield 2% Issuer Capped Index
Source: Barclays, as of 31 July 2012

OAS in basis points



Source: Barclays, as of 31 July 2012

Asset-backed Securities (ABS)

The ABS sector continued its year-long positive trend, posting excess returns of 26 bps in July. Credit card ABS was in-line with the sector, logging excess returns of 25 bps, while Auto ABS posted 28 bps of excess returns, proving the biggest outperformance. July total return for the sector was 0.76%. Subprime and prime auto seniors tightened 5-10 bps on the heels of both new issue strength, (Hyundai and World Omni), as well as a frothy secondary bid for short, senior spread product.

Investment Grade Credit

In July, the Barclays US Credit Index saw total returns of 2.71% on the back of strong technicals. With the macro backdrop still uncertain, the strong bid for investment grade paper demonstrates the need for yield in the market place. With the secondary market increasingly less liquid, investors raced to the primary market to source bonds. Strong demand remains for front-end bonds and long-end high quality non-financial bonds. Front-end bond demand was driven by the ECB's announcement of deposit rate cut from 0.25% to 0.00% and interest rate cut from 1.00% to 0.75%. Due to the limited issuance of long dated paper and strong demand from liability driven investors, high quality paper with more than ten years of duration drastically outperformed.

High Yield

The High Yield Index returned 1.90% in July, bringing year-to-date total returns to 9.31%. Higher beta underperformed higher quality in July. The BB Index gained 2.06%, the B Index returned 1.91%, and the CCC Index returned 1.45%. The best performing sectors this month on a total return basis were Wireless (+3.80%), Electric Utilities (+3.71%), and Home Construction (+3.22%). The worst performing sectors were Gaming (-0.01%), Technology (+0.58%), and Food & Beverage (+0.81%).

Municipals

Tax-exempt performance continues to impress year-to-date, with a total return of 1.59% in July. This was partially driven by tailwinds provided by continued flows and coupons being reinvested to the sector. Flows have been largely directed to longer durations and given the backdrop of rates, longer duration bonds have outperformed shorter ones. The supply side has remained favorable with consecutive months of net-negative supply due to refundings, calls, and redemptions. A major market focus is on the outcome of the elections and how it relates to tax reform as well as municipal bond regulations and oversight.

Global ILB

Global inflation breakevens were basically unchanged in the U.S. and Germany, while UK ten-year breakevens resumed their decline, falling nearly 20 bps during July. The UK inflation market continues to be negatively impacted by the uncertainty surrounding changes to the RPI index, the index UK ILBs are linked to. These changes could possibly lower annualized inflation according to the RPI index by 20 to 80 bps. While US breakevens were little changed on the month, the rally in ten-year real yields was extremely impressive, moving lower by 20 bps to record low real yields of less than -70 bps.

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Ventura County Employees' Retirement Association

31 August 2012

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Executive Summary

Summ-120917-sc*

Executive summary
Ventura County Employees' Retirement Association

As of 31 August 2012

US Equity Market Fund			$1,093,192,521
Performance	**Fund return %**	**Dow Jones US Total Stock Index return %**	**Difference %**
August	2.47	2.47	0.00
Fiscal year 2013	3.54	3.51	0.03
Since client inception (2 June 2008)	3.00	2.92	0.08

Extended Equity Market Fund			$29,685,518
Performance	**Fund return %**	**Dow Jones US Completion Total Stock Market Index %**	**Difference %**
August	3.56	3.45	0.11
Fiscal year 2013	2.91	2.74	0.17
Since client inception (30 September 2002)	10.93	10.88	0.05

ACWI ex-US IMI Index Fund			$274,487,530
Performance	**Fund return %**	**Benchmark return %**	**Difference %**
August	2.19	2.17	0.02
Fiscal year 2013	3.52	3.51	0.01
Since client inception (30 May 2008)	-4.46	-4.65	0.19

US Debt Index Fund			$133,132,964
Performance	**Fund return %**	**Barclays Capital Aggregate Index %**	**Difference %**
August	0.08	0.07	0.01
Fiscal year 2013	1.47	1.45	0.02
Since client inception (31 December 1995)	6.23	6.14	0.09

Summ-120917*

* Returns since inception for periods greater than one year are annualized

Executive summary
Ventura County Employees' Retirement Association (continued)

As of 31 August 2012

ACWI Equity Index Fund			$121,715,834
Performance	**Fund return %**	**Barclays Capital Aggregate Index %**	**Difference %**
August	2.18	2.17	0.01
Fiscal year 2013	3.61	3.57	0.04
Since client inception (27 June 2012)	6.53	6.49	0.04
Total assets			**$1,652,214,367**

Summ-120917*

* Returns since inception for periods greater than one year are annualized

Account Review
US Equity Market Fund

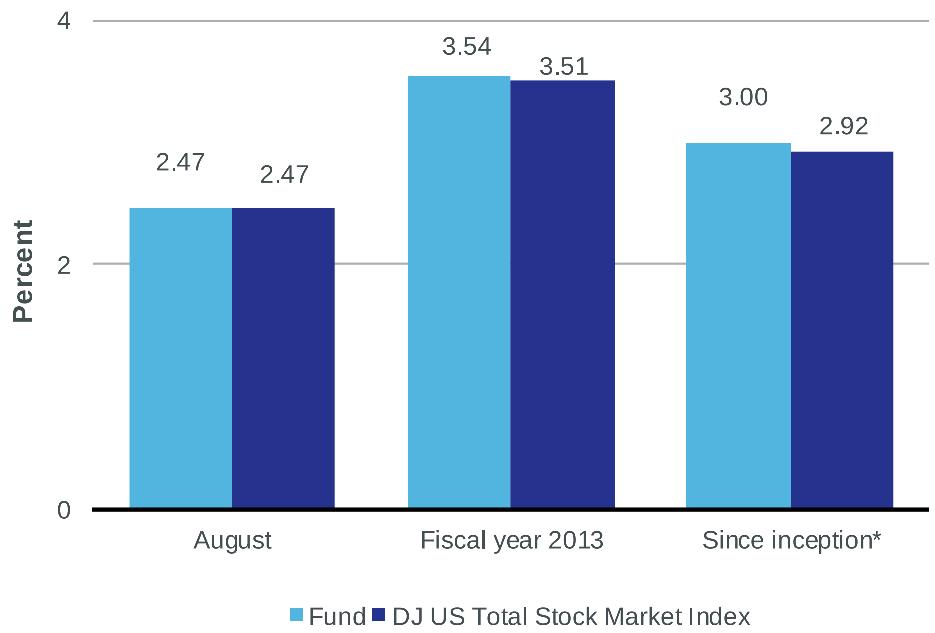
US-EqAR-120917-sc*

US Equity Market Fund
Ventura County Employees' Retirement Association

As of 31 August 2012

Account value	**$1,093,192,521**

Returns since client inception



US-EqAR-MVP-120917*

* Returns since inception for periods greater than one year are annualized
Client inception 2 June 2008
Fiscal year end June 30

US Equity Market Fund
Ventura County Employees' Retirement Association

	U.S. Equity Market Fund	Dow Jones U.S. Total Stock Market Index	Tracking Difference
2008[1]	-7.25%	-7.24%	-0.01%
2009	-26.29	-26.39	0.10
2010	16.10	16.13	-0.03
2011	32.47	32.44	0.03
2012	4.16	3.97	0.19
1 Yr[2]	17.30	17.12	0.18
3 Yrs Annualized	14.10	14.01	0.09
Fiscal Year 2013			
Jul	1.04%	1.02%	0.02%
Aug	2.47	2.47	0.00
Sep			
1st Qtr.			
Oct			
Nov			
Dec			
2nd Qtr.			
Jan			
Feb			
Mar			
3rd Qtr.			
Apr			
May			
Jun			
4th Qtr.			
Fiscal YTD	3.54%	3.51%	0.03%
Cumulative Since Inception	13.38%	13.01%	0.37%
Annualized Since Inception	3.00%	2.92%	0.08%
Annualized Risk	20.76%	20.77%	0.14%

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As of 1/1/89, fund returns are based on NYSE closing prices. Prior returns were based on composite closing prices.
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Between September 30, 2001 and June 18, 2004 the benchmark was the Wilshire 5000.
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[1] Account Inception 06/02/08
[2] Performance figures are annualized as of fiscal year-end.

US Equity Market Fund

	U.S. Equity Market Fund	Dow Jones U.S. Total Stock Market Index	Tracking Difference
2002	-21.24%	-20.86%	-0.38%
2003	31.74	31.64	0.10
2004	12.47	12.41	0.06
2005	6.48	6.38	0.10
2006	15.78	15.77	0.01
2007	5.71	5.62	0.09
2008	-36.95	-37.23	0.28
2009	28.19	28.57	-0.38
2010	17.60	17.49	0.11
2011	1.22	1.08	0.14
1 Yr[1]	17.30	17.12	0.18
3 Yrs Annualized	14.10	14.01	0.09
5 Yrs Annualized	1.79	1.70	0.09
10 Yrs Annualized	7.40	7.32	0.08
2012			
Jan	5.06%	5.06%	0.00%
Feb	4.23	4.25	-0.02
Mar	3.10	3.09	0.01
1st Qtr.	**12.89%**	**12.90%**	**-0.01%**
Apr	-0.62%	-0.63%	0.01%
May	-6.18	-6.20	0.02
Jun	3.96	3.95	0.01
2nd Qtr.	**-3.07%**	**-3.10%**	**0.03%**
Jul	1.04%	1.02%	0.02%
Aug	2.47	2.47	0.00
Sep			
3rd Qtr.			
Oct			
Nov			
Dec			
4th Qtr.			
YTD 2012	**13.30%**	**13.24%**	**0.06%**
Cumulative Since Inception[2]	**2383.88%**	**2342.40%**	**41.48%**
Annualized Since Inception	**10.71%**	**10.65%**	**0.06%**

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[1] Performance figures are annualized as of period end.
[2] Fund Inception 01/31/81

US Equity Market Fund Characteristics

As of 31 August 2012

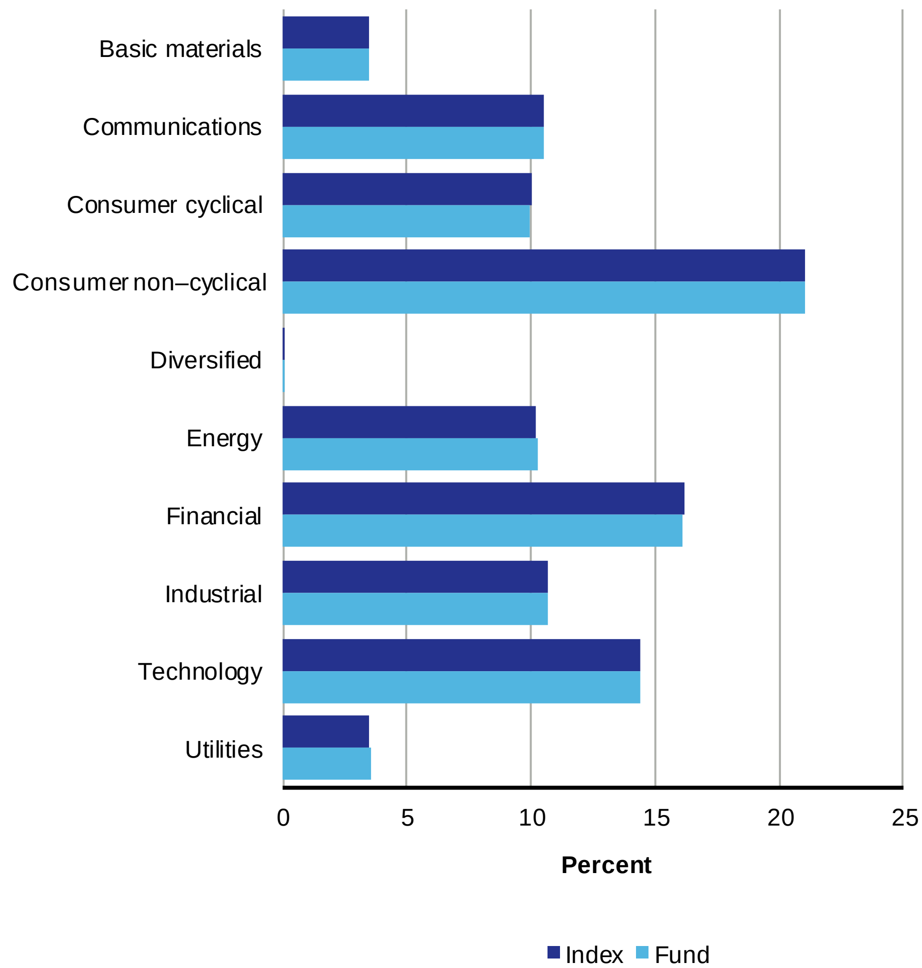
Characteristics

Strategy	Dow Jones US Total Stock Market Index
Beta vs. S&P 500®	1.00
Yield	2.07%
Total fund assets	$7.28B
Number of holdings	2,388

Top 10 holdings

	Fund %	Index %
APPLE INC	4.02	4.02
EXXON MOBIL CORP	2.66	2.66
MICROSOFT CORP	1.50	1.50
CHEVRON CORP	1.44	1.44
GENERAL ELECTRIC CO	1.42	1.42
AT&T INC	1.40	1.40
INTL BUSINESS MACHINES CORP	1.39	1.40
JOHNSON & JOHNSON	1.20	1.20
PROCTER & GAMBLE CO/THE	1.19	1.20
PFIZER INC	1.17	1.16

Sector diversification



US-Eq-Mkt-A-Ch

This information is unaudited and intended for analytical purposes only
Source: BlackRock, Bloomberg, Wilshire

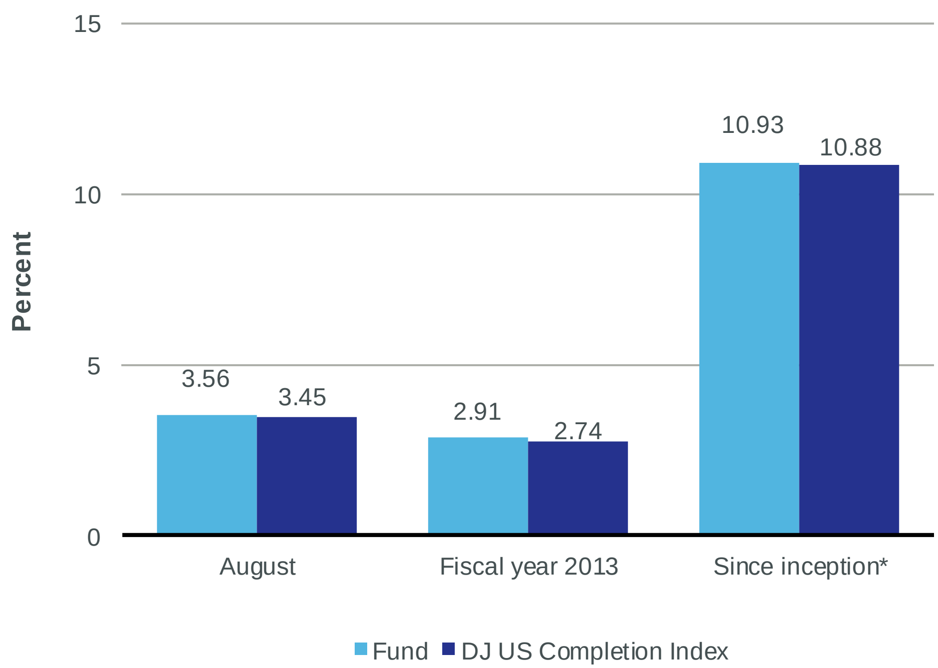
Account Review
Extended Equity Market Fund

ExEqAR-120917-sc*

Extended Equity Market Fund
Ventura County Employees' Retirement Association

As of 31 August 2012	
Account value	**$29,685,518**

Returns since client inception



ExEqAR-MVP-120917*

* Returns since inception for periods greater than one year are annualized
Client inception 30 September 2002
Fiscal year end June 30

Extended Equity Market Fund
Ventura County Employees' Retirement Association

	Fund	Dow Jones US Completion Total Stock Market Index[2]	Tracking Difference
2003[1]	**23.65%**	**24.23%**	**-0.58%**
2004	**29.73**	**29.53**	**0.20**
2005	**13.85**	**13.49**	**0.36**
2006	**14.50**	**14.03**	**0.47**
2007	**19.41**	**19.75**	**-0.34**
2008	**-11.19**	**-11.41**	**0.22**
2009	**-27.90**	**-27.54**	**-0.36**
2010	**23.98**	**24.27**	**-0.29**
2011	**39.38**	**39.19**	**0.19**
2012	**-1.60**	**-2.11**	**0.51**
1 Yr[3]	**13.78**	**13.18**	**0.60**
3 Yrs Annualized	**15.75**	**15.44**	**0.31**
5 Yrs Annualized	**2.98**	**2.97**	**0.01**
Fiscal Year 2013			
Jul	-0.63%	-0.69%	0.06%
Aug	3.56	3.45	0.11
Sep			
1st Qtr.			
Oct			
Nov			
Dec			
2nd Qtr.			
Jan			
Feb			
Mar			
3rd Qtr.			
Apr			
May			
Jun			
4th Qtr.			
Fiscal YTD	**2.91%**	**2.74%**	**0.17%**
Cumulative Since Inception	**179.81%**	**178.49%**	**1.32%**
Annualized Since Inception	**10.93%**	**10.88%**	**0.05%**
Annualized Risk	**18.70%**	**18.61%**	**0.48%**

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[1] Account Inception 09/30/02
[2] Prior to August 31, 2001, the benchmark return for the Dow Jones U.S. Completion Total Stock Market Index was the Extended Equity Market Index. Between September 30, 2001 and June 30, 2004 the benchmark was the Wilshire 4500.
[3] Performance figures are annualized as of fiscal year-end.

Extended Equity Market Fund

	Fund	Dow Jones US Completion Total Stock Market Index[1]	Tracking Difference
1996	18.52%	18.23%	0.29%
1997	26.61	26.30	0.31
1998	7.55	7.16	0.39
1999	32.86	32.68	0.18
2000	-9.12	-9.58	0.46
2001	-6.65	-7.29	0.64
2002	-18.26	-17.80	-0.46
2003	43.36	43.84	-0.48
2004	18.24	17.94	0.30
2005	10.53	10.03	0.50
2006	15.31	15.28	0.03
2007	5.41	5.39	0.02
2008	-38.40	-39.03	0.63
2009	35.02	37.43	-2.41
2010	29.01	28.62	0.39
2011	-3.41	-3.76	0.35
1 Yr[2]	13.78	13.18	0.60
3 Yrs Annualized	15.75	15.44	0.31
5 Yrs Annualized	2.98	2.97	0.01
10 Yrs Annualized	10.06	10.01	0.05
2012			
Jan	7.58%	7.56%	0.02%
Feb	3.99	4.02	-0.03
Mar	2.29	2.29	0.00
1st Qtr.	**14.43%**	**14.44%**	**-0.01%**
Apr	-0.72%	-0.73%	0.01%
May	-6.92	-6.99	0.07
Jun	3.24	3.16	0.08
2nd Qtr.	**-4.60%**	**-4.76%**	**0.16%**
Jul	-0.63%	-0.69%	0.06%
Aug	3.56	3.45	0.11
Sep			
3rd Qtr.			
Oct			
Nov			
Dec			
4th Qtr.			
YTD 2012	**12.35%**	**11.98%**	**0.37%**
Cumulative Since Inception[3]	**2383.35%**	**2217.24%**	**166.11%**
Annualized Since Inception	**10.71%**	**10.46%**	**0.25%**
Annualized Risk	**18.30%**	**18.26%**	**0.59%**

General Notes:
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[1] Prior to August 31, 2001, the benchmark return for the Dow Jones U.S. Completion Total Stock Market Index was the Extended Equity Market Index. Between September 30, 2001 and June 30, 2004 the benchmark was the Wilshire 4500.
[2] Performance figures are annualized as of period end.
[3] Fund Inception 01/31/81

Extended Market Fund Characteristics

As of 31 August 2012

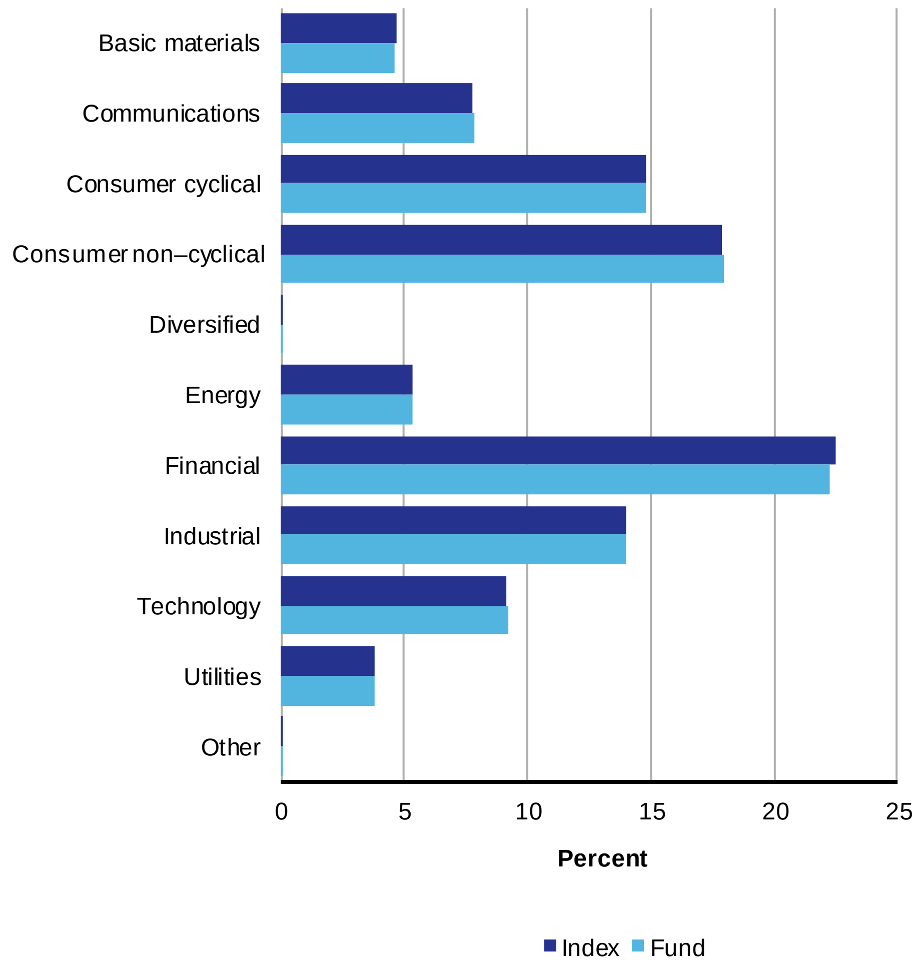
Characteristics

Strategy	Extended Market Index
Beta	1.10
Yield	1.48%
Total fund assets	$35.67B
Number of holdings	2,347

Top 10 holdings

	Fund %	Index %
ANNALY CAPITAL MANAGEMENT IN	0.60	0.60
LAS VEGAS SANDS CORP	0.59	0.60
LYONDELLBASELL INDU-CL A	0.57	0.59
LIBERTY GLOBAL INC-A	0.52	0.51
GENERAL MOTORS CO	0.43	0.44
LIBERTY MEDIA CORP - LIBER-A	0.42	0.43
VERTEX PHARMACEUTICALS INC	0.40	0.40
LIBERTY INTERACTIVE CORP-A	0.39	0.39
REGENERON PHARMACEUTICALS	0.38	0.38
AMERICAN CAPITAL AGENCY CORP	0.38	0.41

Sector diversification



Ext-Mkt-A-Ch

This information is unaudited and intended for analytical purposes only
Source: BlackRock, Bloomberg, Wilshire

Account Review
ACWI ex-US IMI Index Fund

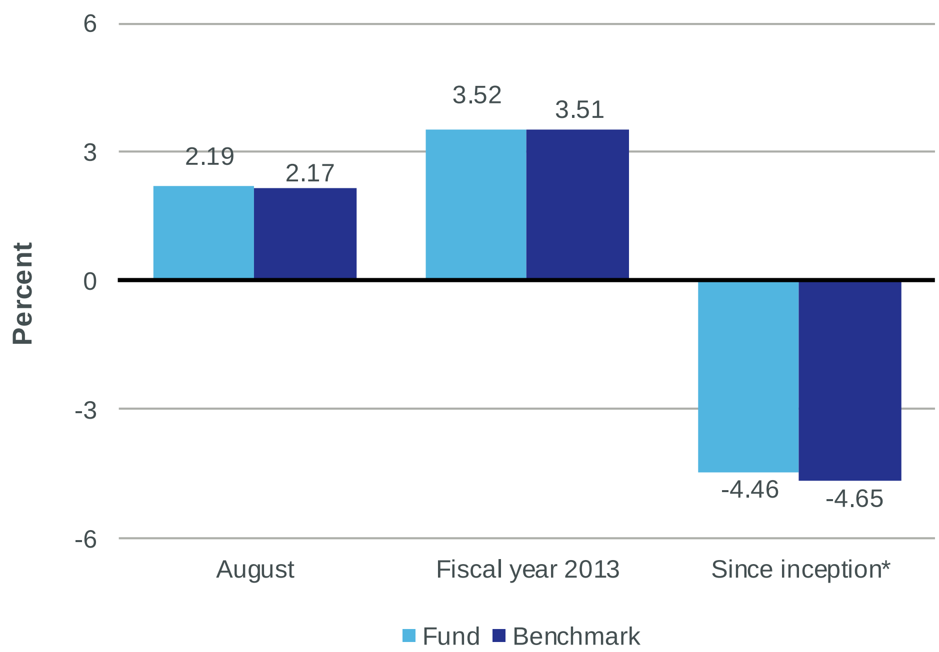
ACWI-120917-sc*

ACWI ex-US IMI Index Fund
Ventura County Employees' Retirement Association

As of 31 August 2012

Account value	**$274,487,530**

Returns since client inception



ACWI-MVP-120917*

* Returns since inception for periods greater than one year are annualized
Client inception 30 May 2008
Fiscal year end June 30

ACWI ex-US IMI Index Fund
Ventura County Employees' Retirement Association

	Fund	MSCI ACWI ex-U.S. IMI Index	Tracking Difference
2008[1]	**-8.18%**	**-8.26%**	**0.08%**
2009	**-30.35**	**-30.50**	**0.15**
2010	**11.44**	**11.49**	**-0.05**
2011	**30.61**	**30.26**	**0.35**
2012	**-14.53**	**-14.79**	**0.26**
1 Yr[2]	**-2.06**	**-2.36**	**0.30**
3 Yrs Annualized	**4.17**	**3.94**	**0.23**
Fiscal Year 2013			
Jul	1.30%	1.31%	-0.01%
Aug	2.19	2.17	0.02
Sep			
1st Qtr.			
Oct			
Nov			
Dec			
2nd Qtr.			
Jan			
Feb			
Mar			
3rd Qtr.			
Apr			
May			
Jun			
4th Qtr.			
Fiscal YTD	**3.52%**	**3.51%**	**0.01%**
Cumulative Since Inception	**-17.64%**	**-18.33%**	**0.69%**
Annualized Since Inception	**-4.46%**	**-4.65%**	**0.19%**
Annualized Risk	**25.42%**	**25.50%**	**0.23%**

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[1] Account Inception 05/30/08

[2] Performance figures are annualized as of fiscal year-end.

646297-632426

ACWI ex-US IMI Index Fund

	Fund	MSCI ACWI ex-U.S. IMI Index	Tracking Difference
2008[1]	**-37.07%**	**-37.48%**	**0.41%**
2009	**43.27**	**43.60**	**-0.33**
2010	**12.90**	**12.73**	**0.17**
2011	**-14.05**	**-14.31**	**0.26**
1 Yr[2]	**-2.06**	**-2.36**	**0.30**
3 Yrs Annualized	**4.17**	**3.94**	**0.23**
2012			
Jan	7.04%	7.03%	0.01%
Feb	5.72	5.71	0.01
Mar	-1.32	-1.36	0.04
1st Qtr.	**11.66%**	**11.60%**	**0.06%**
Apr	-1.41%	-1.49%	0.08%
May	-11.26	-11.33	0.07
Jun	5.61	5.59	0.02
2nd Qtr.	**-7.60%**	**-7.77%**	**0.17%**
Jul	1.30%	1.31%	-0.01%
Aug	2.19	2.17	0.02
Sep			
3rd Qtr.			
Oct			
Nov			
Dec			
4th Qtr.			
YTD 2012	**6.80%**	**6.54%**	**0.26%**
Cumulative Since Inception	**-6.55%**	**-7.60%**	**1.05%**
Annualized Since Inception	**-1.51%**	**-1.76%**	**0.25%**
Annualized Risk	**25.23%**	**25.30%**	**0.24%**

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[1] Fund Inception 03/20/08
[2] Performance figures are annualized as of period end.

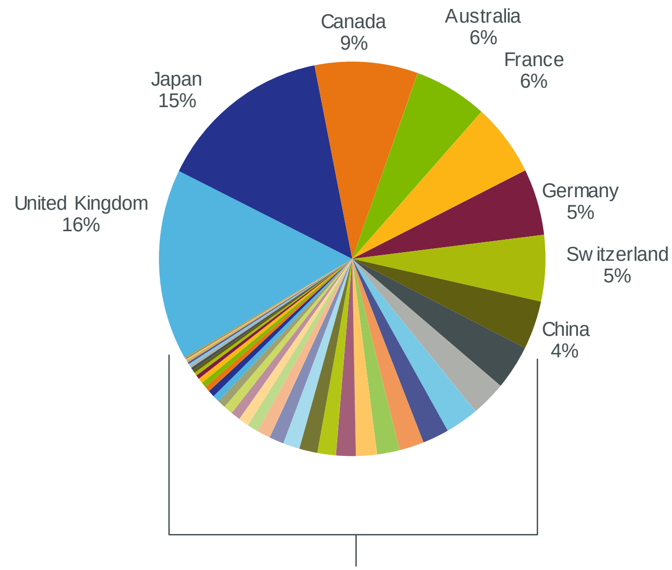
646297

Characteristics	
Strategy	MSCI ACWI ex-US IMI℠
Total fund value	$5.52B
Number of issues in fund	6,197
Predicted tracking error	0.20-0.50%

Top 10 holdings

	Country	Weight (%)
Nestle S.A.	Switzerland	1.23
HSBC Holdings PLC	United Kingdom	0.94
Vodafone Group PLC	United Kingdom	0.86
Novartis AG	Switzerland	0.81
BP PLC	United Kingdom	0.80
Royal Dutch Shell PLC (CL A)	United Kingdom	0.77
Roche Holding AG	Switzerland	0.77
Samsung Electronics Co. Ltd.	Korea	0.73
GlaxoSmithKline PLC	United Kingdom	0.69
Toyota Motor Corp.	Japan	0.66

Country allocation



Korea	3.65%	Belgium	0.77%	Portugal	0.13%
Brazil	2.93%	Norway	0.74%	Greece	0.09%
Taiwan	2.87%	Indonesia	0.72%	Egypt	0.09%
Sweden	2.12%	Thailand	0.56%	Czech Republic	0.07%
Hong Kong	2.03%	Finland	0.56%	Hungary	0.06%
South Africa	1.93%	Chile	0.46%	Morocco	0.02%
Spain	1.75%	Israel	0.44%		
Netherlands	1.59%	Turkey	0.42%		
India	1.57%	Poland	0.34%		
Italy	1.50%	Colombia	0.28%		
Singapore	1.34%	Ireland	0.26%		
Russia	1.24%	Philippines	0.25%		
Mexico	1.12%	Austria	0.22%		
Malaysia	0.90%	Peru	0.16%		
Denmark	0.83%	New Zealand	0.14%		

ACWI-ex-US-IMI-A-Ch

Portions of the above characteristics are based on benchmark data as the portfolio fully replicates benchmark and is for analytical purposes only. Index data may differ to those published by the Index due to calculation methods. Breakdowns may not sum to total due to rounding, exclusion of cash, STIF, and statistically immaterial factors
Index data only. Data not representative of the fund
Sources: BlackRock, FactSet, MSCI

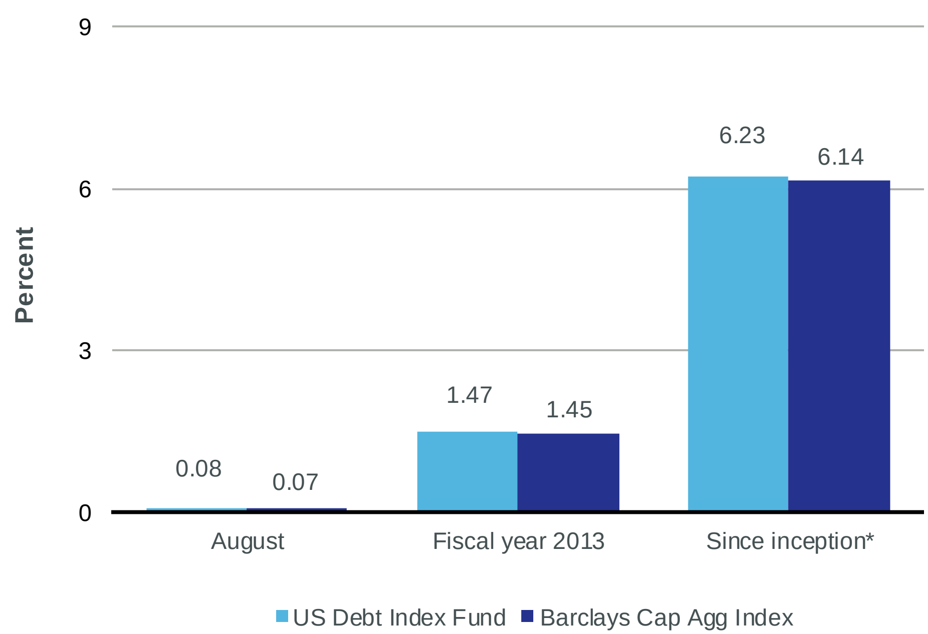
Account Review
Fixed Income

FI-120917-sc*

US Debt Index Fund
Ventura County Employees' Retirement Association

As of 31 August 2012	
Account value	**$133,132,964**

Returns since client inception



FI-MVP-120917*

* Returns since inception for periods greater than one year are annualized
Client inception 31 December 1995
Fiscal year end June 30

	Fund	Barclays U.S. Aggregate Bond Index[2]	Tracking Difference
1996[1]	-1.11%	-1.21%	0.10%
1997	8.14	8.15	-0.01
1998	10.61	10.54	0.07
1999	3.17	3.15	0.02
2000	4.64	4.57	0.07
2001	11.38	11.23	0.15
2002	8.87	8.63	0.24
2003	10.47	10.40	0.07
2004	0.33	0.32	0.01
2005	6.85	6.80	0.05
2006	-0.76	-0.81	0.05
2007	6.21	6.12	0.09
2008	7.32	7.12	0.20
2009	6.15	6.05	0.10
2010	9.61	9.50	0.11
2011	4.03	3.90	0.13
2012	7.56	7.47	0.09
1 Yr[3]	5.90	5.78	0.12
3 Yrs Annualized	6.63	6.51	0.12
5 Yrs Annualized	6.79	6.66	0.13
7 Yrs Annualized	5.85	5.74	0.11
10 Yrs Annualized	5.58	5.48	0.10
Fiscal Year 2013			
Jul	1.39%	1.38%	0.01%
Aug	0.08	0.07	0.01
Sep			
1st Qtr.			
Oct			
Nov			
Dec			
2nd Qtr.			
Jan			
Feb			
Mar			
3rd Qtr.			
Apr			
May			
Jun			
4th Qtr.			
Fiscal YTD	1.47%	1.45%	0.02%
Cumulative Since Inception	174.02%	170.03%	3.99%
Annualized Since Inception	6.23%	6.14%	0.09%
Annualized Risk	3.56%	3.56%	0.08%

[1] Account Inception 12/31/95

[2] 5/31/96 performance difference due to pricing changes in the Barclays Mortgage Index.

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[3] Performance figures are annualized as of fiscal year-end.

US Debt Index Fund

	Fund	Barclays U.S. Aggregate Bond Index[2]	Tracking Difference
1986[1]	5.69%	5.87%	-0.18%
1987	2.52	2.60	-0.08
1988	7.93	7.98	-0.05
1989	14.45	14.44	0.01
1990	8.89	8.96	-0.07
1991	16.03	16.00	0.03
1992	7.37	7.40	-0.03
1993	9.74	9.75	-0.01
1994	-2.94	-2.92	-0.02
1995	18.49	18.47	0.02
1996	3.73	3.63	0.10
1997	9.69	9.65	0.04
1998	8.78	8.69	0.09
1999	-0.83	-0.82	-0.01
2000	11.73	11.63	0.10
2001	8.64	8.44	0.20
2002	10.34	10.26	0.08
2003	4.22	4.10	0.12
2004	4.37	4.34	0.03
2005	2.47	2.43	0.04
2006	4.42	4.33	0.09
2007	7.07	6.97	0.10
2008	5.41	5.24	0.17
2009	6.01	5.93	0.08
2010	6.73	6.54	0.19
2011	7.89	7.84	0.05
1 Yr[3]	5.90	5.78	0.12
3 Yrs Annualized	6.63	6.51	0.12
5 Yrs Annualized	6.79	6.66	0.13
7 Yrs Annualized	5.85	5.74	0.11
10 Yrs Annualized	5.58	5.48	0.10
2012			
Jan	0.89%	0.88%	0.01%
Feb	0.06	-0.02	0.08
Mar	-0.61	-0.55	-0.06
1st Qtr.	**0.33%**	**0.30%**	**0.03%**
Apr	1.12%	1.11%	0.01%
May	0.91	0.90	0.01
Jun	0.05	0.04	0.01
2nd Qtr.	**2.10%**	**2.06%**	**0.04%**
Jul	1.39%	1.38%	0.01%
Aug	0.08	0.07	0.01
Sep			
3rd Qtr.			
Oct			
Nov			
Dec			
4th Qtr.			
YTD 2012	**3.94%**	**3.85%**	**0.09%**
Cumulative Since Inception	**527.90%**	**521.16%**	**6.74%**
Annualized Since Inception	**7.27%**	**7.23%**	**0.04%**
Annualized Risk	**3.95%**	**3.95%**	**0.09%**

General Notes:

[1] Fund Inception 06/30/86

[2] 5/31/96 performance difference due to pricing changes in the Barclays Mortgage Index.

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[3] Performance figures are annualized as of period end.

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Portfolio profile

As of 31 August 2012

US Debt Index Fund

	US Debt Index Fund	Barclays Aggregate Bond Index
Market value ($B)	6.27	16,755.03
# Issues	6,169	7,968
Characteristics		
Coupon (%)	3.83	3.74
Nominal yield (%)	1.40	1.40
Current yield (%)	3.48	3.37
Yield to maturity (YTM) (%)	1.40	1.41
Weighted avg life (yrs)	6.35	6.39
Effective duration (yrs)	4.41	4.41
Spread duration	3.13	3.14
Option adjusted spread (bps)	56	57
Convexity	0.14	0.12
Moody rating	Aa1	Aa1
S&P rating	AA	AA
Quality breakdown (mkt val %)		
AAA or above	75.17	75.22
AA	3.26	3.18
A	11.37	11.39
BBB	10.18	10.18
NR	0.02	0.03

	US Debt Index Fund	Barclays Aggregate Bond Index
Sector breakdown (mkt val %)		
Treasury	36.03	36.04
Agencies	4.50	5.21
Financials	6.69	6.70
Industrials	11.84	11.77
Utilities	2.32	2.36
Non-US credit	4.49	4.50
Taxable munis	0.97	1.01
ABS	0.30	0.30
Mortgages	29.26	29.30
Hybrid ARM	0.89	0.90
CMBS	1.89	1.90
Cash	0.83	0.00
Weighted avg life breakdown (mkt val %)		
0-1	2.47	0.78
1-2	9.94	11.70
2-3	34.71	33.45
3-5	19.86	20.99
5-7	11.78	10.52
7-10	8.48	9.69
10-20	3.15	3.31
20-30	9.29	9.23
30+	0.32	0.34

US-Debt-Idx-A-Pro

Data is for analytical purposes only. Index data points may differ to those published by the Index due to calculation methods
Breakdowns may not sum to total due to rounding, exclusion of cash, STIF, and statistically immaterial factors
Source: BlackRock

Account Review
ACWI Equity Index Fund

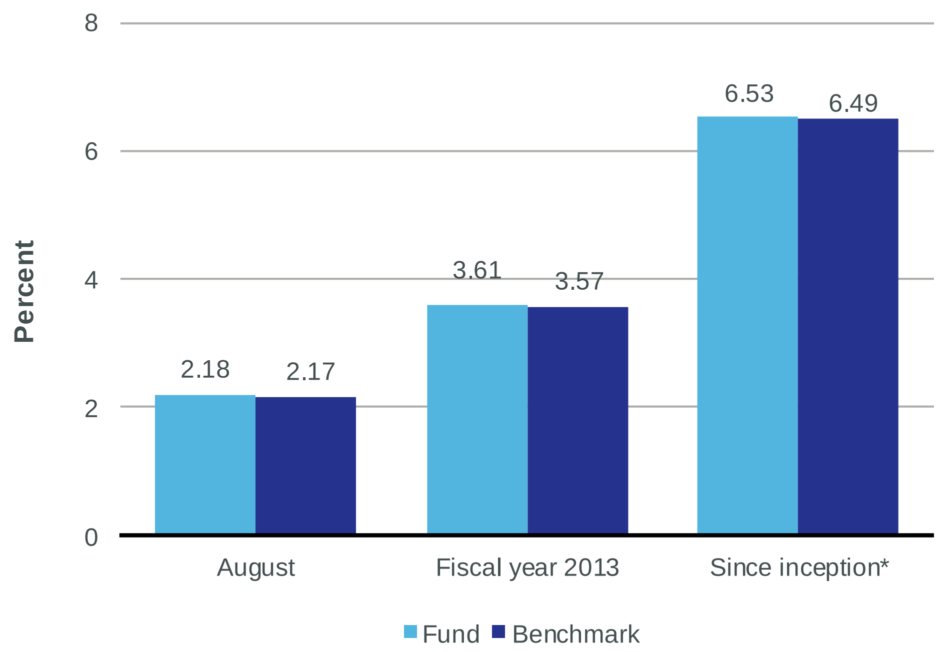
ACWI-EqAR-120917-sc*

ACWI Equity Index Fund
Ventura County Employees' Retirement Association

As of 31 August 2012

Account value	**$121,715,834**

Returns since client inception



ACWI-EqAR-MVP-120917*

* Returns since inception for periods greater than one year are annualized
Client inception 27 June 2012
Fiscal year end June 30

ACWI Equity Index Fund
Ventura County Employees' Retirement Association

	Fund	MSCI ACWI Net Dividend Return Index	Tracking Difference
2012[1]	**2.82%**	**2.82%**	**0.00%**
Fiscal Year 2013			
Jul	1.40%	1.37%	0.03%
Aug	2.18	2.17	0.01
Sep			
1st Qtr.			
Oct			
Nov			
Dec			
2nd Qtr.			
Jan			
Feb			
Mar			
3rd Qtr.			
Apr			
May			
Jun			
4th Qtr.			
Fiscal YTD	**3.61%**	**3.57%**	**0.04%**
Cumulative Since Inception	**6.53%**	**6.49%**	**0.04%**
Annualized Risk	**2.45%**	**2.51%**	**0.05%**

674817-632426

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[1] Account Inception 06/27/12
[2] Performance figures are annualized as of fiscal year-end.

ACWI Equity Index Fund

	Fund	MSCI ACWI Net Dividend Return Index	Tracking Difference
2010[1]	**7.78%**	**7.57%**	**0.21%**
2011	**-6.85**	**-7.35**	**0.50**
2 Yrs Annualized[2]	**10.38**	**9.90**	**0.48**
2012			
Jan	5.73%	5.81%	-0.08%
Feb	5.04	5.03	0.01
Mar	0.75	0.66	0.09
1st Qtr.	**11.89%**	**11.88%**	**0.01%**
Apr	-1.09%	-1.14%	0.05%
May	-8.83	-8.97	0.14
Jun	5.06	4.94	0.12
2nd Qtr.	**-5.27%**	**-5.56%**	**0.29%**
Jul	1.40%	1.37%	0.03%
Aug	2.18	2.17	0.01
Sep			
3rd Qtr.			
Oct			
Nov			
Dec			
4th Qtr.			
YTD 2012	**9.83%**	**9.43%**	**0.40%**
Cumulative Since Inception	**10.27%**	**9.06%**	**1.21%**
Annualized Since Inception	**4.23%**	**3.74%**	**0.49%**
Annualized Risk	**18.58%**	**18.67%**	**0.19%**

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[1] Fund Inception 04/22/10
[2] Performance figures are annualized as of period end.

674817

ACWI Index Fund Characteristics

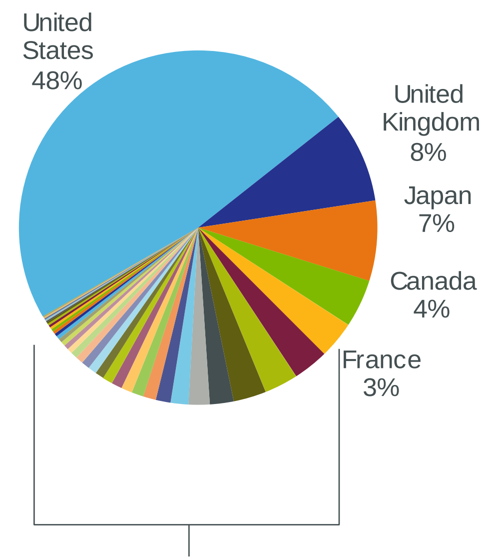
As of 31 August 2012

Characteristics	
Strategy	MSCI ACWI Index[SM]
Total fund value	$0.89B
Predicted tracking error	0.20-0.30%

Top 10 holdings

	Country	Weight
Apple Inc.	United States	2.33
Exxon Mobil Corp.	United States	1.53
Microsoft Corp.	United States	0.86
International Business Machines Corp.	United States	0.84
Chevron Corp.	United States	0.83
General Electric Co.	United States	0.82
AT&T Inc.	United States	0.80
Nestle S.A.	Switzerland	0.73
Johnson & Johnson	United States	0.69
Procter & Gamble Co.	United States	0.69

Country allocation



Australia	3.11%	Mexico	0.63%	Peru	0.09%
Switzerland	3.01%	Malaysia	0.45%	Portugal	0.06%
Germany	2.84%	Denmark	0.41%	New Zealand	0.05%
China	2.19%	Belgium	0.39%	Egypt	0.04%
Korea	1.91%	Indonesia	0.35%	Czech Republic	0.04%
Brazil	1.64%	Norway	0.33%	Hungary	0.04%
Taiwan	1.39%	Thailand	0.27%	Greece	0.02%
Sweden	1.11%	Finland	0.26%	Morocco	0.01%
Hong Kong	1.07%	Chile	0.25%		
South Africa	1.00%	Israel	0.21%		
Spain	0.97%	Turkey	0.21%		
Netherlands	0.85%	Poland	0.18%		
India	0.81%	Colombia	0.16%		
Italy	0.77%	Philippines	0.12%		
Russia	0.73%	Ireland	0.10%		
Singapore	0.66%	Austria	0.09%		

This information is unaudited and intended for analytical purposes only
Sources: BlackRock, Bloomberg, S&P

Market Reviews

MR-120731-sc*

Global Equity

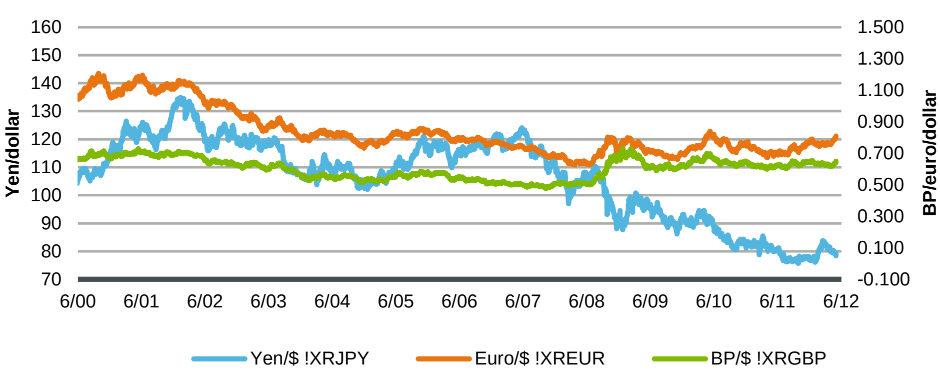
Market Overview and Outlook

As policymakers took steps last month to avert a worsening eurozone crisis and to revive slowing economies, global equity markets finished June up 4.9%, credit spreads tightened and the 10-year Treasury rate rose slightly to 1.64%.

However, with global economic data continuing to soften, the US economy slowing for a third summer in a row and Europe still teetering on the brink of an abyss, investor optimism was short lived despite additional steps by policy makers in early July. Global equity markets fell 0.8% in July through July 9, with many investors continuing to question whether a global double-dip recession is on the horizon.

- In our opinion, the most likely outcome for the global economy for the remainder of the year continues to be slow, but positive, growth. While Europe is struggling, it's stumbling toward a solution. Meanwhile, while growth appears to be slowing in the United States, we still believe the country will avoid a recession in 2012.
- That said, if US policy makers don't avert the United States' pending fiscal drag, recession fears will become justified. And while we've seen some tentative signs of progress in Europe lately, policy makers there still need to address their region's structural issues, meaning a worsening eurozone crisis still could pose a threat to the global recovery.
- In light of uncertainty surrounding the United States' fiscal policy and Europe, we expected current heightened market volatility to continue for the remainder of the year. While we expect that stocks can move higher in 2012 and we continue to hold an overweight long-term view of global equities, especially relative to bonds, the road ahead for equities is likely to be rocky.
- As such, we continue to favor investments that could offer some downside protection while still potentially producing a reasonable yield and allowing for participation in market gains. We like high-quality, international dividend-paying stocks; defensive sectors such as global telecommunications; global mega capitalization (mega cap) stocks; and US and international minimum volatility funds. We also prefer to get equity exposure through select developed and emerging markets that have robust growth prospects and fewer debt and banking sector problems.

Performance of US dollar



As of 30 June 2012; Sources: MSCI, Factset

Returns by region (returns net dividends, US$)

	June %	YTD %
MSCI AC World Index℠	4.94	5.65
MSCI AC World ex USA Index℠	5.90	2.77
MSCI EAFE Index®	7.01	2.96
MSCI Europe ex-UK Index℠	8.41	1.87
MSCI United Kingdom Index℠	7.10	3.35
MSCI Japan Index℠	5.14	3.14
MSCI Pacific Free ex-JP Index℠	6.25	5.82
MSCI Canada Index℠	2.85	-1.87
MSCI USA Index℠	3.90	9.07
MSCI Emerging Markets (EM) Index℠	3.86	3.93
MSCI EM Asia Index℠	2.53	4.97
MSCI EM Latin America Index℠	3.88	-0.48
MSCI EM EMEA Index℠	8.49	6.19

As of 30 June 2012; Sources: MSCI, Factset

Returns by sector* (returns net dividends, US$)

	June %	YTD %
Energy	5.69	-4.30
Materials	4.10	-1.64
Industrials	3.86	4.62
Consumer discretionary	2.58	10.59
Consumer staples	4.55	7.16
Health care	6.25	8.79
Financials	7.70	9.56
Information technology	2.98	10.31
Telecomm.	8.02	5.20
Utilities	6.15	1.93

* MSCI World
As of 30 June 2012; Sources: MSCI, Factset

Developed Markets Country Highlights

Large Markets

	June Return (%)	YTD Return (%)
MSCI USA Index℠	3.90	9.07
MSCI United Kingdom Index℠	7.10	3.35
MSCI Japan Index℠	5.14	3.14
MSCI France Index℠	9.10	2.10
MSCI Germany Index℠	4.80	5.89
MSCI Switzerland Index℠	6.31	3.36

As of 30 June 2012; Source: MSCI, BlackRock

In the developed world, we still expect certain smaller developed countries—Canada, Australia, Singapore, Switzerland and Hong Kong (the CASSH countries)—to outperform other developed markets over the long term given their generally lower debt levels and more robust growth prospects. In the near term, among developed markets, we especially like Hong Kong and Singapore and certain countries in northern Europe.

- There have been some tentative signs of progress in Europe lately. The results of the second Greek election mitigated the risk of a near-term Greek default or exit. Then, at a late June European summit, policy makers provided more clarity on how Spanish banks will be recapitalized, mitigating the risk of a full-blown Spanish banking crisis. However, despite the progress, Europe is still not out of the woods. After the summit, several structural issues remain unresolved including who will serve as the single regulator of the European banking system, how European sovereign debt will be pooled, whether there will be a European wide deposit insurance scheme and how Europe will be lifted out a recession. That said, we continue to believe a worsening eurozone crisis can be avoided if European politicians aggressively address their region's problems. Still, as there's little likelihood of an imminent complete solution, the region is likely to remain a chronic source of stress for the global economy. However, European equities have been hit hard by the eurozone crisis and could experience a sharp rally if sentiment shifts.
- Despite a string of weak payroll reports, we believe that the United States will not see a recession in 2012 and instead will remain stuck in a slow growth mode of around 2% for the foreseeable future. Still, US politicians have yet to address the pending tax hikes and spending cuts scheduled to take effect in January 2013 that could pose a headwind to the US market later this year, significantly lower US growth in 2013 and push the US economy back into a recession. That said, the most likely outcome is a last minute compromise to avert most or all of the tax hikes, assuming we don't see a bitter and divisive election in November that would make it more difficult to avoid the pending fiscal drag.
- UK valuations appear a bit rich for an environment characterized by disappointing growth and persistent inflation, and the impact of the central bank's aggressive quantitative easing program still remains to be seen.
- While Japanese equities still appear cheap, corporate profitability in the country is very low in an international context and has been on a downward trend since early 2011. In addition, Japan's relatively robust growth has been supported by the government's reconstruction spending and will need a pickup in exports to continue, and the country faces important long-term structural issues including high debt levels and deteriorating demographics.

Emerging Markets Country Highlights

Large Markets

	June Return (%)	YTD Return (%)
MSCI China Index℠	2.06	3.90
MSCI Korea Index℠	2.93	5.26
MSCI Brazil Index℠	1.13	-7.69
MSCI Taiwan Index℠	-0.53	3.64
MSCI Russia Index℠	9.18	1.46

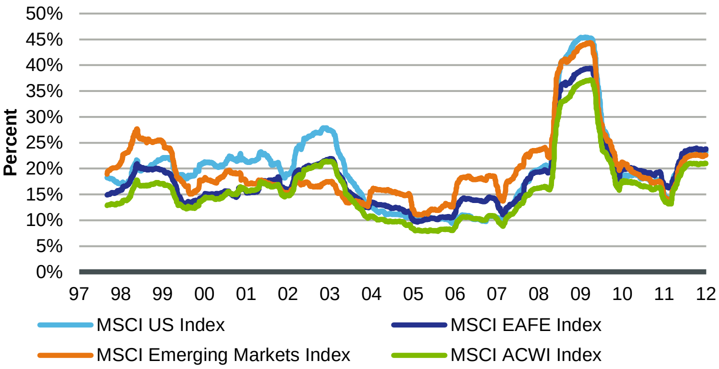
As of 30 June 2012; Source: MSCI, BlackRock

Emerging markets are generally experiencing a longer-term trend toward less volatility and offer stronger growth prospects than many developed markets. In addition, falling inflation in most emerging market countries has yet to translate into multiple expansions, and valuations remain compelling.

- Within Latin America, Mexico's market valuations still look comparatively rich. The outcome of the recent presidential election was expected and isn't likely to change economic policies going forward. At the same time, we continue to like Brazil, where we think slowing growth has already been priced in and valuations remain compelling.
- We like emerging Asian countries thanks to their robust growth prospects and relatively attractive valuations.
- While data about the Chinese economy has been mixed, more forward-looking economic indicators still suggest that China can engineer a soft landing. In our view, China has both the motivation and ability to maintain growth at a respectable rate as the country readies itself for a leadership transition later this year, as illustrated in recent rate cuts. As such, we expect that China's growth to settle at around 8%, in which case China's stock market looks cheap.

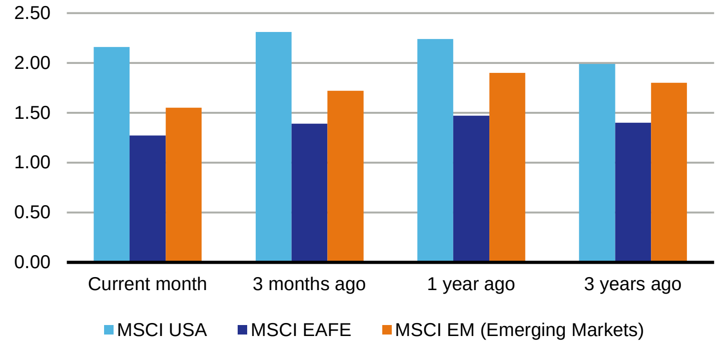
Valuations and Market Returns

Volatility



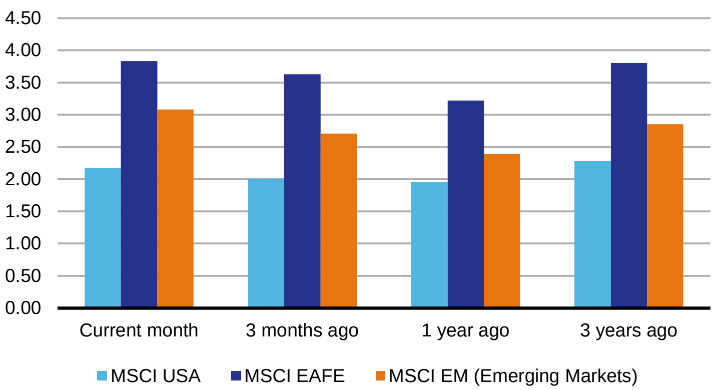
Annualized rolling 12-month daily returns
As of 30 June 2012; Sources: MSCI, Factset

Price/book



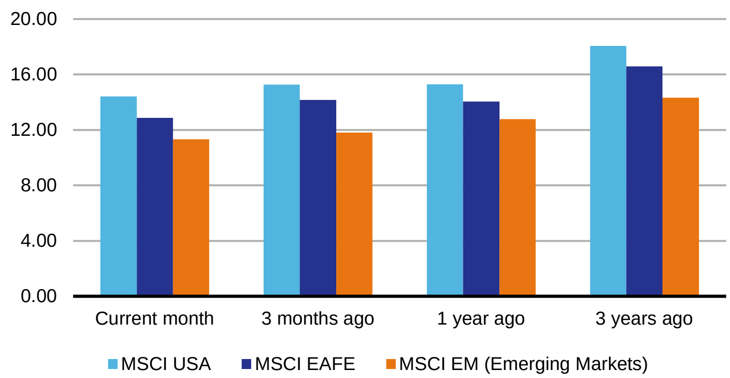
As of 30 June 2012; Sources: MSCI, Factset

Yield



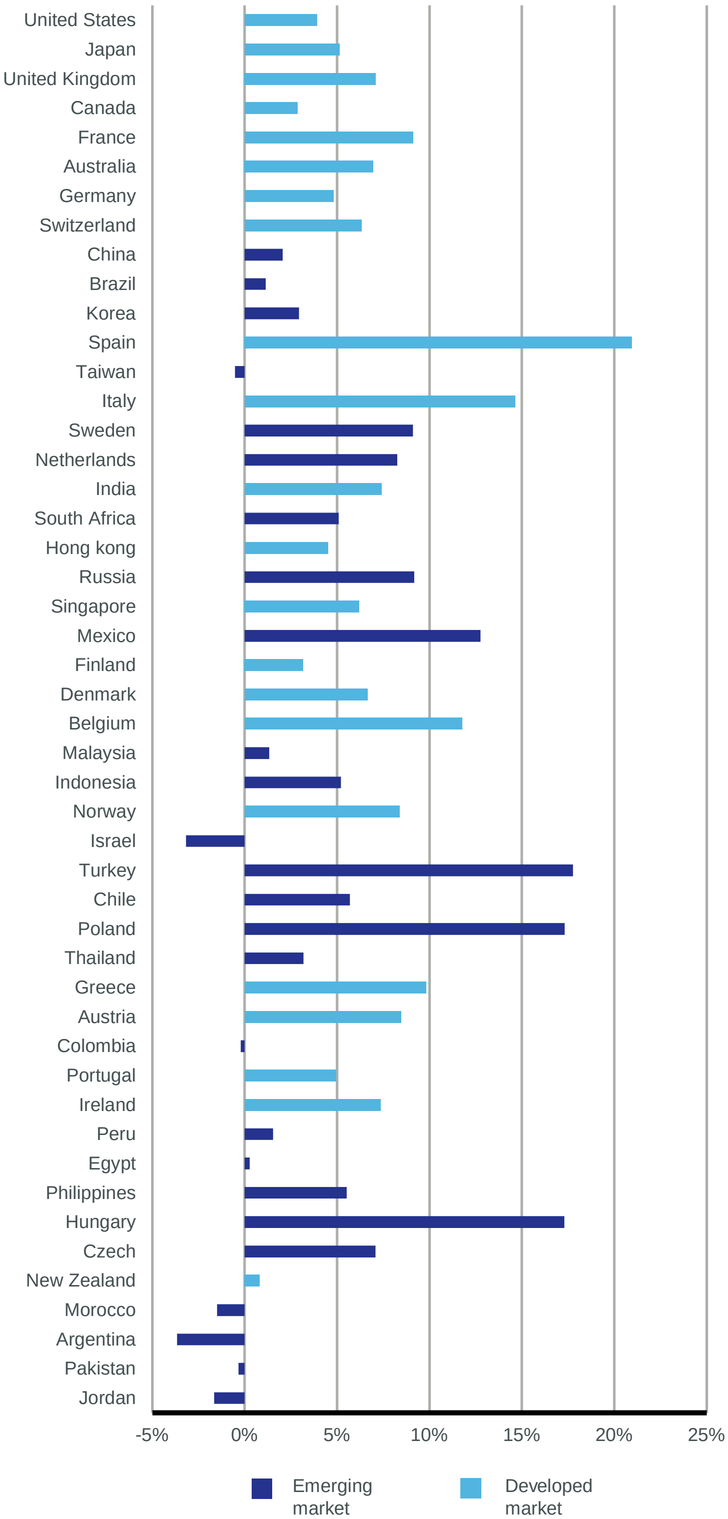
As of 30 June 2012; Sources: MSCI, Factset

Price/earning



As of 30 June 2012; Sources: MSCI, Factset

MSCI Country Indices returns (sorted by size, top to bottom)



As of 30 June 2012; Sources: MSCI, Factset

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The MSCI ACWI ex US (All Country World Index) Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets, excluding the USA. As of April 2005 the MSCI ACWI ex USA consisted of the following 48 developed and emerging market country indices: Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Jordan, Korea, Malaysia, Mexico, Morocco, Netherlands, New Zealand, Norway, Pakistan, Peru, Philippines, Poland, Portugal, Russia, Singapore Free, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, the United Kingdom and Venezuela.

The MSCI EAFE® Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the USA & Canada. As of December 2003 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

The MSCI Europe ex UK Index[SM] is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe, excluding the United Kingdom. As of December 2003, the MSCI Europe ex UK Index consisted of the following 15 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden and Switzerland.

The MSCI Germany Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in Germany.

The MSCI Israel Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in Israel.

The MSCI Korea Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in Korea.

The MSCI Portugal Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in Portugal.

The MSCI Columbia Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in Columbia.

The MSCI Switzerland Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in Switzerland.

The MSCI France Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in France.

The MSCI UK Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in the United Kingdom.

The MSCI Japan Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in Japan.

The MSCI Pacific Free ex Japan Index[SM] is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in the Pacific region, excluding Japan. As of December 2003, the MSCI Pacific Index consisted of the following 4 Developed Market countries: Australia, Hong Kong, New Zealand, and Singapore.

The MSCI Canada Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in Canada.

The MSCI USA Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in the USA.

The MSCI South Africa Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in South Africa.

The MSCI Taiwan Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in Taiwan.

The MSCI China Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in China.

The MSCI Emerging Markets Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of December 2003 the MSCI Emerging Markets Index consisted of the following 26 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela.

MSCI EM (Emerging Markets) Asia Index[SM] is a free float-adjusted market capitalization index that is designed to measure emerging market equity performance in Asia. As of December 2003 the MSCI EM Asia Index consisted of the following 9 emerging market country indices: China, India, Indonesia, Korea, Malaysia, Pakistan, Philippines, Taiwan and Thailand.

The MSCI EM (Emerging Markets) Latin America Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in Latin America. As of December 2003 the MSCI EM Latin America Index consisted of the following 7 emerging market country indices: Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela.

The MSCI EM (Emerging Markets) Europe, Middle East and Africa Index[SM] is a free float-adjusted market capitalization index that is designed to measure equity market performance in the emerging market countries of Europe, the Middle East & Africa. As of December 2003, the MSCI EM EMEA Index consisted of the following 10 emerging market country indices: Czech Republic, Hungary, Poland, Russia, Turkey, Israel, Jordan, Egypt, Morocco and South Africa.

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Market Commentary

July 2012

US Fixed Income Market Review

Market Review

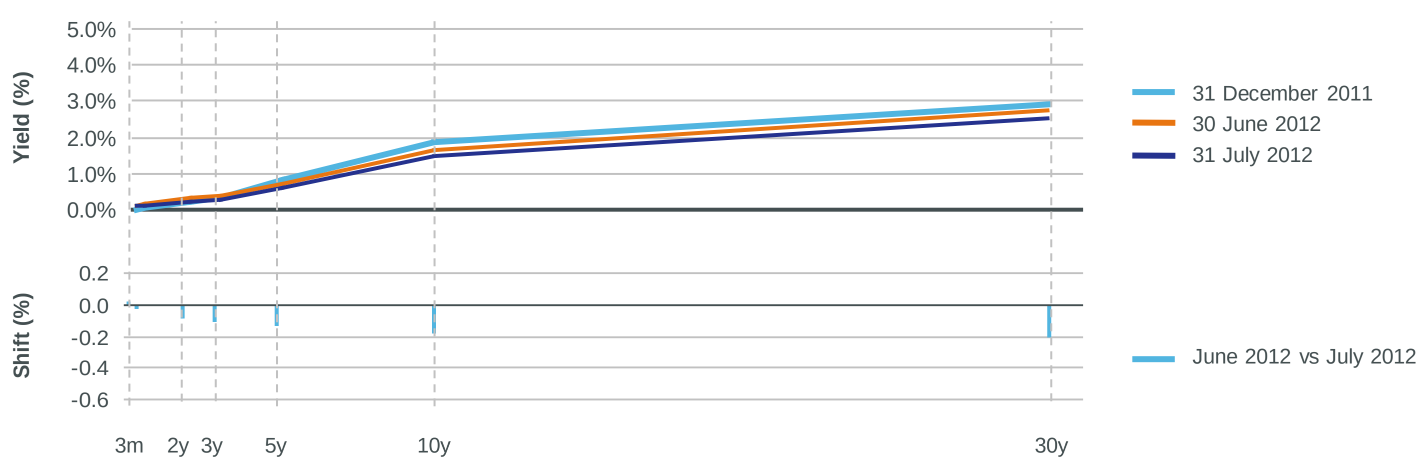
All eyes continued to be on Europe this month as announcements from European leaders continued to have strong influence on the market. It was announced at the EU summit that the ESM could directly lend to banks once a supervisor is in place. A pan-European bank supervisory mechanism involving the ECB was also proposed and is slated to be in place by the end of the year, as well as a €120bn growth pact. The market was encouraged by these measures, causing peripheral yields to rally, especially in the front-end of the curve. At its July meeting, the ECB cut the refinancing rate by 25 bps to 0.75% as expected, but surprised the market by cutting the deposit rate to 0%. The cut in the ECB deposit facility has driven the short-end of European curves significantly lower, leading investors to shift exposures from German and Dutch bonds, which have descended into negative territory on the front-end, to those of Belgium, France, and Austria. Risk sentiment became even more positive later in the month when members of the ECB, including President Draghi, made strong commitments to “do whatever it takes” to preserve the Euro. This spurred a sell-off in Treasuries and a further rally of peripheral yields as investors anticipated greater ECB intervention to reduce the risk premia.

In the U.S., while Consumer Confidence reported above expectations in July, other data points continued to soften. Consumer Confidence came in at 65.9, versus consensus estimates of 61.5. June was revised up from 62.0 to 62.7. Expectations led the gains up 5.7 points, and the Present Situation fell slightly. ISM Manufacturing opened the month on a disappointing note as it indicated a contraction in June at 49.7 compared to estimates of 52. This is the first time since July 2009 that ISM has reported below 50 with several major categories also in contraction territory. Payrolls remained weak in June, coming in at 80,000 compared to estimates calling for a 100,000 print. This is the third straight month the number headlined less than 100,000 after a strong start to the year that saw an average print of 225,000 through March. The unemployment rate was unchanged at 8.2%. June Retail Sales disappointed as well, surprising to the downside at -0.5% compared to consensus estimates calling for an increase of 0.2%.

The July Federal Open Markets Committee meeting came at an interesting time for the Fed. The June meeting saw the Fed announce the extension of Operation Twist through the end of 2012. By the July meeting, however, market participants were hoping for further Fed accommodation. While balance sheet expansion was not the base case, many investors believed Chairman Bernanke would extend the guidance of a near-zero fed funds rate from 2014 through the end of 2015. Instead, the meeting passed with no major policy announcements from the Chairman. Though the Fed did not initiate new policy, the statement released showed a Fed fully aware of the degrading economy. Bernanke explained, “Information received since the Federal Open Market Committee met in June suggests that economic activity decelerated somewhat over the first half of this year. Growth in employment has been slow in recent months, and the unemployment rate remains elevated.” Additionally, the Fed retained its dovish stance and reiterated its commitment to “closely monitor incoming information on economic and financial developments and will provide additional accommodation as needed to promote a stronger economic recovery…” This closing statement provided the market comfort that the extension of Operation Twist does not necessarily mark an end to Fed policy in 2012. With the Fed not acting in July, continued disappointing economic data and market volatility will keep investors hopeful for further easing.

Equities were down modestly through most of July, but a late surge on the back of Draghi’s comments sparked a strong market rally over the last couple days of the month and drove sentiment high heading into the August 2nd ECB meeting. The S&P 500 was up 1.39% and the NASDAQ increased 0.20% in July. The Barclays US Credit Index posted a total return of 2.71% for the month and outperformed similarly-dated US Treasuries by 1.48%. The Barclays US High Yield Index returned 1.90% and experienced excess returns of 1.25% versus US Treasuries.

Yield curve shifts



Source: Bloomberg, as of 31 July 2012

Treasuries & Agencies

July began with a very poor ISM Manufacturing report that came in well below expectations and the all-important 50 mark (49.7 vs 52.0 survey and 53.5 prior). 10-year Treasury yields fell 7 bps following the print and spent the rest of the month grinding lower to reach an all-time low of 1.38% on July 24th after beginning the month at 1.65%. The Treasury market came under severe pressure toward the end of the month following ECB President Draghi's speech saying he would do "whatever it takes" to defend the Euro – yields rose from 1.39% to a high of 1.59% between July 26th and 27th. However, there continues to be buyers on dips and that, coupled with month-end buying and fund rebalancing, helped retrace over half the sell-off and the 10-year note settled at 1.47% to end the month.

Agency Mortgage-backed Securities (MBS)

Agency mortgages had another strong month of performance in July, with the Barclays Mortgage Index besting similarly-dated Treasuries by 28 bps. The continued deterioration of US economic data in July increased market expectations of Fed intervention, specifically in the form of MBS asset purchases. Given the backdrop of heightened QE expectations, investors moved quickly to deploy capital into the sector, with particularly strong demand coming from overseas investors in low coupon GNMA MBS and REITs looking to invest a recent surge in newly raised equity capital. In particular, REIT demand coupled with low rates and higher refinancing activity caused a large rise in the prices of call- protected specified pool categories during the month. In addition to supportive technicals, lower implied and realized interest rate volatility as well as compressing swap spreads provided MBS with a further boost.

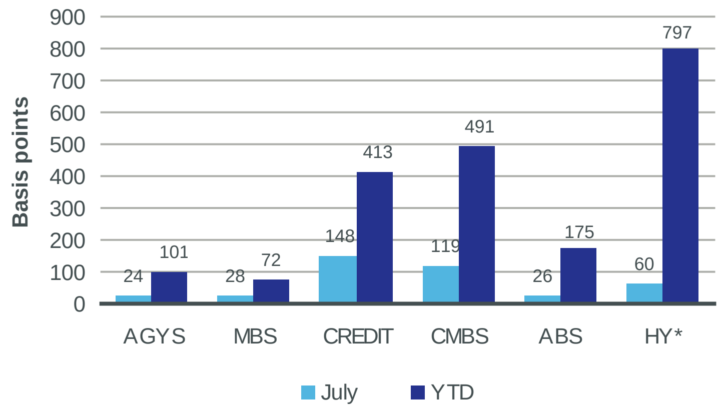
Non-Agency RMBS

Non-Agency RMBS accelerated their strong rally in July. We witnessed an across-the-board rally with higher beta/distressed sectors outperforming. In particular, bonds backed by Countrywide loans added 3-5pts on the month as the full $8.5bn settlement amount with private investors has begun to be priced into the securities after one of the main opponents to the settlement dropped their objection. The sector continues to enjoy strong demand from money managers and insurance companies.

Commercial Mortgage-backed Securities (CMBS)

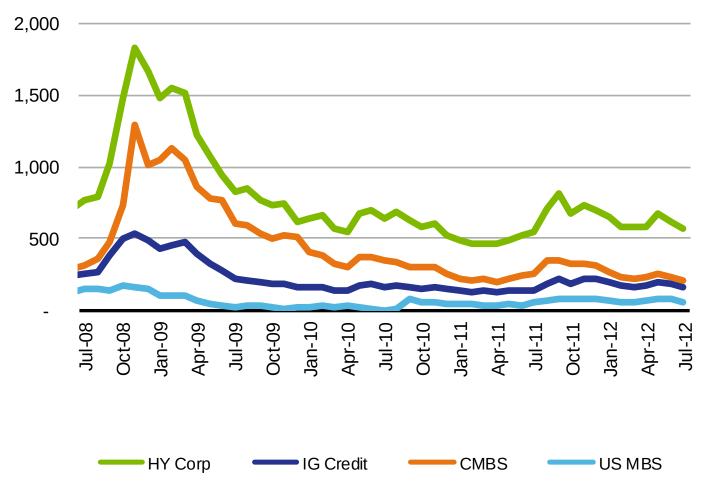
CMBS continued its march tighter during the month of July. Excess returns over duration-adjusted Treasuries were 119 bps for the month, bringing year-to-date excess returns to 484 bps. The continued tightening was driven by demand for yield product from banks, insurance companies and money managers, as well as a lack of major dispositions or portfolio unwinds, keeping large supply fairly muted. Markets are still concerned with broader global macro risks, but strong technicals have caused volatility to be substantially lower in CMBS, as evidenced by resiliency during periods of minor corrections in the equity market.

Yield curve shifts



*Barclays High Yield 2% Issuer Capped Index
Source: Barclays, as of 31 July 2012

OAS in basis points



Source: Barclays, as of 31 July 2012

Asset-backed Securities (ABS)

The ABS sector continued its year-long positive trend, posting excess returns of 26 bps in July. Credit card ABS was in-line with the sector, logging excess returns of 25 bps, while Auto ABS posted 28 bps of excess returns, proving the biggest outperformance. July total return for the sector was 0.76%. Subprime and prime auto seniors tightened 5-10 bps on the heels of both new issue strength, (Hyundai and World Omni), as well as a frothy secondary bid for short, senior spread product.

Investment Grade Credit

In July, the Barclays US Credit Index saw total returns of 2.71% on the back of strong technicals. With the macro backdrop still uncertain, the strong bid for investment grade paper demonstrates the need for yield in the market place. With the secondary market increasingly less liquid, investors raced to the primary market to source bonds. Strong demand remains for front-end bonds and long-end high quality non-financial bonds. Front-end bond demand was driven by the ECB's announcement of deposit rate cut from 0.25% to 0.00% and interest rate cut from 1.00% to 0.75%. Due to the limited issuance of long dated paper and strong demand from liability driven investors, high quality paper with more than ten years of duration drastically outperformed.

High Yield

The High Yield Index returned 1.90% in July, bringing year-to-date total returns to 9.31%. Higher beta underperformed higher quality in July. The BB Index gained 2.06%, the B Index returned 1.91%, and the CCC Index returned 1.45%. The best performing sectors this month on a total return basis were Wireless (+3.80%), Electric Utilities (+3.71%), and Home Construction (+3.22%). The worst performing sectors were Gaming (-0.01%), Technology (+0.58%), and Food & Beverage (+0.81%).

Municipals

Tax-exempt performance continues to impress year-to-date, with a total return of 1.59% in July. This was partially driven by tailwinds provided by continued flows and coupons being reinvested to the sector. Flows have been largely directed to longer durations and given the backdrop of rates, longer duration bonds have outperformed shorter ones. The supply side has remained favorable with consecutive months of net-negative supply due to refundings, calls, and redemptions. A major market focus is on the outcome of the elections and how it relates to tax reform as well as municipal bond regulations and oversight.

Global ILB

Global inflation breakevens were basically unchanged in the U.S. and Germany, while UK ten-year breakevens resumed their decline, falling nearly 20 bps during July. The UK inflation market continues to be negatively impacted by the uncertainty surrounding changes to the RPI index, the index UK ILBs are linked to. These changes could possibly lower annualized inflation according to the RPI index by 20 to 80 bps. While US breakevens were little changed on the month, the rally in ten-year real yields was extremely impressive, moving lower by 20 bps to record low real yields of less than -70 bps.

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Ventura County Employees'
Retirement

September 17, 2012

PRESENTED BY

Stephanie Lord, CFA, CIC
Vice President, Client Portfolio Manager

One Financial Center Boston, Massachusetts 02111 617 482-2450 www.loomissayles.com
BOSTON CHICAGO DETROIT SAN FRANCISCO WASHINGTON DC

loomis sayles update

Assets Under Management reach $171.4 billion

Expansion and Enhancement of Investment Strategies

- Loomis Sayles launches Capital Income Fund
- Long Duration/LDI strategies approach $10 billion in assets
- Credit Long/Short strategy exceeds $1 billion in assets

Awards

Institutional Investor Awards 2012

- Dan Fuss receives Money Management Lifetime Achievement award
- Top Corporate US Fixed Income Manager
- Top High Yield US Fixed Income Manager

Lipper Awards 2012

- LS Global Equity and Income Fund - Top Global Flexible Fund, 3-year performance category
- LS Institutional High Income Fund - Top High Current Yield Fund, 10-year performance category
- LS Strategic Income Fund - Top Multi-Sector Income Fund, 3-year performance category

Investment Professionals

- Rowland "Chip" Bankes replaced Jan Sharp as Head of Trading

As of 6/30/2012.

investment overview

PHILOSOPHY AND PROCESS

Our global total return strategy is a research driven team approach that utilizes five key tools to seek alpha.

- Country selection
- Currency selection
- Duration management

Portfolio positioning based on global economic analysis

- Sector exposure
- Security selection

Driven by Loomis Sayles in-depth analysis of individual securities and sectors

Global credit style:

- Value – not momentum driven
- Spread product emphasis
- Opportunistic – no constant excess return targets

global bond update

THE GLOBAL BOND TEAM

PRODUCT TEAM	Kenneth Buntrock, CFA, CIC **Portfolio Manager**	David Rolley, CFA **Portfolio Manager**	Lynda Schweitzer, CFA **Portfolio Manager**	Scott Service, CFA **Portfolio Manager**
Years in Industry:	**38**	**32**	**26**	**20**
	Hank Lynch, CFA **Product Manager**		Raffaello Distefano, CFA **Product Manager**	
Years in Industry:	**22**		**18**	

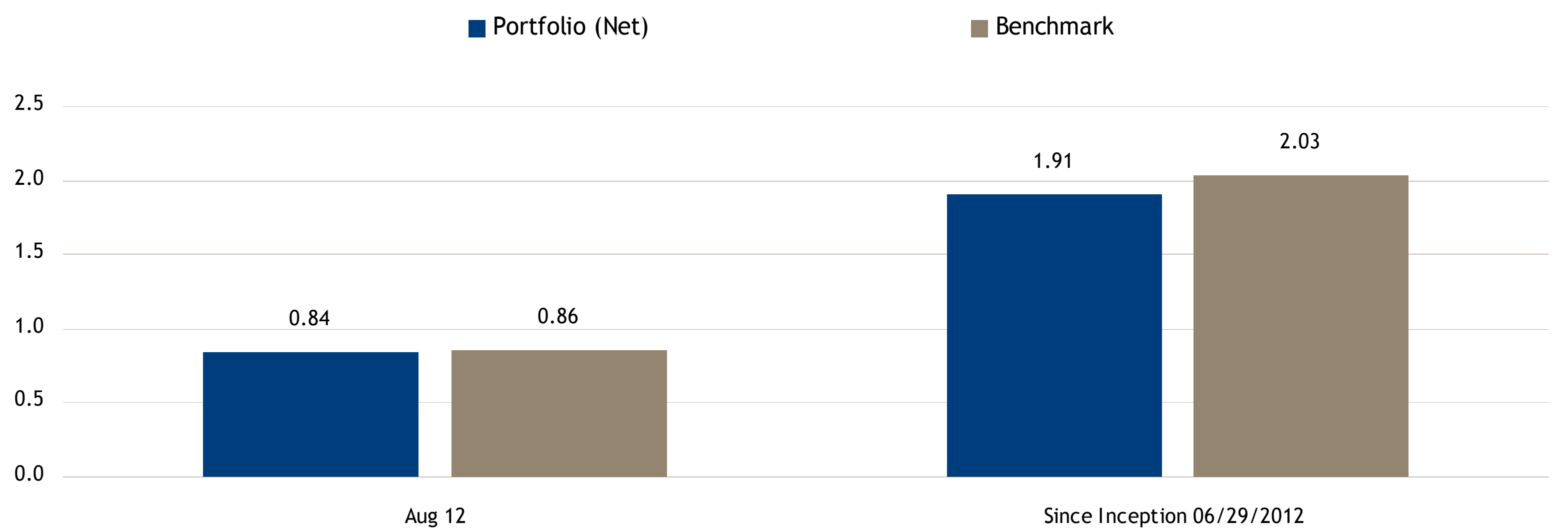
KEY SUPPORT **Avg. Experience: 19 yrs**	Client Service	Product Analysts	Portfolio Specialists	Sovereign Analysts
	Catherine Gambino **Kent Lam, CFA** **Sefton Kincaid** **Devika Sarin**	**Olivier Diolosa, CFA** **Warren Zhu, CFA**	**Michele Baxter** **Gail Bennett, CFA** **Ryan Powers**	**Joshua Demasi** **Laura Sarlo, CFA** **Darcie Sunnerberg** **Edgardo Sternberg** **Joseph Taylor**

TRADING **Avg. Experience: 15 yrs**	Global	Emerging Markets
	Marianne Winkleman **Sean Walton, CFA** **Steve Hoppe**	**Lynn Parker** **Carleton Boutwell, CFA** **Bao Vo**

Efficient trading platform includes 38 Traders and Portfolio Specialists

global bond portfolio review

PERFORMANCE AS OF 8/31/2012

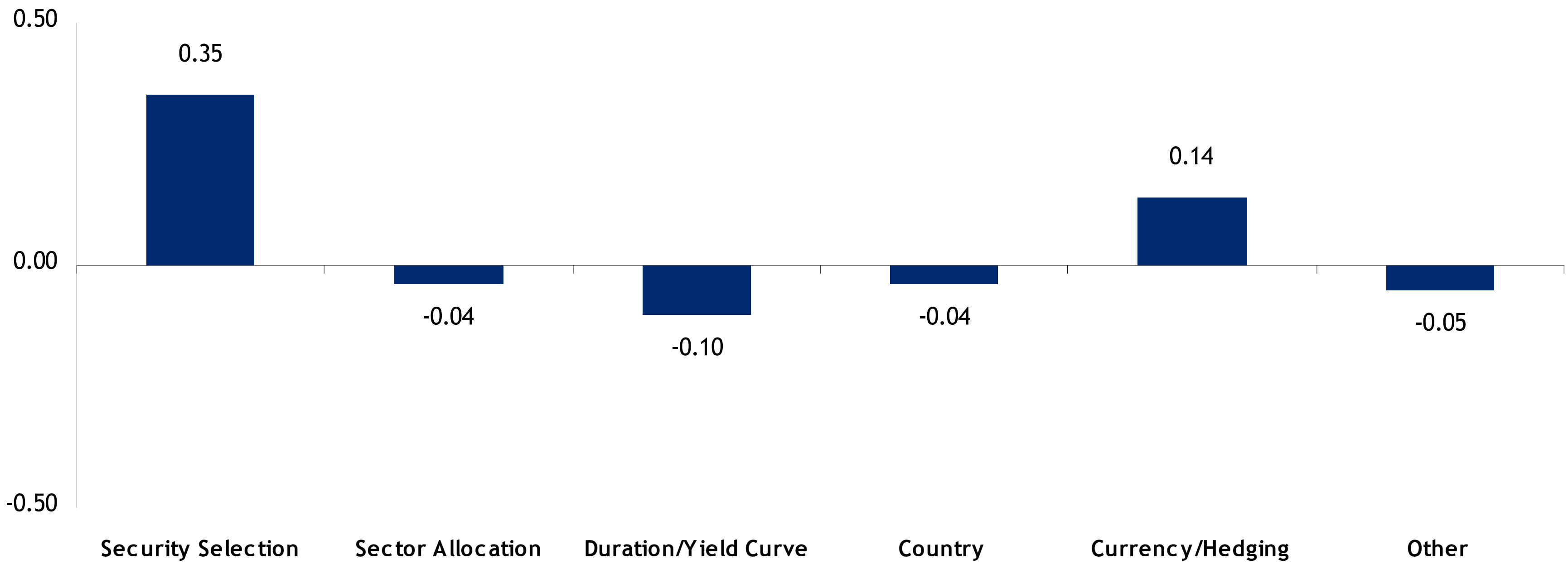


Data Source: Loomis Sayles and Barclays.

global bond portfolio review

PERFORMANCE ATTRIBUTION: PORTFOLIO INCEPTION THRU 8/31/2012

Gross of Fees
Excess Return: 0.26%



Data Source: Loomis Sayles and Barclays.

global bond portfolio review

CHARACTERISTICS AS OF 8/31/2012

	Loomis Sayles Global Fixed Income Trust - NHIT	Barclays Global Aggregate
Yield-to-Maturity	2.10%	1.79%
Effective Duration	5.53 years	5.97 years
Average Quality	Aa3	Aa3
Coupon	3.57%	3.41%
Current Yield	3.10%	3.15%
Maturity	6.81 years	7.66 years
Number of Securities	234	NA
Annual Portfolio Turnov	71.65%	NA

Quality Distribution	Account	Benchmark
Aaa	47.60	49.93
Aa	22.50	26.75
A	13.44	10.76
Baa	12.67	12.55
Ba	2.81	0.00
B	0.93	0.00
Caa & Lower	0.05	0.00

Data Source: Loomis Sayles and Barclays.

global bond portfolio review

WEIGHT BY SECTOR AS OF 8/31/2012 (%)

	PORTFOLIO WEIGHT	BENCHMARK WEIGHT
CASH	1.41	.00
CASH	1.41	.00
DERIVATIVES	-3.90	.00
FUTURES	-3.90	.00
TREASURIES	63.99	54.53
TREASURIES	63.99	54.53
GOVERNMENT RELATED	10.46	13.62
GOVERNMENT GUARANTEE	1.90	3.45
GOVERNMENT SPONSORED	.09	.49
OWNED NO GUARANTEE	2.28	3.36
LOCAL AUTHORITIES	3.35	3.18
SOVEREIGN	2.32	1.17
SUPRANATIONAL	.52	1.97
SECURITIZED	11.44	16.03
ABS OTHER	.31	.04
CAR LOAN	1.56	.02
CREDIT CARD	.80	.05
RESIDENTIAL MORTGAGE	.00	.01
STRANDED UTILITY	.00	.01
STUDENT LOAN	.00	.00
WHOLE BUSINESS	.00	.05
CMBS	1.53	.62
COVERED OTHER	.00	.00
HYBRID	.00	.15
MORTGAGE ASSETS	.23	2.96
PUBLIC SECTOR LOANS	.00	.57
AGENCY	7.00	11.53

	PORTFOLIO WEIGHT	BENCHMARK WEIGHT
CORPORATES	19.73	15.83
FINANCIALS	7.88	6.69
BANKING	5.22	4.91
BROKERAGE	.00	.10
FINANCE COMPANIES	.83	.47
FINANCIAL OTHER	.00	.08
INSURANCE	1.17	.88
REITS	.67	.26
INDUSTRIALS	9.77	7.57
BASIC INDUSTRY	1.74	.72
CAPITAL GOODS	.74	.65
COMMUNICATIONS	2.33	1.58
CONSUMER CYCLICAL	1.68	1.02
CONSUMER NON CYCLICAL	1.64	1.76
ENERGY	.91	.86
INDUSTRIAL OTHER	.00	.17
TECHNOLOGY	.27	.42
TRANSPORTATION	.45	.39
UTILITIES	2.08	1.57
ELECTRIC	.85	.95
NATURAL GAS	1.23	.47
UTILITY OTHER	.00	.14
DERIVATIVES OFFSET	-3.09	.00
FUTURES OFFSET	3.90	.00
TBA OFFSET	-6.99	.00
Unrealized FX Gain/Loss	-.05	.00
Unrealized FX Gain/Loss	-.05	.00

Data Source: Loomis Sayles and Barclays.

global bond portfolio review

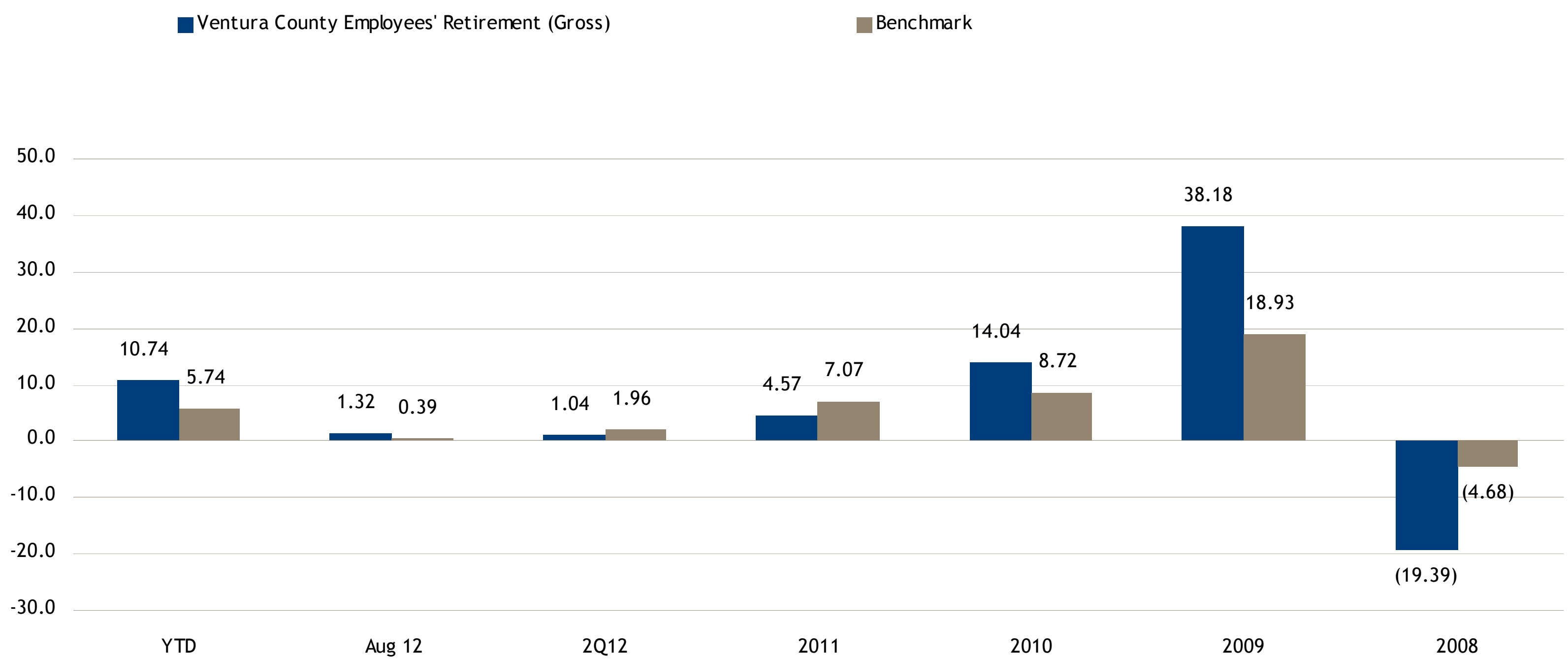
CURRENCY EXPOSURE & DURATION AS OF 8/31/2012

CURRENCY	PORTFOLIO WEIGHT PRE-HEDGE (%)	PORTFOLIO WEIGHT POST-HEDGE (%)	BENCHMARK WEIGHT PRE-HEDGE (%)	PORTFOLIO DURATION	BENCHMARK DURATION	PORTFOLIO CONTRIBUTION TO DURATION (%)	BENCHMARK CONTRIBUTION TO DURATION (%)
Euro	19.10	19.82	23.45	5.74	5.64	1.10	1.32
British Pound Sterling	7.21	6.46	6.01	8.89	9.56	0.64	0.57
Danish Krone	0.24	0.24	0.37	1.83	7.29	0.00	0.03
Norwegian Krone	2.92	2.17	0.14	3.53	4.56	0.10	0.01
Polish Zloty	0.03	0.03	0.25	0.00	4.13	0.00	0.01
Swedish Krona	0.03	0.03	0.60	0.00	4.09	0.00	0.02
Swiss Franc	0.75	0.75	0.72	5.50	6.25	0.04	0.05
Other Europe	0.00	0.00	0.13				
TOTAL EUROPE	30.28	29.50	31.67				
South African Rand	0.01	0.01	0.27	0.00	6.27	0.00	0.02
Other Africa and the Middle East	0.00	0.00	0.11				
TOTAL AFRICA AND THE MIDDLE EAST	0.01	0.01	0.38				
Japanese Yen	16.25	16.25	20.55	6.61	7.43	1.07	1.53
Indonesian Rupiah	0.01	0.01	0.00	0.00	0.00	0.00	0.00
Malaysian Ringgit	0.32	0.56	0.19	3.50	5.28	0.01	0.01
Singapore Dollar	1.86	2.07	0.16	1.50	6.49	0.03	0.01
South Korean Won	0.00	1.75	0.94	0.02	4.62	0.00	0.04
Philippine Peso	0.57	0.57	0.00	7.66	0.00	0.04	0.00
Other Asia	0.00	0.00	0.23				
TOTAL ASIA	19.01	21.21	22.07				
Australian Dollar	1.27	0.19	1.36	5.21	4.49	0.07	0.06
New Zealand Dollar	0.85	0.10	0.13	6.66	4.92	0.06	0.01
TOTAL OCEANIA	2.12	0.29	1.49				
U S Dollars	39.91	41.71	41.29	4.45	5.05	1.77	2.09
Brazilian Real	0.55	0.55	0.00	4.83	0.00	0.03	0.00
Canadian Dollar	4.37	2.98	2.80	3.60	7.35	0.16	0.21
Mexican Peso	3.14	3.14	0.30	7.26	6.10	0.23	0.02
Uruguay Peso	0.66	0.66	0.00	13.36	0.00	0.09	0.00
Other Americas	0.00	0.00	0.01				
TOTAL AMERICAS	48.63	49.04	44.40				
Unrealized FX Gain/Loss	-0.05	-0.05	0.00	0.00	0.00	0.00	0.00
TOTAL	100.00	100.00	100.01				

Data Source: Loomis Sayles and Barclays.

investment results-
multi sector fixed income

CALENDAR YEAR RETURNS (%) AS OF 08/31/2012



The current benchmark is comprised of 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US. (1) 60% Barclays Aggregate, 35% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US from 7/31/2005 to 11/30/2007; and 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US from 11/30/2007 to 8/31/2012. Returns over one year are annualized. Information is reported on a trade date basis. Data Source: Barclays Capital, Bloomberg, JP Morgan

investment results-
multi sector fixed income

ANNUALIZED RETURNS (%) AS OF 08/31/2012

The current benchmark is comprised of 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US. (1) 60% Barclays Aggregate, 35% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US from 7/31/2005 to 11/30/2007; and 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US from 11/30/2007 to 8/31/2012. Returns over one year are annualized. Information is reported on a trade date basis. Data Source: Barclays Capital, Bloomberg, JP Morgan

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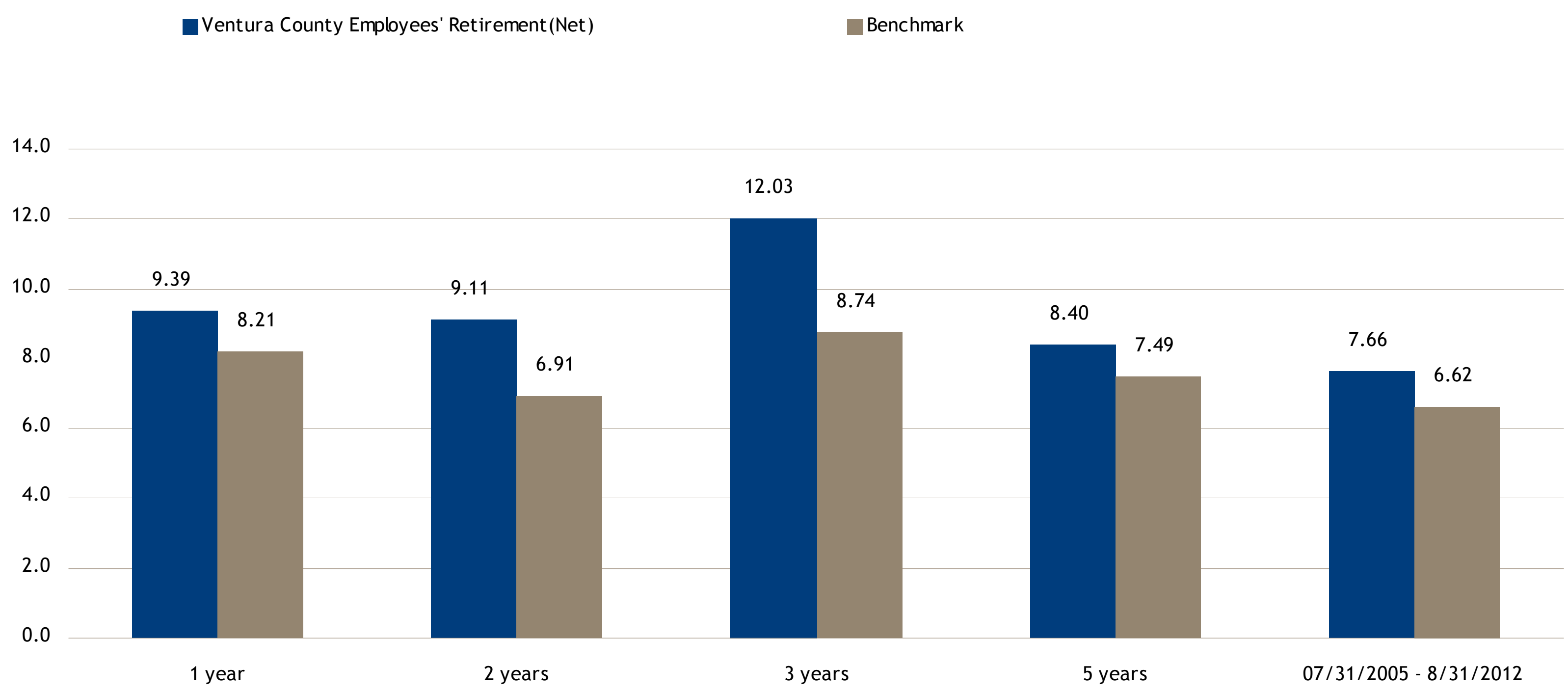
investment results-
multi sector fixed income

ANNUALIZED RETURNS (%) AS OF 08/31/2012



The current benchmark is comprised of 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US. (1) 60% Barclays Aggregate, 35% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US from 7/31/2005 to 11/30/2007; and 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US from 11/30/2007 to 8/31/2012. Returns over one year are annualized. Information is reported on a trade date basis. Data Source: Barclays Capital, Bloomberg, JP Morgan

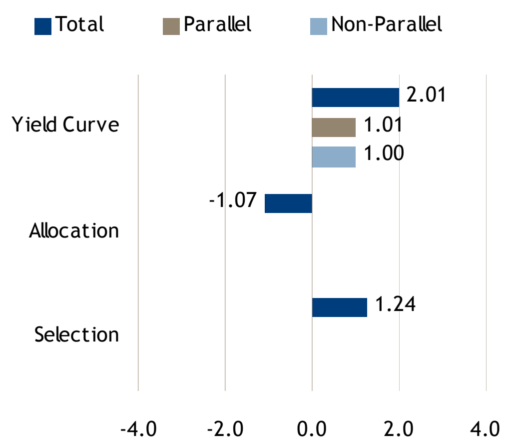
performance attribution

08/31/2011 THROUGH 08/31/2012 (%)

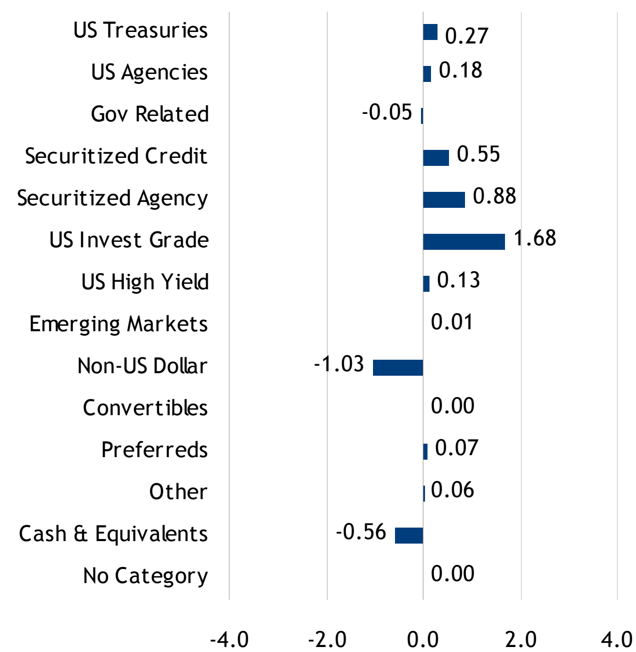
Total Returns

Account Return	9.78
Benchmark Return	8.22
Excess Return	1.56

Excess Return Attribution



Excess Return Attribution by Sector



The Attribution benchmark is 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US. Figures on bar charts may not add up to total excess return as they exclude impact of trading and pricing differences. Data Source: Barclays Capital, Citigroup, JP Morgan

attribution analysis

08/31/2011 THROUGH 08/31/2012 (%)

Maturity Distribution

	Final Weight	Portfolio Return	Total Effect
Under 1 year	14.56	(13.23)	(0.65)
1 - 3 years	7.43	1.62	0.19
3 - 5 years	17.09	8.84	0.74
5 - 7 years	14.63	12.36	0.45
7 - 10 years	15.76	13.40	(0.12)
10+ years	30.54	17.01	1.54

Quality Distribution

	Final Weight	Portfolio Return	Total Effect
Aaa	21.84	(1.39)	(0.37)
Aa	4.06	4.59	(0.08)
A	10.27	11.68	(0.06)
Baa	43.33	12.79	1.75
Ba	11.23	18.66	1.05
B	6.73	9.88	(0.74)
Caa & Lower	2.05	24.99	0.13
Not Rated	0.48	(9.01)	0.48

Sector Distribution

	Final Weight	Portfolio Return	Total Effect
US Treasuries	4.49	0.27	0.27
US Agencies	0.00	0.00	0.18
Gov Related	2.68	5.81	(0.05)
Securitized Credit	6.63	16.58	0.55
Securitized Agency	1.95	3.38	0.88
US Invest Grade	37.03	13.61	1.68
IG - Financial	12.63	18.52	1.16
IG - Industrial	20.38	12.22	0.66
IG - Utility	4.02	5.20	(0.14)
US High Yield	24.85	16.69	0.13
HY - Financial	5.47	17.30	0.23
HY - Industrial	15.86	14.49	(0.38)
HY - Utility	3.52	25.68	0.28
Emerging Markets	0.00	8.87	0.01
Non-US Dollar	13.43	(13.13)	(1.03)
Convertibles	1.45	6.01	0.00
Preferreds	0.42	26.27	0.07
Other	0.48	13.65	0.06
Cash & Equivalents	6.14	0.08	(0.56)
No Category	0.43	3.37	0.00

Currency Distribution

	Final Weight	Portfolio Return	Total Effect
Euro	1.27	(16.60)	0.32
British Pound Sterling	0.24	(3.27)	(0.04)
Japanese Yen	0.00	0.00	0.18
Indonesian Rupiah	0.00	(3.16)	(0.14)
Malaysian Ringgit	0.00	1.17	(0.02)
South Korean Won	0.00	(6.98)	(0.19)
Indian Rupee	0.00	(14.44)	(0.15)
Philippine Peso	0.21	8.64	0.00
Australian Dollar	1.01	7.32	0.01
New Zealand Dollar	1.62	2.75	(0.09)
U S Dollars	86.57	12.24	3.20
Brazilian Real	2.28	(13.76)	(0.61)
Canadian Dollar	5.05	2.89	(0.27)
Mexican Peso	1.77	5.90	(0.04)

For split rated securities in the quality distribution, the highest of Moody, S&P, and Fitch is used. Unrated securities are rated by Loomis Sayles Research. The Attribution benchmark is 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US. Cash, Government & Agencies, and Aaa rated positions are reflected in the Aaa category. Total Effects are impacted by sector returns, allocation shifts and market timing. Data Source: Barclays Capital, Citigroup, JP Morgan

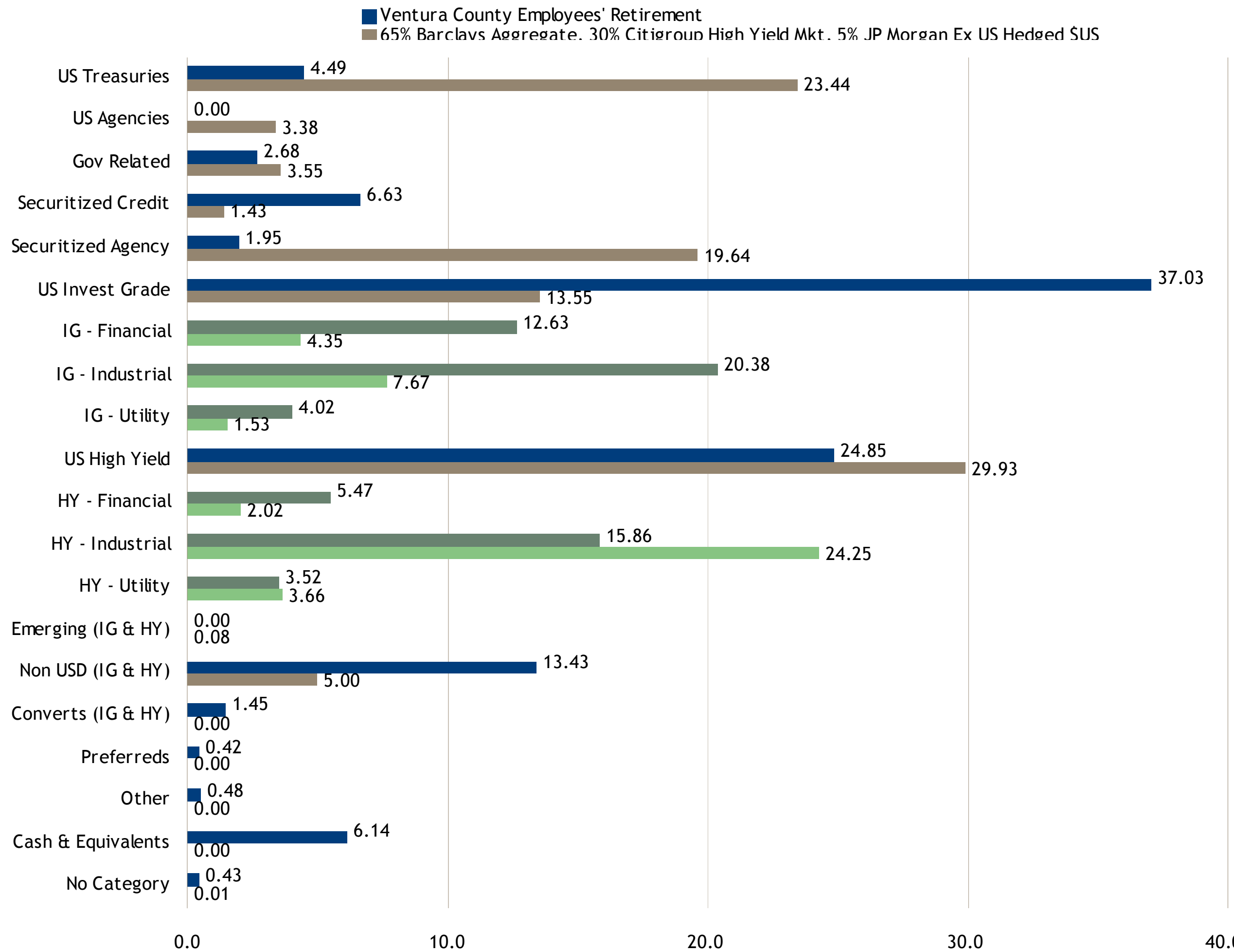
historical characteristics summary
multi sector fixed income

	Ventura County Employees' Retirement 12/31/2011	Ventura County Employees' Retirement 08/31/2012	65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US 08/31/2012
Yield to Maturity	5.79%	4.79%	3.40%
Maturity	10.28 years	9.59 years	6.39 years
Duration	5.74 years	5.94 years	4.75 years
Coupon Rate	5.43%	5.68%	5.15%
Average Quality	Baa1	Baa1	Baa1

Duration used is Effective. Data Source: Barclays Capital, Citigroup, JP Morgan

characteristics summary
multi sector fixed income

SECTOR DISTRIBUTION (%) AS OF 8/31/2012



Data Source: Barclays Capital, Citigroup, JP Morgan

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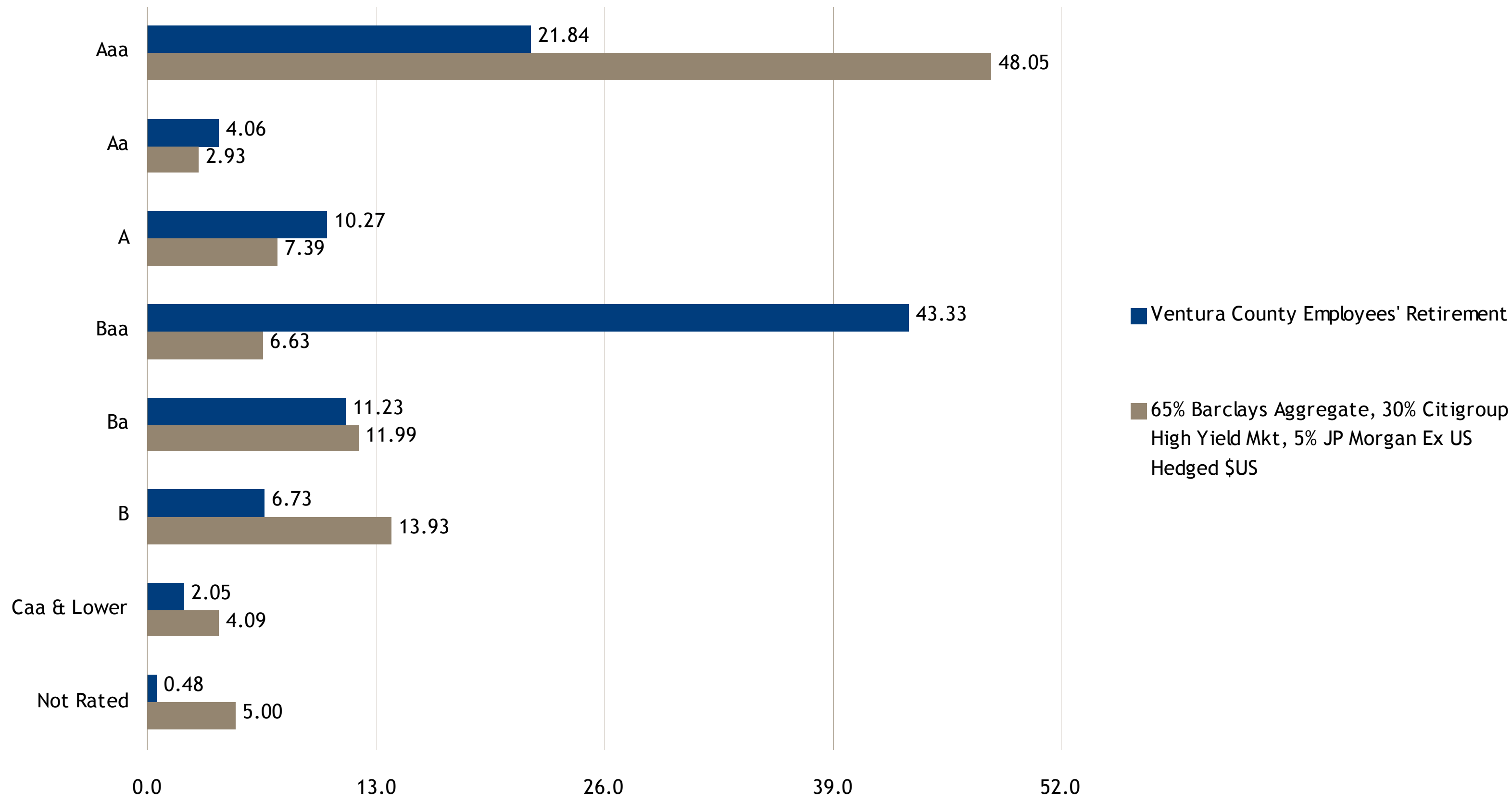
characteristics summary
multi sector fixed income

QUALITY DISTRIBUTION (%) AS OF 8/31/2012



For split rated securities in the quality distribution, the highest of Moody, S&P, and Fitch is used. Unrated securities are rated by Loomis Sayles Research. The account's split rating treatment is based on client guidelines. The benchmark follows the vendor's methodology. Cash, Government & Agencies, and Aaa rated positions are reflected in the Aaa category. Data Source: Barclays Capital, Citigroup, JP Morgan

country/currency hedging

multi sector fixed income

12/31/2011 THROUGH 08/31/2012 (%)

CURRENCY	PORTFOLIO WEIGHT PRE-HEDGE (%)	PORTFOLIO WEIGHT POST-HEDGE (%)	CURRENCY CONTRIBUTION	BOND CONTRIBUTION	HEDGING EFFECT	TOTAL EFFECT
Australian Dollar	1.01	1.01	0.03	0.07	0.00	0.09
Brazilian Real	2.28	2.28	-0.20	0.09	0.00	-0.11
British Pound Sterling	0.24	0.06	-0.02	-0.01	0.00	-0.03
Canadian Dollar	5.05	5.05	0.17	-0.20	0.00	-0.03
Euro	1.31	0.13	0.00	0.13	0.03	0.16
Indian Rupee	0.00	0.00	0.00	0.01	0.00	0.01
Indonesian Rupiah	0.00	0.00	-0.06	0.04	0.00	-0.02
Malaysian Ringgit	0.00	0.00	0.03	-0.01	0.00	0.02
Mexican Peso	1.77	1.77	0.10	0.12	0.00	0.23
New Zealand Dollar	1.62	1.62	0.06	-0.04	0.00	0.02
Philippine Peso	0.21	0.21	0.01	0.00	0.00	0.01
South Korean Won	0.00	0.00	0.01	-0.04	0.00	-0.03
U S Dollars	86.57	87.92	0.00	4.57	0.00	4.57
Unrealized FX Gain/Loss	-0.05	-0.05	0.00	0.00	0.00	0.00

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The Attribution benchmark is 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US. Data Source: Barclays Capital, Citigroup, JP Morgan Weights reflect end of period holdings. Effects are as of the entire period. Bond Contribution is the sum of Country Allocation and Local Market effects.

Economic and Macro Environment Outlook

Year-end Forecast	U.S. Domestic			Global			Western Europe			Asia Pacific			Latin America		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
GDP Growth	1.7%	2.0%	1.9%	2.9%	2.6%	3.0%	1.5%	-0.2%	0.9%	4.3%	5.0%	4.9%	4.2%	3.6%	4.1%
CPI Inflation	3.1%	1.9%	2.0%	3.7%	3.0%	2.9%	2.8%	2.2%	1.9%	3.5%	2.6%	2.7%	6.9%	6.0%	6.3%
Current Account Balance (Billions $)	(466)	(532)	(541)	-	-	-	234.0	263.6	312.9	390	324	334	(66.9)	(86.6)	(101.8)
Interest Rates (10-Year); end of year	**1.89%**	1.50%	2.25%	-	-	-	-	-	-	-	-	-	-	-	-

MACRO ENVIRONMENT

US Economy

- We expect growth to remain sub-2% over the next 12 months as firms anticipate some sort of fiscal austerity (fiscal cliff).
- Growth in real disposable personal income (after inflation & taxes) slows to a crawl in 2013 as payroll tax holiday ends.
- Exports continue to slow as the European recession deepens and as the Chinese slowdown is drawn out.
- Fiscal tightening will be a drag on growth in 2013.
- The unemployment rate will remain high and inflation low.
- The Fed is on hold at least through 2014.

Fiscal Uncertainty Across Advanced Economies

- Europe has been enduring tight fiscal policy, particularly in the periphery and in the UK. The US may be headed down a similar path although it continues to avoid addressing its long-term structural issues.
- Legislation due to expire at year end is slated to cause a $500-700 billion fiscal drag (3-4% of GDP) in 2013. Lame duck Congress likely to extend Bush tax cuts into 2013, but the risk of gridlock is significant.
- As gridlock dominates the legislature long-term planning is difficult if not impossible, holding back US growth.
- A US fiscal cliff in 2013 is a recession risk.

Credit Cycle

- Decelerating global growth and the stronger dollar has hurt profits.
- Strong US corporate and bank balance sheets should limit default rates in the event of a recession. Maturity wall has been pushed forward.
- Corporate health is strong although nonfinancial debt is increasing while profits and cash flows are slowing.
- Domestic profits to slow in reaction to “sequester” budget cuts (e.g. defense, utilities sectors).
- Political instability, European bank and fiscal deleveraging and bank recapitalizations in Spain will keep tensions very high in Europe.

Risk Expectations & Liquidity Are Driving Markets

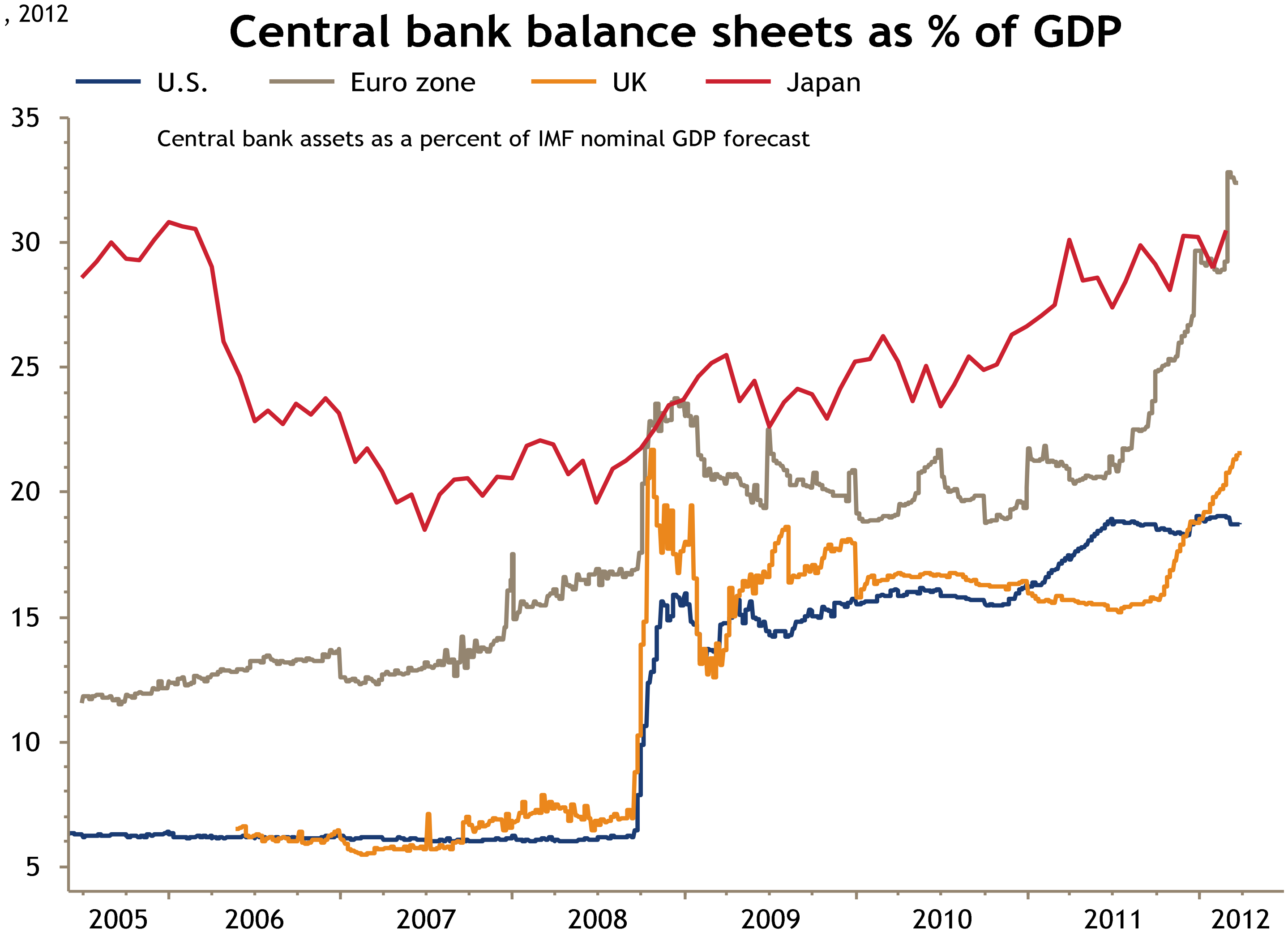
- The CRIC Cycle (crisis, response, improvement, complacency) is alive and well.
- Liquidity evaporated in Europe with the end of the 2nd LTRO.
- Austerity and bailout fatigue is coming to a head across Europe.
- Portfolios continue to rebalance toward less risky assets.
- Credit creation is decelerating in Europe and China.
- Monetary policy in advanced economies will remain loose for a long time.
- Emerging markets are to face renewed food inflation.

The opinions expressed are based upon subjective judgments and will evolve as future events unfold.
Data source: Loomis Sayles Economics, Bloomberg, Moody's Investors Services, Consensus Economics
As of 7/23/2012

balance sheet expansion

MONETARY AUTHORITIES ARE CURRENTLY WORKING HARD TO TRY TO PREVENT A DEFLATIONARY BUST

As of March 31, 2012



Source: Thomson Reuters Datastream, Data as of Q1 12

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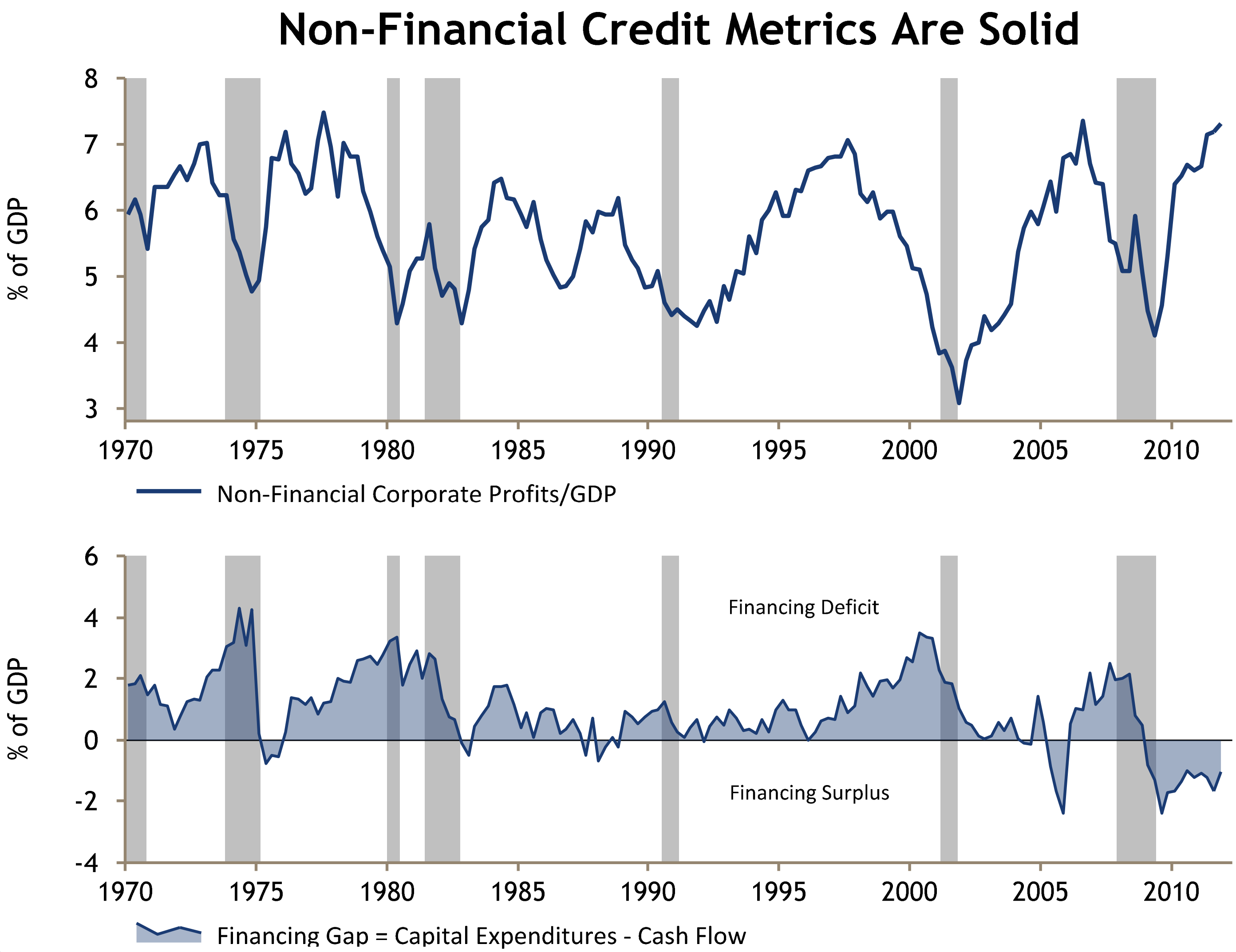
corporate health monitor

LIQUIDITY RISK APPEARS TO BE A MAIN THREAT, NOT DEFAULT RISK



Note: Shaded for US recessions

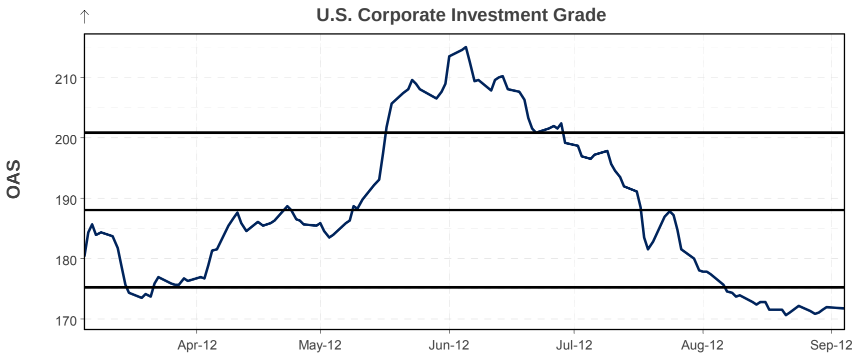
Source: Thomson Reuters Datastream, Data as of Q4 11

LOOMIS | SA

bond market environment

U.S. CORPORATE INVESTMENT GRADE OAS

Six Months



Key	Axis	Name	Last	Minimum		Maximum		Mean	SD	SD Change
—	Left	U.S. Corporate Investment Grade	171.622	170.520	08/21/2012	215.093	06/05/2012	187.954	12.820	1.702

Ten Years

Key	Axis	Name	Last	Minimum		Maximum		Mean	SD	SD Change
—	Left	U.S. Corporate Investment Grade	171.622	75.757	03/11/2005	617.958	12/03/2008	175.266	110.523	2.898

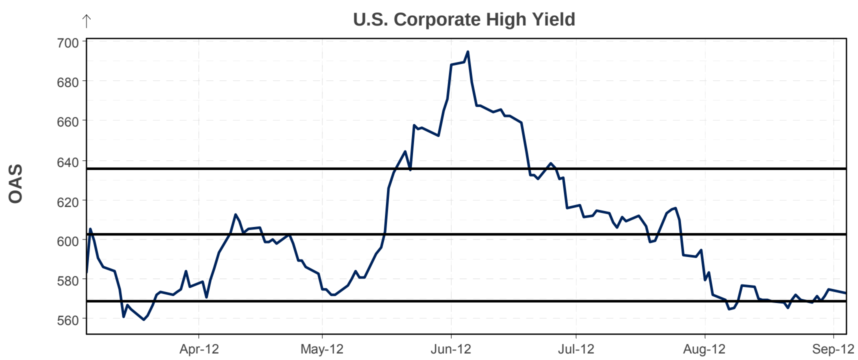
LOOMIS | SAYLES

Data Source: Barclays. Data thru 8/31/2012

bond market environment

U.S. HIGH YIELD OAS

Six Months



Key	Axis	Name	Last	Minimum		Maximum		Mean	SD	SD Change
—	Left	U.S. Corporate High Yield	572.488	559.148	03/19/2012	694.985	06/05/2012	602.412	33.530	7.071

Ten Years

Key	Axis	Name	Last	Minimum		Maximum		Mean	SD	SD Change
—	Left	U.S. Corporate High Yield	572.488	232.645	05/23/2007	1971.217	12/16/2008	589.162	310.428	10.808

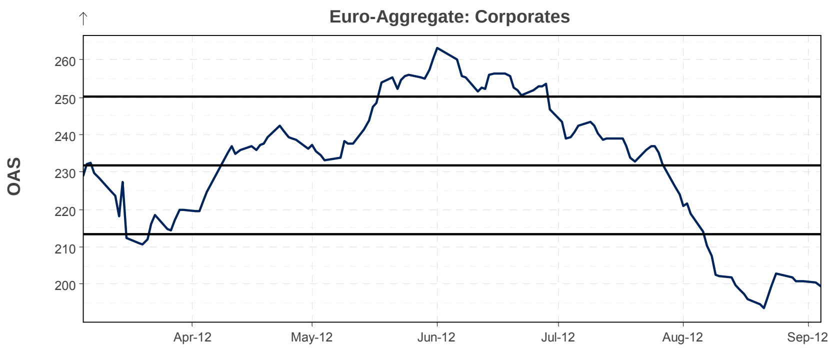
LOOMIS | SAYLES

Data Source: Barclays. Data thru 8/31/2012

bond market environment

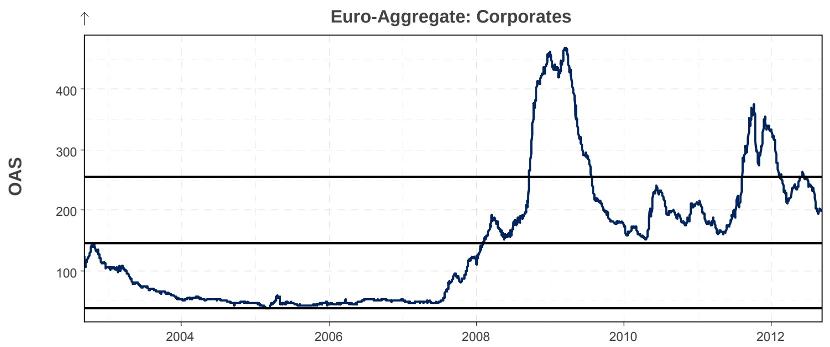
EURO-AGGREGATE CORPORATES OAS

Six Months



Key	Axis	Name	Last	Minimum		Maximum		Mean	SD	SD Change
—	Left	Euro-Aggregate: Corporates	199.288	193.538	08/21/2012	263.225	06/01/2012	231.876	18.446	2.936

Ten Years



Key	Axis	Name	Last	Minimum		Maximum		Mean	SD	SD Change
—	Left	Euro-Aggregate: Corporates	199.288	37.533	03/07/2005	468.922	03/12/2009	146.210	109.108	2.773

LOOMIS | SAYLES

Data Source: Barclays. Data thru 8/31/2012

Section 5

Ventura County Employees Retirement

Guideline Certification

Loomis, Sayles & Company, L.P. hereby certifies that, to the best of our knowledge, for the period from August 31, 2011 to August 31, 2012, the Multisector Full Discretion portfolio managed for the benefit of the Ventura County Employees Retirement Association was in compliance with the investment guidelines as approved by the Ventura County Employees Retirement Association .

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Stephanie S. Lord, CFA
Vice President
Client Portfolio Manager

contacts

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PIMCO

Your Global Investment Authority

Global Market Outlook

Ventura County Employees' Retirement Association

17 September 2012

Past performance is not a guarantee or a reliable indicator of future results. Shares distributed by **PIMCO Investments LLC.**

A company of Allianz

Olivia A. Albrecht

Ms. Albrecht is a product manager on the global team in the Newport Beach office. Prior to joining PIMCO in 2011, she worked at Cerberus Capital Management in Frankfurt, Germany, focusing on aerospace and defense transactions. Previously she was a manager in corporate international business development at Lockheed Martin; she has also held positions at Mubadala Development Corporation in Abu Dhabi, UAE, and at the U.S. Department of Defense in Virginia. She has four years of investment experience and holds an MBA from Columbia Business School, along with a master's degree from Columbia University’s School of International and Public Affairs and an undergraduate degree from Princeton University.

David J. Blair, CFA

Mr. Blair is a senior vice president and account manager in the Newport Beach office. He was a member of PIMCO's municipal portfolio management team from 2006-2010 and was previously a credit analyst for 10 years at Nuveen Investments, focusing on high yield California bonds, primarily in the land-secured sector, as well as utilities, multi-family housing and toll road bonds. Mr. Blair was also an auditor and certified public accountant at Arthur Andersen for three years. He has 18 years of investment experience and holds an MBA from the University of Chicago Graduate School of Business. He holds an undergraduate degree from the University of California, Santa Barbara.

Todd A. Staley

Mr. Staley is an account manager in the Newport Beach office, focusing on institutional client servicing. Prior to joining PIMCO in 2011, he worked as a structured finance associate on the non-mortgage asset backed securitization team at Bank of America. He has five years of investment experience and holds an MBA from the Kenan-Flagler Business School at the University of North Carolina as well as an undergraduate degree from the University of Cincinnati.

Agenda

1. Market review

Market review: One step forward, two steps back

What we expected

- Policy response in EU would remain insufficient
- Growth in the U.S. would turn more sluggish
- Emerging economies would show more signs of softening

How we were positioned

- Overweight duration in core Europe; underweight peripheral countries
- Moderate overweight exposure to U.S., underweight riskier spread assets
- Overweight duration in Brazil and Mexico; neutral EM currencies

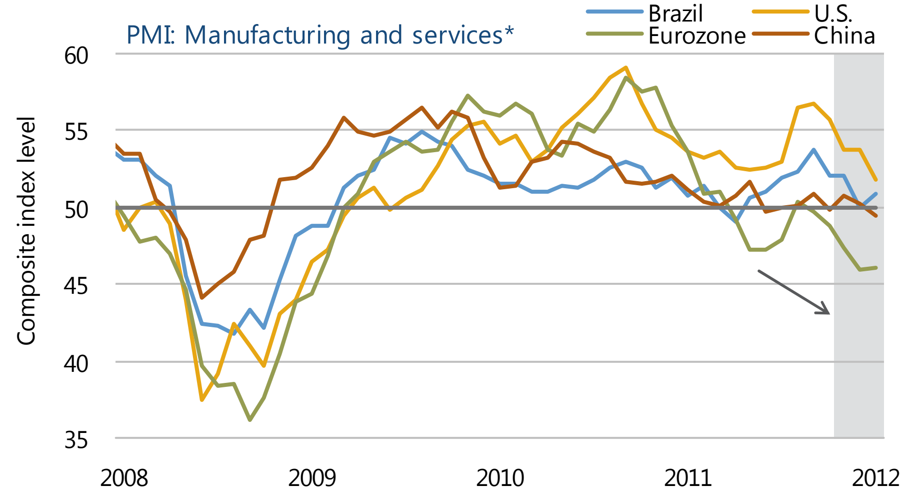
What happened

- Further signs of a synchronized global slowdown emerged
- The crisis in Europe worsened (yet again)
- Policy response faced the law of diminishing returns

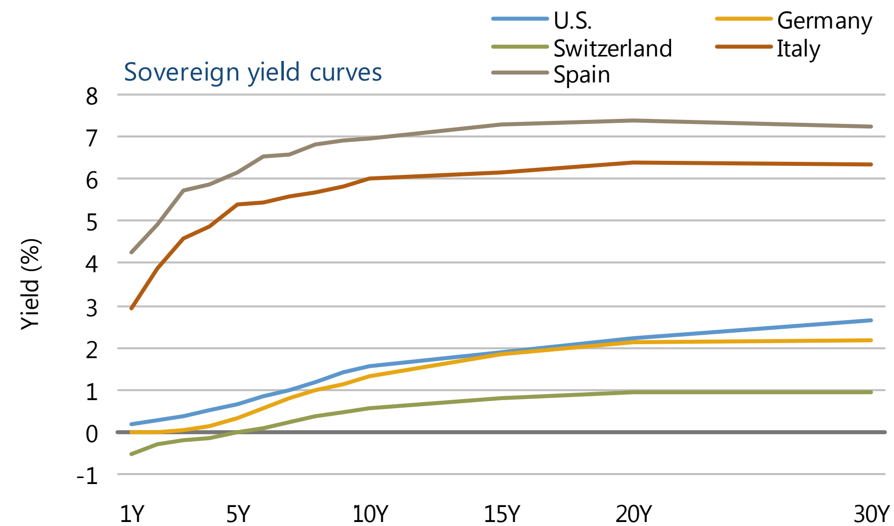
As of 30 June 2012

A synchronized global slowdown spurred a flight to quality…

- Purchasing manager surveys suggested sharply slowing growth in Q2



- Near zero (or even negative!) yields on "safe-haven" sovereigns contrasted with those on Italian and Spanish debt

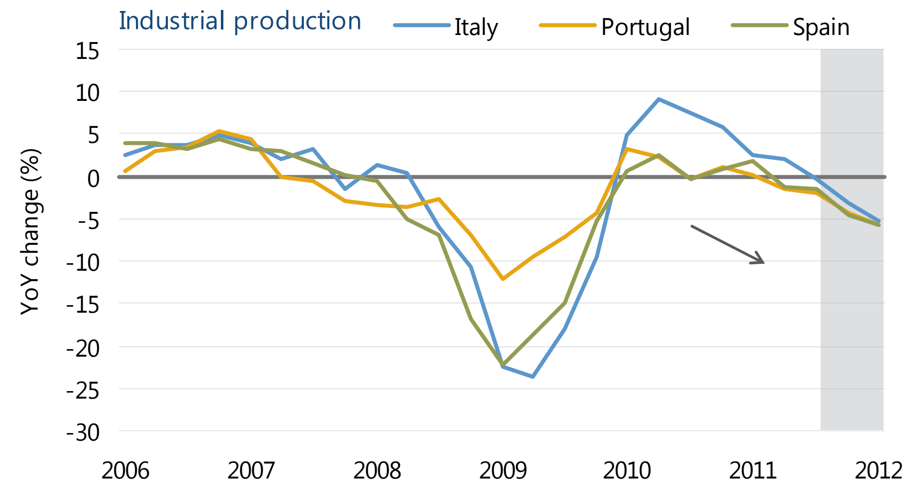


Faltering growth exacerbated the challenges already facing over-indebted sovereigns

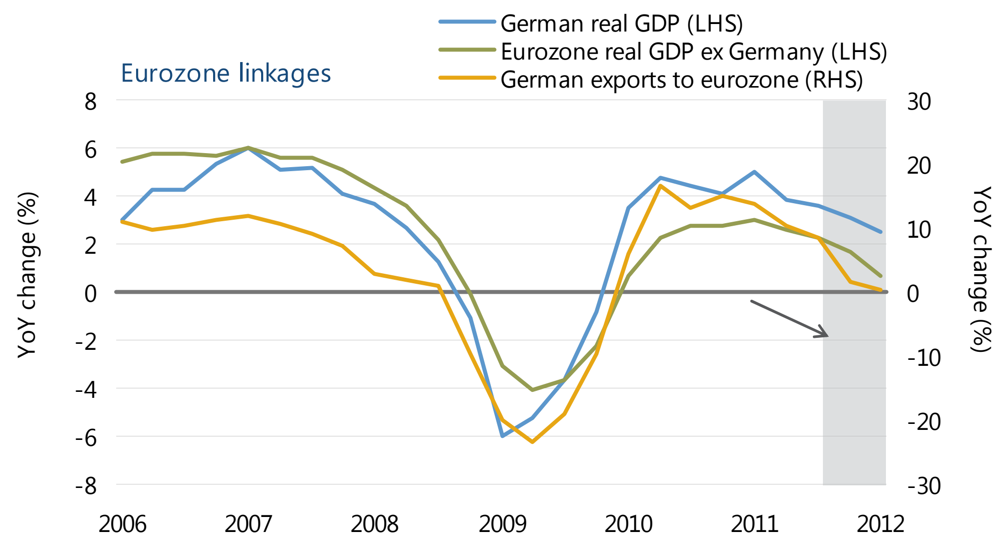
As of 30 June 2012
SOURCE: Bloomberg, Haver Analytics, et al.
* Eurozone: Markit; Brazil: HSBC; China: HSBC. All figures are based on composite data.

…as recession gripped Europe

- Peripheral strains illustrated the adverse feedback loop of austerity, recession, and market stress…



- …while even Germany, with its dependence on eurozone demand, was not immune

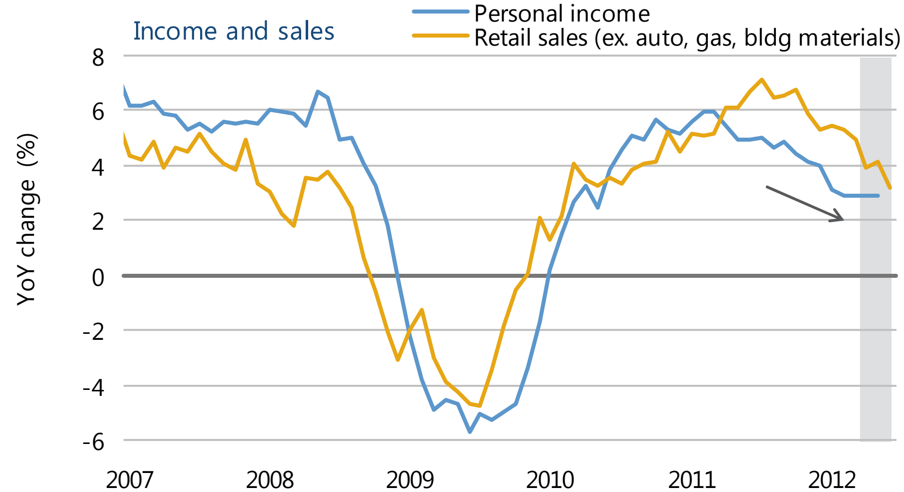


The lack of a coherent policy response combined with the underlying structural challenges of the eurozone drive the region further into recession

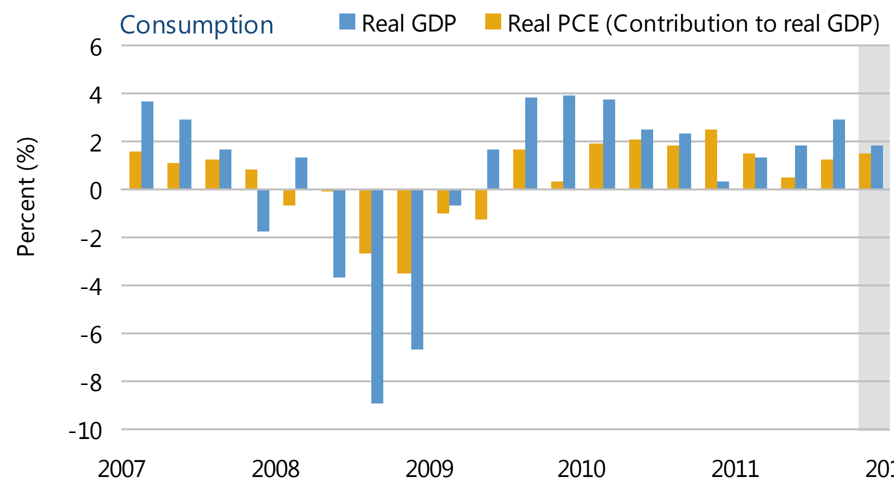
As of 30 June 2012
SOURCE: Bloomberg, Haver Analytics, Statistical Office of the European Communities, Deutsche Bundesbank, Eurostat

U.S. growth weakened…

- Retail sales have weakened as consumers have become less willing to spend beyond their means…



- …which is not a good omen given that private consumption has been driving overall GDP growth

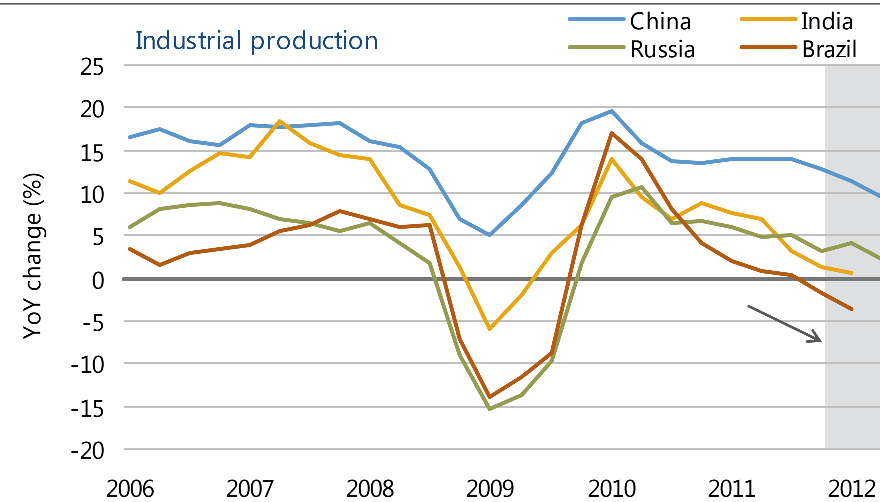


Consumers, the bulwark of the U.S. economy, showed increasing signs of strain

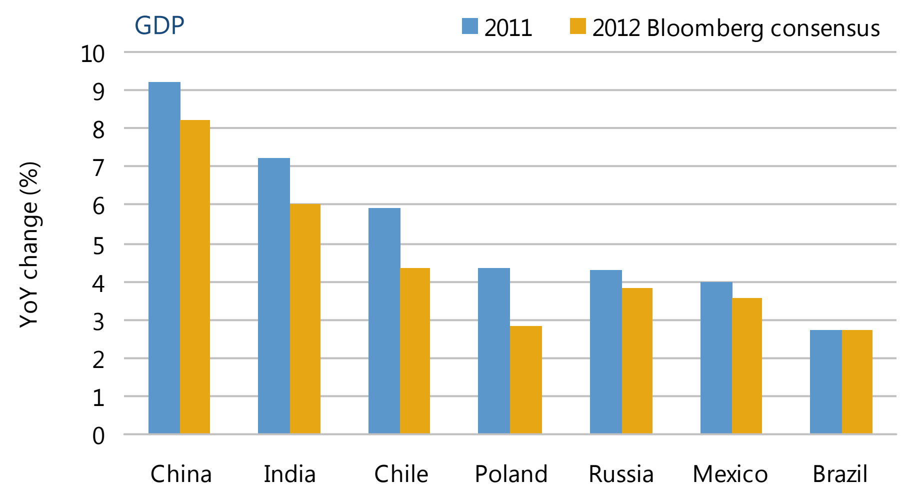
As of 30 June 2012
SOURCE: Haver Analytics, U.S. Bureau of Economic Analysis, U.S. Census Bureau
PCE: Personal Consumption Expenditure

…and emerging market engines cooled

- Emerging market economies are losing momentum in the face of a synchronized global slowdown



- Expected 2012 growth rates, while above those of developed economies, are below those of 2011



Despite healthier economic fundamentals relative to developed economies, emerging markets have been vulnerable to the global slowdown

As of 30 June 2012
SOURCE: Haver Analytics, Bloomberg, China National Bureau of Statistics, Russian Federal State Statistics Service, Central Statistical Office of India, Instituto Brasileiro de Geografia e Estatística

2. Economic outlook

Market outlook

Themes

- An overhang of debt and higher than normal levels of underemployment imply dim global growth prospects
- Lack of a coherent vision and continued policy coordination challenges leave open risk of a disorderly eurozone outcome
- Continued monetary accommodation should keep interest rates unusually low

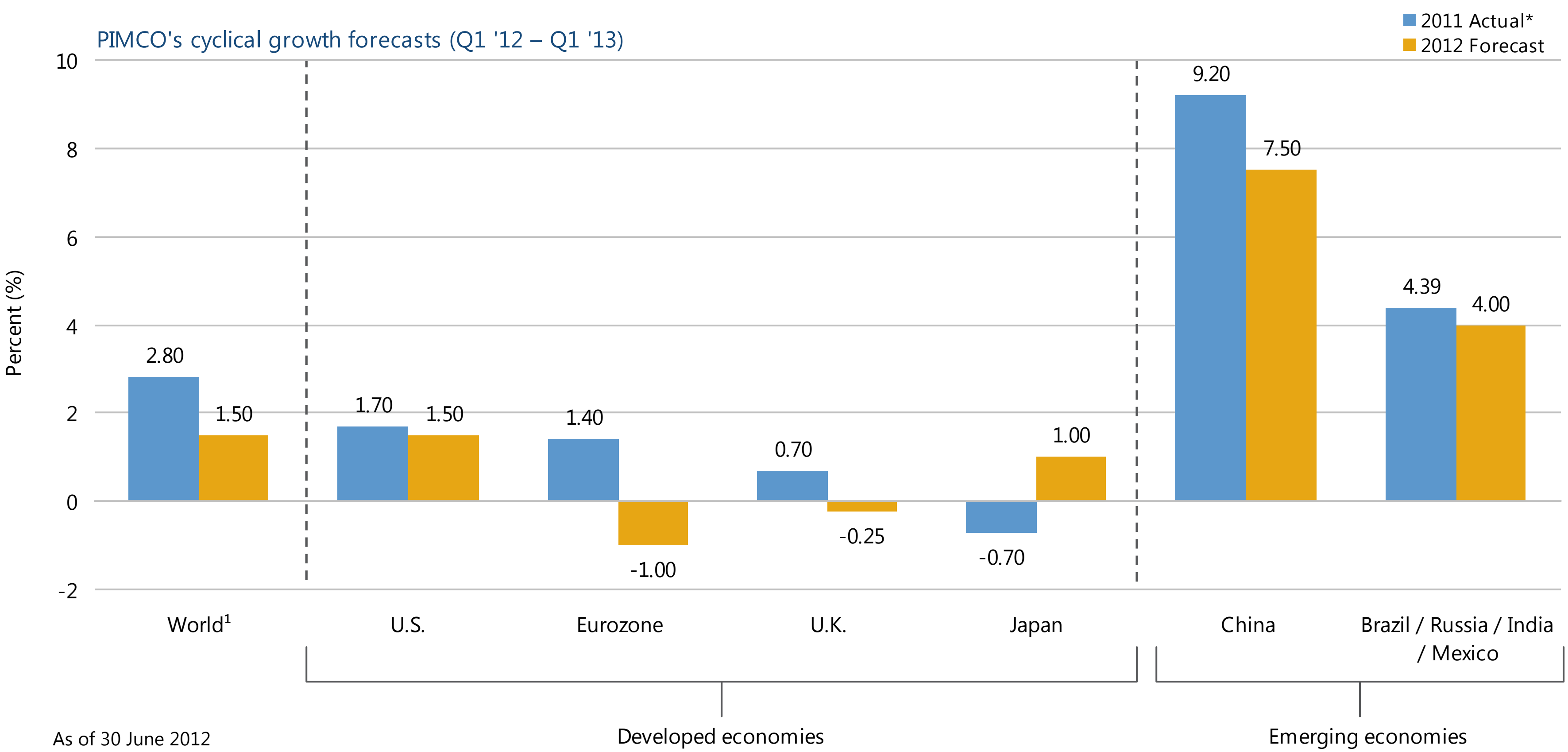
Portfolio implications

- Focus on diversification and healthier balance sheets (U.S., Australia, Mexico, etc.)
- Position defensively – underweight riskier credits and the euro; overweight the eurozone core
- Add sources of high-quality yield – including mortgage backed, covered bonds, healthy EMs

As of 30 June 2012
SOURCE: PIMCO

Generally slowing growth in the context of a realigning world

- PIMCO forecasts below consensus real growth of 1–2% for the world economy over the next 12 months
- Our base case outlook is a recession in the eurozone, with risks on the downside
- We believe global inflation is set to moderate over the cyclical horizon



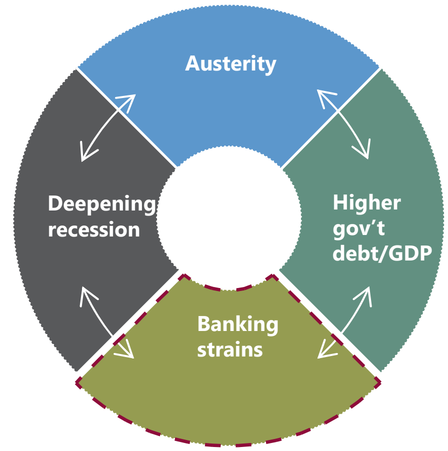
As of 30 June 2012
SOURCE: PIMCO, IMF

* 2011 IMF real GDP figures

[1] World GDP is calculated via a weighted average of national GDP figures from the U.S., eurozone, U.K., Japan, China, Brazil, Russia, India, and Mexico

The current prescription isn't working in the eurozone

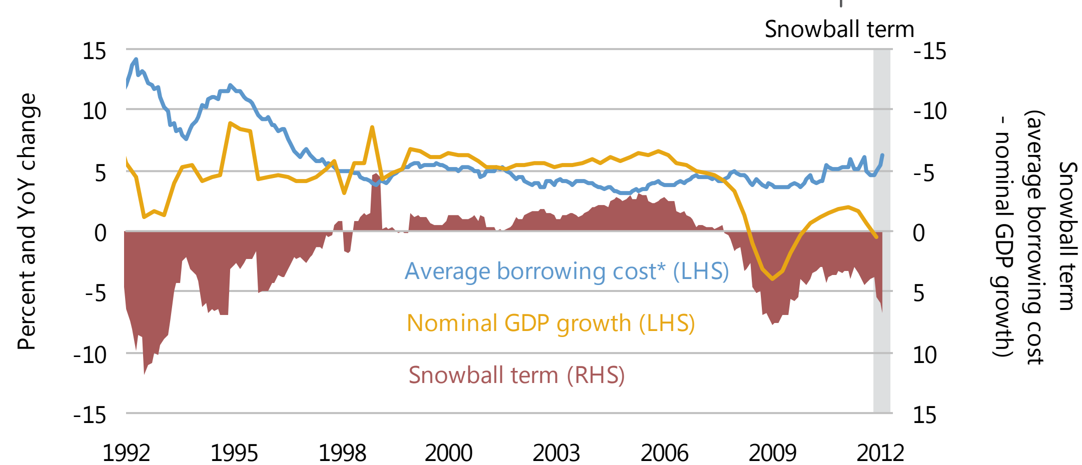
- The adverse feedback loop between governments, banks and the markets has reached a critical level



- The dynamics of debt suggest that the single-minded focus on austerity is not a cure-all

Snowballs in Spain?

change in debt = primary deficit + existing debt x (average borrowing cost - nominal GDP growth)



Debt levels remain excessive throughout much of Europe; without growth it will likely be impossible to bring them down to sustainable levels

As of 30 June 2012

SOURCE: Bloomberg, PIMCO, JPMorgan, Statistical Office of the European Communities

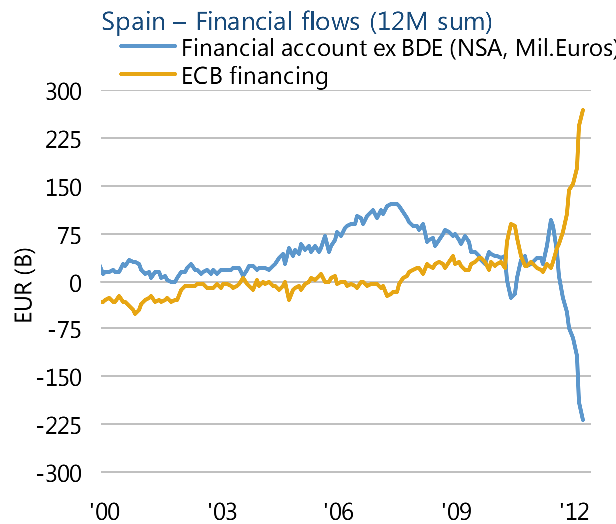
* Average borrowing cost is the average nominal yield calculated using the JPM GBI Spain.

The cost of disintegration would be extremely high (even for Germany)

ECONOMIC INCENTIVES

- EMU membership boosted the competitiveness of the German trade sector, the chief driver of economic growth over the past decade, by delivering an undervalued real exchange rate

FISCAL INCENTIVES



- Balance sheet integration is already proceeding mechanistically via ECB liquidity provision. There is nearly €1 trillion of peripheral assets on the Eurosystem balance sheet.

POLITICAL INCENTIVES

A poll for the euro

	In favor (%)
Greece	71
France	69
Germany	66
Spain	60
Italy	52

* Percent of population

- Recent polls show a strong voter preference for euro membership
- The project is ingrained in the European political elite mindset

German voter resistance to fiscal, banking and political union is high; but so are the economic, fiscal and political costs of exiting

As of 30 June 2012
SOURCE: Bloomberg, PIMCO, Statistical Office of the European Communities, PEW Research Center, Banco de España, International Monetary Fund
EMU: European Monetary Union, ECB: European Central Bank, BDE: Banco de España, NSA: Not seasonally adjusted

The missing pieces of the eurozone puzzle

Banking union

Prerequisite

- Pan-European bank supervision
- Creditor-debtor burden sharing

Provisions

- Direct recapitalization of the banks
- Common deposit insurance scheme
- Common bank solution scheme

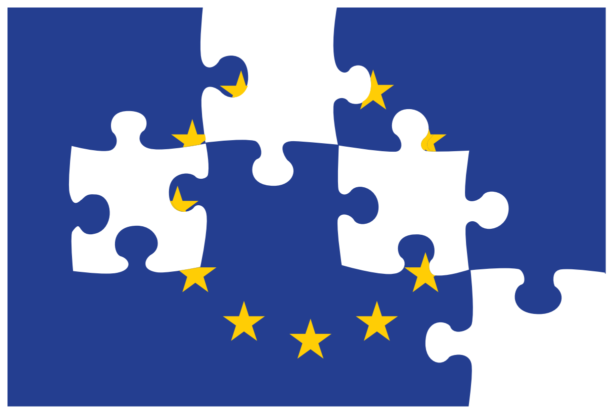
Growth

Structural reform

- Labor market flexibility
- Improved competitiveness of the tradable sector

Counter-cyclical policy

- Reduction in ECB policy rates
- Tolerance for above-target inflation in core
- Less front-loaded fiscal consolidation



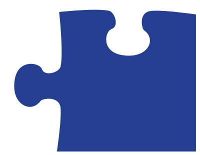
Fiscal union

Prerequisite

- Fiscal compact
- Centralized fiscal framework

Provisions

- Eurobonds
- Means tested deployment of structural funds



Liquidity (lender of last resort)

Prerequisite

- Fiscal union

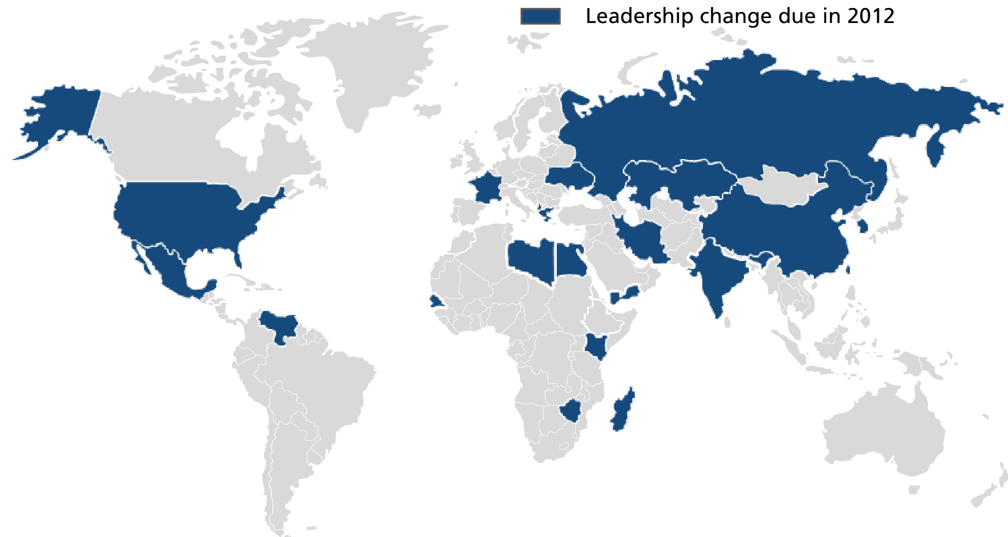
Provisions

- A cap on borrowing costs via bond buying in secondary markets

SOURCE: PIMCO
LOLR: Lender of last resort

Globally, risks remain high while politicians fail to compromise…

- With increasing anti-incumbent sentiment and election-year logjams, political risks remain high



- Politicians will in all likelihood avoid driving the U.S. economy off a fiscal cliff … but they might not

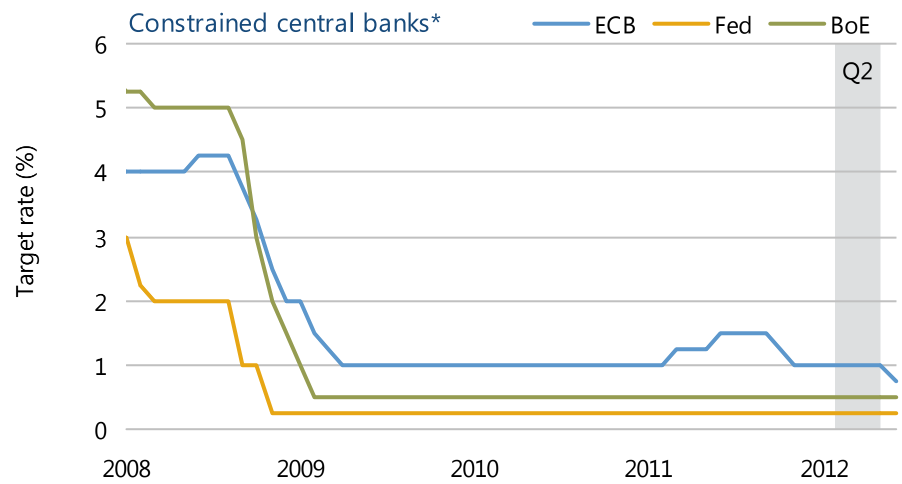
Potential 2013 fiscal contraction	Billion ($)	Percent of GDP (%)
Expiration of Bush tax cuts	-210	-1.4
AMT	-130	-0.8
Payroll tax cut expiration	-110	-0.7
Sequestration	-109	-0.7
Unemployment insurance extension expiration	-35	-0.2
Other	-40	-0.3
Total fiscal contraction	**-634**	**-4.1**

Politics – rather than economic fundamentals – will continue to drive markets in 2012

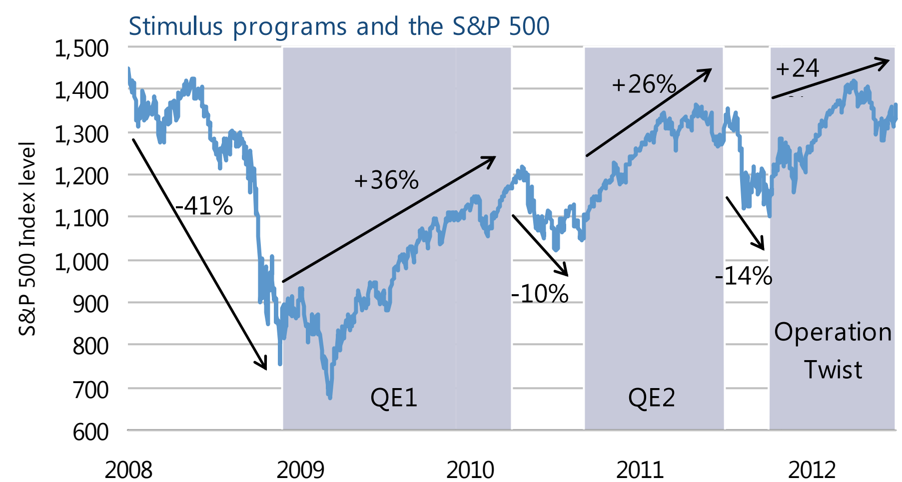
As of 30 June 2012
SOURCE: PIMCO, Congressional Budget Office

…and central bankers are left shouldering the burden

- With near zero rates and political stalemates at home, central bankers have fewer options left



- Moreover, their unconventional policies face the law of diminishing returns

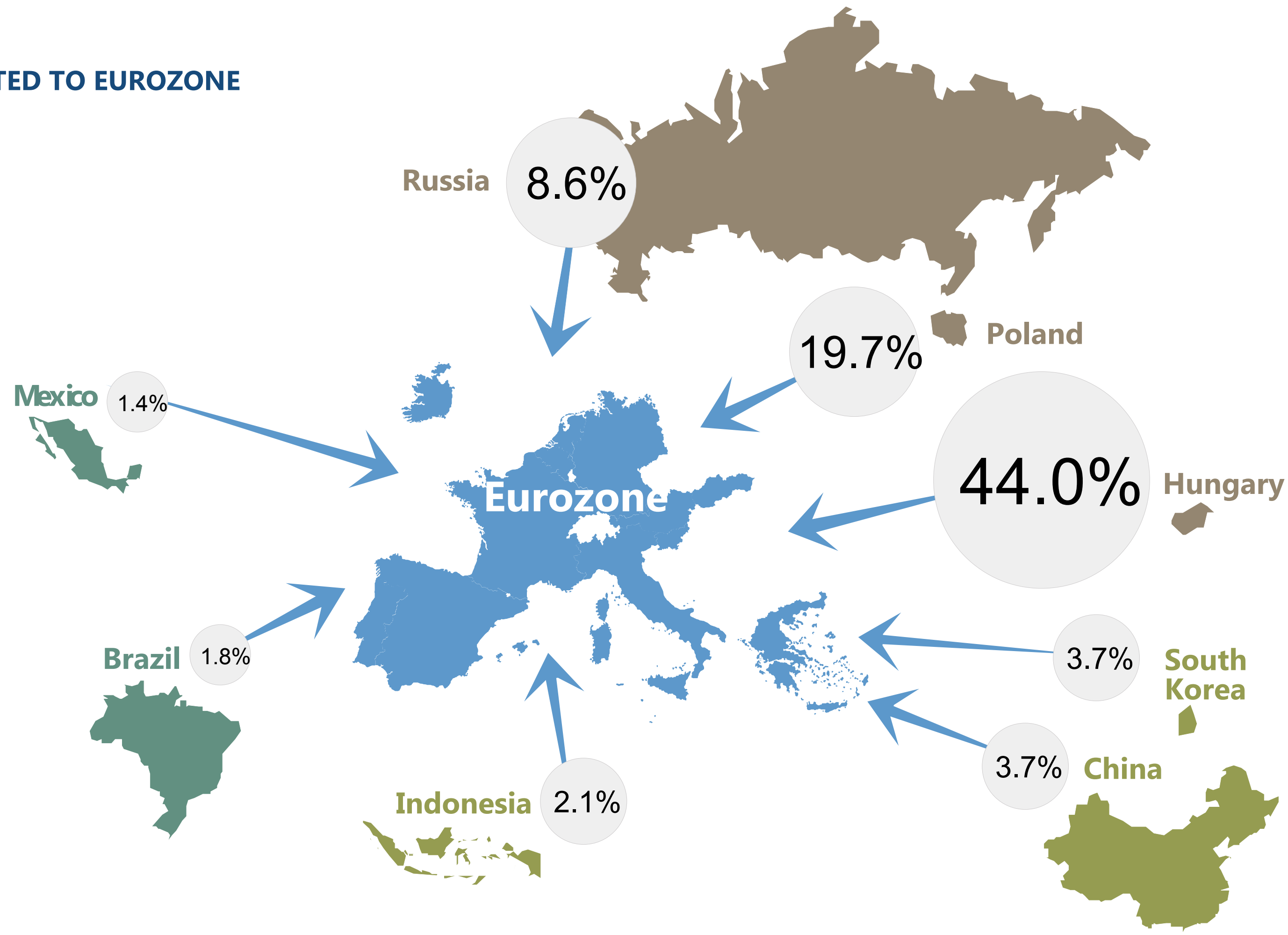


How long can central bankers fend off crisis without back-up from politicians?

As of 30 June 2012
* As of 31 July 2012
SOURCE: Bloomberg

Emerging markets are not immune to the problems in the eurozone

PERCENT OF GDP EXPORTED TO EUROZONE

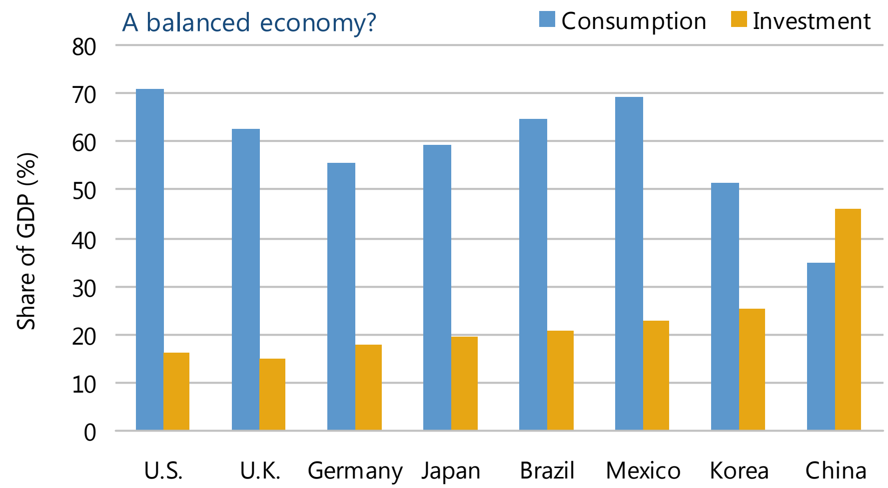


Trade linkages with Europe are significant; when financial ties are considered emerging economies are even more at risk

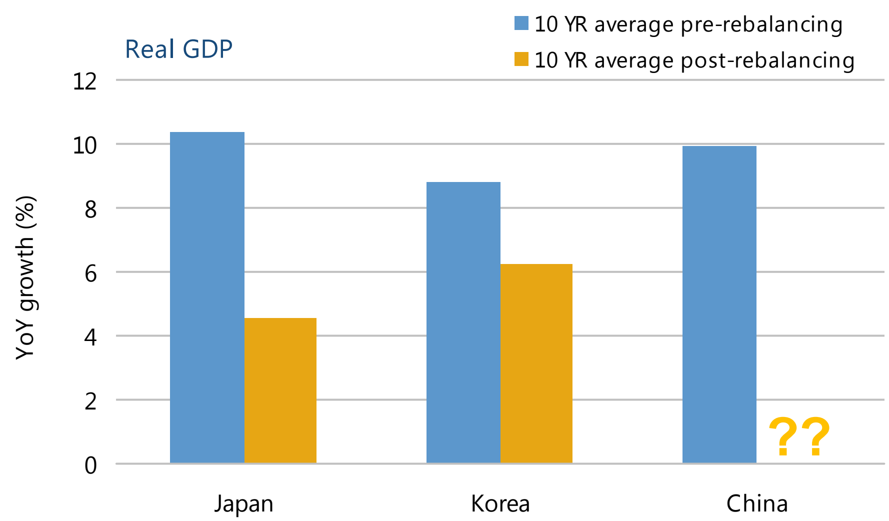
As of 30 June 2012
SOURCE: International Monetary Fund (IMF), PIMCO calculations
* Not drawn to scale. Arrow width is proportional to represent % of GDP exported to eurozone.

China's uncertain path to developed country status

- China's economy must rebalance toward private consumption and away from government-led investment



- As China shifts to a more consumption-led model, growth is bound to slow from recent levels



A downshift in China's growth rate will hit global economic prospects, though a shift to consumption will create winners

As of 30 June 2012

SOURCE: Bureau of Economic Analysis, Office for National Statistics, Statistical Office of the European Communities, Deutsche Bundesbank, Cabinet Office of Japan, Instituto Brasileiro de Geografia e Estatística, China National Bureau of Statistics, State Committee of the Russian Federation, Instituto Nacional de Estadística Geografía e Informática, Bank of Korea

Global portfolio strategy overview

	ECONOMY / POLICY	DURATION / CURVE	SECTOR / FOCUS
U.S.	▪ Fed will keep rates low, but QE3 likely to show the limits of policy effectiveness ▪ Eleventh-hour responses to structural growth impediments will likely continue ▪ Fiscal policy and elections likely to remain key sources of uncertainty through 2012	▪ Modest overweight to U.S. duration with emphasis on the intermediate part of the curve	▪ Reduced overweight to high-quality financial credits ▪ Overweight to agency and non-agency mortgages ▪ Modest overweight to the dollar
Eurozone	▪ Core governments likely to avoid tough decisions, opting instead to continue a “muddle through” approach to crisis ▪ ECB will continue to shy away from full balance sheet commitment to “solvent sovereigns” ▪ Continued focus on sovereign risk in peripheral countries and its impact on the core; contamination to Italy and Spain contingent on strength of firewall and market access	▪ Overweight duration in core eurozone ▪ Tactical positioning to “inner core” eurozone countries	▪ Underweight exposure to credit ▪ Exposure to government guaranteed securities ▪ Tactical underweight to the euro
Japan	▪ Weaker yen and additional easing from the BoJ combine with reconstruction to boost GDP, but are unlikely to address Japan’s deflation trap ▪ Political uncertainty persists as factious Diet debates consumption (VAT) tax hikes	▪ Underweight to Japan duration	▪ Tactical yen positioning
U.K.	▪ BOE, unlikely to extend QE2, will likely hold rates low, putting pressure on budget ▪ Effects of sharp fiscal consolidation and burgeoning eurozone crisis continue to weigh on consumers and exporters	▪ Modest overweight to U.K. duration	▪ Overweight to high-quality financial credits ▪ Underweight exposure to the pound
Australia and Canada	▪ Resource-rich economies are vulnerable as global demand remains muted ▪ RBA likely to cut rates further in 2012 due to global economic slowdown ▪ BOC will remain, uncomfortably, in wait-and-see mode with simulative bias amid moderating inflation and a possible slow-down in GDP growth	▪ Benchmark-like duration in the antipodes ▪ Light underweight duration in Canada	▪ Exposure to government guaranteed securities ▪ Underweight to the Australian dollar and a modest overweight to the Canadian dollar
Emerging markets	▪ Most central banks poised to hold rates low, with additional rate cuts (e.g. Brazil) likely ▪ Economic growth will likely soften in 2012 as developed world stagnation acts as a drag	▪ Overweight duration in Mexico (intermediate part of the curve) and Brazil (front-end)	▪ Reduce EM basket, including CNY exposure

For illustrative purposes only.
As of 30 June 2012. SOURCE: PIMCO. ECB: European Central Bank; RBA: Reserve Bank of Australia; BOE: Bank of England; BOC: Bank of Canada. CDS: Credit Default Swaps.

3. Appendix

2012 Secular Outlook: Slowing real growth and risks of inflection points

UNITED STATES
(0% to 2% annual Real GDP growth)

- Likely to outperform Europe in terms of growth and financial stability
- Political scrimmages will trump grand bargains and slow structural reform
- Unsustainable debt dynamics will persist, as will financial repression

EUROPE
(-1% to 1% annual Real GDP growth)

- Status quo is no longer an option
- Probable outcome: A bumpy journey to a smaller and less imperfect eurozone
- Risk of full-fledged collapse remains

EMERGING ECONOMIES
(4% to 5% annual Real GDP growth)

- Continue to outpace Europe and U.S.
- Path to continued growth laden with challenging transitions
  - China's shift from export to consumption economy
  - Political and social unrest
- Volatility to remain high

Continued **policy confusion**

+

Overly incremental public and private sector responses

=

Heightened potential for **inflection points** that can derail progress and abruptly send markets "to the tails"

As of 30 June 2012

2012 Secular Outlook: Unusual uncertainty and its investment implications

KNOWN KNOWNS	KNOWN UNKNOWNS
▪ Low growth, unsustainable debt dynamics ▪ Monetary accommodation versus fiscal intransigence ▪ Growing inflationary pressures despite structural weaknesses ▪ A more volatile growth path for emerging economies	▪ Unpredictable and increasingly restless global populations ▪ Challenging economic transitions in the BRICs ▪ Geopolitical tensions and the inflationary/deflationary impact ▪ Impact of technology and social media

Expect lower investment returns

Monitor risk factors, not asset classes: Focus on how investments behave

Utilize more sophisticated asset-liability management

QUALITY BIAS

- Sovereigns
  - Credible central bankers
  - Favor parts of yield curves that offer meaningful rolldown
- Companies: Credit and equity
  - High cash balances
  - Low financial leverage
  - High operating margins
  - Require dividends and income

REAL ASSETS AND TAIL RISK PROTECTION

- Guard against financial confiscation
- Remain vigilant of inflationary pressures
- Risk of inflection points
  - Geopolitical events
  - Unintended consequences of central bank policies

As of 30 June 2012

PIMCO cyclical forum economic forecasts

	REAL GDP		HEADLINE INFLATION	
	CURRENT[1]	PIMCO FORECAST Q1 ′12 – Q1 ′13	CURRENT[1]	PIMCO FORECAST Q1 ′12 – Q1 ′13
U.S.	1.9%	1.0% to 2.0%	2.8%	2.0% to 2.5%
Europe	0.0%	-1.5% to -0.5%	2.7%	1.0% to 1.5%
U.K.	-0.2%	-0.5% to 0.0%	3.5%	2.0% to 2.5%
Japan	2.7%	0.5% to 1.5%	0.3%	0.0% to -0.5%
China	8.1%	7.0% to 8.0%	3.8%	4.0% to 4.5%
BRIM[2]	3.5%	3.5% to 4.5%	5.2%	5.0% to 5.5%
World[3]	**2.5%**	**1.0% to 2.0%**	**3.0%**	**2.0% to 2.5%**

As of 30 June 2012
SOURCE: PIMCO, Bloomberg

1 Current data for real GDP growth and inflation is actual and represents four quarters ending Q1 2012
2 Brazil/Russia/India/Mexico
3 World is weighted average sum of PIMCO forecast countries

PIMCO snapshot

History

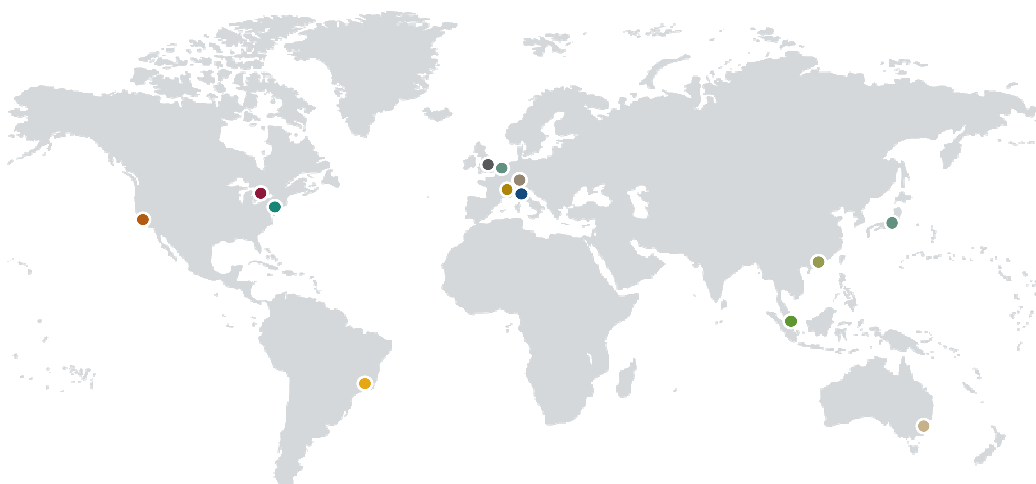
- Founded in 1971
- Investment solutions include fixed income, active equities, alternatives and asset allocation
- Assets under management: $1.81 trillion
  - $1.46 trillion in third-party client assets

People

Employees		**2,111**
▪ Investment professionals		636
▪ Technical and support		1,475
Highly experienced	**Avg Yrs Experience**	**Avg Yrs at PIMCO**
▪ All investment professionals	13	5
▪ Senior professionals	19	8

Global presence

Offices	IPs
Amsterdam	1
Hong Kong	15
London	105
Milan	2
Munich	59
New York	92
Newport Beach	309
Singapore	10
Sydney	10
Tokyo	22
Toronto	8
Zurich	3



As of 30 June 2012
Effective 31 March 2012, PIMCO began reporting the assets managed on behalf of its parent's affiliated companies as part of its assets under management
As of 17 April 2012 the PIMCO Rio de Janeiro office is scheduled to open the 3rd quarter of 2012

Assets under management by strategy

ASSETS UNDER MANAGEMENT BY ASSET CLASS AND STRATEGY

Alternative Investments		Billions ($)
Absolute Return Strategies	Long/short or unconstrained bond strategies, benchmarked to LIBOR indices	40.20
Commodities	Commodity-linked exposures enhanced with active bond portfolios	24.76
CBO / CLO	Collateralized bonds / loan obligations	4.85
Real Estate	Real Estate-linked exposure backed by inflation index bonds	0.91
Asset Allocation		
Asset Allocation Strategies	Global Multi Asset, All Asset complex, EM Multi Asset, RealRetirement	68.71
Equities		
StocksPLUS®	Combines derivatives-based equity exposure with active bond management	11.95
Active Equities	Pathfinder, Emerging Markets, Dividend, Global Long / Short	2.39
Fixed Income		
Intermediate*	Total Return, Moderate Duration	550.74
Credit	Investment Grade Corporates, High Yield, Credit Absolute Return	145.56
Cash Management*	Money Market, Short-Term, Low Duration	128.40
Long Duration	Focus on long-term bonds; asset liability management	115.56
Global	Non-U.S. and global multiple currency formats	113.38
Real Return	TIPS** and other inflation-hedging strategies	84.16
Emerging Markets	Emerging market debt, EM local currency, active EM currency	62.46
Mortgages	Emphasis on management of mortgage pass-throughs	47.88
Other		31.61
Diversified Income	Global credit combining corporate and emerging markets debt	20.86
Municipals	Tax-efficient total return management	13.86
Total assets under management:		**$ 1,468.32 B**

As of 30 June 2012
Assets reflect those managed on behalf of third-party clients and exclude affiliated assets. Potential differences in asset totals are due to rounding.
* Stable value assets have not been netted from U.S. Total Return, U.S. Moderate Duration and U.S. Low Duration assets. Total stable value assets equal $30.1 B.
** Treasury Inflation-Protected Securities (TIPS)

Ventura County Employees' Retirement Association

Second Quarter 2012

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Market Environment

Second Quarter 2012

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Market Highlights

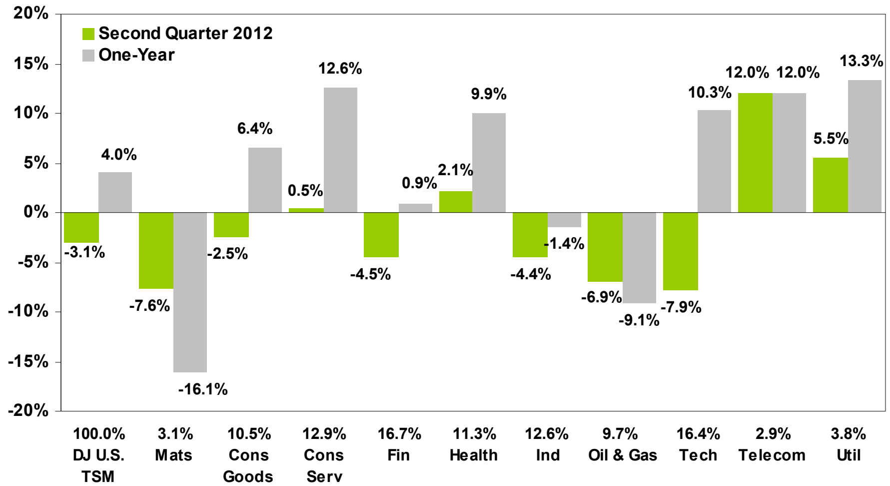
Returns of the Major Capital Markets						
			Annualized Periods Ending 6/30/2012			
	Second Quarter	Year-to-Date	1-Year	3-Year	5-Year	10-Year
Equity						
MSCI All Country World IMI	-5.7%	5.8%	-6.9%	11.3%	-2.4%	6.2%
MSCI All Country World	-5.6%	5.7%	-6.5%	10.8%	-2.7%	5.7%
Dow Jones U.S. Total Stock Market	-3.1%	9.4%	4.0%	16.9%	0.6%	6.1%
Russell 3000	-3.1%	9.3%	3.8%	16.7%	0.4%	5.8%
S&P 500	-2.8%	9.5%	5.4%	16.4%	0.2%	5.3%
Russell 2000	-3.5%	8.5%	-2.1%	17.8%	0.5%	7.0%
MSCI All Country World ex-U.S. IMI	-7.8%	2.9%	-14.8%	7.4%	-4.5%	7.2%
MSCI All Country World ex-U.S.	-7.6%	2.8%	-14.6%	7.0%	-4.6%	6.7%
MSCI EAFE	-7.1%	3.0%	-13.8%	6.0%	-6.1%	5.1%
MSCI EAFE Index (100% Hedged)	-6.4%	2.3%	-11.1%	1.7%	-9.6%	-0.1%
MSCI Emerging Markets	-8.9%	3.9%	-15.9%	9.8%	-0.1%	14.1%
Fixed Income						
Barclays Global Aggregate	0.6%	1.5%	2.7%	6.0%	6.7%	6.5%
Barclays Aggregate Bond	2.1%	2.4%	7.5%	6.9%	6.8%	5.6%
Barclays Long Gov't	10.3%	4.2%	31.4%	13.5%	11.9%	8.9%
Barclays Long Credit	5.0%	5.8%	19.2%	15.1%	10.0%	8.6%
Barclays Long Gov't/Credit	7.3%	5.0%	24.6%	14.4%	11.0%	8.7%
Barclays High Yield	1.8%	7.3%	7.3%	16.3%	8.4%	10.2%
SSB Non-U.S. WGBI	0.2%	0.0%	0.4%	5.1%	7.4%	7.1%
JP Morgan EMBI Global (Emerging Markets)	2.5%	7.4%	10.9%	13.5%	9.4%	11.7%
Commodities						
Dow Jones UBS Commodity	-4.5%	-3.7%	-14.3%	3.5%	-3.7%	5.0%
Goldman Sachs Commodity	-12.4%	-7.2%	-10.7%	2.1%	-5.5%	3.4%
Hedge Funds						
HFR Fund-Weighted Composite Index	-2.7%	1.9%	-4.2%	5.2%	1.1%	6.1%
HFR Fund of Funds Index	-2.2%	1.1%	-4.4%	2.2%	-2.0%	3.2%
Real Estate						
NAREIT U.S. Equity REITS Index	3.7%	14.9%	12.9%	32.4%	2.6%	10.3%
NCREIF ODCE[1]	2.5%	2.5%	13.6%	3.2%	-1.3%	5.4%
Private Equity						
Thomson Reuters VentureXpert[2]	4.6%	9.4%	9.4%	14.2%	6.7%	9.8%
Infrastructure						
Macquarie Global Infrastructure - North America	3.5%	3.5%	13.4%	17.5%	4.5%	10.1%

[1] The benchmark is as of 3/31/2012
[2] The benchmark is as of 12/31/2011

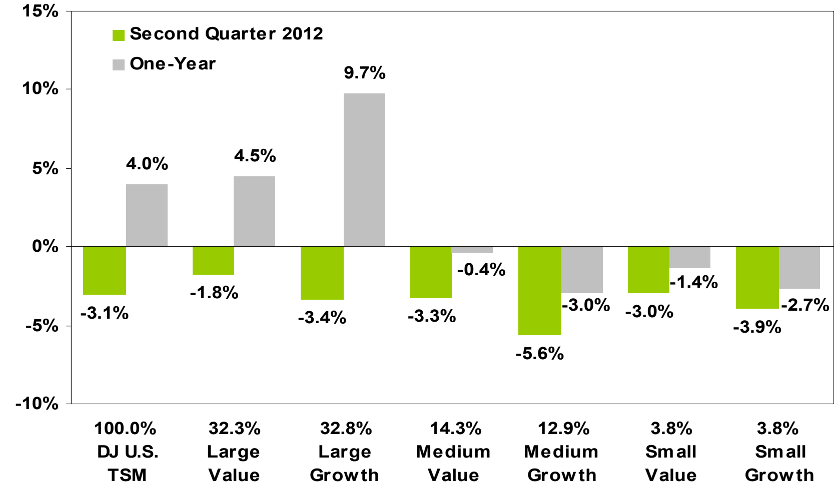
- U.S. economic growth, as well as job growth, slowed during the second quarter.
- European economic data remained weak throughout the second quarter.
- Europe's strongest economy, Germany, fell victim to waning economic conditions while its unemployment rate rose to 6.8%.
- Equity markets rebounded during the last week of June mainly due to the extension of Operation Twist, an expected rate cut by the European Central Bank, and market anticipation of quantitative easing by the Bank of England.
- Non-U.S. equity significantly underperformed U.S. equity.
- The 10-year U.S. Treasury approached a record low yield of 1.44% at the beginning of June.
- The Spanish 10-year yield rose above 7.0% amid concerns over the deepening European debt crisis.
- Long duration bonds outperformed shorter duration bonds.
- Commodity indices experienced negative returns during the quarter, primarily stemming from lower energy prices.

U.S. Equity Markets

SECTOR RETURNS
AS OF 6/30/2012



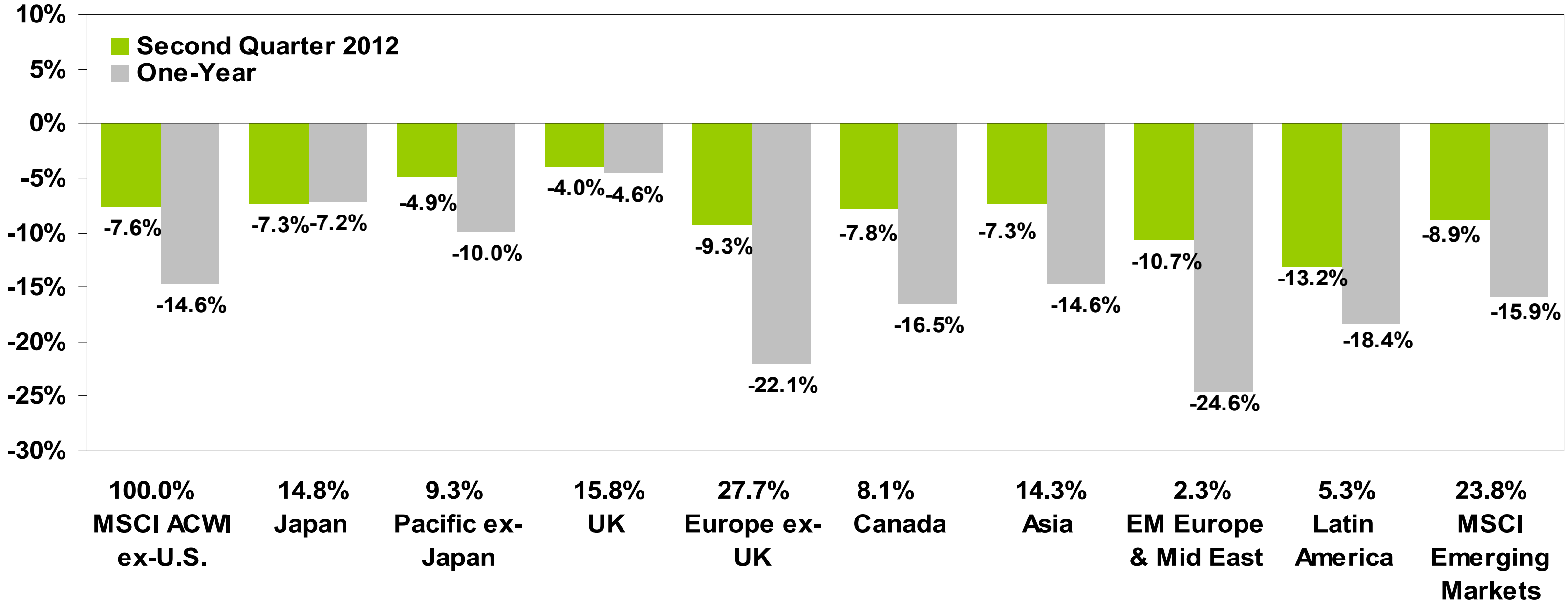
STYLE RETURNS
AS OF 6/30/2012



- Sluggish growth in the U.S., China, and Germany created downward momentum in equity markets during the second quarter.
- Consumer spending fell for the third straight month while disappointing data from the U.S. labor market and manufacturing sector reduced investor risk appetite.
- The Dow Jones U.S. Total Stock Market fell 3.1% for the quarter, but remained positive over the one-year period.
- Technology, materials, and oil & gas were among the worst performing sectors posting returns of -7.9%, -7.6%, and -6.9%, respectively. Telecommunications and utilities were markets leaders producing returns of 12.0% and 5.5%, respectively, during the second quarter.
- Large cap outperformed both small cap and mid cap helping the Dow Jones U.S. Total Stock Market Index to remain positive over the one-year period.

Non-U.S. Equity Markets

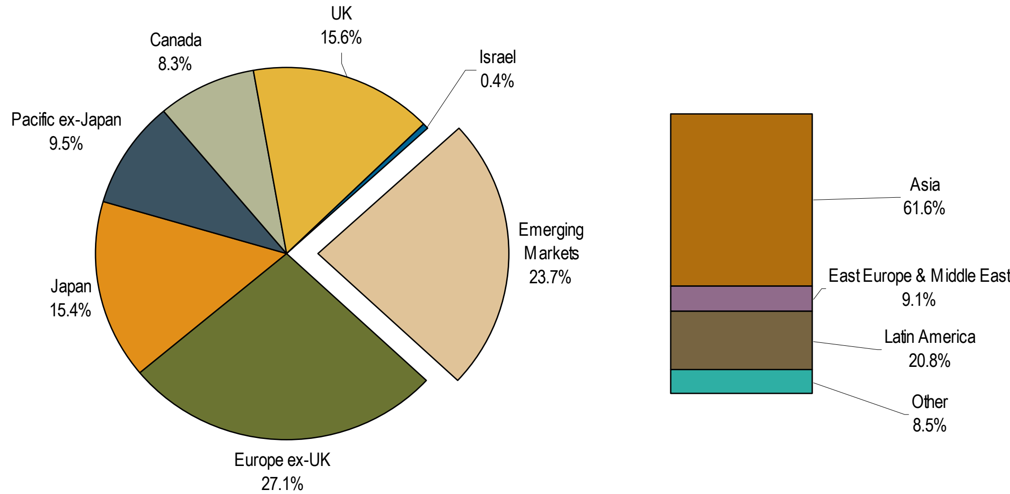
COUNTRY / REGION RETURNS
As of 6/30/2012



- A slower than expected recovery in Europe, India, and China kept non-U.S. equity markets negative during the second quarter.
- Disappointing economic data out of Germany, France and Spain resulted in lower second quarter returns of -12.4%, -9.0% and -12.5%, respectively.
- Latin America fell sharply over the quarter and the one-year period.
- EM Europe was the worst performing region over the one-year period.

Non-U.S. Equity Markets

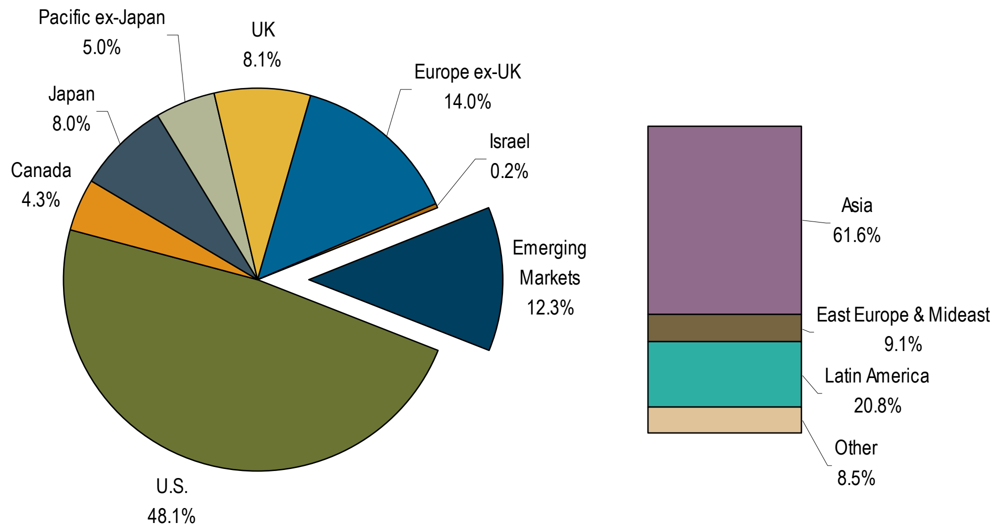
MSCI ALL COUNTRY WORLD ex-U.S. IMI
GEOGRAPHIC ALLOCATION AS OF 6/30/2012



- The exhibit above illustrates the percent each country/region represents of the non-U.S. equity market as measured by the MSCI All Country World ex-U.S. IMI.
- Note on Other: Includes South Africa, Egypt, and Morocco.

Global Stock Markets

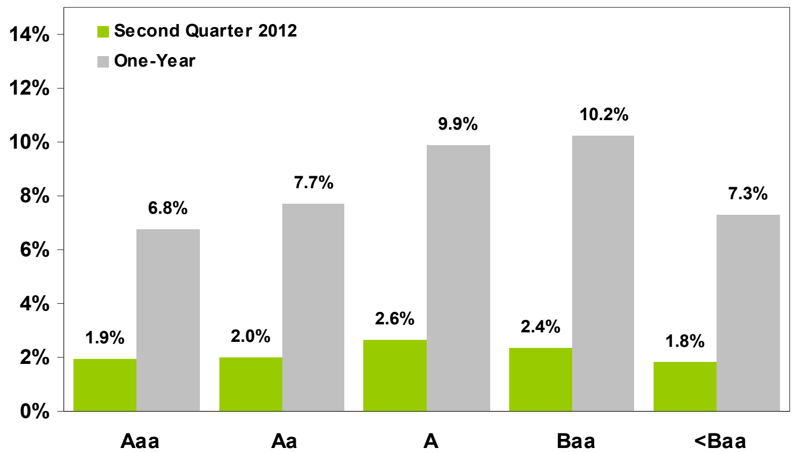
MSCI ALL COUNTRY WORLD IMI
GEOGRAPHIC ALLOCATION AS OF 6/30/2012



- The MSCI All Country World IMI is a capitalization-weighted index of stocks representing 24 developed stock markets and 21 emerging stock markets. The graph above shows the allocation to each country/region at quarter-end.
- Note on Other: Includes South Africa, Egypt, and Morocco.

U.S. Fixed Income Markets

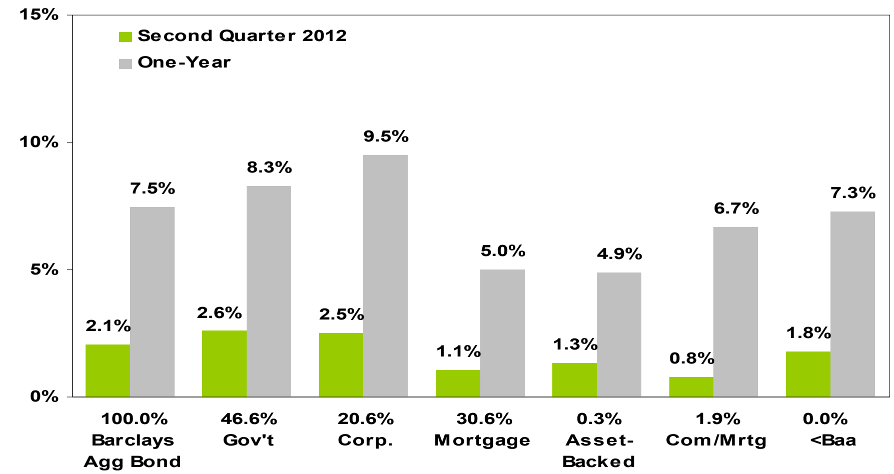
RETURNS BY QUALITY
AS OF 6/30/2012



Source: Barclays Live

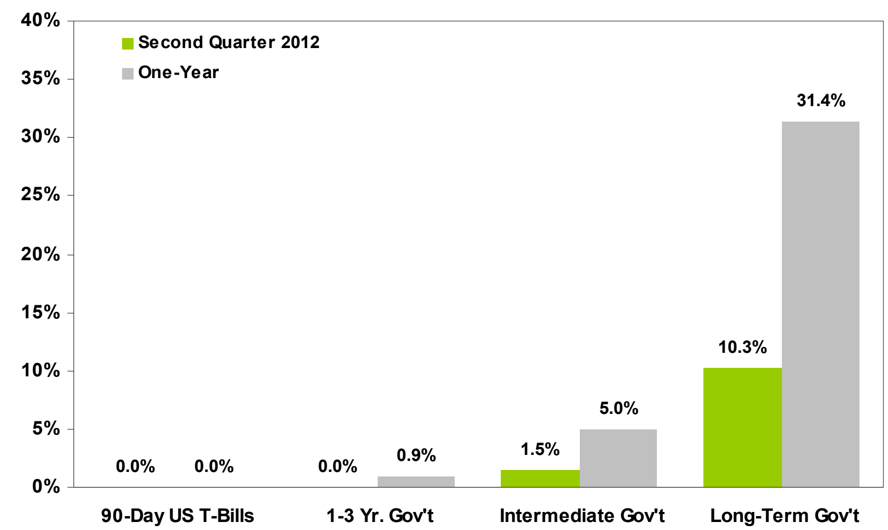
- An inadequate economic recovery helped fuel a flight to quality favoring Government bonds.
- Long duration outperformed intermediate and short-term bonds.
- Long-term government bonds remained the strongest performing sector over the one-year period.
- Government and corporate bonds outperformed their peers during the quarter and the one-year period.
- Investment grade outperformed high-yield during the quarter and one-year period.

SECTOR RETURNS
AS OF 6/30/2012



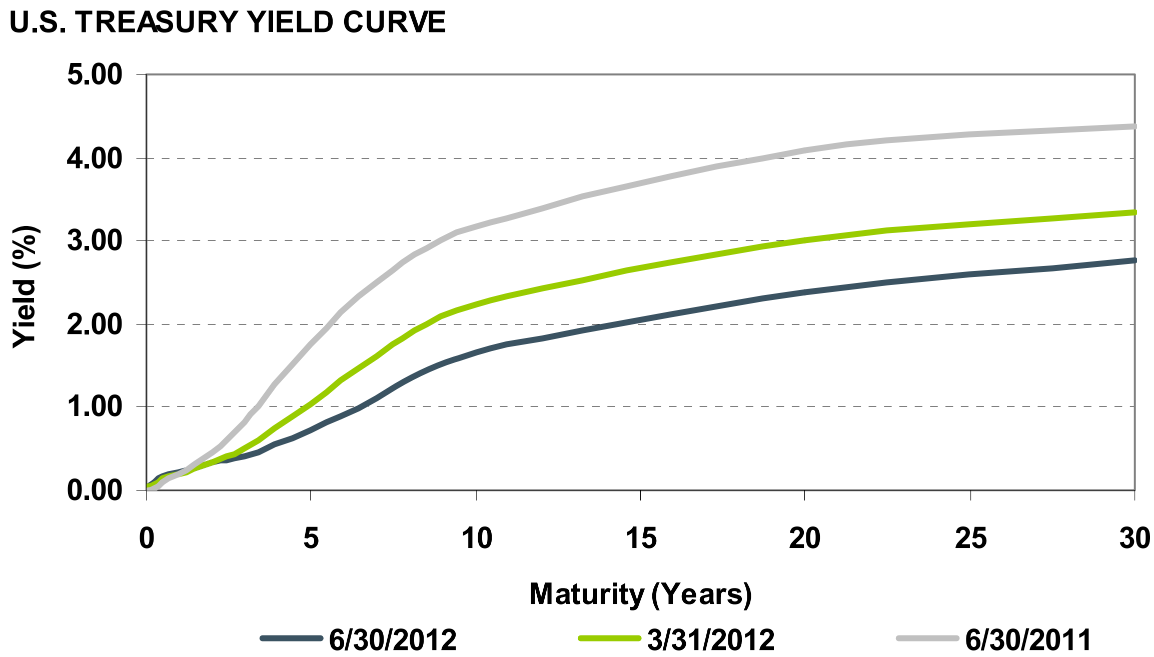
Source: Barclays Live

RETURNS BY MATURITY
AS OF 6/30/2012



Source: Barclays Live

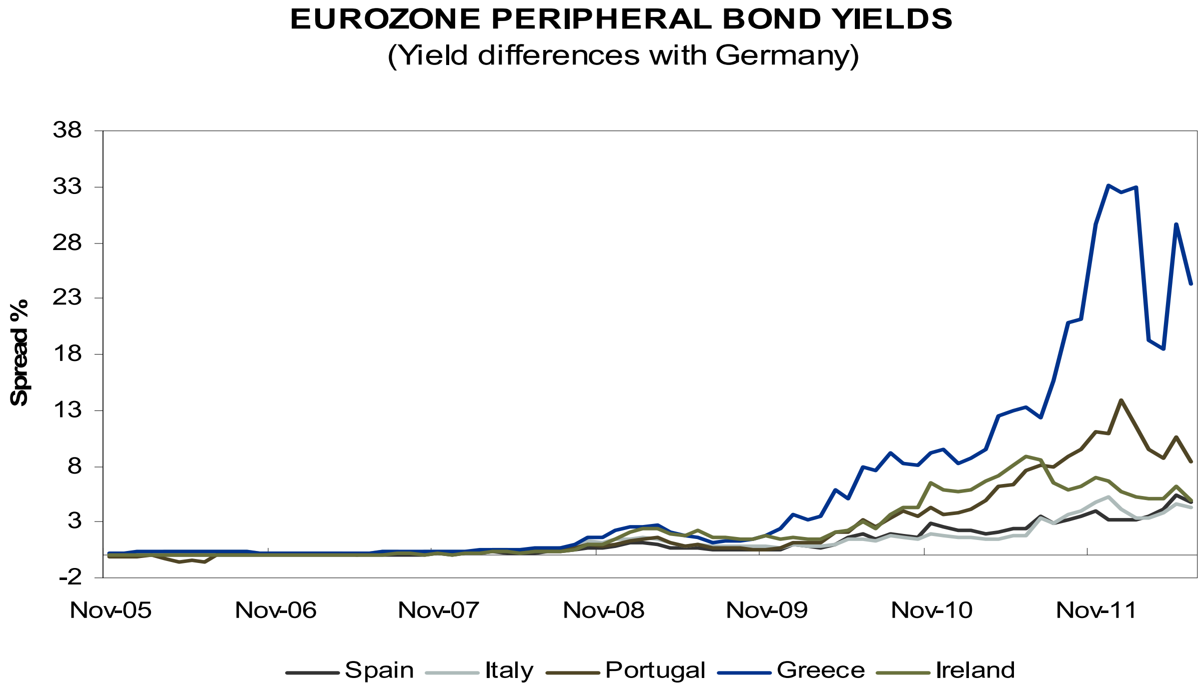
U.S. Fixed Income Markets



Source: U.S. Department of Treasury

- Concern over mounting European uncertainty and worsening emerging markets economic conditions forced investors to look for a safe haven in the U.S., pushing Treasury yields to historic lows.
- The U.S. 10-year Treasury yield hit a record low of 1.44%, while the 30-year Treasury yield remained at an exceptionally low level.
- The Federal Open Market Committee pledged to keep downward pressure on long-term Treasury rates, while also extending Operation Twist through the end of the year.

European Fixed Income Markets



Source: Bloomberg

- Spanish and Italian 10-year bond yields rose during the quarter amid renewed investor concerns over the debt crises in both countries.
- Greece's 10-year spread decreased prior to elections, but a lack of commitment from the new government to stay in the European Union pushed spreads wider towards the end of the second quarter.
- Spanish, Italian, and Greek 10-year spreads widened, while Portuguese and Irish 10-year spreads narrowed during the quarter.

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Credit Spreads

As of 6/30/2012

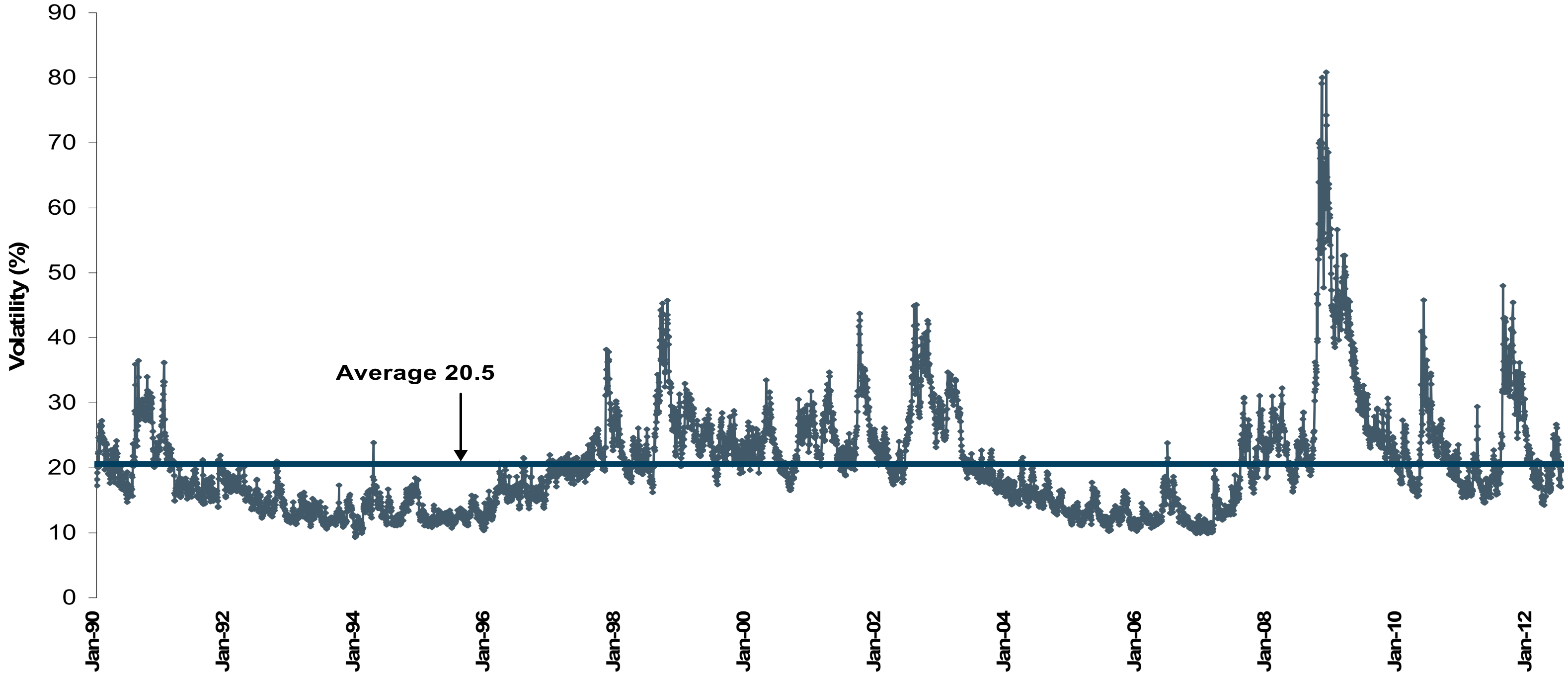
Spread (bps)	06/30/2012	03/31/2012	06/30/2011	Quarterly Change (bps)	1-Year Change (bps)
U.S. Aggregate	77	64	54	13	23
Long Govt.	5	5	4	0	1
Long Credit	228	198	168	30	60
Long Govt./Credit	130	114	97	16	33
MBS	76	53	37	23	3
CMBS	235	221	243	14	-8
ABS	59	65	81	-6	-22
Corporate	199	176	153	23	46
High Yield	615	576	525	39	90
Global Emerging Markets	408	359	294	49	114

Source: Barclays Live

- Credit spreads widened during the quarter across most segments, mainly due to a persistent decline in U.S. Treasury yields.
- Credit spreads across most segments remain higher relative to a year ago.
- Over the year, high-yield and emerging market bonds have seen their credit spreads widen by 90 bps and 114 bps, respectively.

Market Volatility

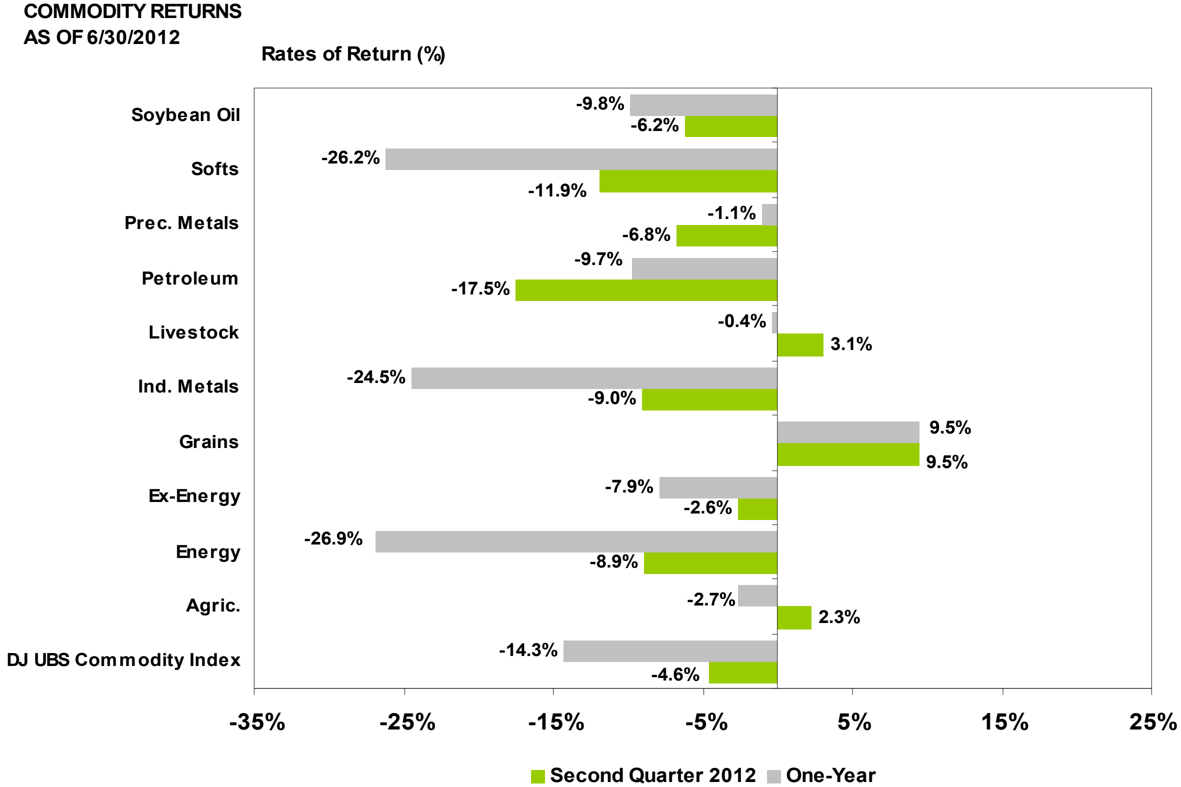
Historical Daily VIX Closing Prices
Since Inception through 6/30/2012



Source: CBOE

- Volatility, as measured by the VIX, ended the quarter below its long-term average.
- The VIX was trending up to end the quarter, as economic data across the globe turned negative.

Commodities

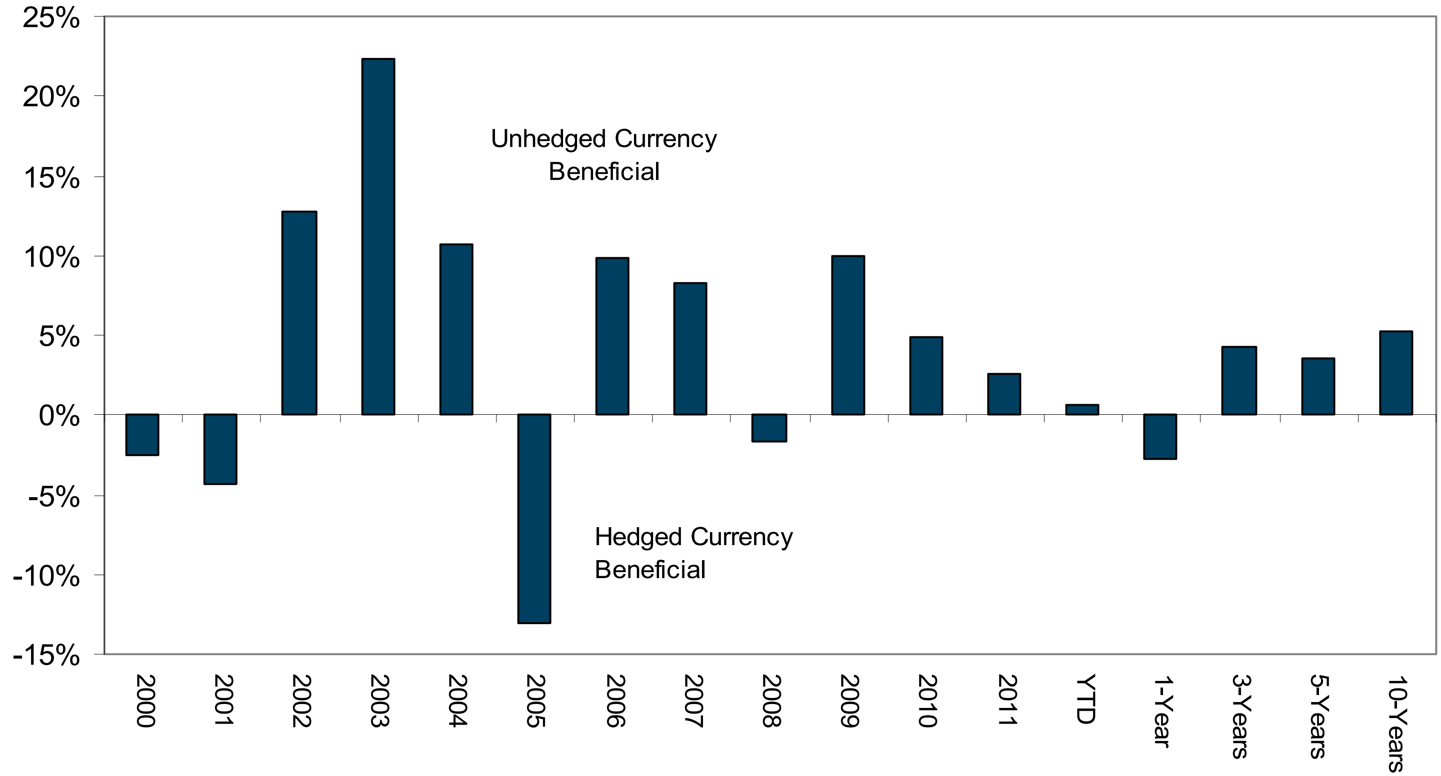


Sources: Dow Jones and CME

- The Dow Jones UBS Commodity Index fell by 4.6% for the quarter mainly due to poor performance in petroleum, softs (i.e., coffee, cocoa, and sugar), and industrial metals sectors.
- Higher than normal temperatures and below average rainfall in the U.S. East and Midwest caused corn and soybean futures to spike during the month of June.
- Corn was the best performing grain in June posting a return of 25.4%, while soybeans returned 13.9%. Both components helped the grains subindex produce positive returns.

Currency

Difference Between MSCI EAFE Unhedged and Hedged Indices
As of 6/30/2012



- MSCI EAFE Unhedged outperformed the EAFE Hedged Index YTD and over the trailing 3-, 5-, and 10-year periods.

U.S. Unemployment Rate

Source: Bureau of Labor Statistics

- At the end of the second quarter, the U.S. unemployment rate remained unchanged at 8.2%.
- After adding 677,000 jobs during the first quarter, growth slowed during the second quarter and only 225,000[1] jobs were created.

---

[1] Preliminary data: The U.S. Bureau of Labor Statistics.

Active Manager Report Card[1]

	Median Return[2]		Index Return		Index Return[1]	
Peer Group/Index	**Qtr.**	**1 Year**	**Qtr.**	**1 Year**	**Qtr.**	**1 Year**
All Cap Equity/Russell 3000 Index	-4.7%	-0.6%	-3.1%	3.8%	26th Percentile	20th Percentile
Large Cap Equity/Russell 1000 Index	-4.0%	2.9%	-3.1%	4.4%	30th Percentile	32nd Percentile
Small Cap Equity/Russell 2000 Index	-4.9%	-3.9%	-3.5%	-2.1%	30th Percentile	33rd Percentile
Non-U.S. Equity/MSCI ACWI ex U.S.	-7.3%	-13.9%	-7.6%	-14.6%	55th Percentile	61st Percentile
Global Equity/MSCI ACWI	-5.8%	-11.8%	-5.6%	-6.5%	45th Percentile	36th Percentile
Core Fixed Income/Barclays Aggregate	2.0%	7.5%	2.1%	7.5%	48th Percentile	60th Percentile

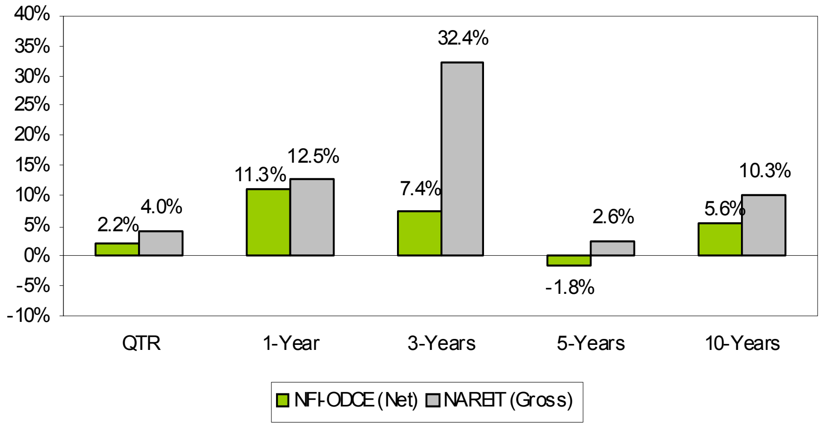
- During the second quarter, active management underperformed relative to passive management in all areas shown above with the exception of non-U.S. equity.
- Passive management within U.S. equity significantly outperformed active management over the quarter and the one-year period.
- Passive management within fixed income edged out active management over the quarter.

[1] Actual peer group performance reported in client reports may vary based on the constituent peer group utilized (e.g., mutual fund universe, separate account universe). Percentile rankings are based on a system in which 1=best and 99=worst.
[2] Based on preliminary peer group information as of June 30, 2012, provided by eVestment Alliance. Data was aggregated on July 17, 2012. Information is presented net of fees.

U.S. Commercial Real Estate Markets

RETURNS: PRIVATE vs. PUBLIC

AS OF 6/30/2012



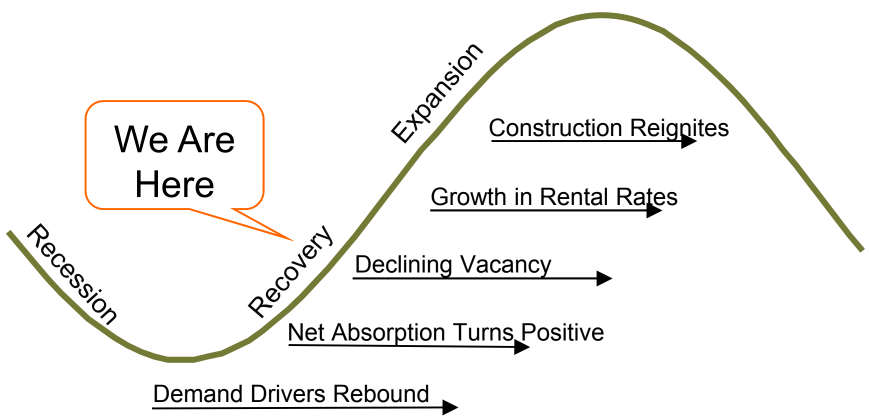
Source: NCREIF, NAREIT

Total Returns

- The NFI-ODCE returned 2.2% during the second quarter (preliminary), down from 2.5% during the first quarter. For the year, NFI-ODCE returned 11.3% (preliminary) demonstrating a continued waning in momentum. In 2012, return expectations are closer to the sector's long-term average of 7%-9%.
- REIT performance remained relatively strong in the second quarter, rising 4.0%. Given high volatility over the last 12 months, the FTSE NAREIT Equity Index rose a total of 12.5% over the trailing one-year period. In 2012, REITs are expected to move more inline with the their long-term trend, returning 8%–11%, though volatility is likely to remain above average.

STAGES OF FUNDAMENTAL RECOVERY

U.S. REAL ESTATE MARKET



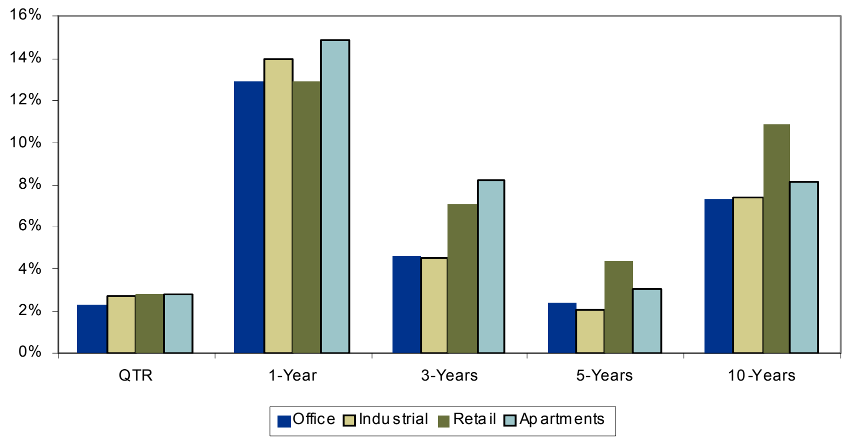
Sector Fundamentals

- Improvements in sector fundamentals (e.g., demand, vacancy, and rent) continued in the second quarter; though significant variations still exist by market and property type.
- Transaction volumes, while positive, remained below trend as the capital markets are still under pressure from broader investment market concerns. With the availability of capital increasing, momentum should pick up with investor confidence.
- Downward pressure is expected to remain on non-residential net operating income in most markets as leases expire this year and re-sign at today's substantially lower rates. Going forward (2013 and beyond), growing demand in most property types is expected to reverse this trend.

U.S. Commercial Real Estate Markets

UNLEVERED PRIVATE CORE RETURNS BY PROPERTY TYPE

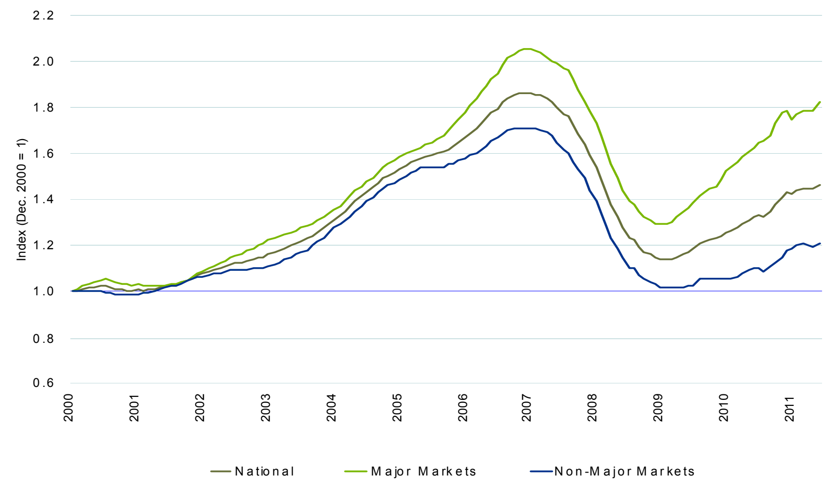
AS OF 3/31/2012



Source: NCREIF

RETURNS: Core Markets Relative to Distressed

AS OF 5/31/2012



Source: CPPI Moody's/REAL National All Property Types

Total Returns for Core Assets by Property Type

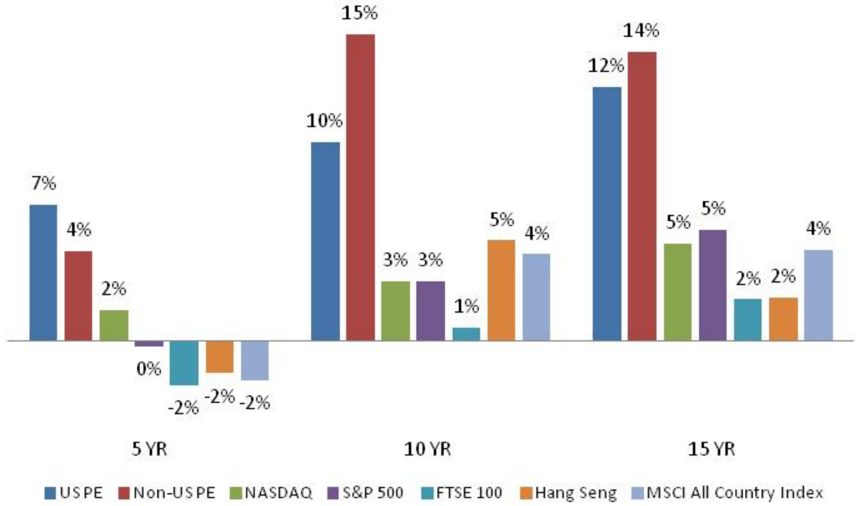
- The apartment sector has led the pricing rebound to date benefiting from the residential housing crisis and an early onset job recovery.
- Strip retail assets have performed best over the long-term due largely to a growing national population; however, regional performance varies significantly.
- Office assets generally lag in a recovery due to a stronger reliance on corporate confidence and job growth. Stronger and more consistent job growth is required to drive higher returns.
- Recent industrial sector indicators remain challenged.

Total Returns by Market and Distress

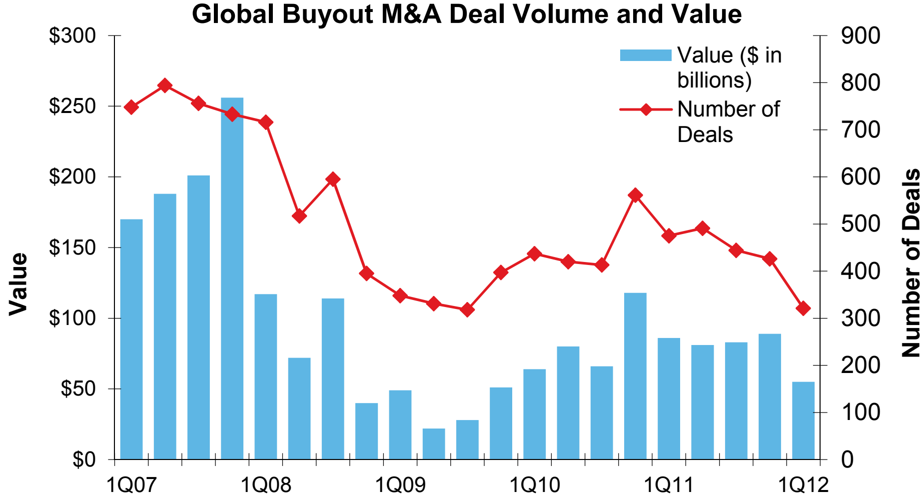
- Core assets in major markets have attracted significant new capital since the sector's trough. As such, price rebounds have been significant as shown above. Capitalization rates for many of these assets now approach pre-recession levels, although based off much lower net operating income.
- Price recovery in non-stabilized assets and in secondary markets has lagged the core rebound to date due to limited investor appetite and lack of available financing. However, banks are now more willing to address their distress, thus the backlog of distressed assets is likely to reduce more significantly in 2012.

Private Equity Market Overview – Q1 2012

Private Equity v. Public Market Performance as of December 31, 2011



Global Buyout M&A Deal Volume and Value



Source: Thomson Reuters and PitchBook. Non-U.S. PE performance is calculated on a semi-annual basis; most recent data is as of 12/31/2011. Deal flow statistics exclude venture capital data.

- **Fundraising:** Healthy but not excessive levels. Remains well below pre-crisis levels ($591 billion). Overhang significant ($750 billion) but decreasing.
- **Buyout:** A 20% decrease in total deal value over the end of 2011; purchase price multiples are decreasing and are just above the 10-year average; equity currently comprising ~44% of the purchase price; activity in Europe remains slow due to scarcity of financing.
- **Venture capital:** First quarter 2012 investment levels below the quarterly 2011 average; a number of M&A exits down ~26% to 2011 quarterly average while IPOs were up 43% but then stalled after a poor Facebook debut.
- **Mezzanine:** Situation in Europe continues to favor mezzanine lenders as CLOs have limited cash to re-invest and European banks are dealing with capital constraints; U.S. mezzanine lenders continue to be active in smaller transactions, while getting squeezed out of larger transactions in favor of high yield.
- **Distressed Debt:** Default rates increased slightly but remain at historically low levels; investment levels remain low due to heavy refinance activity and low default rates; attractive opportunities exist looking forward to 2013-2014 due to fragile economy and reduced high yield and leveraged loan activity.
- **Secondaries:** $10 billion raised in first half of 2012; $22 billion in transactions, $2 billion shy of full-year 2011; pricing discounts decreased to 16% for buyout and increased to 31% for venture.
- **Infrastructure:** $16.1 billion raised through the first quarter (slightly down from 2011); deal activity lowest level since 2009.

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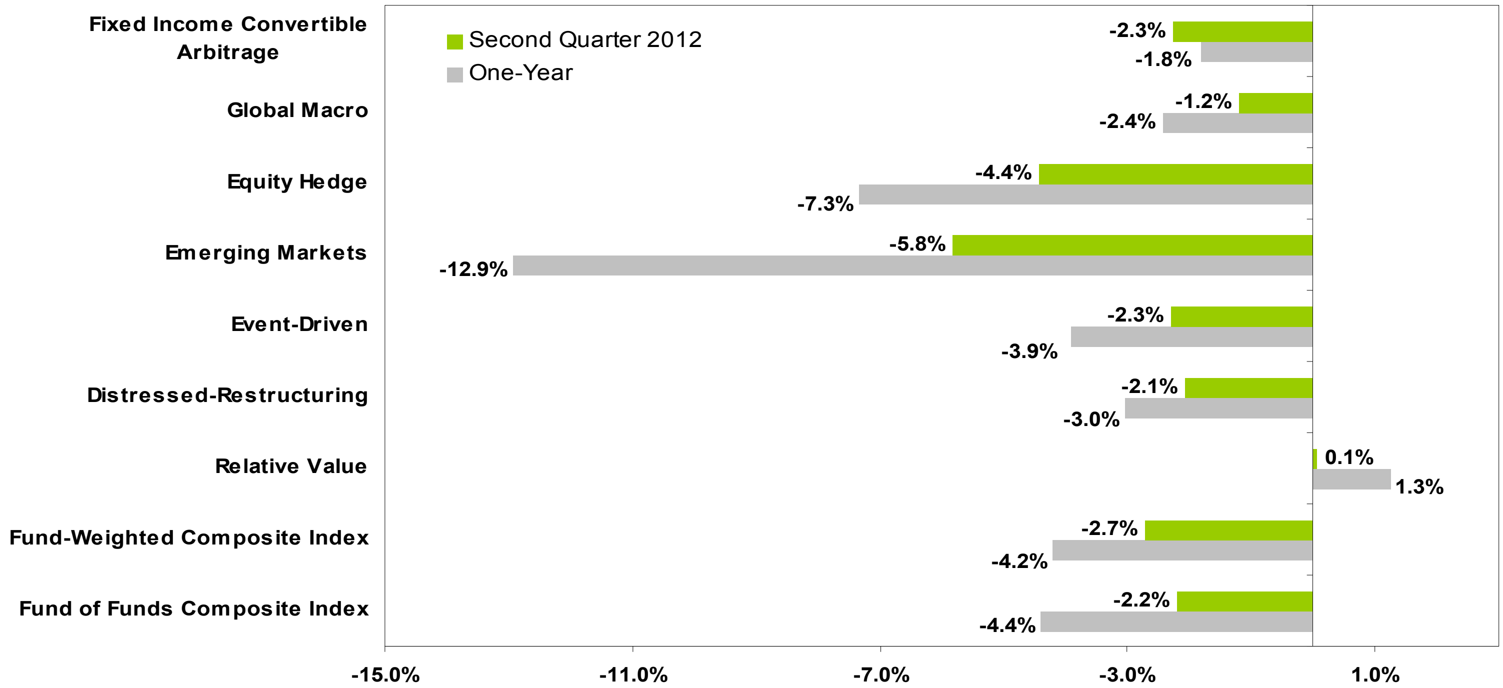
Hedge Fund Markets Overview

HEDGE FUND SECTOR PERFORMANCE
As of 6/30/2012



- Hedge funds declined during the quarter with the majority of strategies posting negative returns.
- Emerging markets and equity hedge strategies were the weakest performers as the market selloff in May, driven by continued concerns over European sovereign debt issues and disappointing economic data, weighed on performance.
- Relative value strategies produced marginal positive results during the quarter as those managers that reduced market exposures and/or had a tilt towards structured credit experienced larger gains than peers.

Total Fund

Highlights

Return Summary

	Qtr	YTD	1 Yr	3 Yrs	5 Yrs
Dow Jones US Total Stock Index	-3.1 %	9.4 %	4.0 %	16.9 %	0.6 %
MSCI All Country World ex-U.S. Index	-7.6 %	2.8 %	-14.6 %	7.0 %	-4.6 %
MSCI EAFE Index	-7.1 %	3.0 %	-13.8 %	6.0 %	-6.1 %
MSCI Emerging Markets Index	-8.9 %	3.9 %	-16.0 %	9.8 %	-0.1 %
MSCI All Country World Index	-5.6 %	5.7 %	-6.5 %	10.8 %	-2.7 %
Barclays Aggregate Bond Index	2.1 %	2.4 %	7.5 %	6.9 %	6.8 %

2Q 2012 Market Commentary

Following one of the best first quarters in recent history, financial markets lost ground during the second quarter amidst diminishing consumer sentiment and economic uncertainty in the Eurozone as Spain sought a bailout for its banking sector. News of the bailout lifted stocks in June, but those gains were unable to offset losses in April and May. The Federal Open Market Committee (FOMC) again decided to keep the target range for the federal funds rate at 0-0.25%. The Committee also confirmed that weak economic conditions will likely warrant a low federal funds rate at least through late-2014. Although markets had hoped the Fed would announce a third round of quantitative easing, the Federal Reserve instead decided to extend Operation Twist, its program to purchase long-term Treasuries while simultaneously selling shorter dated securities, which was scheduled to conclude in June of 2012. The Fed will continue to take a wait and see approach to the possibility of additional stimulus.

According to the Bureau of Labor Statistics (BLS), the unemployment rate remained flat at 8.2%, and U.S. employers created 225,000 jobs in the second quarter, making it the weakest quarter of job growth since the recovery in the labor market began in 2010. Subsequent to seven straight months of declines, home prices increased 1.3% in April, as measured by the S&P/Case Shiller Index, signaling that the real estate market may have found a floor early in the second quarter amidst an environment with sub-4% 30 year mortgage rates and population growth exceeding the rate of new home construction. Investors entered risk-off territory as the Eurozone debt crisis continued to be a source of uncertainty throughout global financial markets. While investor confidence waned in May, the agreements reached at the EU Summit to recapitalize banks directly with bailout funds and relax conditions on rescue loans to Eurozone governments, provided some relief to the markets. In the U.S., the economy continued to show slow, steady growth, with real GDP increasing at an annual rate of 1.9% during the first quarter.

The U.S. equity market, as measured by the Dow Jones U.S. Total Stock Market Index, lost 3.1% during the second quarter. From a capitalization standpoint, large-cap and small-cap stocks were mixed, while from a style perspective, value outperformed growth during the quarter. Information Technology and Materials were the worst performing sectors during the second quarter, losing 7.9% and 7.6%, respectively, while the Telecommunications sector was the best performing sector, gaining 12.0% during the quarter. The non-U.S. equity market, as measured by the MSCI All Country World ex-U.S. Index, fell 7.6% during the quarter, trailing the U.S. equity market by 4.5 percentage points. Emerging markets, as measured by the MSCI Emerging Markets Index, decreased 8.9% during the quarter.
The U.S. bond market, as measured by the Barclays Aggregate Bond Index, returned 2.1% during the second quarter. During the period, long duration government bonds gained 12.6%, as measured by the Barclays 30 Year Treasury Index, amidst falling interest rates in May as investors sought safety in an uncertain economic environment.

Highlights

Commentary on Investment Performance

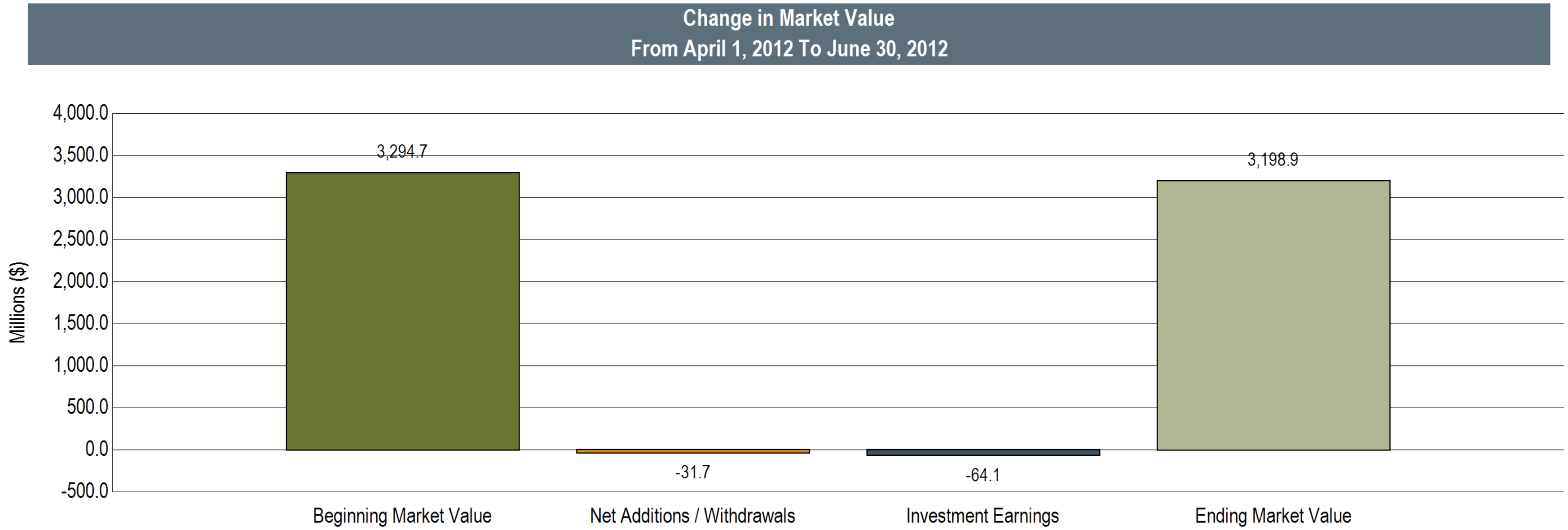
The Total Fund returned -2.0% during the second quarter, outperforming the return of the Policy Portfolio by 26 basis points. The Fund's Non-U.S. Equity and Global Equity components added value over their benchmark. Partially offsetting results were the below-benchmark returns from the Real Estate component.

For the one-year ending June 30, 2012, the Total Fund advanced 1.5%, outpacing the return of the Policy Portfolio by 12 basis points. Overperformance was mainly attributed to above-benchmark returns from the Real Estate, Fixed Income, Global Equity and Non-U.S. Equity.

The Total Fund's longer-term relative performance remains mixed. While the Total Fund has slightly underperformed the return of its benchmark during the trailing five-year and ten-year period, it has outperformed the benchmark during the three-year and one-year period. The Fund's annualized since inception return fell to 7.7% to match it up with the Policy Portfolio.

The attribution analysis exhibits on page 33 provide additional information regarding each sub-component's contribution to performance during the quarter and trailing one-year period.

Plan Summary



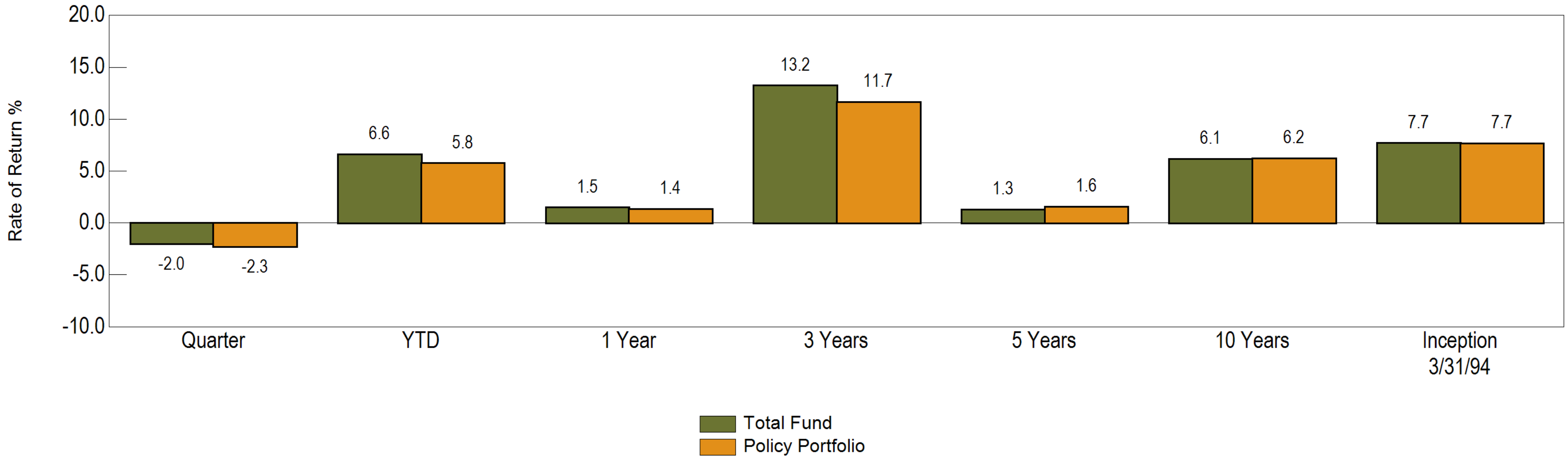
Summary of Cash Flows

Sources of Portfolio Growth	Second Quarter	Year-To-Date	One Year
Beginning Market Value	$3,294,661,872	$3,069,762,197	$3,160,376,439
Net Additions/Withdrawals	-$31,679,355	-$74,257,208	-$16,615,101
Investment Earnings	-$64,092,298	$203,385,230	$55,128,881
Ending Market Value	$3,198,890,219	$3,198,890,219	$3,198,890,219

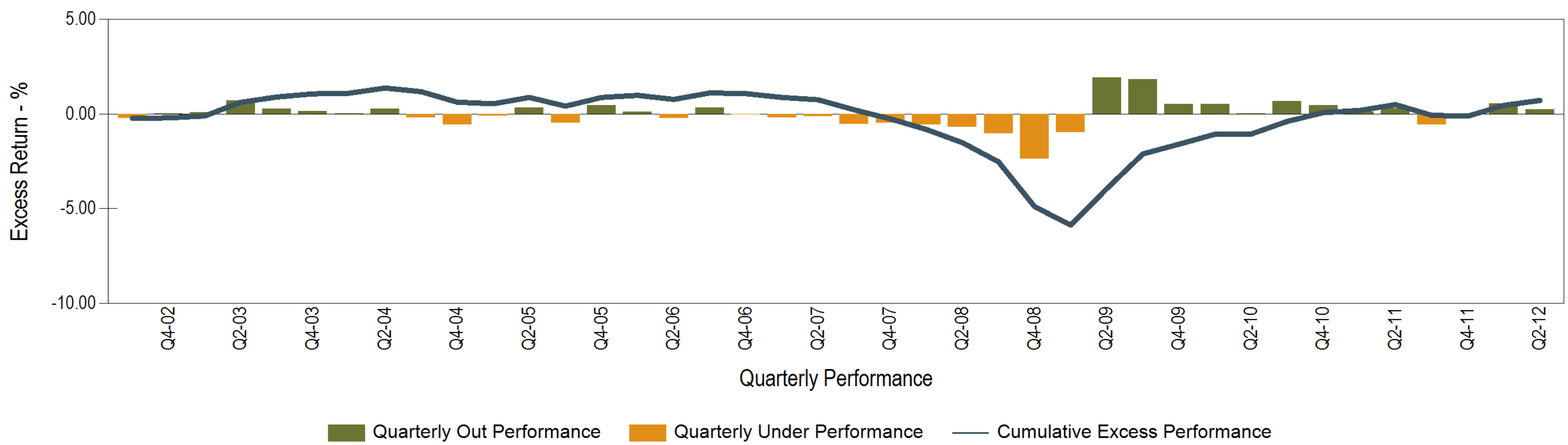
Plan Performance

Benchmark: Policy Portfolio

Return Summary



Quarterly and Cumulative Excess Performance



VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Period Ending 6/30/2012

	Year-to-Date	2nd Quarter	1 Year Ending 6/30/2012	3 Years Ending 6/30/2012	5 Years Ending 6/30/2012	10 Years Ending 6/30/2012	Since Inception	Inception Date
BlackRock Extended Equity	**9.2**	**-4.6**	**-1.6**	**19.3**	**1.7**	**--**	**10.5**	**10/31/02**
Dow Jones U.S. Completion Total Stock Market Index	9.0	-4.8	-2.1	19.2	1.7	--	10.5	
Western U.S. Index Plus	**11.7**	**-2.7**	**5.4**	**23.8**	**-4.3**	**--**	**-4.6**	**5/31/07**
S&P 500 Index	9.5	-2.8	5.4	16.4	0.2	--	-0.1	
BlackRock Equity Market Fund	**9.4**	**-3.1**	**4.2**	**17.0**	**--**	**--**	**2.0**	**5/31/08**
Dow Jones U.S. Total Stock Market Index	9.4	-3.1	4.0	16.9	--	--	1.9	
Total U.S. Equity	**9.6**	**-3.1**	**4.1**	**17.6**	**-0.2**	**5.4**	**7.6**	**12/31/93**
Performance Benchmark**	9.4	-3.1	4.0	16.9	0.6	5.9	8.1	
BlackRock All Country World ex-U.S.	**3.1**	**-7.6**	**-14.6**	**7.4**	**-4.2**	**--**	**-2.5**	**3/31/07**
MSCI All Country World ex-U.S. IM Index	2.9	-7.8	-14.8	7.4	-4.3	--	-2.6	
Sprucegrove	**4.5**	**-5.4**	**-9.6**	**11.0**	**-3.3**	**7.4**	**7.4**	**3/31/02**
MSCI EAFE Index	3.0	-7.1	-13.8	6.0	-6.1	5.1	4.8	
MSCI All Country World ex-U.S. Index	2.8	-7.6	-14.6	7.0	-4.6	6.7	6.3	
Hexavest	4.0	**-4.7**	**-8.9**	**--**	**--**	**--**	**-3.8**	**12/31/10**
MSCI EAFE Index	3.0	-7.1	-13.8	6.0	-6.1	5.1	4.8	
Walter Scott	8.3	**-3.4**	**-5.9**	**--**	**--**	**--**	**-1.2**	**12/31/10**
MSCI All Country World ex-U.S. Index	2.8	-7.6	-14.6	7.0	-4.6	6.7	6.3	
Total International	**4.7**	**-6.2**	**-12.5**	**8.3**	**-4.4**	**6.5**	**6.1**	**3/31/94**
Performance Benchmark	2.8	-7.6	-14.6	7.0	-4.6	6.7	4.7	
GMO Global Fund	**5.6**	**-3.7**	**-2.6**	**10.9**	**-0.8**	**--**	**5.1**	**4/30/05**
MSCI All Country World Index	5.7	-5.6	-6.5	10.8	-2.7	--	4.0	
Acadian	**0.1**	**-9.8**	**-12.9**	**8.8**	**--**	**--**	**-7.7**	**5/31/08**
MSCI All Country World Index	5.7	-5.6	-6.5	10.8	-2.7	--	4.0	
Total Global Equity	**4.7**	**-5.1**	**-6.0**	**10.3**	**-3.1**	**--**	**3.1**	**4/30/05**
MSCI All Country World Index	5.7	-5.6	-6.5	10.8	-2.7	--	4.0	

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (Continued)
Period Ending 6/30/2012

	Year-to-Date	2nd Quarter	1 Year Ending 6/30/2012	3 Years Ending 6/30/2012	5 Years Ending 6/30/2012	10 Years Ending 6/30/2012	Since Inception	Inception Date
Western	5.0	2.3	8.6	11.1	7.2	6.6	6.9	12/31/96
Barclays Capital Aggregate Bond Index	2.4	2.1	7.5	6.9	6.8	5.6	6.3	
BlackRock U.S. Debt Fund	2.4	2.1	7.5	7.0	6.9	5.7	6.2	11/30/95
Barclays Capital Aggregate Bond Index	2.4	2.1	7.5	6.9	6.8	5.6	6.3	
Reams	5.5	2.2	10.7	11.9	9.8	7.6	7.0	9/30/01
Barclays Capital Aggregate Bond Index	2.4	2.1	7.5	6.9	6.8	5.6	6.3	
Loomis Sayles	6.8	0.9	5.4	13.8	7.9	--	7.4	7/31/05
Performance Benchmark***	9.4	-3.1	4.0	16.9	0.6	5.9	8.1	
Total Fixed Income	5.0	2.1	8.7	11.3	8.6	7.0	6.8	2/28/94
Barclays Capital Aggregate Bond Index	2.4	2.1	7.5	6.9	6.8	5.6	6.3	
Total Prudential Real Estate	5.3	2.2	12.8	9.3	-2.7	--	2.3	6/30/94
Policy Benchmark	5.3	2.7	12.2	9.7	2.2	--	7.9	
UBS Real Estate	4.9	2.1	10.1	7.8	-0.1	--	6.7	3/31/03
NCREIF Open End Fund Index	5.3	2.7	12.2	9.7	2.2	--	7.9	
Guggenheim	7.3	3.3	12.0	12.7	-5.9	--	-2.2	6/30/06
NCREIF Open-End Fund Property Index*****	5.3	2.7	12.2	9.7	2.2	--	9.1	
RREEF	12.1	8.5	19.7	11.4	--	--	-18.2	10/31/07
NCREIF Open End Fund Index	5.3	2.7	12.2	9.7	--	--	7.9	
Total Real Estate****	5.2	2.4	10.7	8.0	-3.6	5.3	7.5	3/31/94
Policy Benchmark	5.3	2.7	12.2	9.7	2.2	8.0	7.9	
Total Private Equity*******	8.6	4.9	--	--	--	--	--	
Adams Street Partners	9.7	4.8	--	--	--	--	--	
Pantheon	4.3	6.3	--	--	--	--	--	
Total Fund	6.6	-2.0	1.5	13.2	1.3	6.1	7.7	3/31/94******
Policy Portfolio	5.8	-2.3	1.4	11.7	1.6	6.2	7.7	
Total Fund (ex-Private Equity)	6.2	-2.3	--	--	--	--	--	
Total Fund (ex-Clifton)	6.5	-1.9	1.8	12.9	1.2	6.1	7.7	

*All returns contained in this report are net of investment management fees.
**The Dow Jones U.S. Total Stock Market Index. Prior to May 2007, the Russell 3000 Index.
***A mix of 65% of the Barclays Capital Aggregate Bond Index, 30% of the Salomon Brothers High Yield Index and 5% of the J.P. Morgan Non-U.S. Hedged Bond Index.
****Real Estate returns are based on market values and cash flows provided by managers.
*****Prior to January 2006, the NCREIF Property
******Total Fund inception date is the longest time period that Hewitt EnnisKnupp has reliable historical monthly data.
*******Returns for Private Equity may not be meaningful, due to their relatively short investment period.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Period Ending 6/30/2012
($ in Thousands)

	U.S. Equity	Non-U.S. Equity	Fixed Income	Real Estate	Private Equity	Cash	Total	Percent of Total	Policy
BlackRock Extended Equity Index	$28,845						$28,845	0.9%	
Western Index Plus	$111,403						$111,403	3.5%	
BlackRock Equity Market Fund	$1,055,826						$1,055,826	33.0%	
Total U.S. Equity	**$1,196,073**						**$1,196,073**	**37.4%**	**36.0%**
BlackRock ACWI ex-U.S. Index		$265,166					$265,166	8.3%	
Sprucegrove		$140,628					$140,628	4.4%	
Hexavest		$51,098					$51,098	1.6%	
Walter Scott		$74,293					$74,293	2.3%	
Total Non-U.S. Equity		**$531,185**					**$531,185**	**16.6%**	**19.0%**
GMO Global Equity	$68,632	$80,893	$0				$149,524	4.7%	
Acadian	$6	$5	$0				$10	0.0%	
BlackRock MSCI ACWI Equity Index	$58,768	$58,768	$0				$117,535	3.7%	
Total Global Equity	**$127,405**	**$139,665**	**$0**				**$267,070**	**8.3%**	**10.0%**
Western			$247,956				$247,956	7.8%	
BlackRock U.S. Debt Fund			$131,199				$131,199	4.1%	
Reams			$327,201				$327,201	10.2%	
Loomis Sayles Global			$65,400				$65,400	2.0%	
Loomis Sayles Mid Grade			$118,151				$118,151	3.7%	
Total Fixed Income			**$889,907**				**$889,907**	**27.8%**	**27.0%**
Prudential Real Estate				$80,018			$80,018	2.5%	
UBS Real Estate				$171,826			$171,826	5.4%	
Guggenheim				$21,787			$21,787	0.7%	
RREEF				$9,582			$9,582	0.3%	
Total Real Estate				**$283,213**			**$283,213**	**8.9%**	**8.0%**
Adams Street Partners					$21,594		$21,594	0.7%	
Pantheon Ventures					$5,283		$5,283	0.2%	
Total Private Equity					**$26,877**		**$26,877**	**0.8%**	**0.0%**
Clifton Group						$4,564	$4,564	0.1%	
Total Cash						**$4,564**	**$4,564**	**0.1%**	**0.0%**
Total Assets	**$1,323,478**	**$670,850**	**$889,907**	**$283,213**	**$26,877**	**$4,564**	**$3,198,890**	**100.0%**	**100.0%**
Percent of Total	**41.4%**	**21.0%**	**27.8%**	**8.9%**	**0.8%**	**0.1%**	**100.0%**		

* Asset allocation reflects net exposure
* Private Equity reflects Market Values as of 12/31/2011 plus Capital Calls from 1/1/2012-5/31/2012

Calendar Year Performance

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Calander Year Performance

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
BlackRock Extended Equity	**-3.4**	**29.0**	**35.0**	**-38.4**	**5.4**	**15.2**	**10.5**	**18.1**	**43.2**	**--**
Dow Jones U.S. Completion Total Stock Market Index	-3.8	28.6	37.4	-39.0	5.4	15.3	10.0	18.0	44.0	--
Western U.S. Index Plus	**0.8**	**24.6**	**42.0**	**-56.3**	**--**	**--**	**--**	**--**	**--**	**--**
S&P 500 Index	2.1	15.1	26.5	-37.0	--	--	--	--	--	--
BlackRock Equity Market Fund	**1.2**	**17.6**	**28.2**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Dow Jones U.S. Total Stock Market Index	1.1	17.5	28.6	--	--	--	--	--	--	--
Total U.S. Equity	**0.9**	**18.5**	**29.2**	**-40.0**	**4.3**	**15.3**	**5.2**	**11.8**	**32.0**	**-21.8**
Performance Benchmark**	1.1	17.5	28.6	-37.2	5.5	15.7	6.1	11.9	31.1	-21.5
BlackRock All Country World ex-U.S.	**-14.1**	**12.8**	**43.1**	**-45.6**	**--**	**--**	**--**	**--**	**--**	**--**
MSCI All Country World ex-U.S. IM Index	-14.3	12.7	43.6	-45.9	--	--	--	--	--	--
Sprucegrove	**-10.8**	**18.7**	**36.1**	**-42.5**	**5.8**	**29.9**	**14.3**	**24.6**	**33.8**	**--**
MSCI EAFE Index	-12.1	7.8	31.8	-43.4	11.2	26.3	13.5	20.2	38.6	--
MSCI All Country World ex-U.S. Index	-13.7	11.2	41.4	-45.5	16.7	26.7	16.6	20.9	40.8	--
Hexavest	**-9.2**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
MSCI EAFE Index	-12.1	--	--	--	--	--	--	--	--	--
Walter Scott	**-9.3**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
MSCI All Country World ex-U.S. Index	-13.7	--	--	--	--	--	--	--	--	--
Total International	**-13.6**	**13.5**	**37.4**	**-44.1**	**11.7**	**25.2**	**19.3**	**18.8**	**36.0**	**-12.4**
Performance Benchmark	-13.7	11.2	41.4	-45.5	16.7	26.7	16.6	20.9	40.8	-15.8
GMO Global Fund	**-2.0**	**10.2**	**24.3**	**-32.8**	**10.0**	**19.7**	**--**	**--**	**--**	**--**
MSCI All Country World Index	-7.3	12.7	34.6	-42.2	11.7	21.0	--	--	--	--
Acadian	**-6.0**	**13.0**	**11.5**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
MSCI All Country World Index	-7.3	12.7	34.6	--	--	--	--	--	--	--
Total Global Equity	**-3.9**	**11.4**	**17.8**	**-37.3**	**11.3**	**19.5**	**--**	**--**	**--**	**--**
MSCI EAFE Index	-7.3	12.7	34.6	-42.2	11.7	21.0	--	--	--	--

Note: Returns are net of fees.

Calendar Year Performance

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (Continued)
Calander Year Performance

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Western	**7.3**	**11.3**	**18.2**	**-8.9**	**4.8**	**5.1**	**3.2**	**6.4**	**9.1**	**9.5**
Barclays Capital Aggregate Bond Index	7.8	6.5	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3
BlackRock U.S. Debt Fund	**7.9**	**6.7**	**6.0**	**5.4**	**7.0**	**4.3**	**2.4**	**4.3**	**4.2**	**10.3**
Barclays Capital Aggregate Bond Index	7.8	6.5	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3
Reams	**8.3**	**10.1**	**35.9**	**-12.1**	**7.4**	**5.0**	**3.9**	**5.0**	**8.7**	**4.1**
Barclays Capital Aggregate Bond Index	7.8	6.5	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3
Loomis Sayles	**4.2**	**13.5**	**38.1**	**-19.9**	**6.7**	**9.0**	--	--	--	--
Performance Benchmark***	7.1	8.7	18.8	-4.6	5.1	6.8	--	--	--	--
Total Fixed Income	**7.3**	**10.6**	**25.6**	**-8.7**	**6.3**	**5.3**	**3.2**	**5.2**	**7.1**	**7.9**
Barclays Capital Aggregate Bond Index	7.8	6.5	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3
K2 Advisors	**-12.3**	--	--	--	--	--	--	--	--	--
LIBOR	3.3	--	--	--	--	--	--	--	--	--
Total Alternatives	**-12.3**	--	--	--	--	--	--	--	--	--
LIBOR	3.3	--	--	--	--	--	--	--	--	--
Total Prudential Real Estate	**18.2**	**17.5**	**-34.8**	**-13.7**	**16.6**	**15.8**	**27.8**	--	--	--
Policy Benchmark	15.0	14.7	-18.8	-7.3	15.2	15.3	20.1	--	--	--
UBS Real Estate	**12.2**	**15.8**	**-23.2**	**-8.4**	**12.7**	**15.6**	**20.1**	**13.5**	--	--
NCREIF Open End Fund Index	15.0	14.7	-18.8	-7.3	15.2	15.3	19.0	13.6	--	--
Guggenheim	**17.0**	**15.1**	**-27.0**	**-29.0**	**3.8**	--	--	--	--	--
Performance Benchmark	13.0	17.8	-3.2	-15.2	5.8	--	--	--	--	--
RREEF	**53.7**	**8.4**	**-64.5**	**-41.8**	--	--	--	--	--	--
NCREIF Open End Fund Index	15.0	14.7	-18.8	-7.3	--	--	--	--	--	--
Total Real Estate****	**14.4**	**15.4**	**-31.2**	**-16.0**	**12.8**	**15.7**	**26.6**	**7.5**	**12.1**	**9.4**
NCREIF Open-End Fund Property Index*****	15.0	14.7	-18.8	-7.3	15.2	15.3	20.1	14.5	9.0	6.7
Adams Street Partners	--	--	--	--	--	--	--	--	--	--
Pantheon	--	--	--	--	--	--	--	--	--	--
Total Private Equity*******	--	--	--	--	--	--	--	--	--	--
Total Fund	**0.3**	**15.1**	**24.2**	**-30.9**	**7.0**	**14.2**	**7.8**	**10.9**	**24.4**	**-10.6**
Policy Portfolio	0.6	13.3	20.8	-27.1	8.5	14.0	7.6	11.3	22.9	**-10.1**
Total Fund (ex-Private Equity)	--	--	--	--	--	--	--	--	--	--
Total Fund (ex-Clifton)	**0.6**	**14.5**	**23.3**	**-30.3**	**6.9**	**14.0**	**7.9**	**10.8**	**24.4**	**-10.4**

Note: Returns are net of fees.

Manager "Watch" List

Manager "Watch" Status Policy

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

- Failure to meet one or more of the standards, objectives, goals, or risk controls as set forth in this policy statement
- Violation of ethical, legal, or regulatory standards
- Material adverse change in the ownership of the firm or personnel changes
- Failure to meet reporting or disclosure requirements
- Failure to meet performance objectives or goals
- Any actual or potentially adverse information, trends, or developments that the Board feels might impair the investment manager's ability to deliver successful outcomes for the participants of the plan

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

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

"Watch" status:

- RREEF is currently on watch for performance reasons.

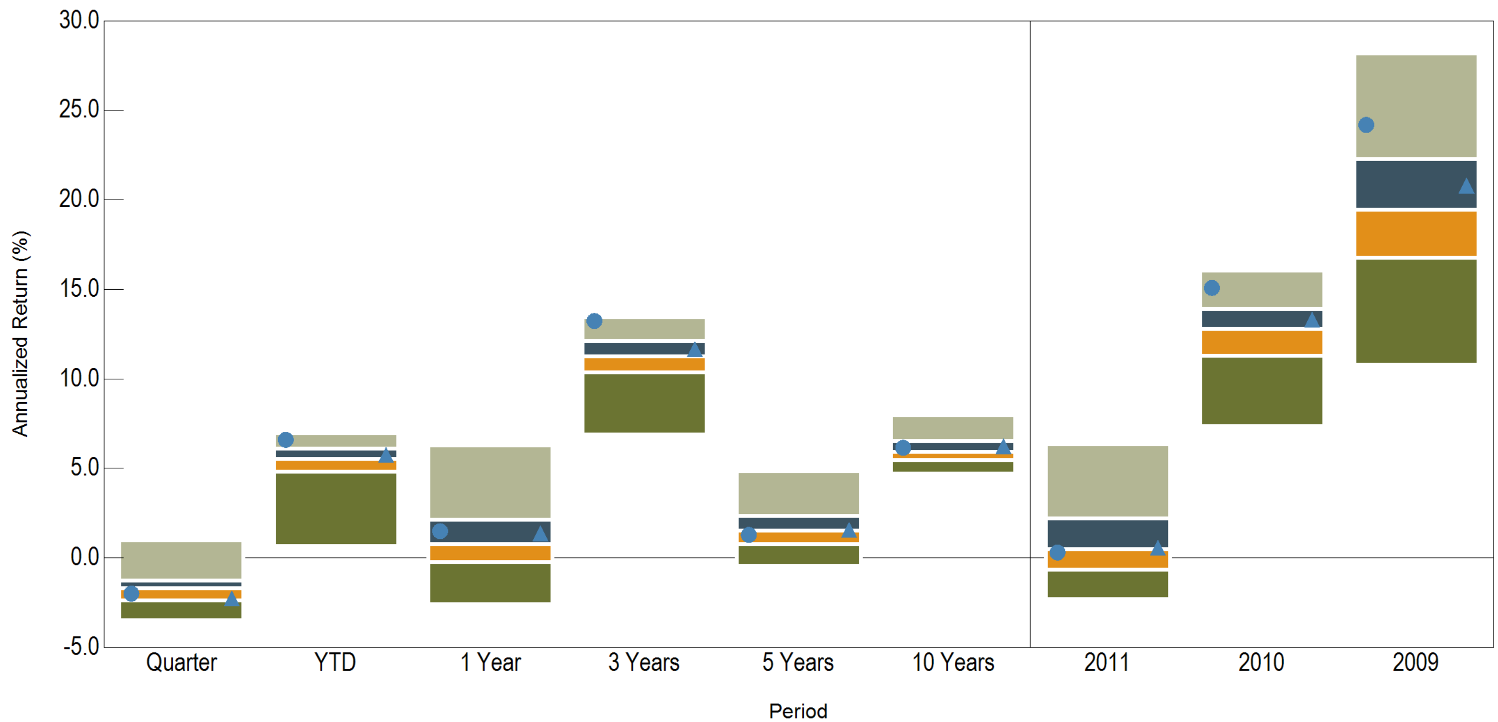
Manager	Date Added	Reason	Follow-up Date
RREEF	February 2009	Performance	July 2012

Universe Comparison

Benchmark: Policy Portfolio

Universe: Public Funds Net

Ending June 30, 2012

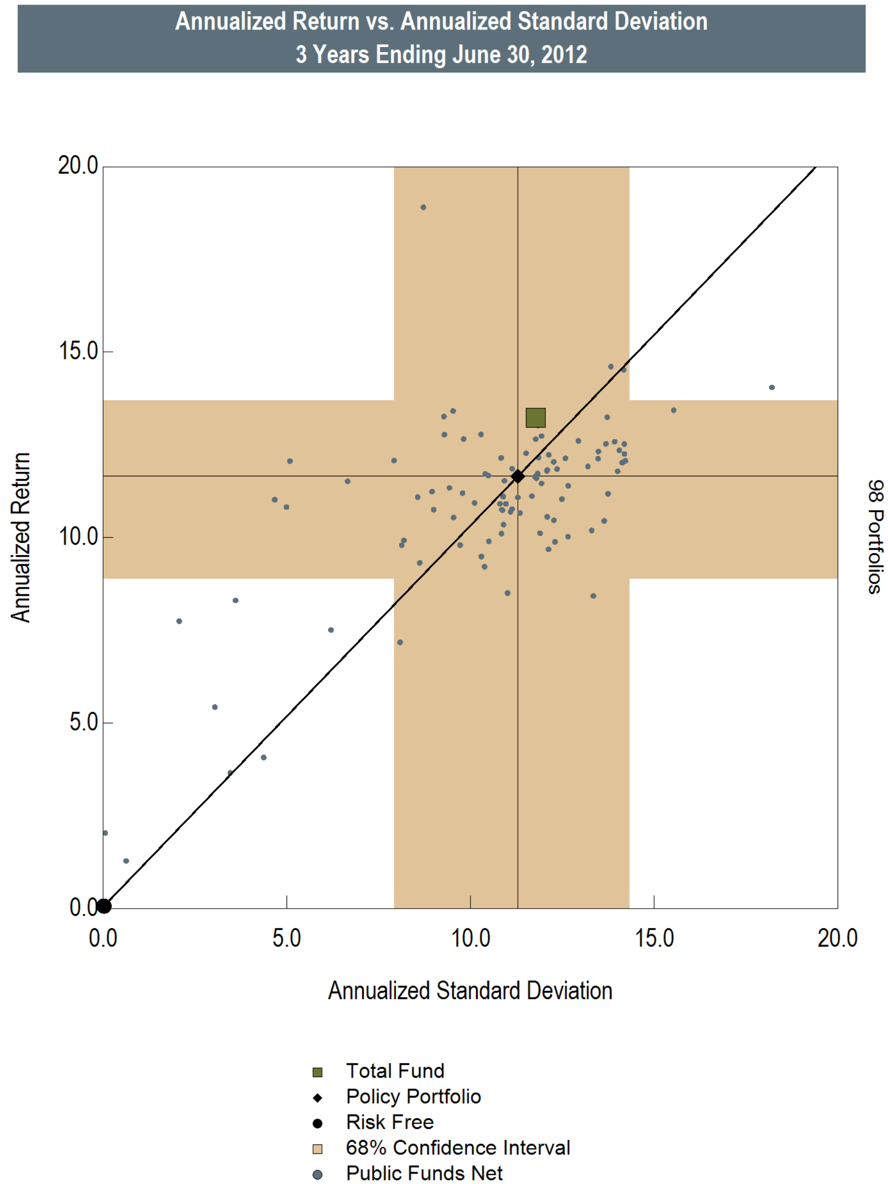


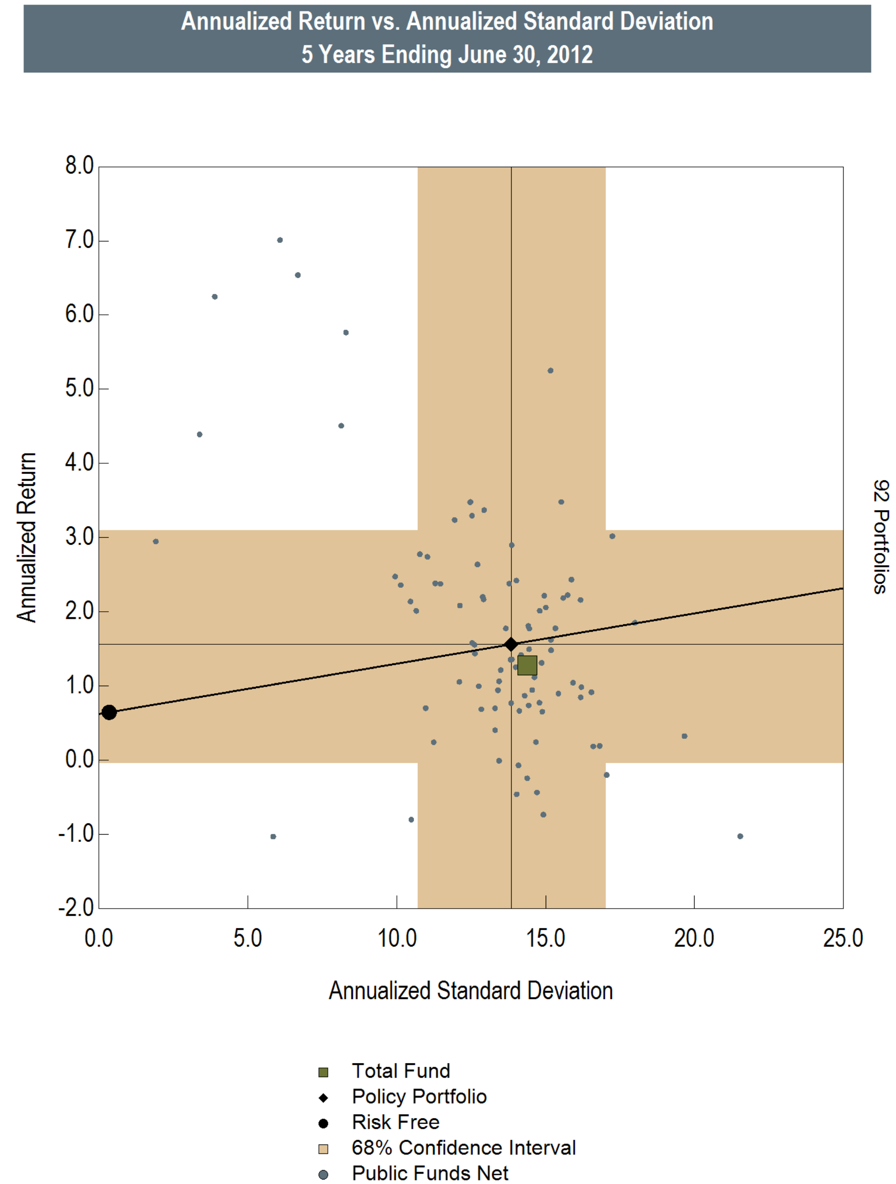
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		10 Years		2011		2010		2009	
5th Percentile	1.0		6.9		6.3		13.4		4.8		7.9		6.3		16.1		28.2	
25th Percentile	-1.2		6.1		2.1		12.1		2.4		6.5		2.2		13.9		22.3	
Median	-1.7		5.6		0.8		11.3		1.5		6.0		0.5		12.8		19.5	
75th Percentile	-2.4		4.8		-0.2		10.4		0.8		5.5		-0.6		11.3		16.8	
95th Percentile	-3.5		0.7		-2.6		6.9		-0.4		4.7		-2.3		7.4		10.8	
# of Portfolios	112		112		110		98		92		79		111		113		110	
● Total Fund	-2.0	(63)	6.6	(9)	1.5	(39)	13.2	(8)	1.3	(59)	6.1	(42)	0.3	(55)	15.1	(10)	24.2	(13)
▲ Policy Portfolio	-2.3	(72)	5.8	(41)	1.4	(40)	11.7	(42)	1.6	(49)	6.2	(42)	0.6	(49)	13.3	(43)	20.8	(38)

Risk Profile

Benchmark: Policy Portfolio

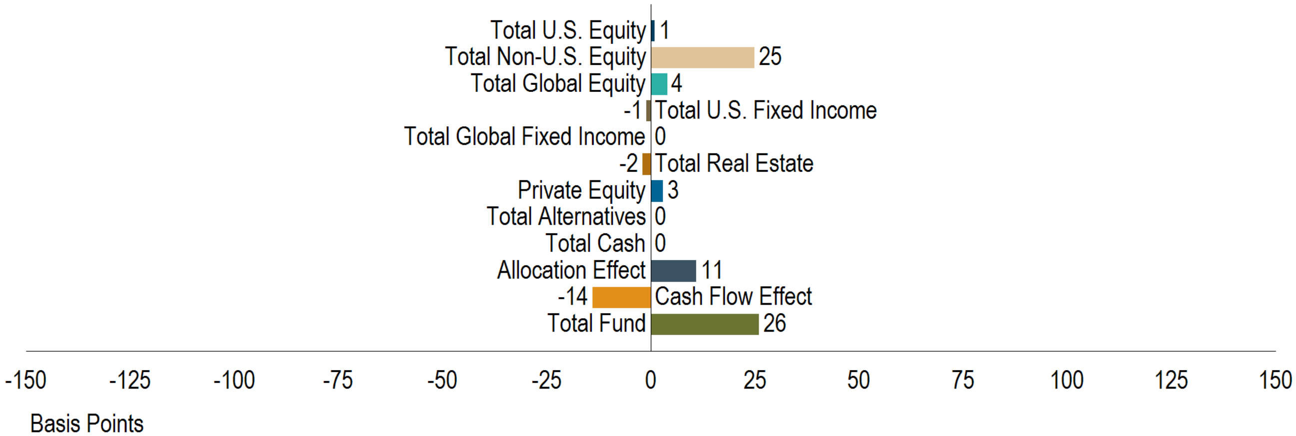
Universe: Public Funds Net



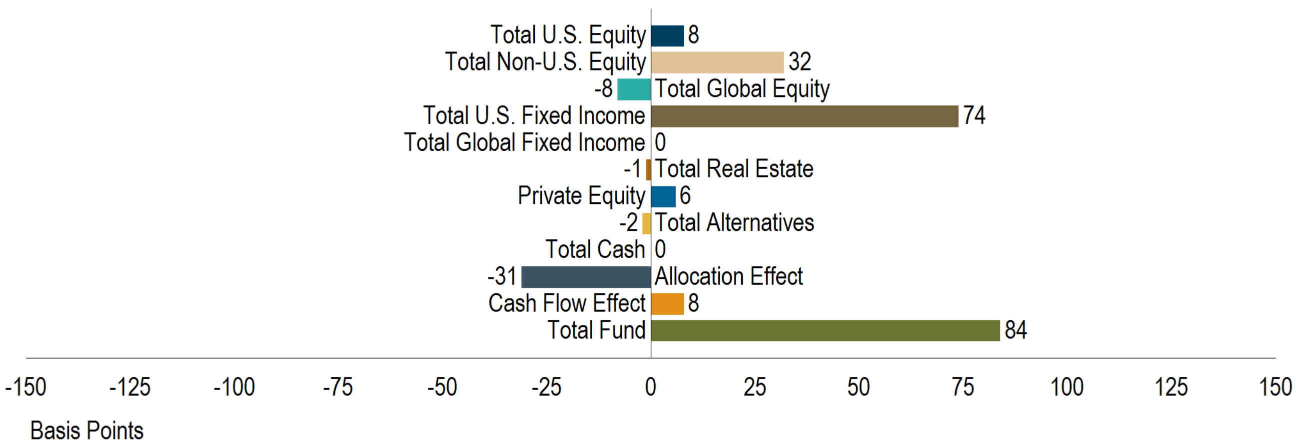


Attribution

TOTAL FUND ATTRIBUTION ANALYSIS
3 MONTHS ENDING 6/30/12



TOTAL FUND ATTRIBUTION ANALYSIS
6 MONTHS ENDING 6/30/12

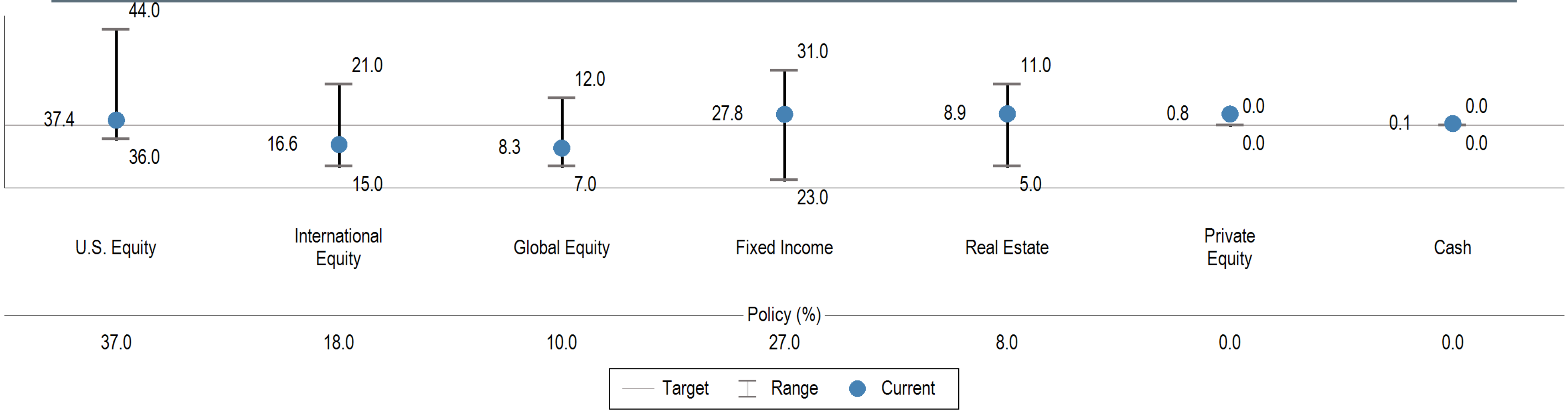


Note: The Cash Flow Effect exhibited in this quarter's and over the one year attribution charts represents the effect the Clifton Group had on the Total Fund.

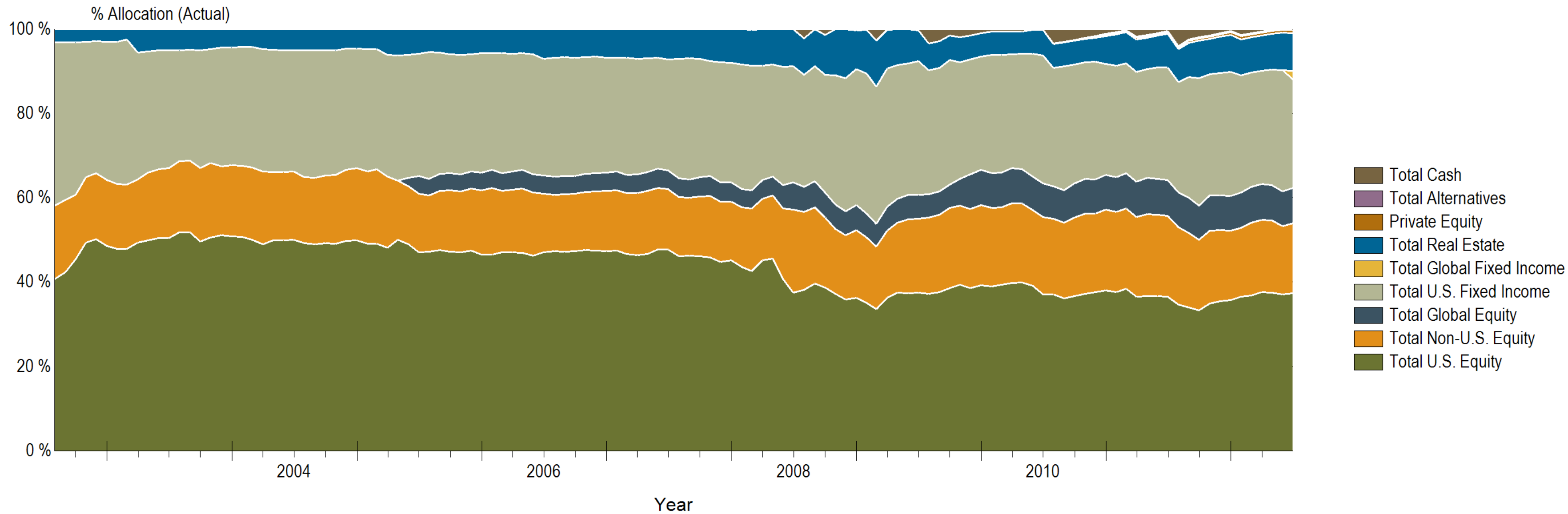
Total Fund | As of June 30, 2012 | $3,198.9 Million and 100.0% of Fund

Asset Allocation

Actual vs. Target



Asset Allocation History
10 Years Ending June 30, 2012



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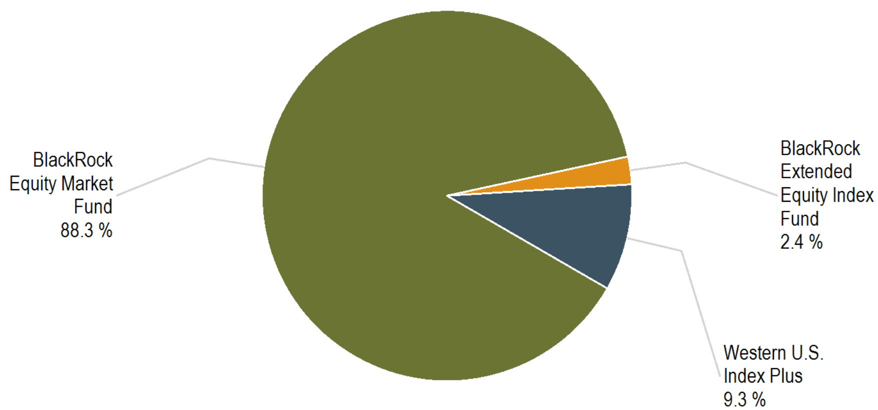
Total U.S. Equity

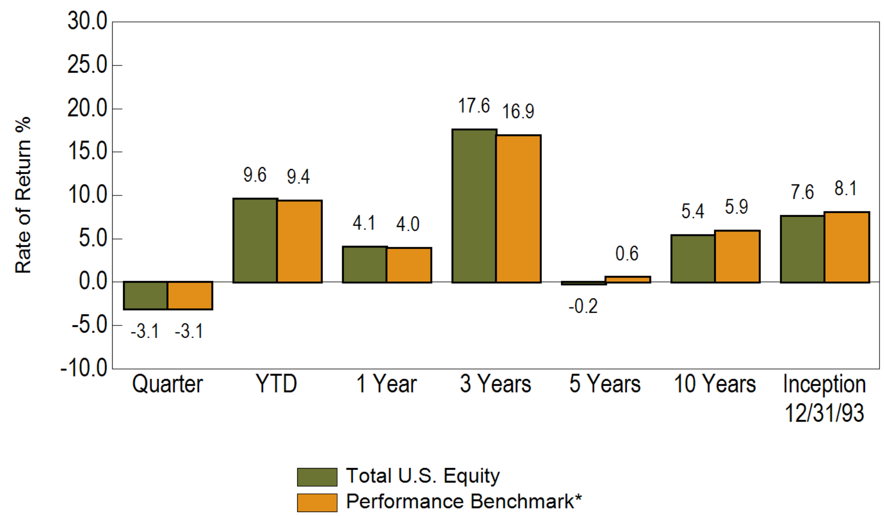
Overview

Benchmark: Performance Benchmark*

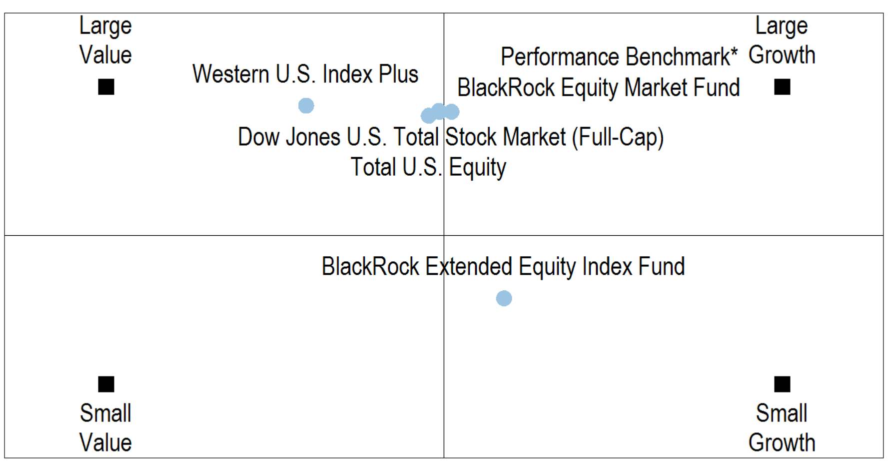
Current Allocation



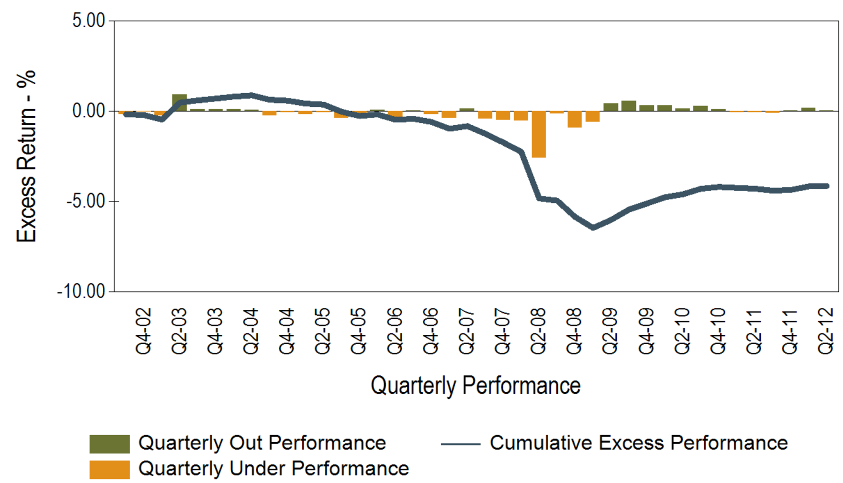
Return Summary



U.S. Effective Style Map
3 Years Ending June 30, 2012



Quarterly and Cumulative Excess Performance

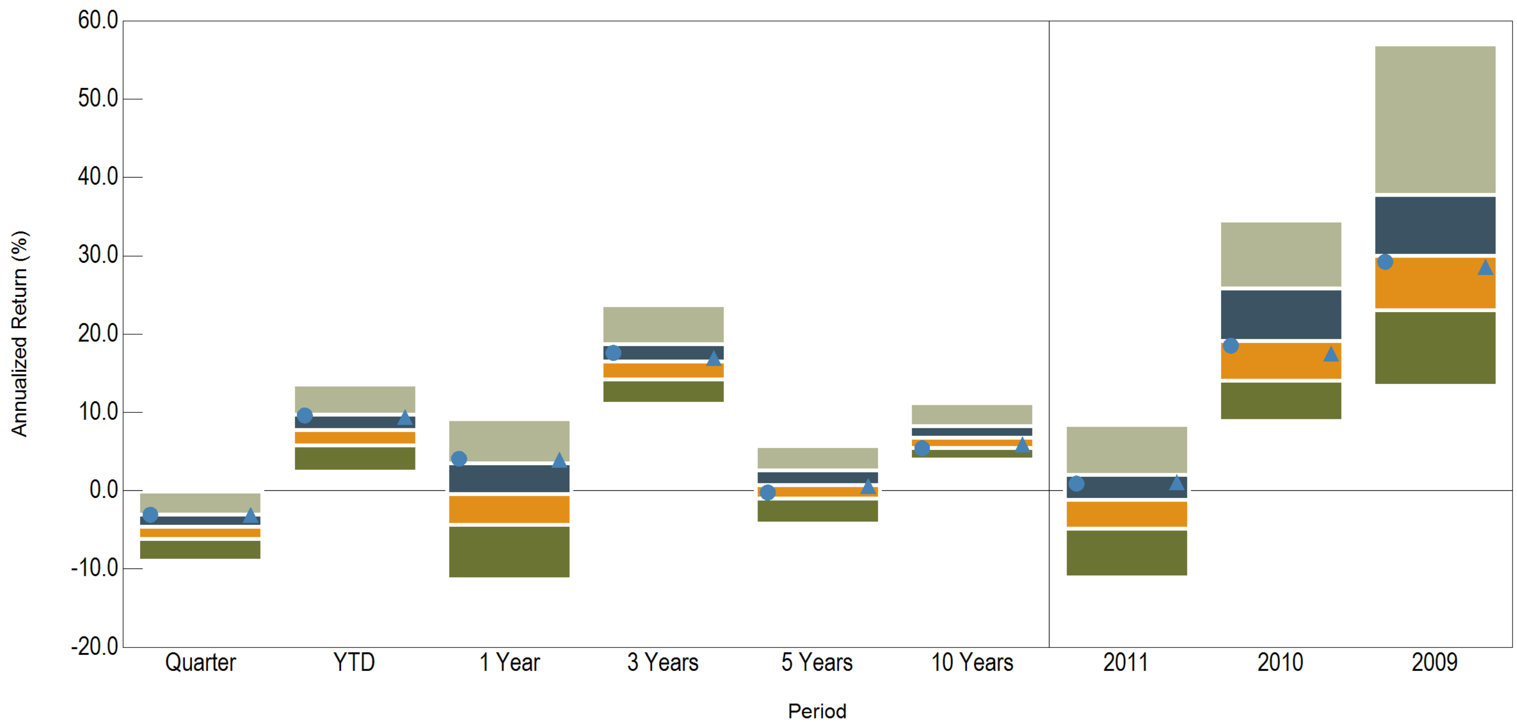


Universe Comparison

Benchmark: Performance Benchmark*

Universe: eA All US Equity Net

Ending June 30, 2012



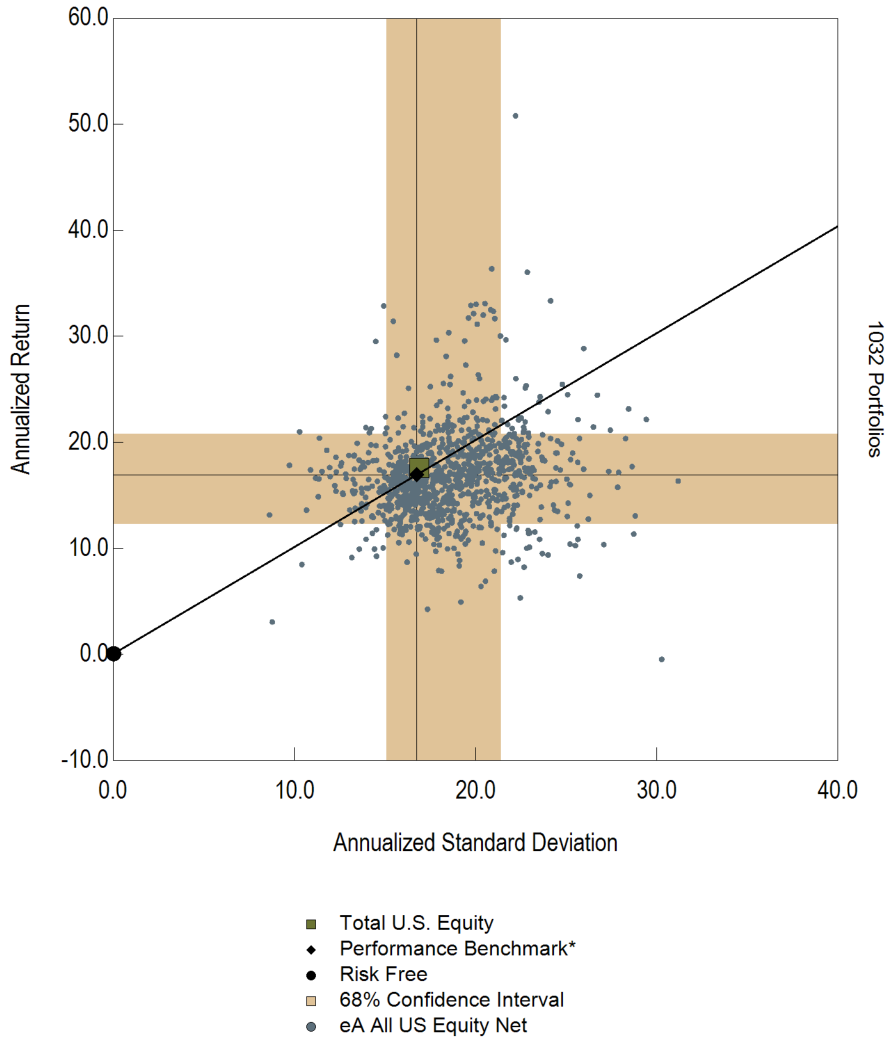
Return (Rank)	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	2011	2010	2009
5th Percentile	-0.2	13.5	9.1	23.6	5.7	11.1	8.4	34.5	56.9
25th Percentile	-3.0	9.8	3.5	18.8	2.6	8.3	2.1	25.9	37.8
Median	-4.6	7.8	-0.4	16.5	0.8	6.8	-1.1	19.1	30.0
75th Percentile	-6.1	5.8	-4.4	14.3	-1.0	5.5	-4.8	14.1	23.1
95th Percentile	-8.9	2.5	-11.3	11.1	-4.2	4.0	-11.0	8.9	13.4
# of Portfolios	1,117	1,116	1,106	1,032	911	629	1,081	1,035	1,153
● **Total U.S. Equity**	-3.1 (27)	9.6 (27)	4.1 (22)	17.6 (37)	-0.2 (65)	5.4 (78)	0.9 (35)	18.5 (53)	29.2 (53)
▲ **Performance Benchmark***	-3.1 (27)	9.4 (29)	4.0 (23)	16.9 (45)	0.6 (53)	5.9 (68)	1.1 (33)	17.5 (58)	28.6 (55)

Risk Profile

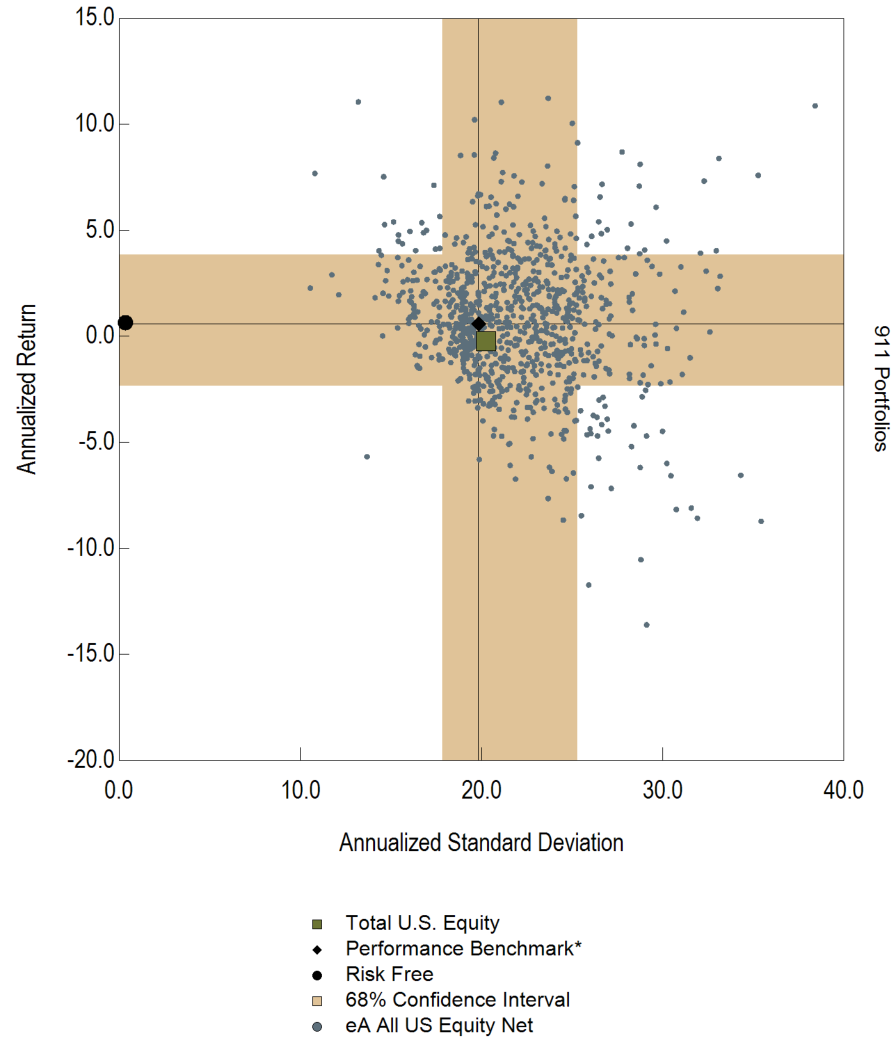
Benchmark: Performance Benchmark*

Universe: eA All US Equity Net

**Annualized Return vs. Annualized Standard Deviation
3 Years Ending June 30, 2012**

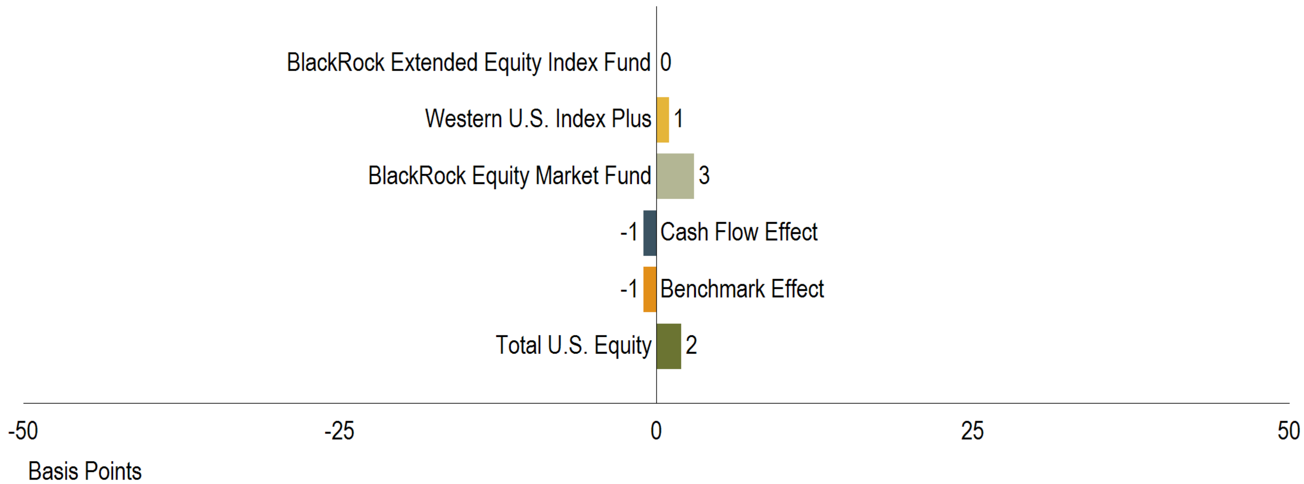


**Annualized Return vs. Annualized Standard Deviation
5 Years Ending June 30, 2012**

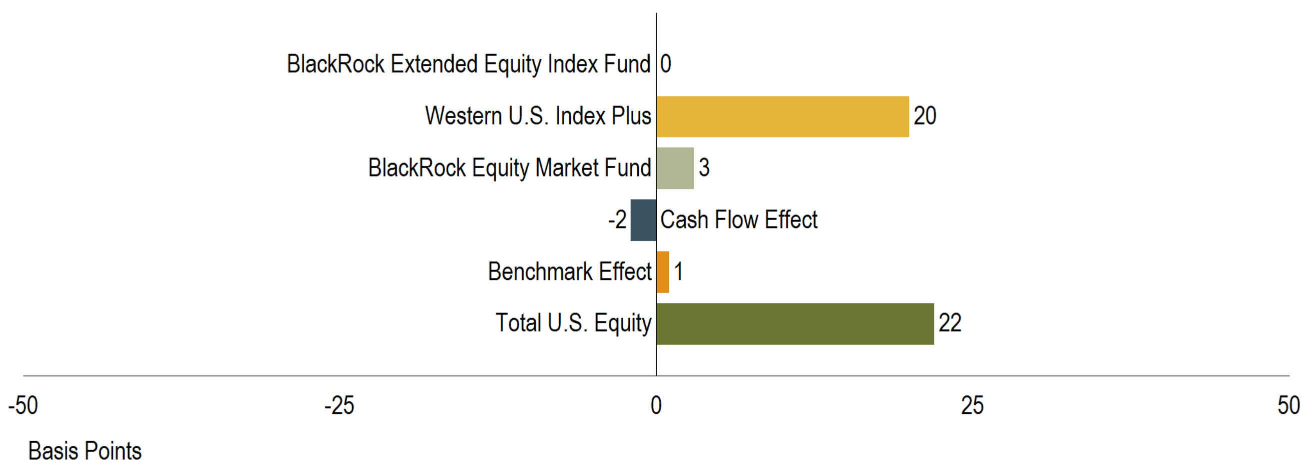


Attribution

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 6/30/12



MANAGER ATTRIBUTION ANALYSIS
6 MONTHS ENDING 6/30/12



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Manager Performance

Benchmark: Dow Jones U.S. Completion Total Stock Market Index

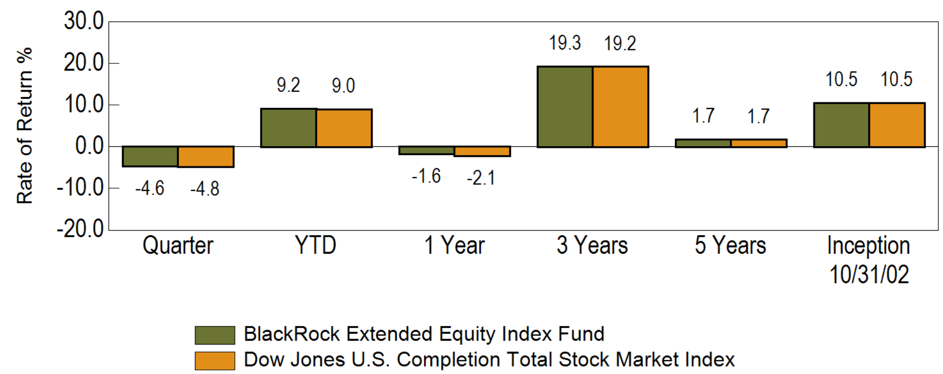
The BlackRock Extended Market Index Fund provides investment in the U.S. equity market excluding those stocks represented in the S&P 500 Index. The Fund is passively managed using a "fund optimization" technique. The Fund typically invests all, or substantially all, assets in the 1,300 largest stocks in the Index and in a representative sample of the remainder. Stocks are selected based on appropriate industry weightings, market capitalizations, and certain fundamental characteristics (e.g. price/earnings ratio and dividend yield) that closely align the Fund's characteristics with those of its benchmark.

The Fund does not hold publicly traded partnerships (PTPs) because of their potential to distribute unrelated business taxable income. However, the DJ U.S. Completion Total Stock Market Index includes PTPs which result in the Fund experiencing tracking discrepancies. While there will likely be tracking discrepancies on a quarter-to-quarter basis, we expect the difference to be minimal over longer time periods.

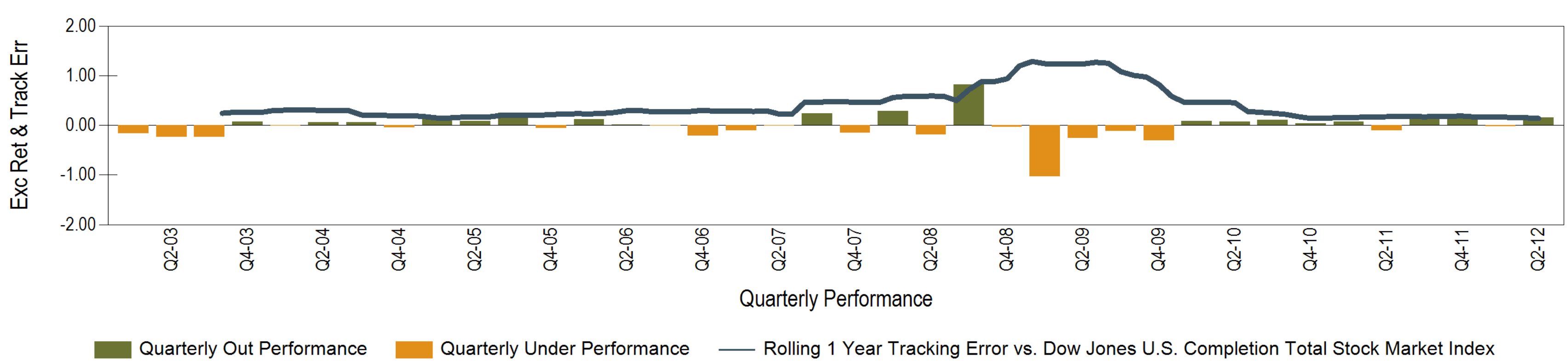
Account Information

Account Name	**BlackRock Extended Equity Index Fund**
Account Structure	**Commingled Fund**
Investment Style	**Passive**
Inception Date	**10/31/02**
Account Type	**US Stock**
Benchmark	**Dow Jones U.S. Completion Total Stock Market Index**
Universe	**eA US Small-Mid Cap Equity Net**

Return Summary



Tracking Error

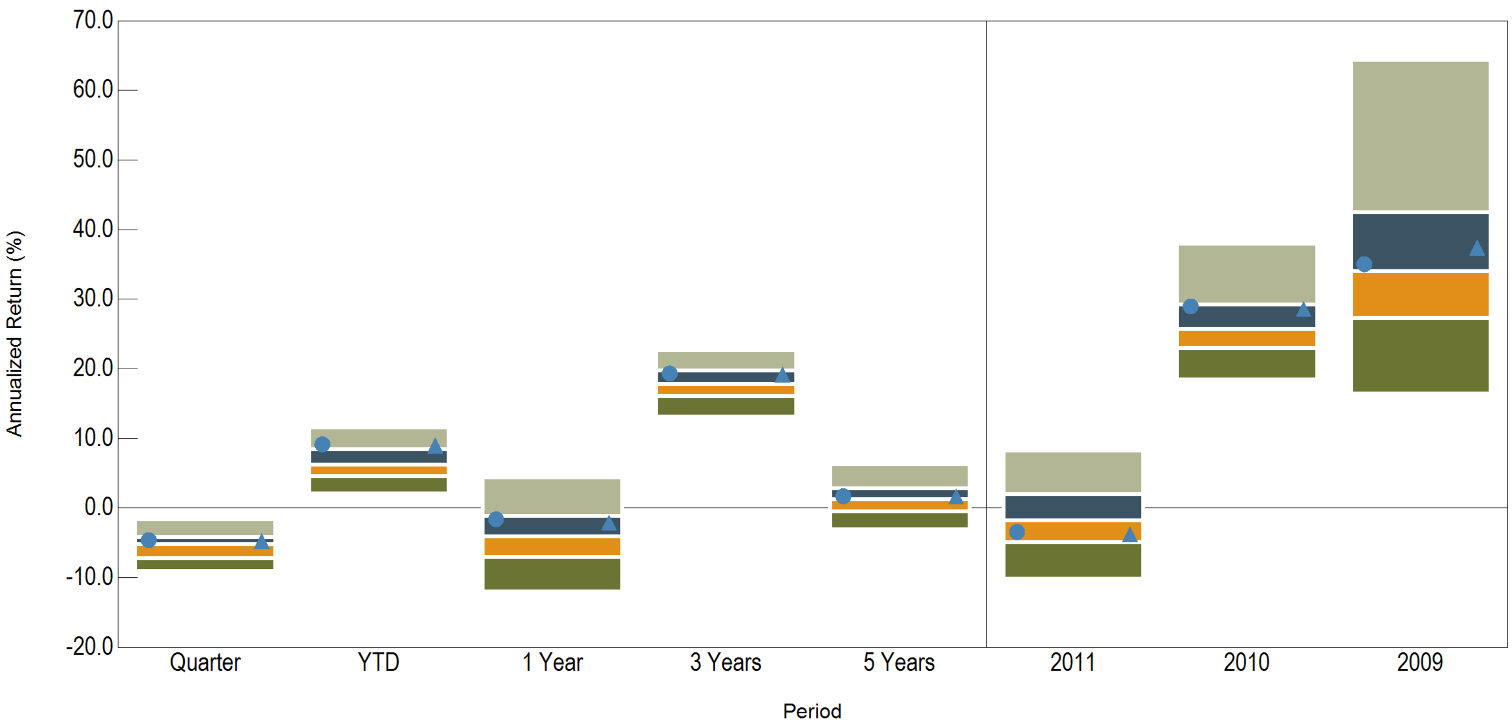


Universe Comparison

Benchmark: Dow Jones U.S. Completion Total Stock Market Index

Universe: eA US Small-Mid Cap Equity Net

Ending June 30, 2012



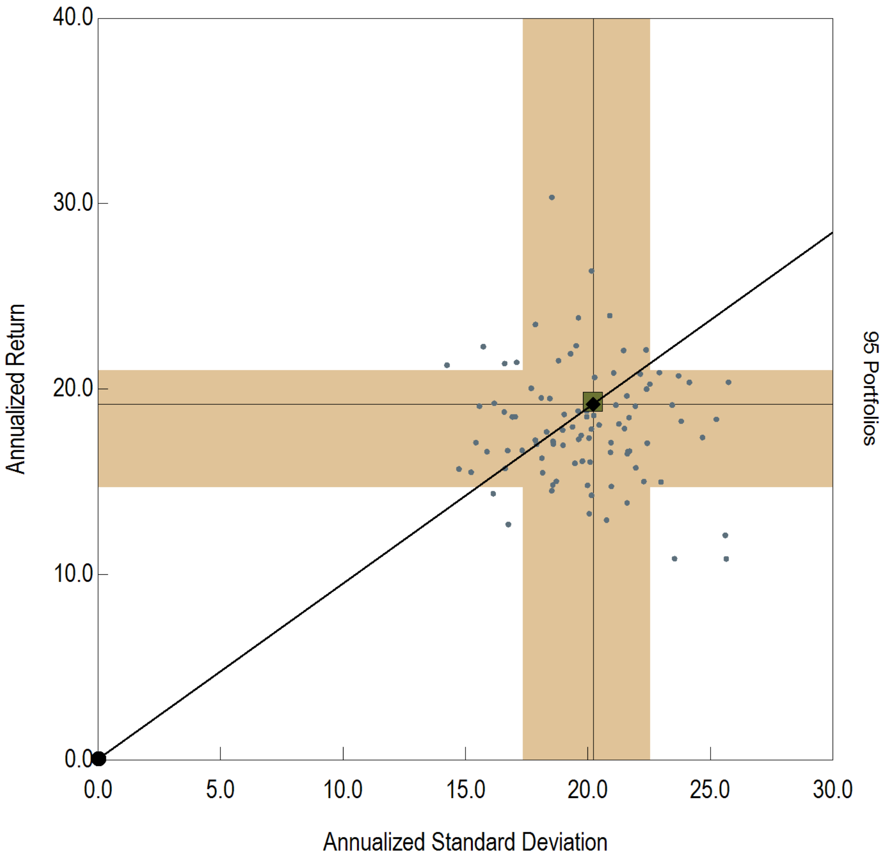
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		2011		2010		2009	
5th Percentile	-1.6		11.6		4.4		22.7		6.3		8.3		38.0		64.3	
25th Percentile	-4.1		8.5		-1.0		19.8		2.9		2.1		29.3		42.5	
Median	-5.2		6.3		-4.1		17.8		1.3		-1.7		25.8		34.1	
75th Percentile	-7.1		4.6		-7.0		16.1		-0.4		-4.9		23.0		27.4	
95th Percentile	-9.0		2.1		-11.9		13.2		-3.0		-10.1		18.5		16.5	
# of Portfolios	105		105		104		95		83		93		89		97	
● **BlackRock Extended Equity Index Fund**	-4.6	(38)	9.2	(16)	-1.6	(32)	19.3	(29)	1.7	(44)	-3.4	(66)	29.0	(28)	35.0	(46)
▲ **Dow Jones U.S. Completion Total Stock Mark**	-4.8	(42)	9.0	(18)	-2.1	(34)	19.2	(30)	1.7	(44)	-3.8	(67)	28.6	(34)	37.4	(38)

Risk Profile

Benchmark: Dow Jones U.S. Completion Total Stock Market Index

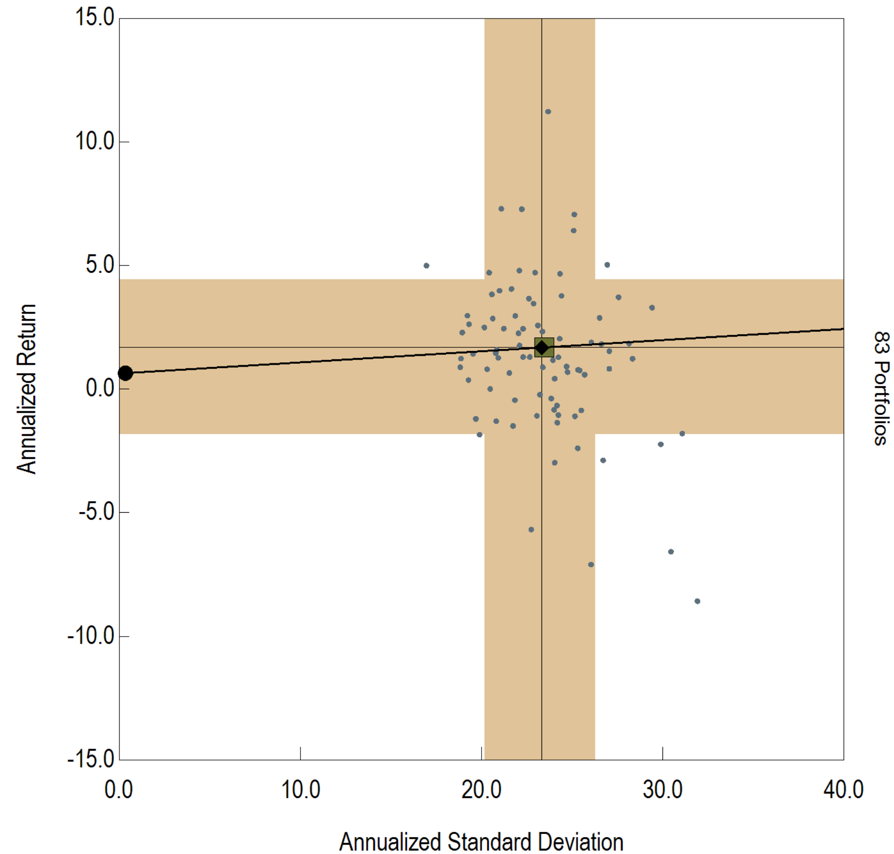
Universe: eA US Small-Mid Cap Equity Net

Annualized Return vs. Annualized Standard Deviation
3 Years Ending June 30, 2012



- BlackRock Extended Equity Index Fund
- Dow Jones U.S. Completion Total Stock Market Index
- Risk Free
- 68% Confidence Interval
- eA US Small-Mid Cap Equity Net

Annualized Return vs. Annualized Standard Deviation
5 Years Ending June 30, 2012



- BlackRock Extended Equity Index Fund
- Dow Jones U.S. Completion Total Stock Market Index
- Risk Free
- 68% Confidence Interval
- eA US Small-Mid Cap Equity Net

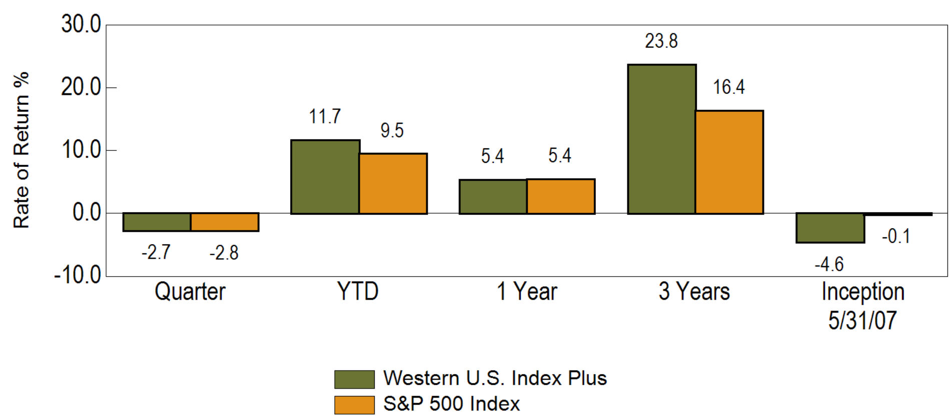
Manager Performance

Benchmark: S&P 500 Index

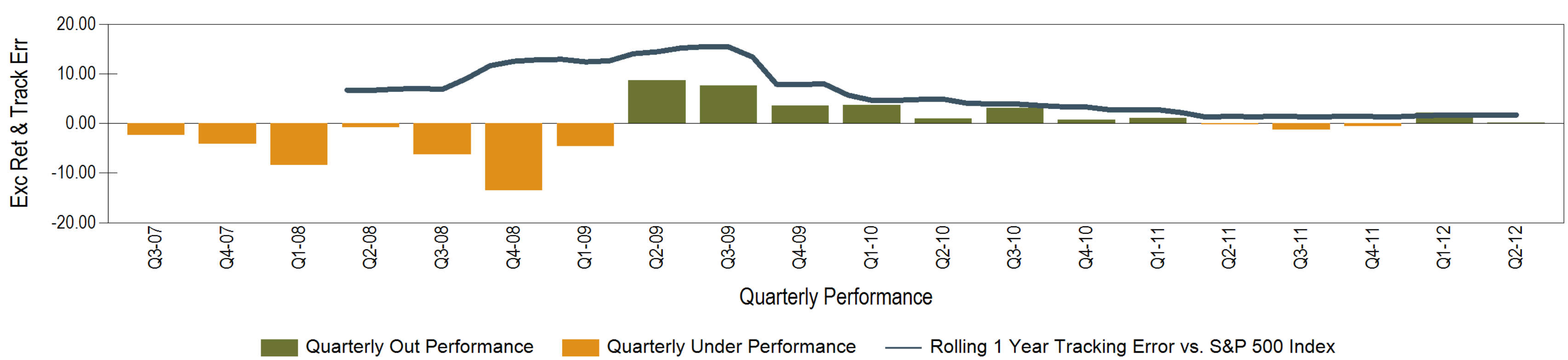
Western employs a value-oriented investment approach that has proven successful in adding excess returns across various market cycles. This versatility comes from the manager's multiple sources of value-added and focus on finding long-term fundamental value. Western seeks to achieve balance between multiple sources of value added - duration management, yield curve positioning, sector allocation, and security selection - while diversifying risk. Western has one of the deepest teams of investment/risk professionals in the industry. The manager also has dedicated significant resources to analytics and risk management. We would highlight that active sector rotation and portfolio construction are key strengths of Western.

Account Information	
Account Name	Western U.S. Index Plus
Account Structure	Separate Account
Investment Style	Passive
Inception Date	5/31/07
Account Type	US Stock
Benchmark	S&P 500 Index
Universe	eA All US Equity Net

Return Summary



Tracking Error

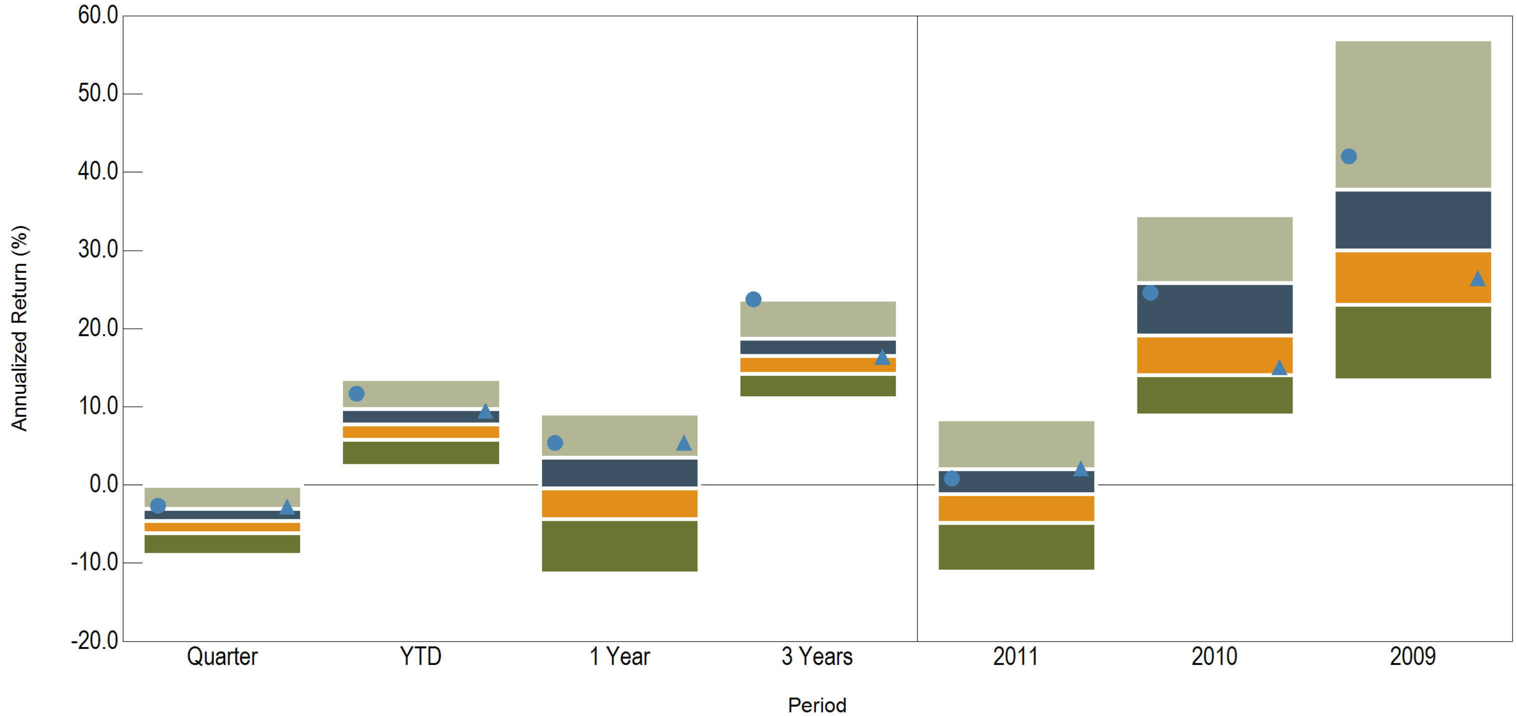


Universe Comparison

Benchmark: S&P 500 Index

Universe: eA All US Equity Net

Ending June 30, 2012

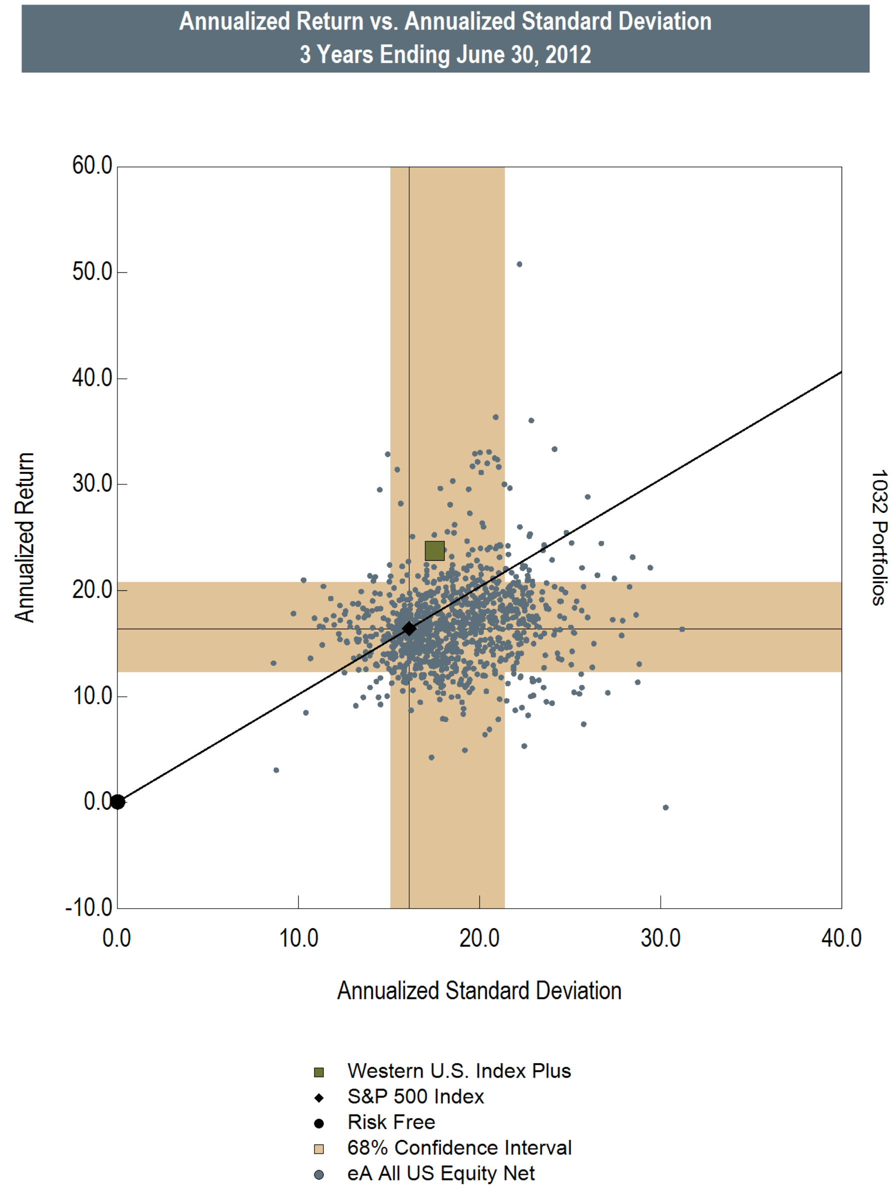


Return (Rank)	Quarter		YTD		1 Year		3 Years		2011		2010		2009	
5th Percentile	-0.2		13.5		9.1		23.6		8.4		34.5		56.9	
25th Percentile	-3.0		9.8		3.5		18.8		2.1		25.9		37.8	
Median	-4.6		7.8		-0.4		16.5		-1.1		19.1		30.0	
75th Percentile	-6.1		5.8		-4.4		14.3		-4.8		14.1		23.1	
95th Percentile	-8.9		2.5		-11.3		11.1		-11.0		8.9		13.4	
# of Portfolios	1,117		1,116		1,106		1,032		1,081		1,035		1,153	
● **Western U.S. Index Plus**	-2.7	(21)	11.7	(11)	5.4	(16)	23.8	(5)	0.8	(36)	24.6	(30)	42.0	(17)
▲ **S&P 500 Index**	-2.8	(22)	9.5	(28)	5.4	(15)	16.4	(53)	2.1	(25)	15.1	(69)	26.5	(64)

Risk Profile

Benchmark: S&P 500 Index

Universe: eA All US Equity Net



Manager Performance

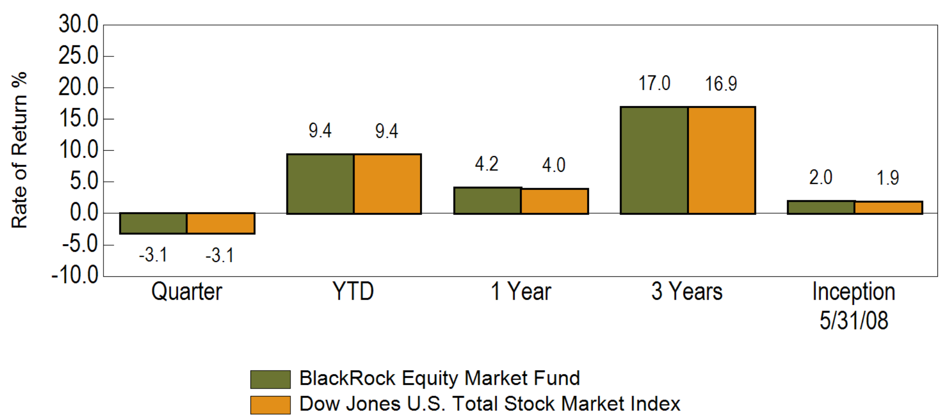
Benchmark: Dow Jones U.S. Total Stock Market Index

The objective of the BlackRock U.S. Equity Market Fund is to approximate the return of the Dow Jones U.S. Total Stock Market Index. The Dow Jones U.S. Total Stock Market Index contains essentially all publicly traded stocks in the U.S. Accordingly, it is the broadest available measure of the domestic stock market.

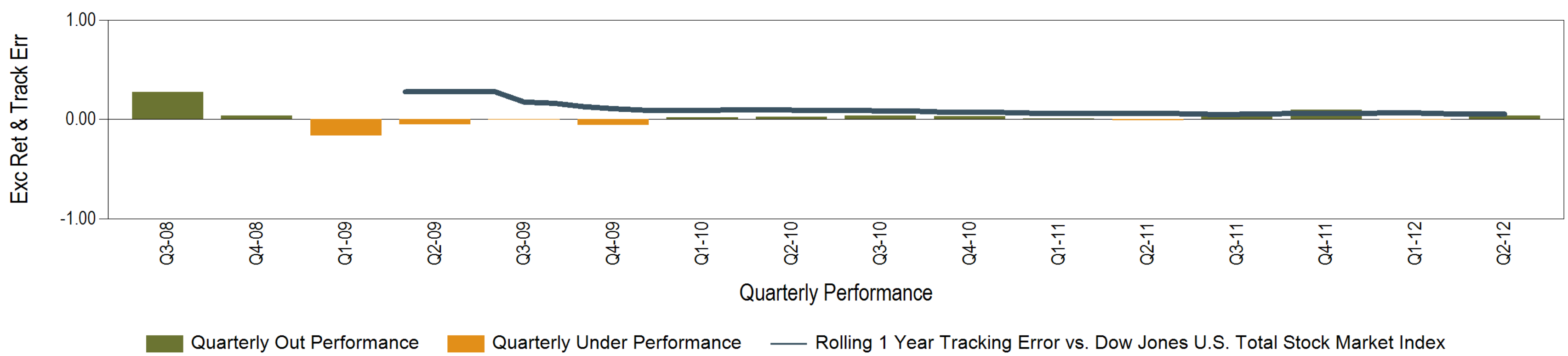
Account Information

Account Name	**BlackRock Equity Market Fund**
Account Structure	**Commingled Fund**
Investment Style	**Passive**
Inception Date	**5/31/08**
Account Type	**US Stock**
Benchmark	**Dow Jones U.S. Total Stock Market Index**
Universe	**eA All US Equity Net**

Return Summary



Tracking Error

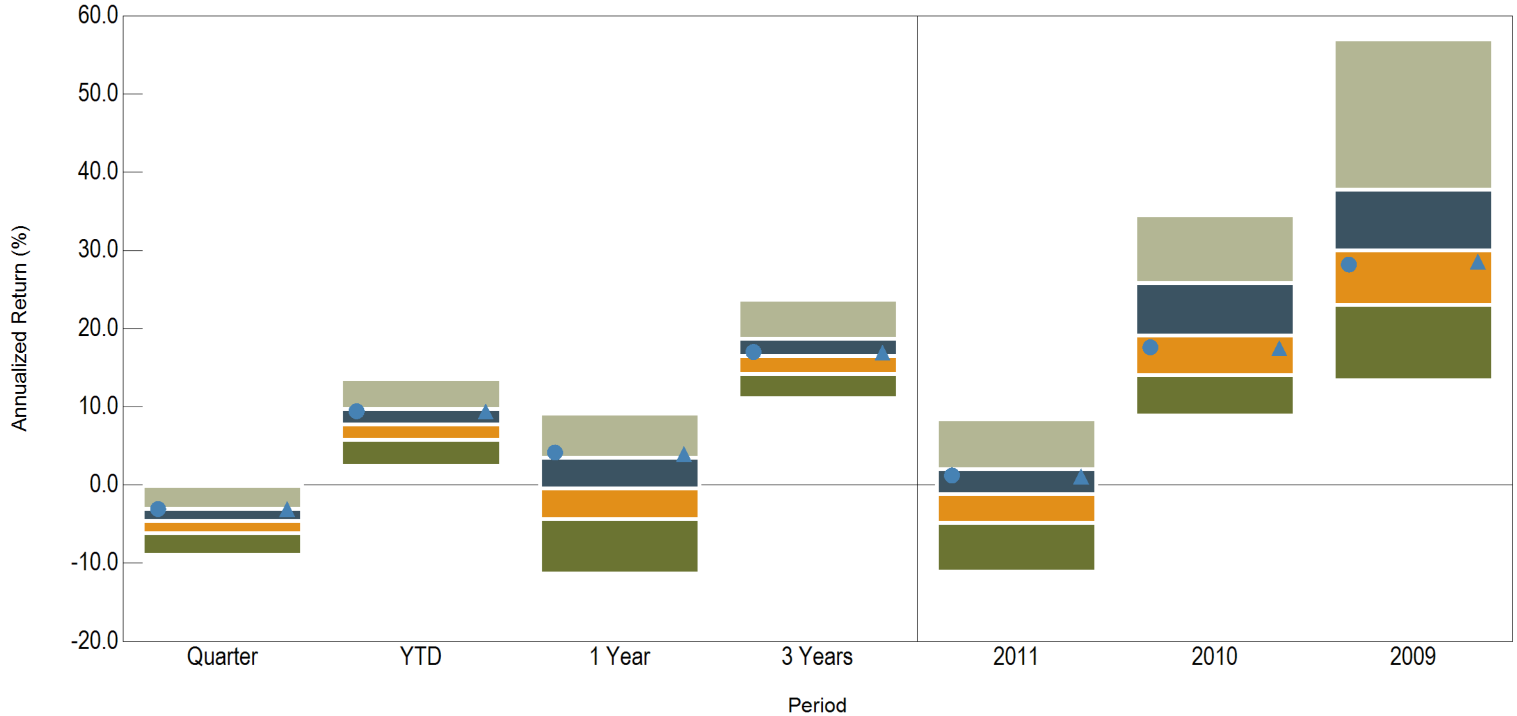


Universe Comparison

Benchmark: Dow Jones U.S. Total Stock Market Index

Universe: eA All US Equity Net

Ending June 30, 2012



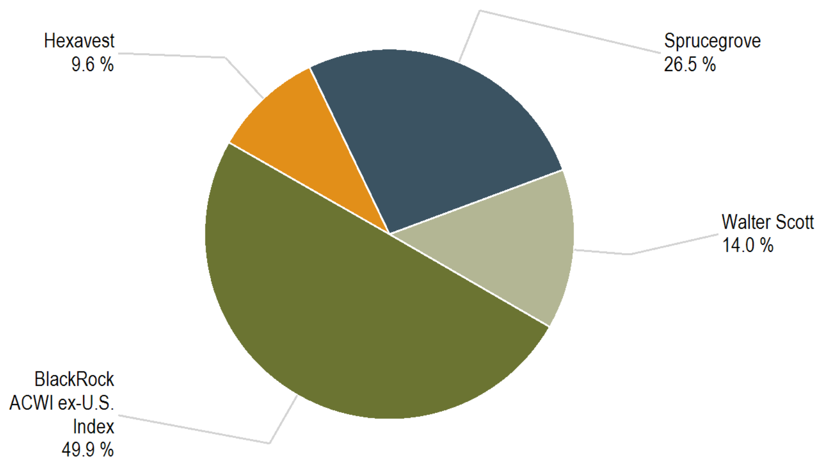
Return (Rank)	Quarter	YTD	1 Year	3 Years	2011	2010	2009
5th Percentile	-0.2	13.5	9.1	23.6	8.4	34.5	56.9
25th Percentile	-3.0	9.8	3.5	18.8	2.1	25.9	37.8
Median	-4.6	7.8	-0.4	16.5	-1.1	19.1	30.0
75th Percentile	-6.1	5.8	-4.4	14.3	-4.8	14.1	23.1
95th Percentile	-8.9	2.5	-11.3	11.1	-11.0	8.9	13.4
# of Portfolios	1,117	1,116	1,106	1,032	1,081	1,035	1,153
● **BlackRock Equity Market Fund**	-3.1 (27)	9.4 (29)	4.2 (22)	17.0 (44)	1.2 (32)	17.6 (57)	28.2 (57)
▲ **Dow Jones U.S. Total Stock Market Index**	-3.1 (27)	9.4 (29)	4.0 (23)	16.9 (45)	1.1 (33)	17.5 (58)	28.6 (55)

Total Non-U.S. Equity

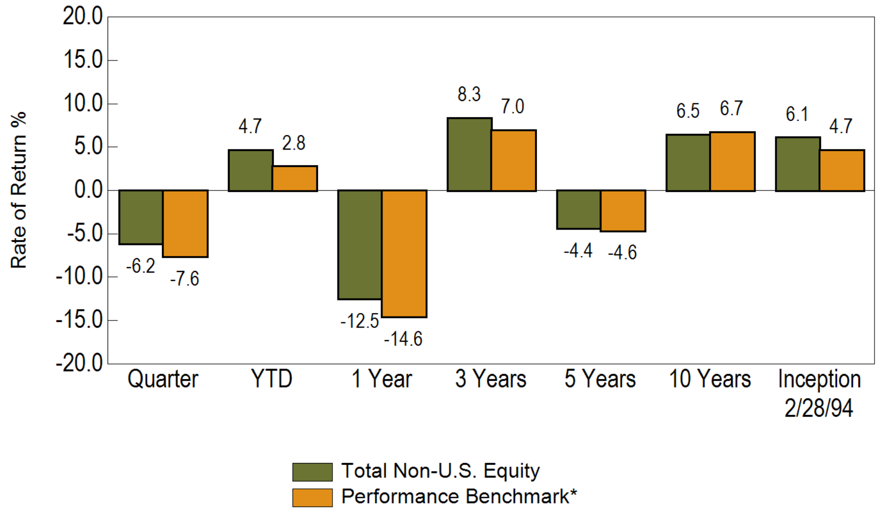
Overview

Benchmark: Performance Benchmark*

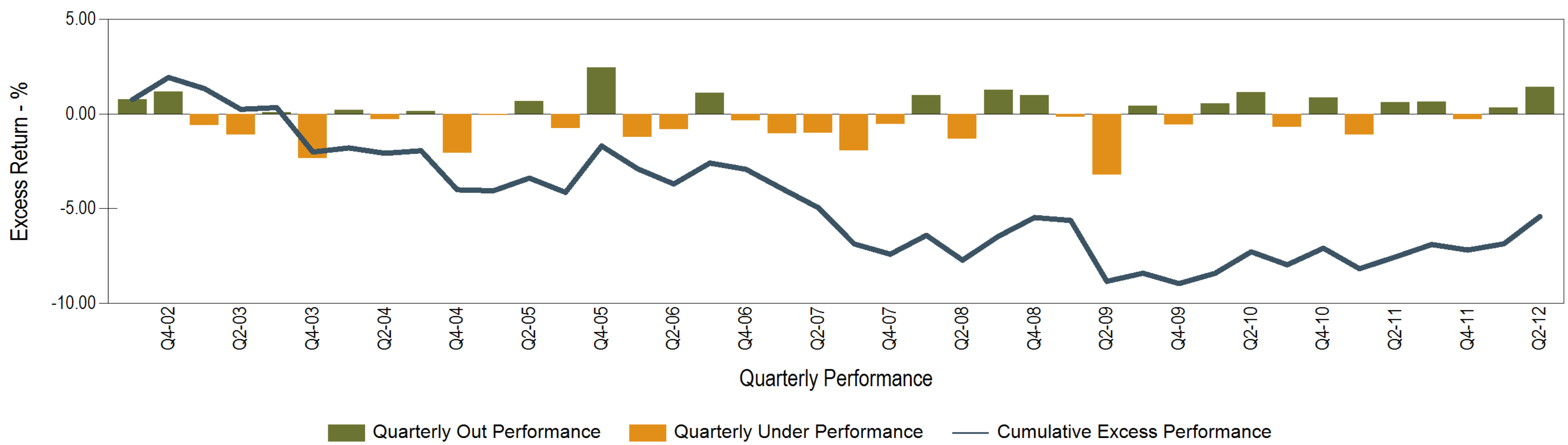
Current Allocation



Return Summary



Quarterly and Cumulative Excess Performance

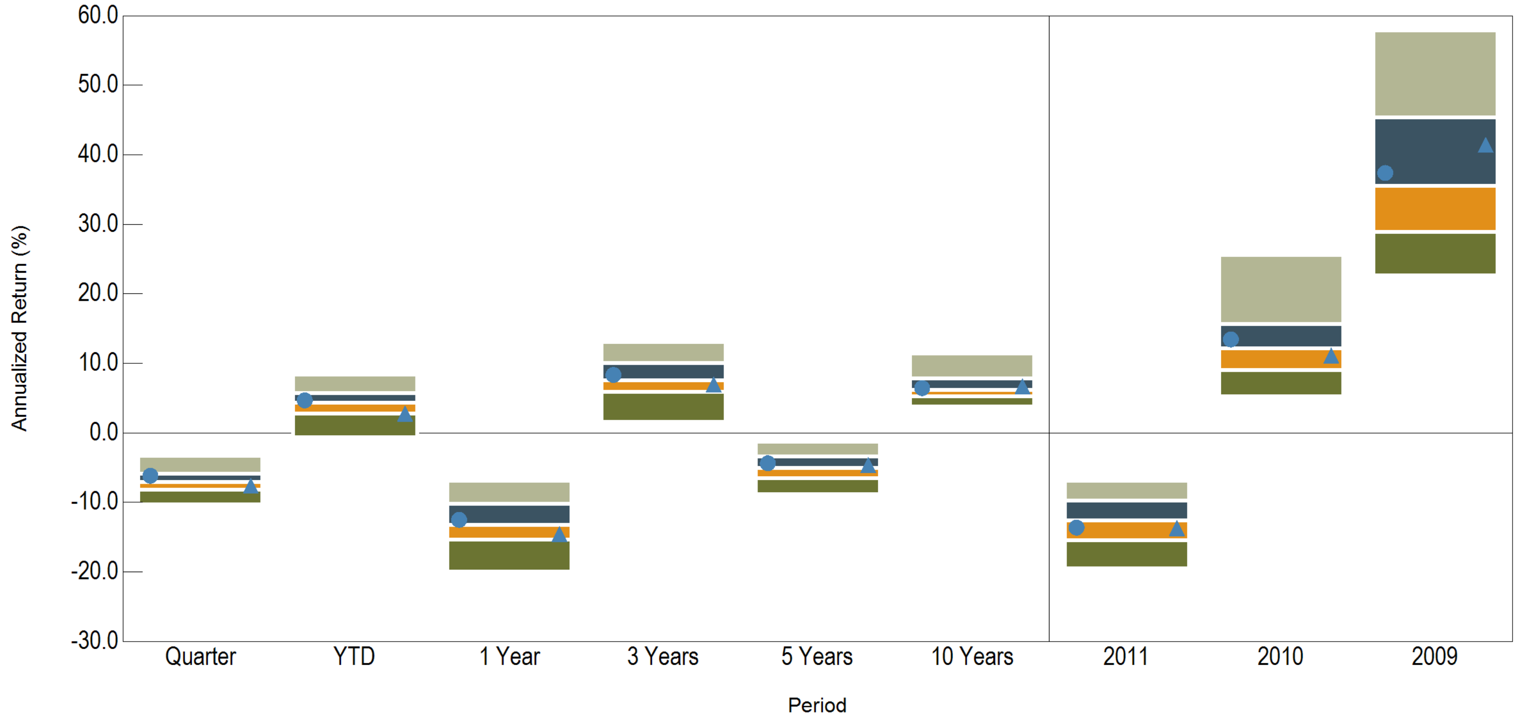


Universe Comparison

Benchmark: Performance Benchmark*

Universe: eA All EAFE Equity Net

Ending June 30, 2012



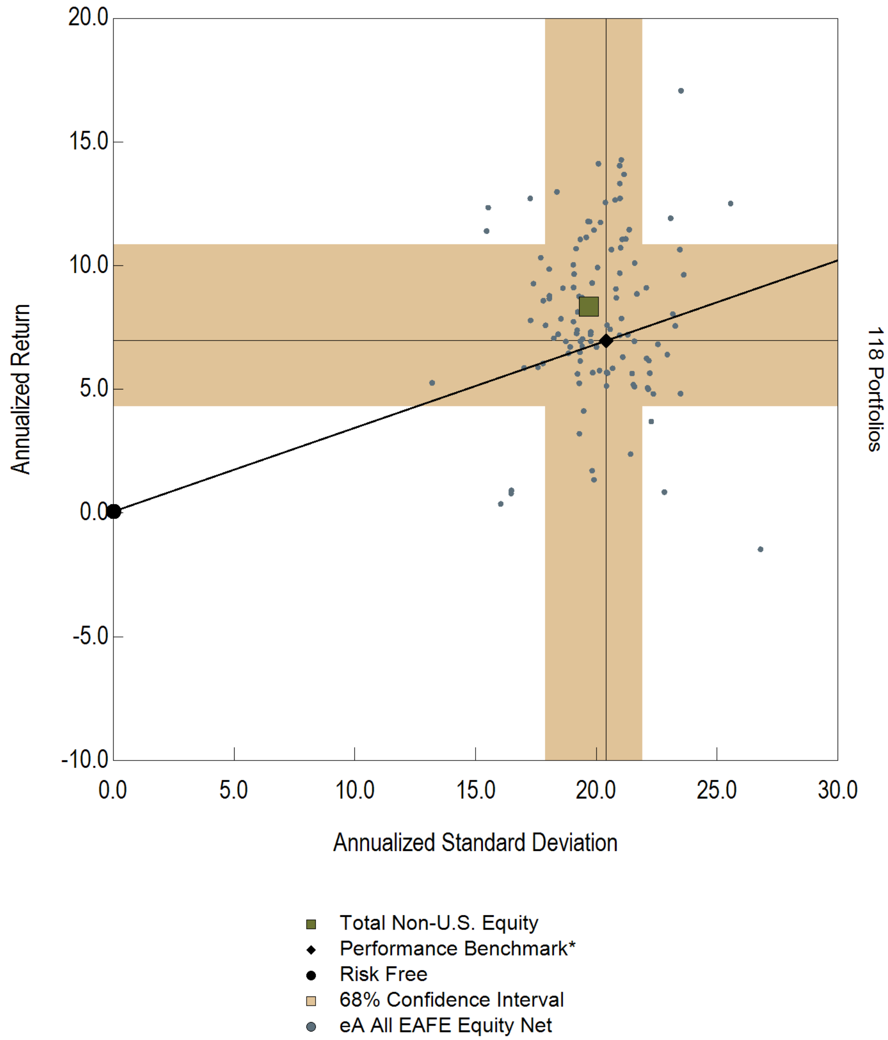
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		10 Years		2011		2010		2009	
5th Percentile	-3.4		8.4		-6.9		13.0		-1.3		11.4		-6.9		25.6		57.9	
25th Percentile	-5.8		5.8		-10.1		10.1		-3.3		7.9		-9.7		15.7		45.4	
Median	-7.0		4.4		-13.2		7.6		-5.0		6.2		-12.6		12.2		35.6	
75th Percentile	-8.2		2.8		-15.3		5.9		-6.4		5.3		-15.4		9.1		29.0	
95th Percentile	-10.2		-0.6		-19.9		1.7		-8.7		3.8		-19.4		5.3		22.8	
# of Portfolios	134		134		131		118		105		76		129		143		173	
● **Total Non-U.S. Equity**	-6.2	(30)	4.7	(43)	-12.5	(41)	8.3	(43)	-4.4	(41)	6.5	(47)	-13.6	(59)	13.5	(38)	37.4	(45)
▲ **Performance Benchmark***	-7.6	(63)	2.8	(76)	-14.6	(71)	7.0	(61)	-4.6	(46)	6.7	(44)	-13.7	(60)	11.2	(54)	41.4	(35)

Risk Profile

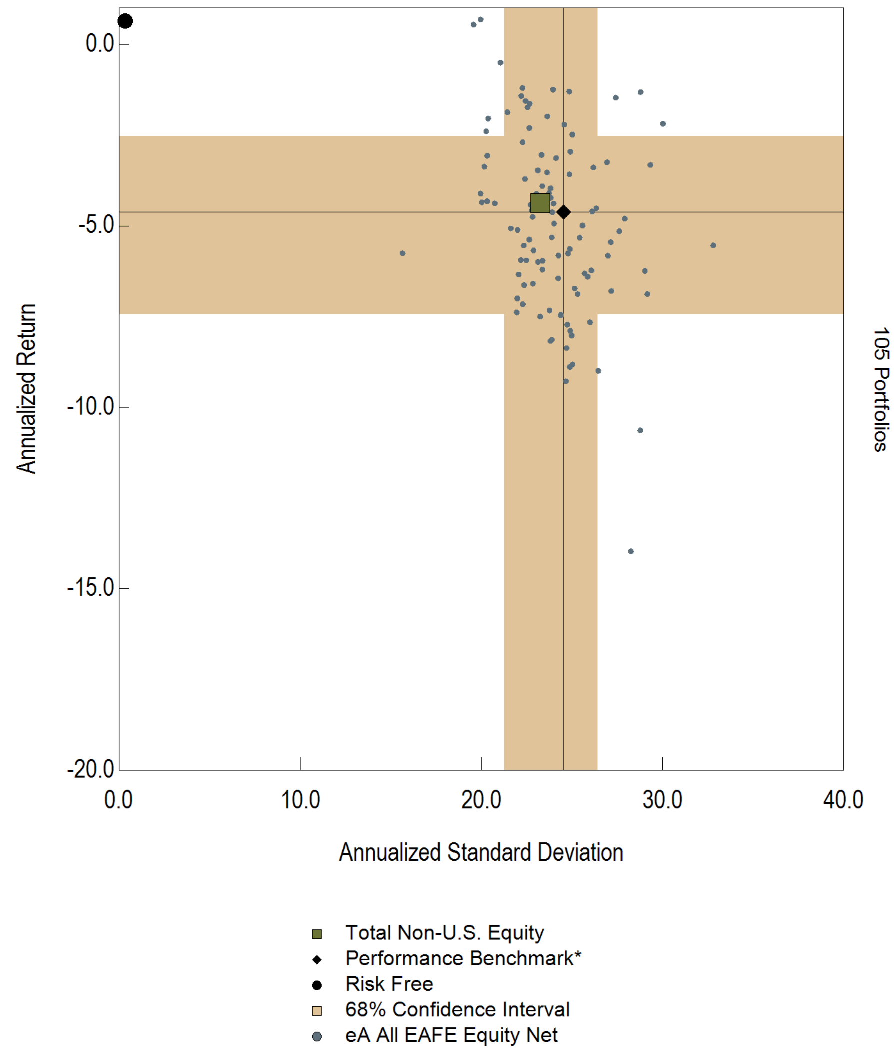
Benchmark: Performance Benchmark*

Universe: eA All EAFE Equity Net

Annualized Return vs. Annualized Standard Deviation
3 Years Ending June 30, 2012

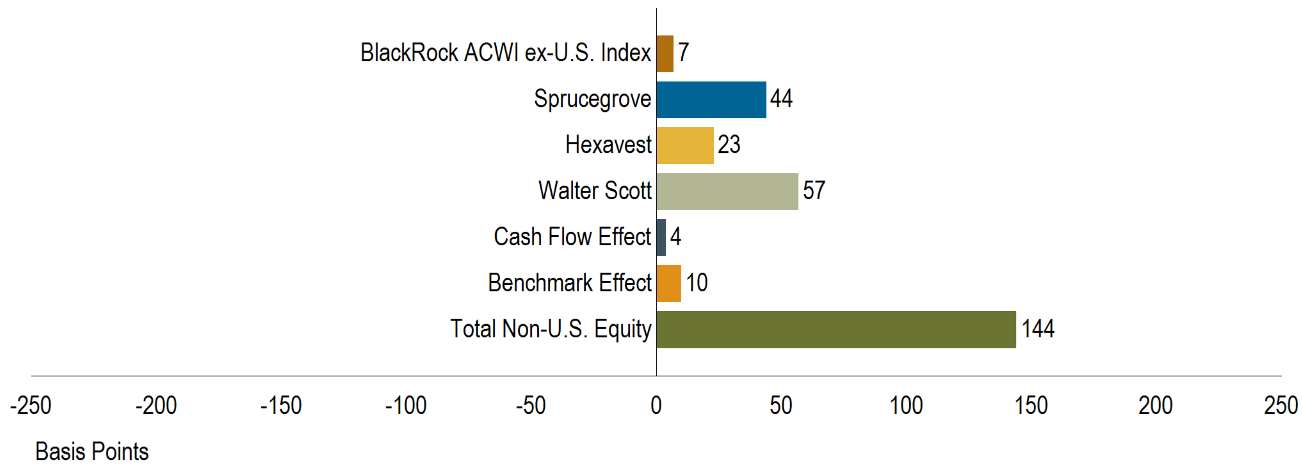


Annualized Return vs. Annualized Standard Deviation
5 Years Ending June 30, 2012

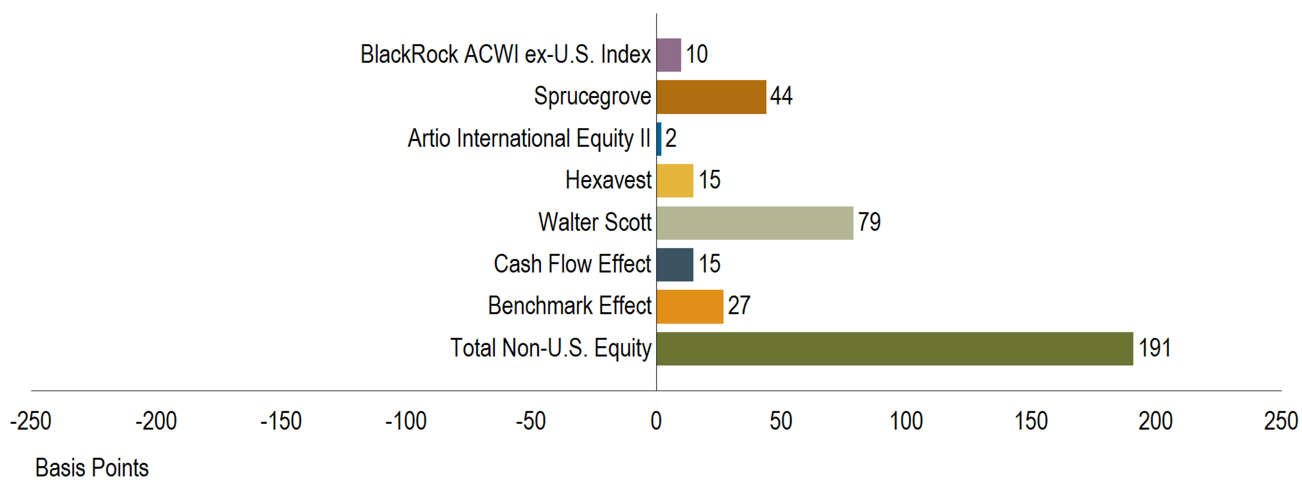


Attribution

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 6/30/12



MANAGER ATTRIBUTION ANALYSIS
6 MONTHS ENDING 6/30/12



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Manager Performance

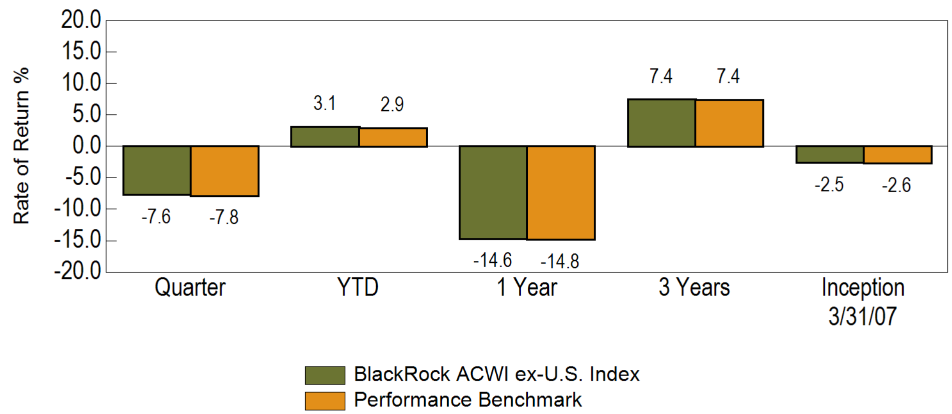
Benchmark: Performance Benchmark

The BlackRock ACWI ex-U.S. Index Fund is designed to track the performance and risk characteristics of the MSCI All Country World ex-U.S. IM Index.

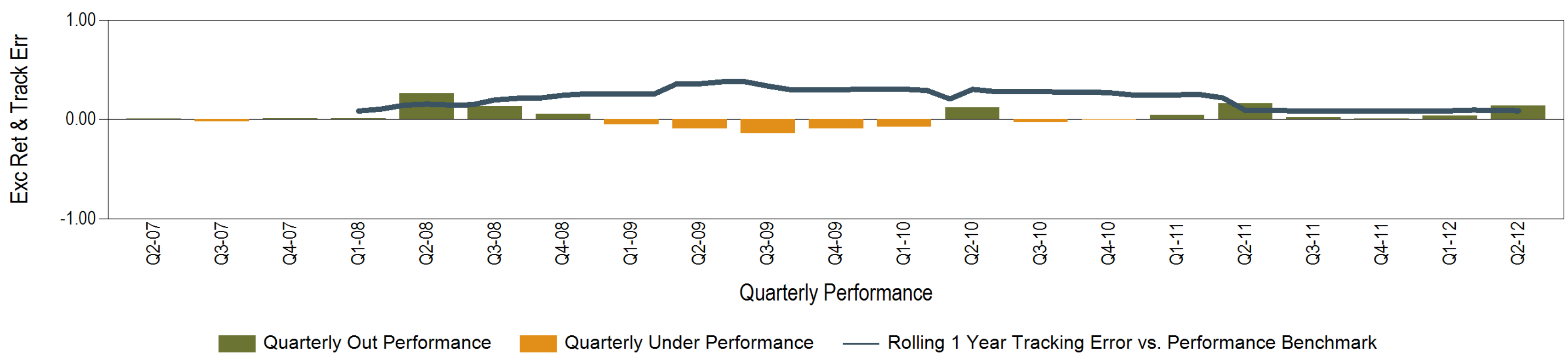
Account Information

Account Name	**BlackRock ACWI ex-U.S. Index**
Account Structure	**Commingled Fund**
Investment Style	**Passive**
Inception Date	**3/31/07**
Account Type	**Non-U.S. Stock - All**
Benchmark	**Performance Benchmark**
Universe	**eA All EAFE Equity Net**

Return Summary



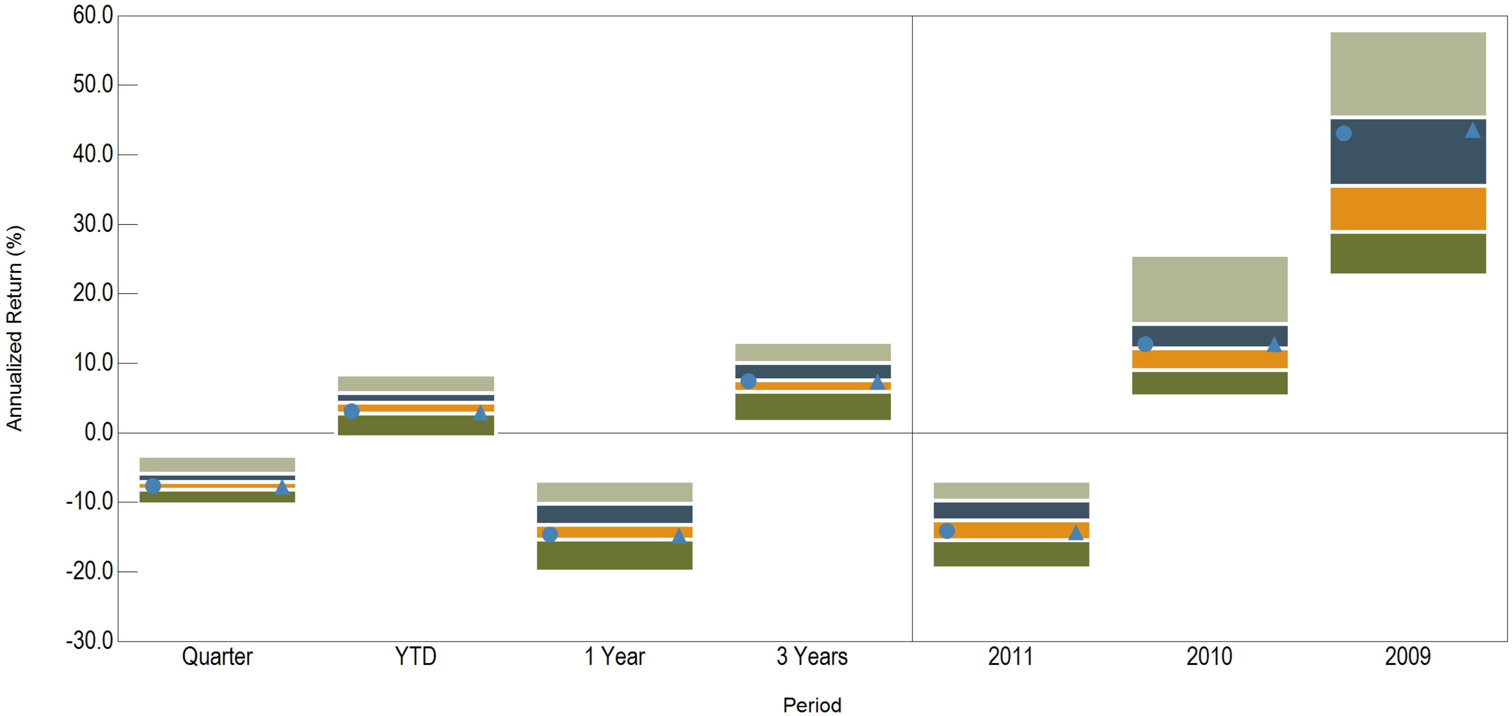
Tracking Error



Universe Comparison

Benchmark: Performance Benchmark Universe: eA All EAFE Equity Net

Ending June 30, 2012

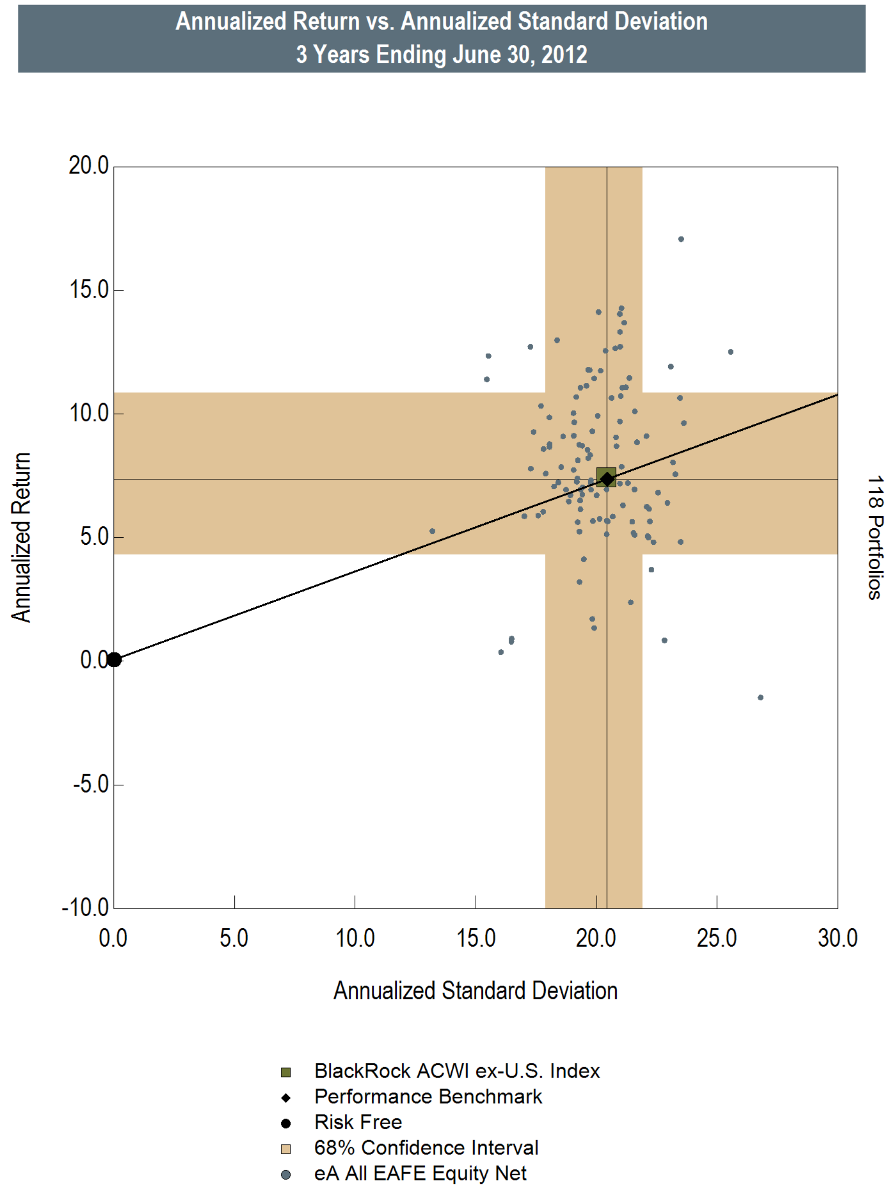


Return (Rank)	Quarter		YTD		1 Year		3 Years		2011		2010		2009	
5th Percentile	-3.4		8.4		-6.9		13.0		-6.9		25.6		57.9	
25th Percentile	-5.8		5.8		-10.1		10.1		-9.7		15.7		45.4	
Median	-7.0		4.4		-13.2		7.6		-12.6		12.2		35.6	
75th Percentile	-8.2		2.8		-15.3		5.9		-15.4		9.1		29.0	
95th Percentile	-10.2		-0.6		-19.9		1.7		-19.4		5.3		22.8	
# of Portfolios	134		134		131		118		129		143		173	
● **BlackRock ACWI ex-U.S. Index**	-7.6	(63)	3.1	(68)	-14.6	(71)	7.4	(53)	-14.1	(65)	12.8	(45)	43.1	(31)
▲ **Performance Benchmark**	-7.8	(66)	2.9	(71)	-14.8	(72)	7.4	(54)	-14.3	(66)	12.7	(45)	43.6	(29)

Risk Profile

Benchmark: Performance Benchmark

Universe: eA All EAFE Equity Net



Manager Performance

Benchmark: MSCI EAFE Index

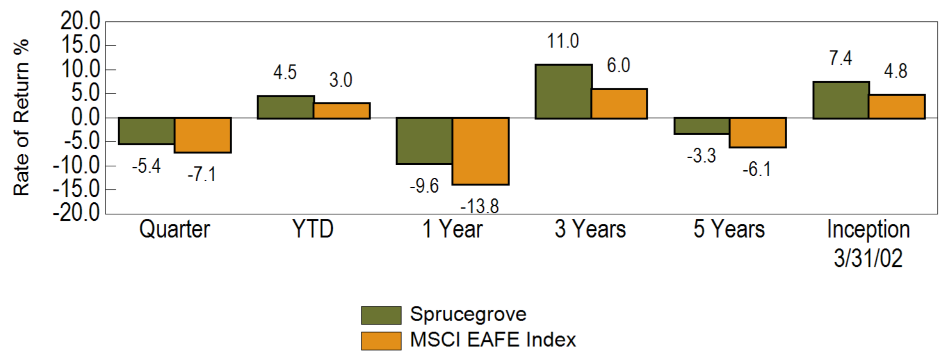
Sprucegrove is a value manager, following a bottom-up approach, and seeking to invest in quality companies selling at attractive valuations. As a value manager, Sprucegrove believes that the international markets are inefficient and by maintaining a long term perspective, they can capitalize on mispricings in the market. Investment objectives are: to maximize the long-term rate of return while preserving the investment capital of the fund by avoiding investment strategies that expose fund assets to excessive risk; to outperform the benchmark over a full market cycle; and to achieve a high ranking relative to similar funds over a market cycle.

High emphasis is given to balance sheet fundamentals, historical operating results, and company management. If a company is truly promising, the portfolio management team instructs the analyst to do a full research report to ensure the company qualifies for inclusion in Sprucegrove's investable universe. There are approximately 300 companies on Sprucegrove's working list.

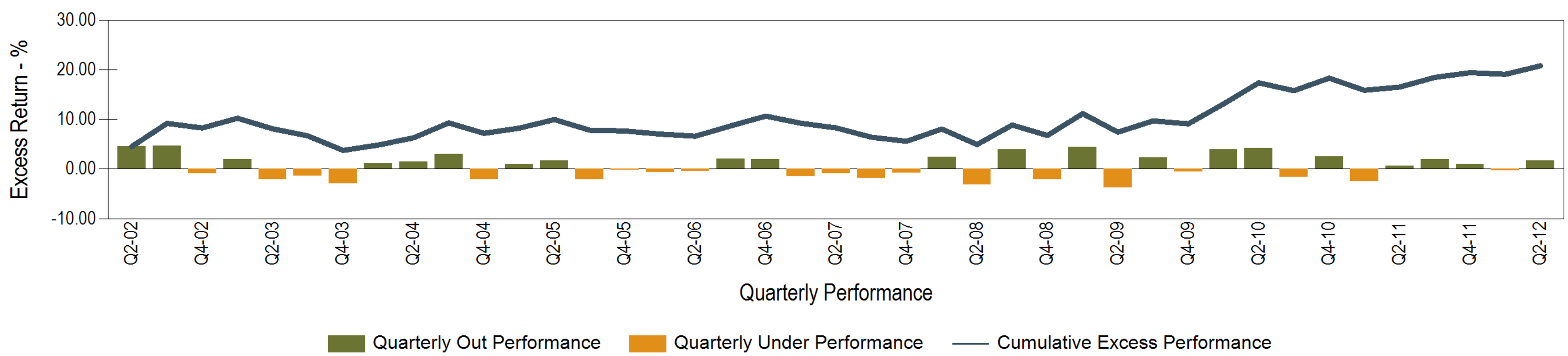
Account Information

Account Name	**Sprucegrove**
Account Structure	**Commingled Fund**
Investment Style	**Active**
Inception Date	**3/31/02**
Account Type	**Non-U.S. Stock - All**
Benchmark	**MSCI EAFE Index**
Universe	**eA All EAFE Equity Net**

Return Summary



Quarterly and Cumulative Excess Performance

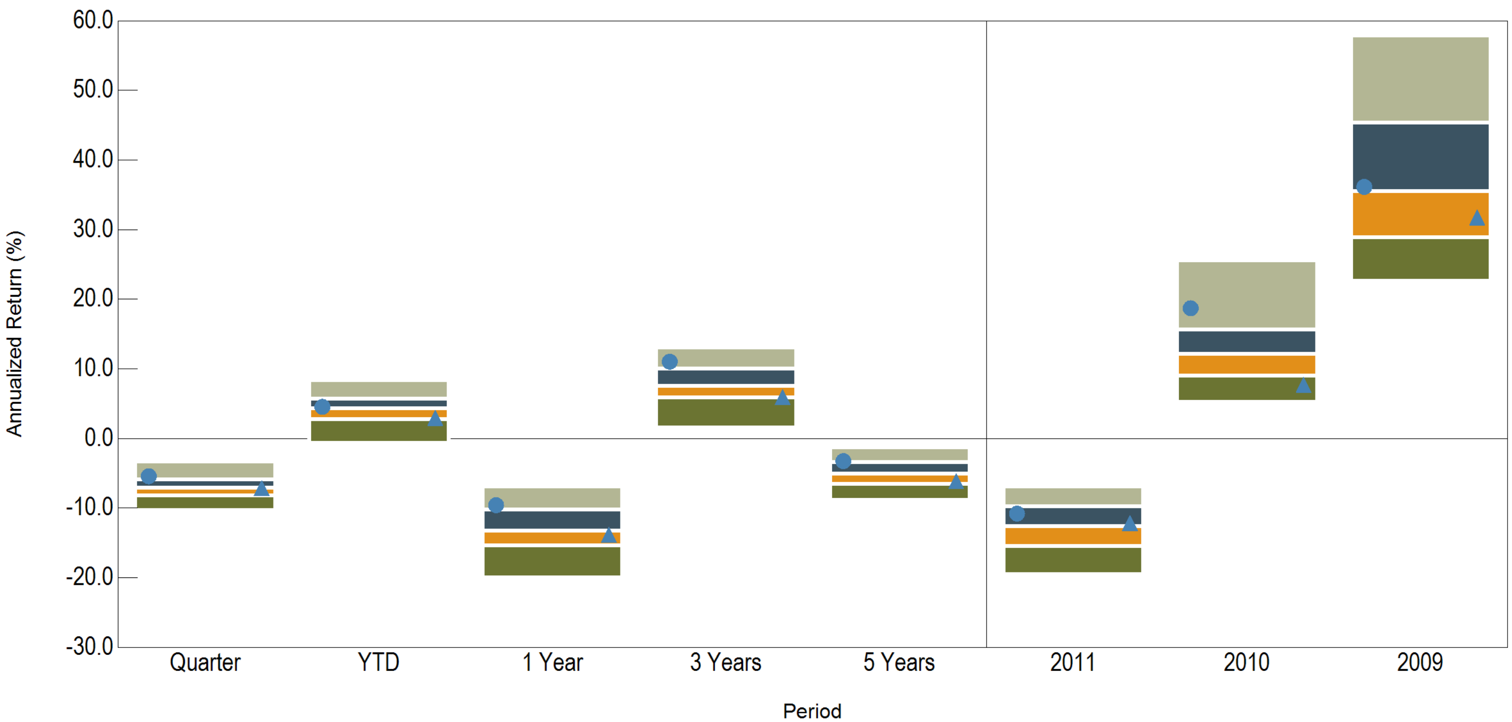


Universe Comparison

Benchmark: MSCI EAFE Index

Universe: eA All EAFE Equity Net

Ending June 30, 2012



Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		2011		2010		2009	
5th Percentile	-3.4		8.4		-6.9		13.0		-1.3		-6.9		25.6		57.9	
25th Percentile	-5.8		5.8		-10.1		10.1		-3.3		-9.7		15.7		45.4	
Median	-7.0		4.4		-13.2		7.6		-5.0		-12.6		12.2		35.6	
75th Percentile	-8.2		2.8		-15.3		5.9		-6.4		-15.4		9.1		29.0	
95th Percentile	-10.2		-0.6		-19.9		1.7		-8.7		-19.4		5.3		22.8	
# of Portfolios	134		134		131		118		105		129		143		173	
● **Sprucegrove**	-5.4	(18)	4.5	(48)	-9.6	(21)	11.0	(20)	-3.3	(25)	-10.8	(31)	18.7	(15)	36.1	(48)
▲ **MSCI EAFE Index**	-7.1	(53)	3.0	(71)	-13.8	(64)	6.0	(75)	-6.1	(69)	-12.1	(45)	7.8	(83)	31.8	(65)

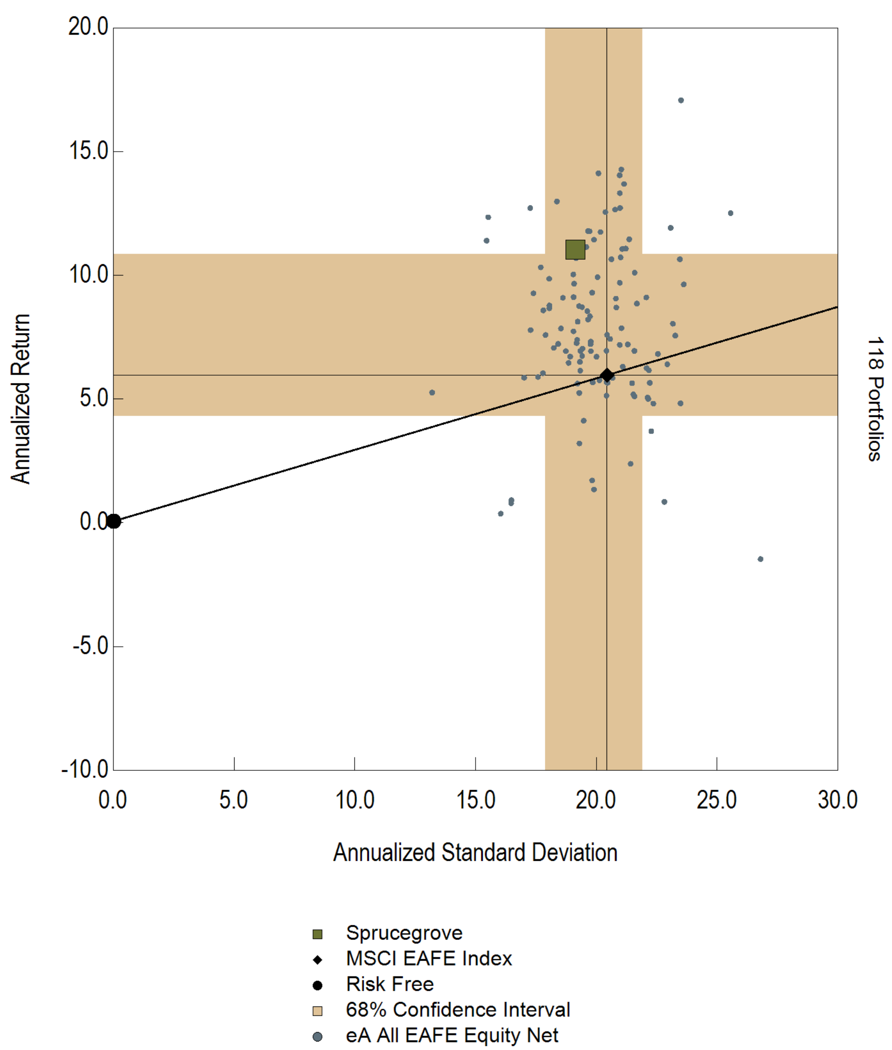
Sprucegrove | As of June 30, 2012 | $140.6 Million and 4.4% of Fund

Risk Profile

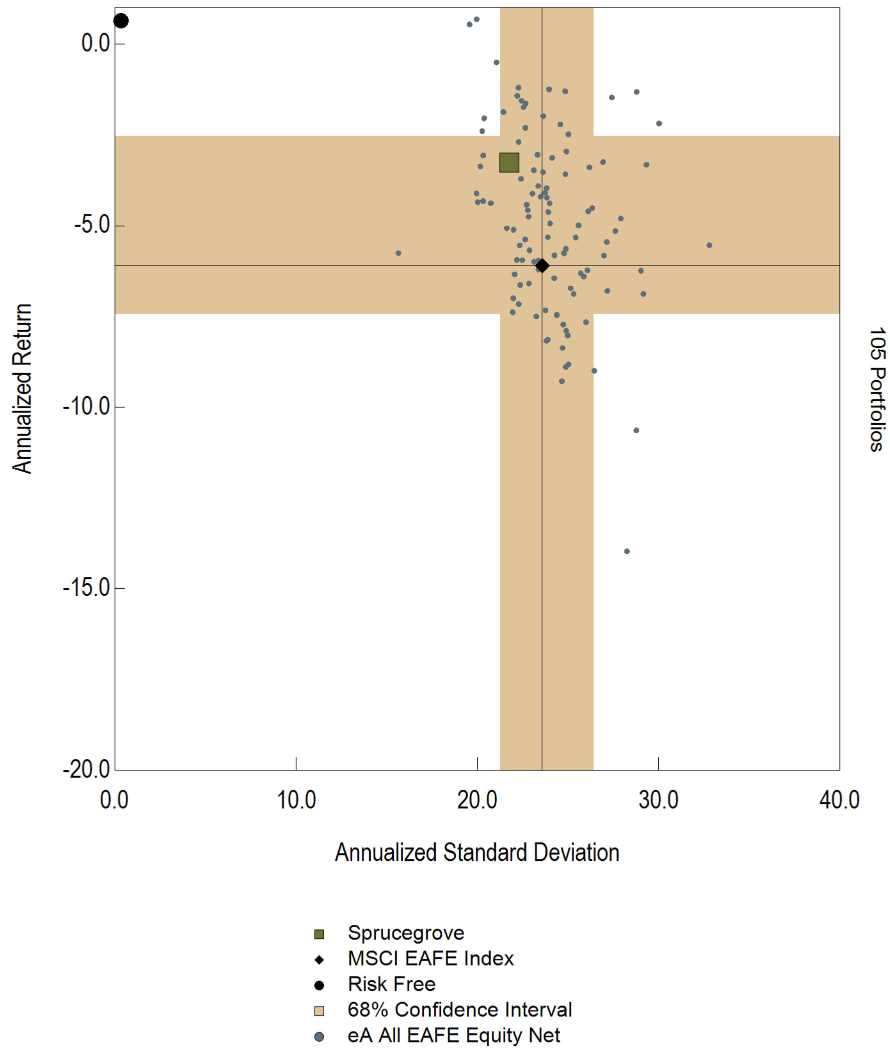
Benchmark: MSCI EAFE Index

Universe: eA All EAFE Equity Net

Annualized Return vs. Annualized Standard Deviation
3 Years Ending June 30, 2012



Annualized Return vs. Annualized Standard Deviation
5 Years Ending June 30, 2012



Manager Performance

Benchmark: MSCI EAFE Index

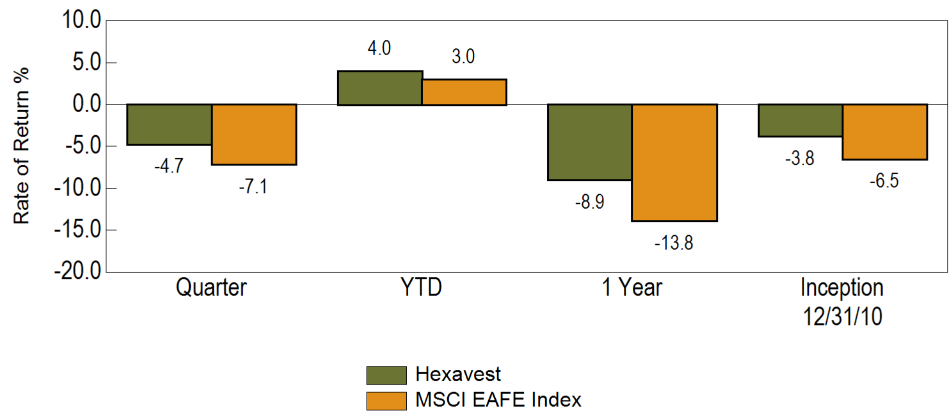
The manager's investment process was established in the early 1990s and at the time was almost entirely macro-focused. The model was enhanced in 1999 to include a bottom-up component, expected to contribute 20% to the overall decision making, so that portfolio managers can fine tune the active positions to further express their market views.

Hexavest attempts to identify inconsistencies at a macro level by analyzing the following three factor groups: economic environment (e.g., growth and interest rates), valuation of the individual markets, and sentiment (e.g., momentum and risk).

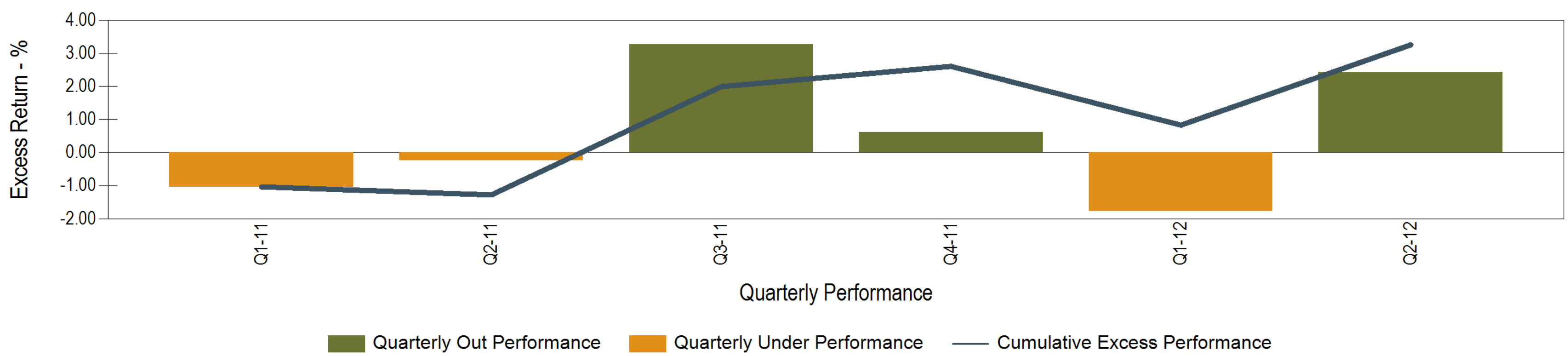
Account Information

Account Name	**Hexavest**
Account Structure	**Commingled Fund**
Investment Style	**Active**
Inception Date	**12/31/10**
Account Type	**Non-U.S. Stock - All**
Benchmark	**MSCI EAFE Index**
Universe	**eA All EAFE Equity Net**

Return Summary



Quarterly and Cumulative Excess Performance

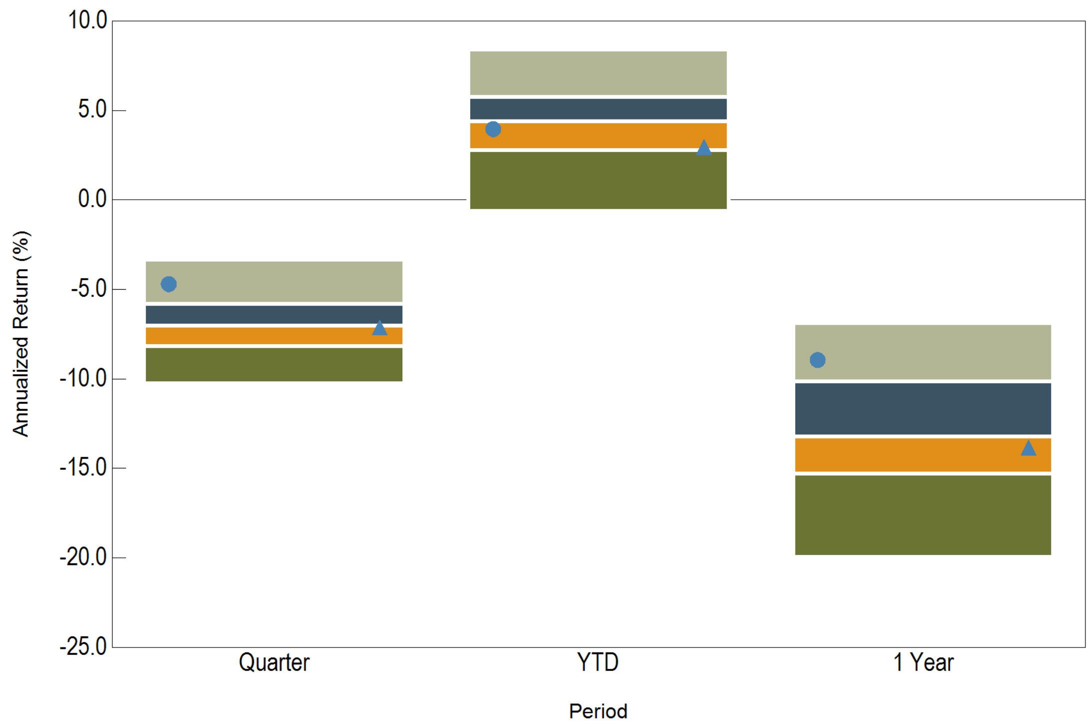


Universe Comparison

Benchmark: MSCI EAFE Index

Universe: eA All EAFE Equity Net

Ending June 30, 2012



	Return (Rank)					
5th Percentile	-3.4		8.4		-6.9	
25th Percentile	-5.8		5.8		-10.1	
Median	-7.0		4.4		-13.2	
75th Percentile	-8.2		2.8		-15.3	
95th Percentile	-10.2		-0.6		-19.9	
# of Portfolios	134		134		131	
● Hexavest	-4.7	(9)	4.0	(57)	-8.9	(19)
▲ MSCI EAFE Index	-7.1	(53)	3.0	(71)	-13.8	(64)

Manager Performance

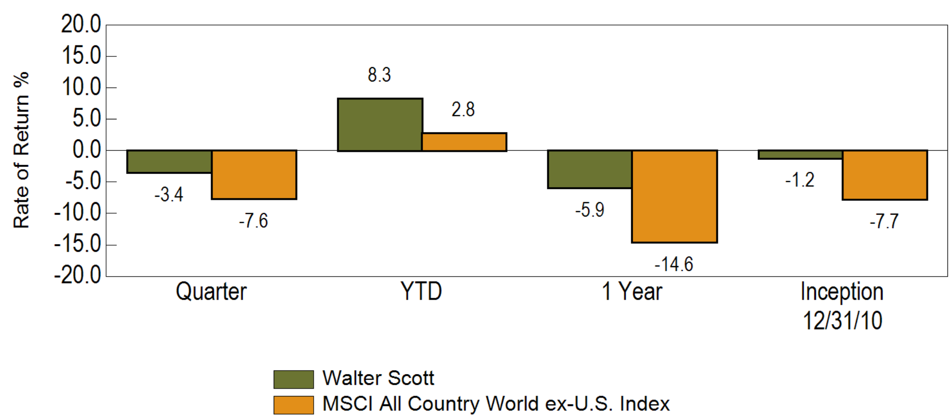
Benchmark: MSCI All Country World ex-U.S. Index

Walter Scott & Partners employs a bottom-up fundamental growth investment style. Security selection focuses on companies with 20% or more internal growth which will be sustainable over time. The manager identifies major political and economic trends that may impact industry or sector growth. At the company level, the manager utilizes fundamental analysis such as returns on invested capital, soundness of management, strength of balance sheet, and management track record. By gaining an understanding as to how the financial figures of the past were generated, the analysts will be able to better understand how future earnings will be generated.

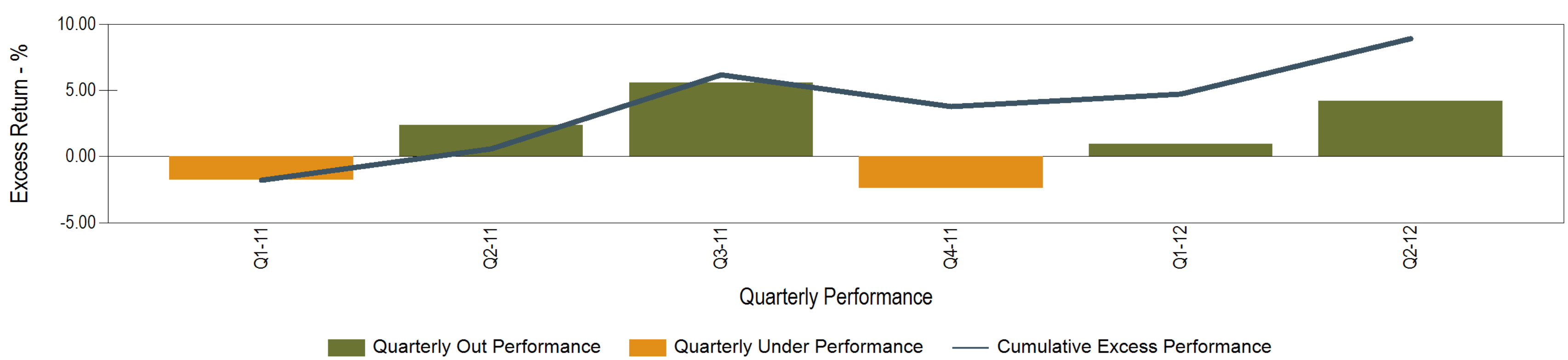
Account Information

Account Name	**Walter Scott**
Account Structure	**Commingled Fund**
Investment Style	**Active**
Inception Date	**12/31/10**
Account Type	**Non-U.S. Stock - All**
Benchmark	**MSCI All Country World ex-U.S. Index**
Universe	**eA All EAFE Equity Net**

Return Summary



Quarterly and Cumulative Excess Performance

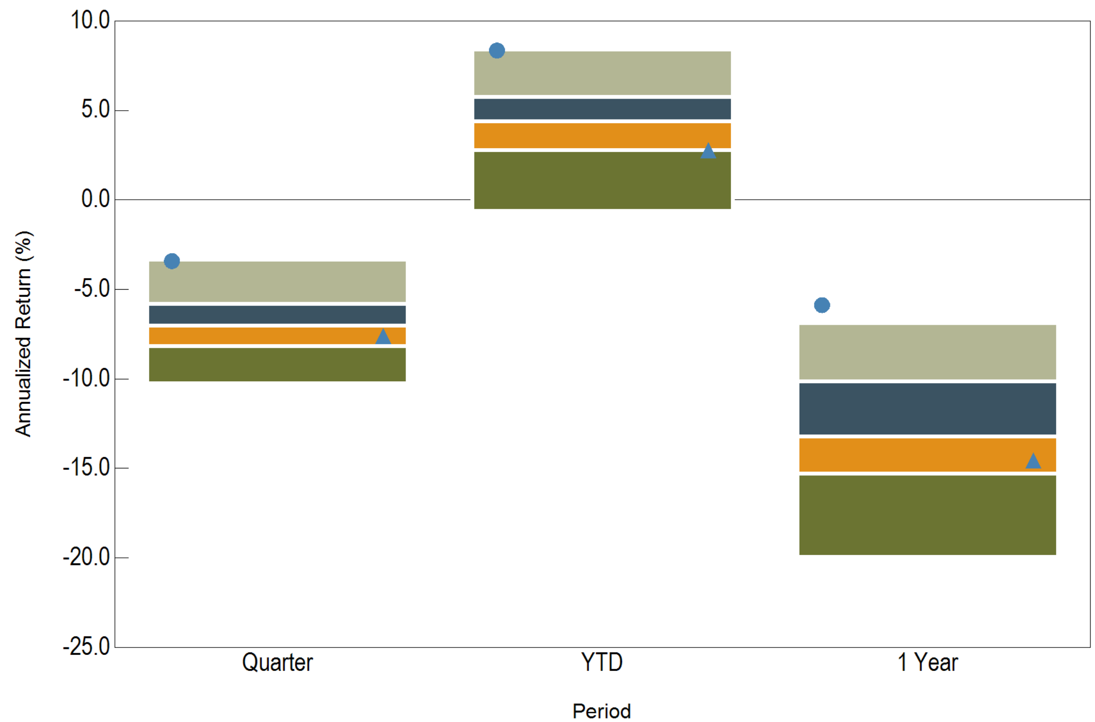


Universe Comparison

Benchmark: MSCI All Country World ex-U.S. Index

Universe: eA All EAFE Equity Net

Ending June 30, 2012



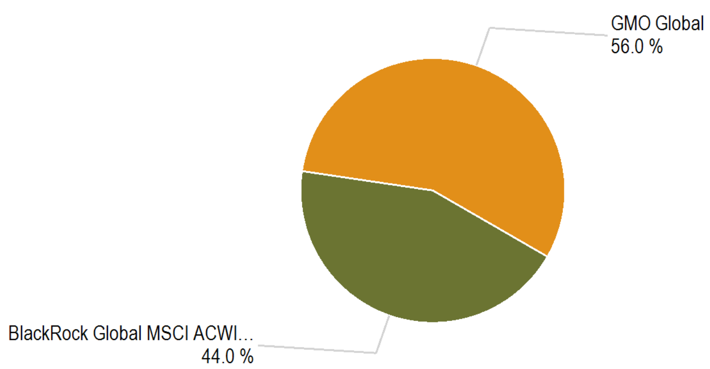
	Return (Rank)					
5th Percentile	-3.4		8.4		-6.9	
25th Percentile	-5.8		5.8		-10.1	
Median	-7.0		4.4		-13.2	
75th Percentile	-8.2		2.8		-15.3	
95th Percentile	-10.2		-0.6		-19.9	
# of Portfolios	134		134		131	
● Walter Scott	-3.4	(6)	8.3	(6)	-5.9	(5)
▲ MSCI All Country World ex-U.S. Index	-7.6	(63)	2.8	(76)	-14.6	(71)

Total Global Equity

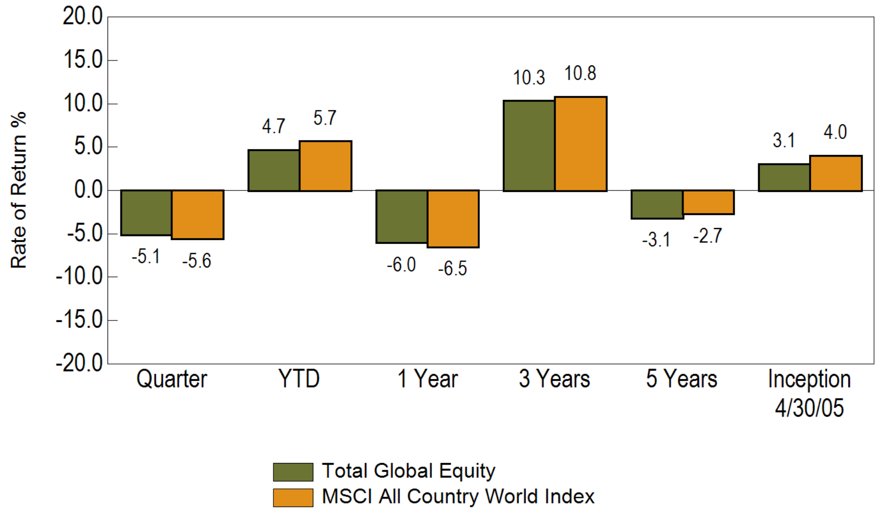
Overview

Benchmark: MSCI All Country World Index

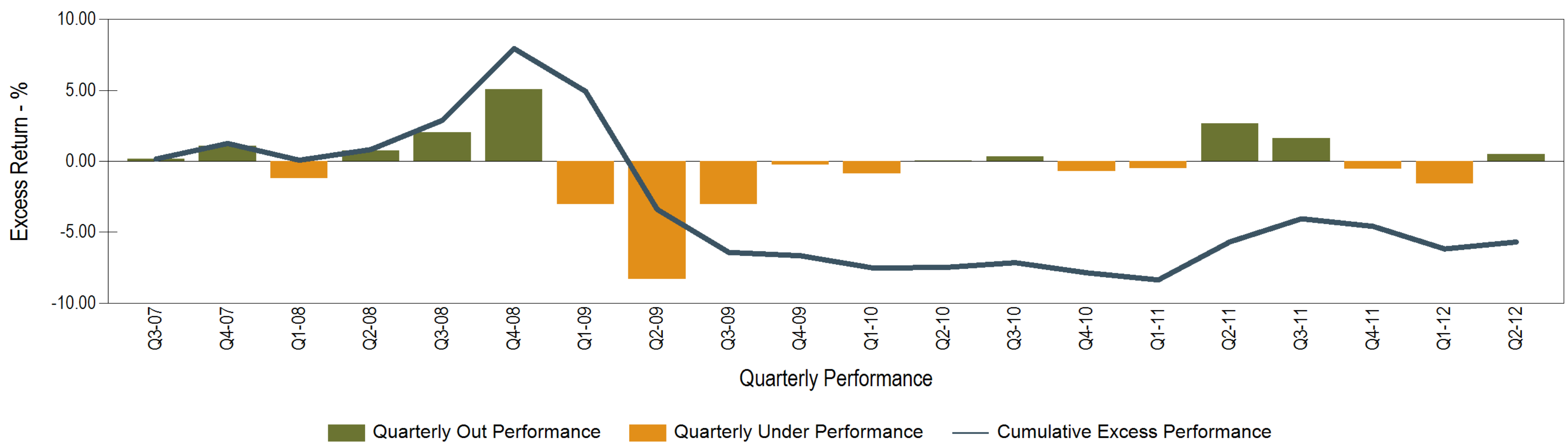
Current Allocation



Return Summary



Quarterly and Cumulative Excess Performance

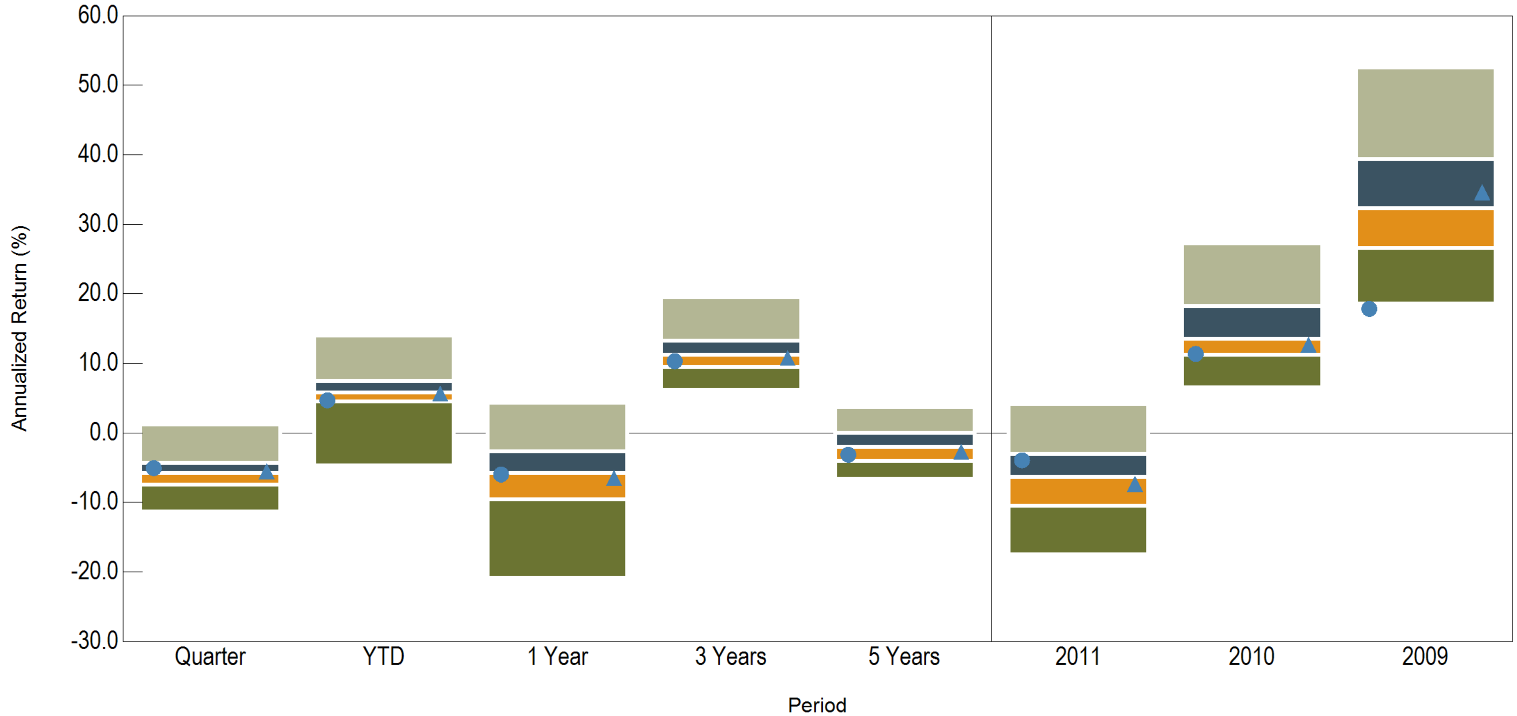


Universe Comparison

Benchmark: MSCI All Country World Index

Universe: eA All Global Equity Net

Ending June 30, 2012



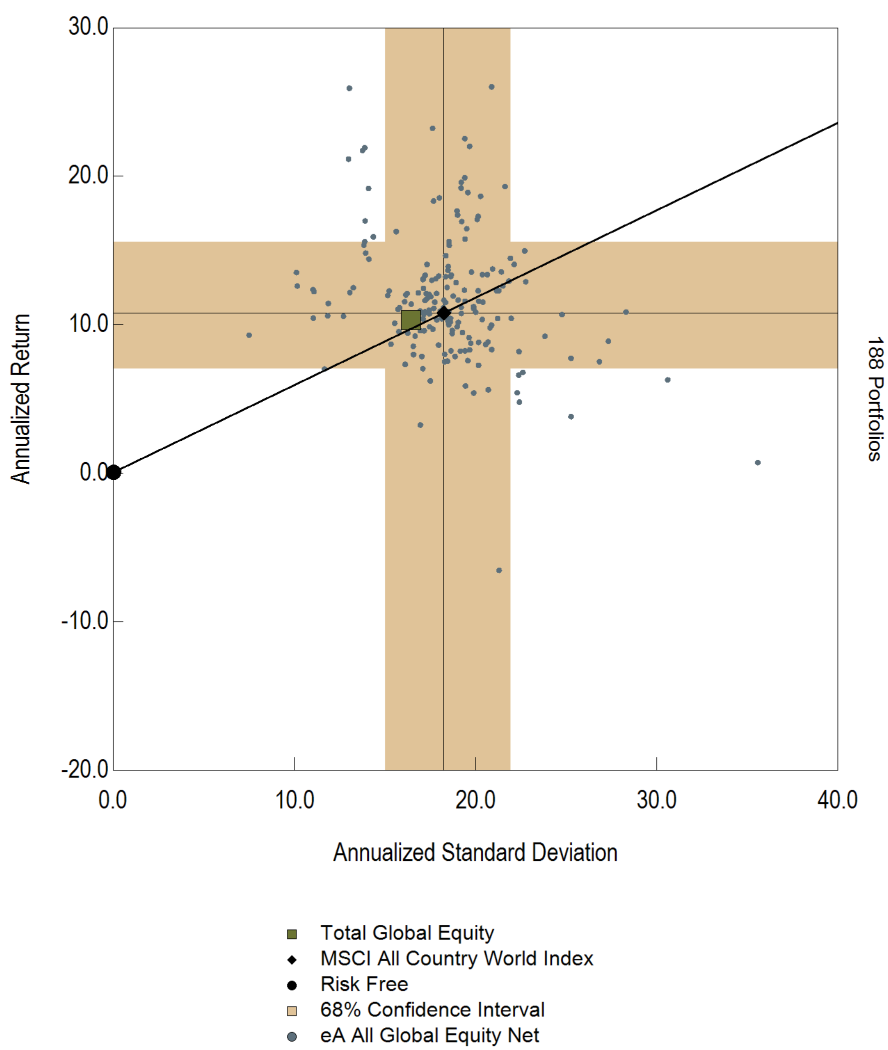
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		2011		2010		2009	
5th Percentile	1.2		14.0		4.3		19.5		3.6		4.1		27.2		52.6	
25th Percentile	-4.3		7.5		-2.6		13.4		0.1		-2.9		18.3		39.5	
Median	-5.7		5.9		-5.7		11.3		-2.0		-6.3		13.6		32.4	
75th Percentile	-7.4		4.6		-9.5		9.5		-4.0		-10.4		11.3		26.7	
95th Percentile	-11.2		-4.6		-20.8		6.2		-6.6		-17.4		6.6		18.7	
# of Portfolios	219		219		214		188		144		186		140		103	
● **Total Global Equity**	-5.1	(38)	4.7	(74)	-6.0	(52)	10.3	(67)	-3.1	(63)	-3.9	(35)	11.4	(75)	17.8	(96)
▲ **MSCI All Country World Index**	-5.6	(47)	5.7	(54)	-6.5	(55)	10.8	(59)	-2.7	(59)	-7.3	(56)	12.7	(56)	34.6	(46)

Risk Profile

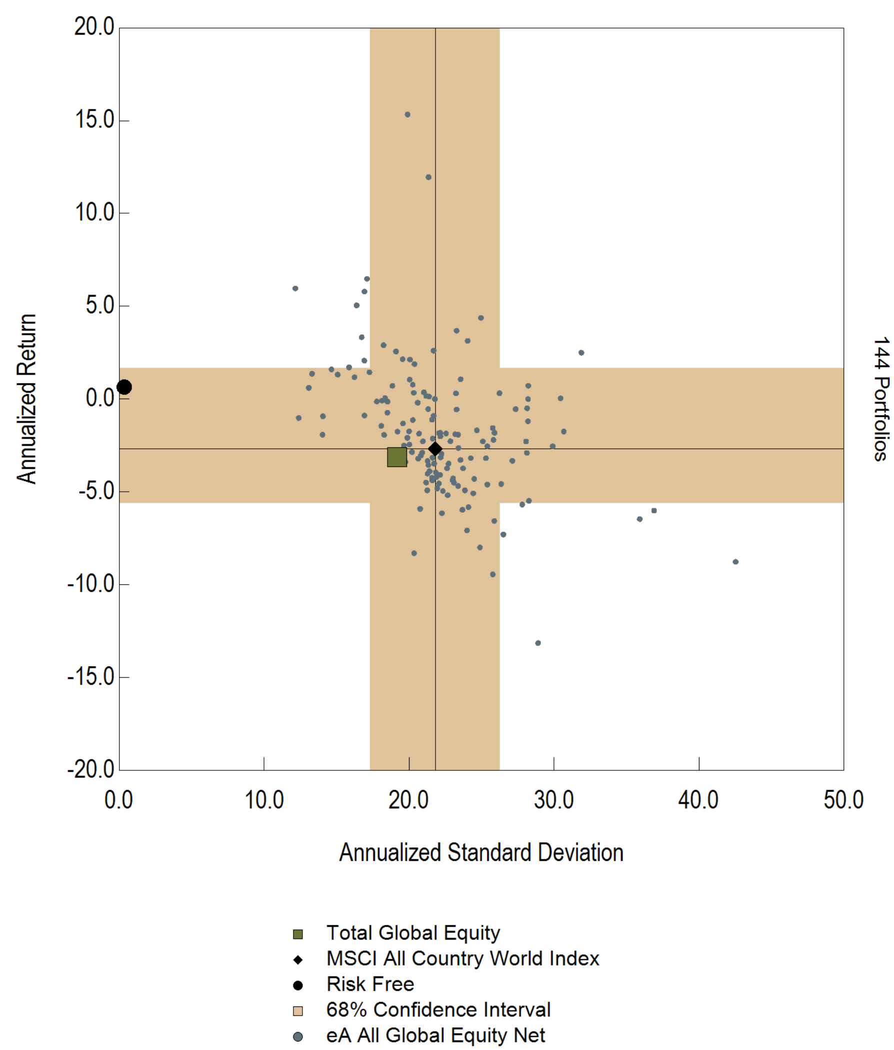
Benchmark: MSCI All Country World Index

Universe: eA All Global Equity Net

Annualized Return vs. Annualized Standard Deviation
3 Years Ending June 30, 2012

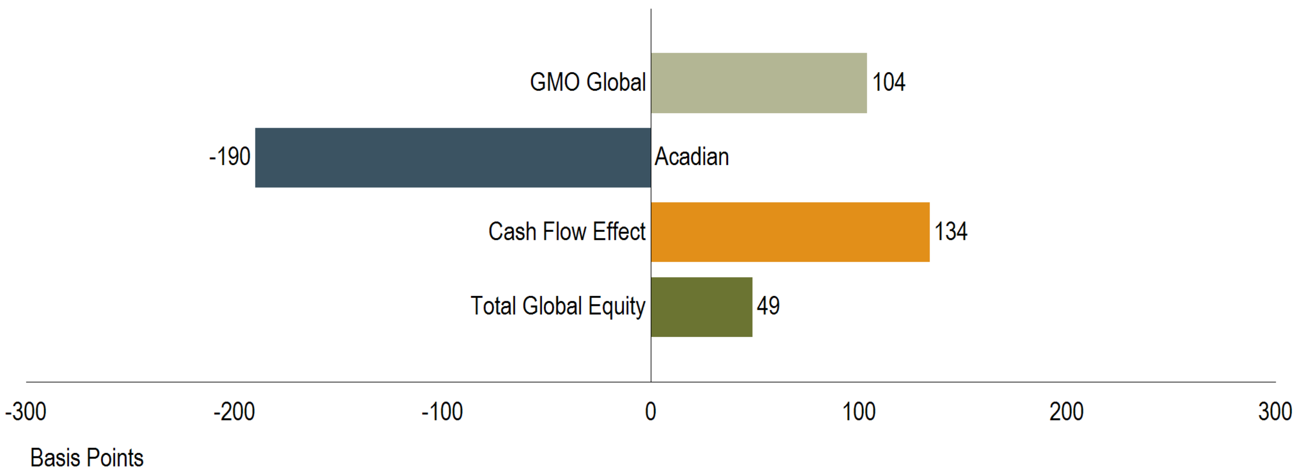


Annualized Return vs. Annualized Standard Deviation
5 Years Ending June 30, 2012

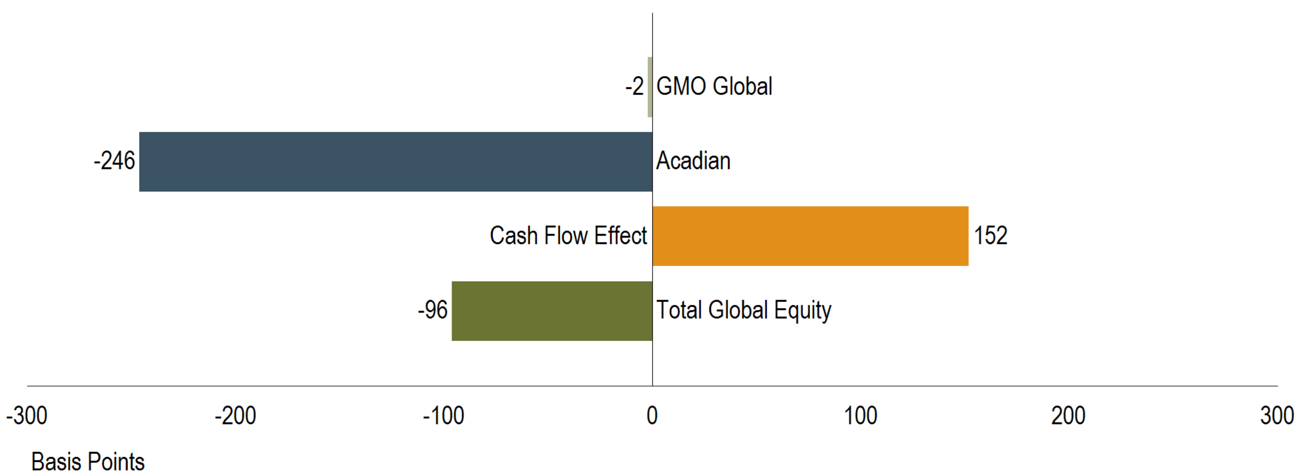


Attribution

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 6/30/12



MANAGER ATTRIBUTION ANALYSIS
6 MONTHS ENDING 6/30/12



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Manager Performance

Benchmark: MSCI All Country World Index

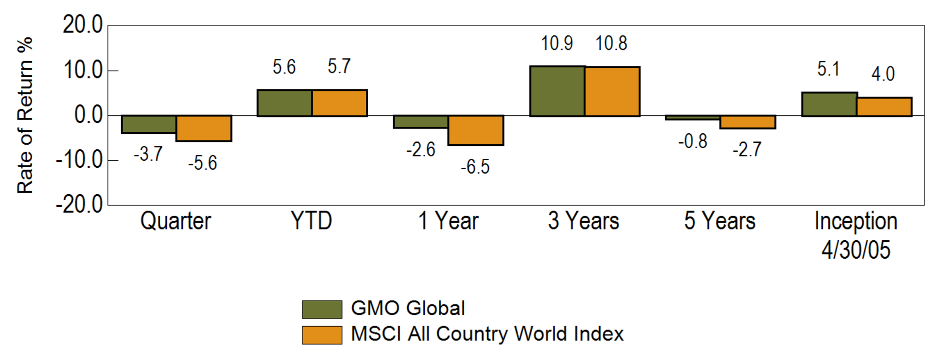
GMO uses a quantitative investment process to allocate between several of their mutual funds. They aim to add value both from opportunistic allocation between various segments of the market and from stock selection within the individual funds.

GMO does not employ a team of traditional fundamental security analysts. Instead, they attempt to exploit market inefficiencies by evaluating asset classes and individual securities largely through quantitative analysis. They prepare seven-year forecasts for different asset classes by conducting regression analysis on statistical and macroeconomic data. The forecasts are revised once every year, which leads to re-allocation among the different mutual funds. There is minimal rebalancing during the year. While the global equity allocation portfolio has no style bias, both value and momentum factors are taken into account when evaluating potential holdings (at the individual fund level). About 70% of the contribution to the portfolio is expected from value-related factors and 30% from momentum-related ones.

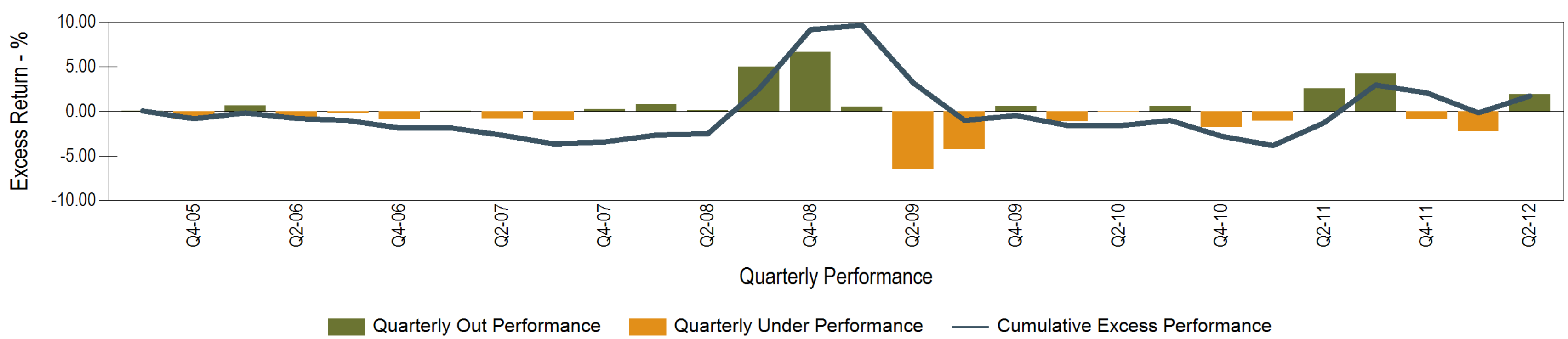
Account Information

Account Name	**GMO Global**
Account Structure	**Commingled Fund**
Investment Style	**Active**
Inception Date	**4/30/05**
Account Type	**Global Equity**
Benchmark	**MSCI All Country World Index**
Universe	**eA All Global Equity Net**

Return Summary



Quarterly and Cumulative Excess Performance

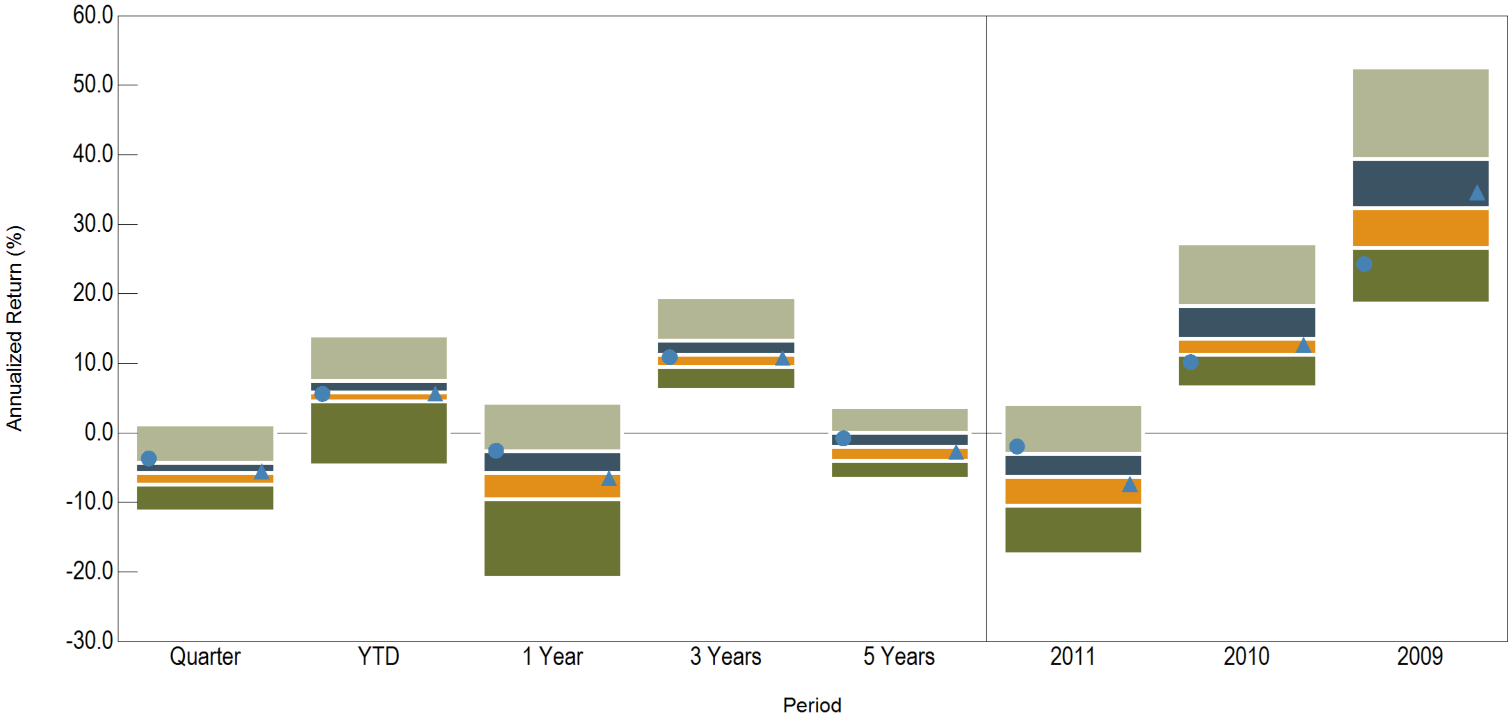


Universe Comparison

Benchmark: MSCI All Country World Index

Universe: eA All Global Equity Net

Ending June 30, 2012



Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		2011		2010		2009	
5th Percentile	1.2		14.0		4.3		19.5		3.6		4.1		27.2		52.6	
25th Percentile	-4.3		7.5		-2.6		13.4		0.1		-2.9		18.3		39.5	
Median	-5.7		5.9		-5.7		11.3		-2.0		-6.3		13.6		32.4	
75th Percentile	-7.4		4.6		-9.5		9.5		-4.0		-10.4		11.3		26.7	
95th Percentile	-11.2		-4.6		-20.8		6.2		-6.6		-17.4		6.6		18.7	
# of Portfolios	219		219		214		188		144		186		140		103	
● **GMO Global**	-3.7	(22)	5.6	(55)	-2.6	(25)	10.9	(56)	-0.8	(34)	-2.0	(20)	10.2	(88)	24.3	(86)
▲ **MSCI All Country World Index**	-5.6	(47)	5.7	(54)	-6.5	(55)	10.8	(59)	-2.7	(59)	-7.3	(56)	12.7	(56)	34.6	(46)

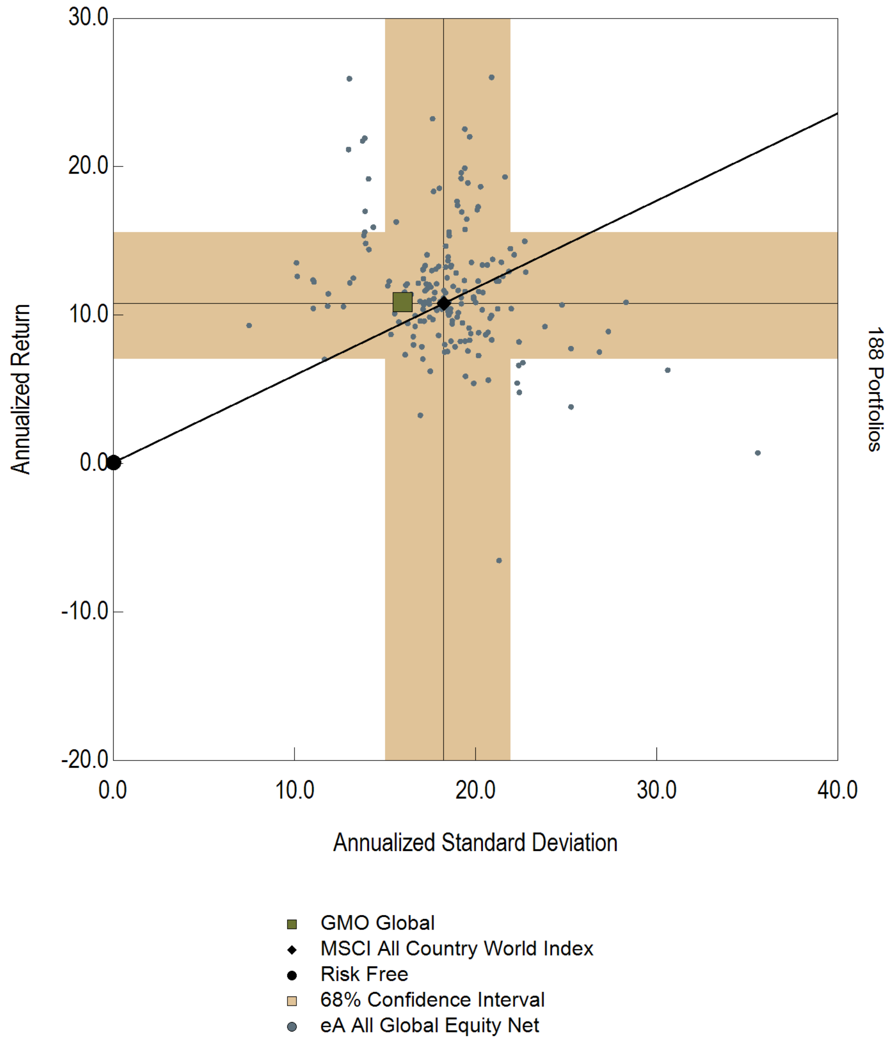
GMO Global | As of June 30, 2012 | $149.5 Million and 4.7% of Fund

Risk Profile

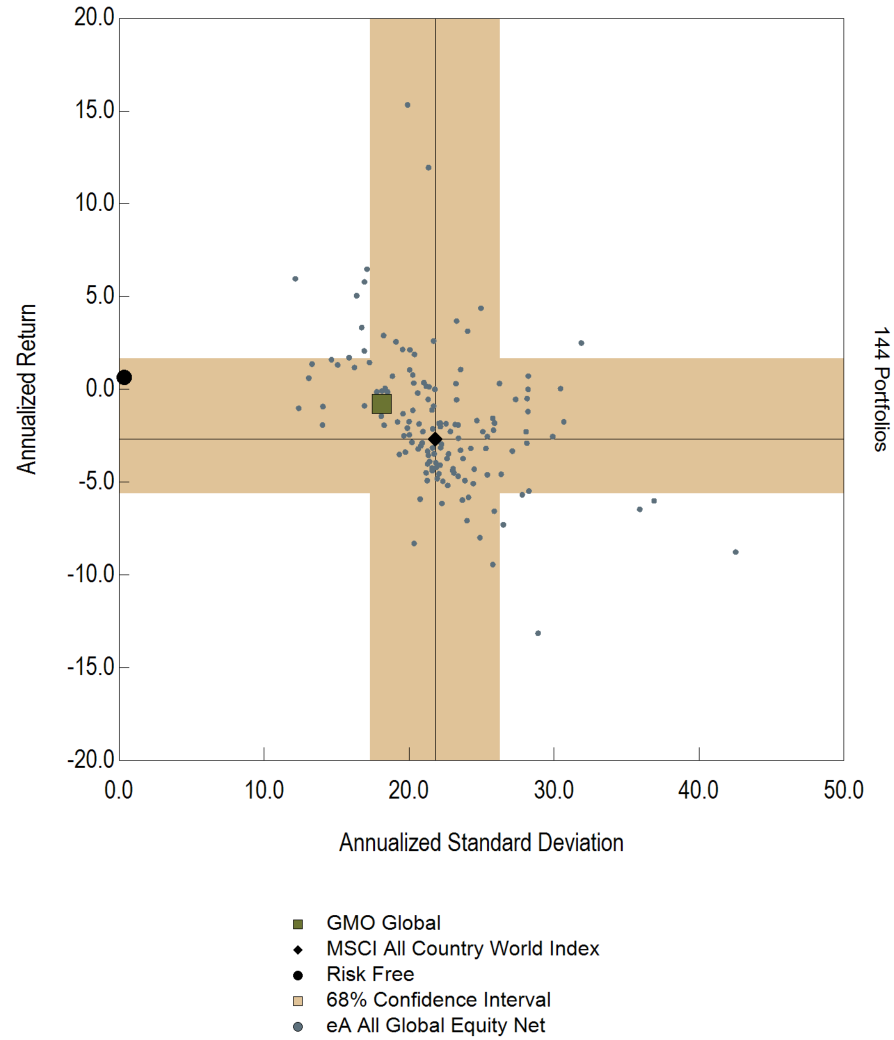
Benchmark: MSCI All Country World Index

Universe: eA All Global Equity Net

Annualized Return vs. Annualized Standard Deviation
3 Years Ending June 30, 2012



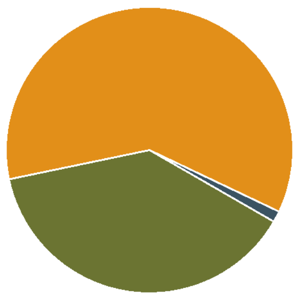
Annualized Return vs. Annualized Standard Deviation
5 Years Ending June 30, 2012



Manager Analysis

Benchmark: MSCI All Country World Index

Current Allocation



	Actual $	Actual %
US Equity	$57,389,894	38.4%
Non-US Equity	$90,225,024	60.3%
US Fixed Inc.	$1,872,645	1.3%
Non-US Fixed Inc.	$0	0.0%
Alternative	$0	0.0%
Real Estate	$0	0.0%
Cash	$0	0.0%
Other	$17,943	0.0%
Total	$149,505,505	

Characteristics

	Portfolio	MSCI ACWI Gross
Number of Holdings	1,657	2,445
Weighted Avg. Market Cap. ($B)	90.48	71.33
Median Market Cap. ($B)	4.06	6.56
Price To Earnings	13.42	15.49
Price To Book	3.17	3.02
Price To Sales	2.01	1.93
Return on Equity (%)	23.04	18.31
Yield (%)	3.47	2.81
Beta	0.86	1.00
R-Squared	0.97	1.00

Top Holdings

	Weight %
JOHNSON & JOHNSON	2.50%
ORACLE	2.32%
COCA COLA	2.15%
PHILIP MORRIS INTL.	2.09%
MICROSOFT	2.08%
PFIZER	2.03%
TOTAL	1.81%
APPLE	1.70%
SANOFI	1.64%
GOOGLE 'A'	1.60%
Total	**19.91%**

Best Performers

	Portfolio Weight %	Index Weight %	Return %
HOME PRODUCT CENTER FB	0.01%		201.03%
LOOK	0.01%		160.91%
MELLANOX	0.02%		69.31%
WEST HOLDINGS	0.00%		63.59%
SHIN FB	0.01%		62.65%
TAKASHIMA	0.00%		61.66%
MISAWA HOMES	0.01%		53.28%
HIKARI TSUSHIN	0.04%		49.93%
YOUNGONE	0.00%		44.04%
EXPEDIA	0.00%	0.02%	44.04%

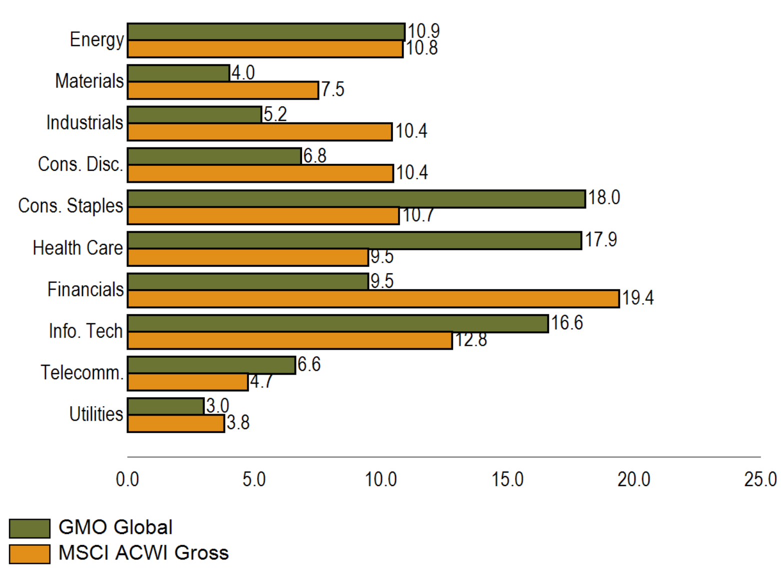
Worst Performers

	Portfolio Weight %	Index Weight %	Return %
KIRI INDUSTRIES	0.00%		-76.54%
APCO OIL & GAS INTL.	0.00%		-73.51%
DISCOUNT INVESTMENT	0.00%		-68.15%
OGX PETROLEO ON	0.01%	0.01%	-67.08%
PUM YANG CON. SUSP - SUSP.11/06/12	0.00%		-63.43%
NOKIA	0.08%	0.03%	-59.02%
DEXIA	0.00%		-57.28%
SIGNATURE METALS	0.00%		-56.71%
HRT PETROLEO	0.00%	0.00%	-55.26%
ROSSI RESID ON	0.00%		-53.07%

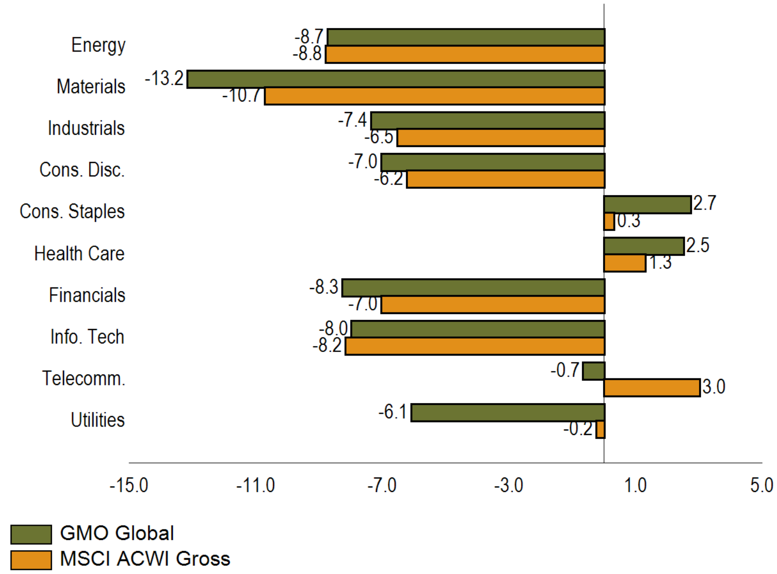
Sector Attribution

Benchmark: MSCI All Country World Index

Sector Allocation (%) vs MSCI ACWI Gross



Sector Returns (%) vs MSCI ACWI Gross



GMO Global Fund Performance Attribution vs. MSCI ACWI Gross

	Total Effects		Selection Effect		Allocation Effect		Interaction Effects
Energy	0.02%		0.37%		-0.20%		-0.15%
Materials	0.10%		0.08%		0.07%		-0.06%
Industrials	0.00%		0.13%		-0.01%		-0.11%
Cons. Disc.	-0.07%		-0.07%		-0.04%		0.04%
Cons. Staples	0.85%		0.15%		0.53%		0.17%
Health Care	0.88%		0.08%		0.71%		0.09%
Financials	0.07%		-0.02%		0.16%		-0.07%
Info. Tech	-0.10%		0.01%		-0.10%		-0.01%
Telecomm.	-0.11%		-0.07%		0.01%		-0.05%
Utilities	-0.21%		0.02%		-0.23%		0.00%
Cash	0.00%		--		0.00%		--
Portfolio	**1.42%**	=	**0.69%**	+	**0.89%**	+	**-0.16%**

Country Allocation

Benchmark: MSCI All Country World Index

Versus MSCI ACWI Gross - Quarter Ending June 30, 2012	Manager Allocation (USD)	Index Allocation (USD)	Manager Return (USD)	Index Return (USD)
Americas				
Brazil*	2.7%	1.9%	-18.8%	-19.0%
Canada	1.4%	4.3%	-5.5%	-7.6%
Chile*	0.0%	0.2%	-6.2%	-8.4%
Colombia*	0.0%	0.1%	--	-1.0%
Mexico*	0.2%	0.6%	3.7%	-1.2%
Peru*	0.0%	0.1%	--	-3.3%
United States	40.3%	46.2%	-0.9%	-3.0%
Total-Americas	**44.6%**	**53.5%**	**-2.1%**	**-3.9%**
Europe				
Austria	0.2%	0.1%	-7.1%	-12.8%
Belgium	0.6%	0.4%	4.4%	0.2%
Czech Republic*	0.2%	0.0%	-11.2%	-11.4%
Denmark	0.2%	0.4%	4.3%	-3.1%
Finland	0.2%	0.3%	-45.6%	-20.5%
France	4.8%	3.4%	-5.6%	-8.1%
Germany	3.0%	3.2%	-9.1%	-12.0%
Greece	0.1%	0.0%	-28.0%	-20.7%
Hungary*	0.1%	0.0%	-8.1%	-7.4%
Ireland	0.2%	0.1%	-3.2%	-4.5%
Italy	1.8%	0.9%	-8.3%	-11.4%
Luxembourg	0.0%	0.0%	-0.5%	-5.4%
Netherlands	2.3%	0.9%	-4.0%	-6.8%
Norway	0.1%	0.4%	-7.8%	-9.2%
Poland*	0.2%	0.2%	-6.3%	-5.1%
Portugal	0.1%	0.1%	-11.9%	-18.7%
Russia*	1.4%	0.8%	-16.0%	-13.8%
Spain	1.7%	1.1%	-13.3%	-12.5%
Sweden	0.3%	1.2%	-4.5%	-7.2%
Switzerland	3.6%	3.1%	-0.6%	-5.6%
United Kingdom	10.0%	8.2%	-2.9%	-3.9%
Total-Europe	**31.0%**	**24.7%**	**-5.4%**	**-7.3%**

Versus MSCI ACWI Gross - Quarter Ending June 30, 2012	Manager Allocation (USD)	Index Allocation (USD)	Manager Return (USD)	Index Return (USD)
AsiaPacific				
Australia	1.9%	3.1%	-1.9%	-5.1%
China*	1.6%	2.2%	-5.8%	-5.3%
Hong Kong	0.8%	1.0%	-6.1%	-4.8%
India*	0.8%	0.8%	-11.1%	-9.4%
Indonesia*	0.8%	0.4%	-6.8%	-6.9%
Japan	13.6%	7.9%	-5.0%	-7.3%
Korea*	1.5%	2.0%	-6.7%	-8.7%
Malaysia*	0.0%	0.4%	-6.6%	-3.5%
New Zealand	0.2%	0.0%	-8.3%	-8.0%
Philippines*	0.2%	0.1%	7.4%	4.4%
Singapore	0.7%	0.7%	-4.9%	-3.8%
Sri Lanka*	0.0%	0.0%	-4.5%	-5.4%
Taiwan*	0.8%	1.4%	-7.8%	-9.4%
Thailand*	0.5%	0.3%	3.9%	-5.3%
Total-AsiaPacific	**23.4%**	**20.4%**	**-5.1%**	**-6.7%**
Other				
Egypt*	0.2%	0.0%	-2.0%	-3.7%
Israel	0.0%	0.2%	-18.9%	-13.9%
Morocco*	0.0%	0.0%	-15.2%	-12.9%
Nigeria	0.0%	0.0%	6.3%	-5.4%
South Africa*	0.4%	1.0%	-5.8%	-5.7%
Turkey*	0.4%	0.2%	3.0%	1.8%
Total-Other	**1.0%**	**1.5%**	**-2.0%**	**-6.2%**

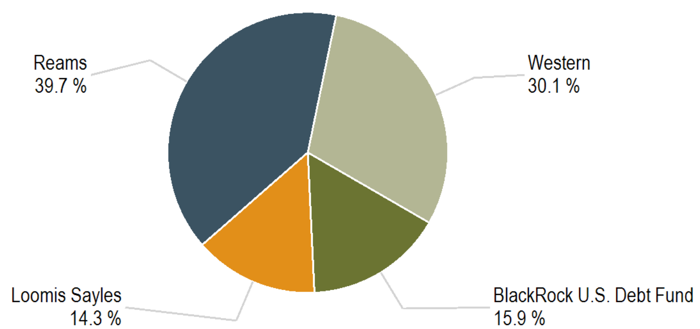
* Asterisk denotes Emerging Markets countries

Total U.S. Fixed Income

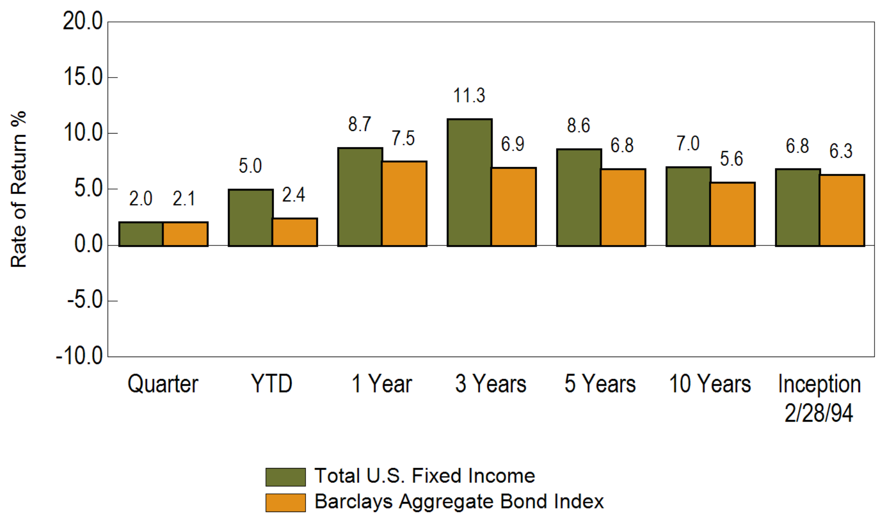
Overview

Benchmark: Barclays Aggregate Bond Index

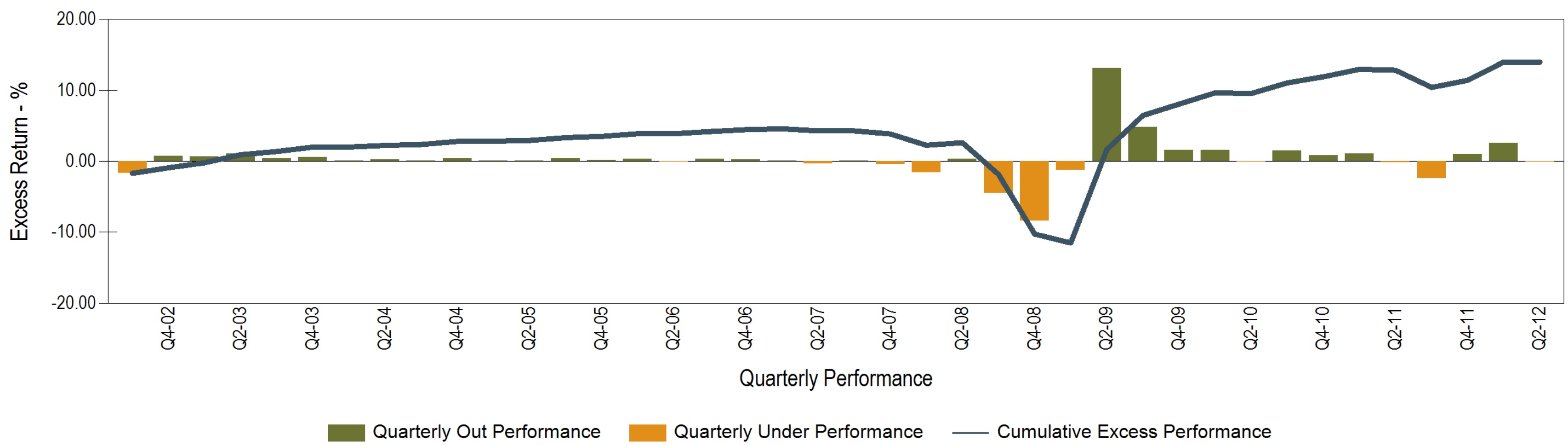
Current Allocation



Return Summary



Quarterly and Cumulative Excess Performance

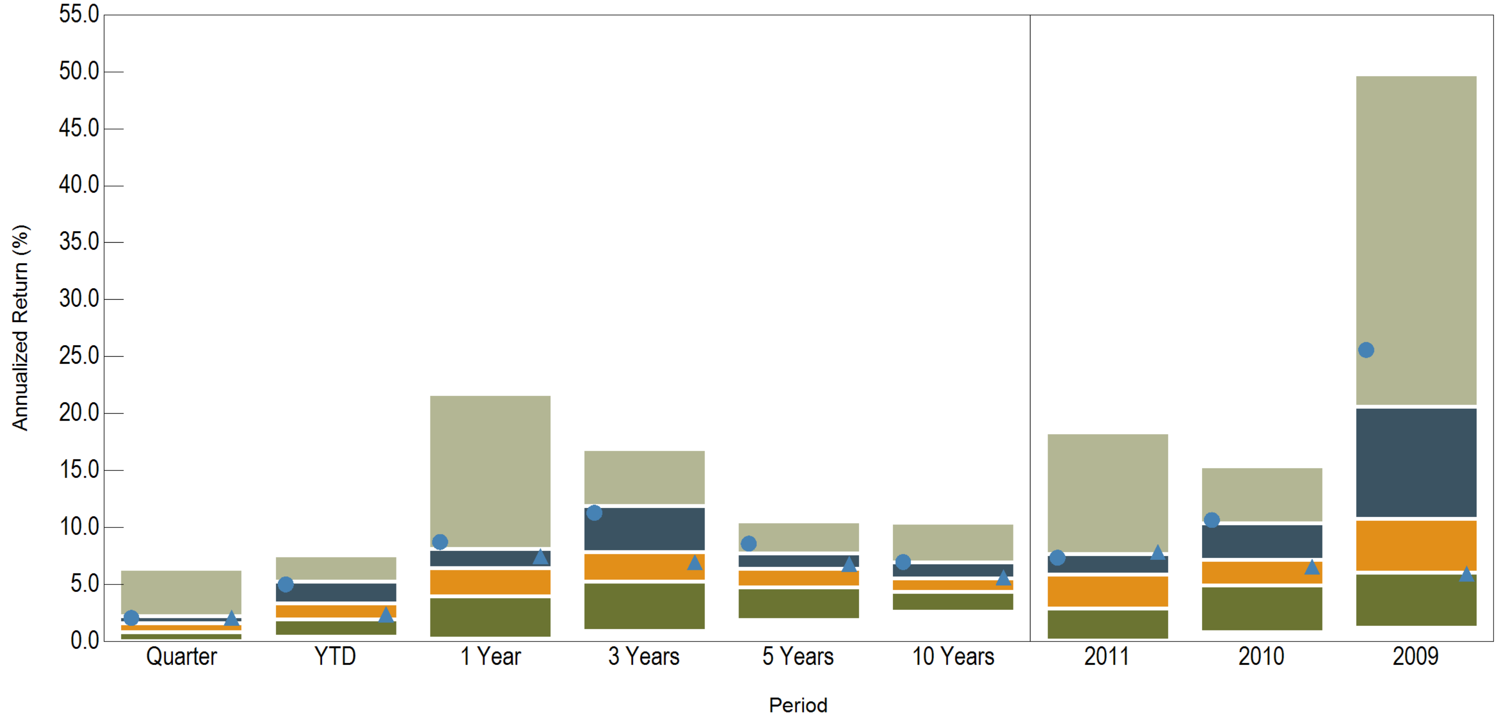


Universe Comparison

Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

Ending June 30, 2012



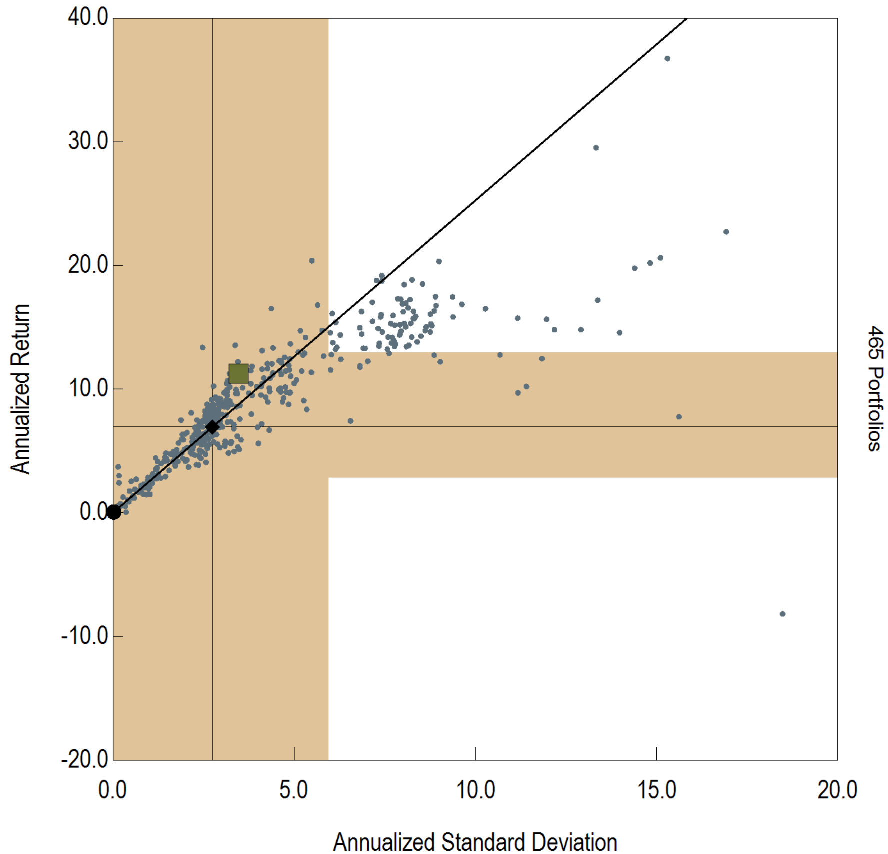
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		10 Years		2011		2010		2009	
5th Percentile	6.4		7.5		21.7		16.8		10.5		10.4		18.3		15.3		49.8	
25th Percentile	2.2		5.3		8.1		11.9		7.8		7.0		7.7		10.4		20.6	
Median	1.6		3.3		6.5		7.9		6.4		5.6		5.9		7.2		10.8	
75th Percentile	0.8		2.0		4.0		5.3		4.7		4.4		2.9		4.9		6.1	
95th Percentile	0.0		0.4		0.3		0.9		1.9		2.6		0.1		0.8		1.2	
# of Portfolios	519		519		510		465		405		301		483		425		427	
● **Total U.S. Fixed Income**	2.0	(34)	5.0	(30)	8.7	(21)	11.3	(29)	8.6	(15)	7.0	(26)	7.3	(30)	10.6	(25)	25.6	(22)
▲ **Barclays Aggregate Bond Index**	2.1	(33)	2.4	(69)	7.5	(38)	6.9	(60)	6.8	(43)	5.6	(49)	7.8	(24)	6.5	(59)	5.9	(77)

Risk Profile

Benchmark: Barclays Aggregate Bond Index

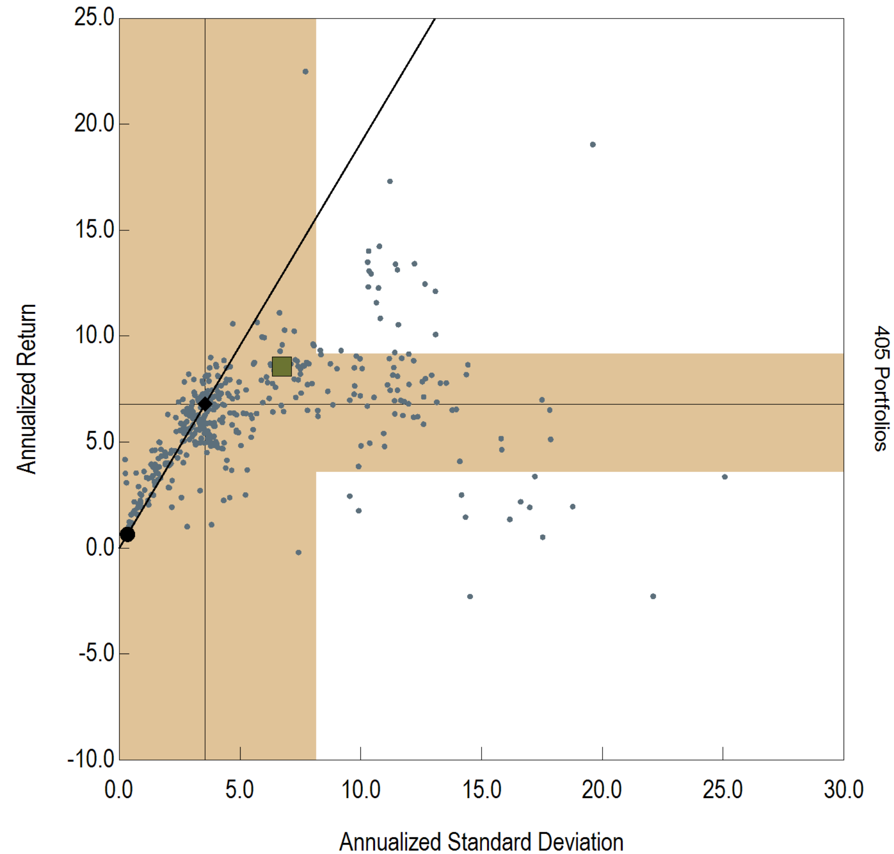
Universe: eA All US Fixed Inc Net

Annualized Return vs. Annualized Standard Deviation
3 Years Ending June 30, 2012



- Total U.S. Fixed Income
- Barclays Aggregate Bond Index
- Risk Free
- 68% Confidence Interval
- eA All US Fixed Inc Net

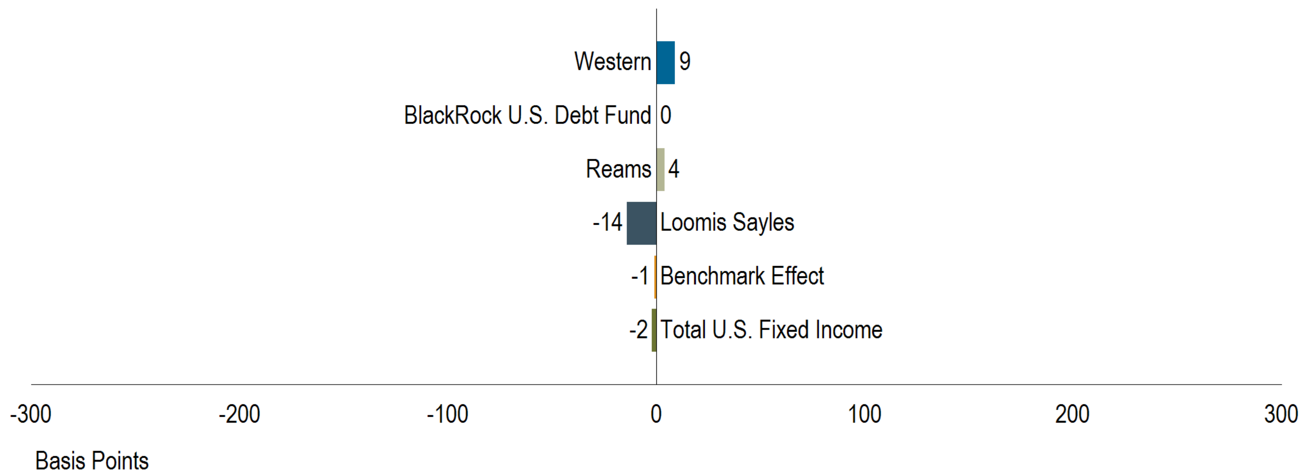
Annualized Return vs. Annualized Standard Deviation
5 Years Ending June 30, 2012



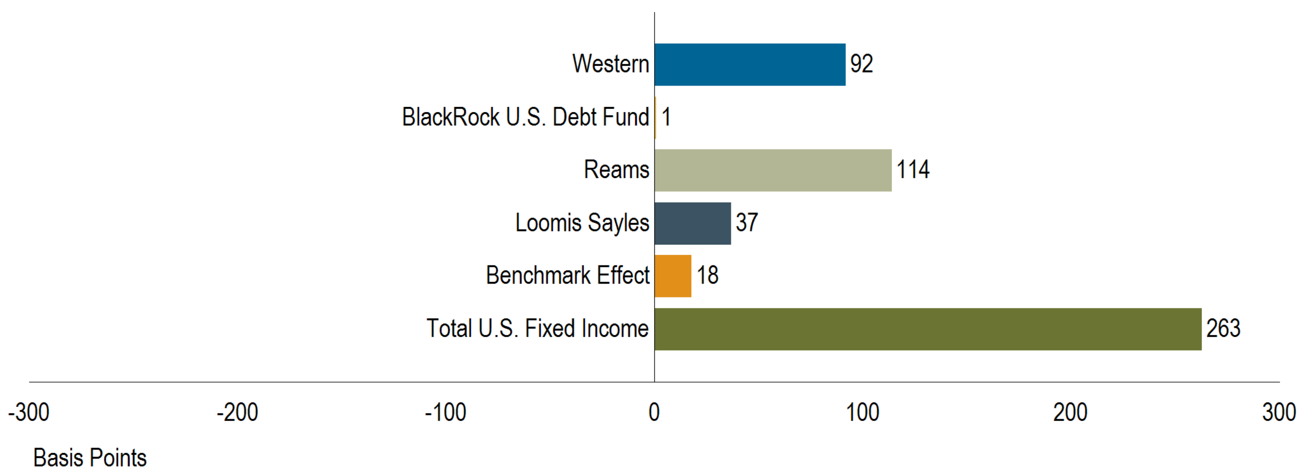
- Total U.S. Fixed Income
- Barclays Aggregate Bond Index
- Risk Free
- 68% Confidence Interval
- eA All US Fixed Inc Net

Attribution

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 6/30/12



MANAGER ATTRIBUTION ANALYSIS
6 MONTHS ENDING 6/30/12



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Manager Performance

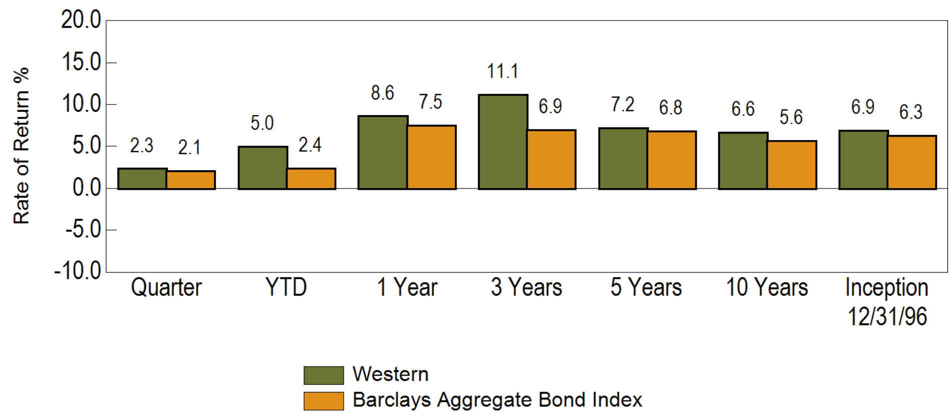
Benchmark: Barclays Aggregate Bond Index

Western Asset Management seeks to add value in fixed income accounts by employing multiple investment strategies while controlling risk. Western is an active sector rotator and attempts to exploit market inefficiencies by making opportunistic trades. The firm emphasizes non-Treasury sectors such as corporate and mortgages. The firm's team approach to fixed income management revolves around an investment outlook developed by the Investment Strategy Group. This group interacts on a daily basis, evaluating developments in both the market and the economy. Additionally, the group meets formally twice a month to review its outlook and investment strategy.

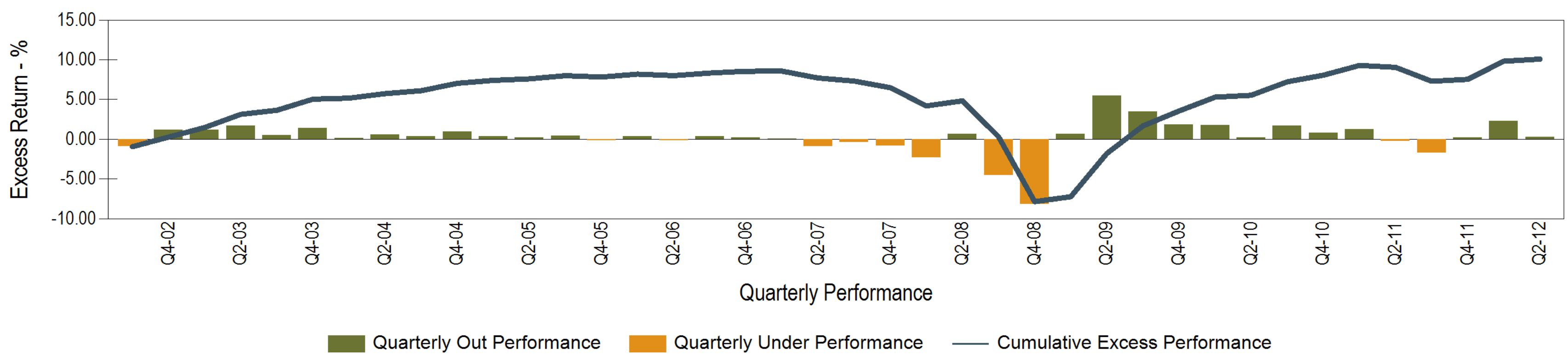
Account Information

Account Name	**Western**
Account Structure	**Separate Account**
Investment Style	**Active**
Inception Date	**12/31/96**
Account Type	**U.S. Fixed Income**
Benchmark	**Barclays Aggregate Bond Index**
Universe	**eA All US Fixed Inc Net**

Return Summary



Quarterly and Cumulative Excess Performance

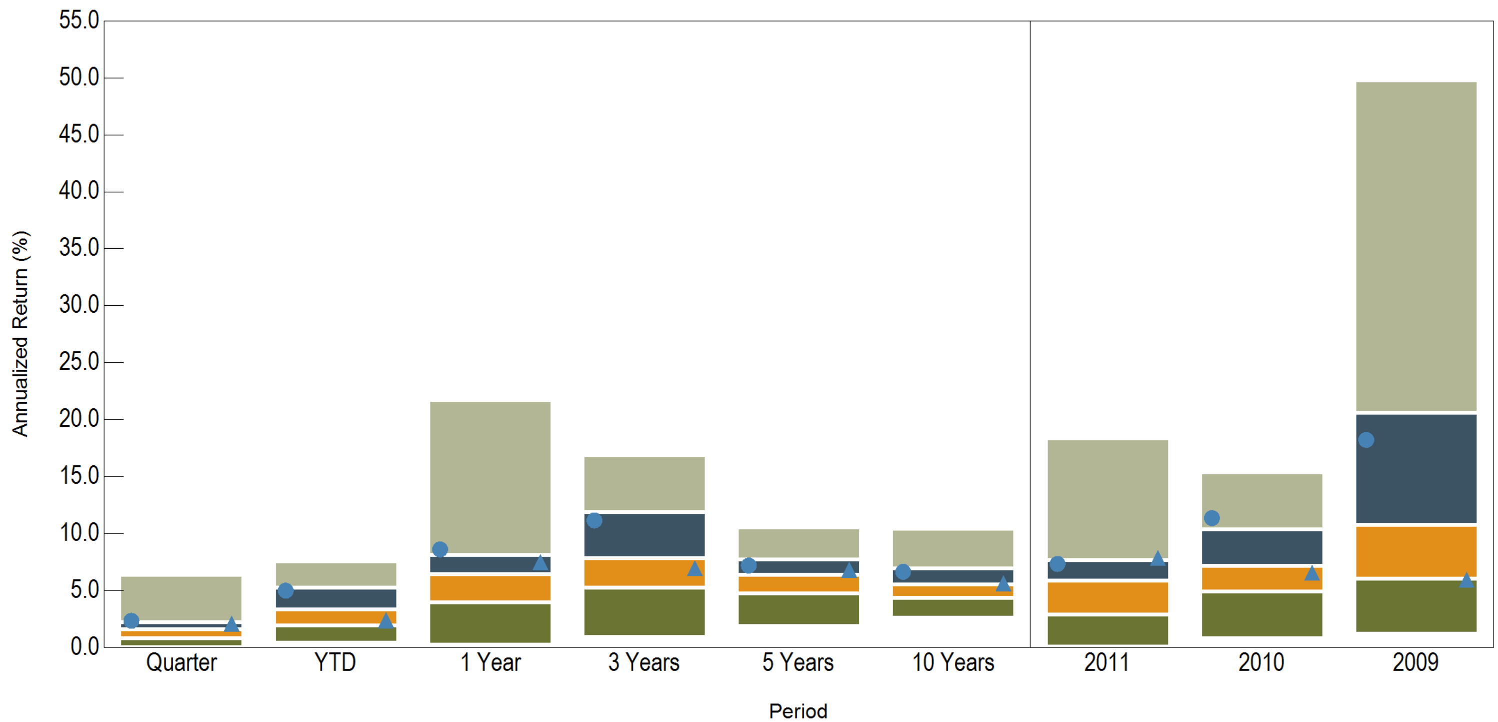


Universe Comparison

Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

Ending June 30, 2012



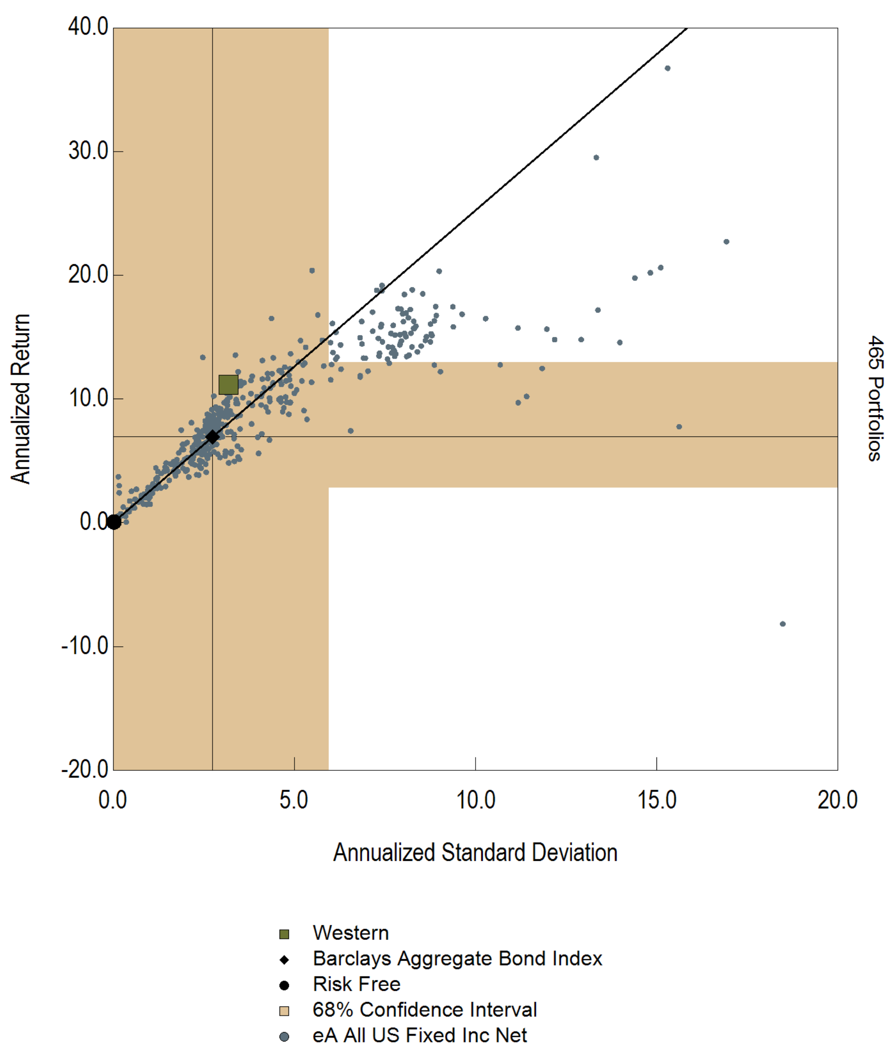
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		10 Years		2011		2010		2009	
5th Percentile	6.4		7.5		21.7		16.8		10.5		10.4		18.3		15.3		49.8	
25th Percentile	2.2		5.3		8.1		11.9		7.8		7.0		7.7		10.4		20.6	
Median	1.6		3.3		6.5		7.9		6.4		5.6		5.9		7.2		10.8	
75th Percentile	0.8		2.0		4.0		5.3		4.7		4.4		2.9		4.9		6.1	
95th Percentile	0.0		0.4		0.3		0.9		1.9		2.6		0.1		0.8		1.2	
# of Portfolios	519		519		510		465		405		301		483		425		427	
● **Western**	2.3	(22)	5.0	(31)	8.6	(22)	11.1	(30)	7.2	(33)	6.6	(30)	7.3	(31)	11.3	(20)	18.2	(31)
▲ **Barclays Aggregate Bond Index**	2.1	(33)	2.4	(69)	7.5	(38)	6.9	(60)	6.8	(43)	5.6	(49)	7.8	(24)	6.5	(59)	5.9	(77)

Risk Profile

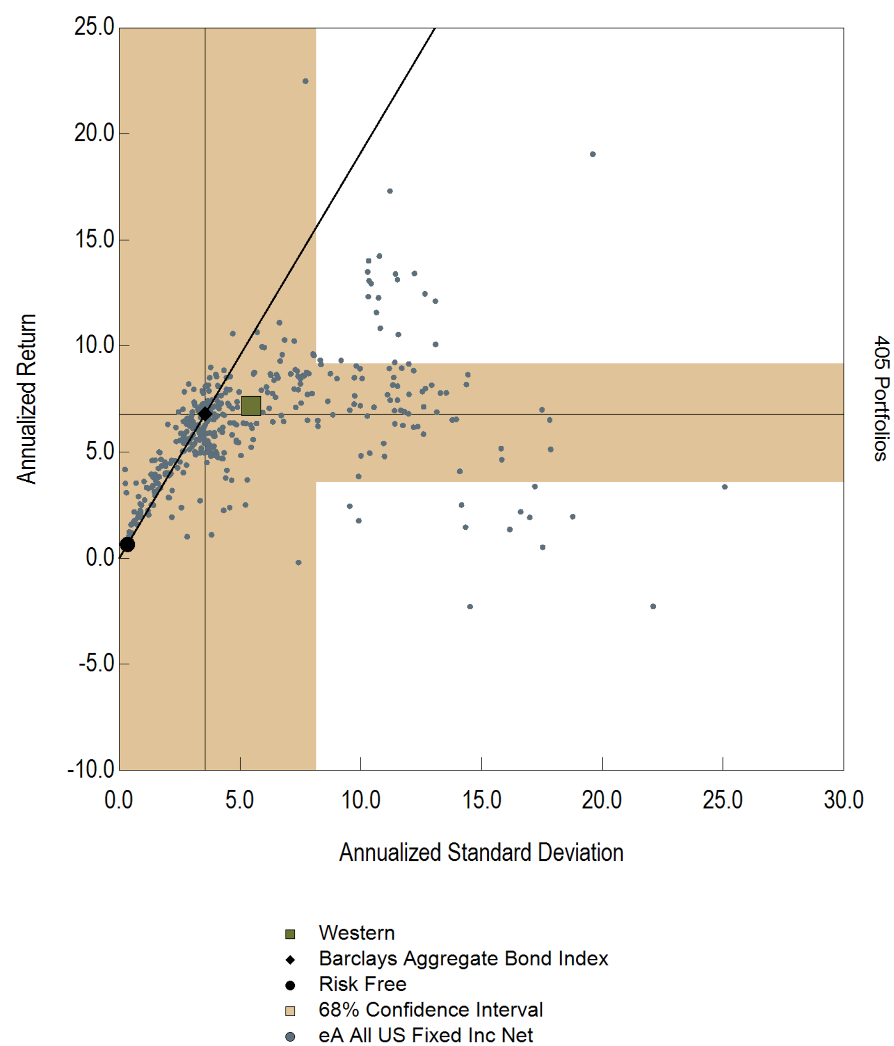
Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

Annualized Return vs. Annualized Standard Deviation
3 Years Ending June 30, 2012



Annualized Return vs. Annualized Standard Deviation
5 Years Ending June 30, 2012



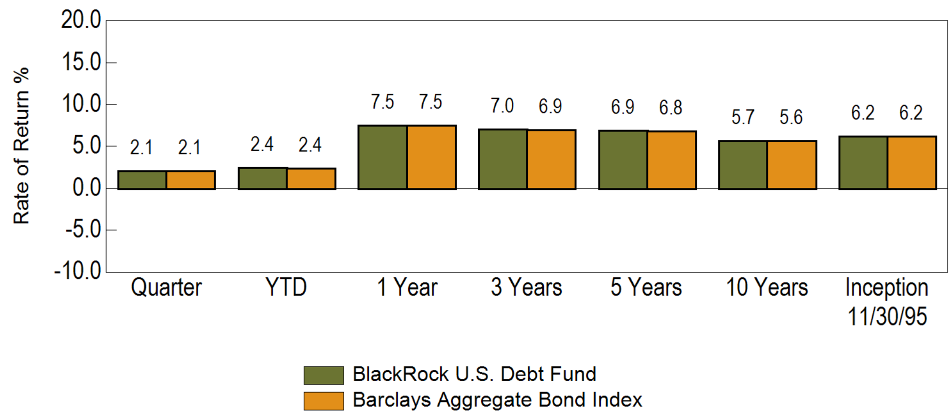
Manager Performance

Benchmark: Barclays Aggregate Bond Index

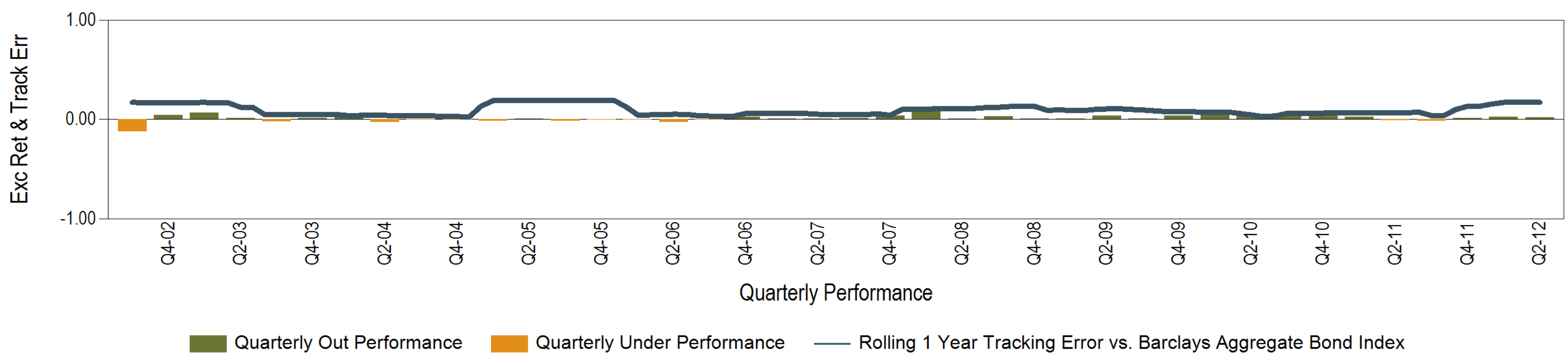
The BlackRock U.S. Debt Fund is an index fund which is designed to replicate the performance of the Barclays Capital Aggregate Bond Index. The U.S. Debt Fund is constructed by holding 7 different sub-funds that track specific sector/maturity combinations of the Barclays Capital Aggregate Bond Index.

Account Information	
Account Name	**BlackRock U.S. Debt Fund**
Account Structure	**Commingled Fund**
Investment Style	**Passive**
Inception Date	**11/30/95**
Account Type	**U.S. Fixed Income**
Benchmark	**Barclays Aggregate Bond Index**
Universe	**eA All US Fixed Inc Net**

Return Summary



Tracking Error

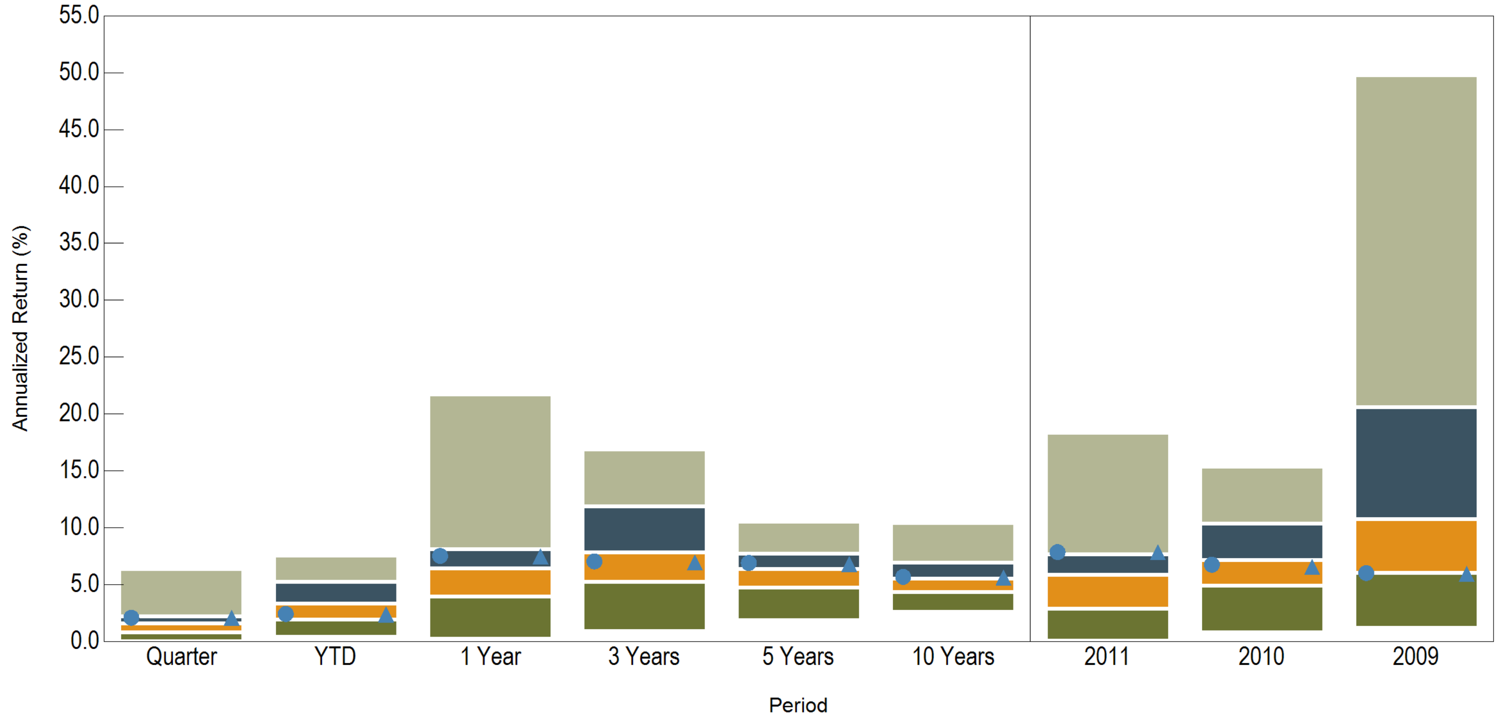


Universe Comparison

Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

Ending June 30, 2012



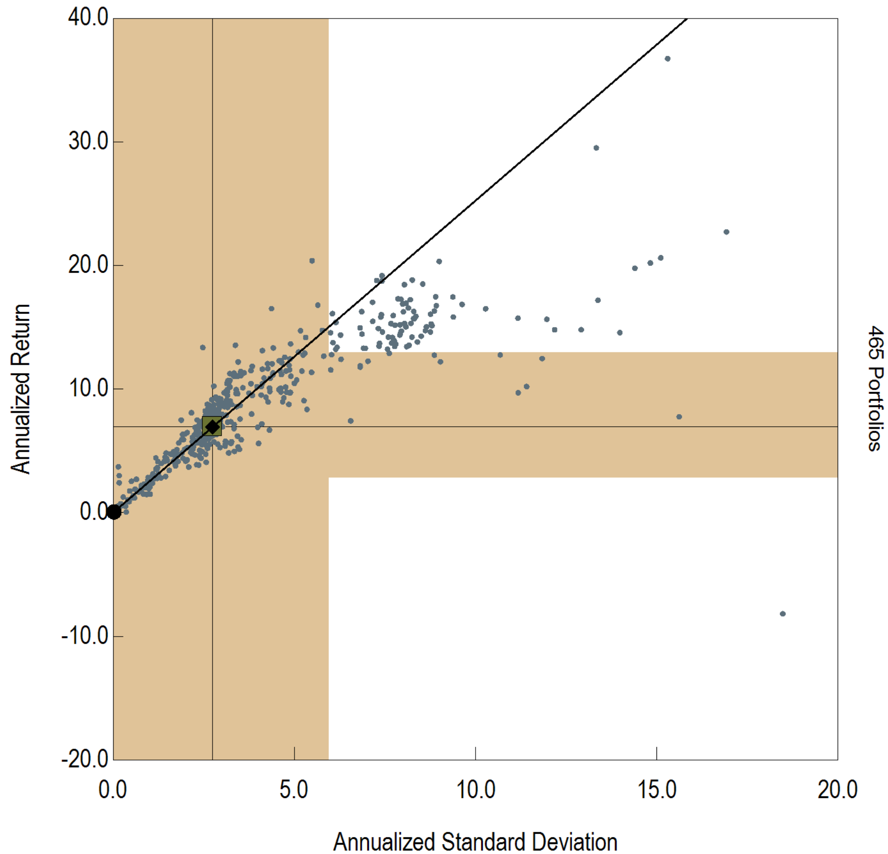
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		10 Years		2011		2010		2009	
5th Percentile	6.4		7.5		21.7		16.8		10.5		10.4		18.3		15.3		49.8	
25th Percentile	2.2		5.3		8.1		11.9		7.8		7.0		7.7		10.4		20.6	
Median	1.6		3.3		6.5		7.9		6.4		5.6		5.9		7.2		10.8	
75th Percentile	0.8		2.0		4.0		5.3		4.7		4.4		2.9		4.9		6.1	
95th Percentile	0.0		0.4		0.3		0.9		1.9		2.6		0.1		0.8		1.2	
# of Portfolios	519		519		510		465		405		301		483		425		427	
● **BlackRock U.S. Debt Fund**	2.1	(32)	2.4	(69)	7.5	(37)	7.0	(59)	6.9	(41)	5.7	(48)	7.9	(23)	6.7	(56)	6.0	(76)
▲ **Barclays Aggregate Bond Index**	2.1	(33)	2.4	(69)	7.5	(38)	6.9	(60)	6.8	(43)	5.6	(49)	7.8	(24)	6.5	(59)	5.9	(77)

Risk Profile

Benchmark: Barclays Aggregate Bond Index

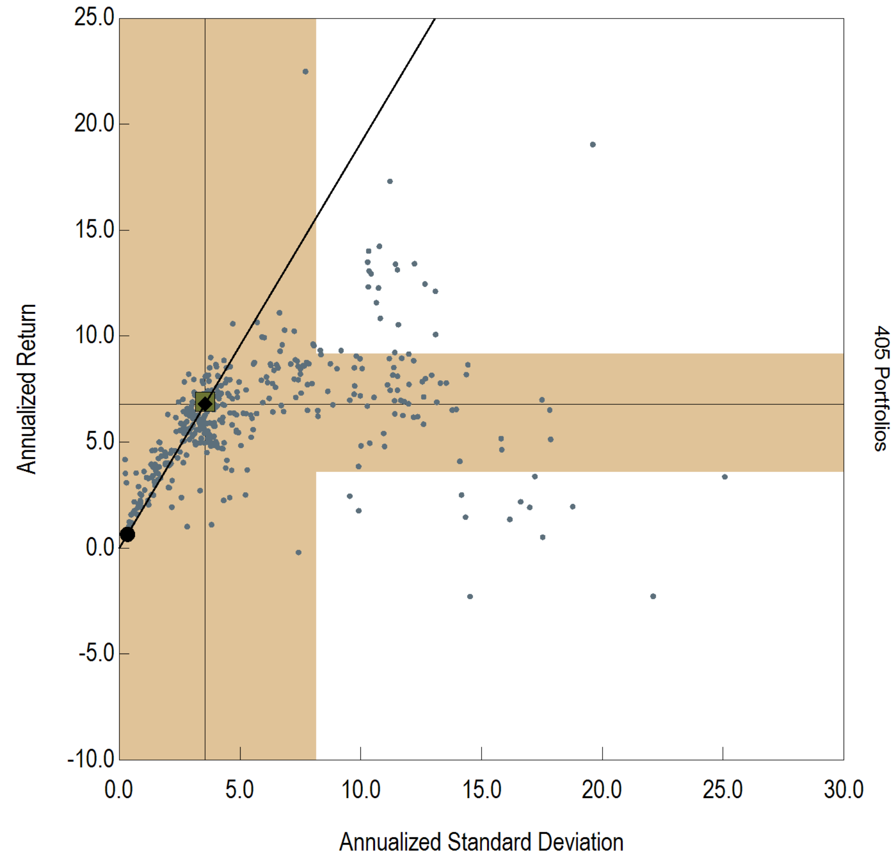
Universe: eA All US Fixed Inc Net

Annualized Return vs. Annualized Standard Deviation
3 Years Ending June 30, 2012



- BlackRock U.S. Debt Fund
- Barclays Aggregate Bond Index
- Risk Free
- 68% Confidence Interval
- eA All US Fixed Inc Net

Annualized Return vs. Annualized Standard Deviation
5 Years Ending June 30, 2012



- BlackRock U.S. Debt Fund
- Barclays Aggregate Bond Index
- Risk Free
- 68% Confidence Interval
- eA All US Fixed Inc Net

Manager Performance

Benchmark: Barclays Aggregate Bond Index

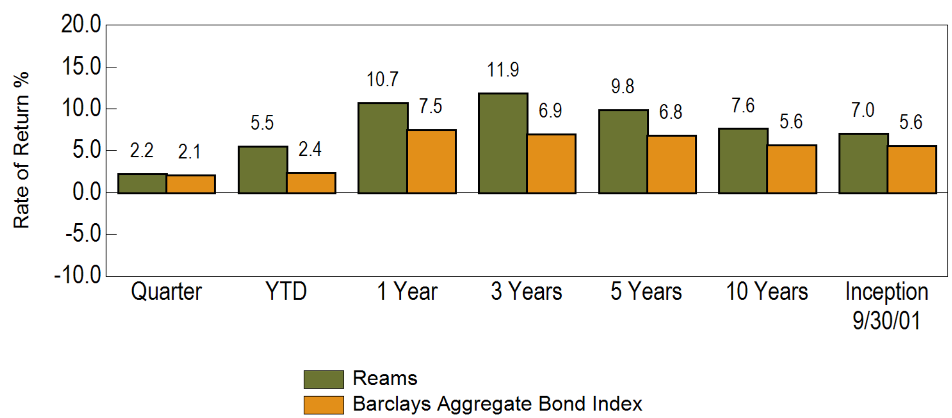
Reams' investment process revolves around the manager's ability to combine top-down macroeconomic portfolio positioning with bottom-up bond selection. The top-down interest rate positioning is somewhat contrarian in that the manager uses real interest rates to gauge when the market is expensive and when it is cheap, increasing duration when the market is cheap and decreasing duration when it is expensive.

The manager attempts to exploit its relatively small size and uncover issues not widely followed by Wall Street. The manager prefers to hold securities by underlying collateral. The firm tends to avoid residential mortgages in favor of commercial mortgages.

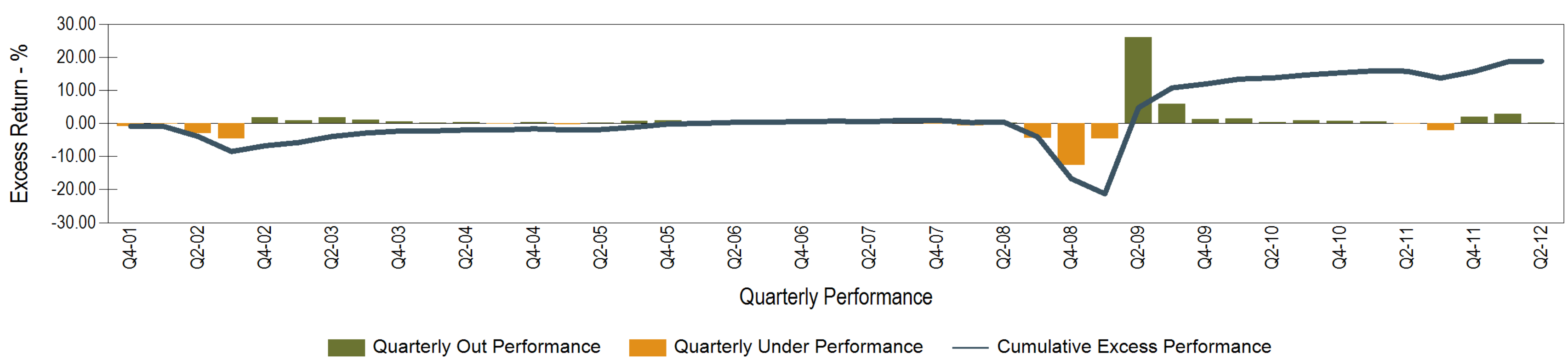
Account Information

Account Information	
Account Name	**Reams**
Account Structure	**Separate Account**
Investment Style	**Active**
Inception Date	**9/30/01**
Account Type	**U.S. Fixed Income**
Benchmark	**Barclays Aggregate Bond Index**
Universe	**eA All US Fixed Inc Net**

Return Summary



Quarterly and Cumulative Excess Performance

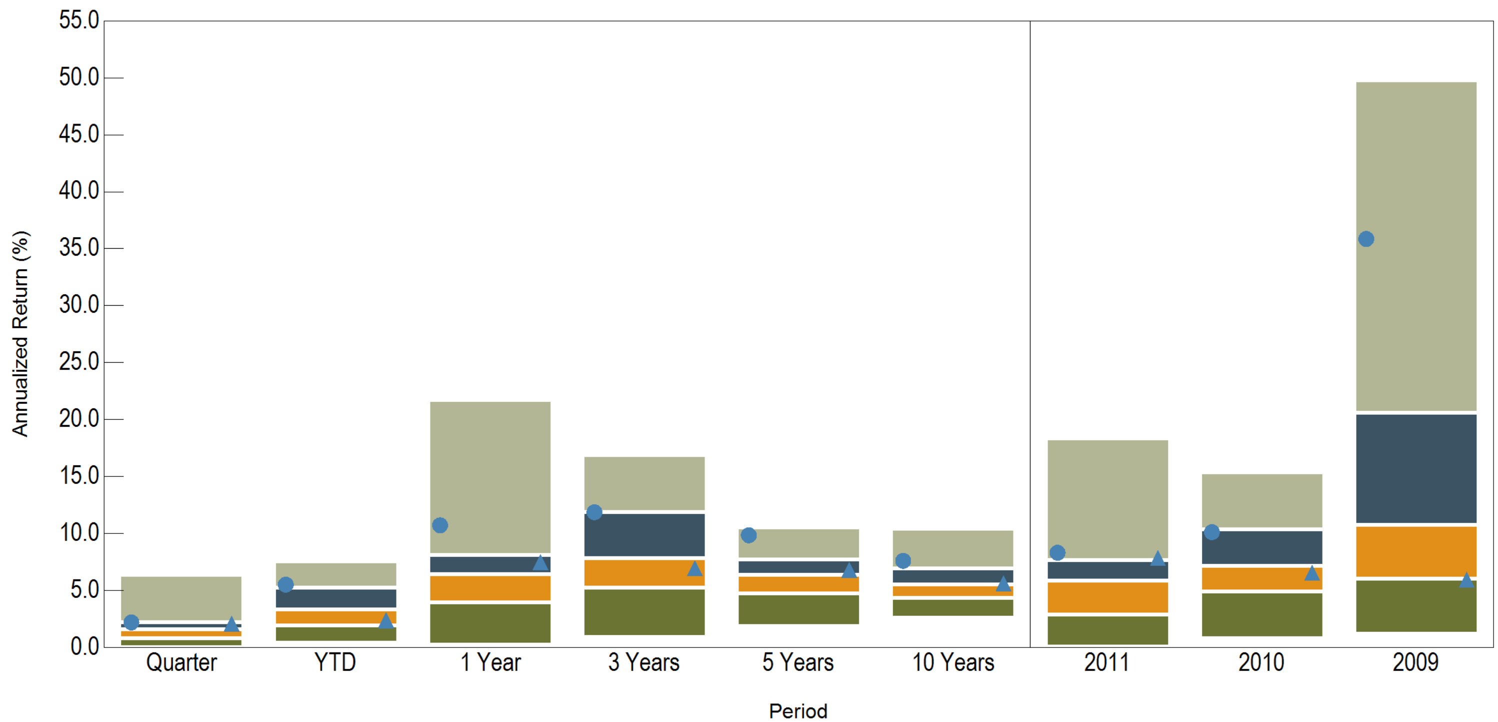


Universe Comparison

Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net

Ending June 30, 2012

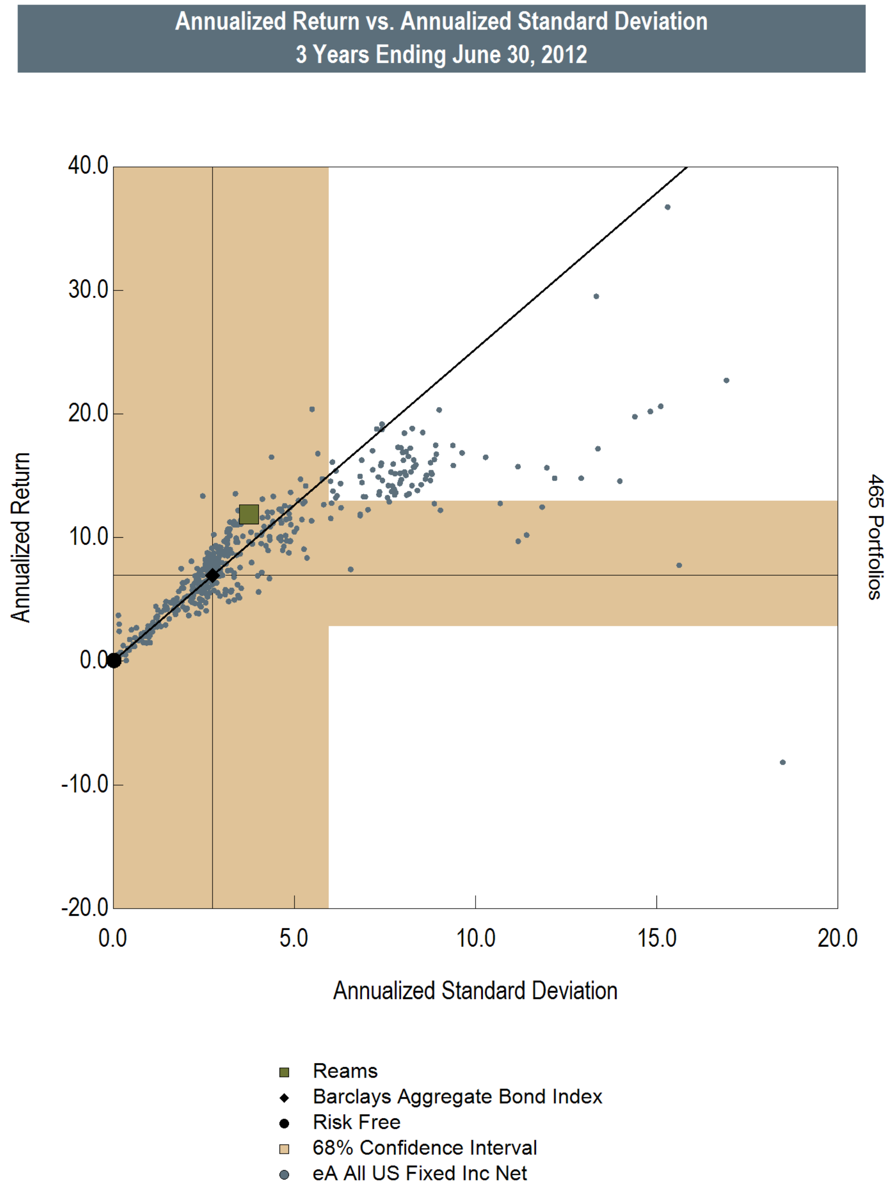


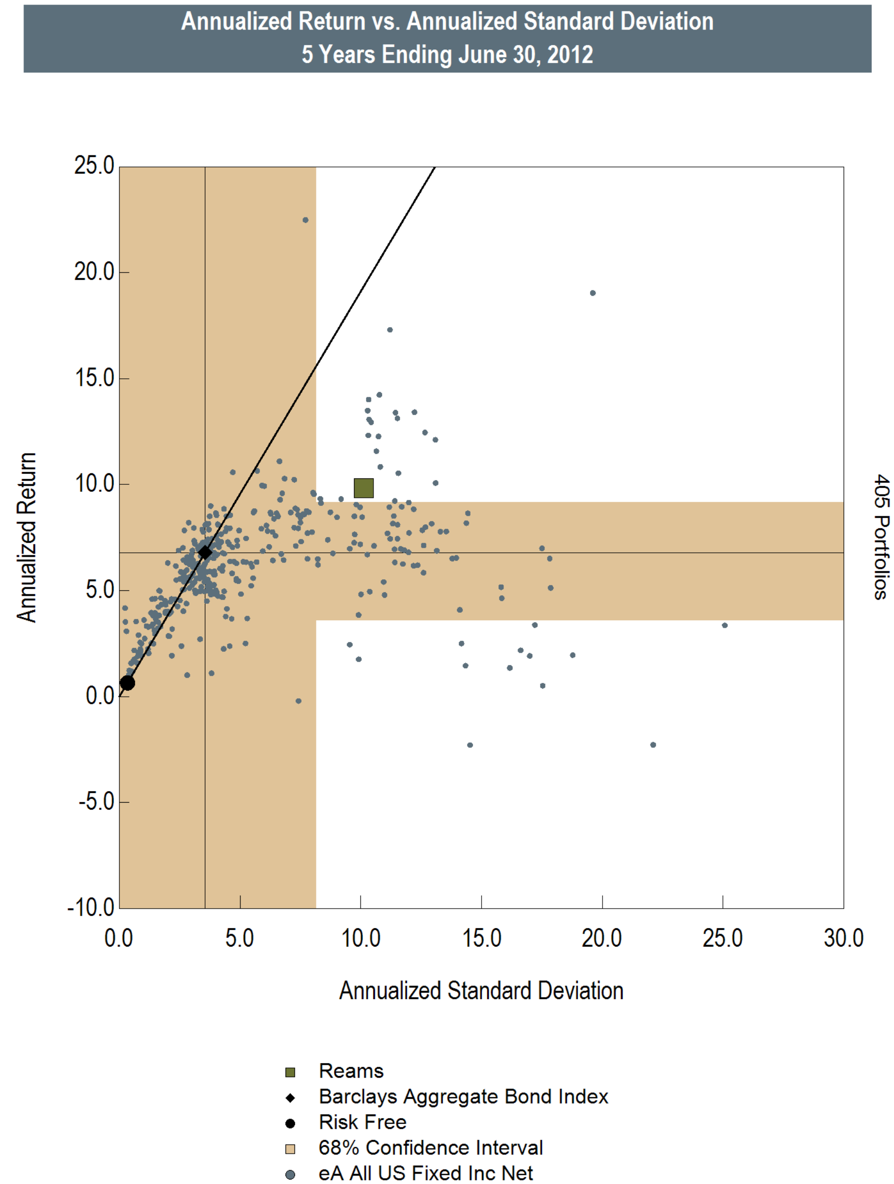
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		10 Years		2011		2010		2009	
5th Percentile	6.4		7.5		21.7		16.8		10.5		10.4		18.3		15.3		49.8	
25th Percentile	2.2		5.3		8.1		11.9		7.8		7.0		7.7		10.4		20.6	
Median	1.6		3.3		6.5		7.9		6.4		5.6		5.9		7.2		10.8	
75th Percentile	0.8		2.0		4.0		5.3		4.7		4.4		2.9		4.9		6.1	
95th Percentile	0.0		0.4		0.3		0.9		1.9		2.6		0.1		0.8		1.2	
# of Portfolios	519		519		510		465		405		301		483		425		427	
● **Reams**	2.2	(27)	5.5	(22)	10.7	(14)	11.9	(26)	9.8	(7)	7.6	(21)	8.3	(19)	10.1	(27)	35.9	(13)
▲ **Barclays Aggregate Bond Index**	2.1	(33)	2.4	(69)	7.5	(38)	6.9	(60)	6.8	(43)	5.6	(49)	7.8	(24)	6.5	(59)	5.9	(77)

Risk Profile

Benchmark: Barclays Aggregate Bond Index

Universe: eA All US Fixed Inc Net





Manager Performance

Benchmark: Performance Benchmark

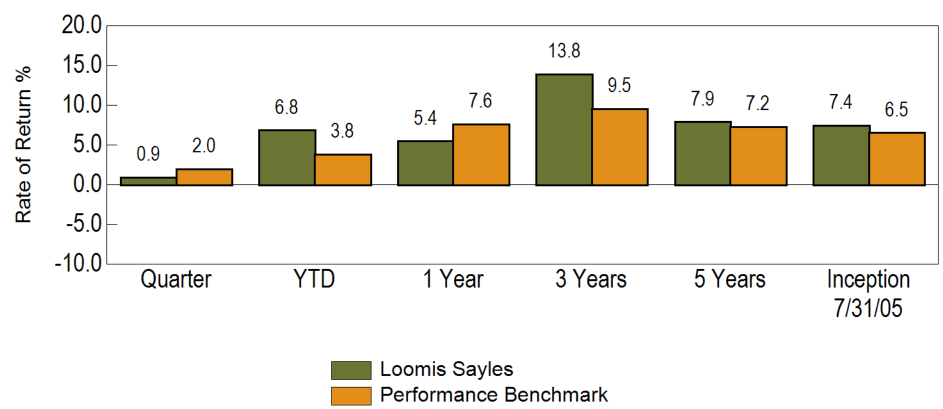
Loomis Sayles' fixed income philosophy is rooted in identifying undervalued securities through in-house credit research. Its philosophy emphasizes identifying issuers whose credit ratings appear likely to be upgraded or downgraded. The fixed income analysts use forward-looking analyses of cash flow, along with source and application of funds, to identify factors that may affect a debt issuer's future credit rating. Loomis Sayles believes that considerable value can be added by holding under-rated issues for which the firm has projected a credit upgrading.

Loomis typically allocates up to 40% of its assets to high yield securities and its portfolio's duration is significantly higher than that of the broad bond market. The manager also invests in convertible securities. The performance benchmark for the strategy is 60% Barclays Capital Aggregate Bond Index and 40% Barclays Capital High Yield Index.

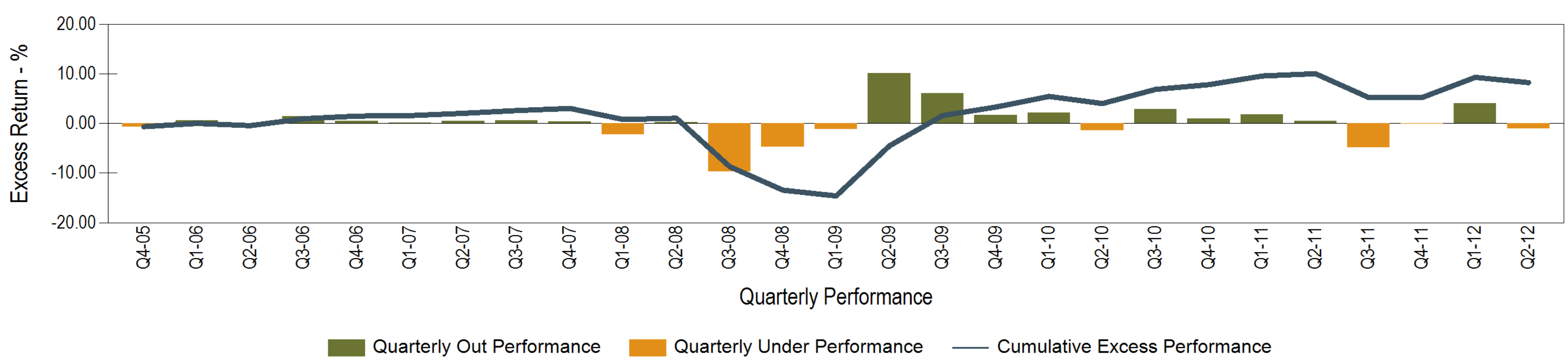
Account Information

Account Name	**Loomis Sayles**
Account Structure	**Separate Account**
Investment Style	**Active**
Inception Date	**7/31/05**
Account Type	**Global Fixed Income**
Benchmark	**Performance Benchmark**
Universe	**eA All US Fixed Inc Net**

Return Summary



Quarterly and Cumulative Excess Performance

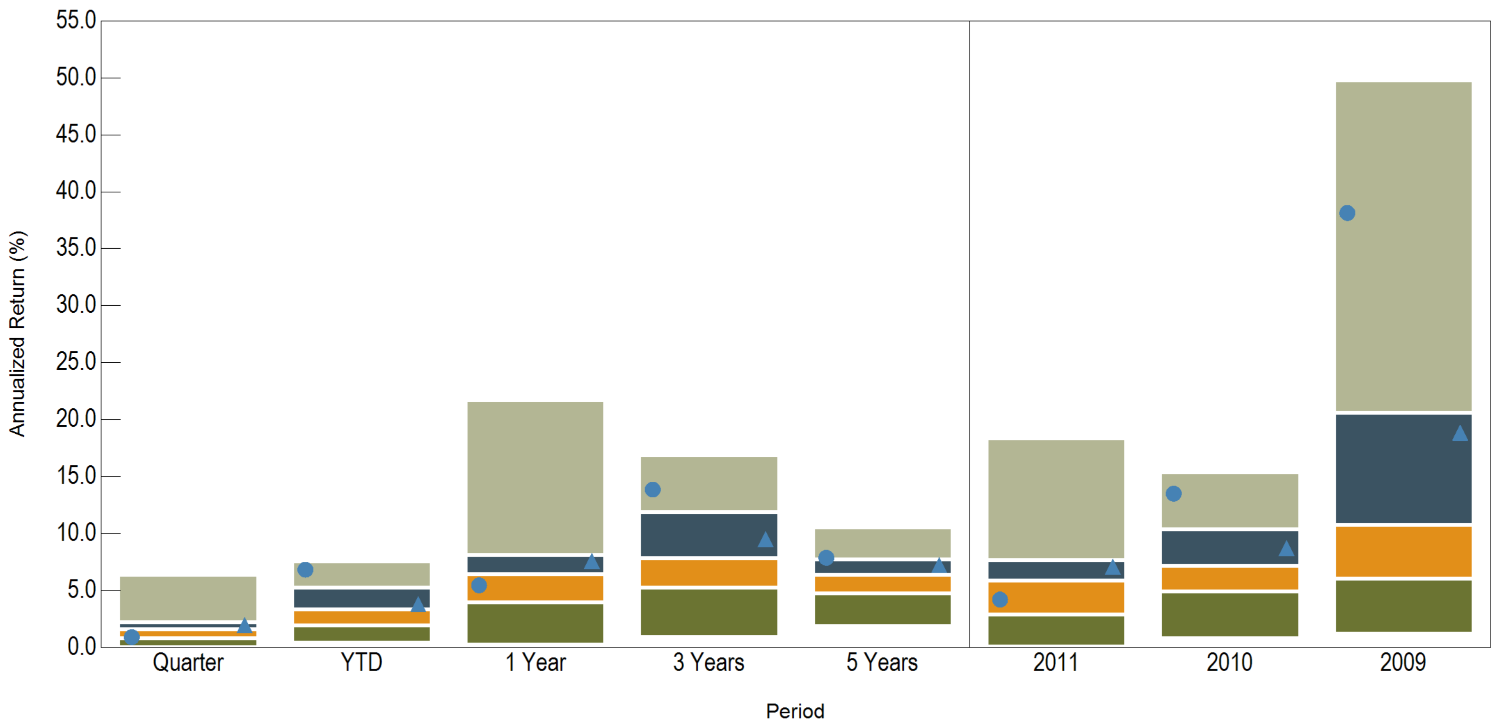


Universe Comparison

Benchmark: Performance Benchmark

Universe: eA All US Fixed Inc Net

Ending June 30, 2012



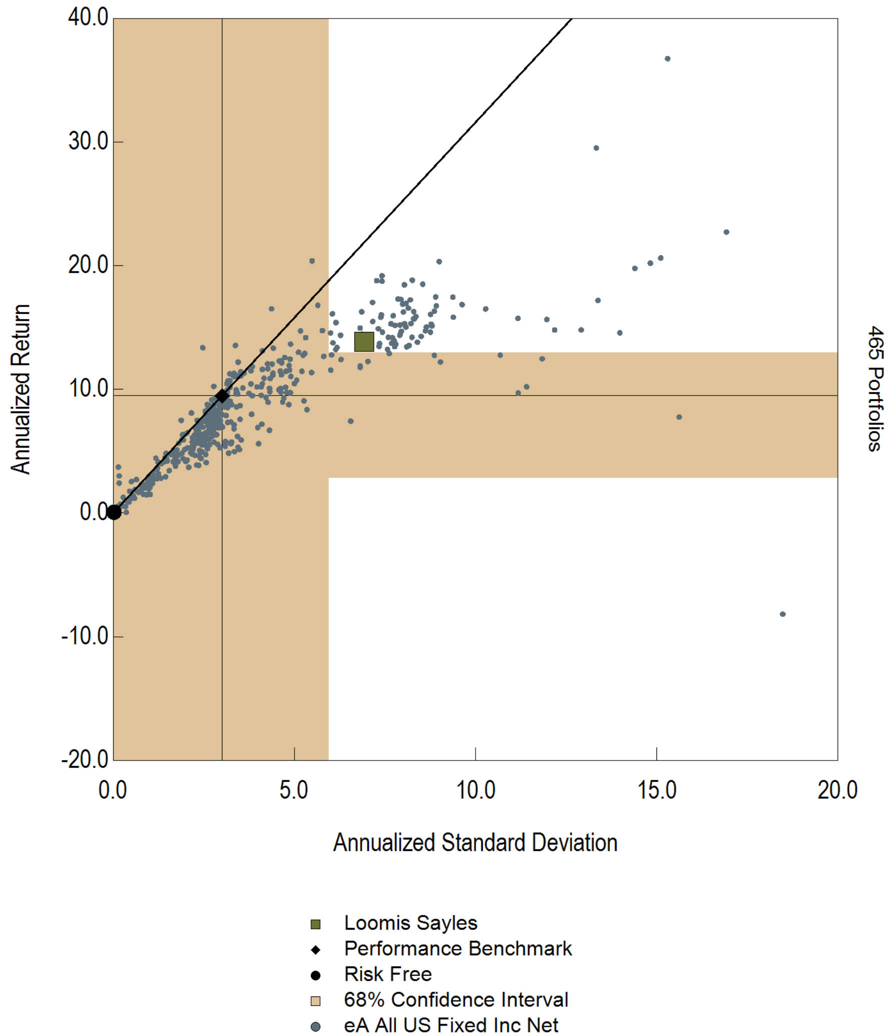
Return (Rank)	Quarter		YTD		1 Year		3 Years		5 Years		2011		2010		2009	
5th Percentile	6.4		7.5		21.7		16.8		10.5		18.3		15.3		49.8	
25th Percentile	2.2		5.3		8.1		11.9		7.8		7.7		10.4		20.6	
Median	1.6		3.3		6.5		7.9		6.4		5.9		7.2		10.8	
75th Percentile	0.8		2.0		4.0		5.3		4.7		2.9		4.9		6.1	
95th Percentile	0.0		0.4		0.3		0.9		1.9		0.1		0.8		1.2	
# of Portfolios	519		519		510		465		405		483		425		427	
● **Loomis Sayles**	0.9	(75)	6.8	(10)	5.4	(63)	13.8	(17)	7.9	(23)	4.2	(67)	13.5	(12)	38.1	(12)
▲ **Performance Benchmark**	2.0	(38)	3.8	(44)	7.6	(36)	9.5	(39)	7.2	(32)	7.1	(35)	8.7	(34)	18.8	(29)

Risk Profile

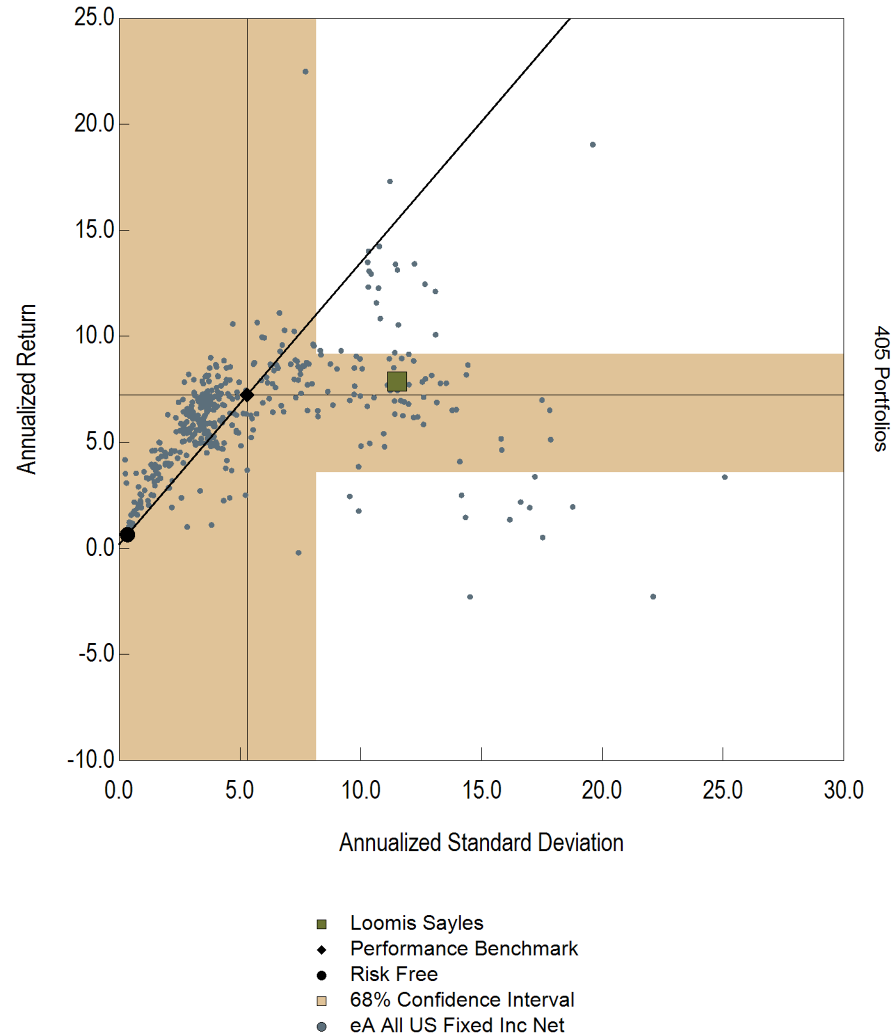
Benchmark: Performance Benchmark

Universe: eA All US Fixed Inc Net

Annualized Return vs. Annualized Standard Deviation
3 Years Ending June 30, 2012



Annualized Return vs. Annualized Standard Deviation
5 Years Ending June 30, 2012

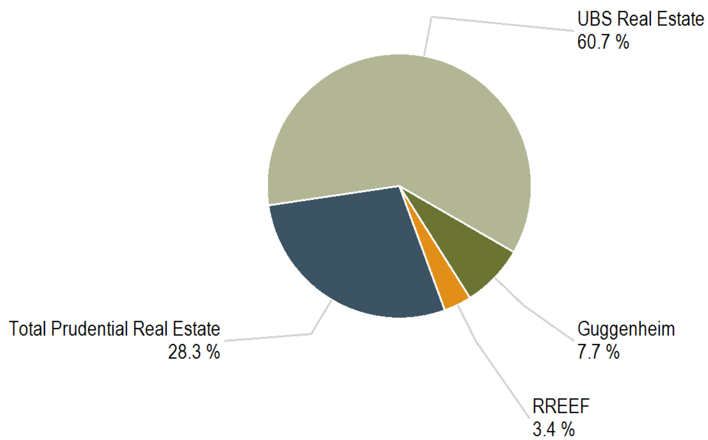


Total Real Estate

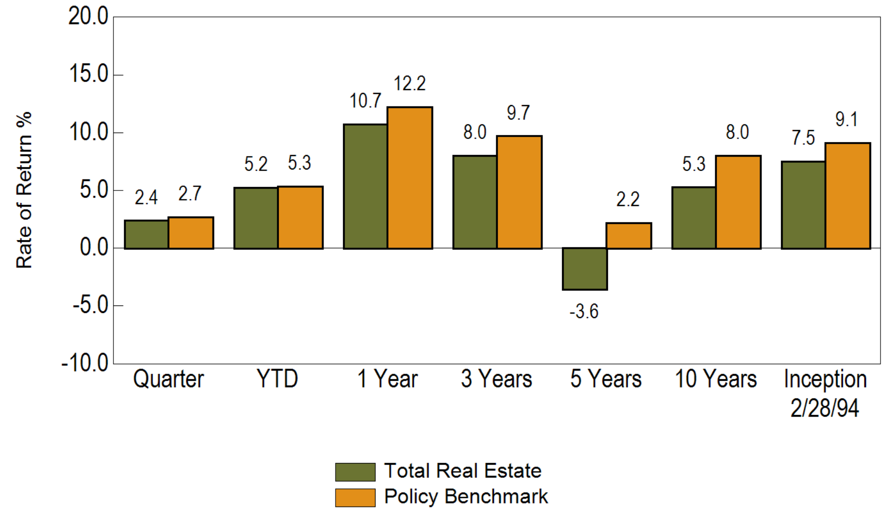
Overview

Benchmark: Policy Benchmark

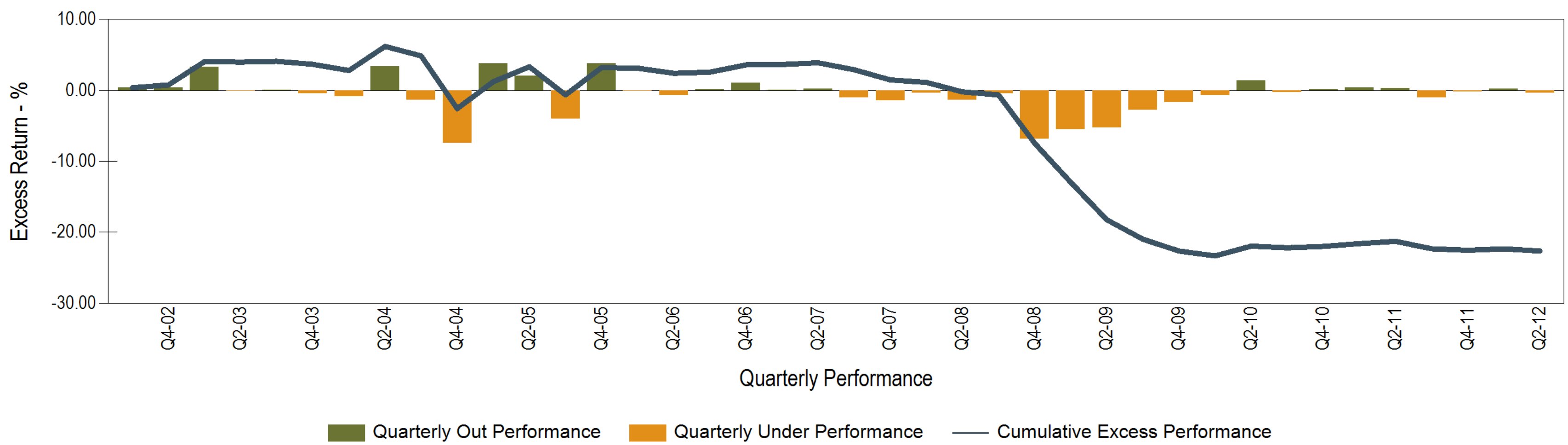
Current Allocation



Return Summary



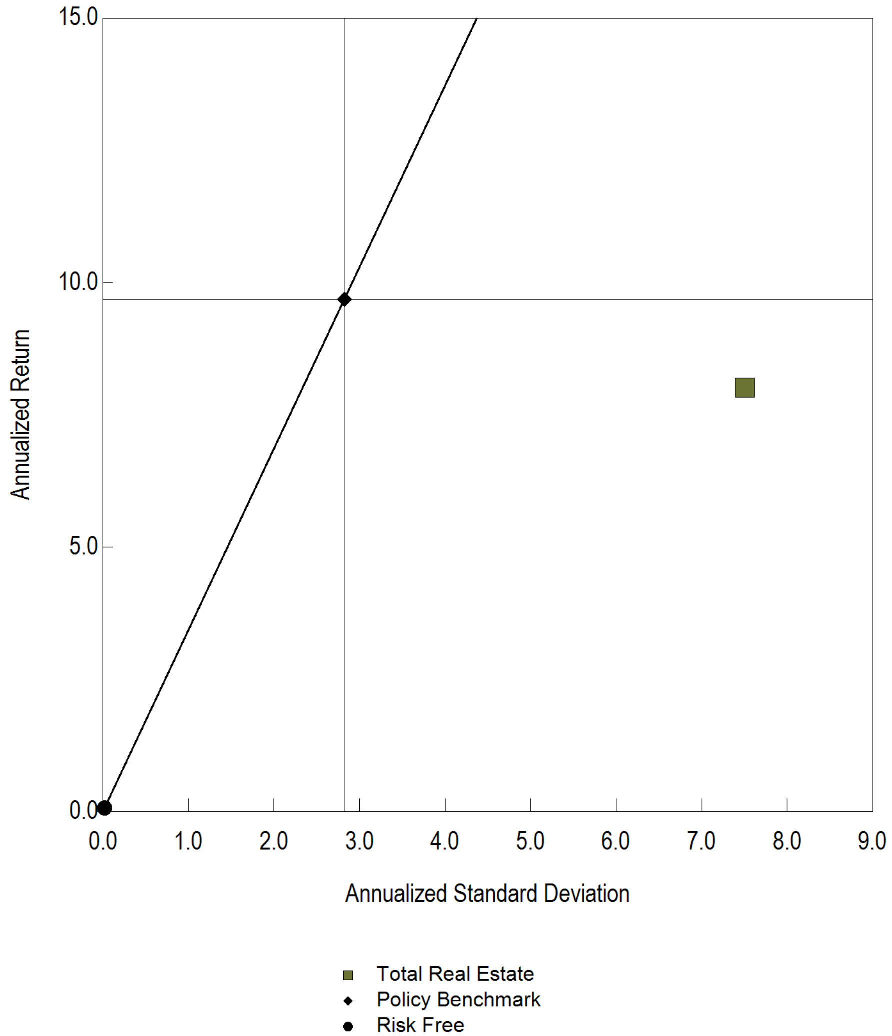
Quarterly and Cumulative Excess Performance



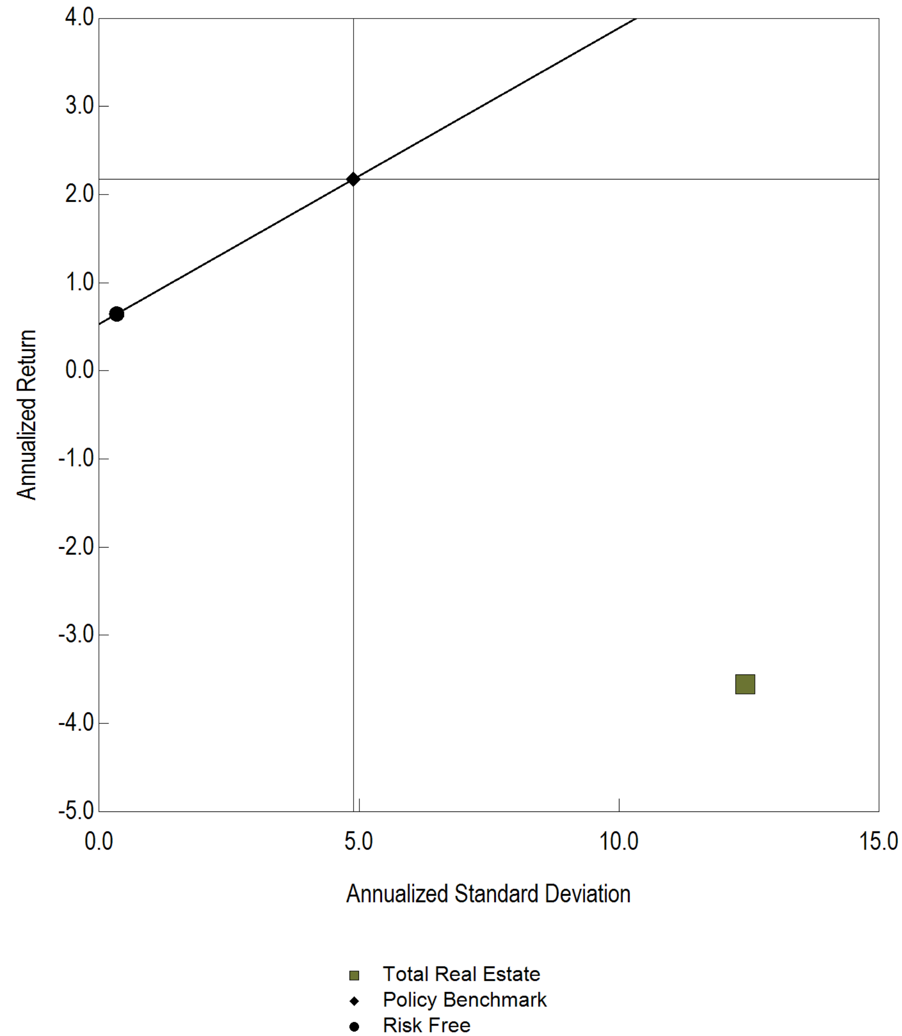
Risk Profile

Benchmark: Policy Benchmark

Annualized Return vs. Annualized Standard Deviation
3 Years Ending June 30, 2012



Annualized Return vs. Annualized Standard Deviation
5 Years Ending June 30, 2012



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Manager Performance

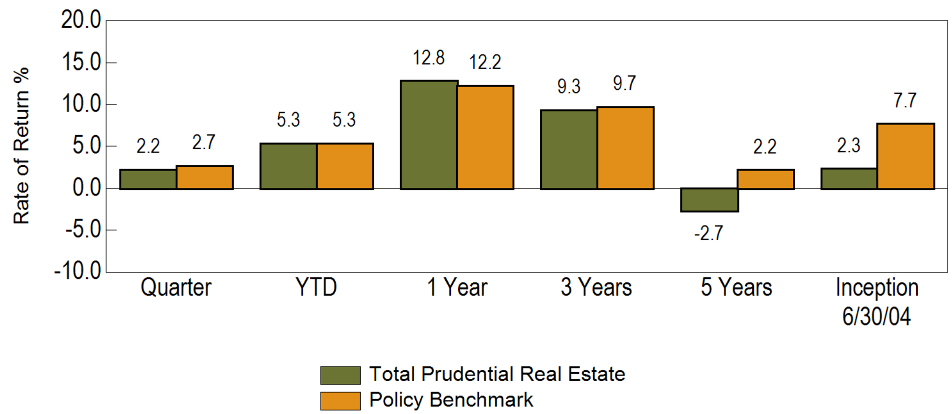
Benchmark: Policy Benchmark

Prudential's PRISA is a core-only product with no value-added component. The manager utilizes low leverage (max 30%) and is diversified across both property types and regions. PRISA has a dedicated team of 15 regional research professionals who work on the portfolio. In constructing the PRISA portfolio, the lead portfolio manager annually develops a forward-looking three-year forecast. The forecast is based on macroeconomic predictions, along with input from the manager's proprietary software systems. The transaction team utilizes this forward-looking forecast in its search for potential properties.

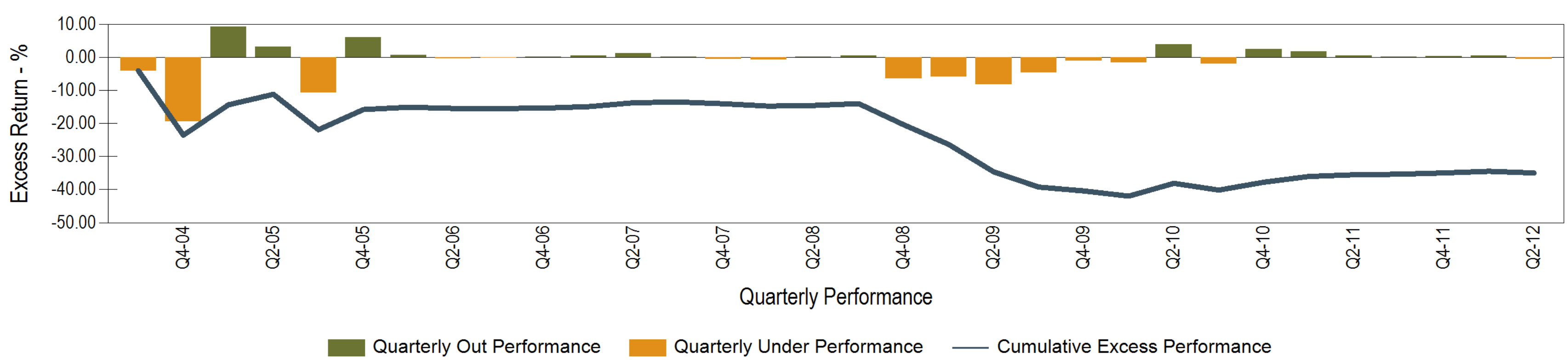
Account Information

Account Name	**Total Prudential Real Estate**
Account Structure	**Other**
Investment Style	**Active**
Inception Date	**6/30/04**
Account Type	**Real Estate**
Benchmark	**Policy Benchmark**
Universe	

Return Summary



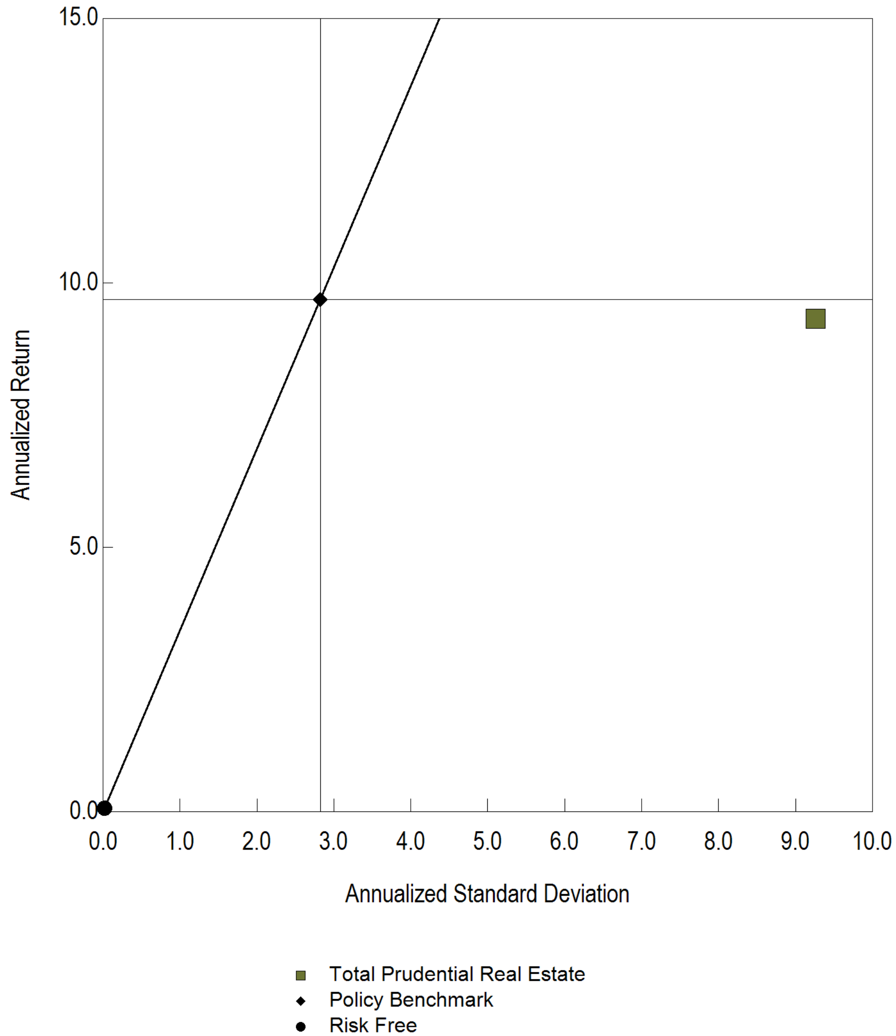
Quarterly and Cumulative Excess Performance



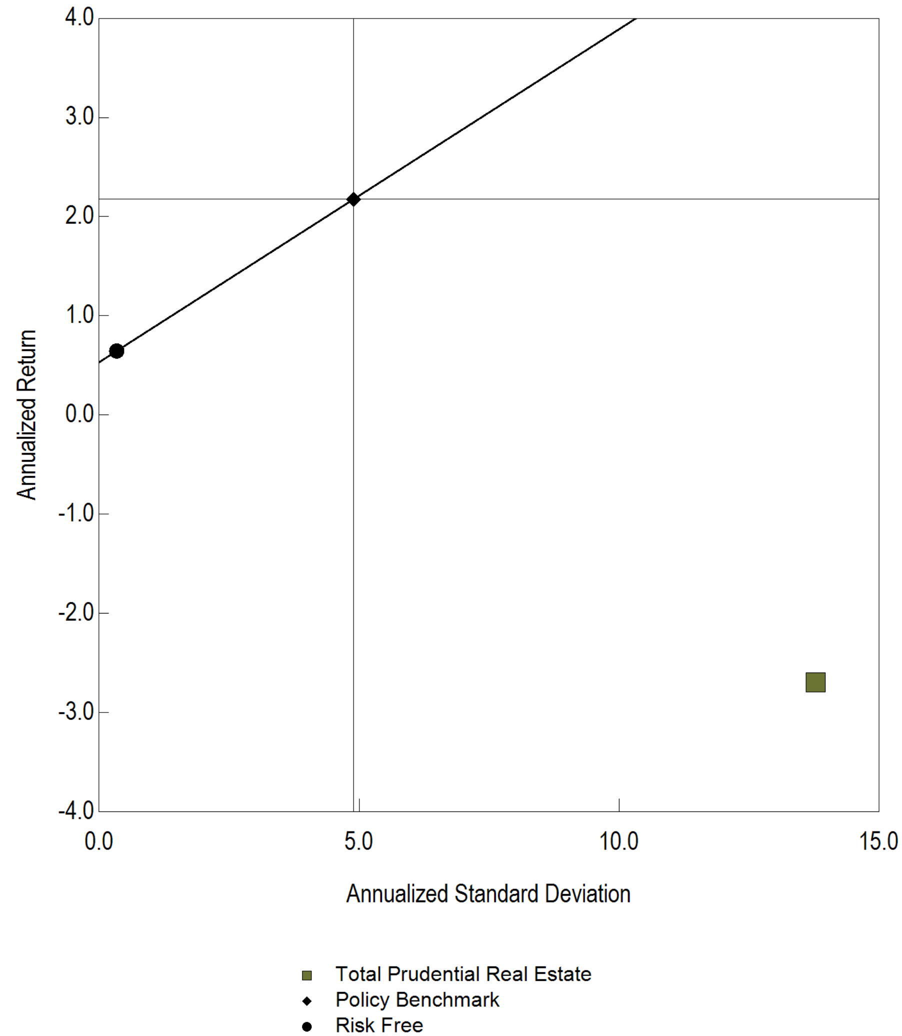
Risk Profile

Benchmark: Policy Benchmark

Annualized Return vs. Annualized Standard Deviation
3 Years Ending June 30, 2012

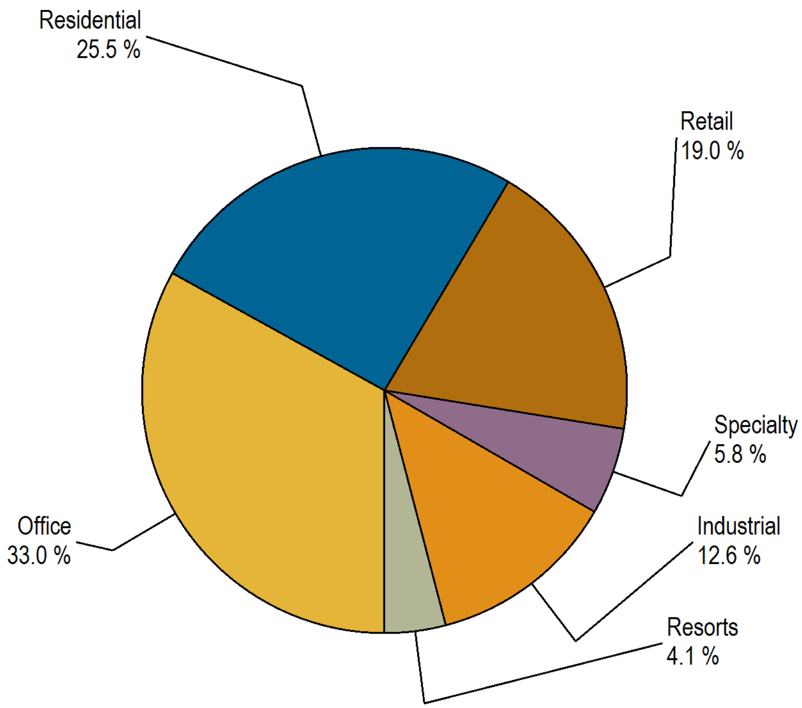


Annualized Return vs. Annualized Standard Deviation
5 Years Ending June 30, 2012

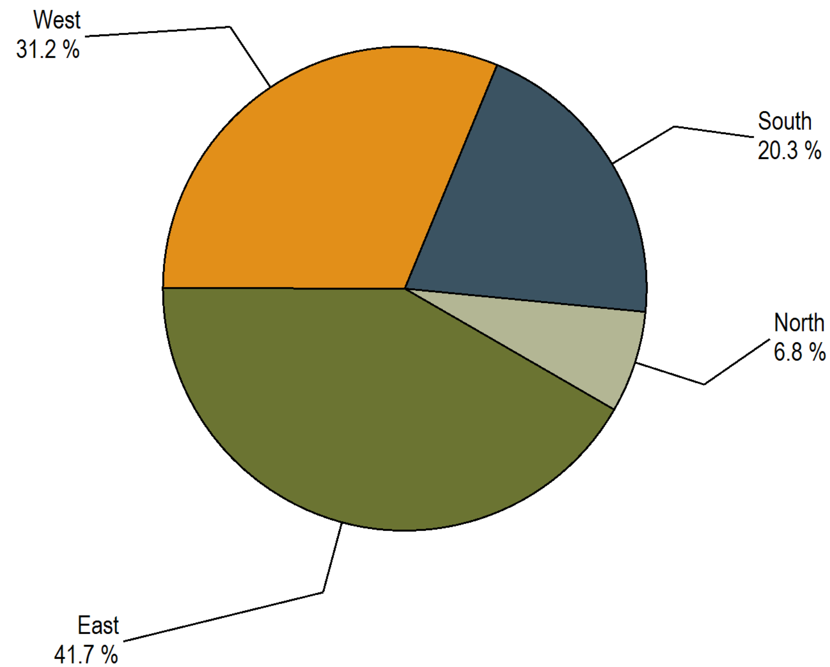


Manager Analysis

Property Type Allocation



Geographic Diversification



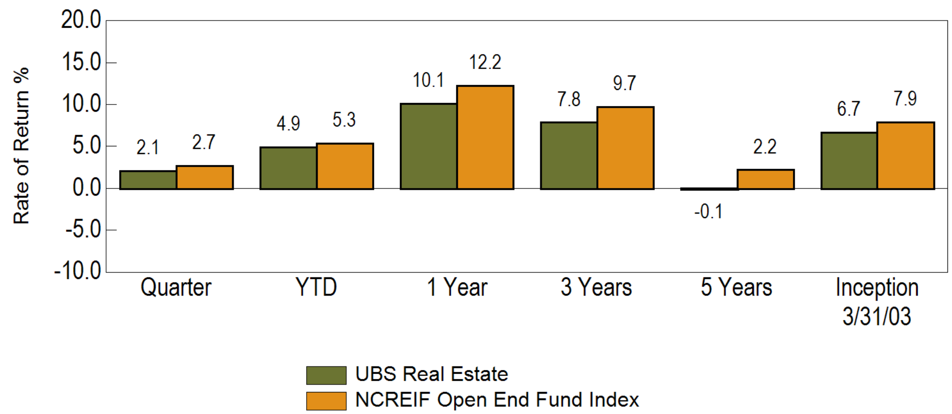
Manager Performance

Benchmark: NCREIF Open End Fund Index

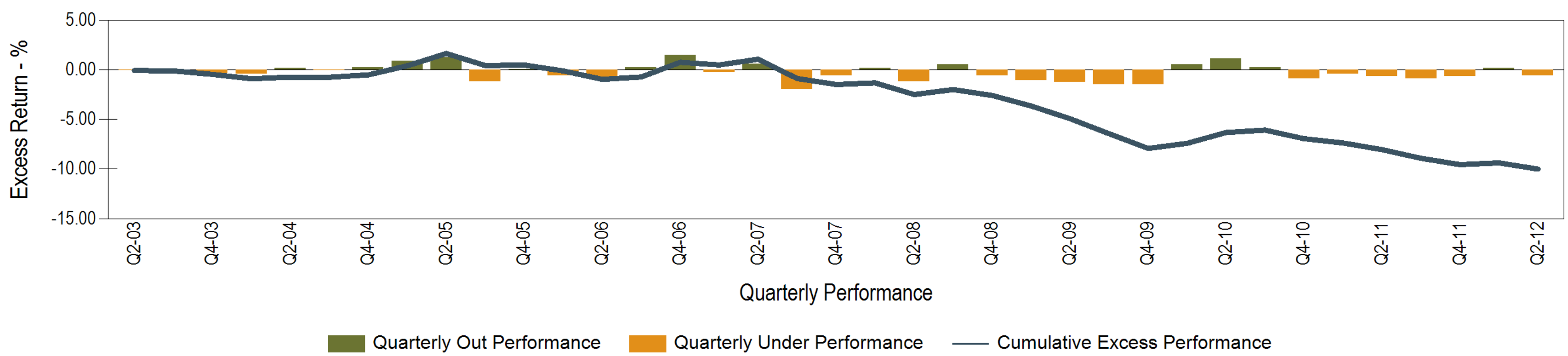
Account Information

Account Name	**UBS Real Estate**
Account Structure	**Other**
Investment Style	**Active**
Inception Date	**3/31/03**
Account Type	**Real Estate**
Benchmark	**NCREIF Open End Fund Index**
Universe	

Return Summary



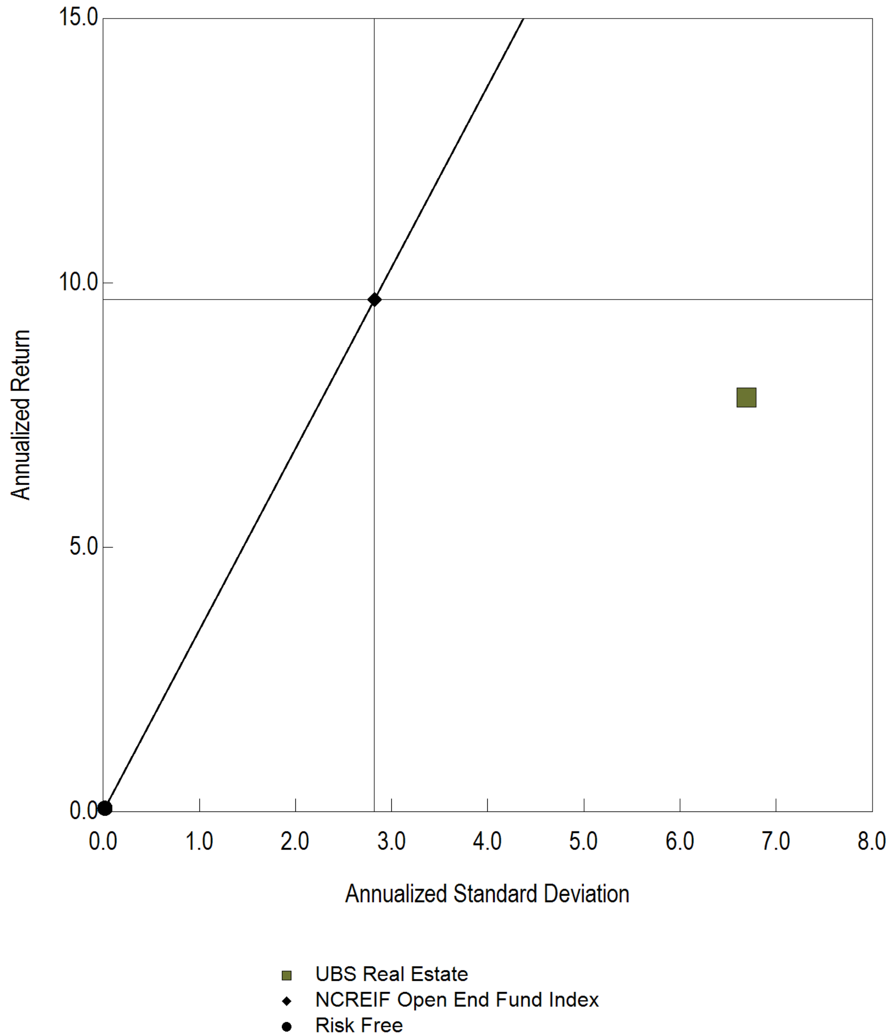
Quarterly and Cumulative Excess Performance



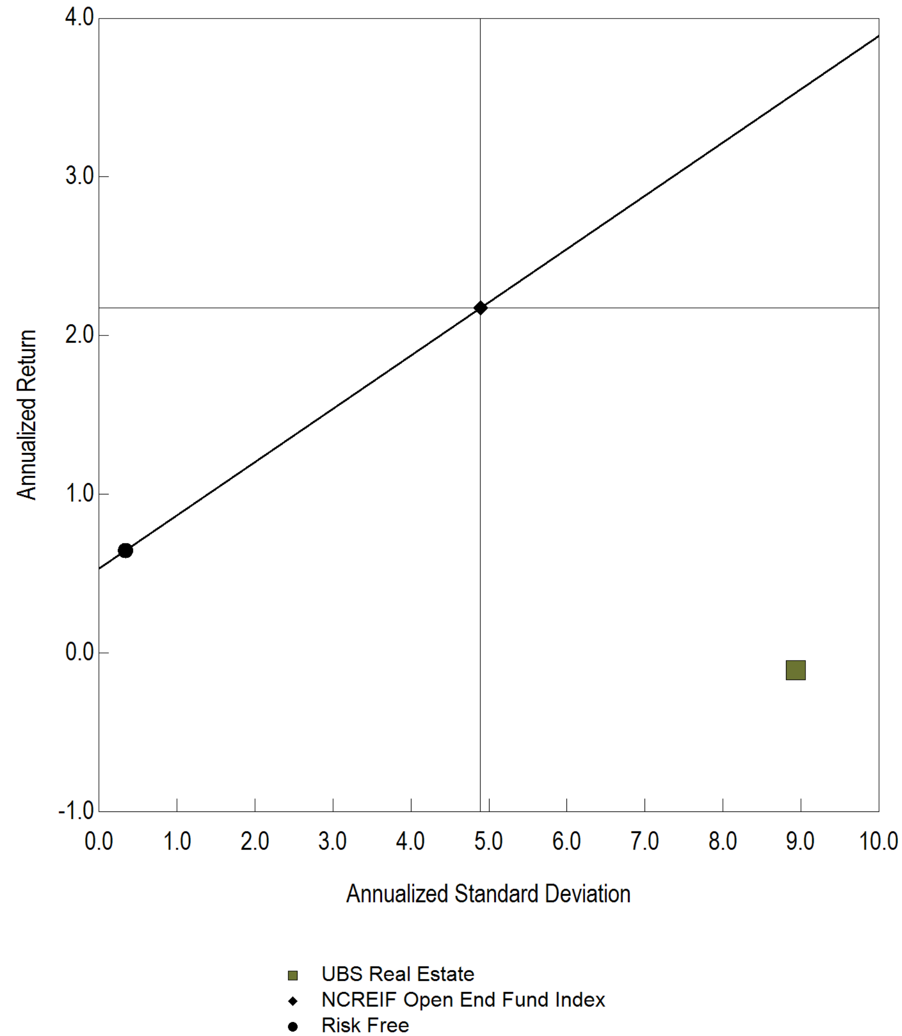
Risk Profile

Benchmark: NCREIF Open End Fund Index

Annualized Return vs. Annualized Standard Deviation
3 Years Ending June 30, 2012

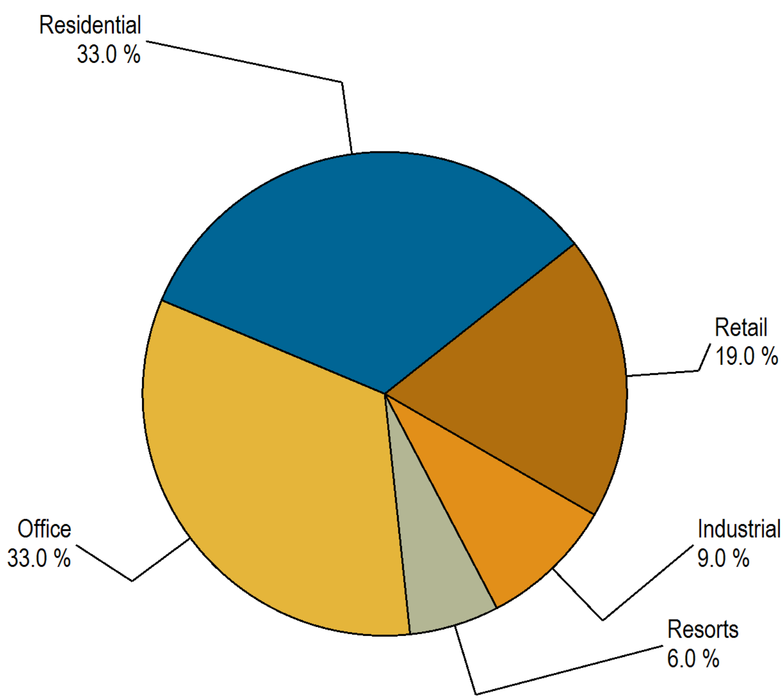


Annualized Return vs. Annualized Standard Deviation
5 Years Ending June 30, 2012

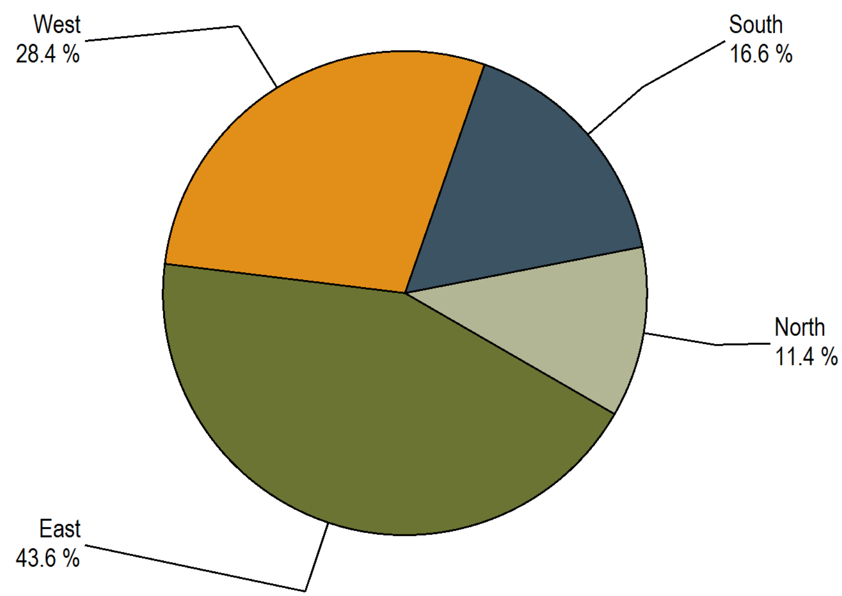


Manager Analysis

Property Type Allocation



Geographic Diversification



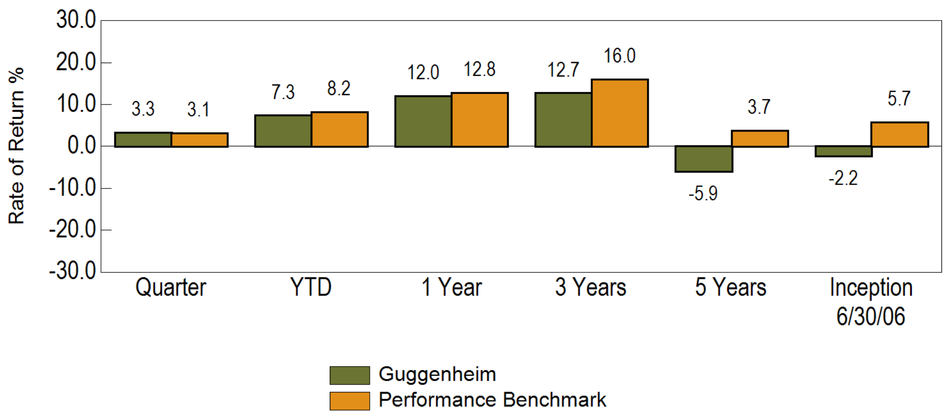
Manager Performance

Benchmark: Performance Benchmark

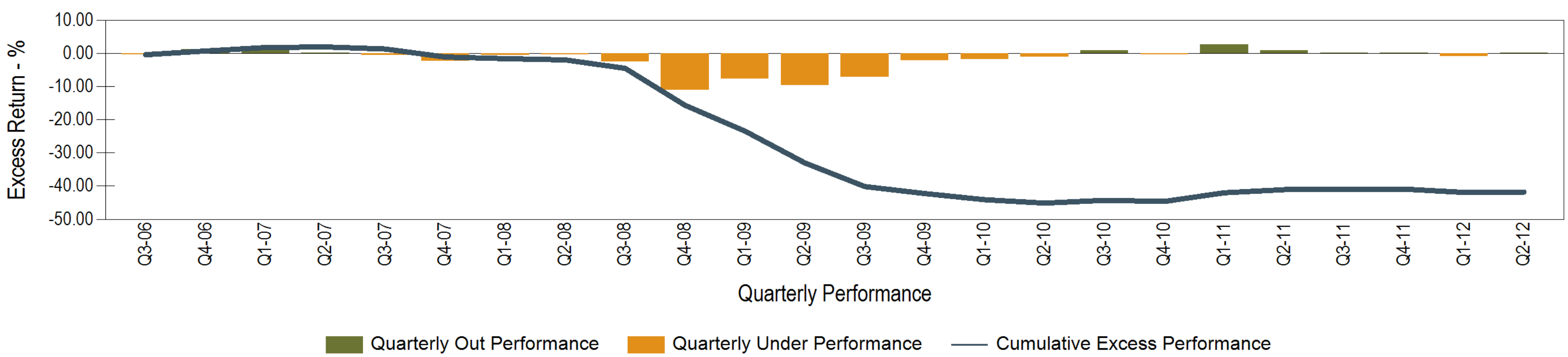
Account Information

Account Name	**Guggenheim**
Account Structure	**Other**
Investment Style	**Active**
Inception Date	**6/30/06**
Account Type	**Real Estate**
Benchmark	**Performance Benchmark**
Universe	

Return Summary



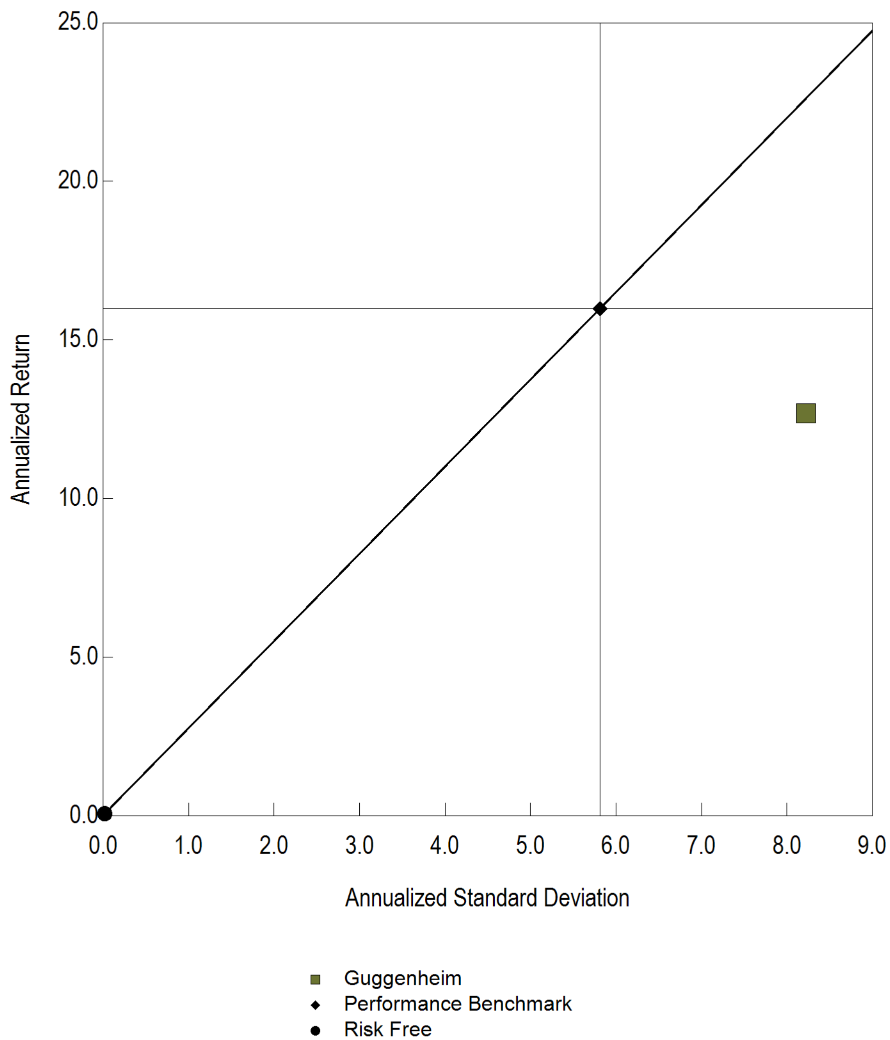
Quarterly and Cumulative Excess Performance



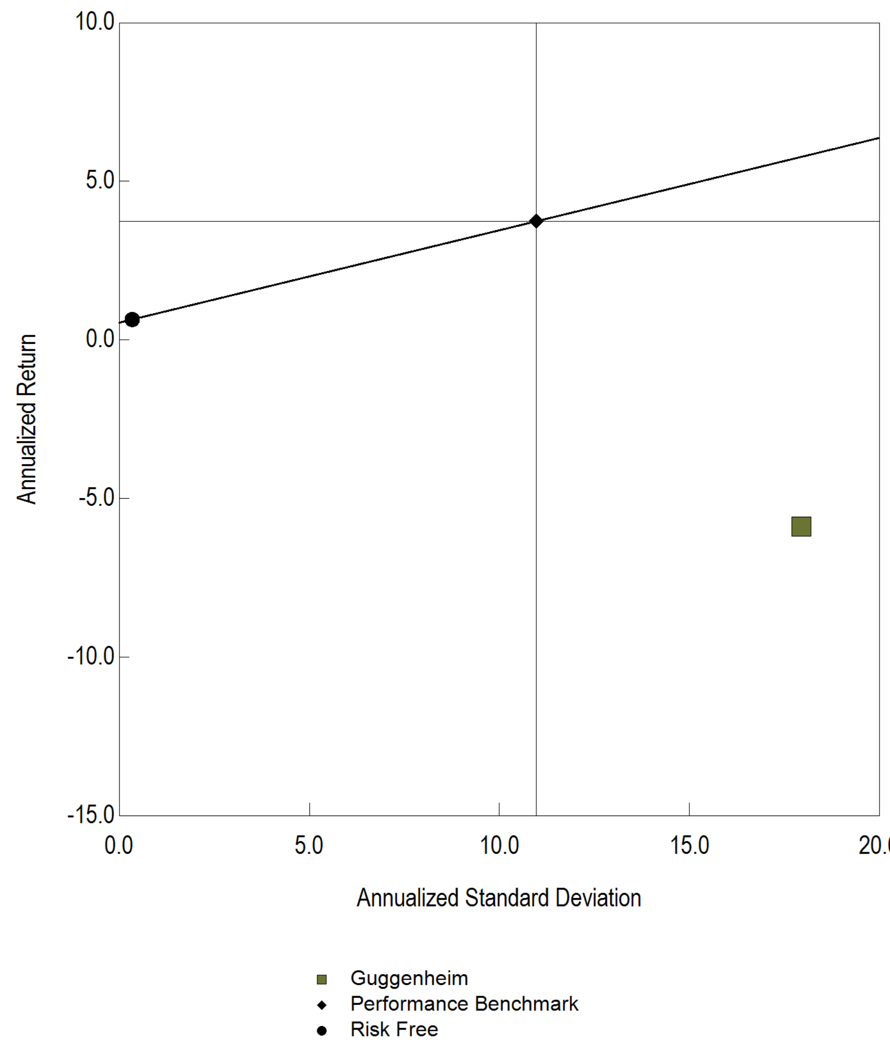
Risk Profile

Benchmark: Performance Benchmark

Annualized Return vs. Annualized Standard Deviation
3 Years Ending June 30, 2012

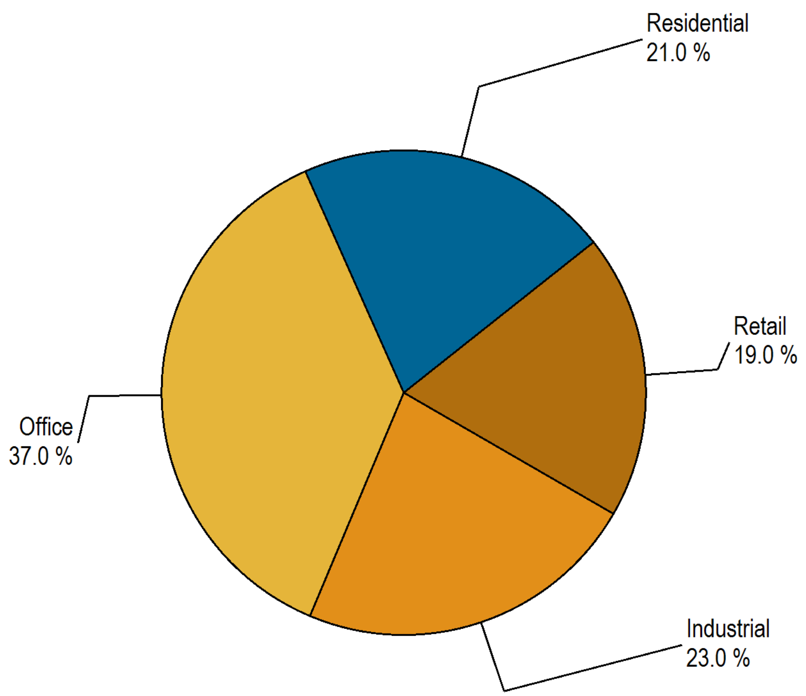


Annualized Return vs. Annualized Standard Deviation
5 Years Ending June 30, 2012

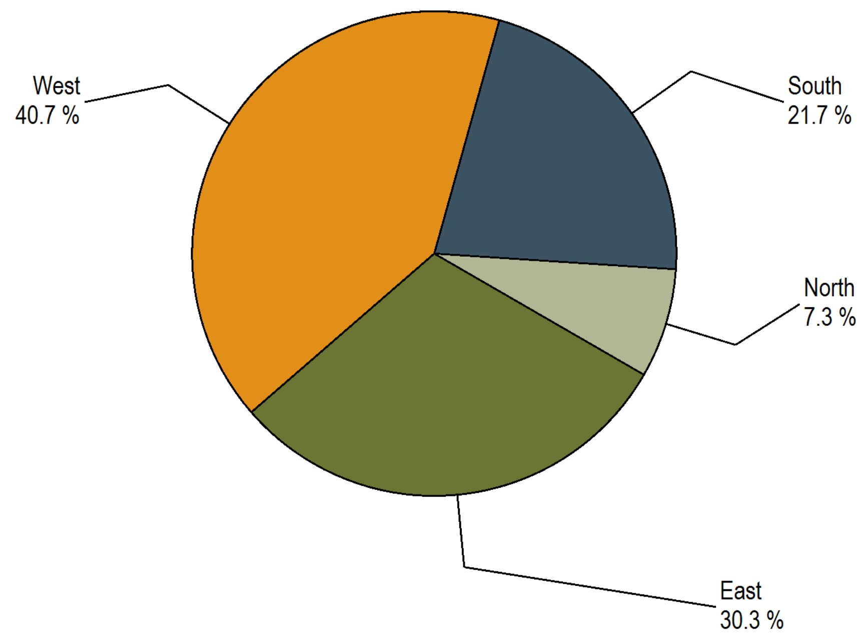


Manager Analysis

Property Type Allocation



Geographic Diversification



Note: Geographic Diversification figures are as of 03/31/2012 as 06/30/2012 data is not avaliable.

Manager Performance

Benchmark: NCREIF Open End Fund Index

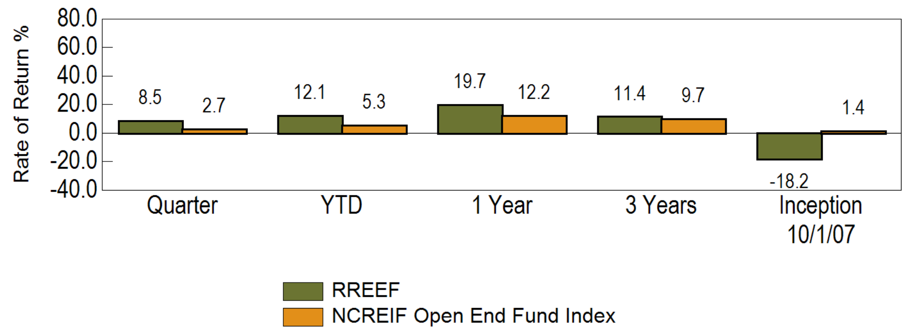
RREEF employs 600+ real estate investment professionals in 115 offices located in every major metropolitan market nationwide. RREEF America III (RA III) is a $600 million open-end private REIT that pursues value-added investment opportunities in the U.S. The RREEF research process, dubbed the Market Profile Process, is led by Asieh Mansour, Ph. D and is roughly 65% bottom up asset-specific fundamental research and 25% top down market and demographic research. The remainder focuses on the investment performance of real estate in both public market and private market settings. This process is executed by the 17 members of the full-time research staff.

RA III has a target total fund size of $1-2 billion, which RA III management expects to reach over a five year period. RREEF expects RA III to produce more than one-half of its total return from realized and unrealized gains resulting from the improvements it makes in the fund's assets. RA III investments will include income-producing properties, properties requiring re-positioning, and speculative development. The fund is scheduled to have a 15-year life and will commence an orderly liquidation of assets on January 22, 2016. RA III shareholders and the Board of Directors are considering a proposal to extend product life. As a REIT, oversight of RA III is maintained by an independent board that approves: the investment plan, dispositions, financing, and quarterly valuations.

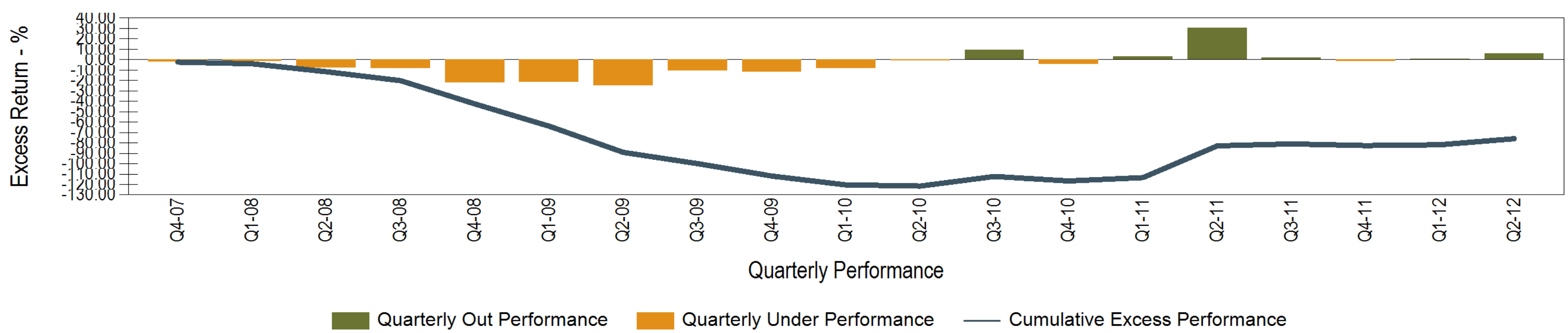
Account Information

Account Name	**RREEF**
Account Structure	**Other**
Investment Style	**Active**
Inception Date	**10/01/07**
Account Type	**Real Estate**
Benchmark	**NCREIF Open End Fund Index**
Universe	

Return Summary



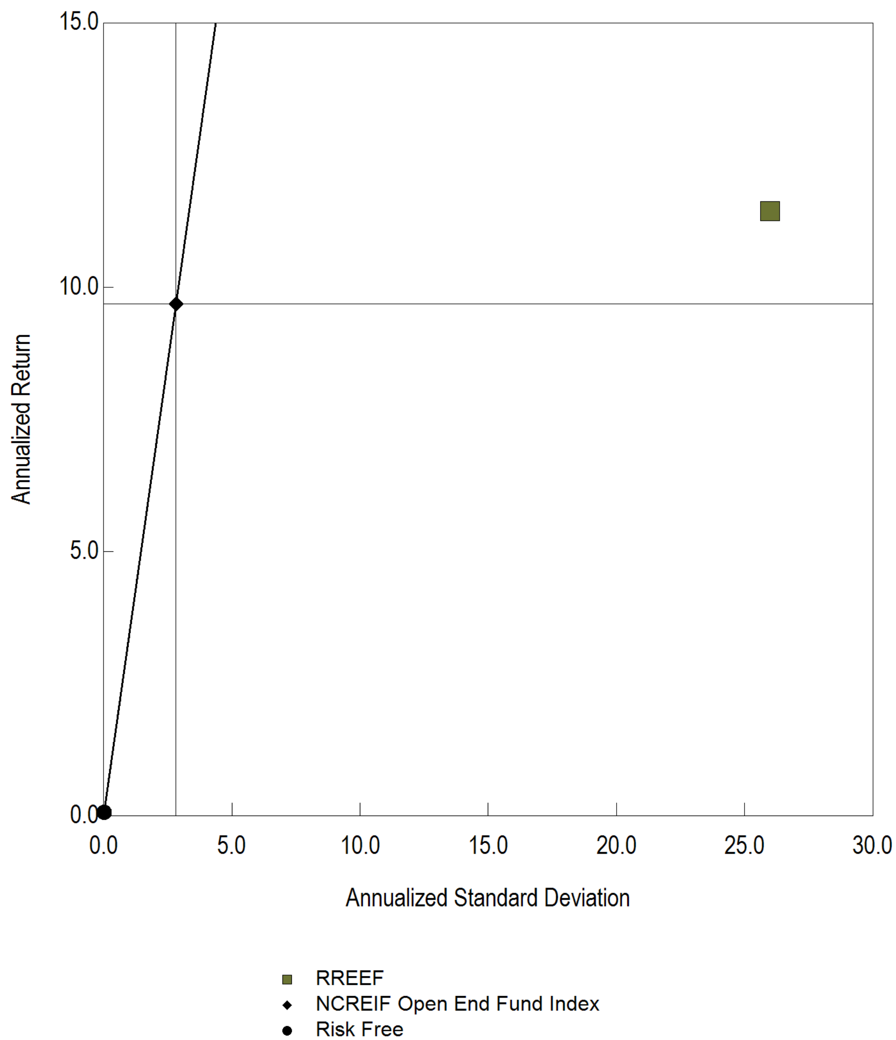
Quarterly and Cumulative Excess Performance



Risk Profile

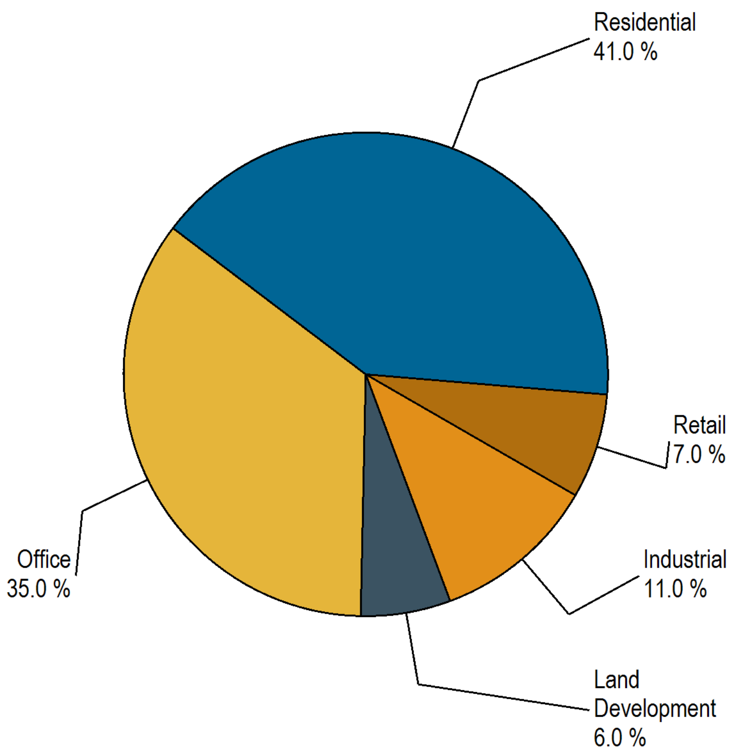
Benchmark: NCREIF Open End Fund Index

Annualized Return vs. Annualized Standard Deviation
3 Years Ending June 30, 2012

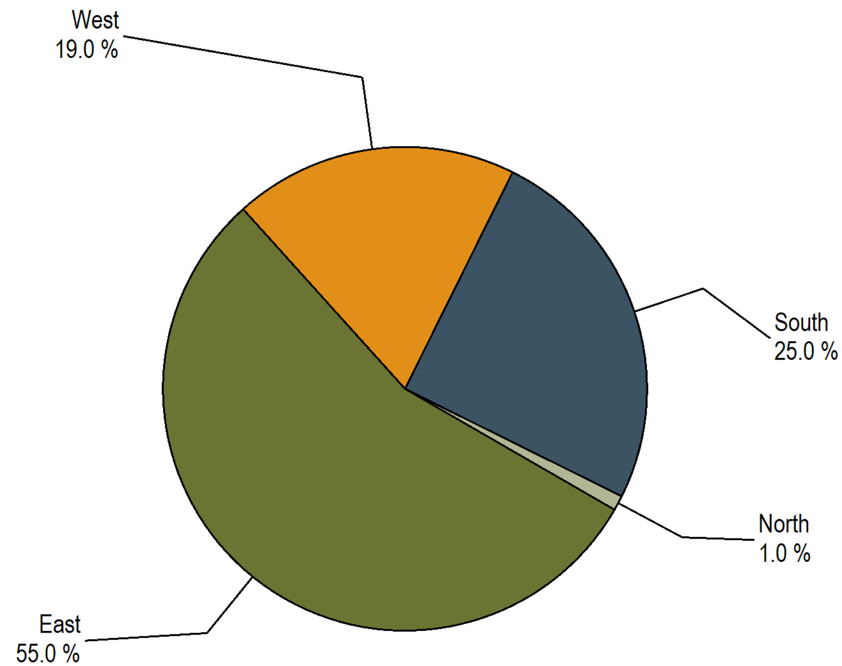


Manager Analysis

Property Type Allocation



Geographic Diversification



Private Equity

Overview

Adams Street Partnership

	As of 03/31/2012
Inception Date	May 2010
Capital Committed	$85.0 million
Capital Called	$17.06 million
Distributions	$0.0 million
Carrying Values	$19.56 million
Net IRR Since Inception*	29.1%

Pantheon Ventures

	As of 03/31/2012
Inception Date	January 2010
Capital Committed	$15.0 million
Capital Called	$3.98 million
Distributions	$0.45 million
Carrying Values	$4.61 million
Net IRR Since Inception**	N/A

*Due to the relatively short investment period of the Pension's investments, the internal rate of return (IRR) is might not be meaningful.

**Due to the relatively short investment period of the Pension's investments, returns are not shown. An internal rate of return (IRR) will be calculated for this investment once a meaningful level of capital has been invested for an appropriate period of time.

Appendix

Fee Schedule

Account	Fee Schedule	Market Value As of 6/30/2012	% of Portfolio	Estimated Annual Fee ($)	Estimated Annual Fee (%)
Total U.S. Equity	**No Fee**	**$1,196,073,174**	**37.4%**	**--**	**--**
BlackRock Extended Equity Index Fund	0.08% of First $50.0 Mil, 0.06% of Next $50.0 Mil, 0.04% Thereafter	$28,845,144	0.9%	$23,076	0.08%
Western U.S. Index Plus	0.15% of Assets	$111,402,502	3.5%	$167,104	0.15%
BlackRock Equity Market Fund	0.03% of First $250.0 Mil, 0.02% Thereafter	$1,055,825,528	33.0%	$236,165	0.02%
Total Non-U.S. Equity	**No Fee**	**$531,184,817**	**16.6%**	**--**	**--**
BlackRock ACWI ex-U.S. Index	0.12% of First $100.0 Mil, 0.10% Thereafter	$265,166,040	8.3%	$285,166	0.11%
Sprucegrove	0.90% of First $5.0 Mil, 0.65% of Next $10.0 Mil, 0.55% of Next $25.0 Mil, 0.50% of Next $35.0 Mil, 0.25% of Next $225.0 Mil, 0.20% Thereafter	$140,627,582	4.4%	$586,569	0.42%
Hexavest	0.60% of First $10.0 Mil, 0.50% of Next $30.0 Mil, 0.40% of Next $40.0 Mil	$51,098,115	1.6%	$254,392	0.50%
Walter Scott	1.00% of First $50.0 Mil, 0.85% of Next $25.0 Mil, 0.60% Thereafter	$74,293,080	2.3%	$706,491	0.95%
Total Global Equity	**No Fee**	**$267,070,236**	**8.3%**	**--**	**--**
GMO Global	0.65% of Assets	$149,524,495	4.7%	$971,909	0.65%
Acadian	0.95% of First $25.0 Mil, 0.90% Thereafter	$10,461	0.0%	$99	0.95%
BlackRock Global MSCI ACWI Equity Index	No Fee	$117,535,280	3.7%	--	--
Total U.S. Fixed Income	**No Fee**	**$824,507,336**	**25.8%**	**--**	**--**
Western	0.30% of First $100.0 Mil, 0.15% Thereafter	$247,955,848	7.8%	$521,934	0.21%

Fee Schedule

Account	Fee Schedule	Market Value As of 6/30/2012	% of Portfolio	Estimated Annual Fee ($)	Estimated Annual Fee (%)
BlackRock U.S. Debt Fund	0.06% of First $100.0 Mil, 0.04% of Next $400.0 Mil, 0.02% Thereafter	$131,199,405	4.1%	$72,480	0.06%
Reams	0.20% of First $200.0 Mil, 0.15% Thereafter	$327,201,040	10.2%	$590,802	0.18%
Loomis Sayles	0.50% of First $20.0 Mil, 0.40% of Next $30.0 Mil, 0.30% Thereafter	$118,151,043	3.7%	$424,453	0.36%
Total Global Fixed Income	**No Fee**	**$65,400,000**	**2.0%**	**--**	**--**
Loomis Sayles Global Fixed Income	No Fee	$65,400,000	2.0%	--	--
Total Real Estate	**No Fee**	**$283,213,127**	**8.9%**	**--**	**--**
Total Prudential Real Estate	0.81% of Assets	$80,018,268	2.5%	$648,148	0.81%
UBS Real Estate	0.96% of Assets	$171,825,600	5.4%	$1,649,526	0.96%
Guggenheim	0.60% of Assets	$21,787,344	0.7%	$130,724	0.60%
RREEF	0.30% of Assets	$9,581,915	0.3%	$28,746	0.30%
Private Equity	**No Fee**	**$26,877,068**	**0.8%**	**--**	**--**
Adams Street Partners	1.00% of Assets	$21,594,177	0.7%	$215,942	1.00%
Pantheon Ventures	1.00% of Assets	$5,282,891	0.2%	$52,829	1.00%
Total Cash	**No Fee**	**$4,564,461**	**0.1%**	**--**	**--**
Clifton Group	0.15% of First $25.0 Mil, 0.10% of Next $75.0 Mil, 0.40% Thereafter	$4,564,461	0.1%	$6,847	0.15%
Investment Management Fee		**$3,198,890,219**	**100.0%**	**$7,573,401**	**0.24%**

Note: Western's fees for both U.S. and Fixed Income products are calculated together. The first $100 million of the combined assts is billed at 30bps, all assets thereafter are billed at 15 bps.

Market Returns

	Second Quarter	1-Year	3-Year	5-Year	10-Year	15-Year
		Annualized Periods Ending 6/30/12				
Domestic Stock Indices:						
Dow Jones US Total Stock Index	-3.1	4.0	16.9	0.6	6.1	5.3
S&P 500 Index	-2.8	5.4	16.4	0.2	5.3	4.8
Russell 3000 Index	-3.1	3.8	16.7	0.4	5.8	5.2
Russell 1000 Value Index	-2.2	3.0	15.8	-2.2	5.3	5.7
Russell 1000 Growth Index	-4.0	5.8	17.5	2.9	6.0	3.9
Russell MidCap Value Index	-3.3	-0.4	19.9	-0.1	8.2	8.5
Russell MidCap Growth Index	-5.6	-3.0	19.0	1.9	8.5	6.4
Russell 2000 Value Index	-3.0	-1.4	17.4	-1.0	6.5	7.6
Russell 2000 Growth Index	-3.9	-2.7	18.1	2.0	7.4	4.2
Domestic Bond Indices:						
Barclays Capital Aggregate Index	2.1	7.5	6.9	6.8	5.6	6.3
Barclays Capital Govt/Credit Index	2.6	8.8	7.3	6.9	5.8	6.4
Barclays Capital Long Govt/Credit Index	7.3	24.6	14.4	11.0	8.7	8.6
Barclays Capital 1-3 Year Govt/Credit Index	0.2	1.1	2.3	3.7	3.4	4.5
Barclays Capital U.S. MBS Index	1.1	5.0	5.4	6.7	5.4	6.1
Barclays Capital High Yield Index	1.8	7.3	16.3	8.4	10.2	7.0
Barclays Capital Universal Index	2.0	7.4	7.6	6.8	6.0	6.4
Real Estate Indices:						
NCREIF Property Index	2.7	12.0	8.8	2.5	8.3	9.4
NCREIF ODCE Index	2.3	11.3	7.4	-1.8	5.6	7.3
Dow Jones Real Estate Securities Index	3.7	12.8	33.5	1.8	10.3	9.5
FTSE NAREIT US Real Estate Index	4.0	12.5	32.4	2.6	10.3	9.5
Foreign/Global Stock Indices:						
MSCI All Country World Index	-5.6	-6.5	10.8	-2.7	5.7	3.8
MSCI All Country World IMI	-5.7	-6.9	11.3	-2.4	6.2	4.1
MSCI All Country World ex-U.S. Index	-7.6	-14.6	7.0	-4.6	6.7	3.7
MSCI All Country World ex-U.S. IMI	-7.8	-14.8	7.4	-4.5	7.2	3.8
MSCI All Country World ex-U.S. Small Cap Index	-8.9	-16.4	10.4	-3.7	10.1	5.3
MSCI EAFE Index	-7.1	-13.8	6.0	-6.1	5.1	2.9
MSCI EAFE IMI	-7.3	-14.0	6.3	-5.9	5.6	3.1
MSCI EAFE Index (in local currency)	-5.4	-8.6	4.4	-7.5	2.1	1.6
MSCI Emerging Markets IMI	-8.8	-16.3	10.0	0.0	14.1	4.5
Foreign Bond Indices:						
Citigroup World Gov't Bond Index	0.2	0.4	5.1	7.4	7.1	5.8
Citigroup Hedged World Gov't Bond Index	1.1	6.2	3.7	4.8	4.5	5.5
Cash Equivalents:						
Treasury Bills (30-Day)	0.0	0.0	0.1	0.6	1.4	2.4
Hewitt EnnisKnupp STIF Index	0.1	0.2	0.3	1.3	2.1	3.1
Inflation Index:						
Consumer Price Index	0.0	1.7	2.1	2.0	2.5	2.4

Benchmark and Universe Descriptions

Total Fund

Policy Portfolio- As of April 2010, the return is based on a combination of 37% DJ U.S. Total Stock Market Index, 27% Barclays Aggregate Bond Index, 18% MSCI All Country World Ex-U.S. Index, 10% MSCI All Country World Index and 8% NCREIF Real Estate Index. Prior to April 2010, the return was based on a combination of 40% DJ U.S. Total Stock Market Index, 27% Barclays Aggregate Bond Index, 18% MSCI All Country World Ex-U.S. Index, 7% MSCI All Country World Index and 8% NCREIF Real Estate Index. Prior to June 2008, the return was based on a combination of 47% DJ U.S. Total Stock Market Index, 27% Barclays Aggregate Bond Index, 14% MSCI All Country World Ex-U.S. Index, 4% MSCI All Country World Index and 8% NCREIF Real Estate Index. Prior to October 2007, the return was based on a combination of 47% DJ U.S. Total Stock Market Index, 29% Barclays Aggregate Bond Index, 14% MSCI All Country World Ex-U.S. Index, 4% MSCI All Country World Index and 6% NCREIF Real Estate Index. Prior to June 2005, the return was based on a combination of 49% Russell 3000 Index, 29% Barclays Aggregate Bond Index, 16% MSCI All Country World Ex-U.S. Index and 6% NCREIF Real Estate Index. Prior to April 2003, the return was based on a combination of 49% Russell 3000 Index, 32% Barclays Aggregate Bond Index, 16% MSCI All Country World Ex-U.S. Index and 3% NCREIF Real Estate Index. Prior to May 2002 the return was based on a combination of 49% Russell 3000 Index, 32% Barclays Aggregate Bond Index, 16% MSCI EAFE Index and 3% NCREIF Real Estate Index. Prior to April 2002 the return was based on a combination of 53% Russell 3000 Index, 32 Barclays Aggregate Bond Index, 12% MSCI Europe, Australasia and Far East (EAFE) Index and 3% NCREIF Real Estate Index. Prior to October 2001, the policy portfolio consisted of a combination of 53% Russell 3000, 22% Barclays Aggregate Bond Index, 12% MSCI Europe, Australasia and Far East (EAFE) Index, 3% NCREIF Real Estate Index, and 10% Solomon Brothers World Government Bond Index Hedged. Historically, the policy return is based on the historic policy allocations provided by the VCERA staff.

Public Fund Universe - An equal-weighted index that is designed to represent the average return earned by U.S. public pension funds. The index is calculated based on a universe of 116 funds compiled by BNY Mellon Performance & Risk Analytics, LLC as of 06/30/2012.

Total U.S. Equity

Benchmark. The DJ U.S. Total Stock Market Index.

Universe. A universe of 1,119 domestic stock portfolios compiled by eVestment as of 06/30/2012.

BlackRock Extended Equity Index Fund

Benchmark. The DJ U.S. Completion Total Stock Market Index.

Universe. A universe 105 small-mid cap stock portfolios compiled by eVestment as of 06/30/2012.

Benchmark and Universe Descriptions

Western U.S. Index Plus

Benchmark. The S&P 500 Index.

Universe. A universe of 1,119 domestic stock portfolios compiled by eVestment as of 06/30/2102.

BlackRock Equity Market Fund

Benchmark. The DJ U.S. Total Stock Market Index.

Universe. A universe of 1,119 domestic stock portfolios compiled by eVestment as of 06/30/2012.

Total Non-U.S. Equity

Benchmark. The Morgan Stanley Capital International All Country World ex-U.S. Free Index. Prior to May 2002, the Morgan Stanley Capital International EAFE-Free Stock Index.

Universe. A universe of 134 international stock portfolios compiled by eVestment as of 06/30/2012.

BlackRock ACWI ex U.S.

Benchmark. The MSCI All Country World ex-U.S. IMI Index

Universe. A universe of 134 international stock portfolios compiled by eVestment as of 06/30/2012.

Sprucegrove

Benchmark. The Morgan Stanley Capital International EAFE-Free Stock Index.

Universe. A universe of 134 international stock portfolios compiled by eVestment as of 06/30/2012.

Hexavest

Benchmark. The Morgan Stanley Capital International EAFE-Free Stock Index.

Universe. A universe of 134 international stock portfolios compiled by eVestment as of 06/30/2012.

Walter Scott

Benchmark. The Morgan Stanley Capital International All Country World ex-U.S. Free Index.

Universe. A universe of 134 international stock portfolios compiled by eVestment as of 06/30/2012.

Total Global Equity

Benchmark. The Morgan Stanley Capital International All Country World Index.

Universe. A universe of 219 global stock portfolios compiled by eVestment as of 06/30/2102.

Grantham Mayo Van Otterloo (GMO)

Benchmark. The Morgan Stanley Capital International All Country World Index.

Universe. A universe of 219 global stock portfolios compiled by eVestment as of 06/30/2012.

Total Fixed Income

Benchmark. The BlackRock Aggregate Bond Index.

Universe. A universe of 519 fixed income stock portfolios compiled by eVestment as of 06/30/2012.

Western Asset Management

Benchmark. The BlackRock Aggregate Bond Index.

Universe. A universe of 519 fixed income stock portfolios compiled by eVestment as of 06/30/2012.

BlackRock U.S. Debt Index Fund

Benchmark. The BlackRock Aggregate Bond Index.

Universe. A universe of 519 fixed income stock portfolios compiled by eVestment as of 06/30/2012.

Reams

Benchmark. The BlackRock Aggregate Bond Index.

Universe. A universe of 519 fixed income stock portfolios compiled by eVestment as of 06/30/2012.

Loomis Sayles

Benchmark. 60% of the BlackRock Aggregate Bond Index and 40% of the BlackRock High Yield Index.

Universe. A universe of 519 fixed income stock portfolios compiled by eVestment as of 06/30/2012.

Total Real Estate

Benchmark. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund. Prior to January 2006, the NCREIF Property Index.

Prudential Real Estate

Benchmark. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund. Prior to January 2006, the NCREIF Property Index.

UBS RESA

Benchmark. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund.

Guggenheim

Benchmark. 70% of the National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund and 30% of the NAREIT Index.

RREEF

Benchmark. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open-End Fund.

Total Alternatives

Benchmark. London Interbank Offered Rate (LIBOR) + 3%

K2 Advisors

Benchmark. London Interbank Offered Rate (LIBOR) + 3%

Benchmark Descriptions

Russell 3000 Index- A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.

S&P 500 Index- A capitalization-weighted index representing the 500 largest publicly traded U.S. stocks.

MSCI Europe, Australasia, Far East (EAFE) Foreign Index- A capitalization-weighted index of 20 stock markets in Europe, Australia, Asia and the Far East.

MSCI All Country World Index - An index of major world stock markets, including the U.S., representing countries according to their approximate share of world market capitalization. The weights are adjusted to reflect foreign currency fluctuations relative to the U.S. dollar.

BlackRock Aggregate Bond Index- A market value-weighted index consisting of the Barclays Corporate, Government and Mortgage-Backed Indices. This index is the broadest available measure of the aggregate U.S. fixed income market.

NCREIF Open End Fund Index- A capitalization-weighted index of privately owned investment grade income-producing properties representing approximately $67 billion in assets.

Description of Terms

Rank - A representation of the percentile position of the performance of a given portfolio, relative to a universe of similar funds. For example, a rank of 25 for a given manager indicates outperformance by that manager of 75% of other funds in that same universe.

Universe - A distribution of the returns achieved by a group of funds with similar investment objectives.

U.S. Stock Universe - The rankings are based on a universe that is designed to represent the average equity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by eVestment Alliance and includes 914 funds.

Non-U.S. Equity Universe - The rankings are based on a universe that is designed to represent the average international equity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by eVestment Alliance and includes 128 funds.

Global Equity Universe - The rankings are based on a universe that is designed to represent the average global equity return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by eVestment Alliance and includes 123 funds.

Fixed Income Universe - The rankings are based on a universe that is designed to represent the average fixed income return earned by U.S. institutional investors (public funds, corporate funds, and endowment/foundations). The universe is calculated based on data provided by eVestment Alliance and includes 354 funds.

Ratio of Cumulative Wealth Graph - An illustration of a portfolio's cumulative, unannualized performance relative to that of its benchmark. An upward sloping line indicates superior fund performance. Conversely, a downward sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

Risk-Return Graph - The horizontal axis, annualized standard deviation, is a statistical measure of risk, or the volatility of returns. The vertical axis is the annualized rate of return. As most investors generally prefer less risk to more risk and always prefer greater returns, the upper left corner of the graph is the most attractive place to be. The line on this exhibit represents the risk and return tradeoffs associated with market portfolios or index funds.

Style Map -This illustration represents the manager's style compared to that of the broadest stock index (the DJ U.S. Total Stock Market Index). Any manager falling above the axis is referred to as large-cap and any manager falling below the axis is considered to be medium- to small-cap.

Monthly Investment Manager Report

Ventura County Employees' Retirement Association

July 2012

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MONTHLY INVESTMENT UPDATE

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

July 2012

Market Highlights

- July was a volatile month, with both stocks and bonds bouncing around only to end the month with mixed results. Uncertainty in the economic and political fronts drove the volatility. For the month, the S&P 500 Index showed a gain of 1.4 percent, while the Dow Jones U.S. Total Stock Market Index showed a smaller gain of 1.0 percent.
- Within the U.S. equity market, large cap stocks outperformed their small cap counterparts, while value stocks outperformed growth stocks across the large, mid, and small cap asset classes.
- Foreign markets performed slightly better than the U.S. markets, with the MSCI EAFE Index gaining 1.1 percent and the MSCI Emerging Markets Index increasing 1.9 percent.
- Slowing growth around the world, combined with political uncertainty, benefited fixed income. U.S. Treasury yields declined to all-time lows in July. After breaking below 1.5 percent, yields on the 10-year tumbled to 1.38 percent. Treasury yields are now at their historic lows, but they remain higher than yields in Germany, Switzerland, and Japan. The Barclays Capital Aggregate Bond Index returned 1.4 percent during the month.

Preliminary Manager Highlights

- The Total Fund's preliminary July return of 1.2%, beat the Policy Portfolio return of 1.1%. The Fund's global equity and global fixed income asset classes hurt results versus their respective benchmarks while domestic equity and domestic fixed income outperformed their indices returns.
- During the month, the Fund's U.S. equity portfolio returned 1.1%, edging its benchmark's return of 1.0%. BlackRock performed well in the month matching their respective indices, while Western outperformed its benchmark by 60 basis points.
- The international equity component returned 1.4%, matching the 1.4% return of its benchmark. Sprucegrove was hurt by its stock selection in the Materials sector and in the UK. Also hurting performance was its underweight position in Australia. Despite Hexavest's overweight cash position, they outperformed their index by 82 basis points, returning 1.9% for the month. Their overweight position in the Consumer Staples and Health Care sectors benefitted results. Walter Scott returned 2.0% versus 1.4% for the benchmark, much of this outperformance was attributable to the overweight position in Health Care and stock selection in the Technology sector. BlackRock's international equity index fund tracked its benchmark.
- The collective return of the Fund's global equity component returned 1.1%, underperforming the benchmark return of 1.4%. GMO's return of 0.9% underperformed the benchmark return of 1.4% during the month, as many sub-strategies across all asset classes lagged for the month. Particular sub-strategy underperformers include the Emerging Markets and Flexible Equities portfolios as they significantly trailed their respective indices. Acadian was liquidated on July 18 and the BlackRock MSCI ACWI Equity account was funded on July 30. The BlackRock MSCI ACWI Equity account's first full month of performance will be shown in the August report.
- In July, the Fund's U.S. fixed income component returned 1.7%, outperforming the Barclays Aggregate Bond Index return of 1.4%. Reams outperformed, returning 1.6% versus 1.4% for the benchmark. Reams was aided by its allocation and security selection in investment grade credit and high yield sectors. BlackRock's fixed income index fund tracked its benchmark. The Loomis Sayles Global Fixed Income account was funded during the month and slightly trailed the benchmark, returning 1.1% versus 1.2% for the index.

Key: Positive Mixed/Cautionary Alert Informational

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VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Period Ending 7/31/2012
($ in Thousands)

	U.S. Equity	Non-U.S. Equity	Fixed Income	Real Estate	Private Equity	Cash	Total	Percent of Total	Policy
BlackRock Extended Equity Index	$28,664						$28,664	0.8%	
Western Index Plus	$113,608						$113,608	3.4%	
BlackRock Equity Market Fund	$1,066,828						$1,066,828	31.6%	
Total U.S. Equity	$1,209,100						$1,209,100	35.8%	36.0%
BlackRock ACWI ex-U.S. Index		$268,615					$268,615	7.9%	
Sprucegrove		$141,856					$141,856	4.2%	
Hexavest		$52,096					$52,096	1.5%	
Walter Scott		$75,883					$75,883	2.2%	
Total Non-U.S. Equity		$538,450					$538,450	15.9%	19.0%
GMO Global Equity	$69,272	$81,647	$0				$150,918	4.5%	
BlackRock MSCI ACWI Equity Index	$59,590	$59,590	$0				$119,181	3.5%	
Total Global Equity	$128,862	$141,237	$0				$270,099	8.0%	10.0%
Western			$252,854				$252,854	7.5%	
BlackRock U.S. Debt Fund			$133,024				$133,024	3.9%	
Reams			$332,406				$332,406	9.8%	
Loomis Sayles Global			$66,097				$66,097	2.0%	
Loomis Sayles			$120,765				$120,765	3.6%	
Total Fixed Income			$905,147				$905,147	26.8%	27.0%
Prudential Real Estate				$80,018			$80,018	2.4%	
UBS Real Estate				$171,826			$171,826	5.1%	
Guggenheim				$21,787			$21,787	0.6%	
RREEF				$9,582			$9,582	0.3%	
Total Real Estate				$283,213			$283,213	8.4%	8.0%
Adams Street Partners					$21,926		$21,926	0.6%	
Pantheon Ventures					$5,958		$5,958	0.2%	
Total Private Equity					$27,884		$27,884	0.8%	0.0%
Clifton Group						$145,162	$145,162	4.3%	
Total Cash						$145,162	$145,162	4.3%	0.0%
Total Assets	$1,337,962	$679,687	$905,147	$283,213	$27,884	$145,162	$3,379,054	100.0%	100.0%
Percent of Total	39.6%	20.1%	26.8%	8.4%	0.8%	4.3%	100.0%		

* Asset allocation reflects net exposure
* Private Equity reflects Market Values as of 3/31/2012 plus Capital Calls from 4/1/2012-6/30/2012

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VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Period Ending 7/31/2012

	July	Year-to-Date	1 Year Ending 7/31/2012	3 Years Ending 7/31/2012	5 Years Ending 7/31/2012	10 Years Ending 7/31/2012	Since Inception	Inception Date
BlackRock Extended Equity	-0.6	8.5	0.9	15.8	2.5	--	10.3	10/31/02
Dow Jones U.S. Completion Total Stock Market Index	-0.7	8.2	0.5	15.5	2.5	--	10.3	
Western U.S. Index Plus	2.0	13.9	9.9	20.2	-3.2	--	-4.2	5/31/07
S&P 500 Index	1.4	11.0	9.1	14.1	1.1	--	0.2	
BlackRock Equity Market Fund	1.0	10.6	7.6	14.5	--	--	2.2	5/31/08
Dow Jones U.S. Total Stock Market Index	1.0	10.5	7.4	14.4	--	--	2.1	
Total U.S. Equity	1.1	10.8	7.6	15.0	0.7	6.4	7.7	12/31/93
Performance Benchmark**	1.0	10.5	7.4	14.4	1.5	6.9	8.1	
BlackRock All Country World ex-U.S.	1.3	4.5	-12.5	4.7	-3.9	--	-2.3	3/31/07
MSCI All Country World ex-U.S. IM Index	1.3	4.3	-12.6	4.6	-4.0	--	-2.4	
Sprucegrove	0.9	5.4	-7.7	8.0	-2.8	8.4	7.5	3/31/02
MSCI EAFE Index	1.1	4.1	-11.4	3.3	-5.6	6.4	4.9	
MSCI All Country World ex-U.S. Index	1.4	4.2	-12.2	4.2	-4.3	8.0	6.4	
Hexavest	1.9	5.9	-5.7	--	--	--	-2.4	12/31/10
MSCI EAFE Index	1.1	4.1	-11.4	--	--	--	-5.5	
Walter Scott	2.0	10.5	-4.4	--	--	--	0.2	12/31/10
MSCI All Country World ex-U.S. Index	1.4	4.2	-12.2	--	--	--	-6.5	
Total International	1.4	6.1	-10.3	5.5	-4.0	7.6	6.2	3/31/94
MSCI All Country World ex-U.S. Index	1.4	4.2	-12.2	4.2	-4.3	8.0	4.7	
GMO Global Fund	0.9	6.6	-1.2	8.6	-0.2	--	5.2	4/30/05
MSCI All Country World Index	1.4	7.1	-3.6	8.2	-2.1	--	4.2	
BlackRock MSCI ACWI Equity Index	1.4	--	--	--	--	--	1.4	6/30/05
MSCI All Country World Index	1.4	--	--	--	--	--	1.4	
Total Global Equity	1.1	5.8	-3.6	8.0	-2.6	--	3.2	4/30/05
MSCI All Country World Index	1.4	7.1	-3.6	8.2	-2.1	--	4.2	

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VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (Continued)
Period Ending 7/31/2012

	July	Year-to-Date	1 Year Ending 7/31/2012	3 Years Ending 7/31/2012	5 Years Ending 7/31/2012	10 Years Ending 7/31/2012	Since Inception	Inception Date
Loomis Sayles Global Fixed Income	1.1	--	--	--	--	--	1.1	6/30/12
Barclays Capital Global Aggregate Bond Index	1.2	--	--	--	--	--	1.2	
Total Global Fixed Income	1.1	--	--	--	--	--	1.1	6/30/12
Barclays Capital Global Aggregate Bond Index	1.2	--	--	--	--	--	1.2	
Western	2.0	7.0	9.3	10.6	7.5	6.9	7.0	12/31/96
Barclays Capital Aggregate Bond Index	1.4	3.8	7.3	6.9	6.9	5.6	6.3	
BlackRock U.S. Debt Fund	1.4	3.8	7.3	7.0	7.0	5.7	6.3	11/30/95
Barclays Capital Aggregate Bond Index	1.4	3.8	7.3	6.9	6.9	5.6	6.2	
Reams	1.6	7.2	10.9	10.9	10.1	7.9	7.1	9/30/01
Barclays Capital Aggregate Bond Index	1.4	3.8	7.3	6.9	6.9	5.6	5.7	
Loomis Sayles	2.2	9.1	5.8	12.3	8.5	--	7.6	7/31/05
Performance Benchmark***	1.5	5.3	7.6	9.0	7.7	--	6.6	
Total U.S. Fixed Income	1.7	6.8	9.0	10.4	8.8	7.2	6.9	2/28/94
Barclays Capital Aggregate Bond Index	1.4	3.8	7.3	6.9	6.9	5.6	6.4	
Total Real Estate****	0.0	5.2	10.7	8.0	-3.6	5.3	7.5	3/31/94
NCREIF Open-End Fund Property Index*****	0.0	5.3	10.8	10.1	1.9	7.9	9.1	
Total Fund	1.2	7.8	3.5	11.2	1.9	6.9	7.7	3/31/94******
Policy Portfolio	1.1	7.0	3.3	10.0	2.1	6.9	7.7	
Total Fund (ex-Private Equity)	1.2	7.5	--	--	--	--	--	
Total Fund (ex-Clifton)	1.2	7.8	3.8	11.0	1.8	6.8	7.7	

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

Manager Watchlists

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Manager "Watch" List

Manager "Watch" Status Policy
A manager may be placed on "Watch" status for:

- Failure to meet one or more of the standards, objectives, goals, or risk controls as set forth in this policy statement
- Violation of ethical, legal, or regulatory standards
- Material adverse change in the ownership of the firm or personnel changes
- Failure to meet reporting or disclosure requirements
- Failure to meet performance objectives or goals
- Any actual or potentially adverse information, trends, or developments that the Board feels might impair the investment manager's ability to deliver successful outcomes for the participants of the plan

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

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

"Watch" status:

- RREEF is currently on watch for performance reasons.

Manager	Date Added	Reason	Follow-up Date
RREEF	February 2009	Performance	July 2012

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Sprucegrove

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Sprucegrove Investment Management Ltd.

181 University Avenue, Suite 1300•Toronto, Ontario •M5H 3M7 • (416) 363-5854 • Fax: (416) 363-6803

July 9, 2012

Hewitt EnnisKnupp
Attention: Omar Khan
omar.khan@aonhewitt.com

RE: VENTURA COUNTY

For the month ending July 31, 2012, please find attached the responses to your monthly questionnaire regarding Ventura County which invests in the Sprucegrove U.S. International Pooled Fund.

1. Change in talent, process, organization and/or regulatory development.
No Change.

2. What hurt or helped relative performance in the last month and 12 months?
As a bottom-up manager, we attribute our returns to stock selection as country, sector and currency exposure are a residual of stock selection. We do prepare an internal attribution analysis for client reporting purposes from which we base our observations on relative performance.

	1 Month	3 Months	YTD	1 Year	3 Years	4 Years	5 Years	10 Years	15 Years	26 Years
Fund	0.9	(4.6)	5.7	(7.3)	8.5	1.2	(2.3)	8.9	7.5	11.2
MSCI EAFE[2]	1.1	(4.2)	4.1	(11.4)	3.3	(3.9)	(5.6)	6.4	2.8	5.8

The Fund underperformance was attributable to stock selection in the Materials sector which was partially offset by outperformance in the Telecommunication Services and Utilities sectors. From a country perspective, the Fund underperformed due to stock selection in the U.K. and an underweight position in Australia. This was partially offset by a positive contribution from the Fund's exposure to emerging markets and an overweight position in Singapore relative to the Index.

3. 12 month outlook for the investment markets.
As a bottom-up manager we do not forecast markets.

4. Confirmation of compliance with investment guidelines.
For the month ending July 31, 2012, the Sprucegrove U.S. International Pooled Fund complied with its investment guidelines.

All proxies were voted in accordance with our Guidelines for the month ending July 31, 2012.

Sincerely,

Mark Wolff
Chief Financial Officer

Footnotes

[1] In U.S. dollars gross of fees (management and impact fee where available), annualized for periods over 1 year. Fund performance reflects a linking in December 1994 between the Sprucegrove U.S. International Pooled Fund and the Confederation Life American International Pooled Fund (for which the Sprucegrove Investment Management team managed the portfolio since its inception in 1985).

[2] MSCI Europe, Australia and Far East Index (EAFE) Net Index.

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SPRUCEGROVE U.S. INTERNATIONAL POOLED FUND
(GROUP TRUST)
INTERNATIONAL MARKET SUMMARY
July 2012

Performance[1]

	1 Month	3 Months	YTD	1 Year	3 Years	4 Years	5 Years	10 Years	15 Years	26 Years
Fund	0.9	(4.6)	5.7	(7.3)	8.5	1.3	(2.3)	8.9	7.5	11.2
MSCI EAFE[2]	1.1	(4.2)	4.1	(11.4)	3.3	(3.9)	(5.6)	6.4	2.8	5.8

The Fund return in **July** was **+0.9%** versus the MSCI EAFE Index return of **+1.1%**.

Top Five Contributors for the Month*

Fund Holding	Average Weighting 1 Month (%)	Contribution to Fund Return (bps)
Samsung Electronics	2.4	25
Novartis	4.1	21
Singapore Telecomm.	1.6	17
ANZ Bank	1.8	16
China Mobile	1.8	13
		92

Bottom Five Contributors for the Month*

Fund Holding	Average Weighting 1 Month (%)	Contribution to Fund Return (bps)
Canon	1.5	(24)
HSBC	2.7	(12)
Anglo American	1.2	(11)
Shin-Etsu Chemical	1.5	(11)
Honda Motor	1.8	(10)
		(68)

Samsung Electronics (Korea/Information Technology), a diversified manufacturer of electronic equipment, reported record operating profit buoyed by sales of their popular Galaxy smartphone. **Novartis** (Switzerland/Health Care), the Swiss pharmaceutical company, released strong second-quarter results and reaffirmed a previously stated annual outlook. There was no company specific news for stronger performers **Singapore Telecomm.** (Singapore/Telecommunication Services), **ANZ Bank** (Australia/Financials) and **China Mobile** (China/Telecommunication Services).

Canon (Japan/Information Technology), the world's largest camera maker, fell after weak second-quarter results were released. Annual sales and earnings guidance were also lowered and subsequently the company announced a new stock buy-back program. **HSBC** (U.K./Financials), a global financial services provider, was under pressure after disclosure and investigation of money laundering allegations related to Mexico. **Anglo American** (U.K./Materials), a global mining and natural resources company, reported weaker than expected half-year results. There was no company specific news for weaker performers **Shin-Etsu Chemical** (Japan/Materials) and **Honda Motor** (Japan/Consumer Discretionary).

Transactions

During **July**, the Fund added to the following holdings: **Straumann** (Switzerland/Health Care), **IMI** (U.K./Industrials) and **Sasol** (South Africa/Energy). **Schindler Holdings** (Switzerland/Industrials) was reduced for valuation reasons.

*Average Weighting is calculated as the average daily weight of the equity in the portfolio. Contribution to Fund Return is calculated using the geometric daily linking of the return multiplied by the beginning of day weight. A list of all holdings' contributions is available upon request.

Attribution

Individual equity weightings are determined by our bottom-up stock selection process and therefore the following attribution analysis is for information purposes only. The Fund underperformance was attributable to stock selection in the Materials sector which was partially offset by outperformance in the Telecommunication Services and Utilities sectors. From a country perspective, the Fund underperformed due to stock selection in the U.K. and an underweight position in Australia. This was partially offset by a positive contribution from the Fund's exposure to emerging markets and an overweight position in Singapore relative to the Index.

Index Performance and Weightings

	Index[3] Change (%)						Weightings (%)	
	Local Currency			U.S. $				
Region	**1 Month**	**3 Months**	**1 Year**	**1 Month**	**3 Months**	**1 Year**	**Fund**	**Index[2]**
Europe	2.8	1.2	(1.5)	1.1	(4.2)	(12.6)	47.5	64.5
Pacific	(1.0)	(5.5)	(7.5)	1.1	(4.0)	(9.1)	35.7	35.5
EAFE[2]	1.5	(1.3)	(3.9)	1.1	(4.2)	(11.4)	83.2	100.0
EM[4]	1.8	(3.0)	(4.0)	2.0	(6.0)	(13.9)	11.1[5]	
Canada	0.5	(4.8)	(8.4)	2.2	(6.2)	(12.8)	2.8	
World[6]	1.3	(1.5)	1.8	1.3	(2.7)	(2.0)		
						Cash	2.9	
							100.0	
Country								
Japan	(4.5)	(8.6)	(11.5)	(2.4)	(6.5)	(12.5)	20.4	21.0
U.K.	1.3	(0.6)	1.0	1.2	(4.1)	(3.6)	17.7	23.2
U.S.[6]	1.3	(1.3)	7.9	1.3	(1.3)	7.9	N/A	N/A
Sector[2]								
Energy	1.8	(2.8)	(2.3)	1.1	(6.7)	(9.9)	10.4	8.3
Materials	0.5	(9.9)	(18.9)	0.4	(12.4)	(25.1)	10.8	9.5
Industrials	1.2	(4.1)	(8.0)	1.2	(6.2)	(14.6)	20.4	12.5
Cons. Disc.	0.0	(5.0)	(4.9)	0.0	(7.0)	(11.2)	13.9	10.4
Con. Staples	4.4	5.5	17.0	3.4	1.1	5.5	4.8	12.2
Health Care	5.6	8.7	17.0	4.2	3.7	3.5	9.3	10.4
Financials	1.3	(0.6)	(8.1)	1.4	(2.8)	(14.3)	9.9	22.6
Technology	(1.5)	(9.6)	(12.4)	(1.0)	(10.5)	(17.2)	10.9	4.4
Telecom	0.9	6.0	(3.5)	0.4	2.4	(11.2)	3.6	5.5
Utilities	(5.4)	(4.1)	(13.2)	(6.3)	(7.5)	(20.1)	3.1	3.9
						Cash	2.9	
							100.0	100.0

Footnotes

1 In U.S. dollars gross of fees (management and impact fee where available), annualized for periods over 1 year. Fund performance reflects a linking in December 1994 between the Sprucegrove U.S. International Pooled Fund and the Confederation Life American International Pooled Fund (for which the Sprucegrove Investment Management team managed the portfolio since its inception in 1985).

2 MSCI Europe, Australia and Far East Index (EAFE) Net Index.

3 MSCI Net Index Series. MSCI data is provided as comparative reference only and may not be used in any way without the express permission of MSCI.

4 MSCI Emerging Markets Net Index (EM).

5 Brazil, China, Hungary, India, Korea, Malaysia and South Africa included.

6 Presented for comparative purposes only.

Note: Weightings may not total 100% due to rounding.

Hexavest

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Hexavest

August 8, 2012

Dear Client,

Pursuant to VCERA's monthly request, please find below a monthly summary/update of your portfolio performance.

1. Change in talent, process, organization and/or regulatory development

   There were no changes in process, organization, and/or regulatory developments during the month of July.

2. What hurt or helped relative performance in the last month and 12 months?

   Please find below the performance attribution for July 2012.

Monthly Returns (Gross of Fees, in USD)

Methodology	Portfolio Return	MSCI EAFE Net	Value Added
Time weighted	1.95%	1.13%	0.82%

Monthly Returns (Net of Fees, in USD)

Methodology	Portfolio Return	MSCI EAFE Net	Value Added
Time weighted	1.91%	1.13%	0.78%

Monthly Performance Attribution

Regions & Countries	Cash	Currencies	Sectors & Industries	Stocks and Residual
0.23%	-0.12%	0.20%	0.27%	0.24%

1250 René Lévesque Blvd. West, Suite 4200 | Montreal, Quebec, Canada | H3B 4W8

Main contributors to monthly performance

Positive Factors	Negative Factors
Regions & Countries	**Cash allocation**
Underweight Japan	**Regions & Countries**
Overweight Australia	Underweight Europe
Currencies	**Currencies**
Underweight EUR	Underweight AUD
Sectors & Industries	**Sectors & Industries**
Underweight Utilities	Overweight gold producers
Overweight Consumer Staples	**Stock selection**
Overweight Healthcare	Overweight Nippon Telg. & Tel. (Telcos/Asia Pacific)
Stock selection	Overweight KPN KON (Telcos/Europe)
Overweight Sanofi (Health/Europe)	Underweight BHP Billiton (Materials/Asia Pacific)
Overweight AGL Energy (Utilities/ Asia Pacific)	
Overweight Vivendi (Telcos/Europe)	
Overweight Myer Holdings (Cons. Disc./Asia Pacific)	

3. What is your 12 month outlook for the investment markets?

Macroeconomic environment

Given the deteriorating economic conditions in China, Europe, and the United States since the last quarter, and taking into account the continuing political and budgetary deadlocks in Europe and the United States, we downgraded our "macroeconomic environment" vector from double negative to triple negative at the end of June and we are maintaining this rating.

Valuation of financial markets

Markets' valuation may seem attractive today, but underlying earnings forecasts are unrealistic. The macro environment rather suggests a decline in profits for the next 12 months. Moreover, we reiterate that stock markets should trade at a discount during periods of economic volatility. However, because the stock market fell during the second quarter, our "market valuation" vector is neutral.

Sentiment of investors

Most of our sentiment indicators show deterioration since the previous quarter. However, all risky assets remain on the rise since Q3 2011 despite the deteriorating global economy. For us, it is clear that investors rely on intervention from politicians and central bankers to support the markets. Our contrarian assessment of the "investor sentiment" vector remains neutral.

Given the challenging macroeconomic landscape and our very negative assessment of this vector overall, we are maintaining our defensive positioning in the portfolio for now.

4. Confirmation of compliance with investment guidelines

   We confirm compliance with the investment guidelines of the Hexavest EAFE Equity Fund.

Additionally, we will provide VCERA with monthly deliverables which will include the portfolio valuation, the transaction report, and the performance summary table.

The information provided by us will be final and will be sent to VCERA by the second Monday after each month end.

Yours sincerely,

Nadia Cesaratto, CFA
Vice President, Client Services & Business Development

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Walter Scott

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Friday, August 31, 2012

Walter Scott & Partners Limited

Dear Manager,

Per the monthly request by Ventura County; please provide a monthly summary/update of portfolio performance. Ventura County would like the following four questions answered:

1. Change in talent, process, organization and/or regulatory development
   None

2. What hurt or helped relative performance in the last month and 12 months?
   Please refer to the most recent monthly report

3. What is your 12 month outlook for the investment markets?
   This is also referred to in the monthly report

4. Confirmation of compliance with investment guidelines
   Compliance with investment guidelines are disclosed on a quarterly basis and will be reported in each quarterly report going forward. If the fund is out of compliance, we would contact the client directly.

Additionally, please provide monthly deliverables typically provided/requested. This would include market value and monthly return requests (preliminary data is OK).

Please provide us with an update by the morning of the second Monday of each month. Please let me know if you have questions or concerns.

Sincerely,

Leon Kung

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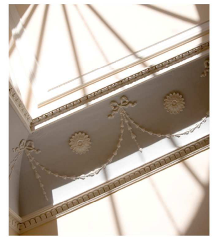
MONTHLY
COMMENTARY

July 2012



Walter Scott
Global Investment Management

Walter Scott & Partners Group Trust International Fund

The views expressed in this report are those of Walter Scott & Partners Limited.
This report is not an invitation to subscribe for any fund, account or investment vehicle.

Objective

The investment objective is to achieve superior long term after inflation returns by investing in a fund of international stocks that have high internal rates of return and are growing at above average rates.

Comment

Every fund manager must always remain alert to the near fatal words, “this time it will be different”. Every asset price bubble that develops has its defenders to justify a “new paradigm”. With evangelical zeal those defenders will explain that it does not matter that assets do not return any income so long as they keep going up in price. Only when the bubble bursts, as it inevitably does, does it become abundantly clear that nothing has changed.

Investment purists believe that unless an asset returns an income stream it cannot be considered an investment and that purchase of non-income stream assets in the hope of selling them at higher prices is mere speculation. At the height of the last asset bubble many in their retirement years were told that they must get used to the fact that their shares paid no dividends and that they would have to sell shares on a regular basis. Simply, with misguided short-termism or naivety, they were instructed to live off their capital gains.

The swing back into favour of dividend producing assets as the bear market rolls on has been nothing short of dramatic, probably all the more so because fixed income securities yield so little. Dividend growth is often key to a successful investment, producing, as it does, a rising income stream and the prospect of capital gain.

Not only have there been Damascene conversions to the dividend cause, other “new paradigm” ideas are also being exposed as bogus and being challenged. The latest volte face came in July from Sandy Weill. Mr Weill was the architect of the “Financial Super Store” when he built Citigroup into the world’s largest “integrated” financial institution. Size was paramount, the ability to cross sell different financial instruments would benefit clients and banks; markets would become more efficient so the cost of capital would fall; banks would raise money and trade in the expanding range of assets that they crafted would grow. There was nothing that could not be made better by banks getting bigger.

This expansion of commercial banks into investment banking, insurance and other related areas was all made possible because the Glass-Steagall Act that separated investment banking and commercial banking had been repealed. Both Wall Street and The City of London had successfully lobbied for “light touch” regulation. Mr Weill and Citigroup took every opportunity offered to grow bigger and bigger. Thus, it was a major news item when Mr Weill came out and unequivocally called for separation of commercial banking from investment banking - a return to the Glass-Steagall Act - as the only way to return banking to a situation where tax-payers will not be at risk from the vagaries of investment bankers. The never ending euro zone crisis has made cynics out of the most tolerant of people.

Performance

Period	Fund %	MSCI EAFE %
Jul-12	2.1	1.1
Year-to-date	11.2	4.1
Inception 17-Sep-03*	8.7	5.6

*Annualised return

Top Ten Holdings

Company	Sector
Novo Nordisk	Healthcare
Essilor	Healthcare
CNOOC	Energy
Fanuc	Industrials
CSL	Healthcare
SGS	Industrials
Adidas	Consumer discretionary
L’Oreal	Consumer staples
Daito Trust Construction	Financials
Novartis	Healthcare

Every four to six weeks there is another "final" crunch for some country or indeed the entire euro project and politicians expend much effort promising that the latest bailout/rescue will be the last, only to soon find themselves with a woefully small bailing scoop and a craft that is again taking on water fast.

August is holiday time in Europe and it does not seem too cynical to suggest that the European Central Bank President, Mario Draghi's latest promise to do everything and anything to save the euro is a ploy to give the "Eurocrats" a couple of weeks peaceful holiday. Certainly the markets were ready to respond to the promise (again) of action to save the euro. Indeed, much of "Euroland" is in what can probably be best described as a contained depression. Unemployment is as high as 25% in Spain and youth unemployment is over 50% with no signs of any relief. Indeed the latest data suggests that far from ending, recession is deepening in Spain, Portugal, Greece, Italy as well as the UK and elsewhere.

Mr Draghi's latest ploy may just buy him a quieter summer but it will not bring about an end to the euro problem. That will require money and a massive change of heart by the German government. It is always tempting to suggest that the easy solution would be for Germany and perhaps the Benelux countries to leave the euro and then Spain, Italy, Greece, France and their cohorts could devalue the euro and strive for growth that way. Growth for the euro zone will continue to be elusive, especially as austerity programmes are piled upon each other to try to control budget deficits.

For much of the rest of the developed world the growth outlook may not be as dismal but is at best muted. Economic recovery in the US remains fragile, industrial production figures have disappointed and the consumer picture is certainly deteriorating.

Stock markets are however taking a perverse approach to these somewhat gloomy prospects for economic growth and are instead focused on the benefits of measures that may be taken to try and boost growth. Few people believe that quantitative easing (QE) will have any impact on the real economy but they know it has the power to inflate asset prices and view the prospect of further QE as bullish.

The forthcoming US presidential election is said to be a very close race but it certainly has yet to spark the imagination of the average voter. The drama may be yet to come but there will certainly be drama following the election. Before the end of the year the US faces crunch time as all manner of fiscal hurdles have to be jumped, and with the economy already slowing the inherent weakness of the indebted US will likely become more visible to all.

Companies

Canon announced half year results during July and whilst the company reported positive growth after sluggish interims in 2011 the pace of recovery was subdued. This was mainly due to weak demand in Europe where sales fell 8% as well as translational effects reflecting the strong yen. These issues are expected to continue to weigh upon the financial performance; consequently the earnings outlook for the full year was revised downwards. Whilst the results showed that, in local currency, sales in Europe were broadly flat, up 1%, more positively Japan rose 10%, the Americas 5% and Asia/Oceania rose 18%. At the divisional level, Office sales in local terms fell 1%, Imaging sales rose 18% and Industry/Other gained 15%.

Geographic Breakdown

	Weight %
Europe ex UK	30.4
Japan	25.6
Asia Pacific ex Japan	16.7
UK	15.4
Emerging markets	8.5
Canada	1.7
Liquidity	1.7
Total	100.0

Sector Breakdown

	Weight %
Consumer staples	18.1
Healthcare	15.6
Consumer discretionary	13.2
Energy	12.4
Financials	10.7
Information technology	8.2
Industrials	7.8
Utilities	6.5
Materials	3.4
Telecom services	2.4
Liquidity	1.7
Total	100.0

Copier sales in the Office division have been strong but printer sales have fallen due to inventory corrections on the consumables side. Within Imaging interchangeable lens camera sales have also been strong. In the second quarter unit sales rose 27%. Compact camera unit sales showed good unit growth of 12% with the margin steady at 15%. From a market share perspective the business is maintaining share in the Office segment and gaining share in cameras. The stock fell sharply following these results and now trades at around a price to earnings ratio of 10x and price to book ratio of 1.2x. With a yield of 5% the current valuation does not reflect the company's strong history of innovation nor its impressive credentials. Canon boasts the most US patents of any Japanese company and this underpins its world class market positions. The investment rationale rests upon the increasing convergence of copiers, printers and cameras and Canon should continue to be a beneficiary of this trend.

Centrica announced half year results which were in line with expectations. Adjusted for exceptional items and re-measurements operating profit increased 15% and earnings 14% year-on-year. These results reflect recent acquisitions and investment as well as a more normalised level of consumption against last year's very low consumption. £1.5bn has been invested in the first half mostly in upstream assets and in North America and the two year £500m cost cutting program is on track. By division, revenues at Downstream UK, which represents 39% of operating profit, increased 9% with operating profits showing a similar gain. This was a result of higher tariffs and more typical gas consumption in Residential energy supply. Upstream, which represents 47% operating profit, saw revenues and operating profit increase 28%. North America, representing 11% of operating profit, saw a 5% decline in revenues and in operating profit reflecting the still tough regulatory environment in Ontario and the impact of a mild winter.

Centrica has a 42% market share in the UK residential gas market. This dominant market share combined with its reducing cost base should continue to provide the group with higher and more consistent levels of cash flow to underpin further investment in both the North American business and upstream assets. In turn this should drive earnings growth over the long term.

HSBC's failure to prevent money laundering in Mexico and the US was very publicly aired in July with the bank's Head of Compliance, David Bagley appearing before a US Senate subcommittee. Mr Bagley has since resigned and a $700m provision has been made to cover expected fines. HSBC has also stated that it will seek to make adjustments to the outstanding deferred compensation of previous management. Senior management of HSBC have expressed a very clear view that the breakdown in oversight and disregard for due process within HSBC's Mexican operation was wholly unacceptable. That said, it must be borne in mind that the fines relate to historic activity which in turn relates to an acquisition made under a former management regime.

The current management's attitude to acquisitions, as well as the overall risk profile of the group, differs considerably. Indeed in recent meetings and conversations with the CEO and Chairman, this change in attitude has been discussed at length. In reviewing potential acquisitions and divestments, the management team has laid out a defined five stage filter through which to analyse such corporate activity. One aspect of that analysis relates to operating procedures and practices and in that regard it is highly unlikely that the acquisition in Mexico that was made in 2002 would be authorised today.

Furthermore, through the divestments that have been made by the current management teams the operating structure of the group has been streamlined which should in turn improve oversight as well as communication. Whilst that does not absolve the company of responsibility for the serious breaches that have occurred over a long period, we have been reassured by the management team's frank assessment of the situation and the steps that have already been taken to address this particular situation. The company is making very determined steps to ensure that such, in the company's words, "shameful" practices are not followed anywhere else.

Fund Changes

There were no changes to the fund during July.

Outlook

Central bankers typically speak in nuanced and subtle ways. Mario Draghi's statement that "the ECB is ready to do whatever it takes to preserve the euro" stands in stark contrast. However, his ability to live up to that commitment is very much open to question. With that, the faith of the equity markets that has been placed in his hands may prove short lived. The more cheerful mood of many equity markets in late July stands in contrast to the corporate rhetoric within many financial results announced over the course of the month. The lack of demand in Europe is increasingly evident in results and the outlook only worse. Typical of the characteristics sought by the investment team at Walter Scott, many companies held in the fund continue to show encouraging financial results and despite the economic climate continue to benefit from efficiency gains, a focus on growth markets or simply success at the expense of weaker competitors. Similarly, in line with a characteristic "Walter Scott" company, the cash reserves of many holdings continue to grow. As countries such as Germany and Switzerland have benefited from "safe haven" status with extremely low yields on long term debt, so leading corporates are also benefiting from such status to firm up their finances yet further. Colgate-Palmolive and IBM to name but two have issued debt this month at rates fractionally above long term US treasuries. Very few companies can escape the challenging and uncertain economic environment but many world leading companies continue to show the ability to navigate such uncertainty and pursue growth.

Valuation Statement

Account number: VCera

01 Jul 12 - 31 Jul 12

Contents

NOTE: All amounts are denominated in USD

Participant Name

Ventura County Employees Retirement Assn

Sponsor

Walter Scott

Questions?

If you have any questions about this report, please direct them to pooledfunds@walterscott.com.

Valuation Statement

31 JUL 12

Account number: VCera

Walter Scott

Holdings Statement

Participant: Ventura County Employees Retirement Assn

Description	Units	Market Price	Market Value	Book Value	Unrealized Gain/Loss	% of Total
WS Group Trust International	3,611,702.588	21.010199440	75,882,591.69	73,678,577.78	2,204,013.91	100.00%
Total			75,882,591.69	73,678,577.78	2,204,013.91	100.00%

Transaction Detail

WS Group Trust International

Participant: Ventura County Employees Retirement Assn

Date	Description	Transaction Amount	Charges	Net Amount	Unit Price	Price Date	Units	Book Value	Realized G/L
	Opening Balance						3,611,702.588	73,678,577.78	
	Closing Balance						3,611,702.588	73,678,577.78	

Market and Book Value Reconciliation

WS Group Trust International

Ventura County Employees Retirement Assn

	Current Period		Year to Date	
	Book Value	Market Value	Book Value	Market Value
Opening Balance	73,678,577.78	74,293,079.56	49,953,577.78	46,514,544.27
Contributions and Withdrawals				
Total Contributions and Withdrawals	0.00	0.00	23,725,000.00	23,725,000.00
Net Income	0.00	0.00	0.00	0.00
Realized Gain/Loss Distribution	0.00	0.00	0.00	0.00
Realized Gain/Loss on Sales		0.00		0.00
Net Change in Unrealized Gain/Loss		1,589,512.13		5,643,047.42
Total Gains/Losses	0.00	1,589,512.13	0.00	5,643,047.42
Total Investment Change	0.00	1,589,512.13	0.00	5,643,047.42
Closing Balance	73,678,577.78	75,882,591.69	73,678,577.78	75,882,591.69

GMO

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GMO LLC
Ventura County Employees' Retirement Association
Hewitt EnnisKnupp, Inc., an Aon Company
July, 2012

Monthly summary/Portfolio performance

Please refer to the attached "Ventura County ERA July 2012 Performance" and "Ventura County ERA July 2012 Transactions" reports.

1. Change in talent, process, organization and/or regulatory development.

GMO Asset Allocation Team

There were no changes to the GMO Asset Allocation Team during July, 2012.

Investment Process

There were no changes to the investment process during July, 2012.

Organization

There were no changes at the organization level during July, 2012.

Regulatory developments during July, 2012:

On June 29, 2011, GMO received a request from the staff of the U.S. Securities and Exchange Commission's Division of Enforcement (New York Branch) to voluntarily produce materials relating to redemptions of Class IV Shares of GMO Emerging Markets Fund for the period from July 1, 2008 through July 30, 2008. GMO produced the requested information on July 22, 2011. On October 27, 2011 the staff requested additional information relating to redemptions from the Fund. The requested information was provided on November 29, 2011. On May 2, 2012, the staff requested additional information relating to certain redemptions from the Fund. GMO produced the requested information on July 12, 2012.

2. What hurt or helped relative performance in the last month and 12 months.

This information will be provided in your quarterly client reporting package.

3. What is your 12 month outlook for the investment markets.

GMO does not generate a 12 month investment outlook. This information is available quarterly and in our 7 year Asset Class Return Forecast. A copy of the "GMO 7 Year Asset Class Return Forecast July 2012" will be forwarded as soon as it becomes available.

4. Confirmation of compliance with investment guidelines.

Please refer to the monthly letter provided by GMO's compliance department.

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Ventura County Employees' Retirement Association

Performance Net of Fees and Expenses in USD - Detail

Periods Ending July 31, 2012

Investment	Month	YTD	Annualized 1 Year	Annualized 3 Year	Annualized 5 Year	Annualized *Since Inception	Market Value (M)	% of Account
U.S. Core Equity (05/02/2005)	1.73 %	10.99 %	13.36 %	13.96 %	2.15 %	3.89 %	12.6	8.3 %
S&P 500	1.39	11.01	9.13	14.13	1.13	4.55		
Value Added	0.34	-0.02	4.23	-0.17	1.02	-0.66		
Quality [1] (05/02/2005 - 07/23/2012)	-0.04	8.42	12.86	13.10	4.00	5.12	0.0	0.0
S&P 500	-0.74	8.67	6.84	13.41	0.70	4.26		
Value Added	0.70	-0.25	6.02	-0.31	3.30	0.86		
U.S. Flexible Equities [2] (07/23/2012)	2.11	2.11	N/A	N/A	N/A	2.11	57.4	38.0
Russell 3000	1.99	1.99	N/A	N/A	N/A	1.99		
Value Added	0.12	0.12	N/A	N/A	N/A	0.12		
Domestic Equity (05/02/2005)	2.01	10.79	14.85	13.87	3.11	4.64	70.0	46.3
International Intrinsic Value [1] (05/02/2005)	-0.58	-0.01	-14.51	1.15	-6.80	1.52	31.5	20.8
MSCI EAFE Value	0.57	2.56	-12.49	1.27	-7.16	1.63		
Value Added	-1.15	-2.57	-2.02	-0.12	0.36	-0.11		
MSCI EAFE	1.13	4.13	-11.45	3.31	-5.61	2.60		
Value Added	-1.71	-4.14	-3.06	-2.16	-1.19	-1.08		

Ventura County Employees' Retirement Association

Performance Net of Fees and Expenses in USD - Detail

Periods Ending July 31, 2012

Investment	Month	YTD	Annualized 1 Year	Annualized 3 Year	Annualized 5 Year	Annualized *Since Inception	Market Value (M)	% of Account
International Growth Equity [1] (05/02/2005)	1.78 %	8.62 %	-6.17 %	8.07 %	-1.71 %	4.92 %	10.3	6.8 %
MSCI EAFE Growth	1.71	5.64	-10.44	5.29	-4.12	3.51		
Value Added	0.07	2.98	4.27	2.78	2.41	1.41		
MSCI EAFE	1.13	4.13	-11.45	3.31	-5.61	2.60		
Value Added	0.65	4.49	5.28	4.76	3.90	2.32		
Currency Hedged Int'l. Equity [1] (12/12/2011)	0.36	4.82	N/A	N/A	N/A	6.45	13.2	8.8
MSCI EAFE (Hedged)	1.44	6.05	N/A	N/A	N/A	6.97		
Value Added	-1.08	-1.23	N/A	N/A	N/A	-0.52		
Emerging Markets [1] (06/04/2008)	1.04	3.15	-17.83	6.30	N/A	-4.50	21.6	14.3
S&P/IFCI Composite	1.76	6.33	-14.58	7.19	N/A	-2.03		
Value Added	-0.72	-3.18	-3.25	-0.89	N/A	-2.47		
MSCI Emerging Markets	1.95	5.96	-13.93	6.63	N/A	-2.50		
Value Added	-0.91	-2.81	-3.90	-0.33	N/A	-2.00		
Flexible Equities [1] (12/12/2008)	-5.31	-0.39	-11.37	-3.21	N/A	-3.56	4.4	2.9
MSCI World	1.29	7.27	-1.98	8.47	N/A	12.44		
Value Added	-6.60	-7.66	-9.39	-11.68	N/A	-16.00		
MSCI Japan IMI	-2.26	0.60	-11.93	0.17	N/A	3.90		
Value Added	-3.05	-0.99	0.56	-3.38	N/A	-7.46		

Ventura County Employees' Retirement Association

Performance Net of Fees and Expenses in USD - Detail

Periods Ending July 31, 2012

Investment	Month	YTD	Annualized 1 Year	Annualized 3 Year	Annualized 5 Year	*Since Inception	Market Value (M)	% of Account
International Equity (05/02/2005)	0.02 %	3.12 %	-13.17 %	4.48 %	-4.20 %	3.70 %	81.0	53.7 %
Total Equity (05/02/2005)	0.93	6.64	-1.78	8.64	-0.81	4.71	150.9	100.0
Total Asset Allocation (05/02/2005)	0.93	6.61	-1.66	8.51	-0.30	5.07	150.9	100.0
Policy Benchmark **	1.37	7.10	-3.64	8.21	-2.36	3.51		
Value Added	-0.44	-0.49	1.98	0.30	2.06	1.56		

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

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Ventura County Employees' Retirement Association

Change in Market Value, Account Detail in USD

YTD Ending July 31, 2012

Fund	% Of Fund	Market Value 12/31/2011	Cash Flows	Gains/ Losses	Current Shares	Price	Market Value 07/31/2012
U.S. Core Equity Fund-III	0.87	12,568,354	-1,294,594	1,323,656	929,698.584	13.55	12,597,416
Quality Fund-III	0.00	50,642,820	-54,900,077	4,257,257	0.000	23.08	0
U.S. Flexible Equities Fund-III	0.77	0	56,165,922	1,187,239	5,672,914.000	10.11	57,353,161
International Intrinsic Value Fund-III	0.38	26,611,617	4,687,685	162,219	1,681,535.084	18.71	31,461,521
International Growth Equity Fund-III	0.47	15,855,688	-6,684,384	1,079,577	459,680.749	22.30	10,250,881
Currency Hedged Int'l. Equity Fund-III	0.45	10,530,719	2,182,882	520,184	611,542.701	21.64	13,233,784
Emerging Markets Fund-II	0.21	17,513,555	3,382,939	703,048	2,018,648.717	10.70	21,599,541
Flexible Equities Fund-III	0.43	5,919,366	-1,634,756	137,491	262,907.323	16.82	4,422,101
Alpha Only Fund-III	0.00	1,919,639	-1,905,616	-14,023	0.000	24.64	0
Total		141,561,758	0	9,356,647			150,918,405

If you are an investor in a GMO fund who receives statements directly from the relevant fund's transfer agent or administrator, we urge you to compare those statements with your GMO statements.

Transaction Details

Date	Transaction	Gross Amount	Net Amount	Fees Paid	Price	Shares This Transaction	Total Shares
U.S. Core Equity Fund-III in USD							
04/05/2012	Dividend-Reinvested	58,536.13	58,536.13	0.00	13.42	4,361.858	1,029,513.060
06/12/2012	Exchange Redemption	-1,294,593.76	-1,294,593.76	0.00	12.97	-99,814.476	929,698.584
Quality Fund-III in USD							
04/05/2012	Exchange Purchase	772,165.11	772,165.11	0.00	23.88	32,335.222	2,330,103.845

Ventura County Employees' Retirement Association

Change in Market Value, Account Detail in USD

YTD Ending July 31, 2012

Transaction Details

Date	Transaction	Gross Amount	Net Amount	Fees Paid	Price	Shares This Transaction	Total Shares
04/05/2012	Exchange Purchase	493,679.33	493,679.33	0.00	23.88	20,673.339	2,350,777.184
04/05/2012	Dividend-Reinvested	313,415.64	313,415.64	0.00	23.88	13,124.608	2,363,901.792
07/06/2012	Dividend-Reinvested	300,688.31	300,688.31	0.00	22.58	13,316.577	2,377,218.369
07/06/2012	Long Term Cap Gain-Reinvest	2,250,907.29	2,250,907.29	0.00	22.58	99,685.885	2,476,904.254
07/06/2012	Short Term Cap Gain-Reinvest	158,854.20	158,854.20	0.00	22.58	7,035.173	2,483,939.427
07/23/2012	Redemption In-kind	-56,165,921.75	-56,165,921.75	0.00	22.61	-2,483,939.427	0.000
U.S. Flexible Equities Fund-III in USD							
07/23/2012	Receipt In-kind	56,165,921.75	56,165,921.75	0.00	9.90	5,672,914.000	5,672,914.000
International Intrinsic Value Fund-III in USD							
04/05/2012	Exchange Purchase	225,035.95	225,035.95	0.00	19.67	11,440.567	1,417,231.234
04/05/2012	Exchange Purchase	674,975.36	674,975.36	0.00	19.67	34,314.965	1,451,546.199
04/05/2012	Exchange Purchase	143,875.45	143,875.45	0.00	19.67	7,314.461	1,458,860.660
06/12/2012	Exchange Purchase	1,294,593.76	1,294,593.76	0.00	17.93	72,202.664	1,531,063.324
06/12/2012	Exchange Purchase	443,588.73	443,588.73	0.00	17.93	24,740.030	1,555,803.354
06/12/2012	Exchange Purchase	1,905,615.69	1,905,615.69	0.00	17.93	106,280.853	1,662,084.207
07/11/2012	Dividend-Reinvested	359,841.23	359,841.23	0.00	18.50	19,450.877	1,681,535.084
International Growth Equity Fund-III in USD							
04/05/2012	Exchange Redemption	-1,732,689.42	-1,732,689.42	0.00	22.58	-76,735.581	681,546.965
04/05/2012	Exchange Redemption	-674,975.36	-674,975.36	0.00	22.58	-29,892.620	651,654.345
06/11/2012	Dividend-Reinvested	249,453.28	249,453.28	0.00	20.67	12,068.373	663,722.718
06/12/2012	Exchange Redemption	-3,382,938.83	-3,382,938.83	0.00	20.96	-161,399.753	502,322.965

Ventura County Employees' Retirement Association

Change in Market Value, Account Detail in USD

YTD Ending July 31, 2012

Transaction Details

Date	Transaction	Gross Amount	Net Amount	Fees Paid	Price	Shares This Transaction	Total Shares
06/12/2012	Exchange Redemption	-450,192.13	-450,192.13	0.00	20.96	-21,478.632	480,844.333
06/12/2012	Exchange Redemption	-443,588.73	-443,588.73	0.00	20.96	-21,163.584	459,680.749
Currency Hedged Int'l. Equity Fund-III in USD							
04/05/2012	Exchange Purchase	1,732,689.42	1,732,689.42	0.00	21.85	79,299.287	588,029.661
06/12/2012	Exchange Purchase	450,192.13	450,192.13	0.00	20.59	21,864.601	609,894.262
07/11/2012	Dividend-Reinvested	19,760.57	19,760.57	0.00	21.57	916.114	610,810.376
07/11/2012	Long Term Cap Gain-Reinvest	15,796.26	15,796.26	0.00	21.57	732.325	611,542.701
Emerging Markets Fund-II in USD							
06/12/2012	Exchange Purchase	3,382,938.83	3,356,986.47	25,952.36	10.23	328,151.170	2,018,648.717
Flexible Equities Fund-III in USD							
04/05/2012	Exchange Redemption	-225,035.95	-225,035.95	0.00	18.71	-12,027.576	337,403.692
04/05/2012	Exchange Redemption	-772,165.11	-772,165.11	0.00	18.71	-41,270.182	296,133.510
04/05/2012	Exchange Redemption	-143,875.45	-143,875.45	0.00	18.71	-7,689.762	288,443.748
04/05/2012	Exchange Redemption	-493,679.33	-493,679.33	0.00	18.71	-26,385.854	262,057.894
07/11/2012	Dividend-Reinvested	14,780.07	14,780.07	0.00	17.40	849.429	262,907.323
Alpha Only Fund-III in USD							
06/12/2012	Exchange Redemption	-1,905,615.69	-1,905,615.69	0.00	24.46	-77,907.428	0.000

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GMO

Grantham, Mayo, Van Otterloo & Co. LLC
40 Rowes Wharf | Boston, MA 02110
T: (617) 330-7500 | F: (617) 261-0134 | www.gmo.com

August 6, 2012

Mr. Donald Kendig
Retirement Administrator
Ventura County Employees' Retirement Association
1190 S Victoria Avenue, Suite 200
Ventura, CA 93003

Dear Mr. Kendig,

Pursuant to the Investment Management Agreement for the Ventura County Employees' Retirement Association and Grantham, Mayo, Van Otterloo & Co. LLC dated as of April 18, 2005 (the 'Agreement'), the Ventura County Employees' Retirement Association account was in compliance with the Client Mandate Form (the Investment Guidelines set forth in Schedule A to the Agreement) for the month of July 2012.

Sincerely,

Mark Landis
Compliance Specialist

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Western

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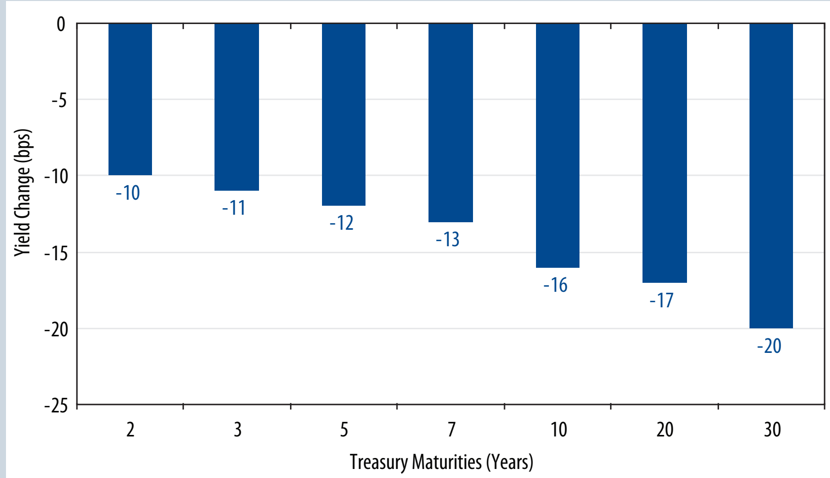
JUL 2012 Investment Report US

Market Review

The Barclays U.S. Aggregate Bond Index posted a total return of 1.38% in July as rates fell across the yield curve (Exhibit 1). It was a relatively hum-drum month in terms of both domestic and global news, yet investors a trained a wary eye on Europe as its sovereign debt saga continued to play out in a painfully slow fashion. At home, domestic economic data were mixed. Growth persisted in mildly positive territory, with the initial estimate of 2Q12 GDP registering a 1.5% annualized rate. While otherwise tepid, positive growth remains a far cry from contraction or recession. In Spain, a multitude of regional governments made formal requests for bailout aid to the national government, indicating Spain's financial stress is greater than previously thought. Signaling the bond market equivalent of a four-alarm fire, Spanish 10-year government bonds reacted by climbing above 7.50%. Spanish yields eventually retreated to the high 6% range – which is itself unsustainably high – upon European Central Bank (ECB) President Mario Draghi's promise that "…within our mandate, the ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough." While his statement served its immediate purpose, the market will eventually demand concrete actions, not further verbiage. As investors sought safety, the German 10-year bund ended the month 30 basis points (bps) lower, yielding 1.28%, and the French 10-year note fell about 63 bps to 2.06%.

Exhibit 1
Yield Curve Changes in July



Source: US Treasury Department

Exhibit 2
Sector Returns (%)

Sector	MTD Total Return	YTD Total Return	MTD Excess Return	YTD Excess Return
US Aggregate	1.38	3.78	0.50	1.40
US Treasury	1.01	2.53	0.00	0.00
US TIPS	1.90	6.01	n/a	n/a
US Agency	0.83	2.51	0.24	1.01
US Agency MBS	0.80	2.47	0.28	0.72
CMBS	1.66	6.09	1.19	4.91
Baa Corporate	2.93	7.83	1.63	4.30
US Corporate IG	2.88	7.67	1.62	4.35
US Corporate High-Yield	1.90	9.31	1.25	7.37
Emerging Markets (USD)	3.82	11.04	2.67	7.57

Source: Barclays Capital

Spreads narrowed across major spread sectors as investors expressed a preference for riskier assets (Exhibit 2). Investment-grade credit, high-yield bonds and agency mortgages generated positive total returns as well as positive excess returns relative to duration-neutral US Treasuries (UST). Equities surged ahead over the month, with the S&P 500 Index gaining 1.26% and the Dow Jones Industrial Average up by 1.00%.

Washington Review

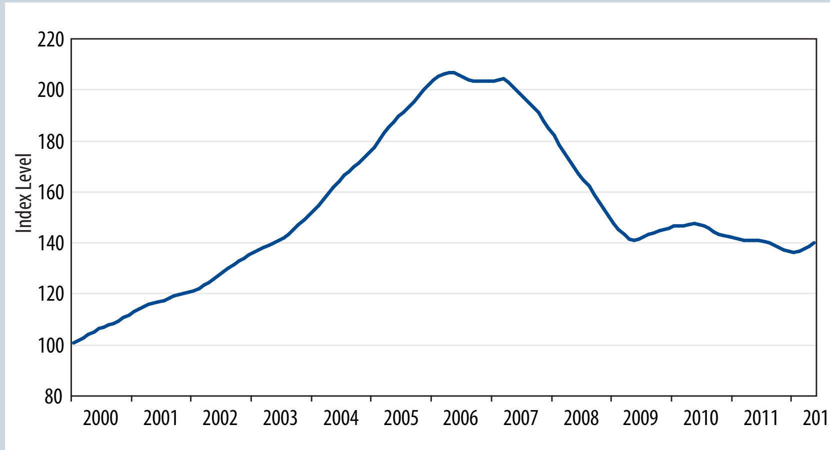
At its late July meeting (which concluded on August 1), the Federal Reserve (Fed) left key policies unchanged. The Fed reiterated that the fed funds target rate will remain within a range of 0% to 0.25% through at least late 2014 and that the second round of the Maturity Extension Program (aka "Operation Twist") will continue through the end of the year. While the Fed acknowledged that the economy has slowed somewhat over the first half of the year, it didn't sound any alarms regarding economic deceleration. Some market participants had hoped that the Fed would unveil some form of further stimulus. However, unless the economy sours considerably, the Fed is unlikely to launch any potentially controversial actions until after the presidential elections.

Economic Review

Economic data again indicated an economy slowly moving along while largely mired in the doldrums. As already discussed, 2Q12 real GDP registered an annualized growth rate of 1.5%. Due largely to a slackening in consumer expenditures, this is down 0.5% from the previous quarter's upwardly revised rate of 2.0%. The economy continued to struggle to create new jobs. According to the U.S. Department of Labor, nonfarm payrolls in June grew by 80,000, slightly below the market's diminished expectations. The unemployment rate remained unchanged at 8.2%. Weekly initial jobless claims remained volatile due to summer retooling at auto plants. However, the month-end four-week moving average was 365,500, which is about 20,000 fewer than its reading at the end of the previous month, indicating improvement.

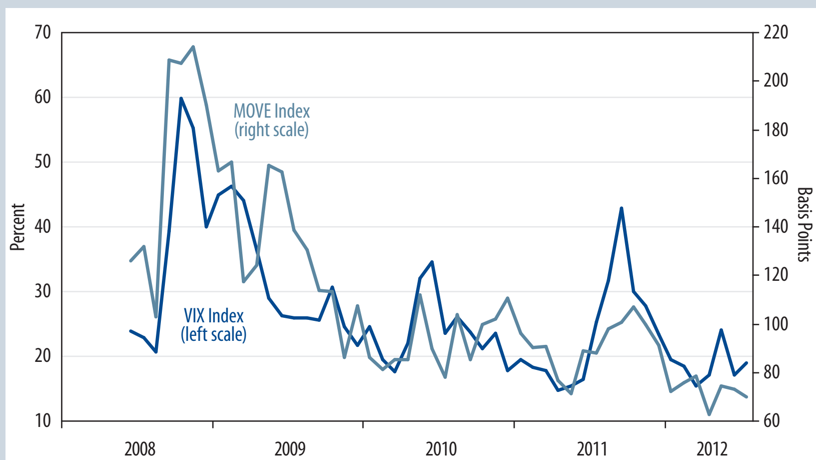
Core CPI (seasonally adjusted), which excludes the volatile food and energy components, increased by 0.2% in June, matching the pace over the previous three months. Over the previous 12 months, core CPI grew at a 2.2% rate, which is 0.6% higher than the 1.6% rate posted one year ago. Outside of the core figures, headline inflation (seasonally adjusted) remained unchanged in June, as expected. Headline inflation increased at a 1.7% pace year-over-year.

Exhibit 3
S&P/Case-Shiller Home Price Index (20-City Composite, Seasonally Adjusted)



Source: Standard & Poor's

Exhibit 4
Market Volatility



Source: Bloomberg

Housing news was mixed, as sales of existing homes disappointed, whereas other figures generally indicated improvement. Existing-home sales unexpectedly dropped by 5.4% in June. While the number of new homes sold in June was 20,000 lower than expected, numbers for May and June were substantially upwardly revised, by 13,000 and 15,000, respectively, so the net effect over the last three months still points to improvement. The supply of new homes increased to 4.9 months. In May, the most recent data period available, the S&P/Case-Schiller 20-City Composite Home Price Index (seasonally adjusted; data released on a two-month lag) increased by 0.9% for its fourth consecutive gain (Exhibit 3).

As previously mentioned, US equities gained over the month as market measures of volatility were mixed. The VIX Index, which measures volatility in equity markets, increased from 17.1% to 18.93%, which is below its long-term average. The MOVE Index, which measures interest-rate volatility, dipped from 73.2 to 69.8 over July (Exhibit 4). The price of crude oil increased by $3.85 as West Texas Intermediate crude ended the month at $88.06 per barrel. Gold increased by 1.1% to end the month at $1,614 per ounce. The US dollar rose by 2.90% versus the euro over the month as markets reacted to the lack of definitive action in Europe despite the positive developments in late June.

Performance Review

US strategies generally outperformed their benchmarks in July. An overweight to investment-grade credit, particularly to financials, added to returns as spreads narrowed. High-yield allocations, where held, generated positive results. Exposure to the non-agency mortgage-backed sector added to performance as investors felt more comfortable taking risk. Diversification into US TIPS had a slightly positive impact on performance as inflation expectations increased. The agency mortgage sector outperformed similar duration UST; our generally neutral exposure to the sector resulted in a minimal impact. Our tactically short duration positioning detracted, while curve positioning, overweight the long-end of the yield curve, added to performance.

Outlook

Economic data continued to support our view that economic growth proceeded along its subdued, yet positive trajectory. Barring a sudden contagion or scenarios involving major spillover effects throughout the globe, we expect a continuation of positive domestic economic growth and for spread sectors to perform modestly well through the second half of 2012. The Fed remains highly accommodative, corporate balance sheets are strong and earnings reports are generally positive. While valuations are still generally attractive despite recent spread tightening, we are unlikely to add to positions given the current elevated uncertainty in markets.

In terms of strategy, we continue to favor financials, which remain discounted by the market. However, we do have a bias toward trimming our positions, given the richer valuations as well as continued heightened market uncertainty. Where permitted, we are maintaining a modest exposure to the high-yield sector. We will tactically shift around a neutral position within agency mortgages. Although we slightly trimmed our non-agency mortgage positions earlier in the year, we believe that potential returns for this sector remain more heavily skewed to the upside, especially as delinquency rates have improved. We will maintain a slightly short duration position, which we may tactically adjust. We will continue to favor an overweight to the back end of the yield curve as a hedge against periodic flights to safety.

For more information on Western Asset, visit our website at westernasset.com.

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Ventura County Employees' Retirement Association Core Fixed Income Portfolio

Performance Summary Report

July 31, 2012

	Current Month	Latest 3 Months	Latest 6 Months	Year to Date	Latest 12 Months	Latest 2 Years	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years	Latest 15 Years	Inception [1] to Date
						Annualized						
Gross												
Portfolio	1.97	3.21%	5.54%	7.25%	9.59%	8.57%	11.00%	7.80%	6.55%	7.15%	7.13%	7.30%
Benchmark [3]	1.38	2.34%	2.88%	3.78%	7.25%	5.84%	6.85%	6.91%	5.92%	5.65%	6.18%	6.35%
Excess Return	0.59	0.88%	2.66%	3.47%	2.34%	2.74%	4.15%	0.89%	0.63%	1.50%	0.95%	0.95%
Net												
Portfolio [2]	1.96	3.16%	5.44%	7.13%	9.39%	8.37%	10.79%	7.59%	6.34%	6.93%	6.96%	7.13%
Benchmark [3]	1.38	2.34%	2.88%	3.78%	7.25%	5.84%	6.85%	6.91%	5.92%	5.65%	6.18%	6.35%
Excess Return	0.58	0.83%	2.56%	3.35%	2.13%	2.54%	3.94%	0.68%	0.42%	1.28%	0.78%	0.78%

Base Currency: US DOLLAR

Total Account Value (Market Value & Accrued Interest): $ 252,854,201.42

[1] *Subject to the performance clock date, close of business day 01/31/1997, as agreed upon by Client and Investment Manager.*

[2] *Net-of-Fees performance returns are an estimate of time-weighted rate of return. The effective fee, based on a fee schedule, is deducted from the monthly gross return.*

[3] *Barclays U.S. Aggregate*

Past investment results are not necessarily indicative of future investment results.

Benchmark and excess returns may not sum to portfolio performance, due to rounding.

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Ventura County Employees' Retirement Association

Performance Summary Report

July 31, 2012

	Current Month	Latest 3 Months	Latest 6 Months	Year to Date	Latest 12 Months	Latest 2 Years	Latest 3 Years	Latest 5 Years	Inception to Date [1]
						Annualized			
Gross									
Portfolio	1.98%	0.02%	8.46%	14.06%	10.20%	16.77%	20.61%	-2.94%	-3.89%
Benchmark [3]	1.39%	-0.78%	6.25%	11.01%	9.13%	14.27%	14.13%	1.13%	0.15%
Excess Return	0.59%	0.80%	2.21%	3.05%	1.07%	2.50%	6.48%	-4.07%	-4.04%
Net									
Portfolio [2]	1.96%	-0.03%	8.36%	13.93%	10.00%	16.60%	20.46%	-3.04%	-3.99%
Benchmark [3]	1.39%	-0.78%	6.25%	11.01%	9.13%	14.27%	14.13%	1.13%	0.15%
Excess Return	0.57%	0.75%	2.11%	2.93%	0.87%	2.33%	6.33%	-4.17%	-4.14%

Base Currency: US DOLLAR

Total Account Value (Market Value & Accrued Interest): $ 113,608,031.82

[1] *Subject to the performance clock date, close of business day 05/31/2007, as agreed upon by Client and Investment Manager.*

[2] *Net-of-Fees performance returns are an estimate of time-weighted rate of return. The effective fee, based on a fee schedule, is deducted from the monthly gross return.*

[3] *S&P 500*

Past investment results are not necessarily indicative of future investment results.

Benchmark and excess returns may not sum to portfolio performance, due to rounding.

Western Asset

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WESTERN ASSET

August 3, 2012

Mr. Henry Solis
Fiscal Manager
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572

Re: Ventura County Core Full Account, WA # 851

Dear Mr. Solis:

This letter is to confirm that all investment activity during the month ending July 31, 2012 was consistent with the investment policies and restrictions set forth in the Ventura County Statement of Objectives, Guidelines and Procedures.

Should you have any questions, please contact your client service team.

Sincerely,

Vanui Ayvazyan
Portfolio Compliance

Vani

Western Asset Management Company
385 East Colorado Blvd. Pasadena, CA 91101 • Tel: (626) 844-9400 • Fax: (626) 844-9450

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August 3, 2012

Mr. Henry Solis
Fiscal Manager
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572

Re: Ventura County Index Plus Account, WA # 2887

Dear Mr. Solis:

This letter is to confirm that all investment activity during the month ending July 31, 2012 was consistent with the investment policies and restrictions set forth in the Ventura County Statement of Objectives, Guidelines and Procedures.

Should you have any questions, please contact your client service team.

Sincerely,

Vanui Ayvazyan
Portfolio Compliance

Western Asset Management Company
385 East Colorado Blvd. Pasadena, CA 91101 • Tel: (626) 844-9400 • Fax: (626) 844-9450

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Reams

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REAMS ASSET MANAGEMENT
A Division of Scout Investments

August 10, 2012

Mr. Leon Kung
Performance Analyst
Ennis Knupp & Associates
10 S. Riverside Plaza
Suite 1600
Chicago, IL 60606

Dear Leon:

Listed below are answers to your monthly request for information regarding the Ventura County fixed income portfolio:

1. Change in talent, process, organization and/or regulatory development.

No changes.

2. What hurt or helped relative performance in the last month and 12 months.

	July 2012 Perf (%)		July 2012 Attribution		Last 12 Months Through 7/31/12 Perf (%)		Last 12 Months Through 7/31/12 Attribution
Portfolio	1.59	Duration	(0.14)	Portfolio	11.07	Duration	(0.24)
Benchmark	1.38	Yield Curve	0.02	Benchmark	7.25	Yield Curve	0.22
		Sector Selection	0.52			Sector Selection	0.49
		Security Selection	(0.19)			Security Selection	3.35
Difference	**0.21**	**Total**	**0.21**	**Difference**	**3.82**	**Total**	**3.82**

Sector and Security Selection Detail, July 2012

	Sector	Security	Total
Gov't Related	(0.05)	(0.01)	(0.06)
MBS	0.02	(0.10)	(0.08)
ABS	0.02	0.06	0.08
Inv. Credit	0.43	(0.26)	0.17
High Yield	0.10	0.12	0.22
Non $	0.00	0.00	0.00
TIPS	0.00	0.00	0.00
Total	**0.52**	**(0.19)**	**0.33**

It has been said that talk is cheap, but apparently that does not apply to Mario Draghi, President of the European Central Bank (ECB). Early in the month, European capital markets slumped as Mr. Draghi commented that he saw weakness across the whole of Europe, implying that even a relatively healthy country like Germany was exhibiting signs of economic weakness. A few global central bank actions to spur economic growth corresponded with this dour assessment, including a 25 basis point cut by China's central bank (the second cut in less than a month), a 25 basis point cut by the ECB, and a £50 billion increase in the Bank of England's quantitative easing program. Despite the central bank actions, yields on Italian and Spanish debt moved to unsustainably high levels as investors' fears increased that a potential Greek exit from the Euro could be very disruptive. Moody's lowered its rating on Italian debt to Baa2 from A3, further dampening investor interest in European sovereign debt. Speculation grew throughout the month that the U.S. Federal Reserve would launch a third round of quantitative easing, but no evidence materialized indicating an imminent launch of another program. Despite all of the actions taken during the month, the significant market rally late in the month was once again a result of rhetoric. Mr. Draghi promised to do "whatever it takes" to preserve the Euro, adding, "believe me, it will be enough". The markets read this as a clear indicator that outright debt purchases would soon follow, in spite of ongoing opposition by Germany. Later the ECB statement would fall short of expectations set by Mr. Draghi's tough talk, but not before a multiple day rally to close the month.

For the second month in a row, all spread sectors tightened during July. CMBS tightened 24 basis points, high yield tightened 21 basis points, investment grade credit tightened 21 basis points, MBS tightened 18 basis points, and ABS tightened 7 basis points during the month. The Treasury yield curve moved lower and flattened as the 2, 5, 10, and 30-year yields declined 9, 14, 18, and 21 basis points, respectively.

The Ventura portfolio outperformed its benchmark in July, returning 1.59% compared to 1.38% for the benchmark. Macro performance factors were mixed as duration subtracted 14 basis points due to our short bias as interest rates declined. Our bulleted yield curve strategy added 2 basis points to performance. Sector and security selection were mixed, with sector adding 52 basis points and security selection subtracting 19 basis points from performance. Within these categories, investment grade credit added 17 basis points and CMBS added 1 basis point due to an overweight in these outperforming sectors. High yield added 22 basis points and ABS added 8 basis points due to superior security selection. Government related subtracted 6 basis points due to our underweight in this outperforming sector. MBS (excluding CMBS) subtracted 9 basis points as our holdings in this sector underperformed.

For the last twelve months, the Ventura County portfolio return was 382 basis points above the benchmark at 11.07%, compared to 7.25% for the benchmark. Macro performance factors were mixed, with duration subtracting 24 basis points due our short duration bias as rates declined. Yield curve added 22 basis points to performance. Sector and security selection were positive, with sector adding 49 basis points and security selection adding 335 basis points to performance. Within these categories, investment grade credit added 143 basis points, high yield added 115 basis points, ABS added 65 basis points, and MBS (excluding CMBS) added 42 basis points due to superior security selection in these sectors. CMBS added 45 basis points due to an overweight in this outperforming sector. Government related subtracted 10 basis points as our holdings in this sector underperformed. Non-dollar subtracted 16 basis points from performance.

3. What is your 12 month outlook for the investment markets?

We continue to be overweight in the corporate sector as spreads remain attractive relative to the fixed income universe. Our positions are focused in financial issuers which we view as offering a superior risk/reward opportunity relative to industrial and utility issuers. The portfolio is slightly underweight in the mortgage-backed sector. We are focused the portfolio more on multi-family agencies versus traditional pass-throughs that dominate the index in this sector. We continue to be overweight in the ABS sector, focusing on short-duration, high-quality issues. We remain biased to a shorter duration position as real interest rates are unattractive across the yield curve, but in reacting to changing market conditions, our position will fluctuate between neutral and short duration.

If you have any questions regarding portfolio activity, please do not hesitate to contact our office.

Sincerely,

Mark M. Egan, CFA, CPA
Managing Director

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Ventura County Employees' Retirement Association

July 31, 2012

Fixed Income Performance (Preliminary)

	Portfolio (%)	Barclays Aggregate BC AGG Index
Month Ending 7/31/2012	1.59	1.38
Year to Date	7.26	3.78

Summary Portfolio Characteristics

	Portfolio	BC AGG Index
Total Market Value ($)	332,406,169	16,760 billion
Avg. Portfolio Duration (Years)	4.3	5.0
Avg. Portfolio Convexity	0.17	-0.33
Avg. Yield to Maturity/Worst (%)	2.5	1.7
Avg. Maturity (Years)	6.5	7.0
Avg. Quality	AA3	AA1

Portfolio Structure

Quality Structure (% of Portfolio)	Portfolio	BC AGG Index
AAA	50.7	73.9
AA	4.4	4.6
A	21.9	11.4
BBB	15.4	10.1
Other	7.5	0.0
Total	100.0	100.0

Sector Structure (% of Portfolio)	Portfolio	BC AGG Index
Treasury	17.6	36.1
Govt Related	1.1	10.6
Mortgage-Backed	28.2	32.2
Asset-Backed	7.6	0.3
Corporate	45.0	20.8
Non-US Dollar	0.0	0.0
Money Market	0.5	0.0
Total	100.0	100.0

Duration Distribution (Years)	Portfolio	BC AGG Index
0 - 1 yr.	0.0	0.0
1 - 3	0.4	0.9
3 - 4	0.2	0.6
4 - 6	0.9	0.8
6 - 8	0.7	0.6
8 +	2.1	2.2
Total	4.3	5.0

Maturity Distribution (%)	Portfolio	BC AGG Index
0 - 1 yr.	11.1	0.0
1 - 3	21.7	26.6
3 - 5	22.7	33.5
5 - 7	18.8	16.6
7 - 10	17.4	10.2
10 - 20	1.8	3.5
20+	6.5	9.6
Total	100.0	100.0

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Loomis Sayles

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1. **Change in talent, process, organization and/or regulatory development**

   New Hires

   We are pleased to announce that Hank Lynch has joined the fixed income product management team as a product manager supporting the global bond team. Hank will serve as an integrated member of the global bond investment team. This is a replacement position for Peter Frick who will transition to his new role as a dedicated emerging markets debt portfolio manager.

   Departures

2. **What hurt or helped relative performance in the last month and 12 months**

   Please refer to the VCERA Sector Month and Trailing Year Attribution Slides.

3. **What is your 12-month outlook for the investment markets?**

   Please refer to the July Mailer.

4. **Confirmation of compliance with investment guidelines**

   The account was in compliance with its investment guidelines for the period 7/01/2012 through 7/31/2012.

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Ventura County Employees' Retirement

attribution analysis

06/30/2012 THROUGH 07/31/2012 (%)

Maturity Distribution

	Final Weight	Portfolio Return	Total Effect
Under 1 year	13.37	(2.44)	(0.10)
1 - 3 years	7.90	1.49	0.20
3 - 5 years	17.61	1.56	0.15
5 - 7 years	14.91	2.07	0.10
7 - 10 years	14.90	2.97	0.11
10+ years	31.30	3.36	0.28

Quality Distribution

	Final Weight	Portfolio Return	Total Effect
Aaa	22.38	0.34	0.07
Aa	4.10	1.77	0.01
A	10.87	3.37	0.01
Baa	42.50	3.11	0.55
Ba	10.90	2.96	0.18
B	7.10	(0.23)	(0.21)
Caa & Lower	1.70	3.20	0.06
Not Rated	0.45	0.24	0.09

Sector Distribution

	Final Weight	Portfolio Return	Total Effect
US Treasuries	4.54	0.14	0.05
US Agencies	0.00	0.00	0.03
Gov Related	3.15	1.93	(0.01)
Securitized Credit	6.67	3.10	0.11
Securitized Agency	1.98	0.96	0.13
US Invest Grade	36.10	3.29	0.45
IG - Financial	12.65	3.90	0.25
IG - Industrial	19.40	2.97	0.17
IG - Utility	4.05	2.88	0.03
US High Yield	25.23	1.86	(0.01)
HY - Financial	5.52	3.11	0.07
HY - Industrial	16.82	0.75	(0.13)
HY - Utility	2.89	5.89	0.05
Non-US Dollar	14.18	(1.24)	0.10
Convertibles	1.67	(1.07)	(0.05)
Preferreds	0.42	2.21	0.00
Other	0.46	6.18	0.02
Cash & Equivalents	5.16	0.01	(0.08)
No Category	0.43	1.21	0.00

Currency Distribution

	Final Weight	Portfolio Return	Total Effect
Euro	1.26	(3.50)	0.08
British Pound Sterling	0.24	2.25	0.00
Japanese Yen	0.00	0.00	(0.03)
Philippine Peso	0.21	4.77	0.01
Australian Dollar	1.71	3.55	0.03
New Zealand Dollar	1.65	1.26	0.00
U S Dollars	85.82	2.28	0.66
Brazilian Real	2.26	(1.09)	(0.06)
Canadian Dollar	5.02	1.96	0.02
Mexican Peso	1.83	4.04	0.05

For split rated securities in the quality distribution, the highest of Moody, S&P, and Fitch is used. Unrated securities are rated by Loomis Sayles Research. The Attribution benchmark is 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US. Cash, Government & Agencies, and Aaa rated positions are reflected in the Aaa category. Total Effects are impacted by sector returns, allocation shifts and market timing. Data Source: Barclays Capital, Citigroup, JP Morgan

LOOMIS | SAYLES

performance review

july 2012

PERFORMANCE (%)

	ACCOUNT(GROSS)	BENCHMARK
Jul 12	2.22	1.48
YTD	9.30	5.32
1 Year Trailing	6.18	7.64
3 Year Trailing	12.70	8.99
5 Year Trailing	8.78	7.67
7/31/05 - 7/31/12 Annualized	7.96	6.64

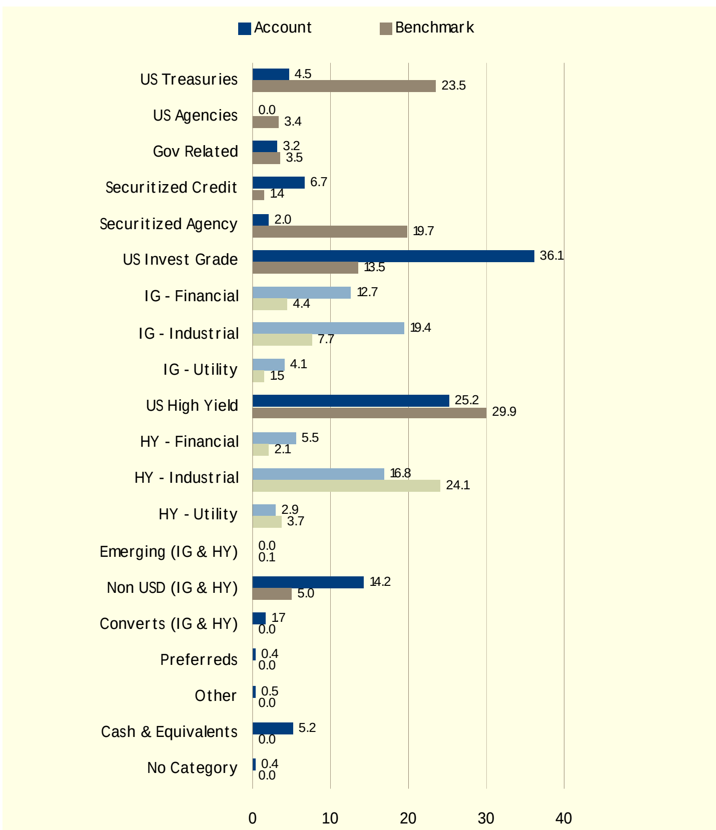
MARKET VALUE

$120,745,205

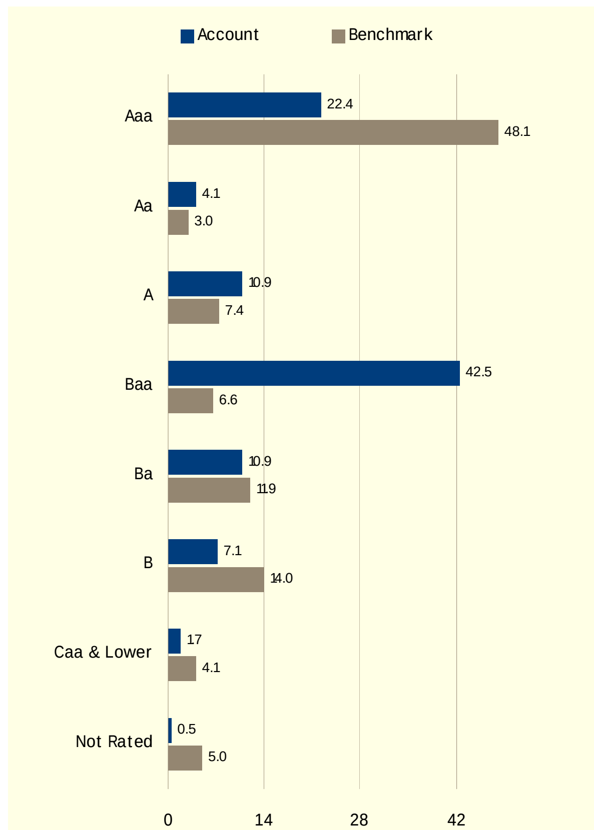
CHARACTERISTICS

Effective Duration	5.97 years	4.73 years
Average Maturity	10.05 years	6.40 years
Yield to Maturity	4.94%	3.45%
Average Quality	Baa1	Baa1

SECTOR ANALYSIS AT JULY 31, 2012 (%)



QUALITY ANALYSIS AT JULY 31, 2012 (%)



The current benchmark is comprised of 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US. (1) 60% Barclays Aggregate, 35% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US from 7/31/2005 to 11/30/2007; and 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US from 11/30/2007 to 7/31/2012. For split rated securities in the quality distribution, the highest of Moody, S&P, and Fitch is used. Unrated securities are rated by Loomis Sayles Research. The account's split rating treatment is based on client guidelines. The benchmark follows the vendor's methodology. Cash, Government & Agencies, and Aaa rated positions are reflected in the Aaa category. Data Source: Barclays Capital, Bloomberg, JP Morgan, Citigroup This report is a service provided to customers of Loomis Sayles for informational purposes and is not a recommendation to purchase or sell securities. The performance shown is gross of management fees. Past performance is not a guarantee of future results. Loomis Sayles believes the information contained in this report is reliable but we do not guarantee its accuracy.

performance review

july 2012

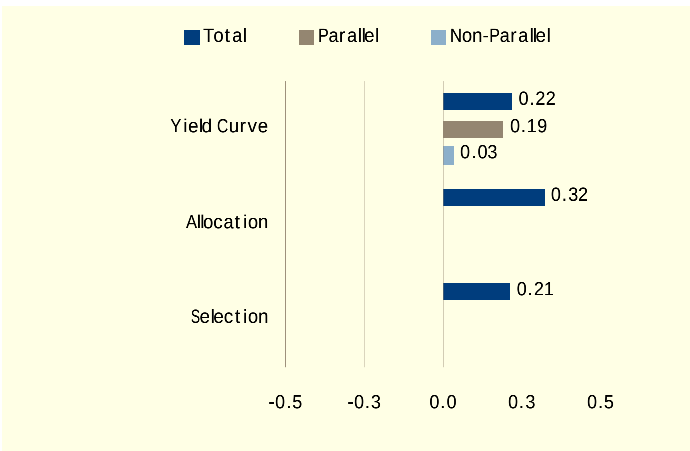
CURRENT MONTH TOTAL RETURNS (%)

Account Return	2.22
Benchmark Return	1.36
Excess Return	0.85

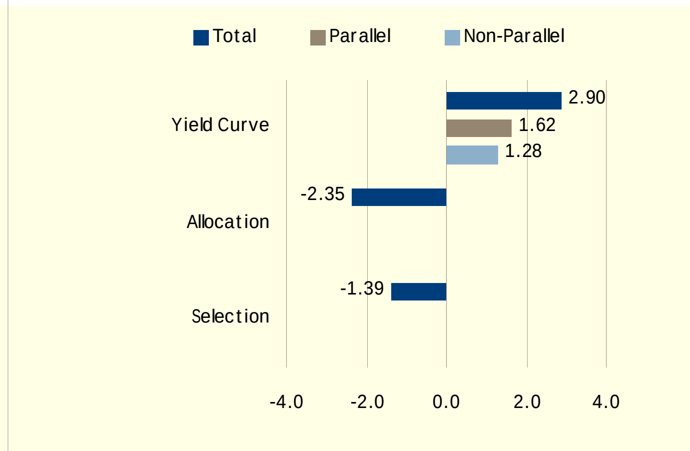
TRAILING YEAR TOTAL RETURNS (%)

Account Return	6.18
Benchmark Return	8.21
Excess Return	-2.03

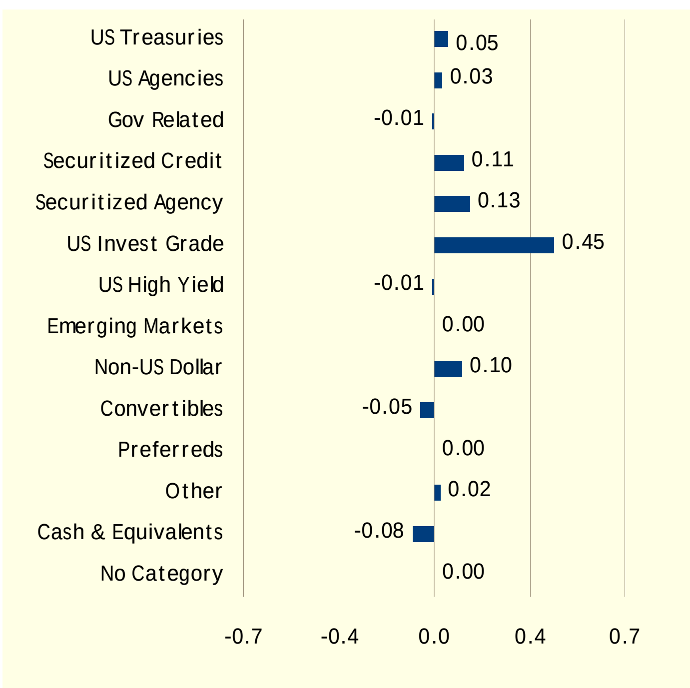
CURRENT MONTH EXCESS RETURN ATTRIBUTION (%)



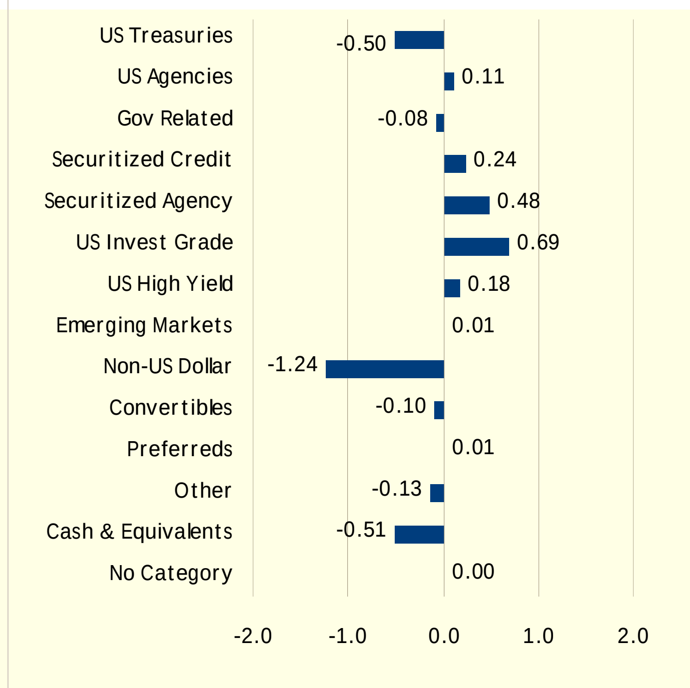
TRAILING YEAR EXCESS RETURN ATTRIBUTION (%)



EXCESS RETURN ATTRIBUTION BY SECTOR (%)



EXCESS RETURN ATTRIBUTION BY SECTOR (%)



The Attribution benchmark is 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US. Figures on bar charts may not add up to total excess return as they exclude impact of trading and pricing differences. Attribution account returns are gross of fees Data Source: Barclays Capital, Citigroup, JP Morgan

Monthly Investment Manager Report

Ventura County Employees' Retirement Association

August 2012

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An Aon Company

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Monthly Investment Update

Monthly Manager Updates

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MONTHLY INVESTMENT UPDATE

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

August 2012

Market Highlights

- Despite rumblings of bad news throughout the month, nothing really materialized and equities had a good August. Most of the gains came early, in response to word from the head of the European Central Bank (ECB) that it would do whatever it took to support the euro. U.S. markets ended August close to four-year highs. For the month, the S&P 500 Index showed a gain of 2.3 percent, while the Dow Jones U.S. Total Stock Market Index showed a slightly higher gain of 2.5 percent.
- Within the U.S. equity market, small cap stocks outperformed their large cap counterparts, while growth stocks outperformed value stocks across the large, mid, and small cap asset classes.
- Foreign markets trailed the U.S. markets, with the MSCI EAFE Index gaining 0.3 percent, the MSCI ACWI ex-US returning 0.4 percent, and the MSCI Emerging Markets Index increasing 0.6 percent.
- The U.S. 10-year Treasury yield spiked up above 1.8 percent in mid-August. Generally, a lack of major changes in the economic picture may have caused interest in safe assets to wane slightly over the month. The Barclays Capital Aggregate Bond Index returned 0.1 percent during the month.

Preliminary Manager Highlights

- The Total Fund's preliminary August return of 1.7 percent, beat the Policy Portfolio return of 1.5 percent. The Fund's international equity asset class hurt results versus their respective benchmarks, domestic fixed income aided results by over 60 basis points, while domestic equity, global equity, and global fixed income matched their performance benchmark returns.
- During the month, the Fund's U.S. equity portfolio returned 2.5 percent, matching its benchmark's return of 2.5 percent. BlackRock performed well in the month matching their respective indices, while Western outperformed its benchmark by 40 basis points.
- The international equity component returned 1.9 percent, underperforming the 2.1 percent return of its benchmark. Sprucegrove's underperformance was attributable to stock selection in Telecommunication Services, Utilities and Consumer Discretionary and an underweight position in Financials relative to the Index. Hexavest's overweight cash position finally hurt them in the month of August, as they slightly underperformed by 20 basis points. Their underweight position in Spain and Italy detracted from results. Walter Scott returned 1.4 percent versus 2.1 percent for the benchmark, much of this outperformance was attributable to the overweight position in Health Care and stock selection in the Consumer Discretionary sector. BlackRock's international equity index fund tracked its benchmark.
- The collective return of the Fund's global equity component returned 2.2 percent, matching the benchmark return of 2.2 percent. GMO's return of 2.2 percent matched the benchmark return of 2.2 percent during the month, as many sub-strategies across all asset classes were positive for the month. The BlackRock MSCI ACWI Equity account's tracked its benchmark in its first full month of performance.
- In August, the Fund's U.S. fixed income component returned 0.7 percent, outperforming the Barclays Aggregate Bond Index return of 0.1 percent. Reams outperformed, returning 0.9 percent versus 0.1 percent for the benchmark. Reams was aided by its allocation and security selection in investment grade credit and high yield sectors. BlackRock's fixed income index fund tracked its benchmark. The Loomis Sayles Global Fixed Income account was funded during the month of July and matched the benchmark, returning 0.9 percent.

Key: Positive Mixed/Cautionary Alert Informational

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VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Period Ending 8/31/2012
($ in Thousands)

	U.S. Equity	Non-U.S. Equity	Fixed Income	Real Estate	Private Equity	Cash	Total	Percent of Total	Policy
BlackRock Extended Equity Index	$29,686						$29,686	0.9%	
Western Index Plus	$116,722						$116,722	3.4%	
BlackRock Equity Market Fund	$1,093,193						$1,093,193	32.3%	
Total U.S. Equity	$1,239,600						$1,239,600	36.6%	36.0%
BlackRock ACWI ex-U.S. Index		$274,488					$274,488	8.1%	
Sprucegrove		$143,974					$143,974	4.3%	
Hexavest		$63,476					$63,476	1.9%	
Walter Scott		$76,984					$76,984	2.3%	
Total Non-U.S. Equity		$558,922					$558,922	16.5%	19.0%
GMO Global Equity	$75,386	$88,853	$0				$164,239	4.9%	
BlackRock MSCI ACWI Equity Index	$60,889	$60,889	$0				$121,779	3.6%	
Total Global Equity	$136,275	$149,743	$0				$286,018	8.4%	10.0%
Western			$274,083				$274,083	8.1%	
BlackRock U.S. Debt Fund			$133,133				$133,133	3.9%	
Reams			$335,362				$335,362	9.9%	
Loomis Sayles Global			$66,667				$66,667	2.0%	
Loomis Sayles			$122,351				$122,351	3.6%	
Total Fixed Income			$931,597				$931,597	27.5%	27.0%
Prudential Real Estate				$80,018			$80,018	2.4%	
UBS Real Estate				$171,826			$171,826	5.1%	
Guggenheim				$21,787			$21,787	0.6%	
RREEF				$9,582			$9,582	0.3%	
Total Real Estate				$283,213			$283,213	8.4%	8.0%
Adams Street Partners					$22,708		$22,708	0.7%	
Pantheon Ventures					$6,108		$6,108	0.2%	
Total Private Equity					$28,816		$28,816	0.9%	0.0%
Clifton Group						$57,239	$57,239	1.7%	
Total Cash						$57,239	$57,239	1.7%	0.0%
Total Assets	$1,375,875	$708,664	$931,597	$283,213	$28,816	$57,239	$3,385,404	100.0%	100.0%
Percent of Total	40.6%	20.9%	27.5%	8.4%	0.9%	1.7%	100.0%		

* Asset allocation reflects net exposure
* Private Equity reflects Market Values as of 3/31/2012 plus Capital Calls from 4/1/2012-6/30/2012

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VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Period Ending 8/31/2012

	August	Year-to-Date	1 Year Ending 8/31/2012	3 Years Ending 8/31/2012	5 Years Ending 8/31/2012	10 Years Ending 8/31/2012	Since Inception	Inception Date
BlackRock Extended Equity	3.6	12.3	13.8	15.7	3.0	--	10.6	10/31/02
Dow Jones U.S. Completion Total Stock Market Index	3.5	12.0	13.2	15.4	3.0	--	10.6	
Western U.S. Index Plus	2.7	16.9	20.2	19.1	-2.6	--	-3.6	5/31/07
S&P 500 Index	2.3	13.5	18.0	13.6	1.3	--	0.6	
BlackRock Equity Market Fund	2.5	13.3	17.3	14.1	--	--	2.8	5/31/08
Dow Jones U.S. Total Stock Market Index	2.5	13.2	17.1	14.0	--	--	2.7	
Total U.S. Equity	2.5	13.6	17.4	14.6	1.0	6.6	7.8	12/31/93
Performance Benchmark**	2.5	13.2	17.1	14.0	1.7	7.1	8.2	
BlackRock All Country World ex-U.S.	2.2	6.7	-2.2	4.1	-3.1	--	-1.8	3/31/07
MSCI All Country World ex-U.S. IM Index	2.2	6.5	-2.4	3.9	-3.3	--	-1.9	
Sprucegrove	1.5	7.0	1.9	6.7	-2.3	8.5	7.5	3/31/02
MSCI EAFE Index	2.7	6.9	0.0	2.4	-4.8	6.7	5.1	
MSCI All Country World ex-U.S. Index	2.1	6.4	-1.9	3.6	-3.6	8.2	6.5	
Hexavest	2.5	8.6	4.1	--	--	--	-0.8	12/31/10
MSCI EAFE Index	2.7	6.9	0.0	--	--	--	-3.7	
Walter Scott	1.4	12.0	3.9	--	--	--	1.0	12/31/10
MSCI All Country World ex-U.S. Index	2.1	6.4	-1.9	--	--	--	-5.0	
Total International	1.9	8.1	-0.3	4.8	-3.3	7.9	6.2	3/31/94
MSCI All Country World ex-U.S. Index	2.1	6.4	-1.9	3.6	-3.6	8.2	4.8	
GMO Global Fund	2.2	8.9	6.7	8.6	0.2	--	5.4	4/30/05
MSCI All Country World Index	2.2	9.4	6.2	7.7	-1.7	--	4.4	
BlackRock MSCI ACWI Equity Index	2.2	--	--	--	--	--	--	6/30/05
MSCI All Country World Index	2.2	--	--	--	--	--	--	
Total Global Equity	2.2	8.1	5.0	7.9	-2.2	--	3.4	4/30/05
MSCI All Country World Index	2.2	9.4	6.2	7.7	-1.7	--	4.4	

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (Continued)
Period Ending 8/31/2012

	August	Year-to-Date	1 Year Ending 8/31/2012	3 Years Ending 8/31/2012	5 Years Ending 8/31/2012	10 Years Ending 8/31/2012	Since Inception	Inception Date
Loomis Sayles Global Fixed Income	0.9	--	--	--	--	--	2.0	6/30/12
Barclays Capital Global Aggregate Bond Index	0.9	--	--	--	--	--	2.1	
Total Global Fixed Income	0.9	--	--	--	--	--	2.0	6/30/12
Barclays Capital Global Aggregate Bond Index	0.9	--	--	--	--	--	2.1	
Western	0.5	7.5	9.2	10.0	7.4	6.6	7.0	12/31/96
Barclays Capital Aggregate Bond Index	0.1	3.9	5.8	6.5	6.7	5.5	6.3	
BlackRock U.S. Debt Fund	0.1	3.9	5.9	6.6	6.8	5.5	6.2	11/30/95
Barclays Capital Aggregate Bond Index	0.1	3.9	5.8	6.5	6.7	5.5	6.2	
Reams	0.9	8.1	10.9	10.2	9.9	7.8	7.2	9/30/01
Barclays Capital Aggregate Bond Index	0.1	3.9	5.8	6.5	6.7	5.5	5.6	
Loomis Sayles	1.3	10.5	9.3	12.1	8.5	--	7.7	7/31/05
Performance Benchmark***	0.4	5.7	8.2	8.7	7.5	--	6.6	
Total U.S. Fixed Income	0.7	7.5	9.3	9.9	8.7	7.0	6.9	2/28/94
Barclays Capital Aggregate Bond Index	0.1	3.9	5.8	6.5	6.7	5.5	6.3	
Total Real Estate****	0.0	5.2	10.7	8.0	-3.6	5.0	7.4	3/31/94
NCREIF Open-End Fund Property Index*****	0.0	5.3	9.5	10.5	1.6	7.9	9.0	
Total Fund	1.7	9.7	10.2	10.7	2.1	7.0	7.8	3/31/94******
Policy Portfolio	1.5	8.6	9.2	9.6	2.2	7.0	7.8	
Total Fund (ex-Private Equity)	1.6	9.2	--	--	--	--	--	
Total Fund (ex-Clifton)	1.6	9.5	10.2	10.5	2.0	6.9	7.8	

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

Manager Watchlists

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Manager "Watch" Status Policy

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

- Failure to meet one or more of the standards, objectives, goals, or risk controls as set forth in this policy statement
- Violation of ethical, legal, or regulatory standards
- Material adverse change in the ownership of the firm or personnel changes
- Failure to meet reporting or disclosure requirements
- Failure to meet performance objectives or goals
- Any actual or potentially adverse information, trends, or developments that the Board feels might impair the investment manager's ability to deliver successful outcomes for the participants of the plan

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

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

- RREEF is currently on watch for performance reasons.

Manager	Date Added	Reason	Follow-up Date
RREEF	February 2009	Performance	September 2012

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Sprucegrove

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Sprucegrove Investment Management Ltd.

181 University Avenue, Suite 1300•Toronto, Ontario •M5H 3M7 • (416) 363-5854 • Fax: (416) 363-6803

September 10, 2012

Hewitt EnnisKnupp
Attention: Omar Khan
omar.khan@aonhewitt.com

RE: VENTURA COUNTY

For the month ending August 31, 2012, please find attached the responses to your monthly questionnaire regarding Ventura County which invests in the Sprucegrove U.S. International Pooled Fund.

1. Change in talent, process, organization and/or regulatory development.
No Change.

2. What hurt or helped relative performance in the last month and 12 months?
As a bottom-up manager, we attribute our returns to stock selection as country, sector and currency exposure are a residual of stock selection. We do prepare an internal attribution analysis for client reporting purposes from which we base our observations on relative performance.

	1 Month	3 Months	YTD	1 Year	3 Years	4 Years	5 Years	10 Years	15 Years	26 Years
Fund	1.5	8.2	7.3	2.3	7.2	2.0	(1.8)	9.0	8.1	11.0
MSCI EAFE[2]	2.7	11.1	6.9	0.0	2.4	(2.2)	(4.8)	6.7	3.6	5.6

From a sector perspective, the Fund underperformance was attributable to stock selection in Telecommunication Services, Utilities and Consumer Discretionary and an underweight position in Financials relative to the Index. From a country perspective, negative contributions from the Fund's exposure to emerging markets (particularly Korea and China) and a combination of underweighting and stock selection in Germany were partially offset by outperformance due to stock selection in Japan.

3. 12 month outlook for the investment markets.
As a bottom-up manager we do not forecast markets.

4. Confirmation of compliance with investment guidelines.
For the month ending August 31, 2012, the Sprucegrove U.S. International Pooled Fund complied with its investment guidelines.

All proxies were voted in accordance with our Guidelines for the month ending August 31, 2012.

Sincerely,

Blake Murphy
Chief Operating Officer

Footnotes

[1] In U.S. dollars gross of fees (management and impact fee where available), annualized for periods over 1 year. Fund performance reflects a linking in December 1994 between the Sprucegrove U.S. International Pooled Fund and the Confederation Life American International Pooled Fund (for which the Sprucegrove Investment Management team managed the portfolio since its inception in 1985).

[2] MSCI Europe, Australia and Far East Index (EAFE) Net Index.

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SPRUCEGROVE U.S. INTERNATIONAL POOLED FUND
(GROUP TRUST)
INTERNATIONAL MARKET SUMMARY
August 2012

Performance[1]

	1 Month	3 Months	YTD	1 Year	3 Years	4 Years	5 Years	10 Years	15 Years	26 Years
Fund	1.5	8.2	7.3	2.3	7.2	2.0	(1.8)	9.0	8.1	11.0
MSCI EAFE[2]	2.7	11.1	6.9	0.0	2.4	(2.2)	(4.8)	6.7	3.6	5.6

The Fund return in **August** was **+1.5%** versus the MSCI EAFE Index return of **+2.7%**.

Top Five Contributors for the Month*

Fund Holding	Average Weighting 1 Month (%)	Contribution to Fund Return (bps)
Banco Santander	1.7	27
Total	2.3	18
Tesco	1.9	13
SBM Offshore	0.7	10
Royal Dutch Shell	2.7	9
		77

Bottom Five Contributors for the Month*

Fund Holding	Average Weighting 1 Month (%)	Contribution to Fund Return (bps)
China Mobile	1.7	(16)
Samsung Electronics	2.4	(15)
SMC	1.3	(10)
Fugro	1.2	(9)
Cobham	1.4	(6)
		(56)

Banco Santander (Spain/Financials), a diversified financial services provider, traded higher as investor anticipation grew for a new listing of Santander's Mexican operations. **SBM Offshore** (Holland/Energy), a supplier of floating oil and gas production platforms, maintained management's full-year earnings guidance. There was no company-specific news for stronger performers **Total** (France/Energy), **Tesco** (U.K./Consumer Staples) and **Royal Dutch Shell** (U.K./Energy).

China Mobile (China/Telecommunication Services), the world's largest mobile carrier, had its share price drop sharply after reporting earnings that disappointed investors. **Samsung Electronics** (Korea/Information Technology), a diversified manufacturer of electronic equipment, fell after a California court ruled that Samsung had copied critical features of Apple's iPhone and iPad and should pay $1.05 billion USD in damages to Apple. **Fugro** (Holland/Energy), a leader in geophysical surveys, announced financial results for the first half of the year. **Cobham** (U.K./Industrials), a manufacturer of aerospace and defense systems, traded lower after management predicted earnings growth for the second half of the year would slow from the pace in the first half. There was no company-specific news for weaker performer **SMC** (Japan/Industrials).

Transactions

During **August**, the Fund added to the following holdings: **Shin-Etsu Chemical** (Japan/Materials), **Straumann** (Switzerland/Health Care) and **Bank of Nova Scotia** (Canada/Financials). **Mandarin Oriental** (Hong Kong/Consumer Discretionary), **Singapore Telecommunications** (Singapore/Telecommunication Services), **Ambuja Cements** (India/Materials) and **Samsung Electronics** (Korea/Information Technology) were reduced for valuation reasons. **Schindler** (Switzerland/Industrials) was eliminated for valuation reasons.

*Average Weighting is calculated as the average daily weight of the holding in the portfolio. Contribution to Fund Return is calculated using the geometric daily linking of the return multiplied by the beginning of day weight. A list of all holdings' contributions is available upon request.

Attribution

Individual equity weightings are determined by our bottom-up stock selection process and therefore the following attribution analysis is for information purposes only. From a sector perspective, the Fund underperformance was attributable to stock selection in Telecommunication Services, Utilities and Consumer Discretionary and an underweight position in Financials relative to the Index. From a country perspective, negative contributions from the Fund's exposure to emerging markets (particularly Korea and China) and a combination of underweighting and stock selection in Germany were partially offset by outperformance due to stock selection in Japan.

Index Performance and Weightings

	Index[3] Change (%)						Weightings (%)	
	Local Currency			U.S. $				
Region	**1 Month**	**3 Months**	**1 Year**	**1 Month**	**3 Months**	**1 Year**	**Fund**	**Index[2]**
Europe	2.3	10.8	11.4	4.4	14.0	1.4	48.0	65.6
Pacific	0.3	4.4	(0.1)	(0.3)	6.4	(2.5)	35.1	34.4
EAFE[2]	1.6	8.4	7.0	2.7	11.1	(0.0)	83.1	100.0
EM[4]	(0.2)	3.7	3.4	(0.3)	5.5	(5.8)	10.6	
Canada	2.6	4.4	(4.9)	4.2	9.6	(5.7)	2.9	
World[6]	2.0	7.8	11.4	2.5	9.1	8.1		
						Cash	3.4	
							100.0	
Country								
Japan	(0.5)	1.7	(3.2)	(0.7)	1.9	(5.5)	20.2	20.4
U.K.	2.0	8.5	10.3	3.4	12.0	7.6	17.9	23.3
U.S.[6]	2.3	7.7	16.9	2.3	7.7	16.9	N/A	N/A
Sector[2]								
Energy	3.5	10.4	11.1	5.1	13.9	4.6	10.6	8.5
Materials	(0.5)	1.4	(9.9)	0.4	4.7	(15.5)	10.7	9.3
Industrials	0.6	4.9	3.4	1.7	7.2	(3.0)	19.1	12.4
Cons. Disc.	1.3	4.9	8.5	2.3	6.8	2.1	13.8	10.4
Con. Staples	1.1	9.6	21.8	2.6	12.3	12.2	4.9	12.2
Health Care	(0.4)	11.3	22.8	1.1	13.5	11.2	9.3	10.3
Financials	3.4	13.9	6.4	4.1	17.3	0.4	10.2	22.9
Technology	(0.1)	1.7	(4.7)	0.7	3.4	(9.7)	11.8	4.3
Telecom	1.9	11.3	5.4	3.2	14.3	(1.6)	3.1	5.6
Utilities	3.8	5.5	(3.4)	5.2	7.6	(10.0)	3.1	4.0
						Cash	3.4	
							100.0	100.0

Footnotes

1 In U.S. dollars gross of fees (management and impact fee where available), annualized for periods over 1 year. Fund performance reflects a linking in December 1994 between the Sprucegrove U.S. International Pooled Fund and the Confederation Life American International Pooled Fund (for which the Sprucegrove Investment Management team managed the portfolio since its inception in 1985).

2 MSCI Europe, Australia and Far East Index (EAFE) Net Index.

3 Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

4 MSCI Emerging Markets Net Index (EM).

5 Brazil, China, Hungary, India, Korea, Malaysia and South Africa included.

6 Presented for comparative purposes only.

Note: Weightings may not total 100% due to rounding.

Hexavest

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Hexavest

September 10, 2012

Dear Client,

Pursuant to VCERA's monthly request, please find below a monthly summary/update of your portfolio performance.

1. Change in talent, process, organization and/or regulatory development

On August 6, Eaton Vance Corp. (NYSE:EV) and Hexavest Inc. announced the completion of the purchase by Eaton Vance of a 49 percent interest in Hexavest. The employee shareholders of Hexavest will continue to control the company and direct its operations. Eaton Vance assumes primary responsibility for Hexavest's new business development outside of Canada, and will launch mutual funds in the U.S. and offshore markets to be sub-advised by Hexavest.

During the month of August, Hexavest proceeded to a new addition in the investment team. Etienne Durocher-Dumais joined Hexavest as Analyst, Asian markets. Prior to joining the firm, he was an Equity Research Associate at Desjardins Securities from 2008 to 2012. Etienne holds a bachelor's degree in Business Administration (2006) and a master's degree in Finance from HEC Montréal (2011). He is currently a Level III CFA Candidate.

There were no changes in process or regulatory developments during the month of August.

2. What hurt or helped relative performance in the last month and 12 months?

Please find below the performance attribution for August 2012.

Monthly Returns (Gross of Fees, in USD)

Methodology	Portfolio Return	MSCI EAFE Net	Value Added
Time weighted	2.56%	2.69%	-0.13%

Monthly Returns (Net of Fees, in USD)

Methodology	Portfolio Return	MSCI EAFE Net	Value Added
Time weighted	2.52%	2.69%	-0.17%

1250 René Lévesque Blvd. West, Suite 4200 | Montreal, Quebec, Canada | H3B 4W8

Monthly Performance Attribution

Regions & Countries	Cash	Currencies	Sectors & Industries	Stocks and Residual
-0.18%	-0.12%	-0.17%	0.09%	0.25%

Main contributors to monthly performance

Positive Factors	Negative Factors
Currencies	**Cash allocation**
Underweight AUD	**Regions & Countries**
Sectors & Industries	Underweight Spain
Overweight gold producers	Underweight Italy
Underweight Industrials	**Currencies**
Underweight Consumer Discretionary	Underweight EUR
Stock selection	Overweight USD
Underweight Royal Dutch Shell (Energy/Europe)	**Sectors & Industries**
Underweight HSBC Holdings (Financials/Europe)	Overweight Healthcare
Underweight Standard Chartered (Financials/Europe)	Underweight Financials
Overweight Newcrest Mining (Materials /Asia Pacific)	**Stock selection**
	Overweight Nordea Bank (Financials/Europe)
	Overweight Julius Baer Gruppe (Financials/Europe)
	Overweight Astrazeneca (Healthcare/Europe)
	Overweight Swisscom (Telcos/Europe)

3. What is your 12 month outlook for the investment markets?

<u>*Macroeconomic environment*</u>

Given the deteriorating economic conditions in China, Europe, and the United States since the first quarter, and taking into account the continuing political and budgetary deadlocks in Europe and the United States, we downgraded our "macroeconomic environment" vector from double negative to triple negative at the end of June, and we are maintaining this rating.

<u>*Valuation of financial markets*</u>

Market valuation may seem attractive today, but underlying earnings forecasts are unrealistic. The macro environment rather suggests a decline in profits over the next 12 *months. Moreover, we reiterate that stock markets should trade at a discount during periods of economic volatility. Because stock markets were pushed higher since the beginning of the third quarter while economic data continued to deteriorate, we downgraded our "market valuation" to a single negative.*

Sentiment of investors

Most of our sentiment indicators showed deterioration from the first to the second quarter. However, all risky assets remain on the rise since October 2011 despite the deteriorating global economy. For us, it is clear that investors rely on intervention from politicians and central bankers to support the markets. The good performance of risky assets has convinced us to downgrade our contrarian assessment of the "investor sentiment" in August. It currently stands at double negative.

Given all our concerns on the macroeconomic front and the recent deterioration of the valuation and sentiment vectors, we are maintaining our prudent positioning.

4. Confirmation of compliance with investment guidelines

   We confirm compliance with the investment guidelines of the Hexavest EAFE Equity Fund.

Additionally, we will provide VCERA with monthly deliverables which will include the portfolio valuation, the transaction report, and the performance summary table.

The information provided by us will be final and will be sent to VCERA by the second Monday after each month end.

Yours sincerely,

Nadia Cesaratto, CFA
Vice President, Client Services & Business Development

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Walter Scott

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Tuesday, September 11, 2012

Walter Scott & Partners Limited

Dear Manager,

Per the monthly request by Ventura County; please provide a monthly summary/update of portfolio performance. Ventura County would like the following four questions answered:

1. Change in talent, process, organization and/or regulatory development
   None

2. What hurt or helped relative performance in the last month and 12 months?
   Please refer to the most recent monthly report

3. What is your 12 month outlook for the investment markets?
   This is also referred to in the monthly report

4. Confirmation of compliance with investment guidelines
   Compliance with investment guidelines are disclosed on a quarterly basis and will be reported in each quarterly report going forward. If the fund is out of compliance, we would contact the client directly.

Additionally, please provide monthly deliverables typically provided/requested. This would include market value and monthly return requests (preliminary data is OK).

Please provide us with an update by the morning of the second Monday of each month. Please let me know if you have questions or concerns.

Sincerely,

Leon Kung

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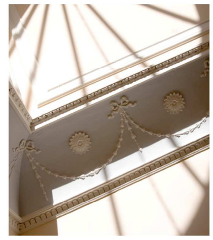

Walter Scott
Global Investment Management

Walter Scott & Partners Group Trust International Fund

The views expressed in this report are those of Walter Scott & Partners Limited.
This report is not an invitation to subscribe for any fund, account or investment vehicle.

Objective

The investment objective is to achieve superior long term after inflation returns by investing in a fund of international stocks that have high internal rates of return and are growing at above average rates.

Comment

On first glance global equity markets appear in remarkably good spirits. Following a healthy performance in July, most equity markets remained buoyant in August. US equity markets have shown particular strength in 2012. At the heart of troubled Europe, Germany's DAX index has experienced similar strength in recent months and a number of South-East Asian markets have performed well despite the mixed outlook for China. Admittedly, volumes across equity markets have been extremely low but these numbers certainly suggest confidence and optimism. That mood contrasts with the downbeat impression that might be gained from analysing economic newsflow. Business confidence in the euro zone has fallen and employment data across Europe continues to worsen. Euro zone unemployment was 11.3% in July with youth unemployment 22.6%. With the growing polarity between the euro zone core and the periphery, youth unemployment in Spain now stands at 52.9%. It is difficult to comprehend the future cost of this increasingly lost generation of young people. Elsewhere in Spain, Catalonia, the second largest region, has been forced to tap Spain's €18bn rescue fund that was only established this summer. The economic challenges facing many euro zone countries remain unrelenting and structural questions are also looming. The German Constitutional Court will soon rule upon the legality of the European Stability Mechanism and there will inevitably be diplomatic jostling around proposals for a single European banking regulator. These issues, amongst others, have the potential to disturb equity markets.

Away from the near permanent state of worry in the euro zone, Australia's resources minister, Martin Ferguson also struck a somewhat negative note during August. Whilst his colleagues, most notably the prime minister, have sought to correct his message, he has not yet appealed to the increasingly common defence of "misspeak". The minister noted, "you've got to understand, the resources boom is over… the commodity price boom is over and anyone with half a brain knows that". Whilst talk of an end to the so-called commodity supercycle is not new, those fears, until now, have been brushed off by markets. Such disregard may not continue. Elsewhere, amongst many cautious comments from luxury goods companies commentators have pointed to the decline in the Liv-ex fine wine indices as a proxy for a serious slowdown in China. Since highs in June 2011 the main indices tracking the most sought after wines have fallen markedly. Views on investment opportunities in China have become increasingly divided as have views on the real long term implications of the spate of political scandals. The growth engine may be slowing but it seems unlikely at this stage that it will falter significantly. Comfort can be taken from the near absolute power of the Chinese government to apply fiscal and monetary medicine. Markets may find it more difficult to find comfort in US political power. Much has been said about the need to address the US fiscal cliff.

Performance

Period	Fund %	MSCI EAFE %
Aug-12	1.5	2.7
Year-to-date	12.8	6.9
Inception 17-Sep-03*	8.8	5.8

*Annualised return

Top Ten Holdings

Company	Sector
Novo Nordisk	Healthcare
Essilor	Healthcare
Fanuc	Industrials
Adidas	Consumer discretionary
CSL	Healthcare
SGS	Industrials
L'Oreal	Consumer staples
CNOOC	Energy
Daito Trust Construction	Financials
Novartis	Healthcare

Whilst it seemed inconceivable and against all economic logic, and indeed good old fashioned housekeeping and budgeting, that this issue would be avoided once again, there is a growing feeling that this political "can" will be kicked into 2013. It was perhaps naïve to think that economic reality would conquer over the political will to avoid this issue, albeit one that goes to the heart of US economic health.

Concerns and risks within Europe, China, the US and still simmering tensions in the Middle East have been with us for some time now but that does not negate their seriousness. The contrasting picture of equity markets can only suggest a continued and growing belief that the ECB and the US Federal Reserve will act soon and yet again deluge financial markets with funds via quantitative easing (QE).

Whilst it is relatively easy to become downbeat from a macro-economic perspective, from a company perspective, grounds for optimism remain. High quality, world leading companies have shown the ability to pursue profitable growth, expand and grow market share not only in August but over many months. Time and time again, companies have shown an ability to maintain pricing power and margins and grow at a rate above that of their respective market. However, economic realities, and more specifically continued economic uncertainties, can only weigh upon management decision making. Such sentiment is certainly spreading and US companies in particular now often reference the impact of uncertainty around federal budgets and specifically employee healthcare costs.

That economic-related uncertainty has also recently been joined by growing confusion around the regulatory environment. The financial sector has grown accustomed to a shifting landscape as regulators try to find the best route to ensure that banking risks are understood and managed, and appropriately limited across all banks in every jurisdiction. Those admirable efforts are often combined with a more politically driven need to be seen to do something. But with the recent substantial and high profile fines against both **HSBC** and **Standard Chartered** one has to question whether the balance has tilted towards politics rather than robust regulation. There is no doubt the regulatory burden has grown with a recent Bank of England report noting that in 1980 there was one regulator for every 11,000 working in finance. In 2011, there was one regulator for every 300.

Outside the financial sector, questions around proper regulation have also arisen and for many, fears of protectionism are looming. Apple's high profile legal wrangles with Samsung have certainly fuelled such debate. The legal specifics have varied between jurisdictions but the outcome of Apple's legal proceedings around the world have been marked in their differences. At one extreme, Apple's claims were rejected in the UK and Apple was asked to publish a clarification by way of apology in the UK national press. Whilst in the US, the court found in favour of Apple and Samsung may be prohibited from selling a number of its products in the US market. Does this indicate outdated patent protection laws outwith the US or a US fight to protect its technological industry and a return to old fashioned protectionism? Whichever side of the debate one favours, the result for companies is the same; uncertainty. Uncertainty can destroy confidence and in the board rooms of global corporations confidence is needed to lay the ground work for growth not only in the next year but in the coming decades.

Geographic Breakdown

	Weight %
Europe ex UK	30.7
Japan	25.7
Asia Pacific ex Japan	16.4
UK	15.7
Emerging markets	8.2
Canada	1.7
Liquidity	1.6
Total	100.0

Sector Breakdown

	Weight %
Consumer staples	18.3
Healthcare	15.7
Consumer discretionary	13.3
Energy	12.3
Financials	10.6
Information technology	8.3
Industrials	7.9
Utilities	6.5
Materials	3.4
Telecom services	2.1
Liquidity	1.6
Total	100.0

As investors in the US, Europe and elsewhere return from their traditional summer break, and with little good news expected, there seems a reasonable prospect that markets will return to a more familiar volatile pattern following such an upbeat summer. Japan Airlines filed for bankruptcy protection back in 2010 but hopes to conclude its $8.5 billion IPO in September. This will be the largest IPO since Facebook Inc and a test of the depth of confidence within equity markets. Time will tell whether the airline has picked the right moment to relist but if uncertainty brings volatility back to global equity markets, for Japan Airlines turbulence may not only be in the air.

Companies

Essilor, the world leader for corrective lenses, reported half year sales up 22.8%. Within that figure acquisitions represented 11.7% and there was some currency benefit. However, like-for-like sales growth was still a respectable 6.6%. Essilor is present in more than 100 countries and its focus has always rested more on innovation than straightforward consumer marketing. Both these factors have underpinned the company's continued growth. In North America like-for-like growth was 6.4% whilst 3.6% like-for-like growth in Europe reflected sufficient strength in France, Germany and the UK to offset weakness in Southern Europe. With 14 bolt-on acquisitions over the first half, Essilor continues to take advantage of market weakness to build on its own industry position and the company confirmed guidance for 12-15% revenue growth over the full year.

At the beginning of August the newly formed New York State Department of Financial Services (DFS) released claims that **Standard Chartered** had wrongly concealed transactions with Iranian parties from US regulators over a ten year period. In prompt response, Standard Chartered released a statement strongly rejecting the DFS' position and portrayal of the facts. Of over 150 million transactions conducted over the period only 236 were not fully compliant. According to Standard Chartered, of the 236, the issues involved can mostly be described as clerical and none were related to any terrorist activities. Despite this staunch defence, in the face of mounting media attack, Standard Chartered reached the pragmatic decision to settle with the DFS. Whilst the details have still to be finalised, Standard Chartered's settlement fine with the DFS is likely to be in the region of $340 million. That figure represents 6% of Standard Chartered's estimated net income in 2012 ($5.3 billion). The episode is certainly regrettable but the investment team has been encouraged by management's open and direct communication through a number of telephone calls and a face-to-face meeting with the CFO. Standard Chartered appears to have found itself embroiled in a politically motivated regulatory maelstrom for which, arguably, the repercussions have been disproportionate to the activities under scrutiny. That said, Standard Chartered may face further fines from other US financial regulators and its previously held "safe haven" status will take some time to rebuild. However, the investment rationale for this stock has been largely based on the growth opportunities offered by its strategic presence in Asia. The bank is well positioned to capture meaningful market share of both the wealth management and banking markets that will expand with the growing middle class across the region. Whilst the stock must remain under review, those prospects have not been impacted by these recent events.

Fund Changes

There were no changes to the fund during August.

Outlook

At the recent Jackson Hole gathering of central bankers the US Federal Reserve Chairman Bernanke noted, in a characteristically understated way, that the economic situation is "far from satisfactory". The question is whether the prospect of QE will continue to support markets regardless of economic realities. It seems likely that at some point economic realities must puncture the current "onwards and upwards" mindset of equity markets. Timing of such markets' shifts are however well beyond the remit of an investment firm solely focused on "bottom up" stock selection. Walter Scott will maintain its strict focus on companies able to grow despite challenging markets and able to finance investment to drive future growth with or without the fillip of economic growth that is lacking in so many parts of the world.

Valuation Statement

01 Aug 12 - 31 Aug 12

Contents

NOTE: All amounts are denominated in USD

Participant Name

Ventura County Employees Retirement Assn

Sponsor

Walter Scott

Questions?

If you have any questions about this report, please direct them to pooledfunds@walterscott.com.

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Holdings Statement

Participant: Ventura County Employees Retirement Assn

Description	Units	Market Price	Market Value	Book Value	Unrealized Gain/Loss	% of Total
WS Group Trust International	3,611,702.588	21.315246555	76,984,331.15	73,678,577.78	3,305,753.37	100.00%
Total			76,984,331.15	73,678,577.78	3,305,753.37	100.00%

Transaction Detail

WS Group Trust International

Participant: Ventura County Employees Retirement Assn

Date	Description	Transaction Amount	Charges	Net Amount	Unit Price	Price Date	Units	Book Value	Realized G/L
	Opening Balance						3,611,702.588	73,678,577.78	
	Closing Balance						3,611,702.588	73,678,577.78	

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Market and Book Value Reconciliation

WS Group Trust International

Ventura County Employees Retirement Assn

	Current Period		Year to Date	
	Book Value	Market Value	Book Value	Market Value
Opening Balance	73,678,577.78	75,882,591.69	49,953,577.78	46,514,544.27
Contributions and Withdrawals				
Participant Contributions	0.00	0.00	23,725,000.00	23,725,000.00
Total Contributions and Withdrawals	0.00	0.00	23,725,000.00	23,725,000.00
Net Income	0.00	0.00	0.00	0.00
Realized Gain/Loss Distribution	0.00	0.00	0.00	0.00
Realized Gain/Loss on Sales		0.00		0.00
Net Change in Unrealized Gain/Loss		1,101,739.46		6,744,786.88
Total Gains/Losses	0.00	1,101,739.46	0.00	6,744,786.88
Total Investment Change	0.00	1,101,739.46	0.00	6,744,786.88
Closing Balance	73,678,577.78	76,984,331.15	73,678,577.78	76,984,331.15

GMO

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GMO LLC
Ventura County Employees' Retirement Association
Hewitt EnnisKnupp, Inc., an Aon Company
August, 2012

Monthly summary/Portfolio performance

Please refer to the attached "Ventura County ERA August 2012 Performance_PRELIM" and "Ventura County ERA August 2012 Transactions_PRELIM" reports.

1. **Change in talent, process, organization and/or regulatory development.**

   GMO Asset Allocation Team

   There were no changes to the GMO Asset Allocation Team during August, 2012.

   Investment Process

   There were no changes to the investment process during August, 2012.

   Organization

   There were no changes at the organization level during August, 2012.

   Regulatory developments during August, 2012:

   There were no regulatory developments during August, 2012.

2. **What hurt or helped relative performance in the last month and 12 months.**

   This information will be provided in your quarterly client reporting package.

3. **What is your 12 month outlook for the investment markets.**

   GMO does not generate a 12 month investment outlook. This information is available quarterly and in our 7 year Asset Class Return Forecast. A copy of the "GMO 7 Year Asset Class Return Forecast August 2012" will be forwarded as soon as it becomes available.

4. **Confirmation of compliance with investment guidelines.**

   Please refer to the monthly letter provided by GMO's compliance department.

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Ventura County Employees' Retirement Association

Performance Net of Fees and Expenses - Preliminary in USD - Detail

Periods Ending August 31, 2012

Investment	Month	YTD	Annualized 1 Year	Annualized 3 Year	Annualized 5 Year	*Since Inception	Market Value (M)	% of Account
U.S. Flexible Equities [1] (07/23/2012)	1.88 %	4.03 %	N/A	N/A	N/A	4.03 %	60.4	36.8 %
Russell 3000	2.50	4.53	N/A	N/A	N/A	4.53		
Value Added	-0.62	-0.50	N/A	N/A	N/A	-0.50		
U.S. Core Equity (05/02/2005)	1.99	13.20	19.87	13.96	2.24	4.12	10.6	6.5
S&P 500	2.25	13.51	18.00	13.62	1.28	4.81		
Value Added	-0.26	-0.31	1.87	0.34	0.96	-0.69		
Domestic Equity (05/02/2005)	1.89	12.88	19.71	13.95	3.16	4.86	71.1	43.3
International Intrinsic Value [2] (05/02/2005)	3.90	3.90	-2.21	0.73	-5.85	2.03	37.4	22.8
MSCI EAFE Value	3.42	6.07	0.07	-0.05	-6.12	2.08		
Value Added	0.48	-2.17	-2.28	0.78	0.27	-0.05		
MSCI EAFE	2.69	6.92	-0.04	2.40	-4.81	2.94		
Value Added	1.21	-3.02	-2.17	-1.67	-1.04	-0.91		
International Growth Equity [2] (05/02/2005)	2.51	11.35	4.79	8.11	-1.12	5.22	12.0	7.3
MSCI EAFE Growth	1.95	7.69	-0.22	4.85	-3.56	3.74		
Value Added	0.56	3.66	5.01	3.26	2.44	1.48		
MSCI EAFE	2.69	6.92	-0.04	2.40	-4.81	2.94		
Value Added	-0.18	4.43	4.83	5.71	3.69	2.28		

Ventura County Employees' Retirement Association

Performance Net of Fees and Expenses - Preliminary in USD - Detail

Periods Ending August 31, 2012

Investment	Month	YTD	Annualized 1 Year	Annualized 3 Year	Annualized 5 Year	Annualized *Since Inception	Market Value (M)	% of Account
Currency Hedged Int'l. Equity [2] (12/12/2011)	2.26 %	7.20 %	N/A	N/A	N/A	8.86 %	16.6	10.1 %
MSCI EAFE (Hedged)	1.60	7.74	N/A	N/A	N/A	8.67		
Value Added	0.66	-0.54	N/A	N/A	N/A	0.19		
Emerging Markets [2] (06/04/2008)	0.90	4.08	-9.22	6.53	N/A	-4.21	22.8	13.9
S&P/IFCI Composite	0.01	6.34	-5.91	7.16	N/A	-1.99		
Value Added	0.89	-2.26	-3.31	-0.63	N/A	-2.22		
MSCI Emerging Markets	-0.33	5.61	-5.80	6.64	N/A	-2.52		
Value Added	1.23	-1.53	-3.42	-0.11	N/A	-1.69		
Flexible Equities [2] (12/12/2008)	-0.83	-1.22	-6.57	-5.21	N/A	-3.70	4.4	2.7
MSCI World	2.54	9.99	8.12	7.91	N/A	12.89		
Value Added	-3.37	-11.21	-14.69	-13.12	N/A	-16.59		
MSCI Japan IMI	-0.70	-0.10	-5.43	-1.41	N/A	3.62		
Value Added	-0.13	-1.12	-1.14	-3.80	N/A	-7.32		
International Equity (05/02/2005)	2.41	5.61	-2.76	4.25	-3.60	3.99	93.1	56.7
Total Equity (05/02/2005)	2.16	8.94	6.70	8.55	-0.41	4.96	164.2	100.0

Ventura County Employees' Retirement Association

Performance Net of Fees and Expenses - Preliminary in USD - Detail

Periods Ending August 31, 2012

Investment	Month	YTD	Annualized 1 Year	Annualized 3 Year	Annualized 5 Year	*Since Inception	Market Value (M)	% of Account
Total Asset Allocation (05/02/2005)	2.16 %	8.91 %	6.72 %	8.45 %	0.10 %	5.31 %	164.2	100.0 %
Policy Benchmark **	2.17	9.43	6.22	7.72	-1.93	3.78		
Value Added	-0.01	-0.52	0.50	0.73	2.03	1.53		

* Periods of less than a year are not annualized
** 100% MSCI ACWI
Note:
[1] The Fund is generally priced as of the NYSE close. Among other potential adjustments, the Fund fair values non-U.S. securities to take into account general market movements and other events that occur after the non-U.S. markets close but before the close of the NYSE. The Fund's benchmark does not similarly adjust foreign market closing prices. Consequently, on any given day, the Fund's performance may be affected by the differing pricing methodologies. Please see the Fund's prospectus for further details.
[2] The Fund is generally priced as of the NYSE close. Among other potential adjustments, the Fund fair values non-U.S. securities to take into account general market movements and other events that occur after the non-U.S. markets close but before the close of the NYSE. The Fund's benchmark does not similarly adjust foreign market closing prices. Consequently, on any given day, the Fund's performance may be affected by the differing pricing methodologies. Please see the Fund's prospectus for further details.
The pricing, transaction and performance information above is preliminary, for informational purposes only and subject to revision.

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Ventura County Employees' Retirement Association

Change in Market Value, Account Detail in USD - PRELIMINARY

YTD Ending August 31, 2012

Fund	% Of Fund	Market Value 12/31/2011	Cash Flows	Gains/ Losses	Current Shares	Price	Market Value 08/31/2012
U.S. Flexible Equities Fund-III	0.82	0	58,165,922	2,274,849	5,868,035.951	10.30	60,440,770
U.S. Core Equity Fund-III	0.75	12,568,354	-3,478,640	1,558,756	770,511.567	13.82	10,648,470
Quality Fund-III	0.00	50,642,820	-54,900,077	4,257,257	0.000	23.51	0
International Intrinsic Value Fund-III	0.43	26,611,617	9,371,784	1,430,278	1,924,571.951	19.44	37,413,679
International Growth Equity Fund-III	0.53	15,855,688	-5,220,058	1,344,791	524,077.892	22.86	11,980,421
Currency Hedged Int'l. Equity Fund-III	0.54	10,530,719	5,218,503	819,201	748,686.052	22.13	16,568,422
Emerging Markets Fund-II	0.22	17,513,555	4,382,939	905,249	2,111,272.433	10.80	22,801,742
Flexible Equities Fund-III	0.48	5,919,366	-1,634,756	100,684	262,907.323	16.68	4,385,294
Alpha Only Fund-III	0.00	1,919,639	-1,905,616	-14,023	0.000	24.60	0
Total		141,561,758	10,000,000	12,677,041			164,238,798

If you are an investor in a GMO fund who receives statements directly from the relevant fund's transfer agent or administrator, we urge you to compare those statements with your GMO statements.

Transaction Details

Date	Transaction	Gross Amount	Net Amount	Fees Paid	Price	Shares This Transaction	Total Shares
U.S. Flexible Equities Fund-III in USD							
07/23/2012	Receipt In-kind	56,165,921.75	56,165,921.75	0.00	9.90	5,672,914.000	5,672,914.000
08/30/2012	Purchase by Wire	2,000,000.00	2,000,000.00	0.00	10.25	195,121.951	5,868,035.951
U.S. Core Equity Fund-III in USD							
04/05/2012	Dividend-Reinvested	58,536.13	58,536.13	0.00	13.42	4,361.858	1,029,513.060

Ventura County Employees' Retirement Association

Change in Market Value, Account Detail in USD - PRELIMINARY

YTD Ending August 31, 2012

Transaction Details

Date	Transaction	Gross Amount	Net Amount	Fees Paid	Price	Shares This Transaction	Total Shares
06/12/2012	Exchange Redemption	-1,294,593.76	-1,294,593.76	0.00	12.97	-99,814.476	929,698.584
08/08/2012	Exchange Redemption	-1,035,620.98	-1,035,620.98	0.00	13.72	-75,482.579	854,216.005
08/08/2012	Exchange Redemption	-464,326.05	-464,326.05	0.00	13.72	-33,843.007	820,372.998
08/08/2012	Exchange Redemption	-684,098.84	-684,098.84	0.00	13.72	-49,861.431	770,511.567
Quality Fund-III in USD							
04/05/2012	Exchange Purchase	772,165.11	772,165.11	0.00	23.88	32,335.222	2,330,103.845
04/05/2012	Exchange Purchase	493,679.33	493,679.33	0.00	23.88	20,673.339	2,350,777.184
04/05/2012	Dividend-Reinvested	313,415.64	313,415.64	0.00	23.88	13,124.608	2,363,901.792
07/06/2012	Dividend-Reinvested	300,688.31	300,688.31	0.00	22.58	13,316.577	2,377,218.369
07/06/2012	Long Term Cap Gain-Reinvest	2,250,907.29	2,250,907.29	0.00	22.58	99,685.885	2,476,904.254
07/06/2012	Short Term Cap Gain-Reinvest	158,854.20	158,854.20	0.00	22.58	7,035.173	2,483,939.427
07/23/2012	Redemption In-kind	-56,165,921.75	-56,165,921.75	0.00	22.61	-2,483,939.427	0.000
International Intrinsic Value Fund-III in USD							
04/05/2012	Exchange Purchase	225,035.95	225,035.95	0.00	19.67	11,440.567	1,417,231.234
04/05/2012	Exchange Purchase	674,975.36	674,975.36	0.00	19.67	34,314.965	1,451,546.199
04/05/2012	Exchange Purchase	143,875.45	143,875.45	0.00	19.67	7,314.461	1,458,860.660
06/12/2012	Exchange Purchase	1,294,593.76	1,294,593.76	0.00	17.93	72,202.664	1,531,063.324
06/12/2012	Exchange Purchase	443,588.73	443,588.73	0.00	17.93	24,740.030	1,555,803.354
06/12/2012	Exchange Purchase	1,905,615.69	1,905,615.69	0.00	17.93	106,280.853	1,662,084.207
07/11/2012	Dividend-Reinvested	359,841.23	359,841.23	0.00	18.50	19,450.877	1,681,535.084
08/08/2012	Exchange Purchase	684,098.84	684,098.84	0.00	19.41	35,244.659	1,716,779.743

Ventura County Employees' Retirement Association

Change in Market Value, Account Detail in USD - PRELIMINARY

YTD Ending August 31, 2012

Transaction Details

Date	Transaction	Gross Amount	Net Amount	Fees Paid	Price	Shares This Transaction	Total Shares
08/30/2012	Purchase by Wire	4,000,000.00	4,000,000.00	0.00	19.25	207,792.208	1,924,571.951
International Growth Equity Fund-III in USD							
04/05/2012	Exchange Redemption	-1,732,689.42	-1,732,689.42	0.00	22.58	-76,735.581	681,546.965
04/05/2012	Exchange Redemption	-674,975.36	-674,975.36	0.00	22.58	-29,892.620	651,654.345
06/11/2012	Dividend-Reinvested	249,453.28	249,453.28	0.00	20.67	12,068.373	663,722.718
06/12/2012	Exchange Redemption	-3,382,938.83	-3,382,938.83	0.00	20.96	-161,399.753	502,322.965
06/12/2012	Exchange Redemption	-450,192.13	-450,192.13	0.00	20.96	-21,478.632	480,844.333
06/12/2012	Exchange Redemption	-443,588.73	-443,588.73	0.00	20.96	-21,163.584	459,680.749
08/08/2012	Exchange Purchase	464,326.05	464,326.05	0.00	22.78	20,383.058	480,063.807
08/30/2012	Purchase by Wire	1,000,000.00	1,000,000.00	0.00	22.72	44,014.085	524,077.892
Currency Hedged Int'l. Equity Fund-III in USD							
04/05/2012	Exchange Purchase	1,732,689.42	1,732,689.42	0.00	21.85	79,299.287	588,029.661
06/12/2012	Exchange Purchase	450,192.13	450,192.13	0.00	20.59	21,864.601	609,894.262
07/11/2012	Dividend-Reinvested	19,760.57	19,760.57	0.00	21.57	916.114	610,810.376
07/11/2012	Long Term Cap Gain-Reinvest	15,796.26	15,796.26	0.00	21.57	732.325	611,542.701
08/08/2012	Exchange Purchase	1,035,620.98	1,035,620.98	0.00	22.30	46,440.403	657,983.104
08/30/2012	Purchase by Wire	2,000,000.00	2,000,000.00	0.00	22.05	90,702.948	748,686.052
Emerging Markets Fund-II in USD							
06/12/2012	Exchange Purchase	3,382,938.83	3,356,986.47	25,952.36	10.23	328,151.170	2,018,648.717
08/30/2012	Purchase by Wire	1,000,000.00	992,000.00	8,000.00	10.71	92,623.716	2,111,272.433
Flexible Equities Fund-III in USD							

Ventura County Employees' Retirement Association

Change in Market Value, Account Detail in USD - PRELIMINARY

YTD Ending August 31, 2012

Transaction Details

Date	Transaction	Gross Amount	Net Amount	Fees Paid	Price	Shares This Transaction	Total Shares
04/05/2012	Exchange Redemption	-225,035.95	-225,035.95	0.00	18.71	-12,027.576	337,403.692
04/05/2012	Exchange Redemption	-772,165.11	-772,165.11	0.00	18.71	-41,270.182	296,133.510
04/05/2012	Exchange Redemption	-143,875.45	-143,875.45	0.00	18.71	-7,689.762	288,443.748
04/05/2012	Exchange Redemption	-493,679.33	-493,679.33	0.00	18.71	-26,385.854	262,057.894
07/11/2012	Dividend-Reinvested	14,780.07	14,780.07	0.00	17.40	849.429	262,907.323
Alpha Only Fund-III in USD							
06/12/2012	Exchange Redemption	-1,905,615.69	-1,905,615.69	0.00	24.46	-77,907.428	0.000

The pricing, transaction and performance information above is preliminary, for informational purposes only and subject to revision.

GMO

Grantham, Mayo, Van Otterloo & Co. LLC
40 Rowes Wharf | Boston, MA 02110
T: (617) 330-7500 | F: (617) 261-0134 | www.gmo.com

September 6, 2012

Mr. Donald Kendig
Retirement Administrator
Ventura County Employees' Retirement Association
1190 S Victoria Avenue, Suite 200
Ventura, CA 93003

Dear Mr. Kendig,

Pursuant to the Investment Management Agreement for the Ventura County Employees' Retirement Association and Grantham, Mayo, Van Otterloo & Co. LLC dated as of April 18, 2005 (the 'Agreement'), the Ventura County Employees' Retirement Association account was in compliance with the Client Mandate Form (the Investment Guidelines set forth in Schedule A to the Agreement) for the month of August 2012.

Sincerely,

Mark Landis
Compliance Specialist

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Western

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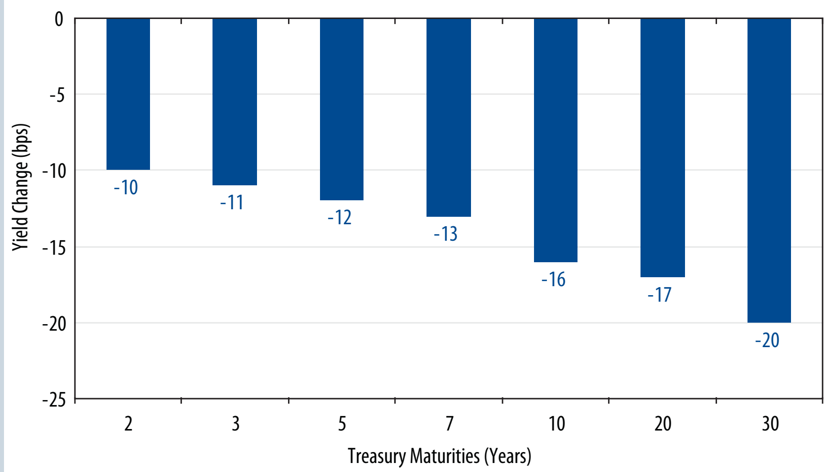
Market Review

The Barclays U.S. Aggregate Bond Index posted a total return of 1.38% in July as rates fell across the yield curve (Exhibit 1). It was a relatively hum-drum month in terms of both domestic and global news, yet investors trained a wary eye on Europe as its sovereign debt saga continued to play out in a painfully slow fashion. At home, domestic economic data were mixed. Growth persisted in mildly positive territory, with the initial estimate of 2Q12 GDP registering a 1.5% annualized rate. While otherwise tepid, positive growth remains a far cry from contraction or recession. In Spain, a multitude of regional governments made formal requests for bailout aid to the national government, indicating Spain's financial stress is greater than previously thought. Signaling the bond market equivalent of a four-alarm fire, Spanish 10-year government bonds reacted by climbing above 7.50%. Spanish yields eventually retreated to the high 6% range – which is itself unsustainably high – upon European Central Bank (ECB) President Mario Draghi's promise that "…within our mandate, the ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough." While his statement served its immediate purpose, the market will eventually demand concrete actions, not further verbiage. As investors sought safety, the German 10-year bund ended the month 30 basis points (bps) lower, yielding 1.28%, and the French 10-year note fell about 63 bps to 2.06%.

Exhibit 1
Yield Curve Changes in July



Source: US Treasury Department

Exhibit 2
Sector Returns (%)

Sector	MTD Total Return	YTD Total Return	MTD Excess Return	YTD Excess Return
US Aggregate	1.38	3.78	0.50	1.40
US Treasury	1.01	2.53	0.00	0.00
US TIPS	1.90	6.01	n/a	n/a
US Agency	0.83	2.51	0.24	1.01
US Agency MBS	0.80	2.47	0.28	0.72
CMBS	1.66	6.09	1.19	4.91
Baa Corporate	2.93	7.83	1.63	4.30
US Corporate IG	2.88	7.67	1.62	4.35
US Corporate High-Yield	1.90	9.31	1.25	7.37
Emerging Markets (USD)	3.82	11.04	2.67	7.57

Source: Barclays Capital

Spreads narrowed across major spread sectors as investors expressed a preference for riskier assets (Exhibit 2). Investment-grade credit, high-yield bonds and agency mortgages generated positive total returns as well as positive excess returns relative to duration-neutral US Treasuries (UST). Equities surged ahead over the month, with the S&P 500 Index gaining 1.26% and the Dow Jones Industrial Average up by 1.00%.

Washington Review

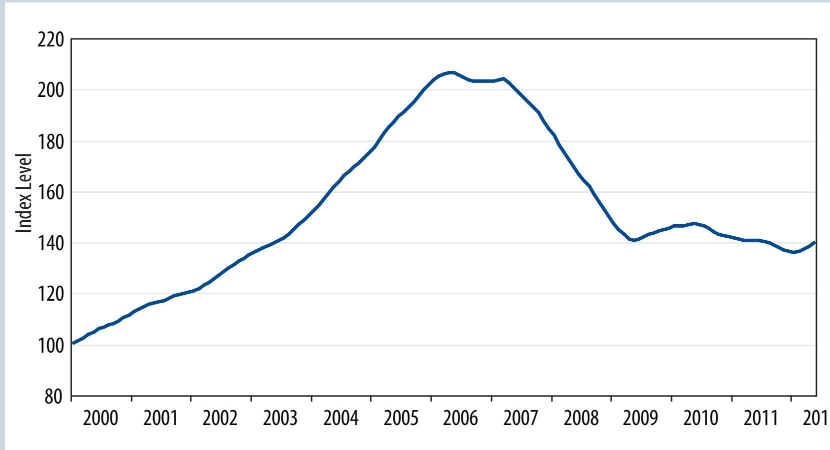
At its late July meeting (which concluded on August 1), the Federal Reserve (Fed) left key policies unchanged. The Fed reiterated that the fed funds target rate will remain within a range of 0% to 0.25% through at least late 2014 and that the second round of the Maturity Extension Program (aka "Operation Twist") will continue through the end of the year. While the Fed acknowledged that the economy has slowed somewhat over the first half of the year, it didn't sound any alarms regarding economic deceleration. Some market participants had hoped that the Fed would unveil some form of further stimulus. However, unless the economy sours considerably, the Fed is unlikely to launch any potentially controversial actions until after the presidential elections.

Economic Review

Economic data again indicated an economy slowly moving along while largely mired in the doldrums. As already discussed, 2Q12 real GDP registered an annualized growth rate of 1.5%. Due largely to a slackening in consumer expenditures, this is down 0.5% from the previous quarter's upwardly revised rate of 2.0%. The economy continued to struggle to create new jobs. According to the U.S. Department of Labor, nonfarm payrolls in June grew by 80,000, slightly below the market's diminished expectations. The unemployment rate remained unchanged at 8.2%. Weekly initial jobless claims remained volatile due to summer retooling at auto plants. However, the month-end four-week moving average was 365,500, which is about 20,000 fewer than its reading at the end of the previous month, indicating improvement.

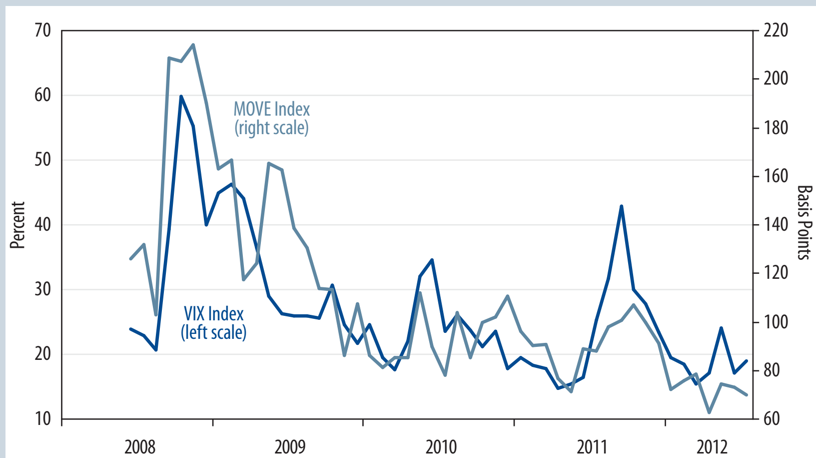
Core CPI (seasonally adjusted), which excludes the volatile food and energy components, increased by 0.2% in June, matching the pace over the previous three months. Over the previous 12 months, core CPI grew at a 2.2% rate, which is 0.6% higher than the 1.6% rate posted one year ago. Outside of the core figures, headline inflation (seasonally adjusted) remained unchanged in June, as expected. Headline inflation increased at a 1.7% pace year-over-year.

Exhibit 3
S&P/Case-Shiller Home Price Index (20-City Composite, Seasonally Adjusted)



Source: Standard & Poor's

Exhibit 4
Market Volatility



Source: Bloomberg

Housing news was mixed, as sales of existing homes disappointed, whereas other figures generally indicated improvement. Existing-home sales unexpectedly dropped by 5.4% in June. While the number of new homes sold in June was 20,000 lower than expected, numbers for May and June were substantially upwardly revised, by 13,000 and 15,000, respectively, so the net effect over the last three months still points to improvement. The supply of new homes increased to 4.9 months. In May, the most recent data period available, the S&P/Case-Schiller 20-City Composite Home Price Index (seasonally adjusted; data released on a two-month lag) increased by 0.9% for its fourth consecutive gain (Exhibit 3).

As previously mentioned, US equities gained over the month as market measures of volatility were mixed. The VIX Index, which measures volatility in equity markets, increased from 17.1% to 18.93%, which is below its long-term average. The MOVE Index, which measures interest-rate volatility, dipped from 73.2 to 69.8 over July (Exhibit 4). The price of crude oil increased by $3.85 as West Texas Intermediate crude ended the month at $88.06 per barrel. Gold increased by 1.1% to end the month at $1,614 per ounce. The US dollar rose by 2.90% versus the euro over the month as markets reacted to the lack of definitive action in Europe despite the positive developments in late June.

Performance Review

US strategies generally outperformed their benchmarks in July. An overweight to investment-grade credit, particularly to financials, added to returns as spreads narrowed. High-yield allocations, where held, generated positive results. Exposure to the non-agency mortgage-backed sector added to performance as investors felt more comfortable taking risk. Diversification into US TIPS had a slightly positive impact on performance as inflation expectations increased. The agency mortgage sector outperformed similar duration UST; our generally neutral exposure to the sector resulted in a minimal impact. Our tactically short duration positioning detracted, while curve positioning, overweight the long-end of the yield curve, added to performance.

Outlook

Economic data continued to support our view that economic growth proceeded along its subdued, yet positive trajectory. Barring a sudden contagion or scenarios involving major spillover effects throughout the globe, we expect a continuation of positive domestic economic growth and for spread sectors to perform modestly well through the second half of 2012. The Fed remains highly accommodative, corporate balance sheets are strong and earnings reports are generally positive. While valuations are still generally attractive despite recent spread tightening, we are unlikely to add to positions given the current elevated uncertainty in markets.

In terms of strategy, we continue to favor financials, which remain discounted by the market. However, we do have a bias toward trimming our positions, given the richer valuations as well as continued heightened market uncertainty. Where permitted, we are maintaining a modest exposure to the high-yield sector. We will tactically shift around a neutral position within agency mortgages. Although we slightly trimmed our non-agency mortgage positions earlier in the year, we believe that potential returns for this sector remain more heavily skewed to the upside, especially as delinquency rates have improved. We will maintain a slightly short duration position, which we may tactically adjust. We will continue to favor an overweight to the back end of the yield curve as a hedge against periodic flights to safety.

For more information on Western Asset, visit our website at westernasset.com.

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Ventura County Employees' Retirement Association Core Fixed Income Portfolio

Performance Summary Report

August 31, 2012

	Current Month	Latest 3 Months	Latest 6 Months	Year to Date	Latest 12 Months	Latest 2 Years	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years	Latest 15 Years	Inception [1] to Date
						Annualized						
Gross												
Portfolio	0.46	3.25%	4.84%	7.74%	9.44%	7.78%	10.42%	7.72%	6.44%	6.89%	7.23%	7.29%
Benchmark [3]	0.07	1.49%	2.97%	3.85%	5.78%	5.20%	6.51%	6.66%	5.74%	5.48%	6.25%	6.32%
Excess Return	0.39	1.76%	1.86%	3.89%	3.66%	2.58%	3.92%	1.06%	0.70%	1.41%	0.98%	0.97%
Net												
Portfolio [2]	0.44	3.20%	4.74%	7.61%	9.23%	7.57%	10.21%	7.51%	6.23%	6.67%	7.05%	7.12%
Benchmark [3]	0.07	1.49%	2.97%	3.85%	5.78%	5.20%	6.51%	6.66%	5.74%	5.48%	6.25%	6.32%
Excess Return	0.38	1.71%	1.77%	3.76%	3.46%	2.38%	3.71%	0.85%	0.49%	1.19%	0.81%	0.80%

Base Currency: US DOLLAR

Total Account Value (Market Value & Accrued Interest): $ 274,083,483.97

[1] Subject to the performance clock date, close of business day 01/31/1997, as agreed upon by Client and Investment Manager.

[2] Net-of-Fees performance returns are an estimate of time-weighted rate of return. The effective fee, based on a fee schedule, is deducted from the monthly gross return.

[3] Barclays U.S. Aggregate

Past investment results are not necessarily indicative of future investment results.

Benchmark and excess returns may not sum to portfolio performance, due to rounding.

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Ventura County Employees' Retirement Association

Performance Summary Report

August 31, 2012

	Current Month	Latest 3 Months	Latest 6 Months	Year to Date	Latest 12 Months	Latest 2 Years	Latest 3 Years	Latest 5 Years	Inception to Date [1]
						Annualized			
Gross									
Portfolio	2.74%	9.43%	6.07%	17.18%	20.63%	20.51%	19.54%	-2.29%	-3.33%
Benchmark [3]	2.25%	7.94%	4.14%	13.51%	18.00%	18.25%	13.62%	1.28%	0.58%
Excess Return	0.49%	1.49%	1.93%	3.67%	2.63%	2.26%	5.92%	-3.57%	-3.91%
Net									
Portfolio [2]	2.72%	9.38%	5.97%	17.04%	20.41%	20.33%	19.39%	-2.39%	-3.43%
Benchmark [3]	2.25%	7.94%	4.14%	13.51%	18.00%	18.25%	13.62%	1.28%	0.58%
Excess Return	0.47%	1.44%	1.83%	3.53%	2.41%	2.08%	5.77%	-3.67%	-4.01%

Base Currency: US DOLLAR

Total Account Value (Market Value & Accrued Interest): $ 116,721,643.34

[1] *Subject to the performance clock date, close of business day 05/31/2007, as agreed upon by Client and Investment Manager.*

[2] *Net-of-Fees performance returns are an estimate of time-weighted rate of return. The effective fee, based on a fee schedule, is deducted from the monthly gross return.*

[3] *S&P 500*

Past investment results are not necessarily indicative of future investment results.

Benchmark and excess returns may not sum to portfolio performance, due to rounding.

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September 6, 2012

Mr. Henry Solis
Fiscal Manager
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572

Re: Ventura County Core Full Account, WA # 851

Dear Mr. Solis:

This letter is to confirm that all investment activity during the month ending August 31, 2012 was consistent with the investment policies and restrictions set forth in the Ventura County Statement of Objectives, Guidelines and Procedures.

Should you have any questions, please contact your client service team.

Sincerely,

Vanui Ayvazyan
Portfolio Compliance

Western Asset Management Company
385 East Colorado Blvd. Pasadena, CA 91101 • Tel: (626) 844-9400 • Fax: (626) 844-9450

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WESTERN ASSET

September 6, 2012

Mr. Henry Solis
Fiscal Manager
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572

Re: Ventura County Index Plus Account, WA # 2887

Dear Mr. Solis:

This letter is to confirm that all investment activity during the month ending August 31, 2012 was consistent with the investment policies and restrictions set forth in the Ventura County Statement of Objectives, Guidelines and Procedures.

Should you have any questions, please contact your client service team.

Sincerely,

Vanui Ayvazyan
Portfolio Compliance

Western Asset Management Company
385 East Colorado Blvd. Pasadena, CA 91101 • Tel: (626) 844-9400 • Fax: (626) 844-9450

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Reams

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September 10, 2012

Mr. Leon Kung
Performance Analyst
Ennis Knupp & Associates
10 S. Riverside Plaza
Suite 1600
Chicago, IL 60606

Dear Leon:

Listed below are answers to your monthly request for information regarding the Ventura County fixed income portfolio:

1. Change in talent, process, organization and/or regulatory development.

No changes.

2. What hurt or helped relative performance in the last month and 12 months.

	August 2012 Perf (%)		August 2012 Attribution		Last 12 Months Through 8/31/12 Perf (%)		Last 12 Months Through 8/31/12 Attribution
Portfolio	0.89	Duration	0.17	Portfolio	11.11	Duration	0.20
Benchmark	0.07	Yield Curve	0.01	Benchmark	5.78	Yield Curve	0.17
		Sector Selection	0.20			Sector Selection	1.89
		Security Selection	0.44			Security Selection	3.07
Difference	**0.82**	**Total**	**0.82**	**Difference**	**5.33**	**Total**	**5.33**

Sector and Security Selection Detail, August 2012

	Sector	Security	Total
Gov't Related	(0.02)	0.00	(0.02)
MBS	0.02	0.06	0.08
ABS	0.04	0.00	0.04
Inv. Credit	0.07	0.34	0.41
High Yield	0.09	0.04	0.13
Non $	0.00	0.00	0.00
TIPS	0.00	0.00	0.00
Total	**0.20**	**0.44**	**0.64**

In August, the attention of capital markets once again focused on Mario Draghi, President of the European Central Bank (ECB). After strong talk at the end of July, which many felt implied sovereign bond purchases were eminent, August started with some disappointment when these purchases did not materialize. Mr. Draghi continued to promise "unconventional" measures to lower borrowing costs in stressed Euro countries. This rhetoric was successful in bringing down the unsustainably high rates in Italy and Spain, but will require follow up with concrete plans lest these rates move back up.

Domestically, we seemed stuck in an unfortunate goldilocks-like environment during the month: the economy is not hot enough to bring unemployment down and grow solidly on its own, but it is not cold enough yet to drive the Fed to a third round of QE. Late in the month, the Fed subtly indicated a shift toward additional support for more QE from board members. Chairman Bernanke furthered speculation that QE was forthcoming as his speech at the Jackson Hole symposium focused on a defense of past programs and their effectiveness. The economy faces several hurdles during the remainder of the year, including the presidential elections, the fiscal cliff, a slowing Chinese economy and potential Mideast unrest. Risk assets have rallied for three months, but now may face a more difficult road ahead.

Despite a somewhat mixed environment, most spread sectors tightened during August. Spread tightening was lead by high yield (20 basis points) and CMBS (17 basis points). Investment grade credit tightened 6 basis points and ABS tightened 5 basis points. MBS was the only sector that bucked the trend, widening 2 basis points during the month. The Treasury yield curve moved up slightly and steepened as the 2, 5, 10, and 30-year yields rose 1, 1, 8, and 13 basis points, respectively.

The Ventura portfolio outperformed its benchmark in August, returning 0.89% compared to 0.07% for the benchmark. Macro performance factors were positive as duration added 17 basis points due to our short bias as interest rates rose. Our bulleted yield curve strategy added 1 basis point to performance. Sector and security selection were positive, with sector adding 20 basis points and security selection adding 44 basis points to performance. Within these categories, high yield added 13 basis points, ABS added 4 basis points, and CMBS added 1 basis point due to an overweight in these outperforming sectors. Investment grade credit added 41 basis points and MBS (excluding CMBS) added 7 basis points to superior security selection. Government related subtracted 2 basis points due to our underweight in this outperforming sector.

For the last twelve months, the Ventura County portfolio return was 533 basis points above the benchmark at 11.11%, compared to 5.78% for the benchmark. Macro performance factors were positive, with duration adding 20 basis points due our dynamic duration positioning. Yield curve added 17 basis points to performance. Sector and security selection were positive, with sector adding 189 basis points and security selection adding 307 basis points to performance. Within these categories, investment grade credit added 203 basis points, high yield added 176 basis points, ABS added 57 basis points, and MBS (excluding CMBS) added 56 basis points due to superior security selection in these sectors. CMBS added 38 basis points due to an overweight in this outperforming sector. Government related subtracted 18 basis points as our holdings in this sector underperformed. Non-dollar subtracted 16 basis points from performance.

3. What is your 12 month outlook for the investment markets?

We modestly reduced our overweight in the corporate sector as spreads have tightened significantly over the past few months, but spreads remain attractive relative to other sectors in the fixed income universe. Our positions are focused in five-year maturity financial issuers which we view as offering a superior risk/reward opportunity relative to industrial and utility issuers, but more defensive than ten-year financials. Within the MBS sector we continue to focus the portfolio on multi-family agencies versus traditional pass-throughs that dominate the index in this sector. The portfolio continues to be overweight in the ABS sector, focusing on short-duration, high-quality issues. We remain biased to a shorter duration position as real interest rates are unattractive across the yield curve, but in reacting to changing market conditions, our position will fluctuate between neutral and short duration.

If you have any questions regarding portfolio activity, please do not hesitate to contact our office.

Sincerely,

Mark M. Egan, CFA, CPA
Managing Director

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Ventura County Employees' Retirement Association

August 31, 2012

Fixed Income Performance (Preliminary)

	Portfolio (%)	Barclays Aggregate BC AGG Index
Month Ending 8/31/2012	0.89	0.07
Year to Date	8.21	3.85

Summary Portfolio Characteristics

	Portfolio	BC AGG Index
Total Market Value ($)	335,362,150	16,755 billion
Avg. Portfolio Duration (Years)	3.8	5.0
Avg. Portfolio Convexity	0.40	-0.31
Avg. Yield to Maturity/Worst (%)	2.0	1.7
Avg. Maturity (Years)	5.7	7.0
Avg. Quality	AA3	AA1

Portfolio Structure

Quality Structure (% of Portfolio)	Portfolio	BC AGG Index
AAA	58.6	73.9
AA	4.7	4.5
A	18.1	11.4
BBB	11.7	10.2
Other	7.0	0.0
Total	100.0	100.0

Sector Structure (% of Portfolio)	Portfolio	BC AGG Index
Treasury	19.2	36.1
Govt Related	0.9	10.7
Mortgage-Backed	23.2	32.1
Asset-Backed	13.0	0.3
Corporate	37.0	20.9
Non-US Dollar	0.0	0.0
Money Market	6.7	0.0
Total	100.0	100.0

Duration Distribution (Years)	Portfolio	BC AGG Index
0 - 1 yr.	0.1	0.0
1 - 3	0.4	0.8
3 - 4	0.2	0.6
4 - 6	0.8	0.9
6 - 8	0.4	0.6
8 +	1.9	2.2
Total	3.8	5.0

Maturity Distribution (%)	Portfolio	BC AGG Index
0 - 1 yr.	18.7	0.0
1 - 3	23.2	26.4
3 - 5	23.2	32.1
5 - 7	11.5	17.0
7 - 10	15.2	11.6
10 - 20	1.8	3.3
20+	6.5	9.6
Total	100.0	100.0

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Loomis Sayles

LOOMIS ♦ SAYLES & COMPANY, L.P.

1. **Change in talent, process, organization and/or regulatory development**

New Hires

We are pleased to announce that Li Ping Yeo has joined Loomis Sayles as a senior analyst in credit research. She will be working in our Singapore office. Li Ping is a CFA charterholder and is fluent in English, Mandarin, and a few Chinese dialects.

Departures

None

2. **What hurt or helped relative performance in the last month and 12 months**

Please refer to the VCERA Sector Month and Trailing Year Attribution Slides. Global fixed income attribution is not yet available.

3. **What is your 12-month outlook for the investment markets?**

Please refer to the August Mailer. The global fixed income mailer is not yet available.

4. **Confirmation of compliance with investment guidelines**

Both accounts were in compliance with their investment guidelines for the period 8/01/2012 through 8/31/2012.

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attribution analysis

07/31/2012 THROUGH 08/31/2012 (%)

Maturity Distribution

	Final Weight	Portfolio Return	Total Effect
Under 1 year	14.56	2.71	(0.04)
1 - 3 years	7.43	0.40	0.05
3 - 5 years	17.09	0.66	0.04
5 - 7 years	14.63	1.48	0.11
7 - 10 years	15.76	1.50	0.11
10+ years	30.54	2.17	0.56

Quality Distribution

	Final Weight	Portfolio Return	Total Effect
Aaa	21.84	0.31	0.19
Aa	4.06	0.58	0.02
A	10.27	0.55	0.02
Baa	43.33	1.20	0.31
Ba	11.23	1.95	0.17
B	6.73	2.16	0.08
Caa & Lower	2.05	3.96	0.06
Not Rated	0.48	5.08	0.00

Sector Distribution

	Final Weight	Portfolio Return	Total Effect
US Treasuries	4.49	0.01	0.11
US Agencies	0.00	0.00	0.01
Gov Related	2.68	0.49	0.01
Securitized Credit	6.63	1.69	0.08
Securitized Agency	1.95	0.14	0.06
US Invest Grade	37.03	1.14	0.29
IG - Financial	12.63	1.88	0.16
IG - Industrial	20.38	0.78	0.11
IG - Utility	4.02	0.68	0.02
US High Yield	24.85	2.33	0.24
HY - Financial	5.47	0.41	0.00
HY - Industrial	15.86	1.91	0.09
HY - Utility	3.52	7.18	0.15
Non-US Dollar	13.43	3.08	0.02
Convertibles	1.45	2.43	0.04
Preferreds	0.42	0.72	0.00
Other	0.48	7.80	0.03
Cash & Equivalents	6.14	0.01	(0.03)
No Category	0.43	0.82	0.00

Currency Distribution

	Final Weight	Portfolio Return	Total Effect
Euro	1.27	4.45	(0.03)
British Pound Sterling	0.24	3.66	0.00
Japanese Yen	0.00	0.00	0.02
Philippine Peso	0.21	(2.64)	(0.01)
Australian Dollar	1.01	(0.40)	(0.01)
New Zealand Dollar	1.62	(0.44)	(0.01)
U S Dollars	86.57	1.37	0.84
Brazilian Real	2.28	1.90	0.03
Canadian Dollar	5.05	1.74	0.06
Mexican Peso	1.77	(1.84)	(0.04)

For split rated securities in the quality distribution, the highest of Moody, S&P, and Fitch is used. Unrated securities are rated by Loomis Sayles Research. The Attribution benchmark is 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US. Cash, Government & Agencies, and Aaa rated positions are reflected in the Aaa category. Total Effects are impacted by sector returns, allocation shifts and market timing. Data Source: Barclays Capital, Citigroup, JP Morgan

attribution analysis

08/31/2011 THROUGH 08/31/2012 (%)

Maturity Distribution

	Final Weight	Portfolio Return	Total Effect
Under 1 year	14.56	(13.23)	(0.65)
1 - 3 years	7.43	1.62	0.19
3 - 5 years	17.09	8.84	0.74
5 - 7 years	14.63	12.36	0.45
7 - 10 years	15.76	13.40	(0.12)
10+ years	30.54	17.01	1.54

Quality Distribution

	Final Weight	Portfolio Return	Total Effect
Aaa	21.84	(1.39)	(0.37)
Aa	4.06	4.59	(0.08)
A	10.27	11.68	(0.06)
Baa	43.33	12.79	1.75
Ba	11.23	18.66	1.05
B	6.73	9.88	(0.74)
Caa & Lower	2.05	24.99	0.13
Not Rated	0.48	(9.01)	0.48

Sector Distribution

	Final Weight	Portfolio Return	Total Effect
US Treasuries	4.49	0.27	0.27
US Agencies	0.00	0.00	0.18
Gov Related	2.68	5.81	(0.05)
Securitized Credit	6.63	16.58	0.55
Securitized Agency	1.95	3.38	0.88
US Invest Grade	37.03	13.61	1.68
IG - Financial	12.63	18.52	1.16
IG - Industrial	20.38	12.22	0.66
IG - Utility	4.02	5.20	(0.14)
US High Yield	24.85	16.69	0.13
HY - Financial	5.47	17.30	0.23
HY - Industrial	15.86	14.49	(0.38)
HY - Utility	3.52	25.68	0.28
Emerging Markets	0.00	8.87	0.01
Non-US Dollar	13.43	(13.13)	(1.03)
Convertibles	1.45	6.01	0.00
Preferreds	0.42	26.27	0.07
Other	0.48	13.65	0.06
Cash & Equivalents	6.14	0.08	(0.56)
No Category	0.43	3.37	0.00

Currency Distribution

	Final Weight	Portfolio Return	Total Effect
Euro	1.27	(16.60)	0.32
British Pound Sterling	0.24	(3.27)	(0.04)
Japanese Yen	0.00	0.00	0.18
Indonesian Rupiah	0.00	(3.16)	(0.14)
Malaysian Ringgit	0.00	1.17	(0.02)
South Korean Won	0.00	(6.98)	(0.19)
Indian Rupee	0.00	(14.44)	(0.15)
Philippine Peso	0.21	8.64	0.00
Australian Dollar	1.01	7.32	0.01
New Zealand Dollar	1.62	2.75	(0.09)
U S Dollars	86.57	12.24	3.20
Brazilian Real	2.28	(13.76)	(0.61)
Canadian Dollar	5.05	2.89	(0.27)
Mexican Peso	1.77	5.90	(0.04)

For split rated securities in the quality distribution, the highest of Moody, S&P, and Fitch is used. Unrated securities are rated by Loomis Sayles Research. The Attribution benchmark is 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US. Cash, Government & Agencies, and Aaa rated positions are reflected in the Aaa category. Total Effects are impacted by sector returns, allocation shifts and market timing. Data Source: Barclays Capital, Citigroup, JP Morgan

Ventura County Employees Retirement

August 31, 2012

LOOMIS | SAYLES

performance review

august 2012

PERFORMANCE (%)

	ACCOUNT(GROSS)	BENCHMARK
Aug 12	1.32	0.39
YTD	10.74	5.74
1 Year Trailing	9.78	8.21
3 Year Trailing	12.45	8.74
5 Year Trailing	8.81	7.49
7/31/05 - 8/31/12 Annualized	8.06	6.62

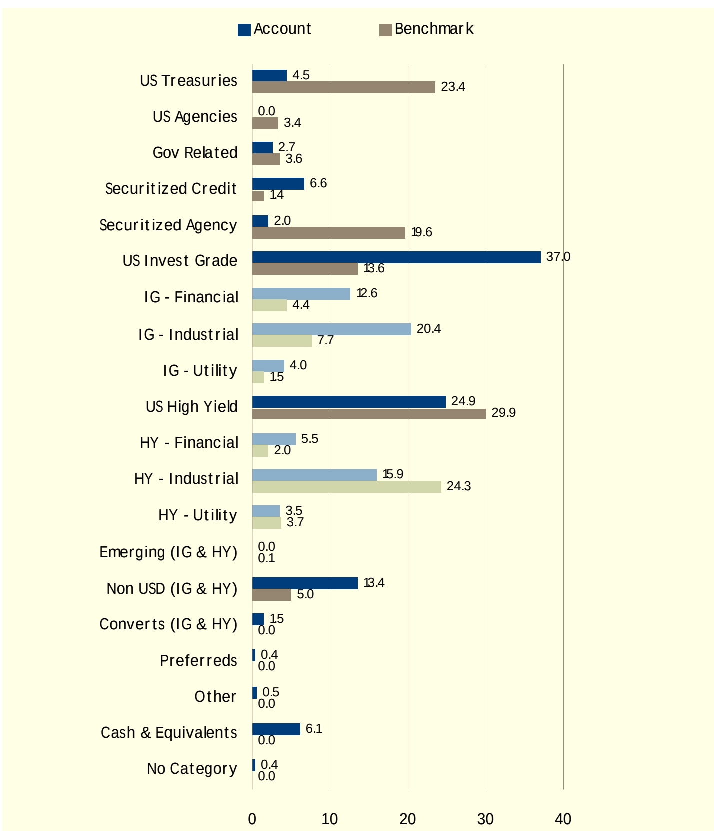
MARKET VALUE

$122,340,076

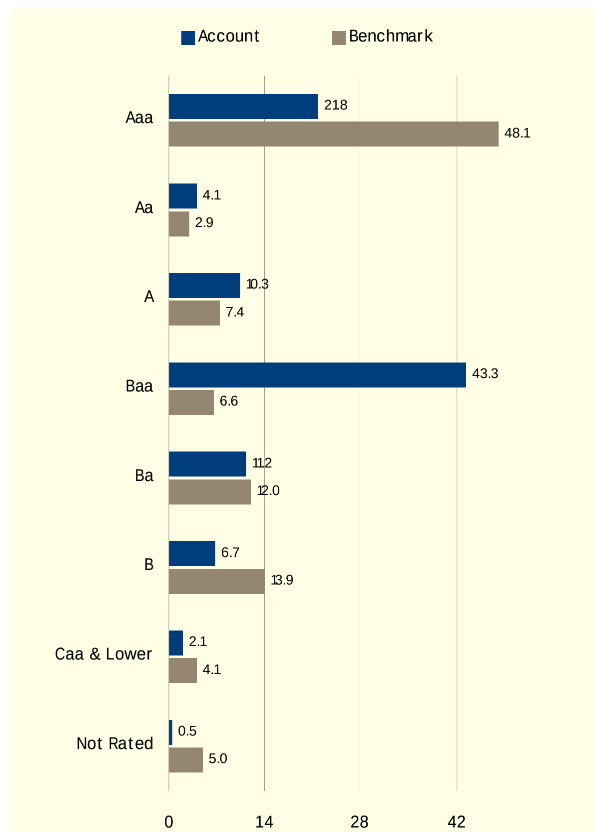
CHARACTERISTICS

Effective Duration	5.94 years	4.75 years
Average Maturity	9.59 years	6.39 years
Yield to Maturity	4.79%	3.40%
Average Quality	Baa1	Baa1

SECTOR ANALYSIS AT AUGUST 31, 2012 (%)



QUALITY ANALYSIS AT AUGUST 31, 2012 (%)



The current benchmark is comprised of 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US. (1) 60% Barclays Aggregate, 35% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US from 7/31/2005 to 11/30/2007; and 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US from 11/30/2007 to 8/31/2012. For split rated securities in the quality distribution, the highest of Moody, S&P, and Fitch is used. Unrated securities are rated by Loomis Sayles Research. The account's split rating treatment is based on client guidelines. The benchmark follows the vendor's methodology. Cash, Government & Agencies, and Aaa rated positions are reflected in the Aaa category. Data Source: Barclays Capital, Bloomberg, JP Morgan, Citigroup This report is a service provided to customers of Loomis Sayles for informational purposes and is not a recommendation to purchase or sell securities. The performance shown is gross of management fees. Past performance is not a guarantee of future results. Loomis Sayles believes the information contained in this report is reliable but we do not guarantee its accuracy.

performance review

august 2012

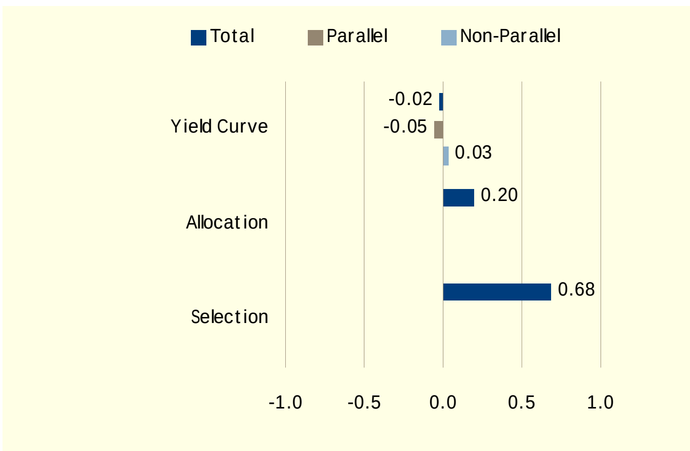
CURRENT MONTH TOTAL RETURNS (%)

Account Return	1.32
Benchmark Return	0.39
Excess Return	0.92

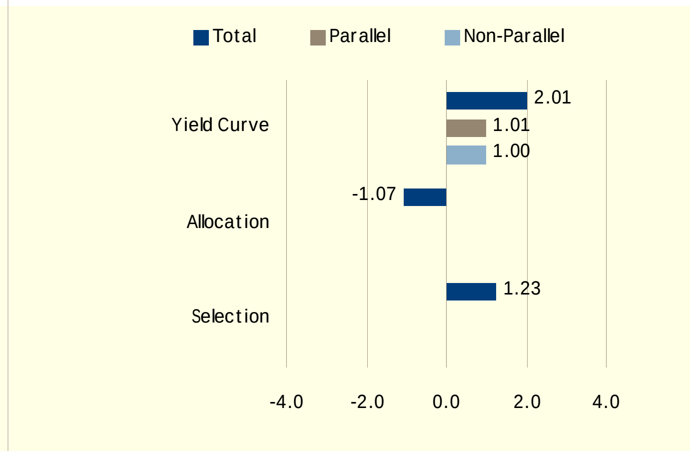
TRAILING YEAR TOTAL RETURNS (%)

Account Return	9.78
Benchmark Return	8.22
Excess Return	1.56

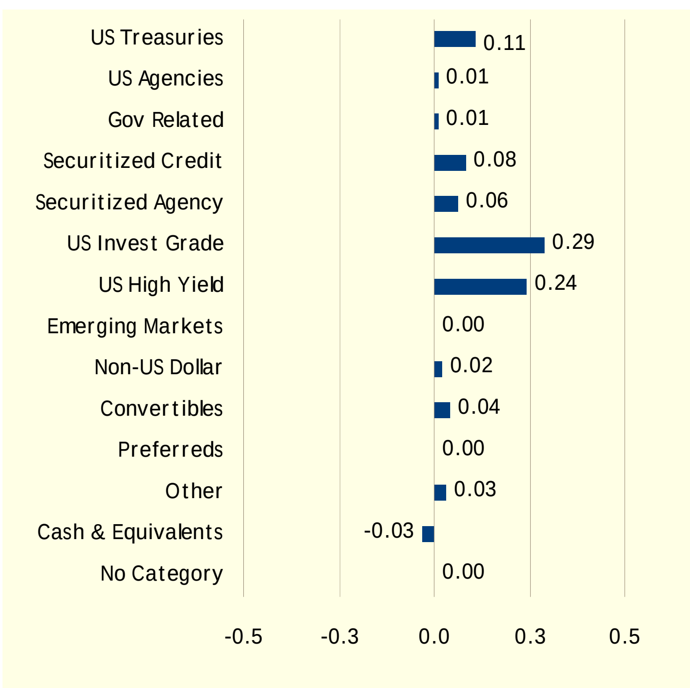
CURRENT MONTH EXCESS RETURN ATTRIBUTION (%)



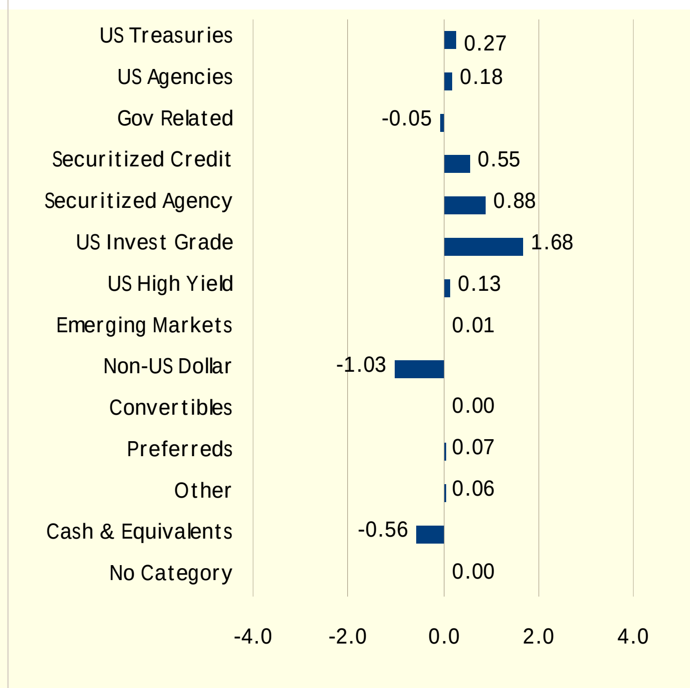
TRAILING YEAR EXCESS RETURN ATTRIBUTION (%)



EXCESS RETURN ATTRIBUTION BY SECTOR (%)



EXCESS RETURN ATTRIBUTION BY SECTOR (%)



The Attribution benchmark is 65% Barclays Aggregate, 30% Citigroup High Yield Mkt, 5% JP Morgan Ex US Hedged $US. Figures on bar charts may not add up to total excess return as they exclude impact of trading and pricing differences. Attribution account returns are gross of fees Data Source: Barclays Capital, Citigroup, JP Morgan

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Highlights and Research

Ventura County Employees' Retirement Association

September 2012

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An Aon Company

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Table of Contents

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Update on Fixed Income Market Environment

Market Environment

Second Quarter 2012

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Market Highlights

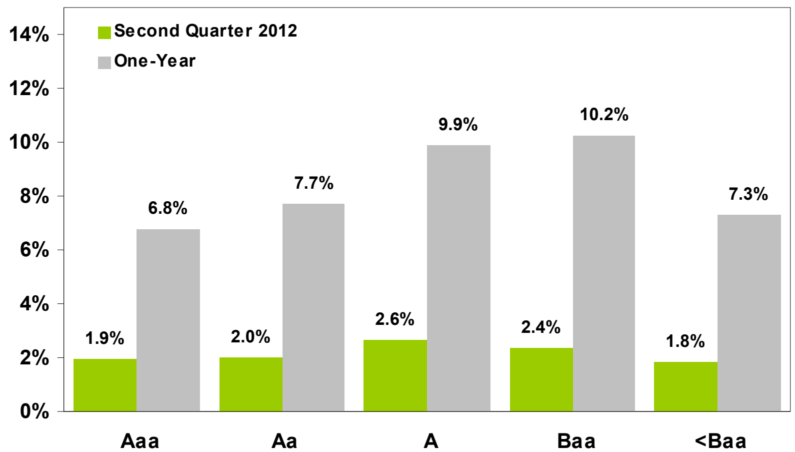
Returns of the Major Capital Markets						
			Annualized Periods Ending 6/30/2012			
	Second Quarter	Year-to-Date	1-Year	3-Year	5-Year	10-Year
Equity						
MSCI All Country World IMI	-5.7%	5.8%	-6.9%	11.3%	-2.4%	6.2%
MSCI All Country World	-5.6%	5.7%	-6.5%	10.8%	-2.7%	5.7%
Dow Jones U.S. Total Stock Market	-3.1%	9.4%	4.0%	16.9%	0.6%	6.1%
Russell 3000	-3.1%	9.3%	3.8%	16.7%	0.4%	5.8%
S&P 500	-2.8%	9.5%	5.4%	16.4%	0.2%	5.3%
Russell 2000	-3.5%	8.5%	-2.1%	17.8%	0.5%	7.0%
MSCI All Country World ex-U.S. IMI	-7.8%	2.9%	-14.8%	7.4%	-4.5%	7.2%
MSCI All Country World ex-U.S.	-7.6%	2.8%	-14.6%	7.0%	-4.6%	6.7%
MSCI EAFE	-7.1%	3.0%	-13.8%	6.0%	-6.1%	5.1%
MSCI EAFE Index (100% Hedged)	-6.4%	2.3%	-11.1%	1.7%	-9.6%	-0.1%
MSCI Emerging Markets	-8.9%	3.9%	-15.9%	9.8%	-0.1%	14.1%
Fixed Income						
Barclays Global Aggregate	0.6%	1.5%	2.7%	6.0%	6.7%	6.5%
Barclays Aggregate Bond	2.1%	2.4%	7.5%	6.9%	6.8%	5.6%
Barclays Long Gov't	10.3%	4.2%	31.4%	13.5%	11.9%	8.9%
Barclays Long Credit	5.0%	5.8%	19.2%	15.1%	10.0%	8.6%
Barclays Long Gov't/Credit	7.3%	5.0%	24.6%	14.4%	11.0%	8.7%
Barclays High Yield	1.8%	7.3%	7.3%	16.3%	8.4%	10.2%
SSB Non-U.S. WGBI	0.2%	0.0%	0.4%	5.1%	7.4%	7.1%
JP Morgan EMBI Global (Emerging Markets)	2.5%	7.4%	10.9%	13.5%	9.4%	11.7%
Commodities						
Dow Jones UBS Commodity	-4.5%	-3.7%	-14.3%	3.5%	-3.7%	5.0%
Goldman Sachs Commodity	-12.4%	-7.2%	-10.7%	2.1%	-5.5%	3.4%
Hedge Funds						
HFR Fund-Weighted Composite Index	-2.7%	1.9%	-4.2%	5.2%	1.1%	6.1%
HFR Fund of Funds Index	-2.2%	1.1%	-4.4%	2.2%	-2.0%	3.2%
Real Estate						
NAREIT U.S. Equity REITS Index	3.7%	14.9%	12.9%	32.4%	2.6%	10.3%
NCREIF ODCE[1]	2.5%	2.5%	13.6%	3.2%	-1.3%	5.4%
Private Equity						
Thomson Reuters VentureXpert[2]	4.6%	9.4%	9.4%	14.2%	6.7%	9.8%
Infrastructure						
Macquarie Global Infrastructure - North America	3.5%	3.5%	13.4%	17.5%	4.5%	10.1%

[1] The benchmark is as of 3/31/2012
[2] The benchmark is as of 12/31/2011

- U.S. economic growth, as well as job growth, slowed during the second quarter.
- European economic data remained weak throughout the second quarter.
- Europe's strongest economy, Germany, fell victim to waning economic conditions while its unemployment rate rose to 6.8%.
- Equity markets rebounded during the last week of June mainly due to the extension of Operation Twist, an expected rate cut by the European Central Bank, and market anticipation of quantitative easing by the Bank of England.
- Non-U.S. equity significantly underperformed U.S. equity.
- The 10-year U.S. Treasury approached a record low yield of 1.44% at the beginning of June.
- The Spanish 10-year yield rose above 7.0% amid concerns over the deepening European debt crisis.
- Long duration bonds outperformed shorter duration bonds.
- Commodity indices experienced negative returns during the quarter, primarily stemming from lower energy prices.

U.S. Fixed Income Markets

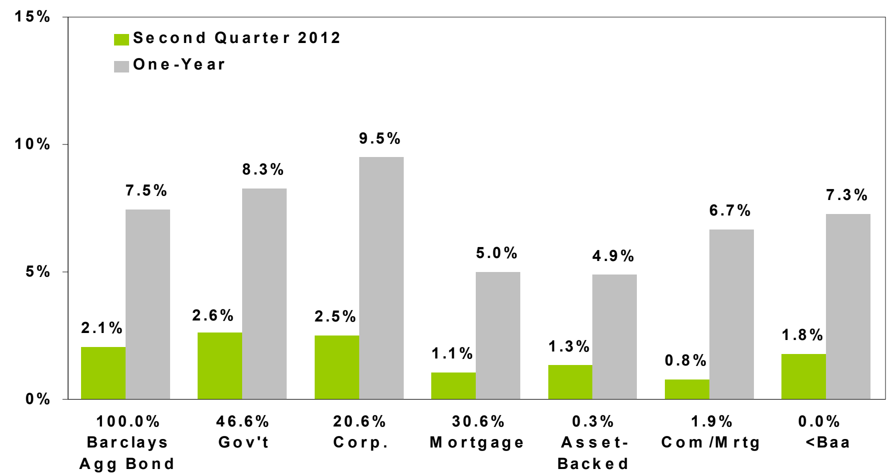
RETURNS BY QUALITY
AS OF 6/30/2012



Source: Barclays Live

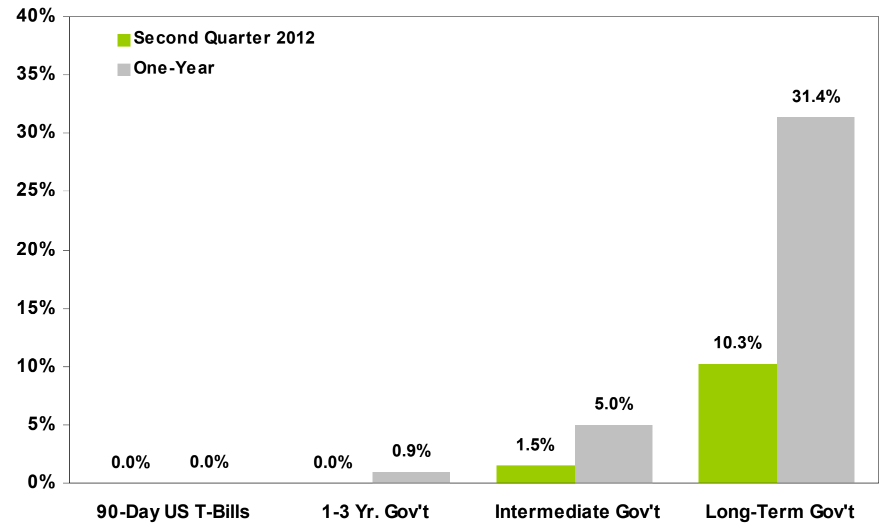
- An inadequate economic recovery helped fuel a flight to quality favoring Government bonds.
- Long duration outperformed intermediate and short-term bonds.
- Long-term government bonds remained the strongest performing sector over the one-year period.
- Government and corporate bonds outperformed their peers during the quarter and the one-year period.
- Investment grade outperformed high-yield during the quarter and one-year period.

SECTOR RETURNS
AS OF 6/30/2012



Source: Barclays Live

RETURNS BY MATURITY
AS OF 6/30/2012



Source: Barclays Live

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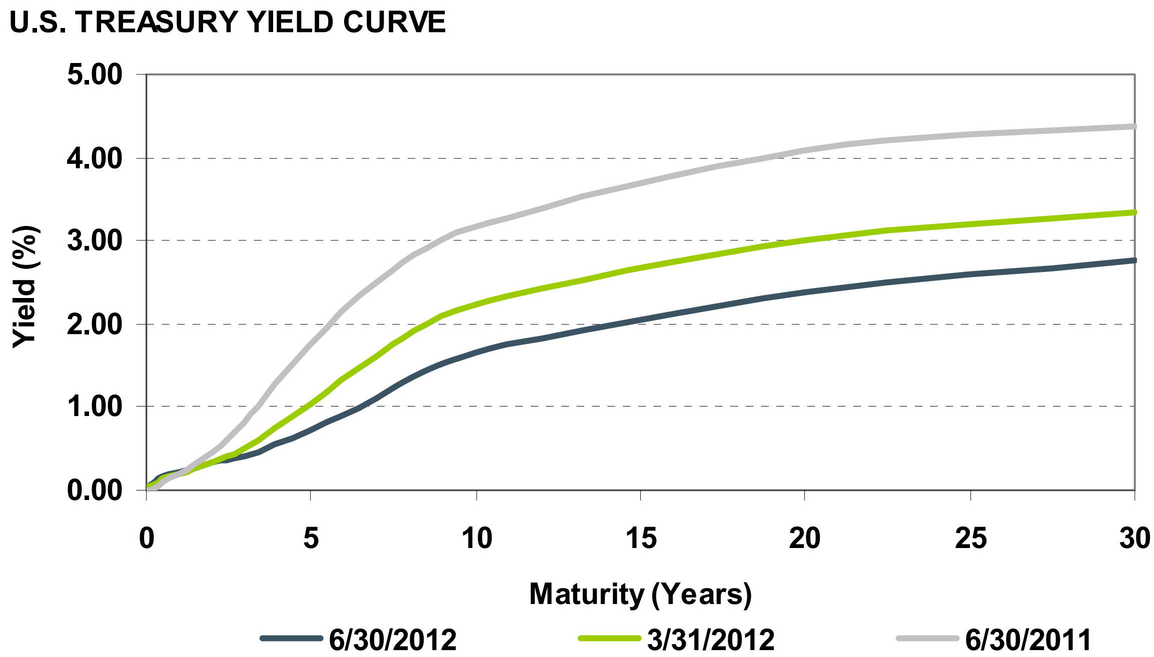
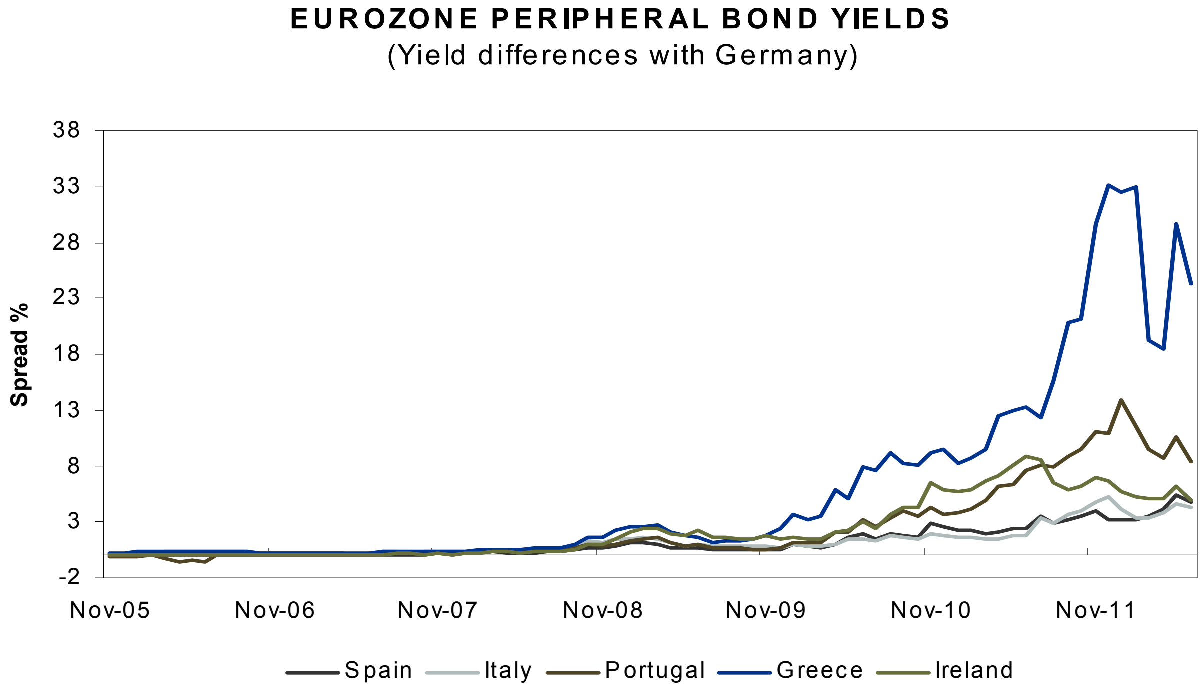
U.S. Fixed Income Markets



Source: U.S. Department of Treasury

- Concern over mounting European uncertainty and worsening emerging markets economic conditions forced investors to look for a safe haven in the U.S., pushing Treasury yields to historic lows.
- The U.S. 10-year Treasury yield hit a record low of 1.44%, while the 30-year Treasury yield remained at an exceptionally low level.
- The Federal Open Market Committee pledged to keep downward pressure on long-term Treasury rates, while also extending Operation Twist through the end of the year.

European Fixed Income Markets



Source: Bloomberg

- Spanish and Italian 10-year bond yields rose during the quarter amid renewed investor concerns over the debt crises in both countries.
- Greece's 10-year spread decreased prior to elections, but a lack of commitment from the new government to stay in the European Union pushed spreads wider towards the end of the second quarter.
- Spanish, Italian, and Greek 10-year spreads widened, while Portuguese and Irish 10-year spreads narrowed during the quarter.

Credit Spreads

As of 6/30/2012

Spread (bps)	06/30/2012	03/31/2012	06/30/2011	Quarterly Change (bps)	1-Year Change (bps)
U.S. Aggregate	77	64	54	13	23
Long Govt.	5	5	4	0	1
Long Credit	228	198	168	30	60
Long Govt./Credit	130	114	97	16	33
MBS	76	53	37	23	3
CMBS	235	221	243	14	-8
ABS	59	65	81	-6	-22
Corporate	199	176	153	23	46
High Yield	615	576	525	39	90
Global Emerging Markets	408	359	294	49	114

Source: Barclays Live

- Credit spreads widened during the quarter across most segments, mainly due to a persistent decline in U.S. Treasury yields.
- Credit spreads across most segments remain higher relative to a year ago.
- Over the year, high-yield and emerging market bonds have seen their credit spreads widen by 90 bps and 114 bps, respectively.

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Investment Managers Transition Update

Memo

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

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

Date: September 17, 2012

Re: **Investment Managers Transition Update**

Background

The following is a summary update on where the transitions in Global Equity and Global Fixed Income managers currently stand. We continue to work with staff and the various money managers involved moving the transitions forward.

Global Equity

As a reminder, the Acadian fund has been previously terminated and liquidated. Assets were transferred to BlackRock for investment in the BlackRock MSCI ACWI Equity Index Fund on July 5. At the summary level, results were favorable with transaction cost savings of approximately $60,000, or 7 bps, when compared to the pre-trade estimate. The BlackRock MSCI ACWI Equity Index Fund has performed as expected and is tightly tracking the index.

Global Fixed Income

As a reminder, there are two accounts being funded for the Global Fixed Income mandates. Loomis was fully funded as of June 30, 2012. We are still in process of funding the account at PIMCO, as the account setup documents have been extremely tedious. Given the amount of time staff would need to devote to attending to the account, we evaluated using the commingled fund product instead. However, based on our discussions with PIMCO and VCERA Staff, this path wasn't attractive because of the higher management fees that would be assessed.

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

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HEK Client Conference 11/6/12

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HEK Conference Series

Insights from the 2012 Client Conference

We are excited to announce our upcoming conference series,
With You Every Step: Bringing Solutions to You.

Hewitt EnnisKnupp will host a series of client conferences this fall, highlighting best practices and forward-thinking approaches taken from our recent May 2012 Client Conference. The events will feature a number of dynamic speakers, a thought-provoking agenda, and the chance for us to share our latest thinking and research with clients and prospects.

9:00 a.m. to 1:00 p.m.
Registration opens at 8:30 a.m.

Atlanta – September 11, 2012
City Club of Buckhead
3343 Peachtree Road Northeast, Atlanta, GA 30326

Dallas – October 11, 2012
Hilton Dallas Lincoln Centre
5410 Lyndon B. Johnson Freeway, Dallas, TX 75240

New York City – October 30, 2012
Omni Berkshire Place
21 East 52nd Street, New York, NY 10022

Huntington Beach – November 6, 2012
Hyatt Regency Huntington Beach
21500 Pacific Coast Highway, Huntington Beach, CA 92648

Click here to view the agenda.
http://respond.aonhewitt.com/?elqPURLPage=305

Register now for this complimentary, half-day conference.
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For questions and inquiries, please contact
Caroline Kinahan at 312.715.2940 or
caroline.kinahan@aonhewitt.com

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EuroZone Crisis - The Draghi Plan

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The Eurozone Crisis: The Draghi Plan raises the stakes

7 September 2012

The leaks before the European Central Bank (ECB) announcement were accurate. The Draghi plan aims to tackle the crisis by direct intervention in the bond markets most impacted by Eurozone break-up risk fears. The key intent is to allay 'convertibility risk' (the risk that a country departs from the single currency and that debt is not repaid in euros). This would be done by the ECB purchasing shorter-dated sovereign securities of up to three years maturity.

A country would apply for a European Financial Stability Fund/European Stability Mechanism (EFSF/ESM) rescue program, and have to meet conditions to receive assistance (such as fiscal deficit targets or other economic reform conditions). If these conditions are met and the ECB judges that the bond market's pricing of convertibility risk is excessive in terms of yields, it could purchase these bonds. If necessary, this would be on an unlimited basis, to bring those yields down to levels which no longer price in significant convertibility risk.

ECB's involvement was expected

We had expected the ECB's resources to be marshalled in to bolster the limited firepower of the European Financial Stability Fund/European Stability Mechanism (EFSF/ESM). It was becoming very apparent to most that the escalation in the crisis by the middle of this year had reached a point where only the ECB's full 'lender of last resort' powers appeared capable of breaking the vicious circle of single currency break-up fears becoming self-fulfilling.

'Conditionality' - but of what sort?

To guard against the moral hazard being faced by creditors (principally Germany) providing support to governments who do not get their economic houses in order, 'strict' conditionality terms must be met. There are two kinds of assistance programs on offer from the EFSF/ESM, one being a 'precautionary' program, and the other entailing an 'enhanced' macroeconomic adjustment program. The latter comes with much more detailed conditions attached and requires external monitoring, in the manner that Greece has had to endure. Though Draghi seemed to suggest that bond purchases would only be done where the country enters the 'enhanced' adjustment program, there was some ambiguity noted in a question and answer session with journalists at the press conference.

This difference in conditionality matters. Neither Spain nor Italy has as yet applied for an EFSF/ESM rescue program. It is far from certain that Spain or Italy's fragile domestic political stability will withstand a full-fledged Greek style rescue program with a high degree of conditionality and external monitoring/intervention. Given the Greek experience and the problems that both the Rajoy and Monti administrations are currently enduring in meeting fiscal austerity programs, the lighter conditionality of a 'precautionary' program could very well prevail, setting a lower hurdle for ECB purchases. This is 'good' from the point of view of making intervention more likely. It is 'bad' from the point of view of fracturing creditor-debtor relations further.

Creditor- debtor standpoints: German opinion

These creditor-debtor relations go to the heart of the crisis. Our note on the Eurozone crisis a month ago had mentioned that one of the indicators of break-up risk we were monitoring was political attitudes in Germany, the principal creditor, towards assuming some responsibility for peripheral Europe's debt. The difficulty is that recent opinion polls show a widespread distrust of the ECB under Mario Draghi and a clear unwillingness to extend further assistance to Greece. It is likely that this new program will increase, not reduce, such scepticism. This does not undermine the Draghi intervention measures as such, but alongside the Bundesbank's clear opposition to the Draghi plan; it shows that the Europe-wide political consensus involved in bridging the debtor-creditor divide is still notable for its absence.

Fundamental problems behind the Eurozone crisis still remain

The fundamental economic problems are still with us. Government borrowing costs at the front end of the yield curve have indeed fallen substantially since the initial Draghi 'we will do what it takes' announcement in July, with helpful (albeit much smaller) declines even at longer maturities in the past few days. However, debt refinancing costs still remain unaffordable for economies that are shrinking, alongside sharp declines in tax receipts. More pressingly, financial conditions in the banking systems of Italy and Spain are worsening. Spain, in particular, is encountering significant deposit flight and acute bank deleveraging. With austerity programmes also dragging on growth, there is no obvious indication that economic growth is likely to come back in a hurry. We have argued that economic conditions would be critical to the question of whether Euro break-up fears would retreat on a lasting basis; we are still left with the thought that the current toxic mix of fiscal austerity and tightening financial conditions remains a rather large obstacle for the success of the ECB plan.

Raising the stakes

A key concern here is that the ECB has, in effect, raised the stakes in the battle to save the euro. While this was inevitable at some stage, it means that the markets will be unforgiving if the commitment to intervene and 'do what it takes' stance taken by Draghi falls short of what is needed. At this time, the mere promise to intervene is reducing the need to actually purchase peripheral bonds, but at some time, the ECB's commitment will be tested. Previous attempts by the ECB such as the Long Term Refinancing Operations (LTRO) at the turn of the year did lower the temperature of the crisis, but not for long. Against this backdrop and given the more sweeping nature of the ECB's commitments this time, the stakes are clearly higher now. A failure now and break-up risks do widen appreciably.

Our stance remains unchanged

Our evaluation of Eurozone crisis probabilities in early August saw us backing the 'muddle through' scenario as the most likely for the coming year. Here, there would be no break-up, though markets would still be impacted by non-trivial risks of an eventual break-up. This view remains unchanged.

Market conditions

Markets have enjoyed the respite from earlier acute tail risk fears in Europe as well as the promise of further liquidity boosts from the Federal Reserve. From an equity market standpoint, and especially after recent gains, we regard it as difficult to envisage a sustainable move to significantly higher levels at this time. As we have noted before, there are a number of challenges to sustaining further equity market gains, of which Eurozone worries are merely one.

Given that gilts/bunds/Treasury bonds have been supported by safe haven demand since 2010, one of the key areas of interest and relevance to assessing market views of break-up risk is whether this 'safe haven bid' to their yields declines. This would imply yields moving significantly higher. While there has been some upward drift in yields of late, there is as yet little sign of momentum building towards a major yield adjustment. Of course, yields ought to move higher in time given their ultra-low levels, but the lack of a major move in particularly German bund yields (which ought to be particularly vulnerable) may be another indication of a lack of conviction that we have seen a lasting reduction in Eurozone break-up risks.

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Medium Term Views

Monthly Summary of Medium Term Views – U.S.

August 2012

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Medium Term Views Background

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

Absolute Medium Term Views – August 2012

	Very Unfavorable	Unfavorable	Neutral	Favorable	Very Favorable
U.S. Equity					
Non-U.S. Equity					
Global Bonds					
Bank Loans					
High Yield					
Real Estate					
Hedge Funds [1]					
Private Equity [2]					
Infrastructure					
Commodities					

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

1. Global Macro strategy is favored. More detail is on slide 10.
2. Attractive opportunities in certain sectors where value is created through venues other than leverage and the IPO market. More detail is on slide 10.

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Relative Equity Medium Term Views – August 2012

U.S. Equity

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
U.S. Equity			**August 2012,** 1 month ago, 1 year ago			**Non-U.S. Developed**
Large Cap	**August 2012,** 1 month ago, 1 year ago					**Small Cap**
Value				**August 2012,** 1 month ago	1 year ago	**Growth**

Non-U.S. Equity

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
Developed	1 year ago	**August 2012,** 1 month ago				**Emerging**
Large Cap	**August 2012,** 1 month ago, 1 year ago					**Small Cap**

Note: Historical perspective given by stating our view one month and one year ago, as well as today, August 2012.

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Relative Fixed Income Medium Term Views – August 2012

	Strong Preference	Modest Preference	Neutral	Modest Preference	Strong Preference	
U.S.		**August 2012**	1 month ago, 1 year ago			**Non-U.S.**
Intermediate duration		**August 2012,** 1 month ago, 1 year ago				**Long duration**
Government					**August 2012,** 1 month ago, 1 year ago	**Credit**
U.S. Investment Grade	**August 2012**, 1 year ago	1 month ago				**High Yield**
U.S. Bonds	1 year ago	**August 2012,** 1 month ago				**Emerging Market Debt**
U.S. TIPS	**August 2012** 1 month ago	1 year ago				**U.S. Treasuries**

Note: Historical perspective given by stating our view one month and one year ago, as well as today, August 2012.

Relative Currency Medium Term Views – August 2012

	Hedge	Consider Hedge Benefits	Unhedged	
Strong USD	**August 2012,** 1 month ago,	1 year ago		**Weak USD**

Note: Historical perspective given by stating our view one month and one year ago, as well as today, August 2012.

Equity Market Views – August 2012

Asset Class	Medium Term View	Rationale
Equity Market	Remains constrained	The prospect of another round of policy stimulus from central banks and some easing in tail risks in Eurozone has fed another rise in markets. Our view is that policy stimulus is offering diminishing returns, and the Eurozone crisis backdrop remain unsettling for equities. Analysts' earnings revisions are generally downward, suggesting that the rally is not on strong ground. Market valuations versus government bonds are supportive, but this is not enough.
U.S. Large vs. Small Cap	Prefer U.S. Large Cap	U.S. large cap continuing to outperform, resulting in some narrowing in the valuation gap that has been hurting small cap. However, earnings momentum is clearly down for both and weakness of global economy is a headwind for large cap. Still, risk aversion and higher than normal valuations for small cap make us continue to favor large.
Non-U.S. Large vs. Small Cap	Prefer Non-U.S. Large Cap	With the exception of Japan large caps are outperforming. There is less relative valuation support than the U.S., but we continue to see investors favoring the global diversification and greater earnings predictability of large cap.
U.S. Equities vs. EAFE	Use U.S. outperformance to raise EAFE allocations	Some signs of U.S. losing steam versus EAFE have appeared. As noted, valuation gap helps EAFE. Near-term unsettled European conditions could extend U.S. outperformance which may allow some allocation adjustments in favor of EAFE on a currency hedged basis.
U.S. Growth vs. Value Stocks	Prefer U.S. growth	This has become much less one-sided after the strong relative performance surge of growth in the past few years. Valuations have still not moved in favor of value yet, and this area's exposure to financials and sensitivity to risk appetites suggests a modest preference for growth.
Developed vs. Emerging Markets	Prefer developed markets	Relative performance much more even against developed markets recently, but poor macroeconomic momentum in leading emerging economies and constrained risk appetites continue to keep our preference for developed markets. Valuations are now broadly neutral between emerging and developed.

Bond Market Views – August 2012

Asset Class	Medium Term View	Rationale
Global Government Bonds	Negative view	Ultra low yields, which price in considerable economic pessimism keep us nervous about the risks. Fed/Central Bank support, weak commodity prices are supportive, but continued buying at these low yields not guaranteed. Difficult outlook ahead for all but the worst economic scenarios.
Global Corporate Bonds	Prefer to government bonds	Search for yield has pushed spreads down a little more, with European and U.S. corporate bond yields going below 3%. We continue to prefer to government bonds, but need to recognize low return outlook. Duration must be managed carefully at current yield levels.
Intermediate vs. Long Duration	Extend duration only to match liabilities	Yield curve flattening pressures have eased, notwithstanding Operation Twist. Possible steepening after this policy ends is an issue to worry about given the 30yr2yr yield differential has fallen 1.5% in the past year. Extend only for liability matching purposes.
U.S. vs. Non-U.S. Aggregate Bonds	Prefer the U.S.	Greater vulnerability in core European government component of aggregate bonds than U.S. sits less well against the recent trend towards a faster reduction in European yields. Prefer corporate bonds to government bonds.
U.S. High Yield vs. U.S. Investment Grade Corporate Bonds	Prefer investment grade	High yield has rallied strongly against a general backdrop of strong yield-searching behavior and this suggests some vulnerability in absolute terms. Better buying opportunities should be awaited. Relative market moves are now suggesting a strong preference for investment grade.
U.S. Bonds vs. Emerging Market Debt	Prefer U.S. bonds	Emerging market dollar debt moving in line with high yield bonds above, and vulnerable to a setback in risk assets. Significant duration risk in emerging market dollar debt also keeps us cautious.
Treasury Inflation Protected Securities	Prefer TIPS to fixed interest	Break-even inflation has been pushing up a little thanks to further falls in TIPS yields. Still only at levels that correspond with long-term inflation expectations. is still hovering at levels below consensus expected inflation over the long-term suggesting reasonable switching opportunity from fixed Treasuries to TIPS.

Other Market Views / Investment Strategy – August 2012

Asset Class	Medium Term View	Rationale
U.S. Commercial Real Estate	Good investment opportunity for the longer term investor	While core performance is moderating, expected returns still remain attractive. Market bifurcation during the rebound to-date drives continued attractive tactical investments in value-added and opportunistic real estate due to on-going recovery in fundamentals and attractive valuation spreads. Manager selection remains key.
Hedge Funds	Favored investment strategy	Weak upside prospects for equities alongside still fluid and volatile market conditions should allow hedge funds to add value. Selection of funds and strategies all important. Global macro strategy is favored with CTAs and a multi-strategy approach also worth considering.
Private Equity	Selective opportunities	Attractive opportunities in certain sectors where value is created through avenues other than leverage and the IPO market (small and midcap focus within buyouts). Opportunities exist in venture capital, growth equity, control oriented distressed debt, mezzanine, secondaries, and bank loans.
Commodities	Continued weakness expected	Industrial metals prices have weakened as we expected, but food prices have been supported by weather patterns and crude oil is being driven by both the status of the Iran threat and the state of the global economy. Overall, a weak picture likely to continue.
Global Infrastructure	More attractive opportunities appearing	Pressures on the public sector and corporate deleveraging are bringing more and better valued opportunities to the marketplace.
U.S. Dollar	Consider hedging exposures, particularly the Euro	A countertrend to the bearish pattern has come through, but medium-term outlook is still towards more Euro weakness. Emerging market currencies have stabilized, but current economic conditions suggest that dollar strength could reassert itself against these currencies too, albeit not on the scale of the past year.

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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Capital Market Assumptions

Capital Market Assumptions

Third Quarter 2012

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Outline

- Background
- Methodology
- Current (Third Quarter 2012) Assumptions

Capital Market Assumptions

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

Coverage

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

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Key Attributes

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

Equities

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

Equities (cont'd)

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

Government Bonds

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

Corporate Bonds and Aggregate Index

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

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

Real Estate

- Methodology similar to equities:

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

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

Alternative Asset Classes

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

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Volatility and Correlation

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

Fees

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

Q3 U.S. Equity Assumption

- US equity 10-year assumption 7.5%, up from 7.4% last quarter primarily as a result of weak market performance over the quarter
- Near term earnings growth assumption based on in-house trend analysis and is now closer to consensus expectations (recent downward adjustments by analysts/consensus of near term earnings expectations)
- Long term real earnings growth assumed to be 2.2%, which includes benefit of exposure to emerging markets at constituent (company) level
- Inflation component was decreased to 2.2% from 2.3% last quarter

Q3 Non-U.S. Equity Assumptions

	UK	Europe ex UK	Japan	Canada	Emerging Markets
Real returns (local currency)	6.3%	6.0%	5.8%	5.7%	6.9%
Inflation	2.4%	1.9%	1.0%	2.0%	2.6%
Nominal returns (local currency)	8.8%	8.0%	6.9%	7.8%	9.8%
Nominal returns (US dollar terms)	8.7%	8.4%	8.2%	8.1%	9.8%

- EAFE return in US dollar = 8.7%, Global Equity return in US dollar = 8.5%

Q3 U.S. Fixed Income Assumptions

- Treasury return assumptions are 1.7% for 5-year duration and 2.4% for 10-year duration. These are both above the current yields to maturity
- AA-rated corporate bond return assumptions are 2.6% for 5-year duration and 3.3% for 10-year duration.
- This leads to a 10-year return assumption of 2.1% for core U.S. fixed income (5-year duration)
- TIPS 10-year return assumptions are 2.0% for both 5-year duration and for 10-year duration

Intermediate (5-year Duration) Government Bond Return Assumption

Return Component*	***June 30***	***March 31***	***Change***	
Initial Yield	0.8%	1.1%	-0.3%	Lower initial yield offers lower current income
Capital Gain/Loss	-0.8%	-1.0%	0.2%	Lower projected yield increases relative to last quarter result in lower projected capital loss
Increase/Decrease in Yield (Income)	1.2%	1.7%	-0.5%	Lower projected yield increases result in lower projected increase in income over 10 years
Roll Return	0.6%	0.5%	0.1%	When yield curve slopes upward, as bonds approach maturity, yields falls and prices rise. Flatter yield curve reduces this beneficial effect.
Median Effect*	-0.1%	--	-0.1%	--
Total 10-Year Return Assumption	***1.7%***	***2.3%***	***-0.6%***	--

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

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

Return Component*	***June 30***	***March 31***	***Change***	
Intermediate Gov't Bond Return	1.7%	2.3%	-0.6%	See previous slide
Initial Spread	1.3%	1.2%	0.1%	Higher initial spread offers higher current income
Increase/Decrease due to Spread	-0.4%	-0.4%	--	Spreads are assumed to revert to fair value in the long run. (Projected) narrowing/widening of credit spreads relative to last quarter result in decline/increase of income
Capital Gain/Loss (from spread)	0.3%	0.3%	--	(Projected) narrowing/widening of credit spreads relative to last quarter result in projected capital gain/loss
Roll Return	0.3%	0.3%	--	When yield curve slopes upward, as bonds approach maturity, yields falls and prices rise. Flatter yield curve reduces this beneficial effect.
Defaults & Downgrades	-0.5%	-0.4%	-0.1%	Expected default and downgrade losses depend on the probability of a bond defaulting or being downgraded, and will vary over time
Median Effect*	-0.1%	-0.1%	--	--
Total 10-Year Return Assumption	***2.6%***	***3.2%***	***-0.6%***	--

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

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Core Fixed Income (5-year Duration) Return Assumption

Return Component*	***June 30***	***March 31***	***Change***
Intermediate Gov't Bond Return	1.7%	2.3%	-0.6%
Initial Spread	0.6%	0.6%	--
Increase due to Spread	-0.2%	-0.2%	--
Capital Gain (from spread)	0.1%	0.1%	--
Roll Return	0.2%	0.1%	0.1%
Defaults & Downgrades	-0.4%	-0.2%	-0.2%
Median Effect*	0.1%	--	0.1%
Total 10-Year Return Assumption	***2.1%***	***2.7%***	***-0.6%***

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

Q3 U.S. Real Estate Assumptions

Core	***June 30***	***March 31***
Rental Yield	5.9%	5.9%
Real Rental Growth	0.1	0.1
Management Costs	-2.0	-2.0
Inflation	2.2	2.3
Total 10-Year Return Assumption	**6.3%**	**6.4%**

Total Market	***June 30***	***March 31***
Rental Yield	6.8%	6.8%
Real Rental Growth	0.2	0.1
Management Costs	-2.0	-2.0
Inflation	2.2	2.3
Total 10-Year Return Assumption	**7.2%**	**7.2%**

Q3 Private Equity Assumptions

Expected Return	***June 30***	***March 31***
Venture Capital	11.5%	11.4%
Buyouts	9.0%	8.2%
Distressed Debt	9.7%	9.7%
Mezzanine	8.9%	9.1%
Total Private Equity	**9.7%**	**9.3%**

Q3 2012 Assumptions (10-Year): Expected Returns and Risks

Asset Class	Expected Nominal Return	Expected Nominal Risk (Volatility)
Large Cap U.S. Equity	7.5%	21.0%
Small Cap U.S. Equity	7.7	27.0
Global Equity (Developed & Emerging)	8.5	21.0
International Equity (Developed)	8.7	22.5
Emerging Markets Equity	9.8	31.5
Cash (Gov't)	1.3	1.0
Cash (LIBOR)	1.8	1.0
TIPS	2.0	4.5
Core Fixed Income (Market Duration)	2.1	3.0
Long Duration Bonds - Govt/Credit	3.1	9.0
Long Duration Bonds – Credit	3.6	11.5
Long Duration Bonds – Govt	2.5	9.0
High Yield Bonds	4.6	14.0
Bank Loans	4.5	7.0
Non-US Developed Bonds (0% Hedged)	3.0	10.0
Non-US Developed Bonds (50% Hedged)	2.5	5.5
Non-US Developed Bonds (100% Hedged)	1.7	2.5
Emerging Market Bonds	4.2	14.0
Hedge Funds (Median Manager)	5.4	8.0
Real Estate (Total Market)	7.2	16.5
Core Private Real Estate	6.3	14.0
REITs	6.0	22.5
Commodities	4.2	21.5
Private Equity	9.7	28.5
Infrastructure	8.7	18.5
U.S. Inflation (CPI)	2.2	1.5

Q3 2012 Assumptions (10-Year): Expected Nominal Correlations

Correlations

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
1	Large Cap U.S. Equity	1.00	0.90	0.94	0.78	0.62	0.08	0.07	-0.03	0.06	0.01	0.11	-0.10	0.42	0.39	-0.03	-0.03	-0.01	0.36	0.44	0.35	0.33	0.67	0.27	0.60	0.36	0.06
2	Small Cap U.S. Equity		1.00	0.84	0.70	0.56	0.06	0.06	-0.03	0.04	0.01	0.10	-0.10	0.39	0.36	-0.02	-0.03	-0.02	0.33	0.40	0.32	0.30	0.61	0.23	0.55	0.33	0.05
3	Global Equity (HalfDiversification)			1.00	0.92	0.79	0.07	0.07	-0.02	0.05	0.01	0.11	-0.10	0.39	0.37	0.17	0.14	-0.01	0.33	0.41	0.37	0.34	0.64	0.34	0.56	0.34	0.08
4	International Equity (HalfDiversification)				1.00	0.67	0.06	0.06	-0.01	0.05	0.01	0.10	-0.08	0.33	0.32	0.35	0.29	0.00	0.28	0.34	0.34	0.32	0.54	0.35	0.47	0.29	0.10
5	Emerging Markets Equity					1.00	0.05	0.04	-0.02	0.03	0.00	0.07	-0.07	0.26	0.25	0.22	0.18	0.00	0.22	0.27	0.27	0.25	0.43	0.30	0.38	0.22	0.06
6	Gov Cash						1.00	0.94	0.46	0.53	0.24	0.20	0.25	0.11	-0.01	0.21	0.38	0.67	0.16	0.26	0.11	0.13	0.08	0.26	0.06	0.09	0.49
7	LIBOR Cash							1.00	0.43	0.51	0.23	0.20	0.24	0.12	0.03	0.19	0.36	0.63	0.17	0.25	0.11	0.12	0.08	0.24	0.06	0.09	0.46
8	TIPS								1.00	0.27	0.08	0.06	0.09	0.03	-0.04	0.12	0.17	0.23	0.06	0.10	0.02	0.03	-0.01	0.29	-0.02	0.02	0.57
9	Core Fixed Income (Market Duration)									1.00	0.84	0.81	0.79	0.41	-0.01	0.22	0.38	0.63	0.49	0.23	0.06	0.07	0.05	0.06	0.05	0.06	0.08
10	Long Duration Bonds – Gov't / Credit										1.00	0.96	0.95	0.39	-0.04	0.18	0.31	0.50	0.44	0.16	0.02	0.02	0.02	-0.07	0.01	0.02	-0.16
11	Long Duration Bonds – Credit											1.00	0.82	0.60	0.22	0.16	0.28	0.45	0.63	0.23	0.06	0.06	0.08	-0.05	0.09	0.06	-0.14
12	Long Duration Bonds – Gov't												1.00	0.11	-0.32	0.18	0.31	0.51	0.19	0.06	-0.03	-0.03	-0.06	-0.09	-0.07	-0.03	-0.16
13	High Yield Bonds													1.00	0.69	0.05	0.09	0.16	0.87	0.39	0.18	0.16	0.29	0.07	0.31	0.19	0.03
14	Bank Loans														1.00	-0.03	-0.04	-0.06	0.63	0.29	0.17	0.15	0.27	0.08	0.28	0.17	0.06
15	Non-US Developed Bond (0% Hedged)															1.00	0.96	0.39	0.07	0.04	0.01	0.01	-0.02	0.32	-0.01	0.00	0.17
16	Non-US Developed Bond (50% Hedged)																1.00	0.64	0.13	0.09	0.02	0.03	-0.01	0.30	-0.01	0.01	0.21
17	Non-US Developed Bond (100% Hedged)																	1.00	0.22	0.17	0.04	0.05	0.01	0.09	-0.01	0.03	0.22
18	Emerging Market Bonds																		1.00	0.35	0.16	0.15	0.25	0.07	0.27	0.17	0.03
19	Hedge Funds Universe																			1.00	0.17	0.17	0.30	0.15	0.28	0.18	0.13
20	Real Estate																				1.00	0.94	0.49	0.08	0.27	0.16	0.07
21	Core Real Estate																					1.00	0.46	0.08	0.25	0.15	0.07
22	REITs																						1.00	0.17	0.42	0.26	0.05
23	Commodities																							1.00	0.10	0.07	0.48
24	Private Equity																								1.00	0.27	0.04
25	Infrastructure																									1.00	0.06
26	**Inflation**																										1.00

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Memo

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

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

Date: September 17, 2012

Re: **Rob Arnott Interview Paper**

Background

Robert D. Arnott is Chairman and Founder of Research Affiliates, LLC. He has authored over 70 articles and has received five Graham and Dodd Scrolls and Awards, awarded annually by the CFA Institute for best articles of the year, and has received two Bernstein-Fabozzi/Jacobs-Levy awards from the Journal of Portfolio Management and Institutional Investor magazine.
He edited the CFA Institute's Financial Analysts Journal from 2002–2006, and has edited three books on equity management and tactical asset allocation. He is a co-author of the book *The Fundamental Index: A Better Way to Invest*. Rob will be speaking at the upcoming VCERA Board Retreat.

Rob recently discussed his views of the past decade. Below are some of the key points we found to be of interest:

In 2002, Rob believed the US and world economies entering a low-return environment and investors were generally too narrowly-focused on stocks and bonds only. In the interview, he discusses adding a third investment pillar beyond stocks and bonds. This third pillar is designed to generate absolute returns and provide a hedge against inflation risk, while aiming for a risk level that is comparable to a classic balanced portfolio. U.S. stocks and bonds are generally negatively correlated with U.S. inflation; when U.S. CPI inflation rises, U.S. stocks and bonds generally fall.

Bonds are not a monolithic asset class. Within bonds, there are remarkably diverse categories such as high yield, floating rate, emerging markets, developed markets, investment grade corporates, convertibles, etc.

We have attached the full article for the Board's reading pleasure and we look forward to discussing with you at the upcoming September 17 meeting.

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PIMCO

Your Global Investment Authority

Arnott on All Asset

July 2012

Q&A

Q **The All Asset strategy marks its 10-year anniversary this month. Can you offer some reflections on your original mission in 2002 and how the strategy has fared during the last decade's tumultuous markets?**

Arnott: The 10-year anniversary of the All Asset strategy is a milestone that all of us at Research Affiliates feel deeply privileged to be a part of. We are grateful to our investors and to the PIMCO team, who have entrusted us with creating and managing this path-breaking set of strategies.

At launch in 2002, both PIMCO and Research Affiliates were confident that we were entering a low-return environment, especially for the mainstream markets that so dominate client portfolios. We felt that the classic reliance on mainstream stocks and bonds would fall far short of investors' expectations, undermining many clients' future hopes and plans. We felt that investors had an Achilles' heel in their investment portfolios – the heavy allocations to domestic stocks and bonds – which would fare poorly when inflation inevitably reappeared on the scene.

Investors classically build their financial future on two pillars: stocks to participate in macroeconomic growth potential, and bonds to seek reliable income while reining in portfolio volatility. We believed that they urgently needed to establish a third pillar. That third pillar should seek real returns rather than nominal returns, while seeking to hedge against inflation risk by investing in markets that can fare well in an inflationary regime. It should also seek higher returns than those offered by the mainstream markets, while aiming for risk comparable to that of the classic balanced portfolios. And, finally, it should diversify away from mainstream stocks and bonds unless these are very attractively priced.

We also saw three paths to improved returns relative to the classic balanced portfolio: first, broaden our opportunity set by embracing the full spectrum of alternative markets; second, seek value-added performance within each asset class; and third, actively manage the asset mix by concentrating in the unloved asset classes that we believe are priced to offer superior return potential. While our own fears for the prospects of conventional assets were on target, no one could predict the precise journey of the capital markets from 2002 to 2012.

In terms of the environment, it has been a remarkable 10 years, with changes that were inconceivable in 2002. For example, the 10-year Treasury note offers a scant 1.6% yield, well below the expected rate of inflation, even as our nation has lost its AAA rating by S&P. Our view in 2002, that TIPS ought to yield well under 2%, was dismissed; yet, TIPS yields breezed through 2% … then 1% … then 0%, to their current negative yield. In 2002, we believed that emerging market debt might have true credit quality rivaling developed economy debt, so that the emerging market bond spreads were a rich opportunity. Again, our view was too conservative: a credible case can now be made that many emerging markets could conceivably be more creditworthy than much of the developed world.

You might say the capital markets witnessed the good, the bad and the ugly in a decade-long seesaw between greed and fear. By mid-2007 with investors intent on more and more risk-taking, long TIPS yields approached 2.5%, as credit spreads narrowed to near-record lows and convertible bonds offered less yield than Treasuries. Less than two years later, with an economic depression "imminent," some convertibles and high yield bonds briefly offered well over 20%.

Where does this leave us today? Treasury yields grab the headlines but bonds are not a monolithic asset class. Within bonds, there are remarkably diverse categories: high yield, floating income, emerging markets, developed markets, investment grade corporates, convertibles, and the list goes on. How can we like bonds, with a yield that's below 2%? We don't like those bonds! With U.S .stocks yielding just 2% and a Shiller P/E ratio[1] above 20, how can investors expect to earn 5% real returns? We don't have to use those stocks! There are almost always a few markets where one can find reasonable starting income levels. Today, these would include high yield bonds and emerging market debt, as well as non-U.S. and emerging market value stocks. We found that these also tend to be priced at attractive spreads, which could narrow, providing capital gains atop a rich starting yield.

Q What changes have you seen in the opportunity set over the past decade?

Arnott: By and large, our opportunity set is a much lower-yielding one than we found in 2002. At the same time, our toolkit of strategies has grown handsomely. One of the reasons I was so thrilled to partner with PIMCO in 2002 was the firm's obsession with alpha and its penchant for product innovation. They were the first to offer mutual funds for TIPS, and among the first for emerging market debt and commodity mutual funds. This pace of innovation has accelerated over the past 10 years. This is not our 2002 All Asset toolkit!

Furthermore, PIMCO and my team at Research Affiliates have been among the leaders in recognizing the dangers in traditional market-cap-weighted stock and bond indexes. Why would we want a stock index that commits our capital in direct proportion to a company's share price, so that the more expensive the stock, the more we rely on it? Why would we choose a bond index that commits capital in direct proportion to a borrower's appetite for debt, so that our investments are concentrated in the most debt-addicted borrowers? Whether we rely on a fundamentals-based approach in equities or a GDP-weighted index in sovereign bonds, we aim to earn sizable excess returns by applying common sense to benchmark construction. These are all newcomers to the All Asset toolkit in the past decade, as are a host of new asset classes – local currency emerging market bonds, emerging market stocks, REITs and senior floating rates, to name just a few.

Finally, we look to PIMCO to deliver the excess return potential that we rely on as our "secret weapon" in the All Asset strategy. We expect that active management alpha will continue to be a cornerstone of our "third pillar" solution. This quest for alpha also shows up in the fast-growing spectrum of absolute return strategies that seek multiple layers of alpha, while neutralizing our exposure to stocks or bonds or both. Again, these are new to the strategy in the past decade.

Q Could you speak to the differences between the All Asset and All Asset All Authority strategies? Is All Asset All Authority more bearish?

Arnott: All Asset All Authority provides three additional "levers" in our asset allocation management of the strategy. First, we can use a strategy to obtain short exposure to the S&P 500, thereby profiting when U.S. equities decline. Second, we can use leverage in our pursuit of higher returns or to adjust our risk appetite up or (surprisingly) down. Third, because our asset allocation ranges are based on gross assets – inclusive of leverage – our asset allocation views can be more aggressively reflected in All Authority than in All Asset. It is important to note that we have discretion to use these additional tools – or not – and that their use will change based upon the asset allocation views of Research Affiliates and our model-driven process.

It's fair to say that All Asset All Authority should generally beat All Asset in weak or turbulent markets and that All Asset should generally win in strong or steady markets. But, it's also fair to say that this will not always be true. For example, if we're bullish, All Authority can be more bullish than All Asset, because of the leverage.

The extra levers in All Asset All Authority provide additional flexibility in implementing our strategies. For example, we do not have to believe that stocks will fall, a bearish outlook for U.S. stocks, in order to use a short strategy. We can also use it when we believe that bonds will beat stocks or when we believe that other "risk on" asset classes, such as emerging market stocks or bonds, or high yield bonds, offer better rewards than U.S. stocks. In this latter case, we can use a short strategy to reduce

[1] The Shiller P/E ratio divides the 10-year average of real (inflation-adjusted) earnings into the current real price for the market portfolio. In this case, we're using the S&P 500.

the equity beta inherent in these other asset classes, while capturing their (hopefully) superior risk premium.

In short, the bearishness – or bullishness – of All Asset All Authority vs. All Asset will change over time. But if our models correctly indicate serious downside risk to equities and other related pro-cyclical assets, the All Asset All Authority strategy has the ability to take a substantially more bearish posture than the All Asset strategy. This was certainly the case in 2007 and 2008. Today it's less so. It's not that we are exceedingly bullish on the S&P 500. We're not. But we do see some opportunities worthy of expanding the leverage to gain exposure to some attractively priced risks, while using some of that leverage budget to buy a short strategy to tamp down our overall direct and indirect exposure to the fully priced U.S. stock market.

Q Why might the All Asset strategy be a good fit for investors looking to add alternative strategies to their portfolios?

Arnott: Our objective for the All Asset strategy is to deliver a meaningful real return outcome over a full business cycle. A critical factor in this effort is the willingness to use a far wider toolkit of asset classes than other asset allocation solutions. Emerging market debt, high yield bonds, convertibles, floating rate securities, TIPS, commodities and absolute return strategies have all at various times been sizable allocations within the strategy. We rely on mainstream stocks and bonds only when they offer prospective returns that are fully competitive with the vast spectrum of alternative markets. Most of the time, the All Asset strategy is focused in investments well outside of mainstream asset classes.

So the All Asset strategy might be seen as a chameleon product, fitting a variety of needs. It can be considered a core investment for an investor's allocation to alternative markets or a "third pillar" seeking real returns, or for an investor's quest for tactical response to changing market conditions.

There are two primary reasons for this versatility. First, the two asset classes that utterly dominate most U.S. investors' portfolios – U.S. stocks and bonds – are, ironically, among the very few asset classes that are negatively correlated with U.S. inflation. When U.S. CPI inflation rises, U.S. stocks and bonds generally fall. Most of the alternative asset classes that are central to the All Asset process have a positive correlation to U.S. inflation, offering a reasonable prospect for reliable long-term real returns.

Second, we very often find that these "alternative" markets suffer disproportionate price dislocations in times of crisis as investors inevitably sell whatever they know least. The dislocations afford us an opportunity to rebalance into a "risk on" posture, when investors are terrified, that can provide equity-like return potential with wonderful diversification of risk for our investors. Conversely, we often see greater adoption of these alternative asset classes toward market peaks, as investors scratch and claw for greater yield. This dynamic very often leads to a substantial shortfall for do-it-yourself investors when, inevitably, the markets fall. In other words, they buy high and sell low! Accordingly, we assert that gaining these exposures in a tactical and disciplined manner, combined with PIMCO's active management within the asset class, provides for a more efficient means of gaining these strategies' diversification benefits.

Q Does the size of the portfolios challenge your ability to make tactical shifts?

Arnott: We see no evidence that this is an issue, nor do we expect it to be one in the foreseeable future. Our process is patient, tactical and contrarian – we seek to profit from intermediate-term price movement, and we contra-trade against the market's prevailing whims. We are not a global macro hedge fund strategy that seeks to profit from daily or weekly price moves. Our relative value approach seeks to profit from cheap assets appreciating to what we believe are fair premia (and vice versa for expensive ones). This adjustment period typically lasts 18 to 36 months; our average bets last a similar span.

While we do trade on a daily basis, the primary driver of our daily model inputs are asset class yields, which move relatively slowly. Just as the expected return on a 30-year bond – its yield – changes every single day by a little bit, without changing its 30-year horizon, our desired asset mix changes a little bit every day. So, our tactical shifts tend to be trivial on a daily basis, modest on a monthly basis and can become quite substantial only over a three- to six-month window. A lot of small moves in the same direction can have a big impact over dozens of trading days!

It's also very important to note that our process tends to contra-trade against recent asset class performance, allowing for far more capacity than a more trend-chasing approach. In other words, we tend to provide liquidity in difficult markets, when liquidity is scarce, and sell pro-cyclical asset classes in frothy markets with ample liquidity.

Q How are you investing in this environment and where are you finding attractive opportunities?

Arnott: The turbulent markets of May hit hard several asset classes we like for the long term, such as commodities, emerging market equities and local currency emerging market debt. The latter is particularly interesting given what we believe to be a sizable tailwind of favorable demographics and reasonable debt burdens. We continue to emphasize emerging market debt as a quality asset class with attractive yields in today's era of financial repression and tumbling credit quality among developed market sovereign debt.

We also find increasing appeal in developed ex-U.S. value equities. Driven largely by price declines in Europe, the MSCI EAFE Value Index currently has a dividend yield north of 4.5%. Outside of a scant handful of months during the global financial crisis, the last time we saw these kinds of yields was in the early 1980s. Incidentally, we had real interest rates then of over 6% vs. today's negative real yields. While we are finding opportunity, we do have concerns about encountering another economic slowdown where cheap assets can get much cheaper. Thus, we are entering some of these areas gradually and carefully, with each major market correction.

This Q&A is taken from a recent discussion between **Rob Arnott,** portfolio manager and head of Research Affiliates, and PIMCO product manager **John Cavalieri** about PIMCO's All Asset strategy and how it is being positioned in the current environment.

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Memo

To: Staff and Board
Ventura County Employees' Retirement Association

From: Russ Charvonia, ChFC, CFP®, Esq.
Art Goulet, Trustee

Date: September 17, 2012

Re: **Hexavest Onsite Due Diligence – August 6, 2012**

Location: Montreal, Canada

VCERA Attendee: Art Goulet

HEK Attendees: Russ Charvonia, Kevin Vandolder

Hexavest Presenters: Vital Proulx, CFA, Nadia Cesaratto, CFA, Lucie Kouyoumijian, Charles Gagné

Background:

The Hexavest team started out at St. Lawrence Financial Consultants (a Fixed Income Asset Management firm). Vital Proulx began using the top-down equity investment approach in 1991 with a portfolio that was seeded by three clients, all of whom are still with them.

The team has been running this product for 21 years and they were able to port the performance back to the beginning, even though Hexavest itself wasn't established until 2004. The team has not lost any investment professionals since 1991. Hexavest currently has 38 employees (they just hired one more and will be hiring another analyst next month).

Hexavest is content with its rate of growth in assets and personnel, but feels they are reaching a point where it would be difficult to support world-wide clients from their office in Montreal. The recent Eaton Vance (EV) acquisition should help them to maintain their "single office' so they can continue to focus on investment management. EV approached Hexavest about a year ago. Hexavest thought it was just to be a sub-advisor, but it turned into more. The transaction closed on August 6.

EV wanted to buy a majority interest but Hexavest wasn't comfortable giving up shareholder control, so only a 49% interest was sold. However, EV has a 60 day window in five years to increase their interest to 75%, at their option. Vital feels there is about a 50/50 chance that EV will purchase the additional 26% at a pre-determined multiple of EBITDA. Hexavest has told EV their maximum AUM capability is $40 billion (currently $10.6 billion). Part of the reason for the sale to EV was that it was getting too difficult and expensive to recycle shares among existing employees/owners. They also did not want to open any new offices and felt EV could provide them with a world-wide presence. Due to the acquisition of the 49% interest, one EV director will be added, for total of seven directors (no others of whom are from outside).

Hexavest's self-imposed $40 billion cap is because they don't want to own more than 20% of the weekly volume of any single stock, so that they can always dispose of a position within a week's time. There won't be any integration of systems between EV and Hexavest. Hexavest will treat EV as a client, and they fully expect to continue with complete autonomy. EV was planning on launching four new mutual funds at the end of August, for which Hexavest will be the sub-advisor. Hexavest will also be in EV's institutional line up. They don't plan to launch any new products. EV has engaged in similar transactions with Parametric and Atlanta Capital.

Every Hexavest shareholder has signed employment contracts with EV. All employees have non-compete agreements (5-years for Vital, 3 years for the other portfolio managers, 2 years for client service personnel). Vital owns 50.1% of remaining shares and the other 14 shareholders own the balance. Vital does not expect key employees to leave Hexavest due to their new-found wealth. Their compensation structure is base salary plus bonus based on firm profitability and a pool from some clients who have performance based fees. Any bonus is based on team performance and is distributed pro rata.

Marc Veilleux, who works in quantitative research is phasing out due to personal family matters, although they are keeping him onboard due to loyalty to him, as he started with Vital. Hexavest had hired Jean-Francois Berube, who holds two masters degrees & his Ph.D. in quantitative research, in 2009. He has five years total industry experience.

Portfolio Management:

Hexavest's Tactical Asset Allocation portfolio is the older strategy (2003) that started while the team was at Natcan (then a subsidiary of the National Bank of Canada – the team's previous employer). In May 2011, they launched a similar global macro fund for Canadian clients, which utilized less leverage, but can use futures. EV may expand this product.

The stand-alone emerging markets (EM) portfolio was started in 2011. They are currently underweight EM in the All-Country portfolio.

Their practice is to stay within +/- 15% of the country benchmark weighting. Hexavest is willing to deviate from the benchmark by 15% for regions and currencies, and 10% for sectors. Their stock selection can be 0 to 2% over the index and hold up to 10% cash. Prior to 2008, the average portfolio turnover was about 40% per year; it is now over 100%.

Hexavest's Investment Process consists of:

- Top-down, looking at the macro view—focus on evaluating the economy
- They make many diversification decisions (regions, countries, currencies, sectors)
- Valuation is examined
- Investor Sentiment is taken into account
- Stock selection = ~20% of their decision process

After forming their macro view, Hexavest uses proprietary quantitative models to validate those views. They rate macro conditions as high as + + + or as low as - - -.

The Investment team meets daily. Investment Committee meetings are held three times a month. However, portfolio decisions can be made anytime. Their sell discipline is similar to their buy decisions. When their analysis indicates a sale is appropriate, the position is liquidated. However, they tend to scale into and out of positions.

Hexavest hedges currencies by using forward contracts, but they do more than hedging—they will make active currency bets. For example, if they like a Japanese company, but not the yen, they will hedge against the impact of the yen.

Hexavest viewed the market negatively in August 2006 due to concerns over housing and sub-prime mortgages. They then turned optimistic in 2009. Hexavest will tend to underperform when uptrends extend longer than anticipated (e.g. 2007). They attempt to perform better in down markets due to their value bias and contrarian approach, which helps to avoid market bubbles.

Current Outlook:

- The macroeconomic environment is very negative with no obvious solutions. Printing more money will help, but won't resolve the issues in Europe. The central banks will continue to print more money, but each round of quantitative has had a smaller impact.
- Because they expect more worldwide quantitative easing (QE), they feel it will eventually lead to inflation, and that people will lose confidence in the monetary system.
- They predict the Euro will fall considerably (there have been 19 European economic summits).
- They also predict Greece will leave the European Union.
- Eventual higher inflation will help equities, but hurt fixed income.
- They anticipated the market would have dropped as the European recession deepened, and are still very defensive. They predict the European recession will be more severe and longer lasting than markets expect
- Their view is that investors are negative on the economy, but positive central banks will bail the markets out. They expect the market to be caught off guard when it learns the central banks can't save the world.
- They predict Europe will remain in recession in 2013, the US will have to face its deficit in 2013, and the poor economy will prevail; so they remain defensive.
- They expect Japan will slow down after tsunami rebuilding is behind them.
- They believe China's slowdown is worse than the markets are taking into account. The cyclical portion of economy is in a hard landing. Housing in 50+% of the markets is contracting. Housing starts are in the range of 5-6 million/year, down from 16 million. China should only grow at 4-5%/year, which will hurt commodities.
- Their view is that Canada is entering a housing crisis similar to what the US experienced.
- US employment should be watched. Deleveraging slows the economy.
- Profits haven't slowed as much as they expected, although companies can't improve profit margins and revenues aren't growing.
- They believe stocks are fairly valued (neutral)
- They recommend being underweight to Europe, hoping it will get to neutral and then probably positive subsequently. They believe earnings estimates are too high.
- Investors are overweight in emerging markets, which is a concern, because a recession in Europe will hurt the emerging markets.
- They will probably be more interested in the BRICs when those countries turn around.

- Because European stocks are cheap relative to the US, investors seem to be getting complacent.
- Because of the trend towards "deglobalization," the focus should be on country allocations.
- They believe the new norm for P/E will be about 10, as opposed to the current 11.

Hexavest's currency trades have helped performance in the last couple of years. They will reduce their short Euro exposure at $1.20 and will neutralize their exposure at $1.10. They also believe the Australian dollar will be hurt.

Hexavest produces quarterly research reports on regions, countries and currencies. In the quantitative models used to validate the team's fundamental research, they weigh various factors. The weightings change over time, but they will always place the most emphasis on valuation.

Their objective is to generate 2% of alpha per year over 4-year rolling-periods. Most of the alpha will come from top-down decisions (regions, countries, currencies, sectors, and industries), with a marginal portion derived from stock selection. Their target for total active risk is 3 to 5. Hexavest only invests in publicly traded securities and they validate the trades and valuations. They use about 25 different brokers for trades. The execution of trades is monitored through State Street.

Hexavest uses some soft dollars for research. We emphasized how we would prefer that they didn't use soft dollars, but instead pay separately for research they need. However, they feel very strongly that this is the best arrangement for their needs.

They don't generally meet with company management before investing because of the top-down approach. However, the team will meet with company management that travels to Montreal, but the meeting will usually focus on more macro factors affecting the company and its industry.

Hexavest viewed the period of 2009-2011 as either "risk on" or "risk off." They feel 2012 is returning to "normal" where country, sector and stock selection matters.

Their current cash holdings are about 7%; down from 8.9% as of 6/30/12. Clifton does not overlay Hexavest's portfolio level cash.

Compliance:

Michel Lajoie is chief compliance officer. He reports directly to the board of directors, and is currently. updating the Code of Ethics and establishing Social Media Policy, in part due to the EV acquisition.

The Custodian for the US pooled fund (which is organized as a New Hampshire Trust) in which we are invested is State Street. The segregated account minimum is $50 million. It is slightly more expensive (about 10 basis points) than the pooled fund, and would also increase custody fees. The segregated account does not make sense for VCERA to consider at this time.

Hexavest does their own currency repatriation instead of using custodians. They perform quarterly analyses for trading costs (they use Eklins McSherry for equities and FX transparency for currencies). For foreign exchange (FX), they use 3-month traded maturity forwards (and exchange traded futures, although not for the pooled fund). The main counter-party for FX forwards is State Street Bank & Trust and CIBC has also recently been approved by the broker selection committee.

They re-started a securities lending program in the Spring of 2012, which State Street is managing. They hope to earn 4-6 bps. They do not accept cash collateral. They had done securities lending previously, but stopped in 2008 when they saw impending problems with it. We spent considerable time discussing the security of this program and had several follow up communications, and are reasonably satisfied with the way the securities lending program was operated.

They replaced their former soft dollar arrangement with Societe Generale with a Commission Sharing Agreement with Pictet Canada. It totals about 12% of gross commissions. They only use commission sharing (soft dollars) for benefit of client accounts and insure the costs are warranted for value received.

They have gift acceptance and given policy that allows employees to receive some gifts from vendors.

They handle proxy voting in in a manner they consider is the best for investors. Groupe Investissement Responsible (GIR) has handled the voting based on Hexavest's policies for approximately 18 months.

For backup/disaster recovery, they perform daily internal backups plus twice daily replication to a data center 45 minutes away through CANIX. We suggested that they consider moving this location farther away. Hexavest tests its disaster recovery plan twice a year, and once a year KPMG audits the test and issues a letter of comfort. They also have an alternative work site where they can log into the home office or the CANIX site.

The SEC has never audited Hexavest, and there is no outstanding litigation.

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Memo

To: Staff and Board
Ventura County Employees' Retirement Association

From: Russ Charvonia, ChFC, CFP®, Esq.
Art Goulet, Trustee

Date: September 17, 2012

Re: **Sprucegrove Onsite Due Diligence – August 7, 2012**

Location: Toronto, Canada

VCERA Attendee: Art Goulet

HEK Attendee: Russ Charvonia

Sprucegrove Presenters: Craig Merrigan, PM; Shirley Woo, PM; Arjun Kumar; Sabu Mehta, Sr., Analyst; Mark Wolff, CFO

Fair Haven Partners: Mark Shevitz

Background:

Portfolio Manager Craig Merrigan has been in the investment business for 25 years. He and Shirley Woo started with the predecessor firm Confederation Life, he in Atlanta she in Toronto (there were three original founders). The company encountered financial trouble and senior management turnover, so the investment group then formed Sprucegrove in 1994. Sprucegrove purchased the separate account clients from Confederation, and most of the clients followed them.

Craig rejoined Sprucegrove as an investment analyst directly from Confederation Life U.S.in 1998. He now co-manages the global and US equity portfolios. Shirley was one of the first analysts for Sprucegrove's EAFE equity product in Toronto and eventually became a portfolio manager. We met with both of them.

We also met with Arjun Kumar, who has been with Sprucegrove since 2002, and Sabu Mehta, Sr. who has been with the firm since its inception.

The three products now offered by Sprucegrove are: International Equity (bellwether product); Global Equity; US Equity. Sprucegrove currently has $19 billion in total; with $14 billion International, $4 billion global, and $1 billion U.S. The firm's assets under management peaked at $23 billion.

Sprucegrove invests in all capitalization levels of stocks (market cap agnostic), with minimum market cap of $1 billion.

Sprucegrove had considered starting a dedicated emerging market product, but they have since decided to focus on the three existing products, for now. They aren't sure they would be able to find a working list of 75-100 names in the emerging markets that meet their qualifications.

Sprucegrove will close products when they have concerns about capacity constraints in terms of liquidity, or their ability to service the clients. The International portfolio has been closed more often than it has been open, and is in the process of being closed now due to reduced liquidity in companies at the lower end of the market capitalization range in which the fund invests.

Sprucegrove doesn't want to have to be "asset gatherers," so they use Fair Haven to conduct all of their marketing in the US. We don't pay any extra fee to source through Fairhaven. Rather, Sprucegrove pays Fairhaven 20% of the investment fees paid by clients. Sprucegrove feels they work well with Mark Shevitz and Ed of Fairhaven. While it would be cheaper for Sprucegrove to handle their own distribution, they appreciate the relationship with Fairhaven and don't want to have to build their own distribution channel.

All of their research analysts are global generalists. They emphasize the importance of the analysts. Sprucegrove attempts to develop a cross section of employees in order to bring in younger, fresher talent to hand the business to over time. Employees are mentored for several years. They are looking to hire a new analyst.

Sprucegrove plans to continue to operate from their single office. They want to remain independent and small in order to retain their unique culture. The founders' relationship with Confederation Life convinced them that they don't want to be part of another larger company. The company is 100% employee owned with 29 employees, of which 27 have ownership. Employees can buy shares based on a determination by the four board members of the employee's merit. All owners are all able to buy and sell at the same price multiple, so there are no "bargain" purchases or sales. The mandatory retirement age is 65. The purchase amount can be financed through a retiring shareholder, Sprucegrove or by bank loan. At least 75% of quarterly profit sharing bonus must be used to pay back the loan.

President Peter Clark will retire on 12/31/12 (age 56) to pursue other passions, including environmental issues. He was a founder and an important part of the investing process. Former founders John Watson and Ian Fyfe have already retired. When a key player plans to retire, they begin to "step away" as their retirement date nears. Clark still participates in weekly portfolio management and business meetings. He is now a participant, not leading, these meetings. All portfolios are team-managed, not a star system. Shirley has worked closely with Peter since the inception of the portfolio.

Retired founders would participate if the company were ever sold. They insist it is very unlikely the firm will ever sell out.

Sprucegrove has never had any layoffs (including 2008/09) and survived those tough periods by reducing profit sharing bonuses. They have only lost one professional employee (in 2009).

Compensation:

Every employee's base salary is relatively modest. In order to provide sufficient incentive, the profit sharing bonuses are typically a multiple of base salaries.

Portfolio Management:

VCERA invests in Sprucegrove's pooled fund.

The Sprucegrove portfolios are constructed to be bottom-up, low turnover, high quality at reasonable valuations investment style. Their intent is to always be fully invested. Portfolio turnover averages less than 10% per year.

There are currently 86 holdings in the International portfolio and 105 in the Global portfolio.

Portfolio managers maintain a "Working List" which is a proprietary tool of investible stocks. A company must have ten years of history to make the Working List.

The EAFE portfolio includes MSCI names as well as others and emerging market companies. US clients also have Canadian names in their portfolios.

Ideas are obtained from looking at company's suppliers, peers, attending conferences, etc. When they identify a "quality" company, they will wait for an attractive valuation to make the purchase. Idea generating meetings are held monthly. Portfolio managers set the priorities for the analysts' focus. An analyst then prepares a comprehensive (30-page) Basic Research Report. If the company meets the requirements, then the name makes it to the Working List. When the stock becomes attractively priced, it is added to the portfolio.

For example, an analyst found RyanAir (Ireland) by looking for companies that are similar to Southwest Airlines. They were able to buy Ryan after the company had an earnings miss and the stock price fell.

Since portfolio managers are constantly looking for companies that produce reasonable growth at a an attractive valuation, they will tend to lean on the value side. They also focus on quality of management.

They have eight research analysts and two research associates. Company managements travel to see them (about two a week), and analysts also visit companies.

Spruegrove doesn't identify a price target to sell. Instead, they will let the price run if the valuation is still attractive relative to the company's earnings.

They held a market weight in the banks in 2008 that hurt performance and have since made their analysis on the banks more rigid. They do not currently hold any German banks and very little euro-zone exposure. They will likely stay underweighted in financials in general, and banks in particular.

They currently like South Korean steel company POSCO and Indian natural gas pipeline company GAIL.

Operational Issues:

Sprucegrove employs about 40% soft dollar commissions for research. Among the roughly 25 brokers they use, only 3 to 5 are execution only. They rely on sell-side research for background industry information. Their brokers also provide access to corporate management and conferences that they feel they otherwise wouldn't have. They feel they can't get away from soft dollars because of their low trading volume, which doesn't afford them much negotiating power.

Commissions average 10 to 12 bps for international holdings.

The securities lending program is run through JP Morgan Chase and generates about 3-4 bps, which comes close to covering custodial fees. This is about half of what it was in the past. They had some losses on the collateral pool in 2008, and as a result they are considering not participating in the program in the future.

Portfolio managers scale into purchases (and out) of holdings very methodically. They initially buy 0.25% toward roughly 1% ultimate target. They will sell quickly if the stock is selling off due to a quality issue, while they will phase out if the sale is due to the stock reaching near-full valuation.

Samsung holdings have been trimmed due to valuation.

Sprucegrove abides by a cap of 5% holding per position but, at 4%, Novartis is about the highest holding they have had.

Disaster preparedness:

Sprucegrove conducted a risk assessment and identified potential flood or lack of access to the office as the biggest threats to their operations.

All of the firm's computer files can be accessed remotely. All of their systems are cloud-based except for portfolio management system (SS&C Technologies in Connecticut) which is on the provider's server. Weekly back up tapes are maintained that are kept in Mark Wolff's home, as well as a daily incremental data backup.

We spent a considerable amount of time providing suggestions as to how they might be better prepared for a possible disaster.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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September 17, 2012

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

SUBJECT: FIDUCIARY LIABILITY INSURANCE REVIEW, AUTHORIZATION, AND PRESENTATION

Dear Board Members:

Please:
1. Receive the fiduciary liability insurance presentation,
2. Receive and file this letter and the attached confirmation of coverage, and
3. Authorize the Risk Manager and Retirement Administrator to adjust future fiduciary coverage provisions, upon mutual agreement, and direct the Retirement Administrator to report to the Board on the status of the fiduciary liability insurance at the first Board meeting in July each year.

On March 21, 2011 Ashley Dunning, of Manatt, Phelps & Phillips, LLC gave a presentation to your Board on Fiduciary Fundamentals for Board of Retirement Trustees. Her firm provides an annual training that covers Fiduciary principles, as does CALAPRS, and periodically SACRS.

Fiduciary Liability Insurance Presentation

I have asked our County Risk Manager and our Insurance Broker, Alliant Insurance Services, to compliment your understanding of fiduciary responsibility with a presentation today on what insurance coverage you have related to it. Rennetta Poncy, of Alliant Insurance Services will provide a 10 to 15 minute presentation and review VCERA's coverage as outlined in the attached confirmation of coverage, and both she and Charles Pode, of Risk Management, will be available for any questions that you might have.

Fiscal Year 2012-13 Coverage Overview and Waiver of Recourse

On June 18, 2012, VCERA renewed its fiduciary liability insurance with the RLI Insurance Company for the 2012-13 fiscal year. The policy was renewed at a higher annual premium than was paid last fiscal year ($74,800 vs. $68,000). An aspect of RLI's coverage is a clause that gives RLI the right to recourse against the individual trustee whose breach gives rise to a claim. RLI pays the claim and then can recover losses from the individual trustee. The plan's assets are protected, but not those of the individual trustee. RLI charges a nominal fee to each individual trustee ($100 in total to cover the eleven VCERA trustees) to waive this right of recourse and extend coverage to the individual trustee. The fee is intended to be paid by the individual trustees, or the appointing entity, but may not be paid from plan assets.

The waiver of recourse was included within VCERA's $74,800 payment for fiduciary liability coverage, and the waiver will become effective as to individual board members upon payment by each board member. Accordingly, Staff recommends VCERA's trustees pay the nominal fee of $9.09 a piece in order to maximize the effectiveness of the fiduciary liability coverage and extend the liability coverage to VCERA's individual trustees. Please provide a check made payable to "VCERA" in the amount of $9.09.

Adjustment of Plan Provisions
Charles Pode is able to renew existing policies. Occasionally there are opportunities to adjust insurance provisions that will yield reductions in premiums or enhancements in coverage, which is unclear as to whether or not he is able to act upon.

Case in point, Staff and Risk Management reviewed the proposed policy for fiscal year 2012-13 and the proposed option to increase the "Retention" (deductible) from $25,000 to $100,000 that would have resulted in a $7,300 premium reduction. Given that there was not enough time to bring the matter to the Board for decision and secure a policy for July 1, 2012, we did not perform an analysis or form an opinion as to the option's efficacy.

Staff would like VCERA to benefit from Risk Management's expertise and recommends that your Board authorize the Risk Manager and Retirement Administrator to adjust future fiduciary coverage provisions, upon mutual agreement, and direct the Retirement Administrator to report to the Board on the status of the fiduciary liability insurance at the first Board meeting in July each year.

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

Sincerely,

Donald C. Kendig

Donald C. Kendig, CPA
Retirement Administrator

My vision is for VCERA to be a model of excellence for public pension plans around the World.

Attachments

Alliant

Ventura County Employees' Retirement Association – September 17, 2012

Fiduciary Liability Insurance – General Overview

Alliant: The specialty insurance leader.

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What is Fiduciary Liability?

Fiduciary Liability Insurance is an insurance product designed to transfer risk for the financial protection of fiduciaries of employee benefit plans against legal and statutory liability arising out of their role as fiduciaries, including the cost of defending those claims that seek to establish such liability.

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Governmental Plans Fiduciary Liability (FLIP) Claims Made Form

$10,000,000 – Aggregate Limit of Liability (including defense costs)

$ 500,000 – Sublimit for Voluntary Compliance Fees

$ 1,500,000 – HIPPA Sublimit

$ 25,000 – Retention Indemnifiable

$ 0 – Non-Indemnifiable

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Who is a Fiduciary?

- Any person or entity who exercises discretionary authority with respect to the management of a plan or the disposition of it's assets.
- Any person or entity who has discretionary authority or responsibility with respect to a plan.

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Who will the policy cover?

- Fiduciaries with administrative duties to the plan/participants.
- Fiduciaries with a fiduciary duty to the plans.
- The Sponsor Organization
- The Plans

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What will the Policy Cover?

- Administrative Error & Omission Claims.
- Breach of Fiduciary Duty claims.
- Benefit Claims (Defense Only) Policy will not cover actual benefits.

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Definition of Fiduciary Duties

"Prudent Man rule"

To run the plan solely in the interest of the plan participants and for the exclusive purpose of providing benefits to plan participants.

To diversify assets so as to minimize loss.

To minimize the expense of administrating the plan.

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Claims Examples

- Failure to choose/offer prudent investments
- Failure to monitor investment performance
- Failure of investments to perform as promised
- Failure to provide participants information
- Failure to timely deposit money in participant accounts
- Improper advice or disclosure Inappropriate selection of advisors or service providers
- Imprudent investments/ Conflict of interest with regard to investments
- Lack of investment diversity
- Breach of responsibilities or fiduciary duties
- Negligence in the administration of a plan

Alliant

CONFIDENTIAL: NOT FOR DISTRIBUTION

Claims Examples – County Systems

1) Claim made by participant on behalf of all participants receiving a discretionary retiree subsidy. The Board of Trustees' decision to transfer funds from one reserve account to another account is alleged to have eliminated the discretionary retiree subsidy payments to over 7,000 retirees. Claimants allege the transfer decision was motivated by the County's budgetary shortfalls and the Board breached its fiduciary duty to the retirees.
2) Suit was filed by former employees of the County against the Board of Trustees and the actuarial firm retained by the Board to prepare actuarial valuations upon which funding decisions were made. The Board allegedly learned that the actuarial firm might have committed malpractice in performing their services to the Board, but chose to enter into a Tolling Agreement with the actuarial firm rather than file a malpractice claim. Plaintiffs allege the Board breached its fiduciary duty by not filing a malpractice action.

Alliant

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Standard Exclusions

- Profit or Advantaged Exclusion
- Fraud Exclusion
- Discrimination Exclusion
- Bodily Injury/Property Damage (does not apply to defense cost for breach of duty)
- Pollution Exclusion with Pollutants Defined
- Exclusion for claims related to an insured's capacity as fiduciary or administrator of any plan other than a plan covered under the policy

Alliant

QUESTIONS

Alliant

THANK YOU!

Alliant

AmWINS Brokerage

AmWINS Insurance Brokerage of California, LLC
601 S. Figueroa Street
Suite 4350
Los Angeles, CA 90017

T 213.254.2220
F 213.254.2238

amwins.com

CA License #0C01319

June 18, 2012

Mariana Salyer
Alliant Insurance Services, Inc.
1301 Dove Street Suite 200
Newport Beach, CA 92660

RE: Ventura County Employees Retirement Association
Fiduciary Liability
Policy Period: 7/1/2012 to 7/1/2013
RLI Insurance Company

CONFIRMATION OF COVERAGE

In accordance with your instructions to bind coverage, this Confirmation of Coverage confirms that coverage is bound for your client as follows:

DATE OF ISSUANCE: 6/18/2012

NAMED INSURED: Ventura County Employees Retirement Association

MAILING ADDRESS: 1190 S. Victoria Avenue # 200
Ventura, CA 93003

CARRIER: RLI Insurance Company

POLICY NUMBER: EPG0011340

POLICY PERIOD: From 7/1/2012 to 7/1/2013
12:01 A.M. Standard Time at the Mailing Address shown above

LINE OF BUSINESS: Fiduciary Liability

POLICY PREMIUM:

$74,700.00	Premium
$100.00	Fees
$74,800.00	**Total Premium, Taxes and Fees**

MINIMUM EARNED PREMIUM: 25%

COMMISSION: 14.000% of premium excluding fees and taxes

FEES:

Fee		Amount
California		
Waiver of Recourse		$100.00
	Total	**$100.00**

Total Fees	**$100.00**

The attached Binder from the carrier sets out the precise coverage terms and conditions being bound. Please review this information carefully. If after review, you find any errors in this Confirmation of Coverage or the carrier's Binder, please contact us immediately to discuss.

Should you have any questions or need anything further, please feel free to contact me.

Thank you for your business. We truly appreciate it.

Sincerely,

Emma Villalobos
Assistant Vice President
AmWINS Insurance Brokerage of California, LLC
601 S. Figueroa Street Suite 4350
Los Angeles, CA 90017
T 213.254.2237
F 213.254.2238
E emma.villalobos@amwins.com

On behalf of,

Dave Weller
Senior Vice President
AmWINS Insurance Brokerage of California, LLC
601 S. Figueroa Street
Suite 4350
Los Angeles, CA 90017
T 213.254.2245
M 818.399.7113
F 213.254.2238
E dave.weller@amwins.com

CA License # 0C01319

RLI

RLI Insurance Services
California License # 0C94239

Dave Weller
AmWINS Insurance Brokerage CA
601 S. Figueroa Street
Suite 4350
Los Angeles, CA 90017

Re: Ventura County Employees' Retirement Association

EXECUTIVE PRODUCTS GROUP
BINDER OF INSURANCE

Issuing Company:	RLI Insurance Company, A+ XI Admitted
Policy Number:	EPG0011340
Policy Period:	July 01, 2012 to July 01, 2013
Discovery Period:	See Endorsement
Coverage:	**Governmental Plans Fiduciary Liability Policy**
Policy Form:	GEF 100 (04/11) / GEF 101 (04/11)
Limit of Liability:	$10,000,000 aggregate
Retention:	$0 Non-Indemnifiable Loss $25,000 all other Loss
Compliance Fee Sublimit:	$500,000
Endorsements:	GEF 301 (04/11) - Amend Definition of Loss - Increased HIPAA Sublimit GEF 302 (04/11) - Amend Discovery Period GEF 303 (04/11) - Amend Other Insurance UW 20334 (10/11) - State of California Notice To Policyholder HIPAA sublimit at $1.5M 80/20 Amend Consent to Settle Consent to Settle Within the Retention 100% Defense Allocation Amend Contractual Liability Amend BI/PD
Prior or Pending Date:	July 01, 2001
Premium:	$74,700

Waiver: $100

Total Premium and Surcharges: $74,800

Insured Plans: Ventura County Employees' Retirement Association

COVERAGE IS BOUND SUBJECT TO OUR RECEIPT AND ACCEPTANCE OF THE FOLLOWING ADDITIONAL INFORMATION:

In order to complete the underwriting process, we require the additional information requested above. This binder is issued for a temporary period of 30 days from the date of this notice. Such temporary binding of coverage shall be void ab initio ("from the beginning") if we have not received, reviewed, and approved in writing such materials within the aforementioned 30 days.

Further, these terms are strictly conditioned upon there being no material change in the risk between the date of this letter and the inception date of the proposed policy. If we determine such material change has occurred, we may modify the terms, up to and including withdrawal of the terms.

Please review this binder carefully and notify RLI Insurance Services immediately of any inaccuracies or discrepancies.

This binder may only be changed or extended in writing by RLI Insurance Company.

Thank you for the opportunity to consider this account. If you have any questions, please don't hesitate to call.

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

September 17, 2012

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

SUBJECT: REQUEST TO ATTEND THE STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS (SACRS) WORKSHOP ON THE IMPLEMENTATION OF THE CALIFORNIA PUBLIC EMPLOYEES' PENSION REFORM ACT OF 2013, SACRAMENTO, CA – SEPTEMBER 24, 2102

Dear Board Members:

Mr. Arthur Goulet is requesting authorization to attend the SACRS Workshop on the Implementation of the California Public Employees' Pension Reform Act of 2013 in Sacramento, CA. In addition, I am requesting authorization for Lori Nemiroff, of Board Counsel, to also attend. The estimated cost for Mr. Goulet's attendance is less than $400 as the cost will be shared by REAVC. Ms. Nemiroff's cost will be slightly more. The workshop is scheduled for June 24, 2012 and I will be preparing agenda items and unable to attend.

Please consider the requests for Mr. Goulet's and Ms. Nemiroff's attendance.

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

Sincerely,

Donald C Kendig

Donald C. Kendig, CPA
Retirement Administrator

My vision is for VCERA to be a model of excellence for public pension plans around the World.

Attachments

SACRS
State Association of County Retirement Systems

Date: September 6, 2012
To: SACRS CEO's/Retirement Administrators
From: Robert Palmer, SACRS Executive Director
Subject: SACRS Workshop on Implementation of the California Public Employees' Pension Reform Act of 2013

Please Join Us
With the passage of both AB 340 and AB 197, there are significant changes that will transpire for many public pensions in California, in particular those systems under the County Employees Retirement Law ('37 Act).

SACRS is hosting a special one-day workshop for CEO's/Retirement Administrators and their legal counsels to have in-depth discussions on implementation of the changes. We are counting on all 20 Systems to participate, capitalizing on the internal expertise of our own membership and staff.

Date: Monday, September 24, 2012
Location: Sheraton Grand Hotel, 1230 J Street, Sacramento, CA 95814
Time: 8:30 a.m. – 5:00 p.m.

Send in Your Questions/Concerns
Because of the time limit for discussion, a request is made that each system forward its questions/concerns on any PEPRA changes, listed by the specific category in the agenda, to Sulema Peterson at Sulema@SACRS.org

We would like to receive these issues **NO** later than **September 14, 2012**. They will then be placed into the specific categories and sent out to all the systems CEO's/Retirement Administrators in advance of the workshop. Thus, allowing time at the local level for additional research and preparing a response to be presented at the workshop.

The workshop discussion will focus on those sections where individuals/systems have raised comments, questions or concerns. To allow us to review all the code sections in one day - sections/codes not raised would imply that, for the present, there is no ambiguity with those sections of the provisions.

We realize that many issues will still be open for further research and discussion. Therefore, we plan to have follow-up discussions on specific issues at the SACRS Fall Conference, most likely during the Breakout Sessions.

RSVP
Please RSVP to Sulema@SACRS.org – We will be hosting a working lunch and need to confirm space at the hotel. Sulema has asked that you please send the following information for each staff member attending:

- Attendee Name:
- System:
- Email:

If you have any questions or would like additional information, please don't hesitate to contact me at sirbpalmer@aol.com or Sulema@SACRS.org .

See you on September 24th!

Robert Palmer
SACRS Executive Director

Attachments: AB 340, AB 197, SACRS Workshop PEPRA Agenda

SACRS
State Association of County Retirement Systems

SACRS Workshop on PEPRA of 2013

Monday, September 24, 2012
Sheraton Grand Hotel
1230 J Street, Sacramento, CA 95814
8:30 a.m. – 5:00 p.m.
RSVP to Sulema@SACRS.org

Agenda

The following topical areas are set for the agenda; ***please send your questions/concerns*** *regarding any of the items below to Sulema@SACRS.org* ***NO later*** *than Friday, September 14, 2012. Working lunch will be provided.*

1) Sections of AB 340 that directly apply to the '37 Act systems:
   a. Section 28, (31461) Compensation Earnable
   b. Section 29 (31542) Assessing appropriate compensation
   c. Section 30 (31542.5) Reporting compensation
   d. Section 31 (31543) Retirement Board to audit
   e. Section 32 (31631) Employee contributions
   f. Section 33 (31631.5) Normal Cost contributions
   g. Section 34 Severability Clause
2) Sections of AB 197 that directly apply to the '37 Act systems:
   a. Amendment #2 (31461) earned "and payable"
   b. Amendment #2 maintain the Salus v. SDCERA decision
3) Other sections that directly apply to the '37 Act systems (Section 15 of AB 340) Article 4. California Public Employees' Pension Reform Act of 2013
   a. (7522.02) Application to which public retirement systems
   b. (7522.04) Definitions
   c. (7522.10) Limits on compensation
   d. (7522.15) Required defined benefit formulas
   e. (7522.18) Limitation on supplemental defined benefit plans
   f. (7522.20) Required non-safety formula
   g. (7522.25) Required safety formula
   h. (7522.30) Equal sharing of Normal Costs
   i. (7522.32) Compensation based on 36 consecutive months
   j. (7522.34) Pensionable compensation
   k. (7522.40) Equal treatment of health vesting
   l. (7522.42) Member compensation in relation to IRC 401 (a) 17
   m. (7522.43) Replacement benefits limited by IRC 415
   n. (7522.44) Prospective benefits
   o. (7522.46) Discontinue non-qualified service credit
   p. (7522.48) Separation of recognized service by elected officials
   q. (7522.52) Conditions for the suspension of employer contributions
   r. (7522.56) Employment after retirement, timeframe and limitations
   s. (7522.57) Retirees appointed to a state board or commission
   t. (7522.66) Safety member benefits upon an industrial disability retirement
   u. (7522.72) Public employee convicted of a felony
   v. (7522.74) Felony conviction and denial of pension
4) Which other sections "may" also apply to the '37 Act systems
5) Implications regarding IRS and tax issues
6) Areas that may be in conflict with existing state and/or federal laws and regulations
7) Issues with regard to Social Security coverage
8) Areas that may need clarifying language

Proposed Conference Report No. 1
August 28, 2012

AMENDED IN SENATE SEPTEMBER 7, 2011

AMENDED IN SENATE SEPTEMBER 2, 2011

AMENDED IN SENATE JUNE 22, 2011

AMENDED IN ASSEMBLY APRIL 25, 2011

AMENDED IN ASSEMBLY APRIL 14, 2011

AMENDED IN ASSEMBLY APRIL 11, 2011

AMENDED IN ASSEMBLY FEBRUARY 24, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL No. 340

Introduced by Assembly Member Furutani
~~(Coauthors: Assembly Members Huber and Ma)~~
(Principal coauthor: Senator Negrete McLeod)
(Coauthor: Assembly Member Allen)

February 10, 2011

~~An act relating to public employees' retirement.~~ *An act to amend Sections 24214 and 24214.5 of, and to add Sections 22119.3, 22164.5, 24202.6, 24202.7, and 24202.8 to, the Education Code, to amend Sections 9355.4, 9355.41, 9355.45, 20281.5, 20516, 21076, and 31461 of, to amend and renumber Section 1243 of, to add Sections 20516.5, 20677.96, 20683.2, 20791, 21076.5, 31542, 31542.5, 31543, 31631, and 31631.5 to, to add Article 4 (commencing with Section 7522) to Chapter 21 of Division 7 of Title 1 of, to add a heading to Article 1 (commencing with Section 7500), to add a heading to Article 2 (commencing with Section 7515), and to add a heading to Article 3* *(commencing with Section 7520) of Chapter 21 of Division 7 of Title 1 of, to add and repeal Sections 7522.66 and 21400 of, and to repeal the headings of Chapter 21.4 (commencing with Section 7515) and Chapter 21.5 (commencing with Section 7520) of Division 7 of Title 1 of, the Government Code, relating to public employees' retirement, and making an appropriation therefor.*

LEGISLATIVE COUNSEL'S DIGEST

AB 340, as amended, Furutani. Public employees' retirement.

(1) The Public Employees' Retirement Law (PERL) establishes the Public Employees' Retirement System (PERS) and the Teachers' Retirement Law establishes the State Teachers' Retirement System (STRS) for the purpose of providing pension benefits to specified public employees. Existing law also establishes the Judges' Retirement System II which provides pension benefits to elected judges and the Legislators' Retirement System which provides pension benefits to elective officers of the state other than judges and to legislative statutory officers. The County Employees Retirement Law of 1937 authorizes counties to establish retirement systems pursuant to its provisions in order to provide pension benefits to county, city, and district employees.

This bill would require a public retirement system, as defined, to modify its plan or plans to comply with this act. The bill would establish new retirement formulas that could not be exceeded by a public employer offering a defined benefit pension plan, setting the maximum benefit allowable for employees first hired on or after January 1, 2013, as a formula commonly known as 2.5% at age 67 for nonsafety members, one of 3 formulas for safety members, 2% at age 57, 2.5% at age 57, or 2.7% at age 57, and 1.25% at age 67 for new state miscellaneous or industrial members who elect to be in Tier 2. The amount of pensionable compensation upon which a defined benefit for new members, as defined, could be based would be limited to an amount determined under a specified provision of federal law for an employee whose service is included in the federal system, which is $110,100 for 2012, and 120% of that amount for an employee whose service is not included in the federal system. Those amounts would be adjusted annually, as specified. The bill would authorize an employer to contribute to a defined contribution plan, as specified.

The bill would prohibit a public employer from making contributions on behalf of a person who first becomes a member on or after January

1, 2013, to any qualified retirement plan based on any portion of compensation that exceeds an amount specified in federal law, which is $250,000 for 2012. The bill would also prohibit, for the purposes of determining a retirement benefit paid to a new member of a public retirement system, the maximum salary, compensation, or payrate taken into account under the retirement plan for any year from exceeding the amount specified in that federal provision, and would prohibit a public employer from seeking an exception to that prohibition.

The bill would prohibit a public employer from offering a plan of replacement benefits for a person who is first hired on or after January 1, 2013, and any survivors or beneficiaries whose retirement benefits are limited by a specified provision of federal law.

The bill would prohibit a public employer from providing a retirement health benefit vesting schedule or other specified retirement benefits to a manager or an employee or officer who is excluded from collective bargaining that is more advantageous than that provided generally to other public employees of the same employer who are in related membership classifications.

(2) Existing law defines final compensation for various employment classifications in connection with the benefits provided by the retirement systems.

This bill, for the purposes of determining a retirement benefit paid to a person who first becomes a member of a public retirement system on or after January 1, 2013, would require that final compensation mean the member's highest average annual pensionable compensation earned, as defined, during a period of at least 36 consecutive months, or at least 3 school years, as specified.

(3) Existing state and local public employee retirement systems are funded by investment returns and employer and employee contributions. The California Constitution provides that the retirement board of a public pension or retirement system has the exclusive power to provide for actuarial services in order to ensure the competency of the assets of the system. Existing law, with respect to PERS, requires the Governor to include in the annual Budget Act the contribution rates submitted by the system actuary of the liability on account of employees of the state.

This bill would require public employees who are first employed on and after January 1, 2013, and who contribute to a defined benefit plan to contribute at least ½ of the annual actuarially determined normal costs, and would prohibit a public employer from contributing in any fiscal year, in combination with employee contributions, less than the *plan normal cost, except as specified. The bill would authorize employee contributions to be more than ½ of the normal costs if agreed to through collective bargaining, but would prohibit the employer from using impasse procedures to increase an employee rate. The bill would also state that equal sharing of the normal cost between the employer and employees shall be the standard and would prescribe specified increases in employee contribution rates for existing employees. By increasing the contribution to continuously appropriated funds, this bill would make an appropriation.*

(4) The Teachers' Retirement Law establishes the Defined Benefit Program of STRS, which provides a defined benefit to members of the system based on final compensation, credited service, and age at retirement, subject to certain variations. The Teachers' Retirement Law also establishes the Defined Benefit Supplement Program, which provides supplemental retirement, disability, and other benefits, payable either in a lump-sum payment or an annuity, or both, to members of the State Teachers' Retirement Plan. The Teachers' Retirement Law defines creditable compensation for these purposes as remuneration that is payable in cash to all persons in the same class of employees, as specified, for performing creditable service.

This bill would revise the definition of creditable compensation for these purposes and would identify certain payments, reimbursements, and compensation that are creditable compensation to be applied to the Defined Benefit Supplement Program. The bill would prohibit an employer from offering a supplemental defined benefit plan unless it offered one before January 1, 2013.

The bill would establish a retirement formula of 2.4% at age 65 and set a minimum retirement age of 55 for a member of STRS who is hired on or after January 1, 2013. The bill would state the intent of the Legislature that STRS propose statutory changes to fully effectuate those changes by June 30, 2013.

(5) Existing law permits members of PERS, STRS, and county, city, and district retirement systems that have adopted specified provisions, to purchase up to 5 years of nonqualified service credit by making specified contributions to the system.

This bill, on and after January 1, 2013, would prohibit a public retirement system from allowing the purchase of nonqualified service credit, as described above, except as specified.

Under existing law, retirement benefits may be increased retroactively or prospectively.

This bill would provide that any enhancement to a public retirement system's retirement formula or benefit that is adopted on or after January 1, 2013, would apply only to service performed on or after the operative date of the enhancement. The bill would also provide that, if a change to a member's classification or employment results in an increase in the retirement formula or benefit applicable to that member, the increase would apply only to service performed on or after the operative date of the change. The bill would also, until January 1, 2018, specify the benefit amount for industrial disability retirement.

(6) Existing law requires the final compensation of a local member for the purpose of determining any pension or benefit resulting from state service as an elective or appointed officer on a city council or a county board of supervisors accrued while in membership, to be based on the highest average annual compensation earnable by the member during the period of state service in each elective or appointed office.

This bill, for the purpose of determining any pension or benefit resulting from the local service, would require final compensation to be based on the highest average annual pensionable compensation earned.

(7) Existing law provides that any elected public officer who takes public office, or is reelected to public office, on or after January 1, 2006, who is convicted of any specified felony arising directly out of his or her official duties, forfeits all rights and benefits accrued on and after January 1, 2006, under, and membership in, any public retirement system in which he or she is a member, effective on the date of final conviction, as specified.

This bill would instead require that a public employee, including one who is elected or appointed to a public office, who is convicted of any state or federal felony for conduct arising out of, or in the performance of, his or her official duties in pursuit of the office or appointment, or in connection with obtaining salary, disability retirement, service retirement, or other benefits, forfeit retirement benefits earned or accrued from the earliest date of the commission of the felony to the forfeiture date, as specified. The bill would also require any contributions to the public retirement system made by the public employee on or after the earliest date of commission of the felony to be returned, without interest, to the public employee upon the occurrence of a distribution event, as defined, unless otherwise ordered by a court or determined by the pension administrator. The bill would also make related, conforming changes.

(8) PERL establishes the circumstances in which a retired person may serve without reinstatement from retirement or loss or interruption of benefits, including as a member of a board, commission, or advisory committee, upon appointment by certain state officials, by the director of a state department, or by the governing board of a contracting agency. Existing law generally prohibits any person who has been retired from being employed in any capacity with the same public employer unless he or she is first reinstated from retirement, except as authorized.

This bill would authorize a retired person, who is first appointed on or after January 1, 2013, to a part-time or nonsalaried position on a state board or commission, to serve without reinstatement, as specified. The bill would prohibit a retired person who retires from a public employer from serving, being employed by, or being employed through a contract directly by a public employer in the same retirement system from which the retiree receives a pension benefit without reinstatement, except as specified.

(9) The Teachers' Retirement Law limits the amount of compensation for certain creditable service activities by a retired member to be $22,000 adjusted by the percentage change in the average compensation earnable by active members of the Defined Benefit Program, from the 1998–99 fiscal year to the fiscal year ending in the previous calendar year.

The bill would change that limit in the Teachers' Retirement Law to be ½ of the median final compensation of all members who retired for service during the fiscal year ending in the previous calendar year and would define those activities as retired member activities.

(10) The Legislators' Retirement Law (LRL) provides pension benefits based in part upon credited service. The LRL also authorizes the Insurance Commissioner and every legislative statutory officer and every elective officer of the state whose office is provided for by the California Constitution, except judges, to become a member of the Legislators' Retirement System (LRS). PERL authorizes legislative statutory officers and elective officers, as defined, to elect to become members of PERS.

This bill would prohibit anyone who first becomes, on or after January 1, 2013, the Insurance Commissioner, a legislative statutory officer, or an elective officer of the state whose office is provided for by the California Constitution from becoming a member of the LRS but would continue to provide optional membership in PERS.

(11) Existing law authorizes any public agency to participate in, and make its employees members of, PERS by contract. In the case of an employee who has been employed by one or more contracting public agencies, retirement benefits distributed to that employee are based on the highest final compensation under any system, and each system makes a separate retirement payment to the employee based upon the number of years that the employee worked for each of those agencies.

The bill would require the Board of Administration of PERS to implement program changes to ensure that a contracting agency that creates a significant increase in actuarial liability bears the associated liability. The bill would require the system actuary to assess an increase in liability in this regard to the employer that created it at the time the increase is determined and to make adjustments to that employer's rates to account for the increased liability. The bill would apply these requirements to any significant increase in actuarial liability due to increased compensation paid to a nonrepresented employee regardless of when the increase in compensation occurred.

(12) The County Employees Retirement Law of 1937 (CERL) authorizes counties and districts, as defined, to provide a system of retirement benefits to their employees. CERL defines compensation earnable for the purpose of calculating benefits as the average compensation for the period under consideration with respect to the average number of days ordinarily worked by persons in the same grade or class of positions during the period, and at the same rate of pay, as determined by the retirement board.

This bill would prohibit a variety of payments, including unscheduled overtime, payments for unused vacation, sick leave, or compensatory time off, exceeding what may be earned and payable in each 12-month period during the final average salary period, and specified payments made at the termination of employment from being included in compensation earnable. The bill would require the board to establish a procedure for assessing and determining whether an element of compensation was paid to enhance a member's retirement benefit and would prohibit that compensation from being included in compensation earnable.

The bill would require the board to provide notice to the member and employer upon a final determination that compensation was paid to enhance a member's retirement benefit. The bill would authorize the member or employer to obtain judicial review of the board's action by filing a petition for writ of mandate, as specified.

The bill would authorize the board to assess a county or district a reasonable amount to cover the cost of audit, adjustment, or correction, if it determines that a county or district knowingly failed to comply with specified reporting requirements.

~~The State Teachers' Retirement System, the Public Employees' Retirement System, the Judges' Retirement System, and the Judges Retirement System II provide pension benefits based in part upon credited service. Under existing law, counties and districts, as defined, may provide retirement benefits to their employees pursuant to the County Employees Retirement Law of 1937.~~

~~This bill would declare the intent of the Legislature to convene a conference committee to craft responsible, comprehensive legislation to reform state and local pension systems in a manner that reflects both the legitimate needs of public employees and the fiscal circumstances of state and local governments.~~

Vote: majority. Appropriation: ~~no~~ *yes*. Fiscal committee: ~~no~~ *yes*. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 22119.3 is added to the Education Code, to read:

22119.3. (a) "Creditable compensation" for members who are subject to the California Public Employees' Pension Reform Act of 2013 (Article 4 (commencing with Section 7522) of Chapter 21 of Division 7 of Title 1 of the Government Code) shall not mean and shall not include any compensation that is excluded from the definition of pensionable compensation pursuant to Section 7522.34 of the Government Code.

(b) Creditable compensation credited to the Defined Benefit Plan shall be consistent with requirements for pensionable compensation pursuant to Section 7522.34 of the Government Code.

(c) Notwithstanding subdivision (a), member and employer contributions, exclusive of contributions pursuant to Section 22951, on creditable compensation for creditable service that exceeds one year in a school year shall be credited to the Defined Benefit Supplement Program.

SEC. 2. Section 22164.5 is added to the Education Code, to read:

22164.5. (a) "Retired member activities" means one or more activities identified in subdivision (a) or (b) of Section 22119.5 or subdivision (a) or (b) of Section 26113 within the California public school system and performed by a member retired for service under this part as one of the following:

(1) An employee of an employer.

(2) An employee of a third party, except as specified in subdivision (b).

(3) An independent contractor.

(b) The activities of an employee of a third party shall not be included in the definition of "retired member activities" if all of the following conditions apply:

(1) The employee performs a limited-term assignment.

(2) The third-party employer does not participate in a California public pension system.

(3) The activities performed by the individual are not normally performed by employees of an employer, as defined in Section 22131.

SEC. 3. Section 24202.6 is added to the Education Code, to read:

24202.6. (a) A member who is first hired on or after January 1, 2013, shall receive a retirement allowance consisting of all of the following:

(1) (A) An annual allowance payable in monthly installments upon retirement equal to the percentage of the final compensation set forth opposite the member's age at retirement in the following table multiplied by each year of credited service:

Age at Retirement	*Percentage*
62	*2.000*
62 1/4	*2.033*
62 1/2	*2.067*
62 3/4	*2.100*
63	*2.133*
63 1/4	*2.167*
63 1/2	*2.200*
63 3/4	*2.233*
64	*2.267*
64 1/4	*2.300*
64 1/2	*2.333*

64 $^3/_4$	*2.367*
65	*2.400*

(B) If a member retires after attaining early retirement age but before attaining normal retirement age, the member's allowance shall be reduced by one-half of 1 percent for each full month, or fraction of a month, that will elapse until the member will attain normal retirement age.

(2) An annuity that shall be the actuarial equivalent of the member's accumulated annuity deposit contributions at the time of retirement.

(3) An annuity based on the balance of credits in the member's Defined Benefit Supplement account, pursuant to Section 25012, if elected by the member pursuant to Section 25011 or 25011.1.

(b) In computing the amounts described in paragraph (1) of subdivision (a), the age of the member on the last day of the month in which the retirement allowance begins to be payable or the later date as described in Section 24204 shall be used.

(c) Pensionable compensation used to calculate the defined benefit shall be limited as described in Section 7522.10 of the Government Code.

SEC. 4. Section 24202.7 is added to the Education Code, to read:

24202.7. Notwithstanding any other provision of this part, for any member who is first hired on or after January 1, 2013, the minimum retirement age shall be 55 years of age, the early retirement age shall be 55 years of age, and the normal retirement age shall be 62 years of age.

SEC. 5. Section 24202.8 is added to the Education Code, to read:

24202.8. It is the intent of the Legislature that the system identify and propose all statutory changes necessary to fully effectuate the implementation of the changes established in Sections 24202.6 and 24202.7 in all relevant statutes by June 30, 2013.

SEC. 6. Section 24214 of the Education Code, as amended by Section 3 of Chapter 135 of the Statutes of 2012, is amended to read:

24214. (a) A member retired for service under this part may perform ~~the activities identified in subdivision (a) or (b) of Section 22119.5, or subdivision (a) or (b) of Section 26113, as an employee~~

~~of an employer, as an employee of a third party, or as an independent contractor within the California public school system,~~ *retired member activities,* but the member shall not make contributions to the retirement fund or accrue service credit based on compensation earned from that service. The employer shall maintain accurate records of the earnings of the retired member and report those earnings monthly to the system and retired member as described in Section 22461.

(b) If a member is retired for service under this part, the rate of pay for ~~service~~ *retired member activities,* performed by that member ~~as an employee of the employer, as an employee of a third party, or as an independent contractor~~ shall not be less than the minimum, nor exceed ~~that~~ *the maximum,* paid by the employer to other employees performing comparable duties.

(c) A member retired for service under this part shall not be required to reinstate for performing ~~the activities identified in subdivision (a) or (b) of Section 22119.5 as an employee of an employer, as an employee of a third party, or as an independent contractor within the California public school system~~ *retired member activities*.

(d) A member retired for service under this part may earn compensation for performing ~~activities identified in subdivision (a) or (b) of Section 22119.5~~ *retired member activities* in any one school year up to the limitation specified in subdivision (f) ~~as an employee of an employer, as an employee of a third party, or as an independent contractor, within the California public school system,~~ without a reduction in his or her retirement allowance.

(e) The postretirement compensation limitation provisions set forth in this section are not applicable to compensation earned for the performance of ~~the activities described in subdivision (a)~~ *retired member activities* for which the employer is not eligible to receive state apportionment or to compensation that is not creditable pursuant to Section 22119.2.

(f) The limitation that shall apply to the compensation for performance of ~~the activities identified in subdivision (a) or (b) of Section 22119.5 by a member retired for service under this part either as an employee of an employer, an employee of a third party, or as an independent contractor~~ *retired member activities* shall, in any one school year, be an amount calculated by the board each July 1 equal to one-half of the median final compensation of all members who retired for service during the fiscal year ~~to the fiscal year~~ ending in the previous calendar year.

(g) If a member retired for service under this part earns compensation for performing ~~activities identified in subdivision (a) or (b) of Section 22119.5~~ *retired member activities,* in excess of the limitation specified in subdivision (f)~~, as an employee of an employer, as an employee of a third party, or as an independent contractor, within the California public school system~~, and if that compensation is not exempt from that limitation under subdivision ~~(c)~~ *(h)* or any other ~~provisions of~~ law, the member's retirement allowance shall be reduced by the amount of the excess compensation. The amount of the reduction may be equal to the monthly allowance payable but shall not exceed the amount of the annual allowance payable under this part for the fiscal year in which the excess compensation was earned after any reduction made in accordance with subdivision (b) of Section 24214.5.

(h) The limitation specified in this section is not applicable to compensation paid to a member retired for service under this part who has returned to work after the date of retirement as a trustee, ~~administrator, or~~ fiscal adviser ~~approved~~, *fiscal expert, receiver, or special trustee appointed* by the Superintendent of Public Instruction, *the State Board of Education,* the Board of Governors of the California Community Colleges, or a county superintendent of schools to address academic or financial weaknesses in a school district pursuant to any of the following provisions:

(1) Section 41320.1.

(2) Article 2 (commencing with Section 42122) of Chapter 6 of Part 24 of Division 3 of Title 2.

(3) Article 3.1 (commencing with Section 52055.57) of Chapter 6.1 of Part 28 of Division 4 of Title 2.

(4) Section 84040.

(i) The Superintendent of Public Instruction, *the Executive Director of the State Board of Education,* the Chancellor of the California Community Colleges, or the county superintendent of schools exercising the exemption pursuant to subdivision (h) shall submit all documentation required by the system to substantiate the eligibility of the retired member for the exemption, including compliance with ~~subdivision (h)~~ *subdivisions (j) and (k).* The documentation shall be received by the system prior to the retired member's performance of ~~any activity specified in subdivision (a)~~

~~or (b) of Section 22119.5 or subdivision (a) or (b) of Section 26113~~ *retired member activities.*

(j) Subdivision (h) shall not apply to a member who has not attained normal retirement age at the time the compensation is earned by the member, received additional service credit pursuant to Section 22714 or 22715, or received from any public employer any financial inducement to retire in the previous six months. For purposes of this section and Section 24214.5, "financial inducement to retire" includes, but is not limited to, any form of compensation or other payment that is paid directly or indirectly by a public employer to the member, even if not in cash, either before or after retirement, if the member retires for service on or before a specific date or specific range of dates established by the public employer on or before the date the inducement is offered. The system shall liberally interpret this subdivision to further the Legislature's intent to make subdivision (h) inapplicable to members if the member received a financial incentive from any public employer to retire or otherwise terminate employment with the public employer.

~~(j)~~

(k) The documentation required for subdivision (i) shall include certification of the following:

(1) The position was first advertised for appointment to current active or inactive members of the program with the necessary qualifications to perform the requirements of the position and no qualified current active or inactive member was available to be appointed.

(2) The appointing authority made a good faith effort to hire a retired member who reinstated to active membership for the position at the same salary that was offered as first advertised pursuant to paragraph (1).

(3) The appointing authority, having tried and failed to hire a current active or inactive member or a reinstated retired member, hired a retired member and the salary offered to the retired member subject to this paragraph does not exceed the salary that was offered as first advertised pursuant to paragraph (1).

~~(4) The appointment shall be terminated no later than June 30, 2013.~~

~~(5)~~

(4) The salary paid shall be no greater than the salary offered to current active members for the appointed position.

~~(k) An employee of a third party shall not be subject to this section if he or she meets all of the following conditions:~~

~~(1) He or she performs a limited-term assignment.~~

~~(2) The third-party employer does not participate in a California public pension system.~~

~~(3) The activities performed by the individual are not normally performed by employees of the employer, as defined in Section 22131.~~

(*l*) The amendments to this section enacted during the 1995–96 Regular Session shall be deemed to have become operative on July 1, 1996.

(m) This section shall apply to compensation paid during the 2012–13 ~~fiscal year~~ *and 2013–14 fiscal years.*

(n) This section shall become inoperative on ~~June 30, 2013,~~ *July 1, 2014,* and, as of January 1, ~~2014,~~ *2015,* is repealed, unless a later enacted statute, that becomes operative on or before January 1, ~~2014,~~ *2015,* deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 7. Section 24214 of the Education Code, as amended by Section 4 of Chapter 135 of the Statutes of 2012, is amended to read:

24214. (a) A member retired for service under this part may perform the activities identified in subdivision (a) or (b) of Section 22119.5, or subdivision (a) or (b) of Section 26113, as an employee of an employer, as an employee of a third party, or as an independent contractor within the California public school system, but the member shall not make contributions to the retirement fund or accrue service credit based on compensation earned from that service. The employer shall maintain accurate records of the earnings of the retired member and report those earnings monthly to the system and retired member as described in Section 22461.

(b) If a member is retired for service under this part, the rate of pay for service performed by that member as an employee of the employer, as an employee of a third party, or as an independent contractor within the California public school system shall not be less than the minimum, nor exceed that paid by the employer to other employees performing comparable duties.

(c) A member retired for service under this part shall not be required to reinstate for performing the activities identified in subdivision (a) or (b) of Section 22119.5 as an employee of an employer, as an employee of a third party, or as an independent contractor within the California public school system.

(d) A member retired for service under this part may earn compensation for performing activities identified in subdivision (a) or (b) of Section 22119.5 in any one school year up to the limitation specified in subdivision (f) as an employee of an employer, as an employee of a third party, or as an independent contractor, within the California public school system, without a reduction in his or her retirement allowance.

(e) The postretirement compensation limitation provisions set forth in this section are not applicable to compensation earned for the performance of the activities described in subdivision (a) for which the employer is not eligible to receive state apportionment or to compensation that is not creditable pursuant to Section 22119.2.

(f) The limitation that shall apply to the compensation for performance of the activities identified in subdivision (a) or (b) of Section 22119.5 by a member retired for service under this part either as an employee of an employer, an employee of a third party, or as an independent contractor shall, in any one school year, be an amount calculated by the board each July 1 equal to one-half of the median final compensation of all members who retired for service during the fiscal year ending in the previous calendar year.

(g) If a member retired for service under this part earns compensation for performing activities identified in subdivision (a) or (b) of Section 22119.5 in excess of the limitation specified in subdivision (f), as an employee of an employer, as an employee of a third party, or as an independent contractor, within the California public school system, the member's retirement allowance shall be reduced by the amount of the excess compensation. The amount of the reduction may be equal to the monthly allowance payable but may not exceed the amount of the annual allowance payable under this part for the fiscal year in which the excess compensation was earned after any reduction made in accordance with subdivision (b) of Section 24214.5.

(h) An employee of a third party shall not be subject to this section if he or she meets all of the following conditions:

(1) He or she performs a limited-term assignment.

(2) The third-party employer does not participate in a California public pension system.

(3) The activities performed by the individual are not normally performed by employees of the employer, as defined in Section 22131.

(i) The language of this section derived from the amendments to the section of this number added by Chapter 394 of the Statutes of 1995, enacted during the 1995–96 Regular Session, is deemed to have become operative on July 1, 1996.

(j) This section shall become operative on July 1, ~~2013~~ *2014.*

SEC. 8. Section 24214.5 of the Education Code is amended to read:

24214.5. (a) Notwithstanding *subdivision (f) of* Section 24214, ~~as of July 1, 2010,~~ the postretirement compensation limitation ~~that shall apply to the compensation for performance of the activities identified in subdivision (a) or (b) of Section 22119.5 either as an employee of an employer, an employee of a third party, or as an independent contractor, within the California public school system,~~ shall be zero dollars ($0) ~~during~~ *in either of the following circumstances:*

(1) During the first ~~six calendar months~~ *180 days* after the most recent retirement of a member retired for service under this part~~, if the member is below normal retirement age at the time the compensation is earned~~.

(2) During the first six consecutive months after the most recent retirement if the member received additional service credit pursuant to Section 22714 or 22715 or received from any public employer any financial inducement to retire, as defined by subdivision (j) of Section 24214.

(b) If the member has attained normal retirement age at the time the compensation is earned, subdivision (a) shall not apply and Section 24214 shall apply if the appointment has been approved by the governing body of the employer in a public meeting, as reflected in a resolution adopted by the governing body of the employer prior to the performance of retired member activities, expressing its intent to seek an exemption from the limitation specified in subdivision (a). Approval of the appointment may not be placed on a consent calendar. Notwithstanding any other provision of Article 3.5 (commencing with Section 6250) of

Division 7 of Title 1 of the Government Code or any state or federal law incorporated by subdivision (k) of Section 6254 of the Government Code, the resolution shall be subject to disclosure by the entity adopting the resolution and the system. The resolution shall include the following specific information and findings:

(1) The nature of the employment.

(2) A finding that the appointment is necessary to fill a critically needed position before 180 days have passed.

(3) A finding that the member is not ineligible for application of this subdivision pursuant to subdivision (d).

(4) A finding that the termination of employment of the retired member with the employer is not the basis for the need to acquire the services of the member.

(c) Subdivision (b) shall not apply to a retired member whose termination of employment with the employer is the basis for the need to acquire the services of the member.

(d) Subdivision (b) shall not apply if the member received additional service credit pursuant to Section 22714 or 22715 or received from any public employer any financial inducement to retire.

(e) The Superintendent, the county superintendent of schools, or the chief executive officer of a community college shall submit all documentation required by the system to substantiate the eligibility of the retired member for application of subdivision (b), including, but not limited to, the resolution adopted pursuant to that subdivision.

(f) If a member will be receiving compensation for performance of retired member activities before 180 days after the most recent retirement, the Superintendent, the county superintendent of schools, or the chief executive officer of a community college shall submit all documentation required by the system that certifies that the member did not receive from any public employer any financial inducement to retire.

(g) The documentation required by this section shall be received by the system prior to the retired member's performance of retired member activities.

(h) Within 30 calendar days after the receipt of all documentation required by the system pursuant to this section, the system shall inform the entity seeking application of the exemption specified in subdivision (b), or seeking to employ a retired member

pursuant to subdivision (f), and the retired member whether the compensation paid to the member will be subject to the limitation specified in subdivision (a).

~~(b)~~

(i) If a member retired for service under this part earns compensation for performing ~~activities identified in subdivision (a) or (b) of Section 22119.5~~ *retired member activities* in excess of the limitation specified in subdivision (a)~~, as an employee of an employer, as an employee of a third party, or as an independent contractor, within the California public school system~~, the member's retirement allowance shall be reduced by the amount of the excess compensation. The amount of the reduction may be equal to the monthly allowance payable but may not exceed the amount of the ~~annual allowance payable under this part for the fiscal year in which the excess compensation was earned~~ *allowance payable during the first 180 days, in accordance with subdivision (a), after a member retired for service under this part.*

SEC. 9. Section 1243 of the Government Code is amended and renumbered to read:

~~1243.~~

7522.70. (a) This section shall apply to any elected public officer who takes public office, or is reelected to public office, on or after January 1, 2006.

(b) If an elected public officer is convicted during or after holding office of any felony involving accepting or giving, or offering to give, any bribe, the embezzlement of public money, extortion or theft of public money, perjury, or conspiracy to commit any of those crimes arising directly out of his or her official duties as an elected public officer, he or she shall forfeit all rights and benefits under, and membership in, any public retirement system in which he or she is a member, effective on the date of final conviction.

(c) The elected public officer described in subdivision (b) shall forfeit only that portion of his or her rights and benefits that accrued on or after January 1, 2006, on account of his or her service in the elected public office held when the felony occurred.

(d) Any contributions made by the elected public officer described in subdivision (b) to the public retirement system that arose directly from or accrued solely as a result of his or her forfeited service as an elected public officer shall be returned, without interest, to the public officer.

(e) The public agency that employs an elected public officer described in subdivision (b) shall notify the public retirement system in which the officer is a member of the officer's conviction.

(f) An elected public officer shall not forfeit his or her rights and benefits pursuant to subdivision (b) if the governing body of the elected public officer's employer, including, but not limited to, the governing body of a city, county, or city and county, authorizes the public officer to receive those rights and benefits.

(g) For purposes of this section, "public officer" means an officer of the state, or an officer of a county, city, city and county, district, or authority, or any department, division, bureau, board, commission, agency, or instrumentality of any of these entities.

(h) This section applies to any person appointed to service for the period of an elected public officer's unexpired term of office.

(i) On and after January 1, 2013, this section shall not apply in any instance in which Section 7522.72 or 7522.74 applies.

SEC. 10. The heading of Article 1 (commencing with Section 7500) is added to Chapter 21 of Division 7 of Title 1 of the Government Code, to read:

Article 1. General Provisions

SEC. 11. The heading of Chapter 21.4 (commencing with Section 7515) of Division 7 of Title 1 of the Government Code is repealed.

~~Chapter 21.4.~~

~~Joint Retirement System Investment Information Sharing~~

SEC. 12. The heading of Article 2 (commencing with Section 7515) is added to Chapter 21 of Division 7 of Title 1 of the Government Code, to read:

Article 2.

Joint Retirement System Investment Information Sharing

SEC. 13. The heading of Chapter 21.5 (commencing with Section 7520) of Division 7 of Title 1 of the Government Code is repealed.

~~Chapter 21.5. Deposits of Public Pension and Retirement Funds~~

SEC. 14. The heading of Article 3 (commencing with Section 7520) is added to Chapter 21 of Division 7 of Title 1 of the Government Code, to read:

Article 3. Deposits of Public Pension and Retirement Funds

SEC. 15. Article 4 (commencing with Section 7522) is added to Chapter 21 of Division 7 of Title 1 of the Government Code, to read:

Article 4. California Public Employees' Pension Reform Act of 2013

7522. This article shall be known as the California Public Employees' Pension Reform Act of 2013.

7522.02. (a) (1) Notwithstanding any other law, except as provided in this article, on and after January 1, 2013, this article shall apply to all state and local public retirement systems and to their participating employers, including the Public Employees' Retirement System, the State Teachers' Retirement System, the Legislators' Retirement System, the Judges' Retirement System I, the Judges' Retirement System II, county and district retirement systems created pursuant to the County Employees Retirement Law of 1937, independent public retirement systems, and to individual retirement plans offered by public employers. However, this article shall be subject to the Internal Revenue Code and Section 17 of Article XVI of the California Constitution. The administration of the requirements of this article shall comply with applicable provisions of the Internal Revenue Code and the Revenue and Taxation Code.

(2) Notwithstanding paragraph (1), this article shall not apply to the entities described in Section 9 of Article IX of, and Sections 4 and 5 of Article XI of, the California Constitution, except to the

extent that these entities continue to be participating employers in any retirement system governed by state statute. Accordingly, any retirement plan approved before January 1, 2013, by the voters of any entity excluded from coverage by this section shall not be affected by this article.

(b) The benefit plan required by this article shall apply to public employees who are new members as defined in Section 7522.04.

(c) Individuals who were employed by any public employer before January 1, 2013, and who became employed by a subsequent public employer for the first time on or after January 1, 2013, shall be subject to the retirement plan that would have been available to employees of the subsequent employer who were first employed by the subsequent employer on or before December 31, 2012, if the individual was subject to reciprocity established under any of the following provisions:

(1) Article 5 (commencing with Section 20350) of Chapter 3 of Part 3 of Division 5 of Title 2.

(2) Chapter 3 (commencing with Section 31450) of Part 3 of Division 4 of Title 3.

(3) Any agreement between public retirement systems to provide reciprocity to members of the systems.

(d) If a public employer, before January 1, 2013, offers a defined benefit pension plan that provides a defined benefit formula with a lower benefit factor at normal retirement age and results in a lower normal cost than the defined benefit formula required by this article, that employer may continue to offer that defined benefit formula instead of the defined benefit formula required by this article, and shall not be subject to the requirements of Section 7522.10 for pensionable compensation subject to that formula. However, if the employer adopts a new defined benefit formula on or after January 1, 2013, that formula must conform to the requirements of this article or must be determined and certified by the retirement system's chief actuary and the retirement board to have no greater risk and no greater cost to the employer than the defined benefit formula required by this article and must be approved by the Legislature. New members of the defined benefit plan may only participate in the lower cost defined benefit formula that was in place before January 1, 2013, or a defined benefit formula that conforms to the requirements of this article or is approved by the Legislature as provided in this subdivision.

(e) If a public employer, before January 1, 2013, offers a retirement benefit plan that consists solely of a defined contribution plan, that employer may continue to offer that plan instead of the defined benefit pension plan required by this article. However, if the employer adopts a new defined benefit pension plan or defined benefit formula on or after January 1, 2013, that plan or formula must conform to the requirements of this article or must be determined and certified by the retirement system's chief actuary and the system's board to have no greater risk and no greater cost to the employer than the defined benefit formula required by this article and must be approved by the Legislature. New members of the employer's plan may only participate in the defined contribution plan that was in place before January 1, 2013, or a defined contribution plan or defined benefit formula that conforms to the requirements of this article.

(f) The Judges' Retirement System I and the Judges' Retirement System II shall not be required to adopt the defined benefit formula required by Section 7522.25 or 7522.30 or the compensation limitations defined in Section 7522.10.

(g) This article shall not be construed to provide membership in any public retirement system for an individual who would not otherwise be eligible for membership under that system's applicable rules or laws.

7522.04. For the purposes of this article:

(a) "Defined benefit formula" means a formula used by the retirement system to determine a retirement benefit based on age, years of service, and pensionable compensation earned by an employee up to the limit defined in Section 7522.10.

(b) "Employee contributions" means the contributions to a public retirement system required to be paid by a member of the system, as fixed by law, regulation, administrative action, contract, contract amendment, or other written agreement recognized by the retirement system as establishing an employee contribution.

(c) "Federal system" means the old age, survivors, disability, and health insurance provisions of the federal Social Security Act (42 U.S.C. Sec. 301 et seq.).

(d) "Member" means a public employee who is a member of any type of a public retirement system or plan.

(e) "New employee" means either of the following:

(1) An employee, including one who is elected or appointed, of a public employer who is employed for the first time by any public employer on or after January 1, 2013, and who was not employed by any other public employer prior to that date.

(2) An employee, including one who is elected or appointed, of a public employer who is employed for the first time by any public employer on or after January 1, 2013, and who was employed by another public employer prior to that date, but who was not subject to reciprocity under subdivision (c) of Section 7522.02.

(f) "New member" means any of the following:

(1) An individual who becomes a member of any public retirement system for the first time on or after January 1, 2013, and who was not a member of any other public retirement system prior to that date.

(2) An individual who becomes a member of a public retirement system for the first time on or after January 1, 2013, and who was a member of another public retirement system prior to that date, but who was not subject to reciprocity under subdivision (c) of Section 7522.02.

(3) An individual who was an active member in a retirement system and who, after a break in service of more than six months, returned to active membership in that system with a new employer. For purposes of this subdivision, a change in employment between state entities or from one school employer to another shall not be considered as service with a new employer.

(g) "Normal cost" means the portion of the present value of projected benefits under the defined benefit that is attributable to the current year of service, as determined by the public retirement system's actuary according to the most recently completed valuation.

(h) "Public employee" means an officer, including one who is elected or appointed, or an employee of a public employer.

(i) "Public employer" means:

(1) The state and every state entity, including, but not limited to, the Legislature, the judicial branch, including judicial officers, and the California State University.

(2) Any political subdivision of the state, or agency or instrumentality of the state or subdivision of the state, including, but not limited to, a city, county, city and county, a charter city, a charter county, school district, community college district, joint

powers authority, joint powers agency, and any public agency, authority, board, commission, or district.

(3) Any charter school that elects or is required to participate in a public retirement system.

(j) "Public retirement system" means any pension or retirement system of a public employer, including, but not limited to, an independent retirement plan offered by a public employer that the public employer participates in or offers to its employees for the purpose of providing retirement benefits, or a system of benefits for public employees that is governed by Section 401(a) of Title 26 of the United States Code.

7522.10. (a) On and after January 1, 2013, each public retirement system shall modify its plan or plans to comply with the requirements of this section for each public employer that participates in the system.

(b) Whenever pensionable compensation, as defined in Section 7522.34, is used in the calculation of a benefit, the pensionable compensation shall be subject to the limitations set forth in subdivision (c).

(c) The pensionable compensation used to calculate the defined benefit paid to a new member who retires from the system shall not exceed the following applicable percentage of the contribution and benefit base specified in Section 430(b) of Title 42 of the United States Code on January 1, 2013:

(1) One hundred percent for a member whose service is included in the federal system.

(2) One hundred twenty percent for a member whose service is not included in the federal system.

(d) (1) The retirement system shall adjust the pensionable compensation described in subdivision (c) following each actuarial valuation based on changes to the Consumer Price Index for All Urban Consumers. The adjustment shall be effective annually on January 1 following the annual valuation.

(2) The Legislature reserves the right to modify the requirements of this subdivision with regard to all public employees subject to this section, except that the Legislature may not modify these provisions in a manner that would result in a decrease in benefits accrued prior to the effective date of the modification.

(e) A public employer shall not offer a defined benefit or any combination of defined benefits, including a defined benefit offered

by a private provider, on compensation in excess of the limitation in subdivision (c).

(f) (1) A public employer may provide a contribution to a defined contribution plan for compensation in excess of the limitation in subdivision (c) provided the plan and the contribution meet the requirements and limits of federal law.

(2) A public employee who receives an employer contribution to a defined contribution plan shall not have a vested right to continue receiving the employer contribution.

(g) Any employer contributions to any employee defined contribution plan above the pensionable compensation limits in subdivision (c) shall not, when combined with the employer's contribution to the employee's retirement benefits below the compensation limit, exceed the employer's contribution level, as a percentage of pay, required to fund the retirement benefits of employees with income below the compensation limits.

7522.15. Except as provided in subdivisions (d) and (e) of Section 7522.02, each public employer and each public retirement system that offers a defined benefit plan shall offer only the defined benefit formulas established pursuant to Sections 7522.20 and 7522.25 to new members.

7522.18. (a) A public employer that does not offer a supplemental defined benefit plan before January 1, 2013, shall not offer a supplemental defined benefit plan for any employee on or after January 1, 2013.

(b) A public employer that provides a supplemental defined benefit plan, including a defined benefit plan offered by a private provider, before January 1, 2013, shall not offer a supplemental defined benefit plan to any additional employee group to which the plan was not provided before January 1, 2013.

(c) Except as provided in Chapter 38 (commencing with Section 25000) of Article 1 of Part 13 of Title 1 of the Education Code, a public employer shall not offer or provide a supplemental defined benefit plan, including a defined benefit plan offered by a private provider, to any employee hired on or after January 1, 2013.

7522.20. (a) Each retirement system that offers a defined benefit plan for nonsafety members of the system shall use the formula prescribed by this section. The defined benefit plan shall provide a pension at retirement for service equal to the percentage of the member's final compensation set forth opposite the member's *age at retirement, taken to the preceding quarter year, in the following table, multiplied by the number of years of service in the system as a nonsafety member. A member may retire for service under this section after five years of service and upon reaching 52 years of age.*

Age of Retirement	*Fraction*
52	*1.00*
52 1/4	*1.025*
52 1/2	*1.050*
52 3/4	*1.075*
53	*1.100*
53 1/4	*1.125*
53 1/2	*1.150*
53 3/4	*1.175*
54	*1.200*
54 1/4	*1.225*
54 1/2	*1.250*
54 3/4	*1.275*
55	*1.300*
55 1/4	*1.325*
55 1/2	*1.350*
55 3/4	*1.375*
56	*1.400*
56 1/4	*1.425*
56 1/2	*1.450*
56 3/4	*1.475*
57	*1.500*
57 1/4	*1.525*
57 1/2	*1.550*
57 3/4	*1.575*
58	*1.600*
58 1/4	*1.625*
58 1/2	*1.650*
58 3/4	*1.675*
59	*1.700*
59 1/4	*1.725*
59 1/2	*1.750*
59 3/4	*1.775*
60	*1.800*

60¼	*1.825*
60½	*1.850*
60¾	*1.875*
61	*1.900*
61¼	*1.925*
61½	*1.950*
61¾	*1.975*
62	*2.000*
62¼	*2.025*
62½	*2.050*
62¾	*2.075*
63	*2.100*
63¼	*2.125*
63½	*2.150*
63¾	*2.175*
64	*2.200*
64¼	*2.225*
64½	*2.250*
64¾	*2.275*
65	*2.300*
65¼	*2.325*
65½	*2.350*
65¾	*2.375*
66	*2.400*
66¼	*2.425*
66½	*2.450*
66¾	*2.475*
67	*2.500*

(b) Pensionable compensation used to calculate the defined benefit shall be limited as described in Section 7522.10.

(c) A new member of the State Teachers' Retirement System shall be subject to the formula established pursuant to Section 24202.6 of the Education Code.

7522.25. (a) Each retirement system that offers a defined benefit plan for safety members of the system shall use one or more of the defined benefit formulas prescribed by this section. A member may retire for service under any of the formulas in this section after five years of service and upon reaching 50 years of age.

(b) The Basic Safety Plan shall provide a pension at retirement for service equal to the percentage of the member's final compensation set forth opposite the member's age at retirement, taken to the preceding quarter year, in the following table, multiplied by the number of years of service in the system as a safety member.

Age at Retirement	*Fraction*
50	*1.426*
50 1/4	*1.447*
50 1/2	*1.467*
50 3/4	*1.488*
51	*1.508*
51 1/4	*1.529*
51 1/2	*1.549*
51 3/4	*1.570*
52	*1.590*
52 1/4	*1.611*
52 1/2	*1.631*
52 3/4	*1.652*
53	*1.672*
53 1/4	*1.693*
53 1/2	*1.713*
53 3/4	*1.734*
54	*1.754*
54 1/4	*1.775*
54 1/2	*1.795*
54 3/4	*1.816*
55	*1.836*
55 1/4	*1.857*
55 1/2	*1.877*
55 3/4	*1.898*
56	*1.918*
56 1/4	*1.939*
56 1/2	*1.959*
56 3/4	*1.980*
57 and over	*2.00*

(c) The Safety Option Plan One shall provide a pension at retirement for service equal to the percentage of the member's

final compensation set forth opposite the member's age at retirement, taken to the preceding quarter year, in the following table, multiplied by the number of years of service in the system as a safety member.

Age at Retirement	*Fraction*
50	*2.000*
50 1/4	*2.018*
50 1/2	*2.036*
50 3/4	*2.054*
51	*2.071*
51 1/4	*2.089*
51 1/2	*2.107*
51 3/4	*2.125*
52	*2.143*
52 1/4	*2.161*
52 1/2	*2.179*
52 3/4	*2.196*
53	*2.214*
53 1/4	*2.232*
53 1/2	*2.250*
53 3/4	*2.268*
54	*2.286*
54 1/4	*2.304*
54 1/2	*2.321*
54 3/4	*2.339*
55	*2.357*
55 1/4	*2.375*
55 1/2	*2.393*
55 3/4	*2.411*
56	*2.429*
56 1/4	*2.446*
56 1/2	*2.464*
56 3/4	*2.482*
57 and over	*2.500*

(d) The Safety Option Plan Two shall provide a pension at retirement for service equal to the percentage of the member's final compensation set forth opposite the member's age at retirement, taken to the preceding quarter year, in the following

table, multiplied by the number of years of service in the system as a safety member.

Age at Retirement	*Fraction*
50	*2.000*
50 1/4	*2.025*
50 1/2	*2.050*
50 3/4	*2.075*
51	*2.100*
51 1/4	*2.125*
51 1/2	*2.150*
51 3/4	*2.175*
52	*2.200*
52 1/4	*2.225*
52 1/2	*2.250*
52 3/4	*2.275*
53	*2.300*
53 1/4	*2.325*
53 1/2	*2.350*
53 3/4	*2.375*
54	*2.400*
54 1/4	*2.425*
54 1/2	*2.450*
54 3/4	*2.475*
55	*2.500*
55 1/4	*2.525*
55 1/2	*2.550*
55 3/4	*2.575*
56	*2.600*
56 1/4	*2.625*
56 1/2	*2.650*
56 3/4	*2.675*
57 and over	*2.700*

(e) On and after January 1, 2013, an employer shall offer one or more of the safety formulas prescribed by this section to new employees who are safety employees eligible for membership in the system. The formula offered shall be the formula that is closest to, and provides a lower benefit at 55 years of age than, the

formula provided to members in the same retirement classification offered by the employer on December 31, 2012.

(f) On and after January 1, 2013, an employer and its employees subject to Safety Option Plan One or Safety Option Plan Two may agree in a memorandum of understanding to be subject to Safety Option Plan One or the Basic Safety Plan, subject to the following:

(1) The lower plan shall apply to members first employed on or after the effective date of the lower plan, and shall be agreed to in a memorandum of understanding that has been collectively bargained in accordance with applicable laws.

(2) A retirement plan contract amendment with a public retirement system to alter a retirement formula pursuant to this subdivision shall not be implemented by the employer in the absence of a memorandum of understanding that has been collectively bargained in accordance with applicable laws.

(3) An employer shall not use impasse procedures to impose the lower plan.

(4) An employer shall not provide a different defined benefit for nonrepresented, managerial, or supervisory employees than the employer provides for other public employees, including represented employees, of the same employer who are in the same membership classifications.

(g) Pensionable compensation used to calculate the defined benefit shall be limited as described in Section 7522.10.

7522.30. (a) This section shall apply to all public employers and to all new members. Equal sharing of normal costs between public employers and public employees shall be the standard. The standard shall be that employees pay at least 50 percent of normal costs and that employers not pay any of the required employee contribution.

(b) The "normal cost rate" shall mean the annual actuarially determined normal cost for the defined benefit plan of an employer expressed as a percentage of payroll.

(c) New employees employed on and after January 1, 2013, by those public employers defined in paragraphs (2) and (3) of subdivision (i) of Section 7522.04, the California State University, and the judicial branch who participate in a defined benefit plan shall have an initial contribution rate of at least 50 percent of the normal cost rate for that defined benefit plan, rounded to the nearest quarter of 1 percent, or the current contribution rate of

similarly situated employees, whichever is greater. This contribution shall not be paid by the employer on the employee's behalf.

(d) Notwithstanding subdivision (c), once established, the employee contribution rate described in subdivision (c) shall not be adjusted on account of a change to the normal cost rate unless the normal cost rate increases or decreases by more than 1 percent of payroll above or below the normal cost rate in effect at the time the employee contribution rate is first established or, if later, the normal cost rate in effect at the time of the last adjustment to the employee contribution rate under this section.

(e) Notwithstanding subdivision (c), employee contributions may be more than one-half of the normal cost rate if the increase has been agreed to through the collective bargaining process, subject to the following conditions:

(1) The employer shall not contribute at a greater rate to the plan for nonrepresented, managerial, or supervisory employees than the employer contributes for other public employees, including represented employees, of the same employer who are in related retirement membership classifications.

(2) The employer shall not increase an employee contribution rate in the absence of a memorandum of understanding that has been collectively bargained in accordance with applicable laws.

(3) The employer shall not use impasse procedures to increase an employee contribution rate above the rate required by this section.

(f) If the terms of a contract, including a memorandum of understanding, between a public employer and its public employees, that is in effect on January 1, 2013, would be impaired by any provision of this section, that provision shall not apply to the public employer and public employees subject to that contract until the expiration of that contract. A renewal, amendment, or any other extension of that contract shall be subject to the requirements of this section.

7522.32. For the purposes of determining a retirement benefit to be paid to a new member of a public retirement system, the following shall apply:

(a) Final compensation shall mean the highest average annual pensionable compensation earned by the member during a period of at least 36 consecutive months, or at least three school years if

applicable, immediately preceding his or her retirement or last separation from service if earlier, or during any other period of at least 36 consecutive months during the member's applicable service that the member designates on the application for retirement.

(b) On or after January 1, 2013, an employer shall not modify a benefit plan to permit a calculation of final compensation on a basis of less than the average annual compensation earned by the member during a consecutive 36-month period, or three school years if applicable, for members who have been subject to at least a 36-month or three-school-year calculation prior to that date.

7522.34. (a) "Pensionable compensation" of a new member of any public retirement system means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules.

(b) Compensation that has been deferred shall be deemed pensionable compensation when earned rather than when paid.

(c) "Pensionable compensation" does not include the following:

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

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

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

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

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

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

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

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

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

(10) Any bonus paid in addition to the compensation described in subdivision (a).

(11) Any other form of compensation a public retirement board determines is inconsistent with the requirements of subdivision (a).

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

7522.40. A public employer shall not provide to a public employee who is elected or appointed, a trustee, excluded from collective bargaining, exempt from civil service, or a manager any health benefit vesting schedule that is more advantageous than that provided generally to other public employees, including represented employees, of the same public employer who are in related retirement membership classifications.

7522.42. (a) In addition to any other benefit limitation prescribed by law, for the purposes of determining a public retirement benefit paid to a new member of a public retirement system, the maximum salary, compensation, or payrate taken into account under the plan for any year shall not exceed the amount permitted to be taken into account under Section 401(a)(17) of Title 26 of the United States Code or its successor.

(b) A public employer shall not seek an exception to the prohibition in subdivision (a) on or after January 1, 2013.

(c) For employees first hired on or after January 1, 2013, a public employer shall not make employer contributions to any qualified retirement plan or plans on behalf of an employee based on that portion of the amount of total pensionable compensation that exceeds the amount specified in Section 401(a)(17) of Title 26 of the United States Code, or its successor.

(d) This section shall not apply to salary, compensation, or payrate paid to individuals who, due to their dates of hire, are not subject to the limits specified in subdivision (a).

7522.43. (a) A public employer shall not offer a plan of replacement benefits for members and any survivors or beneficiaries whose retirement benefits are limited by Section 415 *of Title 26 of the United States Code. This section shall apply to new employees.*

(b) A public retirement system may continue to administer a plan of replacement benefits for employees first hired prior to January 1, 2013.

(c) A public employer that does not offer a plan o replacement benefits prior to January 1, 2013, shall not offer such a plan for any employee on or after January 1, 2013.

(d) A public employer that offers a plan of replacement benefits prior to January 1, 2013, shall not offer such a plan to any additional employee group to which the plan was not provided prior to January 1, 2013.

7522.44. This section shall apply to all public employers and to all public employees:

(a) Any enhancement to a public employee's retirement formula or retirement benefit adopted on or after January 1, 2013, shall apply only to service performed on or after the operative date of the enhancement and shall not be applied to any service performed prior to the operative date of the enhancement.

(b) If a change to a member's retirement membership classification or a change in employment results in an enhancement in the retirement formula or retirement benefit applicable to that member, that enhancement shall apply only to service performed on or after the operative date of the change and shall not be applied to any service performed prior to the operative date of the change.

(c) For purposes of this section, "operative date" in a collective bargaining agreement means one of the following:

(1) The date that the agreement is signed by the parties.

(2) A date agreed to by the parties that will occur after the date that the agreement is signed by the parties.

(3) A date designated by the parties that occurred prior to the date the agreement was signed if the most recent collective bargaining contract was expired at the time of the agreement and the date designated is not earlier than 12 months prior to the date of the agreement or the day after the last day of the expired bargaining contract, whichever occurred later.

(d) For purposes of this section, an increase to a retiree's annual cost-of-living adjustment within existing statutory limits shall not be considered to be an enhancement to a retirement benefit.

7522.46. (a) A public retirement system shall not allow the purchase of nonqualified service credit, as defined by Section 415(n)(3)(C) of the Internal Revenue Code of 1986 (26 U.S.C. Sec 415(n)(3)(C)).

(b) Subdivision (a) shall not apply to an official application to purchase nonqualified service credit that is received by the public retirement system prior to January 1, 2013, that is subsequently approved by the system.

7522.48. (a) Final compensation of a member for the purpose of determining any pension or benefit resulting from service as an elective or appointed officer on a city council or a county board of supervisors accrued while in membership of a public retirement system shall be based on the highest average annual pensionable compensation earned by the member during the period of service in each elective or appointed office. Where that elective or appointed service is a consideration in the computation of any pension or benefit, the member may have more than one final compensation.

(b) Any final compensation calculation shall otherwise be subject to this article except that if any individual period of elective service is less than 36 months or three years, then the entire period of that individual's elected service shall be used to determine the final compensation for that period of service.

(c) This section shall apply to a member first elected or appointed to a city council or a county board of supervisors on or after January 1, 2013.

7522.52. (a) In any fiscal year, a public employer's contribution to a defined benefit plan, in combination with employee contributions to that defined benefit plan, shall not be less than the normal cost rate, as defined in Section 7522.30, for that defined benefit plan for that fiscal year.

(b) The board of a public retirement system may suspend contributions when all of the following apply:

(1) The plan is funded by more than 120 percent, based on a computation by the retirement system actuary in accordance with the Governmental Accounting Standards Board requirements that is included in the annual valuation.

(2) The retirement system actuary, based on the annual valuation, determines that continuing to accrue excess earnings

could result in disqualification of the plan's tax-exempt status under the provisions of the federal Internal Revenue Code.

(3) The board determines that the receipt of any additional contributions required under this section would conflict with its fiduciary responsibility set forth in Section 17 of Article XVI of the California Constitution.

7522.56. (a) This section shall apply to any person who is receiving a pension benefit from a public retirement system and shall supersede any other provision in conflict with this section.

(b) A retired person shall not serve, be employed by, or be employed through a contract directly by, a public employer in the same public retirement system from which the retiree receives the benefit without reinstatement from retirement, except as permitted by this section.

(c) A person who retires from a public employer may serve without reinstatement from retirement or loss or interruption of benefits provided by the retirement system upon appointment by the appointing power of a public employer either during an emergency to prevent stoppage of public business or because the retired person has skills needed to perform work of limited duration.

(d) Appointments of the person authorized under this section shall not exceed a total for all employers in that public retirement system of 960 hours or other equivalent limit, in a calendar or fiscal year, depending on the administrator of the system. The rate of pay for the employment shall not be less than the minimum, nor exceed the maximum, paid by the employer to other employees performing comparable duties, divided by 173.333 to equal an hourly rate. A retired person whose employment without reinstatement is authorized by this section shall acquire no service credit or retirement rights under this section with respect to the employment unless he or she reinstates from retirement.

(e) (1) Notwithstanding subdivision (c), any retired person shall not be eligible to serve or be employed by a public employer if, during the 12-month period prior to an appointment described in this section, the retired person received any unemployment insurance compensation arising out of prior employment subject to this section with a public employer. A retiree shall certify in writing to the employer upon accepting an offer of employment that he or she is in compliance with this requirement.

(2) A retired person who accepts an appointment after receiving unemployment insurance compensation as described in this subdivision shall terminate that employment on the last day of the current pay period and shall not be eligible for reappointment subject to this section for a period of 12 months following the last day of employment.

(f) A retired person shall not be eligible to be employed pursuant to this section for a period of 180 days following the date of retirement unless he or she meets one of the following conditions:

(1) The employer certifies the nature of the employment and that the appointment is necessary to fill a critically needed position before 180 days has passed and the appointment has been approved by the governing body of the employer in a public meeting. The appointment may not be placed on a consent calendar.

(2) The state employer certifies the nature of the employment and that the appointment is necessary to fill a critically needed state employment position before 180 days has passed and the appointment has been approved by the Department of Human Resources. The department may establish a process to delegate appointing authority to individual state agencies, but shall audit the process to determine if abuses of the system occur. If necessary, the department may assume an agency's appointing authority for retired workers and may charge the department an appropriate amount for administering that authority.

(3) The retiree is eligible to participate in the Faculty Early Retirement Program pursuant to a collective bargaining agreement with the California State University that existed prior to January 1, 2013, or has been included in subsequent agreements.

(4) The retiree is a public safety officer of firefighter.

(g) A retired person who accepted a retirement incentive upon retirement shall not be eligible to be employed pursuant to this section for a period of 180 days following the date of retirement and subdivision (f) shall not apply.

(h) This section shall not apply to a person who is retired from the State Teachers' Retirement System, and who is subject to Section 24214, 24214.5, or 26812 of the Education Code.

(i) This section shall not apply to (1) a subordinate judicial officer whose position, upon retirement, is converted to a judgeship pursuant to Section 69615, and he or she returns to work in the converted position, and the employer is a trial court, or (2) a

retiree who takes office as a judge of a court of record pursuant to Article VI of the California Constitution or a retiree of the Judges' Retirement System I or the Judges' Retirement System II who is appointed to serve as a retired judge.

7522.57. (a) This section shall apply to any retired person who is receiving a pension benefit from a public retirement system and is first appointed on or after January 1, 2013, to a salaried position on a state board or commission. This section shall supersede any other provision in conflict with this section.

(b) A person who is retired from a public retirement system may serve without reinstatement from retirement or loss or interruption of benefits provided that appointment is to a part-time state board or commission. A retired person whose employment without reinstatement is authorized by this subdivision shall acquire no benefits, service credit, or retirement rights with respect to the employment. Unless otherwise defined in statute, for the purpose of this section, a part-time appointment shall mean an appointment with a salary of no more than $60,000 annually, which shall be increased in any fiscal year in which a general salary increase is provided for state employees. The amount of the increase provided by this section shall be comparable to, but shall not exceed, the percentage of the general salary increases provided for state employees during that fiscal year.

(c) A person who is retired from the Public Employees' Retirement System shall not serve on a full-time basis on a state board or commission without reinstatement unless that person serves as a nonsalaried member of the board or commission and receives only per diem authorized to all members of the board or commission. A person who serves as a nonsalaried member of a board or commission shall not earn any service credit or benefits in the Public Employees' Retirement System or make contributions with respect to the service performed.

(d) A person retired from a public retirement system other than the Public Employees' Retirement System who is appointed on a full-time basis to a state board or commission shall choose one of the following options:

(1) The person may serve as a nonsalaried member of the board or commission and continue to receive his or her retirement allowance, in addition to any per diem authorized to all members of the board or commission. The person shall not earn service

credit or benefits in the Public Employees' Retirement System and shall not make contributions with respect to the service performed.

(2) (i) The person may suspend his or her retirement allowance or allowances and instate as a new member of the Public Employees' Retirement System for the service performed on the board or commission. The pensionable compensation earned pursuant to this paragraph shall not be eligible for reciprocity with any other retirement system or plan.

(ii) Upon retiring for service after serving on the board or commission, the appointee shall be entitled to reinstatement of any suspended benefits, including employer provided retiree health benefits, that he or she was entitled to at the time of being appointed to the board or commission.

(e) Notwithstanding subdivisions (c) and (d), a person who retires from a public employer may serve without reinstatement from retirement or loss or interruption of benefits provided by the retirement system upon appointment to a full-time state board pursuant to Section 5075 of the Penal Code.

7522.66. (a) A safety member of a public retirement system who retires for industrial disability shall receive an industrial disability retirement benefit equal to the greater of the following:

(1) Fifty percent of his or her final compensation attributable to the defined benefit plan, plus an annuity purchased with his or her accumulated contributions, if any.

(2) A service retirement allowance, if he or she is qualified for service retirement.

(3) An actuarially reduced factor, as determined by the actuary, for each quarter year that his or her service age is less than 50 years of age, multiplied by the number of years of safety service subject to the applicable formula, if he or she is not qualified for service retirement.

(b) This section shall remain in effect only until January 1, 2018, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2018, deletes or extends that date.

7522.72. (a) This section shall apply to a public employee first employed by a public employer or first elected or appointed to an office before January 1, 2013, and, on and after that date, Section 7522.70 shall not apply.

(b) (1) If a public employee is convicted by a state or federal trial court of any felony under state or federal law for conduct

arising out of or in the performance of his or her official duties, in pursuit of the office or appointment, or in connection with obtaining salary, disability retirement, service retirement, or other benefits, he or she shall forfeit all accrued rights and benefits in any public retirement system in which he or she is a member to the extent provided in subdivision (c) and shall not accrue further benefits in that public retirement system, effective on the date of the conviction.

(2) If a public employee who has contact with children as part of her official duties is convicted of a felony that was committed within the scope of his or her official duties against or involving a child who he or she has contact with as part of his or her official duties, he or she shall forfeit all accrued rights and benefits in any public retirement system in which he or she is a member to the extent provided in subdivision (c) and shall not accrue further benefits in that public retirement system, effective on the date of the conviction.

(c) (1) A public employee shall forfeit all the retirement benefits earned or accrued from the earliest date of the commission of any felony described in subdivision (b) to the forfeiture date, inclusive. The retirement benefits shall remain forfeited notwithstanding any reduction in sentence or expungement of the conviction following the date of the public employee's conviction. Retirement benefits attributable to service performed prior to the date of the first commission of the felony for which the public employee was convicted shall not be forfeited as a result of this section.

(2) For purposes of this subdivision, "forfeiture date" means the date of the conviction.

(d) (1) Any contributions to the public retirement system made by the public employee described in subdivision (b) on or after the earliest date of the commission of any felony described in subdivision (b) shall be returned, without interest, to the public employee upon the occurrence of a distribution event unless otherwise ordered by a court or determined by the pension administrator.

(2) Any funds returned to the public employee pursuant to subdivision (d) shall be disbursed by electronic funds transfer to an account of the public employee, in a manner conforming with the requirements of the Internal Revenue Code, and the public

retirement system shall notify the court and the district attorney at least three business days before that disbursement of funds.

(3) For the purposes of this subdivision, a "distribution event" means any of the following:

(A) Separation from employment.

(B) Death of the member.

(C) Retirement of the member.

(e) (1) Upon conviction, a public employee as described in subdivision (b) and the prosecuting agency shall notify the public employer who employed the public employee at the time of the commission of the felony within 60 days of the felony conviction of all of the following information:

(A) The date of conviction.

(B) The date of the first known commission of the felony.

(2) The operation of this section is not dependent upon the performance of the notification obligations specified in this subdivision.

(f) The public employer that employs or employed a public employee described in subdivision (b) and that public employee shall each notify the public retirement system in which the public employee is a member of that public employee's conviction within 90 days of the conviction. The operation of this section is not dependent upon the performance of the notification obligations specified in this subdivision.

(g) A public retirement system may assess a public employer a reasonable amount to reimburse the cost of audit, adjustment, or correction, if it determines that the public employer failed to comply with this section.

(h) If a public employee's conviction is reversed and that decision is final, the employee shall be entitled to do either of the following:

(1) Recover the forfeited retirement benefits as adjusted for the contributions received pursuant to subdivision (d).

(2) Redeposit those contributions and interest, as determined by the system actuary, and then recover the full amount of the forfeited benefits.

(i) A public employee first employed by a public employer or first elected or appointed to an office on or after January 1, 2013, shall be subject to Section 7522.74.

7522.74. (a) This section shall apply to a public employee first employed by a public employer or first elected or appointed to an office on or after January 1, 2013, and on and after that date, Section 7522.70 shall not apply.

(b) (1) If a public employee is convicted by a state or federal trial court of any felony under state or federal law for conduct arising out of or in the performance of his or her official duties, in pursuit of the office or appointment, or in connection with obtaining salary, disability retirement, service retirement, or other benefits, he or she shall forfeit all accrued rights and benefits in any public retirement system in which he or she is a member to the extent provided in subdivision (c) and shall not accrue further benefits in that public retirement system, effective on the date of the conviction.

(2) If a public employee who has contact with children as part of his or her official duties is convicted of a felony that was committed within the scope of his or her official duties against or involving a child who he or she has contact with as part of his or her official duties, he or she shall forfeit all accrued rights and benefits in any public retirement system in which he or she is a member to the extent provided in subdivision (c) and shall not accrue further benefits in that public retirement system, effective on the date of the conviction.

(c) (1) A public employee shall forfeit all the retirement benefits earned or accrued from the earliest date of the commission of any felony described in subdivision (b) to the forfeiture date, inclusive. The retirement benefits shall remain forfeited notwithstanding any reduction in sentence or expungement of the conviction following the date of the public employee's conviction. Retirement benefits attributable to service performed prior to the date of the first commission of the felony for which the public employee was convicted shall not be forfeited as a result of this section.

(2) For purposes of this subdivision, "forfeiture date" means the date of the conviction.

(d) (1) Any contributions to the public retirement system made by the public employee described in subdivision (b) on or after the earliest date of the commission of any felony described in subdivision (b) shall be returned, without interest, to the public employee upon the occurrence of a distribution event unless

otherwise ordered by a court or determined by the pension administrator.

(2) Any funds returned to the public employee pursuant to subdivision (d) shall be disbursed by electronic funds transfer to an account of the public employee, in a manner conforming with the requirements of the Internal Revenue Code, and the public retirement system shall notify the court and the district attorney at least three business days before that disbursement of funds.

(3) For the purposes of this subdivision, a "distribution event" means any of the following:

(A) Separation from employment.

(B) Death of the member.

(C) Retirement of the member.

(e) (1) Upon conviction, a public employee as described in subdivision (b) and the prosecuting agency shall notify the public employer who employed the public employee at the time of the commission of the felony within 60 days of the felony conviction of all of the following information:

(A) The date of conviction.

(B) The date of the first known commission of the felony.

(2) The operation of this section is not dependent upon the performance of the notification obligations specified in this subdivision.

(f) The public employer that employs or employed a public employee described in subdivision (b) and that public employee shall each notify the public retirement system in which the public employee is a member of that public employee's conviction within 90 days of the conviction. The operation of this section is not dependent upon the performance of the notification obligations specified in this subdivision.

(g) A public retirement system may assess a public employer a reasonable amount to reimburse the cost of audit, adjustment, or correction, if it determines that the public employer failed to comply with this section.

(h) If a public employee's conviction is reversed and that decision is final, the employee shall be entitled to do either of the following:

(1) Recover the forfeited retirement benefits as adjusted for the contributions received pursuant to subdivision (d).

(2) Redeposit those contributions and interest, as determined by the system actuary, and then recover the full amount of the forfeited benefits.

(i) A public employee first employed by a public employer or first elected or appointed to an office before January 1, 2013, shall be subject to Section 7522.72.

SEC. 16. Section 9355.4 of the Government Code is amended to read:

9355.4. *(a)* Every elective officer of the state whose office is provided for by the California Constitution, except judges, may become a member of this system. Except for judges, every elective officer in office at the time this section becomes effective may, within 90 days after the effective date, file with the board a written election to become a member of this system. Except for judges, every elective officer elected after the effective date of this section may file an election within 90 days after the commencement of the first term of office for which he or she is elected. Upon the filing of the election he or she becomes a member of this system on the first day of the month following the filing of the election.

(b) This section shall not apply to any person who first becomes an elective officer of the state on or after January 1, 2013.

SEC. 17. Section 9355.41 of the Government Code is amended to read:

9355.41. *(a)* The Insurance Commissioner may become a member of this system as provided in this section. An Insurance Commissioner who is elected after January 1, 1994, may file an election within 90 days after the commencement of the term of office for which he or she is elected. Upon the filing of the election he or she becomes a member of this system on the first day of the month following the filing of the election.

(b) This section shall not apply to an Insurance Commissioner who is first elected on or after January 1, 2013.

SEC. 18. Section 9355.45 of the Government Code is amended to read:

9355.45. *(a)* Every legislative statutory officer may become a member of this system. Every such officer in office at the time this section becomes effective may, within 90 days after the effective date, file with the board a written election to become a member of this system. Every such officer, elected after the effective date of this section, may file an election within 90 days after the commencement of the first term of office for which he or she is elected after attaining status as a legislative statutory officer. Upon the filing of the election he or she becomes a member of this system on the first day of the month following the filing of the election.

(b) This section shall not apply to any person who first becomes a legislative statutory officer on or after January 1, 2013.

SEC. 19. Section 20281.5 of the Government Code is amended to read:

20281.5. (a) Notwithstanding Section 20281, a person who becomes a state miscellaneous member or state industrial member of the system on or after the effective date of this section because the person is first employed by the state and qualifies for membership shall be subject to the provisions of this section.

(b) Members subject to this section shall not accrue credit for service in the system and shall not make employee contributions to the system, including the contributions set forth in Section 20677.4, for employment with the state until the first day of the first pay period commencing 24 months after becoming a member of the system.

(c) Notwithstanding subdivision (a), this section shall not apply to any of the following:

(1) Persons who are already members or annuitants of the system at the time they are first employed by the state.

(2) Employees of the California State University, or the legislative or judicial branch of state government.

(3) Members of the Judges' Retirement System, the Judges' Retirement System II, the Legislators' Retirement System, the State Teachers' Retirement System, or the University of California Retirement Plan.

(4) Persons who are members of a reciprocal retirement system and whose employment was subject to a reciprocal retirement system within the six months prior to membership in this system.

(5) Persons whose service is not included in the federal system.

(6) Persons who are employed by the Department of the California Highway Patrol as students at the department's training school established pursuant to Section 2262 of the Vehicle Code.

(7) Persons who had ceased to be members pursuant to Section 20340 or 21075.

(8) Persons who are National Guard members pursuant to Section 20380.5.

(d) A separation of employment does not alter the 24-month period described by subdivision (b). A member who separates from state employment shall remain subject to this section if he or she returns to state employment as a state miscellaneous or state industrial member within that 24-month period.

(e) Any regulations adopted by the board to implement the requirements of this section shall not be subject to the review and approval of the Office of Administrative Law, pursuant to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3. The regulations shall become effective immediately upon filing with the Secretary of State.

(f) This section shall not apply to any person who first becomes a state miscellaneous member or a state industrial member on or after July 1, 2013.

SEC. 20. Section 20516 of the Government Code is amended to read:

20516. (a) Notwithstanding any other provision of this part, *with or without a change in benefit* a contracting agency and its employees may agree, in writing, to share the costs of ~~any optional benefit that is inapplicable to a contracting agency until the agency elects to be subject to the benefit~~ *the employer contribution. The cost sharing pursuant to this section shall also apply for related nonrepresented employees as approved in a resolution passed by the contracting agency.* ~~The~~

(b) The collective bargaining agreement shall specify the exact percentage of member compensation that shall be paid toward the current service cost of the benefits by members. The member contributions shall be ~~normal~~ contributions over and above normal contributions otherwise required by this part and shall be treated as normal contributions for all purposes of this part. The contributions shall be uniform, *except as described in subdivision (c),* with respect to all members within each of the following classifications: local miscellaneous members, local police officers, local firefighters, county peace officers, and all local safety members other than local police officers, local firefighters, and county peace officers. The balance of any costs shall be paid by the contracting agency and shall be credited to the employer's account. *An employer shall not use impasse procedures to impose*

member cost sharing on any contribution amount above that which is required by law.

~~(b) This section shall not apply to any optional benefit that is elected by a contracting agency prior to January 1, 1979.~~

(c) Member cost sharing may differ by classification for groups of employees subject to different levels of benefits pursuant to Sections 7522.20, 7522.25, and 20475, or by a recognized collective bargaining unit if agreed to in a memorandum of understanding reached pursuant to the applicable collective bargaining laws.

~~(c)~~

(d) This section shall not apply to any contracting agency nor to the employees of a contracting agency until the agency elects to be subject to this section by contract or by amendment to its contract made in the manner prescribed for approval of contracts. Contributions provided by this section shall be withheld from member compensation or otherwise collected when the contract amendment becomes effective.

~~(d)~~

(e) For the purposes of this section, all contributions, liabilities, actuarial interest rates, and other valuation factors shall be determined on the basis of actuarial assumptions and methods that, in the aggregate, are reasonable and which, in combination, offer the actuary's best estimate of anticipated experience under this system.

~~(e) The additional employer contributions required under this section shall be computed as a level percentage of member compensation. The additional contribution rate required at the time this section is added to a contract shall not be less than the sum of (1) the actuarial normal cost, plus (2) the additional contribution required to amortize the increase in accrued liability attributable to benefits elected under this section over a period of not more than 30 years from the date this section becomes effective in the public agency's contract.~~

(f) Nothing in this section shall preclude a contracting agency and its employees from independently agreeing in a memorandum of understanding to share the costs of any ~~optional benefit or when initially entering into a contract, any~~ benefit, in a manner inconsistent with this section. However, any agreement in a memorandum of understanding that is inconsistent with this section shall not be part of the contract between this system and the contracting agency.

(g) If, and to the extent that, the board determines that a cost-sharing agreement under this section would conflict with Title 26 of the United States Code, the board may refuse to approve the agreement.

(h) Nothing in this section shall require a contracting agency to enter into a memorandum of understanding or collective bargaining agreement with a bargaining representative in order to increase the amount of member contributions when such a member contribution increase is authorized by other provisions under this part.

SEC. 21. Section 20516.5 is added to the Government Code, to read:

20516.5. (a) Equal sharing of normal costs between a contracting agency or school employer and their employees shall be the standard. It shall be the standard that employees pay at least 50 percent of normal costs and that employers not pay any of the required employee contribution.

(b) Notwithstanding any other provision of this part, a contracting agency or a school district may require that members pay 50 percent of the normal cost of benefits. However, that contribution shall be no more than 8 percent of pay for local miscellaneous or school members, no more than 12 percent of pay for local police officers, local firefighters, and county peace officers, and no more than 11 percent of pay for all local safety members other than police officers, firefighters, and county peace officers.

(c) Before implementing any change pursuant to subdivision (b), for any represented employees, the employer shall complete the good faith bargaining process as required by law, including any impasse procedures requiring mediation and factfinding. Subdivision (b) shall become operative on January 1, 2018. Subdivision (b) shall not apply to any bargaining unit when the members of that contracting agency or school district are paying for at least 50 percent of the normal cost of their pension benefit or the contribution rates specified in subdivision (b) under an agreement reached pursuant to Section 20516.

SEC. 22. Section 20677.96 is added to the Government Code, to read:

20677.96. (a) Notwithstanding Sections 20677.95 and 20687, beginning July 1, 2013, the normal rate of contribution for employees subject to subdivision (a) of Section 20677.95 shall be the contribution established pursuant to Section 20677.95, as adjusted by Section 7522.30, in excess of the compensation identified in subdivision (c) of Section 20677.95 and effective July 1, 2014, the normal rate of contribution for employees subject to subdivision (a) of Section 20677.95 shall be the contribution established pursuant to Section 20677.95, as adjusted by Section 7522.30, in excess of the compensation identified in subdivision (b) of Section 20677.95.

(b) The contribution rate for a related state employee who is exempted from the definition of "state employee," or an officer or employee of the executive branch who is not a member of the civil service, shall be adjusted accordingly.

SEC. 23. Section 20683.2 is added to the Government Code, to read:

20683.2. Equal sharing of normal costs between the state employer and public employees shall be the standard. It shall be the standard that employees pay at least 50 percent of normal costs and that employers not pay any of the required employee contribution. Equal sharing of normal costs is currently the standard for most state employees.

(a) Notwithstanding any other section of this code, or other provision of law in conflict with this section, except as provided in Section 7522.30, normal contribution rates for defined benefit plans for state employees of public employers as defined in paragraph (1) of subdivision (i) of Section 7522.04, excluding the California State University, shall be determined as follows:

(1) Normal cost contribution rates shall increase as follows:

(A) The contribution rate for State Peace Officer/Firefighter members in State Bargaining Unit 6 and for State Safety members in State Bargaining Units 1, 3, 4, 7, 9, 10, 11, 14, 15, 17, 20, and 21 will increase by 1.0 percentage point on July 1, 2013, and will increase by an additional 1.0 percentage point on July 1, 2014.

(B) The contribution rate for State Peace Officer/Firefighter members in State Bargaining Units 7 and 8 will increase by 1.5 percentage points on July 1, 2013, and will increase by an additional 1.5 percentage points on July 1, 2014.

(C) The contribution rate for state industrial members in State Bargaining Units 1, 3, 4, 6, 9, 10, 11, 14, 15, 17, and 20 will increase by 1.0 percentage point on July 1, 2013.

(D) The contribution rate for state miscellaneous and industrial members that have elected the Second Tier benefit formula will increase by 1.5 percentage points annually starting July 1, 2013. The final annual increase in the contribution rate shall be adjusted as appropriate.

(E) The contribution rate for State Safety members in State Bargaining Unit 2 and state miscellaneous members in State Bargaining Unit 5 will increase by 1.0 percentage point on July 1, 2013.

(F) The contribution rate for Patrol members in State Bargaining Unit 5 will increase by 1.5 percentage points on July 1, 2013.

(2) Consistent with paragraph (1), the normal rate of contribution shall be adjusted accordingly for related state employees who are exempted from the definition of "state employee," or officers and employees of the executive, legislative, or judicial branch of state government who are not members of the civil service.

(b) Calculation of employee contribution rate increases pursuant to this section shall be based upon compensation calculations established pursuant to Sections 20671 to 20694, inclusive.

(c) In addition to the actuarially required contribution, savings realized by the state employer as a result of the employee contribution rate increases required by this section shall be allocated to any unfunded liability, subject to appropriation in the annual budget act.

SEC. 24. Section 20791 is added to the Government Code, to read:

20791. (a) The board shall define a significant increase in actuarial liability due to increased compensation paid to a nonrepresented employee and shall implement program changes to ensure that a contracting agency that creates the significant increase in actuarial liability bears the increased liability, including any portion of that liability that otherwise would be borne by another contracting agency or agencies.

(b) Upon determining the significant increase in actuarial liability, the system actuary shall assess the increase to the

employer that created it and adjust that employer's rates to account for the increased liability.

(c) This section shall not apply to compensation paid to an employee for service performed while covered by a memorandum of understanding or to compensation paid for service performed while a member of a recognized employee organization as that term is defined in Section 3501.

(d) This section shall apply to any significant increase in actuarial liability, due to increased compensation paid to a nonrepresented employee, that is determined after January 1, 2013, regardless of when that increase in compensation occurred.

SEC. 25. Section 21076 of the Government Code is amended to read:

21076. (a) The service retirement allowance for a state miscellaneous or state industrial member who has elected the benefits of this section is a pension equal to the fraction of one-hundredth of the member's final compensation set forth opposite the member's age at retirement, taken to the preceding completed quarter year in the following table, multiplied by the member's number of years of state miscellaneous service:

Age at Retirement	Fraction
50	.5000
50¼	.5125
50½	.5250
50¾	.5375
51	.5500
51¼	.5625
51½	.5750
51¾	.5875
52	.6000
52¼	.6125
52½	.6250
52¾	.6375
53	.6500
53¼	.6625
53½	.6750
53¾	.6875
54	.7000

54¼	.7125
54½	.7250
54¾	.7375
55	.7500
55¼	.7625
55½	.7750
55¾	.7875
56	.8000
56¼	.8125
56½	.8250
56¾	.8375
57	.8500
57¼	.8625
57½	.8750
57¾	.8875
58	.9000
58¼	.9125
58½	.9250
58¾	.9375
59	.9500
59¼	.9625
59½	.9750
59¾	.9875
60	1.0000
60¼	1.0125
60½	1.0250
60¾	1.0375
61	1.0500
61¼	1.0625
61½	1.0750
61¾	1.0875
62	1.1000
62¼	1.1125
62½	1.1250
62¾	1.1375
63	1.1500
63¼	1.1625
63½	1.1750
63¾	1.1875
64	1.2000

64¼	1.2125
64½	1.2250
64¾	1.2375
65	1.2500

(b) This section shall not apply to a National Guard member.

(c) This section shall not apply to anyone who first becomes a member on or after January 1, 2013.

SEC. 26. Section 21076.5 is added to the Government Code, to read:

21076.5. (a) The service retirement allowance for a state miscellaneous or state industrial member who first becomes a member on or after January 1, 2013, who has elected the benefits of this section is a pension equal to the fraction of one-hundredth of the member's final compensation set forth opposite the member's age at retirement, taken to the preceding completed quarter year in the following table, multiplied by the member's number of years of state miscellaneous service:

Age of Retirement	*Fraction*
52	*0.6500*
52¼	*0.6600*
52½	*0.6700*
52¾	*0.6800*
53	*0.6900*
53¼	*0.7000*
53½	*0.7100*
53¾	*0.7200*
54	*0.7300*
54¼	*0.7400*
54½	*0.7500*
54¾	*0.7600*
55	*0.7700*
55¼	*0.7800*
55½	*0.7900*
55¾	*0.8000*
56	*0.8100*
56¼	*0.8200*
56½	*0.8300*
56¾	*0.8400*

57	*0.8500*
$57\frac{1}{4}$	*0.8600*
$57\frac{1}{2}$	*0.8700*
$57\frac{3}{4}$	*0.8800*
58	*0.8900*
$58\frac{1}{4}$	*0.9000*
$58\frac{1}{2}$	*0.9100*
$58\frac{3}{4}$	*0.9200*
59	*0.9300*
$59\frac{1}{4}$	*0.9400*
$59\frac{1}{2}$	*0.9500*
$59\frac{3}{4}$	*0.9600*
60	*0.9700*
$60\frac{1}{4}$	*0.9800*
$60\frac{1}{2}$	*0.9900*
$60\frac{3}{4}$	*1.0000*
61	*1.0100*
$61\frac{1}{4}$	*1.0200*
$61\frac{1}{2}$	*1.0300*
$61\frac{3}{4}$	*1.0400*
62	*1.0500*
$62\frac{1}{4}$	*1.0600*
$62\frac{1}{2}$	*1.0700*
$62\frac{3}{4}$	*1.0800*
63	*1.0900*
$63\frac{1}{4}$	*1.1000*
$63\frac{1}{2}$	*1.1100*
$63\frac{3}{4}$	*1.1200*
64	*1.1300*
$64\frac{1}{4}$	*1.1400*
$64\frac{1}{2}$	*1.1500*
$64\frac{3}{4}$	*1.1600*
65	*1.1700*
$65\frac{1}{4}$	*1.1800*
$65\frac{1}{2}$	*1.1900*
$65\frac{3}{4}$	*1.2000*
66	*1.2100*
$66\frac{1}{4}$	*1.2200*
$66\frac{1}{2}$	*1.2300*
$66\frac{3}{4}$	*1.2400*

67 .... 1.2500

(b) This section shall not apply to a National Guard member.

SEC. 27. Section 21400 is added to the Government Code, to read:

21400. (a) A safety member who retires on or after January 1, 2013, for industrial disability shall receive a disability retirement benefit equal to the greater of the following:

(1) Fifty percent of his or her final compensation, plus an annuity purchased with his or her accumulated contributions, if any.

(2) A service retirement allowance, if he or she is qualified for service retirement.

(3) An actuarially reduced factor, as determined by the actuary, for each quarter year that his or her service age is less than 50 years, multiplied by the number of years of safety service subject to the applicable formula, if he or she is not qualified for service retirement.

(4) Nothing in this section shall require a member to receive a lower benefit than he or she would have received prior to January 1, 2013, as the law provided prior to that date.

(b) This section shall remain in effect only until January 1, 2018, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2018, deletes or extends that date.

SEC. 28. Section 31461 of the Government Code is amended to read:

31461. *(a)* "Compensation earnable" by a member means the average compensation as determined by the board, for the period under consideration upon the basis of the average number of days ordinarily worked by persons in the same grade or class of positions during the period, and at the same rate of pay. The computation for any absence shall be based on the compensation of the position held by the member at the beginning of the absence. Compensation, as defined in Section 31460, that has been deferred shall be deemed "compensation earnable" when earned, rather than when paid.

(b) "Compensation earnable" does not include, in any case, the following:

(1) Any compensation determined by the board to have been paid to enhance a member's retirement benefit under that system. That compensation may include:

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

(B) Any one-time or ad hoc payment made to a member, but not to all similarly situated members in the member's grade or class.

(C) Any payment that is made solely due to the termination of the member's employment, but is received by the member while employed, except those payments that do not exceed what is earned in each 12-month period during the final average salary period regardless of when reported or paid.

(2) Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, in an amount that exceeds that which may be earned in each 12-month period during the final average salary period, regardless of when reported or paid.

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

(4) Payments made at the termination of employment, except those payments that do not exceed what is earned in each 12-month period during the final average salary period, regardless of when reported or paid.

SEC. 29. Section 31542 is added to the Government Code, to read:

31542. (a) The board shall establish a procedure for assessing and determining whether an element of compensation was paid to enhance a member's retirement benefit. If the board determines that compensation was paid to enhance a member's benefit, the member or the employer may present evidence that the compensation was not paid for that purpose. Upon receipt of sufficient evidence to the contrary, a board may reverse its determination that compensation was paid to enhance a member's retirement benefits.

(b) Upon a final determination by the board that compensation was paid to enhance a member's retirement benefit, the board shall provide notice of that determination to the member and employer. The member or employer may obtain judicial review of

the board's action by filing a petition for writ of mandate within 30 days of the mailing of that notice.

(c) Compensation that a member was entitled to receive pursuant to a collective bargaining agreement that was subsequently deferred or otherwise modified as a result of a negotiated amendment of that agreement shall be considered compensation earnable and shall not be deemed to have been paid to enhance a member's retirement benefit.

SEC. 30. Section 31542.5 is added to the Government Code, to read:

31542.5. (a) When a county or district reports compensation to the board, it shall identify the pay period in which the compensation was earned regardless of when it was reported or paid. Compensation shall be reported in accordance with Section 31461 and shall not exceed compensation earnable, as defined in Section 31461.

(b) The board may assess a county or district a reasonable amount to cover the cost of audit, adjustment, or correction, if it determines that a county or district knowingly failed to comply with subdivision (a). A county or district shall be found to have knowingly failed to comply with subdivision (a) if the board determines that either of the following applies:

(1) The county or district knew or should have known that the compensation reported was not compensation earnable, as defined in Section 31461.

(2) The county or district failed to identify the pay period in which compensation earnable was earned, as required by this section.

(c) A county or district shall not pass on to an employee any costs assessed pursuant to subdivision (b).

SEC. 31. Section 31543 is added to the Government Code, to read:

31543. The board may audit a county or district to determine the correctness of retirement benefits, reportable compensation, and enrollment in, and reinstatement to, the system. During an audit, the board may require a county or district to provide information, or make available for examination or copying at a specified time and place, books, papers, data, or records, including, but not limited to, personnel and payroll records, as deemed necessary by the board.

SEC. 32. Section 31631 is added to the Government Code, to read:

31631. (a) Notwithstanding any other law, a board of supervisors or the governing body of a district may, by resolution, ordinance, contract, or contract amendment under this chapter, without a change in benefits, require that members pay all or part of the contributions of a member or employer, or both, for any retirement benefits provided under this chapter. All of those payments are hereby designated as employee contributions. For members who are represented in a bargaining unit, the payment requirement shall be approved in a memorandum of understanding executed by the board of supervisors or the governing body of a district and the employee collective bargaining representative. The contributions shall be uniform either (1) with respect to all members of a recognized bargaining unit or (2) within each of the following classifications: local miscellaneous members, local police officers, local firefighters, county peace officers, and all local safety members other than local police officers, local firefighters, and county peace officers and classifications covered pursuant to Sections 7522.20 and 7522.25.

(b) Nothing in this section shall modify a board of supervisors' or the governing body of a district's authority under law as it existed on December 31, 2012, including any restrictions on that authority, to change the amount of member contributions.

SEC. 33. Section 31631.5 is added to the Government Code, to read:

31631.5. (a) (1) Notwithstanding any other provision of this chapter, a board of supervisors or the governing body of a district may require that members pay 50 percent of the normal cost of benefits. However, that contribution shall be no more than 14 percent above the applicable normal rate of contribution of members established pursuant to this article for local general members, no more than 33 percent above the applicable normal rate of contribution of members established pursuant to Article 6.8 (commencing with Section 21639) for local police officers, local firefighters, county peace officers, and no more than 37 percent above the applicable normal rate of contribution of members established pursuant to Article 6.8 (commencing with Section 31639) for all local safety members other than police officers, firefighters, and county peace officers.

(2) Before implementing any change pursuant to this subdivision for any represented employees, the public employer shall complete the good faith bargaining process as required by law, including any impasse procedures requiring mediation and factfinding. This subdivision shall become operative on January 1, 2018. This subdivision shall not apply to any bargaining unit when the members of that unit are paying at least 50 percent of the normal cost of their pension benefit or are subject to an agreement reached pursuant to paragraph (1). Applicable normal rate of contribution of members means the statutorily authorized rate applicable to the member group as the statutes read on December 31, 2012.

(b) Nothing in this section shall modify a board of supervisors' or the governing body of a district's authority under law as it existed on December 31, 2012, including any restrictions on that authority, to change the amount of member contributions.

SEC. 34. The provisions of this act are severable. If any provision of this act or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

~~SECTION 1. It is the intent of the Legislature to convene a conference committee to craft responsible, comprehensive legislation to reform state and local pension systems in a manner that reflects both the legitimate needs of public employees and the fiscal circumstances of state and local governments.~~

O

AB 197 Buchanan

Amendment 1

Government Code section 20516 as it reads currently in AB 340. Page 48, line 2, strike "required" and replace with "authorized"

20516. (a) Notwithstanding any other provision of this part, with or without a change in benefit a contracting agency and its employees may agree, in writing, to share the costs of any optional benefit that is inapplicable to a contracting agency until the agency elects to be subject to the benefit the employer contribution. The cost sharing pursuant to this section shall also apply for related nonrepresented employees as approved in a resolution passed by the contracting agency. The

(b) The collective bargaining agreement shall specify the exact percentage of member compensation that shall be paid toward the current service cost of the benefits by members. The member contributions shall be normal contributions over and above normal contributions otherwise required by this part and shall be treated as normal contributions for all purposes of this part. The contributions shall be uniform, except as described in subdivision (c), with respect to all members within each of the following classifications: local miscellaneous members, local police officers, local firefighters, county peace officers, and all local safety members other than local police officers, local firefighters, and county peace officers. The balance of any costs shall be paid by the contracting agency and shall be credited to the employer's account. An employer shall not use impasse procedures to impose member cost sharing on any contribution amount above that which is ~~required~~ authorized by law.

Amendment(s) 2

As it reads in AB 340, page 57, lines 10, 17, and 22, add the words "and payable" after the word "earned"

AND

Add subdivision (c) as it reads below

Section 31461 of the Government Code is amended to read:

31461. *(a)* "Compensation earnable" by a member means the average compensation as determined by the board, for the period under consideration upon the basis of the average number of days ordinarily worked by persons in the same grade or class of positions during the period, and at the same rate of pay. The computation for any absence shall be based on the compensation of the position held by the member at the beginning of the absence. Compensation, as defined in Section 31460, that has been deferred shall be deemed "compensation earnable" when earned, rather than when paid.

(b) "Compensation earnable" does not include, in any case, the following:

(1) Any compensation determined by the board to have been paid to enhance a member's retirement benefit under that system. That compensation may include:

(A) Compensation that had previously been provided in kind to

the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member, and which was converted to and received by the member in the form of a cash payment in the final average salary period.

(B) Any one-time or ad hoc payment made to a member, but not to all similarly situated members in the member's grade or class.

(C) Any payment that is made solely due to the termination of the member's employment, but is received by the member while employed, except those payments that do not exceed what is earned and payable in each 12-month period during the final average salary period regardless of when reported or paid.

(2) Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, in an amount that exceeds that which may be earned and payable in each 12-month period during the final average salary period, regardless of when reported or paid.

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

(4) Payments made at the termination of employment, except those payments that do not exceed what is earned and payable in each 12-month period during the final average salary period, regardless of when reported or paid.

(c) The terms of subdivision (b) are intended to be consistent with and not in conflict with the holdings in Salus v. San Diego County Employees Retirement Ass'n (2004) 117 Cal.App.4th 734 and In re Retirement Cases (2003)110 Cal. App. 4th 426.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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September 17, 2012

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

SUBJECT: RETIREMENT ADMINISTRATOR SALARY

Dear Board Members:

Pursuant to Section 318 of the Management Resolution, the Board met in closed session on September 10, 2012 to discuss the six month evaluation and Merit Advancement of the Retirement Administrator.

Pursuant to Section 319 of the Management Resolution, the merit increase shall be based upon performance and may be any amount up to approximately ten percent (10%), inclusive, within the range. Increases are not automatic and require the written approval of the appointing authority up to eight percent 8%, and the County Executive Officer for increases between eight percent (8%) and ten percent (10%).

Pursuant to Section 320 of the Management Resolution, the appointing authority shall notify the Director of Human Resources and the employee in writing of their decisions regarding approval, denial, or deferment of a merit increase.

Pursuant to the Brown Act, if the Board agrees that a salary merit increase is warranted, the discussion regarding the amount, and the action to approve it, must occur in open session along with authorization for the Chair, or another member of the appointing authority, to provide written notice of the action to Human Resources.

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

Sincerely,

Donald C. Kendig, CPA
Retirement Administrator

My vision is for VCERA to be a model of excellence for public pension plans around the World.